

# Our values: The DNA of a Sustainable Company

ANNUAL  
REPORT '18







## **Annual Report '18**

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### Contents

**Management Report**

**Corporate Governance Report**

**Sustainability Report**

**Financial Statements**



# MANAGEMENT REPORT '18

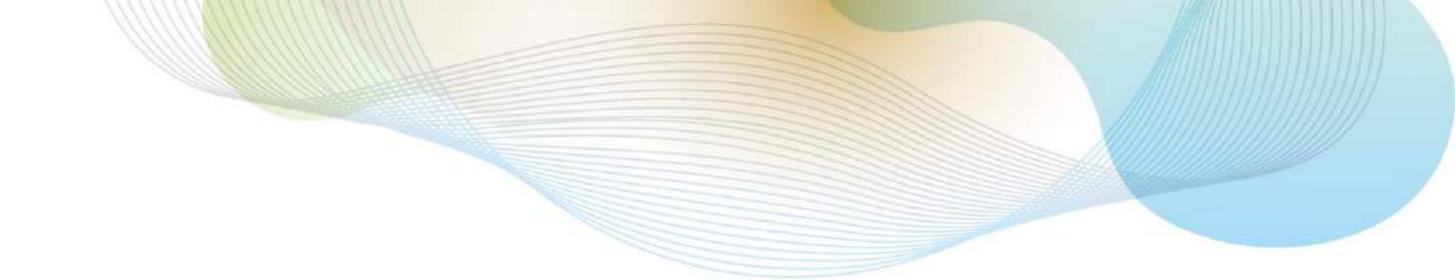
The DNA of a  
*Sustainable Company*



IMPROVING LIFE



**Our mission is  
to create long-term economic and social value,  
taking the benefits of progress and innovation  
to an ever-increasing number of people**



## Management Report' 18

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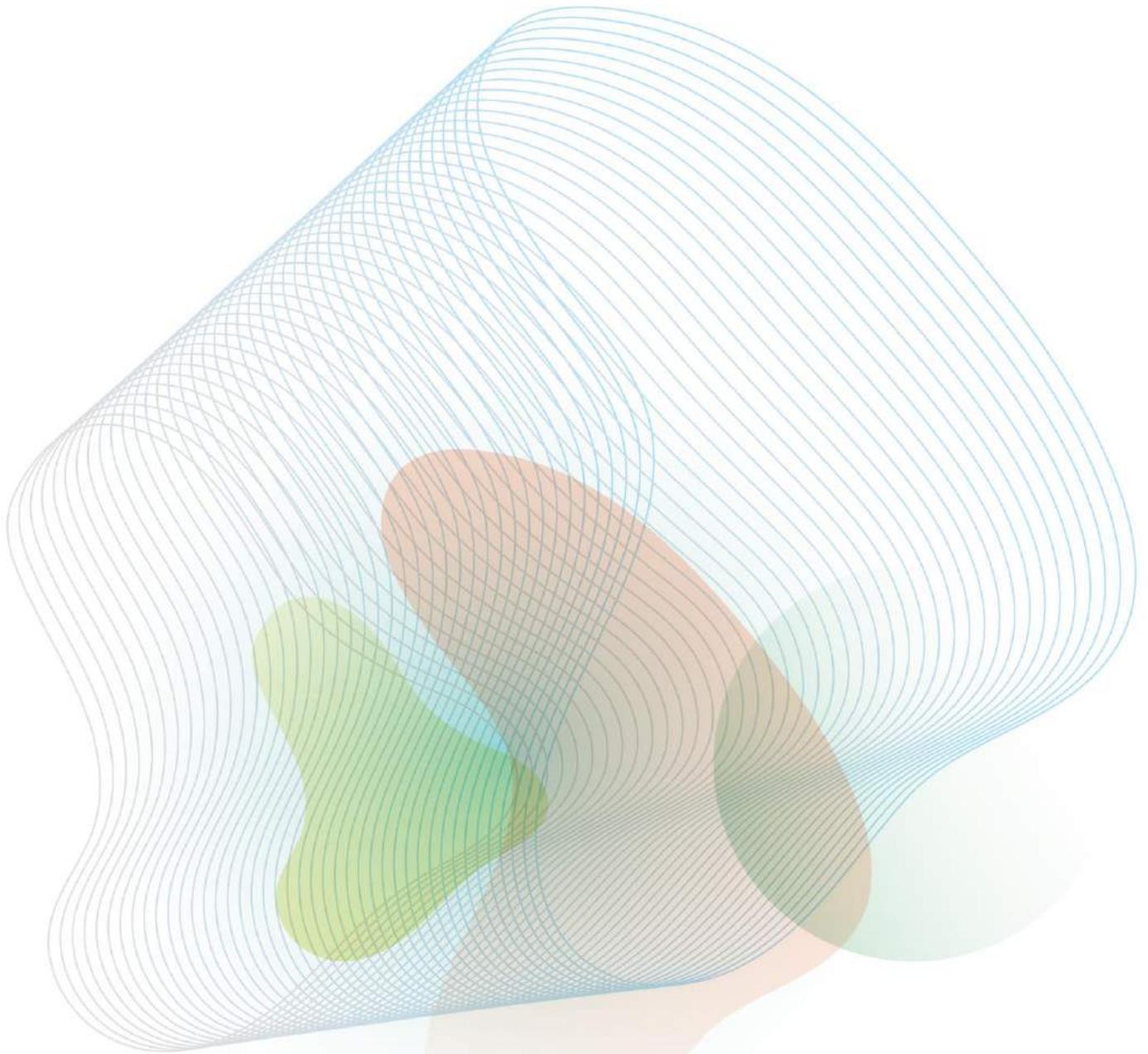
### Contents

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Sonae at a glimpse	9
Key statutory indicators	10
Key proportional figures	11
Our world	12
Awards and recognitions	13
Chairman message	14
Sonae group	18
Our history	19
Portfolio structure	22
Corporate strategy	23
ESG, a sustainable approach to business	32
Creating value for shareholders	43
Portfolio performance	47
CEO message	48
Consolidated financial performance	49
Trends and outlook	64
Individual net income	65
Proposal of the appropriation of the financial year net income	65
Subsequent events	65
Closing remarks and acknowledgements	66
Glossary	68
Appendix	71



**A strong corporate culture  
with a clear mission and values**



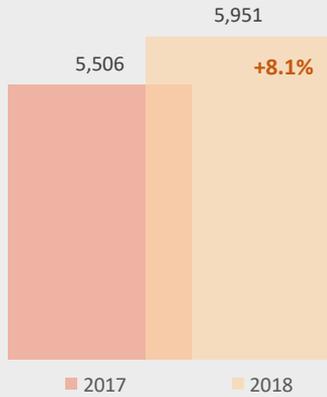
# Sonae at a glimpse

## Challenge:

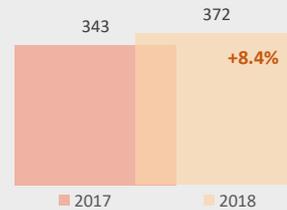
we have the determination to challenge the status quo, in order to ensure our long-term sustainability

## Key statutory figures

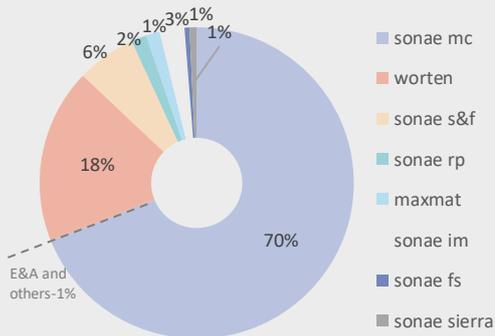
Consolidated turnover evolution (€M)



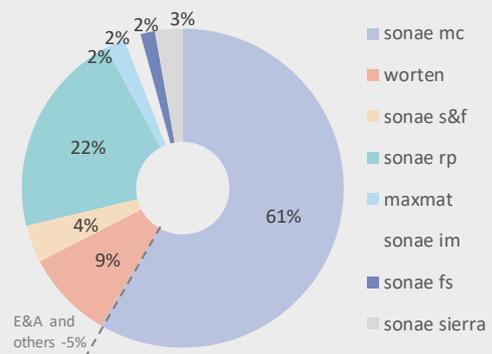
Consolidated underlying EBITDA evolution (€M)



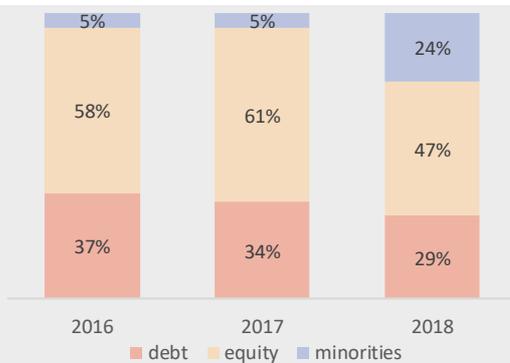
Turnover (€5,951 M)



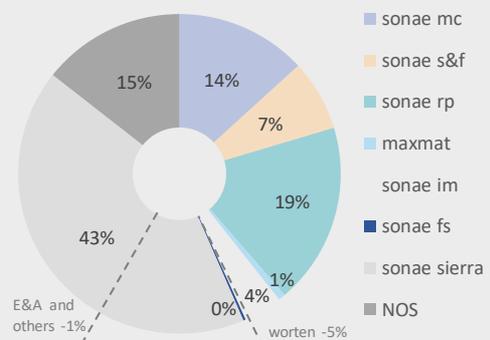
Underlying EBITDA (€372 M)



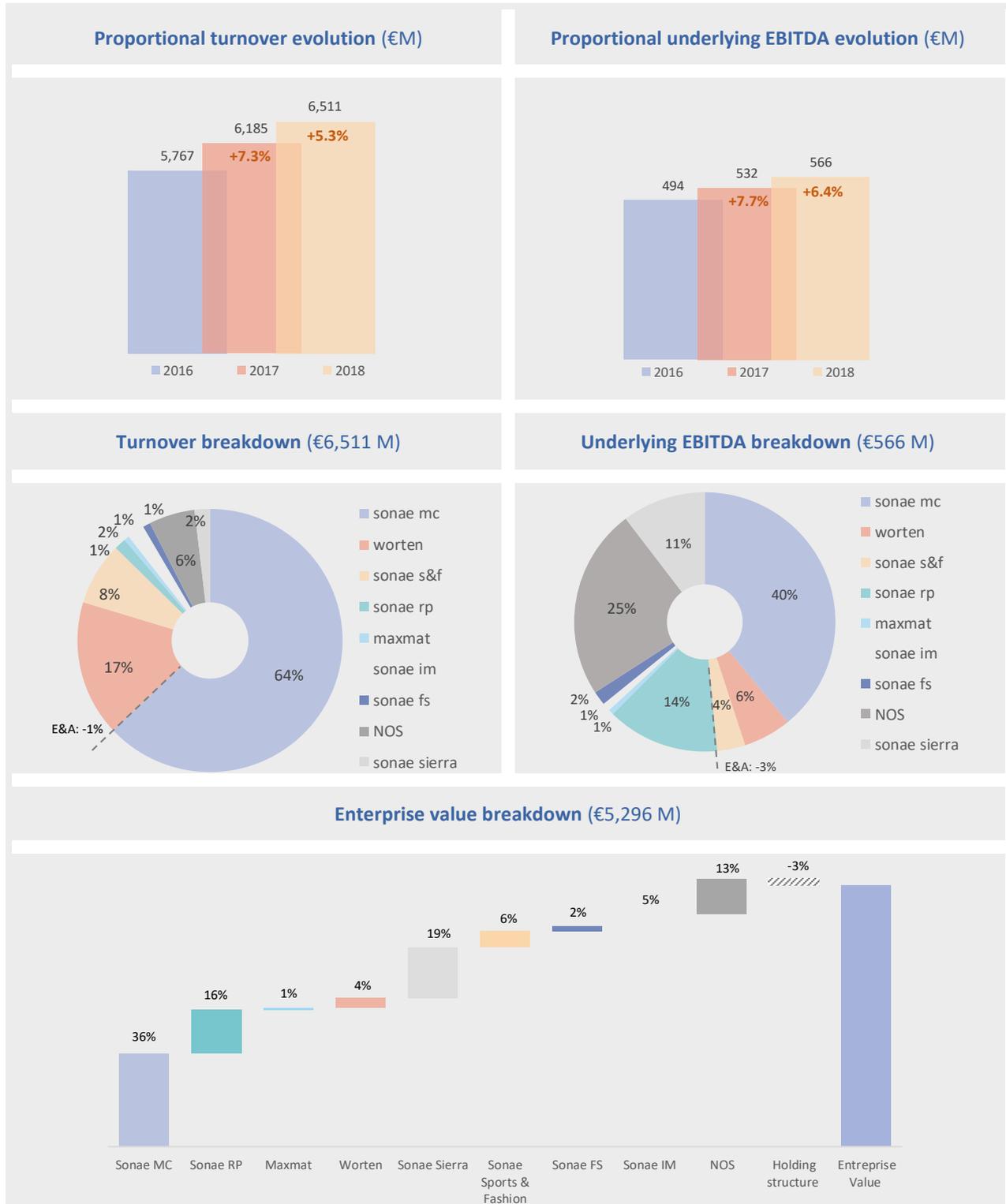
Capital structure



Invested capital (€4,605 M)

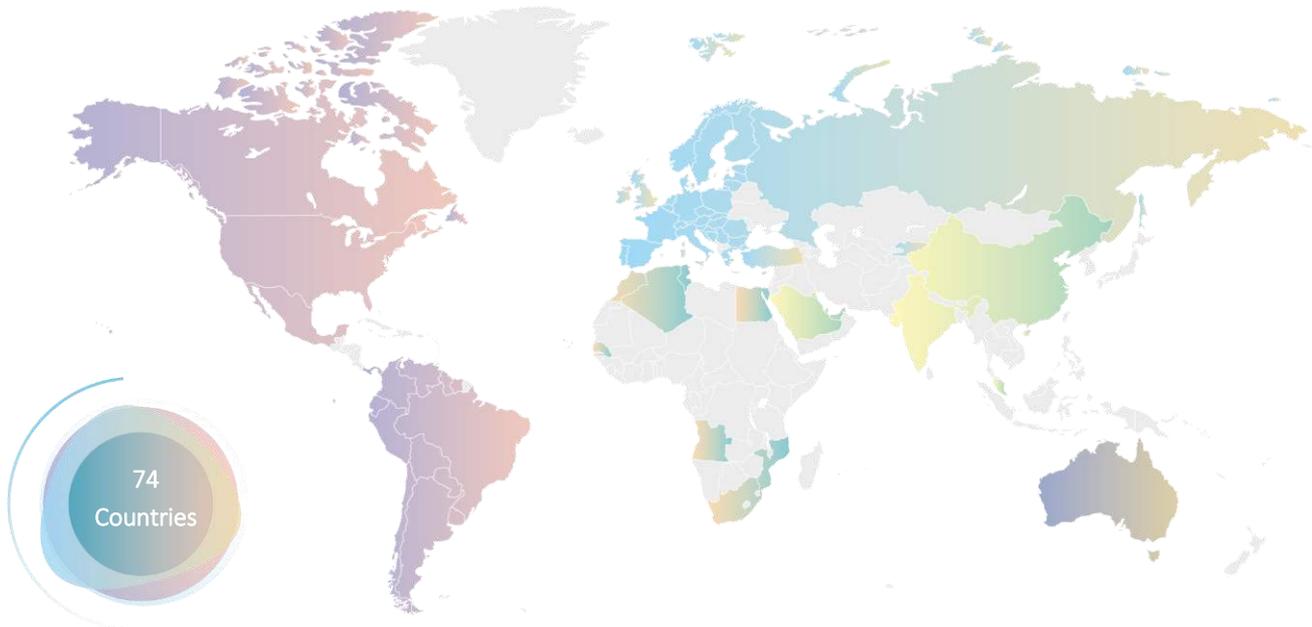


## Key proportional\* figures



\*a) Non-audit figures. b) Turnover and underlying EBITDA are pro-forma and proportional management accounts (including Sonae Sierra and NOS with the respective shareholding).

## Our world



<b>America</b>	Argentina Bolivia Brazil Canada	Chile Colombia Ecuador Guyana	Martinique Mexico Panama Paraguay	Peru Surinam Uruguay USA	Venezuela
<b>Europe</b>	Austria Belgium Bosnia-Herzegovina Bulgaria Croatia Cyprus Czech Republic	Denmark Estonia Finland France Germany Greece Guernsey	Hungary Ireland Italy Latvia Liechtenstein Lithuania Luxemburg	Malta Netherlands Norway Poland Portugal Romania Russia	Slovakia Slovenia Spain Sweden Switzerland Turkey UK
<b>Asia</b>	Bahrain China Hong Kong	India Kuwait Kyrgyzstan	Lebanon Malaysia Qatar	Saudi Arabia Singapore United Arab Emirates	
<b>Africa</b>	Algeria Angola	Cape Verde Egypt	Morocco Mozambique	Senegal South Africa	Tunisia
<b>Oceania</b>	Australia				

## Awards and recognitions

### Sonae



#### Excellence in Leadership Award

Sonae is made of leaders. Sonae is a **leading organisation** that brings together the most talented people, selected based on their merit and capacity to make Sonae a long-living company that strives towards a more sustainable society. This honour from Trust in the News and *EXAME*, awarded to Paulo Azevedo (Sonae Chairman and co-CEO), reflects our values and is shared by everyone at Sonae.

#### Sharing a Culture of Success

Our true success stems from our customers. We strive to show them our commitment and responsibility, working daily to ensure we recognise their invaluable contribution to our project. Customers are our most valuable asset and our success lies in their loyalty. We work hard to make sure we are their top choice and in turn we offer them brands they can trust, as demonstrated through the 15 **“Consumer Choice” (Escolha do Consumidor)** and the 5 **“Trusted Brands” (Marca de Confiança)** awards received.



#### Innovating for a better future

The **European Commission** distinguished Sonae as one of the most collaborative European companies working with startups. For the second year in a row, Sonae was part of the exclusive **“Open Innovation Challengers”** group working with startups in Europe. The “Europe’s Corporate Startup Stars” awards also distinguished Sonae with the **“Open Innovation Innovative Approach Award”** for its innovative work with startups, namely through Bright Pixel, the venture studio of Sonae IM, which has been investing in the capital of several European and worldwide projects, pushing disruptive initiatives forward to foster business. Among the projects that were the basis of this award were Insert Coin and Gov Tech. Insert Coin presents the concept of a “startup on demand” and Gov Tech invited startups to present a prototype for one of the 17 sustainable development goals set by the UN.

### Sonae MC



#### Improving our performance based on a circular economy approach

The Portuguese Environment Agency (APA) in the 10<sup>th</sup> Edition of the Green Project Awards recognised **Missão Continente in the “Innovation & the Circular Economy” category**. A distinction that recognises Sonae MC’s commitment towards a more sustainable society through the application of circularity concepts with benefits both for the environment and the economy. Sonae MC will keep on working towards increasing its circular economy levels and foster the circular economy of others.

### Sonae Sierra



#### A better environment through improved efficiency

Sonae Sierra won the **Silver Stevie® Award in the “Energy Industry Innovation of the Year” in the 2018 International Business Awards® with its Bright Programme “Improving the carbon footprint of real estate”**, which enabled a reduction in energy consumption by 10% and saved €2.3 million in costs in 2017. Initiatives in the pipeline will save an additional €1.3 million on an annual basis and a reduction in greenhouse gas emissions equivalent to 44%. A remarkable achievement by Sonae Sierra and an award that recognises its long-standing commitment towards energy efficiency.

#### OCARE – Corporate Social Responsibility

Sonae Sierra was distinguished with the “Best corporate and social responsibility (CSR) communication campaign to recipients” award for its “Atrapados” campaign against bullying. Sonae Sierra is committed to the highest levels of corporate social responsibility and transparency. Sonae Sierra embodies our strong corporate values and the true belief that sustainable success can only be achieved through sustainable societies. The “Atrapados” campaign video is available at: [goo.gl/vw8FHF](http://goo.gl/vw8FHF).

## Chairman message

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To all colleagues, shareholders and partners,

Simultaneously achieving growth in turnover, better operating results, higher returns and improved gearing ratios is never easy to achieve in a meaningful and sustainable way. Our financial performance in 2018 demonstrates that our long-term approach and very hard work continue to result in improved operating performance and growth in value of our assets.

We have always faced a fair amount of challenge on whether our unwavering long-term commitment to social and environmental responsibility could realistically also produce "top" economic returns. We take those challenges seriously, but we invariably end up more convinced that our choice, whilst difficult to deliver on, is not only possible, but in fact will become increasingly essential for most companies.

### Performance

In 2018 our consolidated turnover grew 8.1% to €5,951 M and our consolidated underlying EBITDA followed the same trend with an 8.4% increase to €372 M.

All fully consolidated divisions contributed positively to the growth in turnover.

Of particular note was the performance of SONAE MC, which posted a growth of 7% both in turnover and underlying EBITDA with very positive increases in LfL sales and market share. Growth in areas we consider to be key for the future of the company - organic food, wellness and e-commerce - were particularly strong and reinforced our clear market leadership in all three areas.

SONAE IM and SONAE Financial Services grew their contributions to consolidated underlying EBITDA by 42% and 67% respectively and both continue to perform well also in their investments that are not fully consolidated. At WORTEN, the year was particularly intense in our clear course to transform the business into an increasingly digital omnichannel operator. The results were extremely positive in terms of customer acceptance and sales (+ 7.6% with 5.6% LfL growth) but the process is demanding in terms of IT investments, managing margin mix and adapting and rightsizing physical stores, and progress on EBITDA was small.

Our SONAE SPORTS & FASHION division (excluding SportZone/ISRG which is not fully consolidated) faced a challenging year as was the case for the whole industry in terms of demand, especially for players in Iberia and in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters. Our performance in the 4<sup>th</sup> quarter was better with a significant improvement over the previous year but unfortunately not sufficient to achieve an improvement in the full year results. The fashion division remains an important challenge for us, as we need to continue developing our competencies in product design and supply chain management.

Our non-consolidated companies - NOS, SONAE SIERRA (for 3 quarters), ISRG, MDS and SONAE IM portfolio companies - also progressed globally well.

NOS is now operating in a market which is under pressure with increased regulated costs and regulatory limitations regarding price increases for most existing contracts. Despite the resulting small increase in turnover and pressure in



some cost lines, NOS was able to double up efforts in streamlining all its internal processes and managed to post a growth of 9% in EBITDA-CAPEX, achieving €216 M.

SONAE SIERRA continued to focus on the execution of its long-term strategy of recycling capital and growing its services and development businesses. In 2018, Sonae Sierra managed to sell almost €600 M of shopping centre Open Market Value with attractive gains, saw its Services EBIT grow by 11% y-o-y, invested over €165 M in expansions such as Norteshopping, Outlets in Spain and Greece and a new shopping centre in Colombia which opened in February 19. Sierra now has an INREV NAV which is marginally above the 2008 level, at the same time as it has distributed almost €350 M of dividends and is planning to distribute a record amount of €115 M relative to 2018.

The first year of ISRG, our JV with JD Sports and Sprinter in sports retailing, has already proved the rationale and potential that motivated the partnership and, despite very heavy restructuring with many temporary store closures and significant range alterations, the company posted 16% growth for the year and much improved profitability from the 2<sup>nd</sup> quarter onwards.

### Portfolio changes

There were also significant portfolio movements in the year with the acquisition of 20% of SONAE SIERRA from our partner Grosvenor Real Estate being the most significant. Grosvenor has been our partner for over 20 years with varying degrees of ownership but with the same spirit of true and full partnership, and it is our hope that this will be the case for many years to come. We are pleased with this acquisition as Sierra is our most international business and a strategic asset for our Group. Over the coming years, we wish to rebalance Sierra's portfolio by increasing its exposure to key dominant assets, to developments in growing markets and to services on a global basis. This investment also means full consolidation of SONAE SIERRA accounts with significant contribution to Group EBITDA. In 2018 this is only visible in the last quarter for the P&L account (distorting some ratios) but will have full impact during the current year.

The ISRG partnership, as mentioned previously, was also concluded in the year (Q1) and has meant SportZone figures were no longer fully consolidated for the year. The net result improvement was already very positive in the first 3 quarters of equity method consolidation in our accounts and we are confident this positive impact will grow in the coming years.

At SONAE IM there were also significant portfolio shifts notably with the sale of half of our Outsystems indirect stake, causing a capital gain of €38.3 M. This was our second investment in Outsystems after a small 1.5% investment in the startup, and we have followed the continuous value creation of the company from its beginning - we are proud that it has become the second Portuguese origin "unicorn" and happy to still hold a minority indirect stake, through Armilar Venture Partners funds. SONAE IM also executed several new investments in the year, both as bolt-on acquisitions and new investments.

Already in 2019, SONAE MC concluded a significant investment in the Health & Wellness area in Spain, acquiring a majority stake in ARENAL, a beauty and health retailer. ARENAL has both standalone expansion potential and significant synergies with Wells in Portugal.

The largest shift in the portfolio that was planned for the year - the IPO of SONAE MC - was not concluded, as it was not possible to price the company at fair value. Beyond the market turmoil which made practically all IPOs impossible at the time, there was also some negative market sentiment on food retailing in Europe in the 2<sup>nd</sup> half of the year, which made it uninteresting to pursue a quick new attempt after the most serious turmoil ended. The goals of balancing our portfolio over time, of providing greater transparency to the value of our assets and of achieving more homogeneous levels of management and governance across our largest divisions, remains valid. Regarding Sonae MC, this last objective was totally achieved in the process and SONAE now has a more homogeneous generic way of controlling and adding value to our businesses (our "parenting style") which should prove easier to manage.



These portfolio shifts are also consistent with our long-stated corporate strategy pillars and in particular with internationalization. SONAE SIERRA is one of our most international companies and we are confident that, with this investment, we are also improving the long-term growth potential of our company.

### Value

Our balance sheet ratios have continued to improve despite the heavy investment in organic growth and acquisitions, with gearing improving from 0.6x to 0.5x vs. the previous year. Net Debt/EBITDA ratios improved vs. last year from 2.9x to 2.7x even though we are considering all of the extra debt resulting from the acquisition of the 20% stake in SONAE SIERRA and the consolidation of its debt (+ €256 M and + €115 M, respectively), but accounting for only one quarter of SONAE SIERRA's EBITDA and regardless of the fact that real estate companies have significantly higher levels of Net Debt/EBITDA ratios.

Despite all this, the performance of our stock was negative for the year. We are disappointed to see that the underlying value of our assets is clearly not translated into our share price, and particularly that such a good year in terms of operational results and value creation did not result in a positive performance in capital markets. Going forward, we are committed to improving our communication with the market beyond the largest shareholders, with a special focus on explaining the rationale for key strategic decisions.

In any event, our financial performance allows us yet again to continue our policy of increasing dividends annually by 5% without increasing pay-out ratios, and our capacity to continue to do so in the future will inevitably help establish a higher level for our share price.

### Sustainability

But all this is only half the picture for us as we look at our responsibility to create social value with equal importance to creating economic value:

- We continued our strong pace of net job creation with over 1,300 jobs created in 2018 alone, in all businesses which we control or co-control.
- We increased pay for new entrants at the base of our job pyramid in Portugal by 6.2% after an increase of 4.6% in 2017 and 3.8% in 2016 far above the average pay increase of all levels.
- We ensured almost 1.3 million hours of training for our employees in our fully consolidated businesses, an increase of 14% vs 2017.
- We increased our investment in photovoltaic power stations (+20 in a total of 141) generating energy savings of around 20% per unit and allowing us to have a 29% increase in the renewable energy produced by them.
- We continued to promote merit inside and outside the organization and recognized students with merit prizes related with performance and social awareness, as well as scholarships, namely 34 annual grants for young girls who, despite being school achievers, face several social and economic constraints.
- We developed even further our commitment with Escola do Cerco, having supported ca. 1,000 students with many different activities within and beyond school, namely the implementation of STEM activities in partnership with YScience.
- We continued our strong commitment in promoting diversity and inclusion and had a positive evolution in all of our ERT 2020 targets ("voluntary target for women in leadership positions").
- We continued to give to charity and social causes directly, this year with a total amount of circa €11 M, a 13.4% increase vs 2017.

Looking forward, we have started a group wide effort to identify new projects to step up our sustainability efforts and define new targets in five important areas:

1. CO<sub>2</sub> and Climate Change
2. Nature and Biodiversity
3. Plastics
4. Inequalities and Inclusive Development
5. Community Support



This recent push has created great enthusiasm in our teams, who clearly have our sustainability values at heart, and have already begun to produce new ideas and some immediate results, particularly so in the area of plastics.

As part of this project, and in our general reporting to the market, we will increase the level of reporting and make our new main objectives public as we hope the apparent trend in investor interest towards sustainability matters is sincere and sizeable.

### Succession

The past two years have also been intense in the development and succession planning of our management at all levels, including replacing myself and Ângelo Paupério in our executive functions. This has impacted almost all company boards with new executive directors having been appointed at SONAE MC, SONAE SIERRA, SONAE Sports & Fashion and NOS, as well as a new CEO at SONAE IM and a new team at SONAE.

The work Ângelo and I undertook to prepare this, and the work of the board committee to produce a recommendation on the new CEO and board composition, was thorough and timely, allowing for a 6-month transition period with Cláudia Azevedo released from her previous functions and preparing for her new role. She has done so with great enthusiasm and is quickly winning over renewed enthusiasm and expectation from our teams.

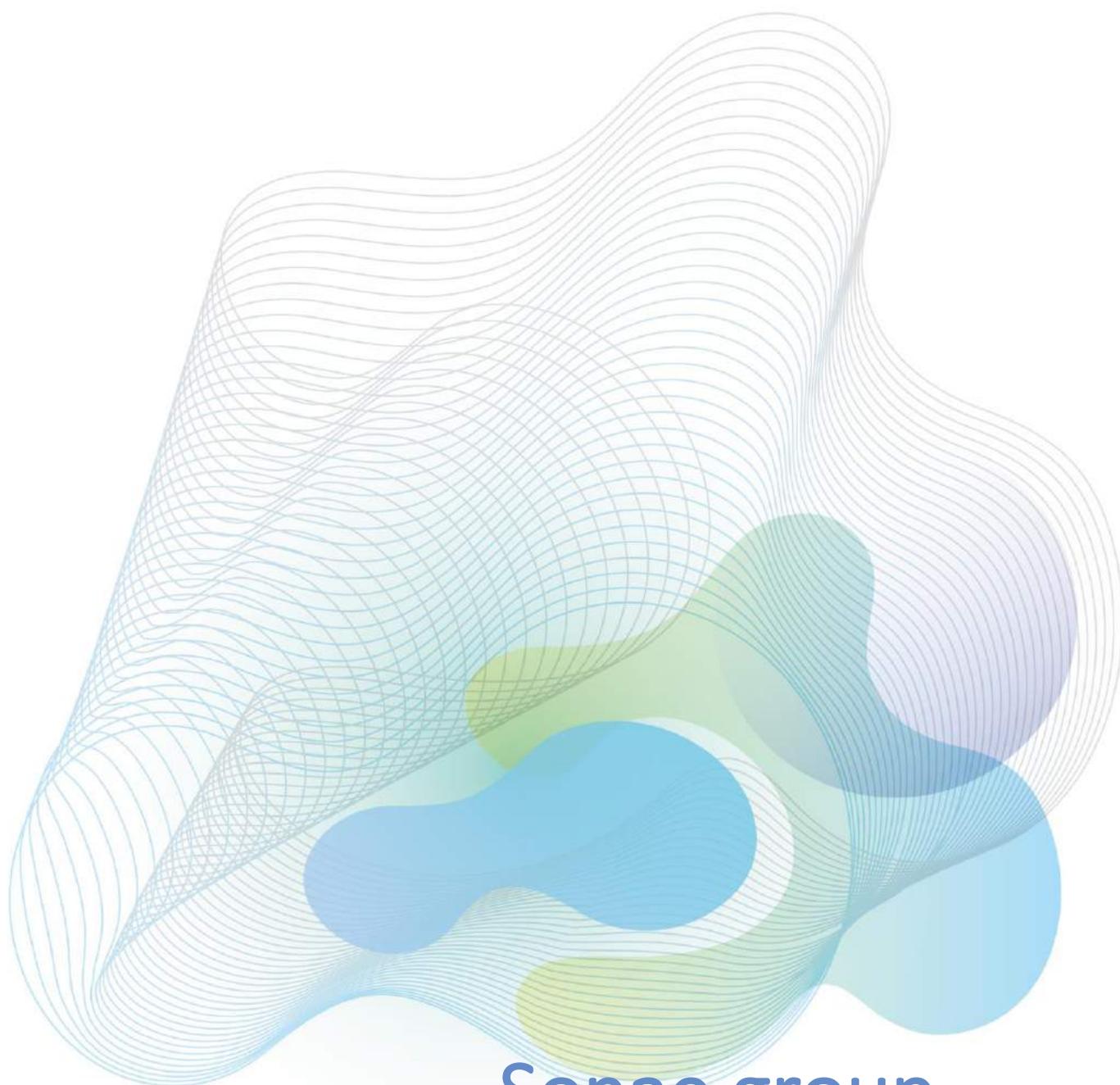
Ângelo Paupério has been critical in smoothly operating this transition. This was of course expected as this has always been the case in all executive functions he has had at SONAE for the last 30 years! Expected as it was, it never ceases to impress upon me deep feelings of admiration and gratitude. It has been a privilege to work alongside him almost all of those 30 years and I have benefitted greatly from his wisdom, thoughtfulness, resilience and fine sense of humor! I am certain I will continue to do so as we dedicate ourselves once again, side by side, to non-executive functions at SONAE.

In my new role as Chairman only, I will do my best to create the conditions necessary for Cláudia and the executive teams to succeed in their difficult task of meeting the demanding economic and social value goals we have always imposed on ourselves. I will try to do this by pursuing the goals of orchestrating a board team and an alignment with shareholders which will support long-term strategies and fast decision-making. This will require a high degree of knowledge and commitment from board and shareholders alike, and a strong partnership with a high level of trust with management.

Finally, I would like to thank all employees and partners for the amazing amount of work that went into making 2018 a year of such good progress and unique achievements, and all our customers and investors for selecting us, trusting us and choosing to stay with us. I would also like to thank all members of our governing bodies for their commitment, challenge and advice, and particularly all those whose mandates end this year. I sincerely hope they will continue to follow us and that we may be able to call on them for advice in the future.

Thank you.

Paulo Azevedo,  
Chairman and co-CEO



# Sonae group

## Commitment:

we are committed to our stakeholders,  
seeking to understand and exceed their  
expectations

## Our history

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50's  
to 70's

**18<sup>th</sup> August 1959**

**Foundation of Sonae** - Sociedade Nacional de Estratificados

**1965**

**Belmiro de Azevedo** is hired

**1971**

Acquisition of **Novopan**

**1978**

Workers go on strike against attempt to nationalise Sonae

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80's

**1983**

Launch of Sonae in the **capital markets**

**1985**

**1<sup>st</sup> hypermarket in Portugal:** Continente (Matosinhos), following a JV with Promodés

**1986**

Opening of Hotel Porto Sheraton (currently Porto Palácio Hotel)

**1987**

**7 IPOs** for: Particleboard, Food Retail, Tourism, Media, Robotics, Shopping Centres, electricity and cooling

**1989**

**Opening of the first two shop. centres** built by Sonae (Portimão and Albufeira)

Creation of Ibersol and beginning of the radio station "Rádio Nova"

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90's

**1990**

Launch of the newspaper "Público"

**1991**

Opening of CascaiShopping – the first modern shopping centre in Portugal

**1993**

Acquisition of a controlling position in Tafisa (wood panels)

**1994**

MBO of Ibersol by Sonae Capital (19and set up of Sonae Tourism)

**1995**

Creation of **Maxmat** (DIY retail) and Modalfa (currently MO)

1<sup>st</sup> Portuguese company represented in the WBCSD

**1996**

Launch of **Worten**

**1997**

Partnership between **Sonae and Grosvenor** for Sonae Sierra and opening of **Centro Colombo**, the largest shopping centre in the Iberian Peninsula

Launch of **SportZone**

**1998**

**Launch of Optimus** (telco operator)

Introduction of the **proximity supermarket format**

Opening of **NorteShopping** adjacent to Matosinhos Hypermarket

**1999**

Opening of Vasco da Gama shopping centre adjacent to the Lisbon Expo 98

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**2000**

**IPO of Sonaecom**

**2001**

**Delisting of Sonae Imobiliária**

Launch of **Continente E-commerce**

**2002**

Opening of Shopping Parque D. Pedro in Brasil, the largest in South America

**2004**

**Partnership between MDS** (insurance company) and Cooper Gay (insurance broker)

Sale of Sonae's stake in **Portucel**

**2005**

**Spin-off of Sonae Indústria**

**Sale of Sonae Distribuição Brasil to Wal-Mart**

**2006**

**Sonaecom takeover bid for PT and PT Multimédia**

**Launch of para-pharmacies** under "Área de Saúde" brand (later Wells)

Sale of Enabler



**2007**

**Paulo Azevedo becomes CEO of Sonae**

**Acquisition of Carrefour Portugal**

**Spin-off of Sonae Capital**

Launch of Continente Loyalty card

Opening of Alexa shopping Centre in Berlin, the first in Germany

**2008**

Sale of Contacto by Sonae Capital

**SportZone and Worten enter in Spain**

**2009**

**Sale of 49.9% of MDS to Suzano Group**

**2010**

**Launch of new corporate identity**

Sale of Sonaecom stake in Altitude's share capital

**2012**

**Launch of "Obrigações Continente"** - €200 M bond available to retail investors

**2013**

**Merger between Zon and Optimus and creation of the NOS brand**

**2014**

Launch of a **convertible bond offer** due in 2019 (€210.5 M)

Sonae IM: sale of Mainroad to NOS and acquisition of 60% of S21Sec (cybersecurity)

**Sonaecom** launches a tender offer for the acquisition of a maximum of 24.16% of its share capital. The level of acceptance reached 62%, corresponding to approx. 55 million shares

**Sonae RP's sale & leaseback transactions:** cash-in of **€174 M** (2010, 2011 and 2014)



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## 2015

**Paulo Azevedo becomes Chairman and Co-CEO of Sonae**

**Ângelo Paupério is elected Co-CEO of Sonae**

Sale of Geostar (former Star viagens, acquired in 1989)

Acquisition of Losan, by Sonae Sports & Fashion

Sonae FS launches **Universo** card

**Sonae subscribes the “Paris Pledge for Action”**

## 2016

**Sonae Sierra opened ParkLake** shopping centre in Bucharest, Romania

**Sonae MC: first supermarket specialised in healthy food**

**Acquisition 50% of Salsa’s share capital, by Sonae Sports & Fashion**

Acquisition of a stake in ES Ventures (Armillar Venture Partners) by Sonae IM

## 2017

**Sonae Sierra** begins construction of the 1<sup>st</sup> shopping centre in Colombia and a dominant shopping centre in Italy (Parma)

Acquisition of 51% in **Go Well** and 100% of Brio, by Sonae MC

**Sonae IM:** minority stakes in Probe.ly, Ometria, Seculoud and Arctic Wolf

Sonae surpasses **€100 M e-commerce sales**

**Worten surpasses €1 bn of sales**

**Agreement between SportZone, JD Sports and Sprinter (conclusion in 2018) to form ISRG (Iberian Sports Retail Group)**

## 2018

Acquisition of **further 20% in Sonae Sierra**

**Sonae MC** acquires 100% of **Amor Bio**, 2 organic convenience supermarkets, and announces the acquisition of 60% of Arenal perfumeries

**Sonae IM** acquires minority stakes in **Nextail, Nextel, Case on It, Reblaze, Excellium, ciValue** and does several Bright Pixel investments; **Outsystems:** partial stake sale and re-valuation of the remaining stake, following the investment from KKR and Goldman Sachs; merger of **S21sec and Nextel**

**Agreement with CTT – Correios de Portugal (50/50)** to exploit a business opportunity in the e-commerce segment (dott)

**Sonae** suspends announced **IPO of Sonae MC**

**Sonae RP’s sale & leaseback transactions:** cash-in of **€554 M** (2015, 2016, 2017 and 2018)

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## Portfolio structure

100%	sonae mc	 food retail	
100%	sonae rp	 retail properties	
50%	maxmat	 DIY retail	
100%	worten	 electronics retail	
100%	sonae s&f	 sports and fashion retail*	
90%	sonae im	 investment management	
100%	sonae fs	 financial services	
70%	sonae sierra	 retail real estate developer, owner and manager	
23%	NOS (equity consolidated)	 telecoms	

\* SportZone, Sprinter, JD and Size? belong currently to the Iberian Sports Retail Group (ISRG), in which Sonae holds 30%.



## Corporate strategy

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### Our Mission

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

### Who we are

We are a **long-living family-controlled company** with a solid culture managing a wide portfolio of companies across several geographic areas and sectors.

### Ethics, Sustainability and Performance

We focus on a sustainable performance, which can only be attained based on an ethical approach to business. Sustainable success depends on a sustainable society and we believe in partners who share this belief.

- a strong corporate culture with a clear mission and values instilled in its DNA
- a stable shareholder structure
- guided by a multidisciplinary Board of Directors with independent directors
- leading market position in most of the businesses
- steadily growing shareholders' remuneration
- strong balance sheet and cash flow generation
- active portfolio management as way of generating value

### Sonae and Capital markets

We are a company that is majority owned by one shareholder who has shaped our culture and beliefs. We are a publicly traded company with a large free float and a responsibility to over 20 thousand shareholders.

We believe that our founding motives to “contribute to economic development and to promote overall social well-being” have made us stand out as a responsible and ethical example and have led to outstanding returns.

We actively seek to communicate to capital markets our long-term view and commitment to all stakeholders aiming to encourage investors with the same beliefs and discouraging those who might seek short-termism or who may be less inclined to consider the overall social responsibility of corporations.

## Our values

 <p>trust and integrity</p>	<p>We are committed to <b>creating economic value in the long term, built on sustainable relationships with all our stakeholders</b>. We establish these relationships based on principles of honesty, uprightness and transparency</p>
 <p>people at the centre of our success</p>	<p><b>Our people are a determining factor in our success.</b> 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 promote meritocracy relentlessly and embrace diversity at all levels</p>
 <p>ambition</p>	<p><b>Ambition is born from continuously establishing goals which will stretch us to our limits, stimulating our energy and reinforcing our determination.</b> 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</p>
 <p>innovation</p>	<p><b>Innovation is at the heart of our businesses.</b> 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</p>
 <p>corporate responsibility</p>	<p>We are committed to <b>developing our activities based on the principles of sustainable development, looking to contribute to society beyond the economic value generated by our business activities</b>. 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</p>
 <p>frugality and efficiency</p>	<p>We aim to optimise the use of resources and maximise their return, seeking cost efficiency, and avoiding any waste or extravagance. As a priority, <b>we focus on achieving operating efficiency, promoting healthy competition, and delivering high impact projects</b></p>
 <p>cooperation and independence</p>	<p>We are ready to cooperate with central and local governments, in order to improve regulatory, legal and social frameworks, and to ensure <b>the best solutions for the communities within which we operate</b>, but we also take care to maintain our independence in relation to all such entities</p>

## Our Strategic Guidelines

Our Strategic Guidelines are the framework to approve projects and investments and we assess each one of these based on its merit and contribution to the value of the company and its Return on Invested Capital. Our portfolio is diversified in terms of business and geographic areas, with a strong knowledge in areas like retail, financial services, technology, shopping centres and telecommunications. This wide portfolio of companies across several geographic areas and sectors aims to create long-term economic and social value to take the benefits of progress and innovation to an ever-increasing number of people.

We are committed to the internationalisation of our activities, when they are profitable and sustainable in the long run, as we understand international exposure as a way of risk diversification as well as a growth opportunity. Therefore, **internationalisation will remain a key avenue for growth**, whenever we find opportunities to create value for the shareholders.

**Our exceptional portfolio of key competencies and assets is a key determinant of our sustainable success** and many of the new opportunities that we exploit arise from our current business units and we seek to make them grow and then transformed into an autonomous business.

Some of the most remarkable changes in the business landscape are related with new business models and forms of investment. In a business world moving at a very fast pace, **Sonae is determined to ensure increased flexibility and is ready to adapt and pursue different business models and investment when securing new business opportunities.**

In the image below, our 3 strategic guidelines are represented:



### Drive International Expansion

**Internationalisation will remain our key growth driver for many years to come.** This is our top strategic priority and we will deploy resources accordingly, as we **have the opportunity to enlarge our international footprint and transform Sonae into a large multinational corporation.** This is the only option which guarantees our long-term sustainability and is consistent with our level of ambition and growth.

We have an **outstanding management team, expertise and reputation in our current businesses and can use them to create value on a larger scale and in markets that are growing faster and have a higher potential.** Therefore, new investment opportunities, both organic ventures and acquisitions, should include sizeable internationalisation potential. We will target opportunities in several geographic areas, but we will give particular focus to markets with high growth prospects, stable economic conditions and good governance practices.

## Strengthen and Leverage Our Key Assets and Competencies

**Reinforcing our strongest competitive positions is a key condition for our long-term sustainability.** It is the stepping stone for our growth strategy and it is where most of our key competences and assets currently reside. Therefore, keeping core teams dedicated and concentrated on **winning in their respective main markets is crucial to underpin Sonae's ambition and fund our growth options.**

We will continue to explore new business opportunities that leverage our exceptional capabilities and asset base in Portugal, as a way to nurture our portfolio of options for future growth. Besides their inherent business attractiveness, these new ventures should benefit from and reinforce our competences and/or strategic assets, have the potential to become large businesses in the medium-term, and allow for a stronger and more balanced portfolio.

We will dedicate a **part of our capital to these new ventures, according to their ability to deliver growth and create value.** We will also look for early signs of success or failure, guaranteeing that scale-up, merger or divestment decisions are taken as soon as possible.

## Diversify Business Models and Investment Approach

We will ensure high levels of flexibility in pursuing our growth ambitions, particularly in international markets. We will continue to adopt different business models, according to our ability to accelerate specific opportunities and manage risk. In practice, we will keep growing our businesses with a mix of organic expansion (both capital heavy and capital light), wholesale, franchising and service rendering.

We will also look to leverage our resources and capabilities by adopting the most appropriate investment style or mix of styles for each business, including wholly owned businesses and majority stakes, but also joint ventures and minority stakes. Majority stakes are the appropriate investment style where, on our own or with little contribution from third parties, we have the resources and competences to lead the business and guarantee the development of sustainable competitive advantages and creation of superior value. Minority stakes are the appropriate investment style where we do not have the resources or would benefit from the contribution of third parties to achieve superior value creation. In any case, we are not a financial investor and will always aim to ensure some degree of influence over each business and an ability to add value based on our competences.

**Below are some of the examples of the key strategic achievements in 2018:**

### Sonae MC, increasing autonomy

**Sonae MC** is one of the key investments in our portfolio with still unlocked potential to fulfil its growth ambitions and as well as to create shareholder value.

Sonae MC benefits from the following key business strengths:

- Direct exposure to an attractive macroeconomic environment currently in place in Portugal
- Strong market leadership in Portugal
- Unparalleled physical presence and network capillarity to cater all shopping needs of the customers
- Brand strength and customer engagement driving to a strong loyalty
- Highly efficient operations with state-of-the-art supply chain
- Strong financial profile underpinned by efficiency and a focus on solid cash flow generation
- Reinforced distinctiveness in critical consumer preference attributes
- Capacity to exploit major market opportunities: E-commerce, expansion in proximity stores, and the Health & Wellness segment



In 2018 we ensure an increased level of autonomy and agility of Sonae MC in order to increase the capacity of this sub-holding to explore its strategy and growth plan. We did it by redefining Sonae MC's perimeter (which now includes Maxmat and most of Sonae RP assets), as well as adopting a governance model fully aligned with the best practices of listed companies.

Despite the cancelation of the IPO due to particularly adverse market conditions, we believe we have succeeded in transforming Sonae MC to be better prepared to unleash its true potential, both for the food retail market, for new growth areas like the health and wellness and for e-commerce.

"Despite not being possible to float Sonae MC, due to particularly adverse market conditions, the restructuring of its perimeter achieved the objectives of autonomy and agility and allowed Sonae MC to operate with a governance model fully aligned with the best practices of listed companies."

Ângelo Paupério, Sonae co-CEO



## Sonae increases its stake in Sonae Sierra

During 2018, Sonae increased its shareholding in Sierra from 50% to 70% through the partial acquisition of Grosvenor's stake for €255 M<sup>1</sup>. We are very pleased with this acquisition as it increases Sonae's international exposure and strengthens our position in a leading international real estate player, in which Sonae has been invested since 1989.

**Sonae Sierra** is one of the most awarded companies in the real estate sector regarding sustainability. It offers a wide range of services that cover the entire property lifecycle: development, asset and property management and investment in sustainable retail assets and provision of investment, architecture, engineering and property management services for clients in geographic areas as diverse as Europe, South America, North Africa and Asia.

At the end of 2018, Sonae Sierra managed 64 shopping centres, thereof 44 owned (or co-owned), with a total gross lettable area of 2.5 million sqm and an open market value (OMV) of €7 billion. Sonae Sierra is present in 12 countries, manages over 9,300 contracts with tenants and welcomes over 450 million visitors per year. Sonae Sierra's core strategic pillars are capital recycling, a focus on growing its portfolio of services, and the strengthening of its development pipeline which as of January of 2019, had 15 projects under development, of which 9 are for third parties.



"Sonae completed the 20% stake acquisition of Sonae Sierra, an important milestone to increase the international profile of the group by reinforcing its participation and influence over this leading player in the retail real estate sector."

Ângelo Paupério, Sonae co-CEO

<sup>1</sup> As announced July 13<sup>th</sup> 2018.

### Sonae Sierra key figures 2018

- NAV of €1.455 billion
- EBIT at €108 million (proportional basis)
- GLA more than 2.5 million sqm under management
- More than 9,300 tenant contracts
- More than 450 million visitors in its shopping centres



### Iberian Sports Retail Group, a partnership destined to succeed

In 2017, we launched the foundations for what we were sure would become a successful partnership with JD Group (50%) and the founders of Sprinter (20%), creating the **Iberian Sports Retail Group (ISRG), where Sonae holds a 30% stake.**

The partnership was concluded on 31<sup>st</sup> January 2018 and since then it has been adapting, integrating and enhancing both its store network and business models. With highly focused teams and a committed management team, ISRG is the second largest sports retailer in the Iberian market, and main Iberian player in multibrand sport retail aiming to become the clear market leader.



During this first year of joint operation, the results are evident, and we are confident for the future of this JV. In Spain, SportZone stores have been reconverted into Sprinter stores, and our client's positive reactions have been worth noting. In Portugal some adjustments to the business model have been made: the focus is now on sportswear apparel and footwear rather than on technical equipment, and several new international brands were introduced. The results of this integration plan, both in Spain and Portugal are very positive, showing that the consolidation of different expertise and know-how play a critical role in improving operational performance. Additionally, important cost synergies are also being achieved, namely by joining forces of such important companies.

**ISRG's brands reached total net sales of €610 M during 2018, with a network of 325 stores located in Portugal and Spain at the end of 2018.** The creation of ISRG favors operational efficiency and supports business growth, providing a wide and omnichannel offer of several brands and products to its customers. The in-depth knowledge of the business enables distinctive strategic and operational management capabilities and leads to the creation of economies of scale and high levels of profitability.

"ISRG's banners had a very positive sales performance during 2018, posting strong growth levels and reinforcing our position as the second largest Iberian sports retailer, while successfully executing the value creation plan for the company. I am more confident than ever that we will further improve our value propositions and continue to grow in all our formats both in Spain and in Portugal."

Miguel Mota Freitas, ISRG CEO

## ISRG key figures 2018

- Total net sales of € 610M<sup>2</sup>
- Stores in Spain: 148 Sprinter | 19 Sportzone (Canary Island) | 44 JD | 1 Size?
- Stores in Portugal: 100 SportZone | 13 JD



## Worten, a new marketplace

**Worten is continuously focused on uncovering new opportunities that can be scaled up by leveraging on its omnichannel strategy.** As part of this commitment and to improve customer experience, Worten launched its marketplace channel in Portugal, which has enabled the company to expand its business to new product categories such as household furniture and decoration, as well as baby care.



This has, in turn, reinforced Worten's omnichannel strategy, which provides in the physical stores a showroom where customers can experience the products. Nowadays, online marketplace platforms are common, but Worten has innovated this concept by incorporating the marketplace into the physical stores network and providing the click'n'collect in store for these products.



Additionally, this initiative has allowed Worten to expand to new business areas, maintaining its high-quality service standards and extending its trustworthy relationship with its clients even further.

The project started with 100 sellers and an offer of around 100 thousand products on Worten's website. Now, it already has 500 thousand SKUs and more than 200 sellers. These partners, who own the stock of the products, can develop a partnership and access to Worten's physical stores, in order to offer a smoother shopping experience, as well as a personalised customer service. The marketplace is another step towards a "digital company, with physical stores and a human touch", but, above all, it will enhance the customer shopping experience.

<sup>2</sup> Aggregated sales of ISRG's banners' from January to December (2018). They do not correspond to the calendar reporting dates of JD Sports.

## Sonae FS, creating value through innovation

**Sonae Financial Services** (Sonae FS), created in 2015 with the launch of the Universo card, is one of the group's youngest business areas. Sonae FS is responsible for conveying the benefits of inclusive and personalised financial solutions to a growing number of people and families, leveraging Sonae's unique retail ecosystem and applying strong analytics over exclusive data.



The materialisation of this mission statement's is achieved through developing and delivering financial services such as the Universo Card (credit and debit), Personal Loans, Insurance, Payments, Gift Cards and Money Transfers, among others. Capitalizing on the group's long-standing retail background and on the solidity of its partnerships with MasterCard and BNP Paribas Personal Finance, S.A., Sonae FS is expanding its position in the financial services arena. One of the most visible achievements of Sonae FS to date is the Universo card. Available in the market for 3 years now (launched in November 2015), Universo is already in the top 3 credit card portfolios in Portugal, with 750 thousand activated cards at the end of 2018.

Sonae FS presented the market with a unique product that combines access to debit and credit accounts as well as the option to choose different types of payments. **The Universo card offers its customers freedom of choice, allowing them to choose instalments (in 3x, 6x and 12x times) at each transaction, in every terminal accepting Mastercard worldwide (debit or credit).** Furthermore, the Universo card reinforces Sonae's multiple loyalty programmes by providing a unified access token to each of them in a single card. Universo card allows the combination of loyalty benefits and payment solutions in a single card, as well as strong advantages for clients, including 1% cash back on all purchases, to be used at Continente Loyalty ecosystem. Besides loyalty, Sonae FS offers its unique payment options to an expanding partner ecosystem, including leading operators in their industries, like, Galp, Viagens Abreu, Boutique dos Relógios, in addition to all the Sonae banners.

**Sonae FS is developing its range of offers further via Universo card by extending insurance coverage for housing, shopping basket and family protection.** Sonae FS has been highly active in the digital arena, providing a state-of-the-art APP for mobile users, including features like installments for virtual cards and for service payments as well as advanced security features like instantly enabling or disabling card transactions based on the source of origin, geography, time, etc. Security is a key concern for Sonae FS.

Along the lines of Universo Card, Sonae FS is offering the market a unique prepaid card to use within the large network of Sonae retail brands and stores. This convenient closed loop prepaid solution for retail customers (Cartão Dá) brought more than €100 million in sales to Sonae stores, proving the positive aspects of symbiotic payments and retail. Sonae FS is a clear example of an additional layer of value that can be created in the relationship with the customer base, one that build upon the expertise of each vertical segment (Sonae MC, Worten, Sonae Sports&Fashion, etc) to provide horizontal benefits within Sonae (enhanced loyalty) as well as covering customer's needs in financial services.



### Sonae FS highlights in 2018

- Production €1,006 M (+22.8% y.o.y.)
- 747 thousand universo cards issued (+142 thousand compared to 2017)
- 11.9% of average market share in the payments market

## Sonae IM, fulfilling its value creation mission

**Sonae IM** actively manages a portfolio focused on investing in tech-based companies centred on cybersecurity, telecommunications, and retail, with the aim of strengthening its position as a leading technology investor on an international scale.

In 2016, Sonae IM acquired a stake in the Armilar Venture Funds for €31.7M (3 venture capital funds) from Novo Banco. With this transaction, concluded in December 2016, Sonae IM reinforced its portfolio with sizeable indirect stakes in more than 20 companies, of which two leading edge companies should be highlighted, namely OutSystems and Feedzai, both consistently presenting meaningful and sustainable levels of growth.

Just 2 years after this acquisition, one of these investments, OutSystems, received a \$360 million funding round (c.€300 M) from KKR and Goldman Sachs valuing the company in more than \$1 billion (c.€850 M). OutSystems is the provider of a reference low code platform and is, undoubtedly, a game changer! With the announcement of that financial round in June 2018, was considered a “unicorn”. Consequently, Sonae IM, as an investor in the funds received a capital distribution of €57.8M, as announced to the market.



"We are attacking one of the biggest problems facing businesses today -- the lack of speed and agility of traditional software development that is hindering digital transformation initiatives around the world, We see companies struggle with this every day and we are thrilled to be partnering with KKR and Goldman Sachs to solve this problem by bringing more innovation to our customers and re-defining the future of enterprise software development."

Paulo Rosado, OutSystems CEO

## NOS, a digital entertainment company

**NOS aims to become the ultimate Entertainment company and the partner for digital transformation by revolutionising Customer Centricity by focusing on quality and experience.** To achieve this ambition, in 2018, NOS designed and presented a detailed Transformation Plan, providing insight on the structural network investments it is undertaking as well as on its plan to improve the group's overall efficiency.

The decision to put this Transformation Plan in place was based on three core objectives: 1) achieve NPS leadership; 2) boost digital weight in total client interactions; and 3) capture recurring cash savings.

The Transformation plan covers three areas of excellence in NOS' strategy: the fixed network, the mobile network and innovation as a service, and results in 60 initiatives which will create a sustainable growth that will be fully materialized in 2022 (5% during 2019, 10% during 2020, 40% during 2021). The plan addresses 45% of NOS cost base and aims to prevent cost increases that would take place if the company had not decided to tackle them now. Among others, the company expects to benefit from automation, improved digital services, reduced handover costs and optimized equipment recovery.

\*tool to measure customer satisfaction.

"This is a long-term project that we believe will start delivering material impacts on customer service levels and cost efficiency by implementing structural changes in the way we do business and ultimately interact with our customers"

Miguel Almeida, NOS CEO





## ESG, a sustainable approach to business

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For the last decade, Sonae has been actively and openly communicating information on its Social, Environmental and Economic guidelines and actions towards a more sustainable world. For us, this was just a natural step as we uphold the highest levels of information quality and transparency on the market and our reporting practices go beyond regulatory requirements.

Over the last months, we have noted increasing awareness and demand from the investor community regarding these topics. Changes in regulations, investor's increased focus on Sustainable and Responsible investing, clients and their communities' growing awareness of environmental and governance impacts, and more inclusive and diverse societies are creating a market dynamic that redefines and extends the scope of a firm's performance. We believe ESG will continue to gain relevance, with investors looking for ever more transparency, greater emphasis on ESG metrics and incorporating them into their investment models by including non-traditional factors into investment analysis and by evaluating a company in a more holistic way. Ignoring such issues could lead to costs in the form of fines or reputation. It took a decade for the market to catch up with our vision of the relevance of these topics and, because, sustainability is at the core of our DNA and is embodied in our strategy we will continue to extend our reporting practices, as this plays a pivotal role in the way we build relationships.

This chapter highlights an important message from Sonae. We believe that sustainable economic growth requires a sustainable society and, therefore, we are wholly committed to a sustainable approach to business. There is no decision taken by the management team without considering the long-term sustainability of the company. The whole strategy was defined so that we have a long-term sustainable company and our corporate responsibility values guide our decision-making process across the whole organisation, as these ultimately impact long-term shareholder value. Our Investor Relations team is relentless in their quest for transparency and virtuous handling of market concerns, covering a growing range of topics. Moreover, they play a vital informative role within the company helping management teams to understand the different stakeholder perspectives and how to create value through communication.

### ESG KPIs

#### Social Responsibility<sup>3</sup>

- One of the largest employers in Portugal: 45,231 employees
  - 65% women
  - 19.1% of women promoted, and 22.5% of men promoted
  - 32% of management positions are held by women
- Creation of approximately 1,300 jobs in 2018
- 21 geographic areas with local teams
- More than 1.2 million hours of specialised training
- 6,383 hours from 1,360 volunteers to help the community
- Around €11 M in community support to social, human and cultural causes
- 1,175 institutions supported

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<sup>3</sup> The Sustainability Report focuses on the period of activity from the 1<sup>st</sup> January 2018 to the 31<sup>st</sup> December 2018 of Sonae, Sonae MC, Sonae Sports & Fashion, Worten, Maxmat, Sonae RP, Sonae FS, Sonaecom (Sonae IM, Media and Others) and Sonae Sierra. This report does not consolidate non-financial data from NOS and ISRG. Regarding Salsa, a Sonae S&F's brand, only reports data from its Spanish business.



## Environmental

- Energy consumption (GJ): 3,470,999
  - Energy from renewable sources (GJ): 42,282
  - Waste recovery rate (%): 81.4%
  - CO<sub>2</sub> emissions (tonnes): 984,015
  - Water consumption (m<sup>3</sup>): 2,938,251
- 
- 51 Continente and 21 Worten stores with the ISO 14001 Environmental Management System certification
  - To date, Sonae Sierra achieved ISO 14001 certifications for the site-level SHEMS of 26 completed construction projects and 52 assets in operation. Sonae Sierra has also obtained OHSAS 18001 certifications for 10 completed construction projects and have certified 48 assets according to OHSAS 18001/ISO 45001. Currently, 20 of Sonae Sierra's operating assets are certified according to ISO 14001 and 19 are certified according to OHSAS 18001/ISO 45001, which represents respectively 44% and 42% of Sonae Sierra owned portfolio
  - Energy and environmental sustainability project - €110 M ongoing investment in the following areas: energy; water; food waste reduction and recovery; environmental performance. An investment promoted by the European Investment Bank, with a loan of 50% of the amount.

## Governance

- Majority of non-executive and independent Board Members (7 members)
- 33% women in the Board of Directors (benchmark of Portuguese listed companies)
- 2 Board Committees to discuss in detail different topics of concern: Board Audit and Finance Committee & Board Nomination and Remuneration Committee (BNRC)



## Sustainable World

Sonae is currently in the process of defining its new strategic sustainability cycle, based on the results of the previous cycle's evaluation, the commitments undertaken, the results of the stakeholder survey conducted and an analysis of best practices and trends. Sonae has identified five thematic areas: **climate change and CO<sup>2</sup> emissions, nature and biodiversity, plastics, diversity and inclusion, community support**, which will be further developed in 2019 along with the progressive development of action plans, with the objective of systematising a set of policies, principles of action, objectives and targets across all Sonae companies.

Please refer to Sonae's Sustainability Report for further details.

Below some examples of sustainable environment:

### Paris pledge, working together towards a better future

Efanor, Sonae's largest and family-controlled shareholder, brought together all invested companies and created a task force to **develop a comprehensive approach towards the implementation of the Paris Pledge for Action across all Efanor companies**. The workgroup is focusing on a diagnostic report for the development of Science Based Targets and Greenhouse Gas Protocol analysis and on identifying key action areas.

Sonae is and will be at the very forefront of fighting climate change. We promptly subscribed and promoted the environmental initiative "Paris Pledge for Action", and we are now working to ensure that this results in new initiatives to accelerate improvements in our environmental performance. It is critical to understand and mitigate both our environmental impact and the impact of climate change in our operations.

"Sonae is seriously dedicated to developing sustainable operations, constantly looking to improve its carbon footprint. Signing the Paris Pledge for Action not only renews our commitment to sustainability, but also challenges us to be more ambitious in our objectives. Sustainable development is nowadays a grounding pillar of Sonae culture and it will contribute decisively to the success of our strategy."

Paulo Azevedo, Sonae Chairman and Co-CEO

### Sonae Sierra, a global player fighting for a better environment

**Sonae Sierra** is recognised worldwide for its comprehensive portfolio of services that cover the entire real estate lifecycle. Sonae Sierra owns, develops and manages shopping centres in diverse geographic areas. Sonae Sierra is one of the most international businesses in Sonae's portfolio and it is increasing its global footprint – a truly global player.

More importantly, part of the success of Sonae Sierra's achievements stems from its unique environmental approach that strives to reach the highest levels of environmental efficiency. Sonae Sierra is one of the most awarded companies in the real estate sector in relation to sustainability. **In 2018, Sonae Sierra won the Silver Stevie® Award in the "Energy Industry Innovation of the Year" category with "Bright Programme - Improving the carbon footprint of real estate"**.

The "Bright Programme - Improving the carbon footprint of real estate" is an innovative energy efficiency programme designed by Sonae Sierra that aims to reduce energy expenditure and improve the carbon footprint of real estate assets across the world. It encompasses a holistic perspective of every aspect of an asset's operations, from building and energy systems, to users and regional characteristics. The Bright Programme has allowed Sonae Sierra to deploy specific improvement measures to each asset in its portfolio, lowering energy consumption across the board and considerably reducing its environmental footprint, while maintaining or even improving the level of service to tenants and visitors. The programme identified 250 energy optimisation measures across 28 shopping centres, by applying energy optimisation modelling software. With a total investment cost of €2.3 million, 189 of these measures allowed

Sonae Sierra to reduce energy consumption by 11% and save €2.4 million in costs in 2018 and led to a reduction in greenhouse gas emissions equivalent to 13% of our shopping centres' 2018 carbon footprint. The remaining measures will avoid up to an additional €1.2 million in costs on an annual basis.

### Hall of Biodiversity, promoting research to shape the future

**Sonae has become a patron of the Hall of Biodiversity of the University of Porto through a sponsorship programme that reveals Sonae's strong commitment towards scientific research.** The Hall of Biodiversity is part of the Science and Natural History Museum of the University of Porto and focuses on merging different dimensions of life and science. A unique space where arts connect with biology and natural history, fostering a wide range of sensorial experiences, carefully and intentionally crafted with the purpose of celebrating the diversity of life.

This sponsorship programme falls under Sonae's corporate responsibility policy and represents an investment of 300 thousand euros in the next 3 years. For the University of Porto, this is an opportunity to reinforce scientific research in an innovative way, a path that paves the future for society to become increasingly aware of the bond that unites all areas of knowledge.



### Plastic bags, reducing our environmental footprint

Plastic bags are one of the major environmental problem when they are not recycled, and Continente is actively addressing this. Continente began to offer its customers, including **online customers, reusable plastic bags made from 80% recycled material and which are 100% recyclable, significantly reducing single-use packaging.** The new bags, which are totally in line with the Circular Economy concept, meet the environmentally friendly criteria and are exempt from the environmental plastic bag tax. Each bag costs 10 cents for our clients, but to further encourage them to recycle, Continente created for online customers the programme **"You return, we recycle"**. Through this programme, clients can return the bags to Continente when their next delivery is made. Continente will then fully reimburse the cost of the bags to customers and send bags to be recycled.

Sonae MC also states that the launch of these environmentally friendly bags is the first of several concrete measures aimed at promoting a more sustainable and responsible use of plastic and reaffirms the commitment of the group in its sustainability dimension.

The transition to the new bags underwent a demanding period of both internal and external tests that guarantee their quality, resistance and reduced environmental impact. In addition to new bags, Continente continues to sell other reusable bags that can be purchased by customers.

This initiative contributed to an annualised saving of 1,295 tonnes of virgin plastic, a significant contribution to a more sustainable environment.

## Electronic invoice: reducing paper consumption

With a strong commitment towards a more sustainable environment, Continente is focused on reducing paper consumption, particularly paper consumption resulting from invoicing, a significant resource consumption in the food retail industry.

Taking advantage of new legislation, Continente introduced the possibility of customers adhering to electronic invoicing, an option which was available by the end of 2018. Customers can opt to receive the detailed invoice by email, making their shopping experience smoother and faster and reducing the clutter, while allowing customers to keep digital copies for future reference if needed.

All Sonae MC clients holding a Continente or Universo card can subscribe to the electronic invoice service via an app. In just over a month, more than 50 thousand clients have opted to subscribe to this app. According to Sonae MC, if all customers joined the electronic invoice service, this initiative alone could save more than 193 tonnes of paper and 4 thousand trees. Sonae MC introduced the electronic invoice to all its network of food retail stores (Continente, Continente Modelo and Continente Bom Dia) and it is planning to expand this service to Well's, note! and Zu.

Sonae is considering extending this initiative to other businesses reinforcing Continente's solid experience contributing towards a better environment, while allowing for significant operational savings.

"The paper invoice, not only takes time, as customers have to wait for it while it prints, but it also has a strong negative environmental impact. In addition, the reality is that the few times we need it for any post-sales service, we often cannot find it. Therefore, for a long time, we have devoted considerable effort towards its dematerialisation, providing our customers with a more comfortable and efficient shopping experience. For an average customer, who shops with us at least twice a week, the electronic invoice allows them to save 30 minutes of their valuable time over a whole year!"

Tiago Simões, Marketing Director, Sonae MC

## Panana, a tasty example of the circular economy

Sonae MC is embracing a **circular economy approach to its business, implementing a regenerative system to reduce waste and pollution, extend the use of products and materials and regenerate natural systems**. As part of this approach, Sonae MC seized this opportunity to innovate its offer of tasty new products that significantly reduce waste.

Panana (banana cakes) is an example of this quest to ensure the better use of resources. Bananas are delicate fruits with a very short shelf life, which needs constant management as bananas tend to ripen very quickly. In an innovative initiative, Continente started to use bananas that were still perfectly edible, but too overripe to sell to bake a tasty banana cake – Panana, resulting in an average of 2 tonnes of banana saved per day.

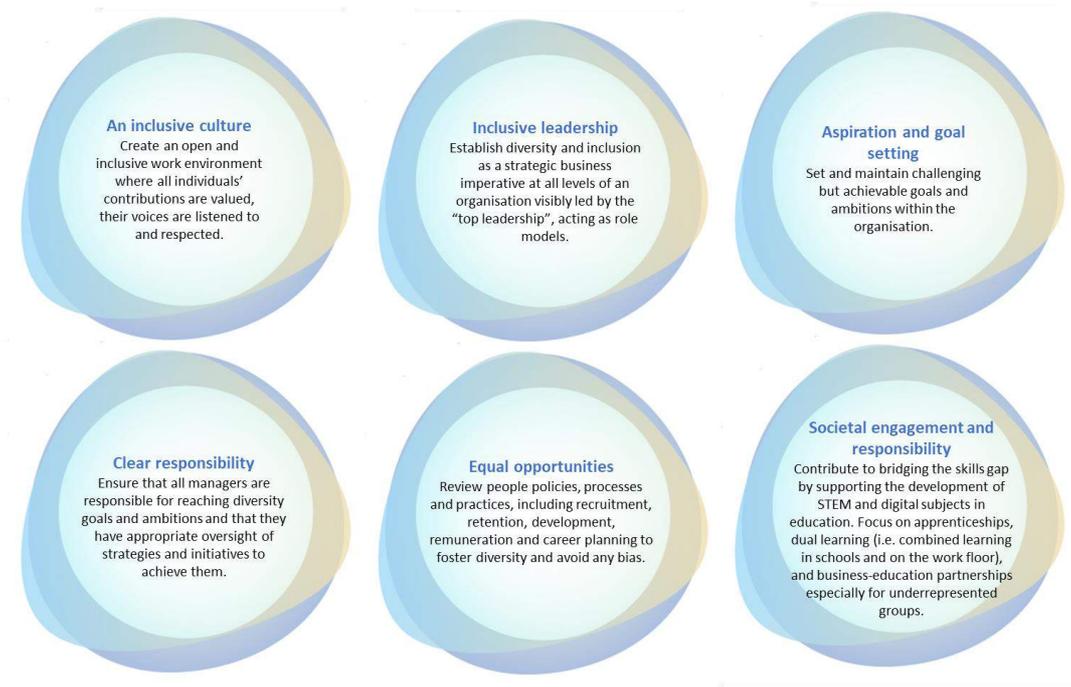


Below some examples of sustainable society:

## #EmbraceDifference, commitment to Inclusion and Diversity

**Sonae takes the lead in embracing the differences of today's world, a clear step towards a more inclusive and diverse society by joining a group of leading European companies that signed up to the first pan-European Pledge to promote inclusion and diversity in the workplace.** A pledge that highlights the commitment of the European Round Table of Industrialists and their dedication to create the right environment and conditions for everyone to reach their full potential, towards a society that accepts and promotes talent and merit regardless of age, gender, sexual orientation, religion or disability.

We believe that the complementary of perspectives, experiences and profiles contributes to richer, more balanced and dynamic management and to a truly long-living company. Sonae's portfolio of investments covers a wide range of businesses with a global footprint and, therefore, diversity and inclusion, not only comes as natural, but creates a unique environment that is a key determinant for our success.



## Health & Wellness, the way forward for Disease Control & Prevention

Society is increasingly aware of the long-term implications of our day-to-day lifestyles, particularly in health and wellness. From a wider perspective, the impact of unhealthy choices destroys social value as it has significant implications on medical and social security costs, worker productivity and imposes a burden on society as a whole. As we observe a slow but steady paradigm shifting towards more natural, organic and healthy food habits and lifestyles with significant social benefits, Sonae MC is aware of both its responsibilities and the opportunities arising from this health trend and is committed to using its presence in society to raise awareness of the benefits of a healthier lifestyle.

Sonae MC's integrated strategy in the health and wellness sector includes a wide variety of strategic approaches offering a comprehensive portfolio of products and services, while taking advantage of our unique market position to explore growth opportunities. Sonae MC is steadily increasing its offer of healthy food and lifestyles through Sonae MC's Bio & Healthy area of Hypermarkets as well as a network of restaurants and supermarkets, fulfilling a growing market demand for healthier food options. By the end of the year, Sonae MC had 10 bio supermarkets and 28 restaurants spread all over Portugal.

Additionally, Well's is expanding its portfolio of services. In 2018, 20 additional Well's para-pharmacy and optic stores opened around the country, increasing to a total of more than 240 stores. An offer complemented by a growing network of Dr. Well's clinics, a specialised dental and aesthetic medical services provider, and with Well's Health Plan designed to offer easier access to private medical care.

**Sonae MC is a pioneer and a leader in the health & wellness segment and it will continue to invest to solutions for a healthier lifestyle.**



## Sonae, we support our communities

We proudly and actively accept our responsibility towards a more sustainable society. Sonae's social footprint is unique and plays a vital role in understanding the need for action, so that we can make a positive difference to our community. Our platform ActivShare allows us to actively manage and disseminate information concerning the volunteering actions related to our social responsibility initiative and to respond more effectively to those who need our help, by streamlining our alignment and communication efforts.

Our efforts have an impact. In 2018, we provided more than €11M in community support, an increase of 13.4%, helping 1,175 institutions. **Our team also did their best and we are proud of each of the 6,383 hours of volunteer work carried out by 1,360 volunteers. A remarkable contribution by our team.**

Sonae develops, promotes and supports a multitude of different projects that are designed to make a difference to those in need. Amongst these projects, we would like to highlight three projects that show the diversity of our efforts.

Sonae develops, promotes and supports a multitude of different projects that are designed to make a difference to those in need. Our corporate responsibility projects cover a wide range of approaches and areas, such as: i) the prevention of food waste – project **Transformar-te (Transform)**, which allowed Sonae MC to support 900 organisations with food worth over €6M; ii) social support and recycling awareness – project **Equipa Worten Equipa (Team Worten)** that, since 2009, has been encouraging the recycling of electrical and electronic equipment and supported more than 2,000 NGOs with the donation of new equipment valued at over €2M; or iii) the solidarity towards our community – project **Doar é Receber (Giving is Receiving)**, in which Zippy joined the Heat of the Street civil movement to collect cold weather clothes to deliver to those who need it most, resulting in 750 coats donated.

## Governance and leadership

Sonae has a stable shareholder base built on a partnership between a family and minority shareholders based on trust, transparency and with a long-term focus. Sonae reflects its core corporate responsibility values across its whole portfolio of investments. We encourage all colleagues to contribute towards our goal of making Sonae a long-living company and we make sure that everyone nurtures the same sense of responsibility towards society, working together towards a better and sustainable society. We strive to ensure that we always adhere to the best corporate government practices, protecting and fostering small investors.

During 2018, we dedicated significant efforts to provide each one of our businesses with a higher level of autonomy to pursue their individual strategies, always in accordance with Sonae's Strategic Pillars, while also aiming at the creation of synergies within the portfolio.

For further information on Corporate Governance related issues, please refer to our Corporate Governance Report.

### The Board of Directors (2015-2018)

Sonae's Board of Directors was designed to be an efficient governance mechanism with a large majority of non-executive and independent directors (7 members) that work together with our 2 executive directors (and both co-CEOs). Each member of Sonae's Board of Directors plays a critical role in a multi-faceted team, offering leading expertise in their areas. The selected members enjoy global recognition and are highly-reputed on both an individual and professional level, particularly concerning their pledge towards sustainability. Our strategies are aligned with the valuable advice we receive from these independent experts, assuring investors of our open management style.

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.



**Tsega Gebreyes**

Expertise in finance and strategy across different sectors and geographic areas. Founding Director and Managing Partner of Satya Capital, a London-based, African-focused private equity firm.

**Paulo de Azevedo**

Chairman and Co-CEO. He has held senior positions in Sonae Group since 1988.

**José Neves Adelino**

Professor of Economics and Finance in leading universities in Europe over the last 40 years. He has held non-executive positions in several listed companies and is currently a Director at Calouste Gulbenkian Foundation.

**Lorraine Trainer**

Career specialised in HR and talent management, particularly in the financial sector. She has spent the last few years mostly in corporate advisory roles with a strong focus on Board-level succession planning services and director development.

*(from left to right)*

**Christine Cross**

Long-standing career in retail, particularly in the food segment (14 years of senior positions held at Tesco PLC). Currently providing independent advisory and serving on several non-executive Board positions.

**Ângelo Paupério**

Co-CEO. He has held senior positions in Sonae Group since 1989.

**Andrew Campbell**

Renowned expert on Corporate-level Strategy. Currently Director of the Ashridge Strategic Management Centre. Previous positions held at the London Business School and McKinsey & Company.

**Marcelo Faria de Lima** (not in the picture)

Strong expertise in the Brazilian market, particularly in the financial/investment management sector. Currently an entrepreneur with significant investments in fashion and other sectors and holds several non-executive roles in leading Brazilian corporations.



The Board of Directors appointed two specialised committees, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

#### Board Nomination and Remuneration Committee (BNRC)

The Board Nomination and Remuneration Committee (BNRC) 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. BNRC members are mostly Independent Non-Executive members, with the exception of Paulo Azevedo (co-CEO and Chairman).

#### Board Audit and Finance Committee (BAFC)

The Board Audit and Finance Committee (BAFC) is an entirely composed of Independent Non-Executive members and is responsible for providing support to the Board of Directors and monitoring and assessing the activity of the Executive Committee in carrying out its management responsibilities. 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.

#### Executive Committee (ExCom)

Sonae Executive Committee (ExCom) comprised of only two Co-CEOs, working as a close team and is responsible for the implementation of the strategic guidelines, working every day to achieve long-term sustainable success, focusing on unlocking the intrinsic value in each of the businesses in our portfolio and maximising the value creation within the portfolio.

#### Board and Corporate Governance Officer

The Board and Corporate Governance Officer ensures the smooth running of the Board and Board Committees, taking a leading role in organising Board evaluations and assessments. It also supports and challenges the Board to achieve the highest standards in Corporate Governance and keeps all Legislative, Regulatory and Corporate Governance issues under close review. Additionally, ensures that the concept of stakeholders and the need to protect minority interests are kept in mind when important business decisions are being taken.

## Group Senior Executives

Business-autonomy is a key word in Sonae's strategy today. We have been devoting significant efforts to making each business more autonomous, with dedicated governance, management and services structures. At Sonae, we want each business to have its own management team, structured to reflect the needs of each business segment and with a strong desire and ambition to deliver a sustainable performance.

The Group Senior Executives includes Sonae's co-CEOs, the CEOs of each business unit and plays a pivotal role in managing and developing Sonae's portfolio, bringing together all the businesses and guaranteeing the alignment of individual business strategies with Sonae's Mission and Values.



- |   |                                                                         |   |                                             |
|---|-------------------------------------------------------------------------|---|---------------------------------------------|
| 1 | <b>Luis Reis</b> – Sonae Sports & Fashion and Sonae FS CEO              | 5 | <b>Cláudia Azevedo</b> – incoming group CEO |
| 2 | <b>Miguel Mota Freitas</b> – Worten and Iberian Sports Retail Group CEO | 6 | <b>Miguel Almeida</b> – NOS CEO             |
| 3 | <b>Paulo Azevedo</b> – Sonae Chairman and Co-CEO                        | 7 | <b>Ângelo Paupério</b> – Sonae Co-CEO       |
| 4 | <b>Fernando Guedes de Oliveira</b> – Sonae Sierra CEO                   | 8 | <b>Luis Moutinho</b> – Sonae MC CEO         |

(from left to right)

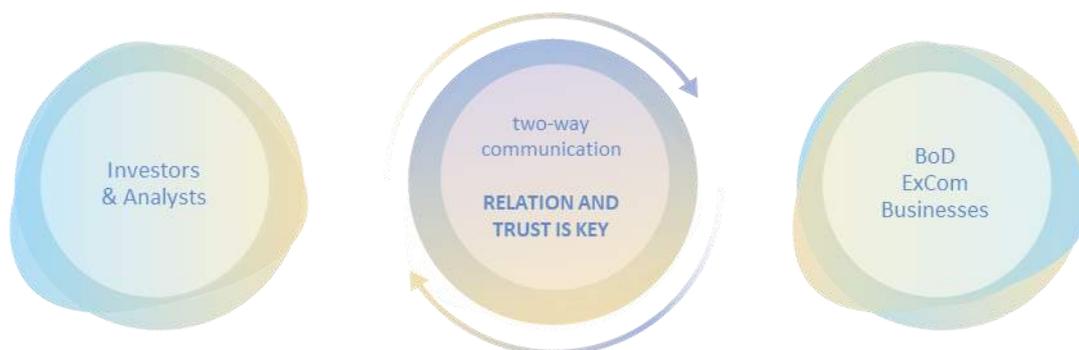
## Holding Structure

The holding corporate structure is supported by the departments in the table below:

Administrative and Accounting Services	Internal Audit
Communication, Brand and Corporate Responsibility	Investor Relations
Finance & Treasury	Mergers & Acquisitions
General Counsel and Corporate Governance	Risk Management
Human Resources	Strategy, Planning and Control
Institutional Relations	Tax

## Investor Relations department

At Sonae, Investor Relations is a two-way communication channel. We established a skilled and dynamic team to act as the interface with our stakeholders. Our Investor Relations' mission is to **attract and retain shareholders** who recognise the real value of the company through a **relationship of trust based on clear and coherent communication** and to share **shareholders' expectations with the company's Board of Directors** and **bring insights to the businesses that add value**.



The Investor Relations aims to be recognised both by:

- i) shareholders, as a voice, capable of communicating clearly and effectively their opinions, interests and concerns to Sonae and, by analysts as a key contact so that Sonae's strategy and performance are reflected in their analysis reports; and
- ii) as a critical source providing knowledge and insight about capital markets that can add value to the organisation.

## Risk management

Risk management has a vital role in Sonae's corporate governance structure and permeates the entire organisation. We perceive risk management as a value creation driver. We strive to ensure a long-lasting future and in doing so we work tirelessly to manage and control any risks and threats we may have to face. The world of business is complex, and it is essential that we take measures to improve our knowledge to ensure effective risk management throughout the organisation.

Our risk management strategy has many dimensions and we employ a variety of analytical tools to monitor these risks.

These tools range from customer and market surveys, continuously adapting and improving our products and services and the shopping experience we offer, whilst also meticulously following the standards outlined for food safety audits for stores, coffee shops, warehouses and manufacturing centres. Consequently, any potential threats can be identified, so that effective preventative and corrective measures are swiftly put in place.

Risk management is an intrinsic part of our overall strategy, in this way any prevailing risks are quickly detected and diminished. This is further ensured through our business and market diversification, adopting several investment approaches, emphasising innovation and innovative technologies and implementing strict cost management measures. We have an extensive portfolio of products and services, which we continuously adapt to specific customer profiles and the ever-changing business landscape.

Please refer to our Corporate Governance Report and Financial Statements Report for a more comprehensive description of the risks related to Sonae's activities.

## Creating value for shareholders

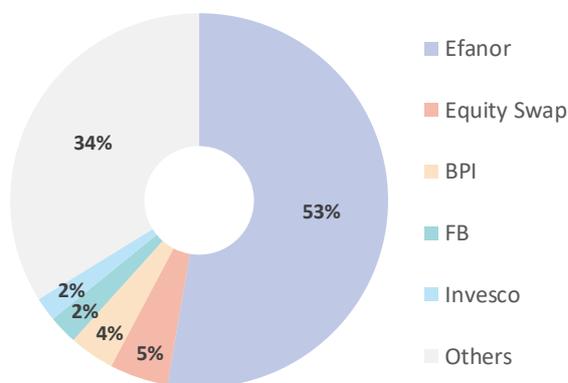
### Share information

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 3.1%, as at the end of December 2018.

ISIN code PTSONOAM0001  
Bloomberg code SON PL  
Reuters code YSO.LS  
Share capital 2,000,000,000

### Shareholding structure

Sonae is a company controlled by a main shareholder with a stable shareholder structure, which reflects a shared focus on long-term performance. Free-float represents 34% and averages a daily volume of 3.4 million shares (2018).



*\*Equity swap of aprox. 100 million shares*

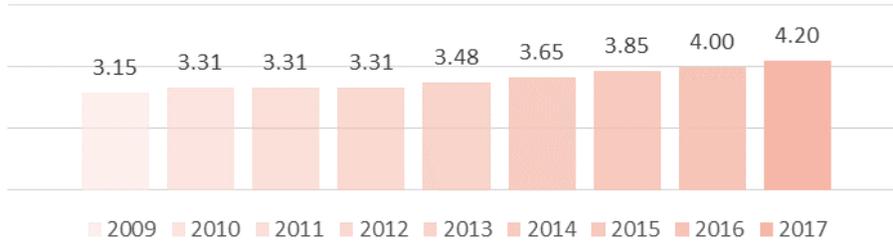
### Steadily growing dividend payment

Our dividend strategy represents an important part of shareholders' value creation. Our aim is to increase dividends per share every year, a commitment that pushes us towards a better performance.

For the year ended December 31<sup>st</sup>, 2018 the Board of Directors will propose at the Shareholders' General Meeting the distribution of a gross dividend of €0.0441 per share, 5% above the dividend distributed the year before.

This dividend corresponds to a dividend yield of 5.4%, based on the closing price as at December 31<sup>st</sup>, 2018, and to a payout ratio of 42% of the consolidated direct income attributable to equity holders of Sonae.

The chart below shows the dividend per share evolution over the last years:

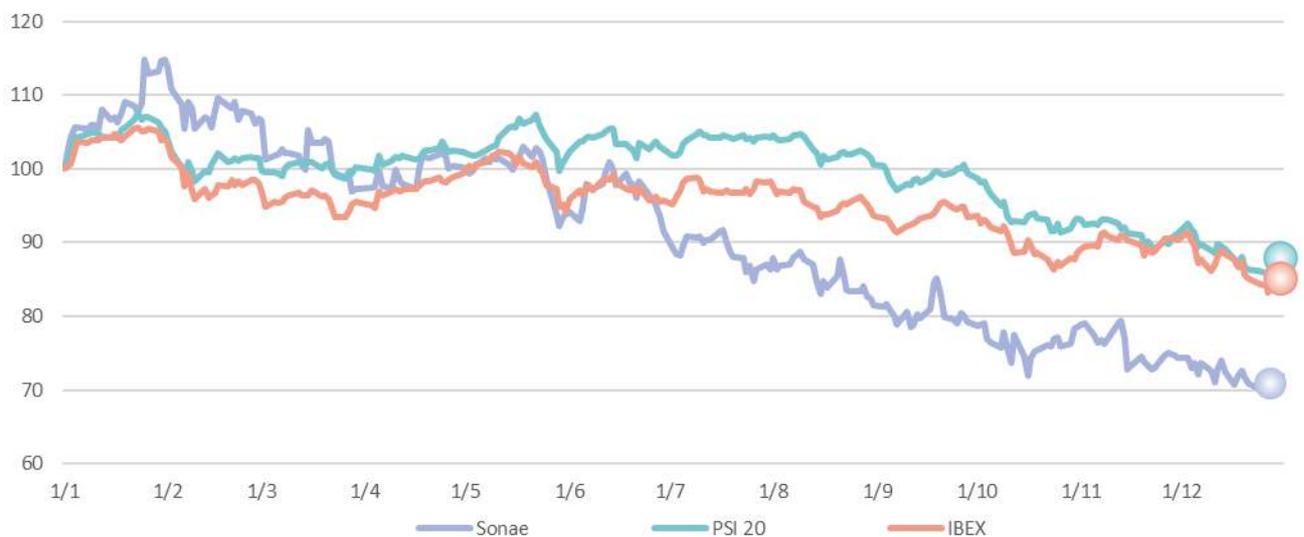


### Share performance evolution

The table below shows the key indicators of Sonae's share performance throughout the last 3 years:

	2016	2017	2018
Year close (€)	0.874	1.126	0.810
Year high (€)	1.083	1.188	1.300
Year low (€)	0.621	0.769	0.778
Average trading volume per day (nr. of shares)	3,990,139	3,764,779	3,350,049
Average trading volume per day (€)	3,308,696	3,570,644	3,458,712
Market cap as at 31 <sup>st</sup> Dec (€M)	1,748	2,252	1,620

The chart below shows the share performance of Sonae together with the main Portuguese and Spanish stock market indices (PSI20 and Ibex35, respectively) over 2018:



Sonae's shares ended the year 2018 quoted at €0.81, reflecting a nominal decrease of 28.1% during the year, which compares with a decrease of 12.2% of the reference index of the Portuguese Stock Market (PSI 20). During 2018, Sonae did not carry out any transaction with its own shares.

## Main announcements

The main announcements, which may have had a possible impact on Sonae's share price during 2018 were as follows:

Date (dd-mm-2018)	Announcement
23-01	2017 preliminary retail sales
01-02	Sonae announces the completion of the combination of SportZone with JD Sprinter Holdings
15-03	Consolidated 2017 results
21-05	Sonae announces the potential listing of part pf the Company's retail portfolio
06-06	Sonae informs about resignation of Director
14-06	Sonae informs on agreement with CTT – Correios de Portugal, S.A.
14-07	Sonae informs that it has entered into an agreement with Grosvenor Group for the acquisition of a 20% stake of Sonae Sierra
17-07	Sonae informs on Board of Directors and Efanor announcement
22-08	Consolidated first semester results
12-09	Sonae informs on the completion of the transaction for the acquisition of a 20% stake of Sonae Sierra
19-09	Sonae informs on Intention to Float Sonae MC
29-09	Sonae informs on agreement with Corffin Capital to acquire 60% of Tomenider S.L., which owns 100% of Arenal Perfumerias S.L.U.
04-10	Sonae launches IPO of Sonae MC on Euronext Lisbon
11-10	Sonae informs on the non-execution of Initial public offering of Sonae MC shares
23-10	Sonae informs on qualified shareholding
06-11	Sonae informs on cash settled equity swap term extension
14-11	First nine months results
29-11	Sale and leaseback transaction
30-11	Sonae informs on qualified shareholding
11-12	Sonae informs on transaction regarding the acquisition of a 60% stake in Arenal Perfumerias SLU
17-12	Sale and leaseback transaction

## Analyst coverage

Sonae has the following analysts covering its share price (price and recommendation at YE18):

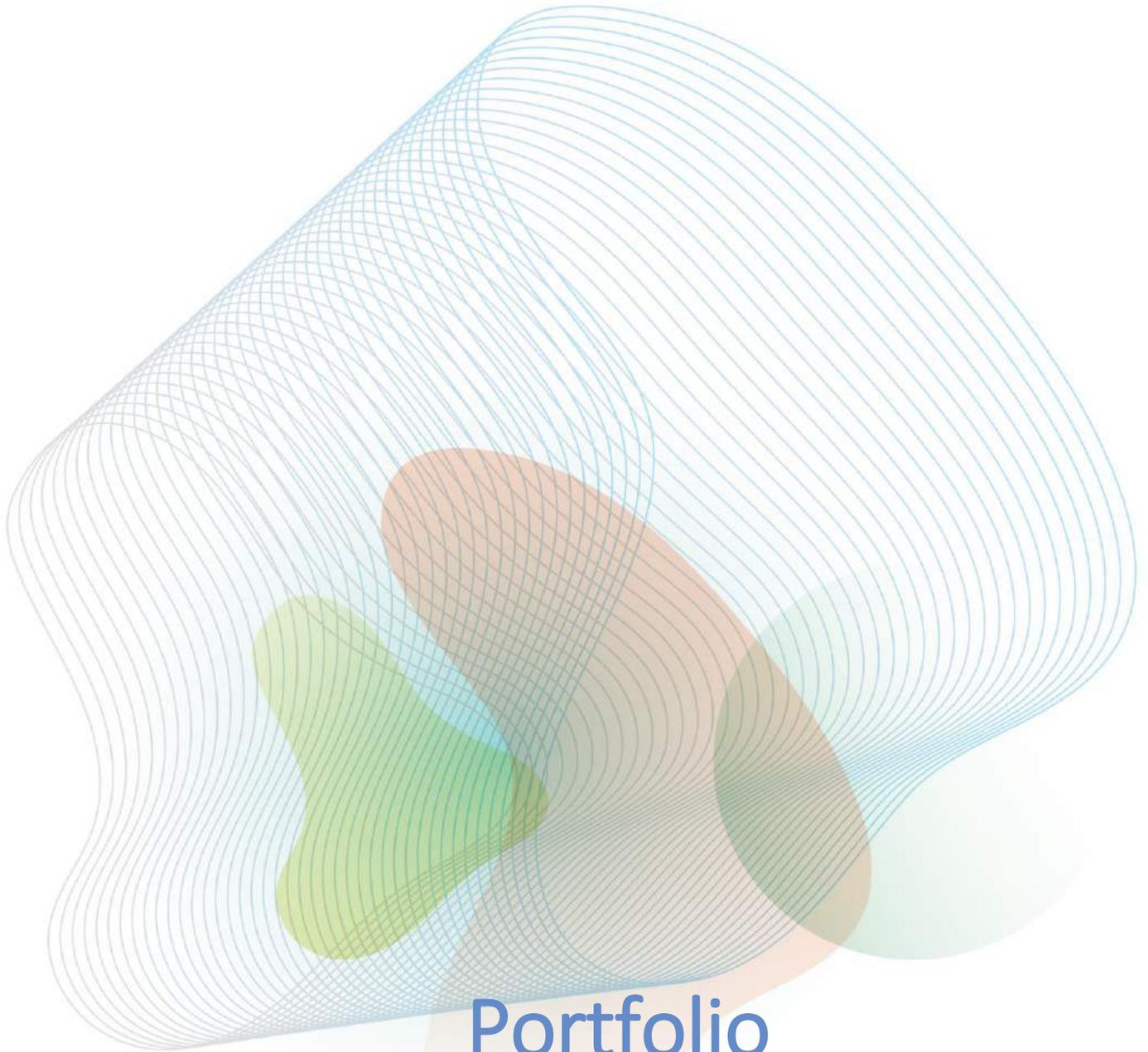
Broker	Recommendation	Price Target	Date (dd-mm-2018)
Barclays	Overweight	€1.36	29-11
CaixaBank	Buy	€1.20	27-11
Santander	Buy	€1.40	12-11
Haitong	Buy	€1.25	17-10
JB Capital Markets	Neutral	Under Revision	16-10
Fidentis	Hold	€1.22	01-10

Sonae's closing price of December 31<sup>st</sup> (€0.81) represents a discount of 59% when compared to the average price target of €1.29.

## IR Conferences and Roadshows

In 2018, the Investors Relations team attended the following events:

Date (dd-mm-2018)	Location	Event	Organization
17-01	London	Roadshow	Haitong
07-02	Madrid	Roadshow	Sonae
08-02	Madrid	Conference	Santander
26-03 and 27-03	London	Roadshow	CaixaBank BPI
10-04	Madrid	Roadshow	Haitong
18-04 and 19-04	NYC	Roadshow	Sonae
22-05	Madrid	Roadshow	CaixaBank BPI
06-06	London	Roadshow	Santander
13-06 and 14-06	NYC and Boston	Roadshow	Sonae
03-07	Lisbon	Roadshow	Haitong
06-09 and 07-09	Cascais	Iberian Conference	CaixaBank BPI
15-10 and 16-10	London	Roadshow	CaixaBank BPI
17-10	Madrid	Roadshow	Haitong
22-10 to 25-10	NYC, Chicago and Toronto	Roadshow	Sonae
10-12	London	Retail Conference	Barclays



# Portfolio performance

## Transparency:

we provide thorough information to all stakeholders and we are straightforward and honest in our communication

## CEO message

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2018 was a successful year for Sonae, marked by significant growth, improved profitability and the conclusion of an important stage of our strategic development.

Consolidated turnover reached €6 bn (+8.1%), with a positive contribution of all business units, in particular Sonae MC (+7.0%) and Worten (+7.6%), both showing also strong LfL growth levels.

In terms of profitability, recurrent EBITDA increased by 12.2% to €425 M and EBITDA reached €483 M, corresponding to a growth of 26.7%. I would also like to highlight the performance of Sonae MC, which, in a challenging market environment, maintained its benchmark profitability levels.

The Group's net income exceeded €220 M, growing by 33.7%, with a particularly positive evolution of direct income which increased 58.3% versus 2017.

2018 was also marked by the endeavor to optimize the Group's organisational structure, with a special focus on strengthening management teams, ensuring competencies and complementarities that 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.

In terms of portfolio management, we began the year by concluding the merger between SportZone and JD Sprinter, which led to the creation of ISRG, a strong Iberian operator benefitting from important synergies and already delivering very positive results. Also of considerable importance was the additional investment in Sonae Sierra, enhancing the Group's international profile and creating the conditions to accelerate the implementation of our capital recycling strategy and take advantage of existing real estate value creation opportunities in an international context. Finally, we must highlight the continued strong investment, in both capital and skills, in our growth avenues, particularly in the areas of health and wellness, technology for retail and telecommunications, and new financial services.

This intense activity coincided with the last year of the current Board of Director's mandate of which I was part as Co-CEO and ensured that the transfer of responsibilities now taking place was made with increased comfort and confidence. I am certain that our company is prepared for the challenges ahead and I have the deepest conviction and sincere wishes that the new executive team led by Cláudia Azevedo will continue to enhance the success of this unique project that unites us all, which is Sonae.

Ângelo Paupério,  
Co-CEO



## Consolidated financial performance

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### 2018 Macroeconomic context

Uncertainty and volatility have marked 2018, a year with major stock markets' corrections, large fluctuations in oil prices and heightening geopolitical tensions. Last year the World saw a protectionist shift, with USA and China escalating a trade war and imposing mutual trade tariffs to import goods, contributing to the rise of risk aversion.

In Europe, the European Union and the UK government signed a withdrawal agreement for the UK's exit but it failed to secure UK's Parliament's support, leading to further ambiguity regarding Brexit as the deadline approaches. Moreover, the European Commission and the Italian government clashed over its deficit proposal due to doubts over Italy's commitment to the consolidation of its public finances.

Globally, the year was marked by economic slowdown, with the major economic blocks entering the latest phase of the economic cycle. The **Global Economy** started 2018 on an upbeat note, buoyed by a pickup in global manufacturing and trade through 2017 but, as investors' confidence lost steam, so did the upswing. A higher level of uncertainty led to a downward revision in initial estimates for global growth, which closed the year at +3.7%<sup>4</sup> (vs +3.8% in 2017).

In the **United States**<sup>5</sup>, economic activity remained buoyant in 2018 and outperformed most of the advanced economies, with real GDP increasing +2.9%. Solid growth was supported by a fiscal stimulus, in the form of corporate and individual tax cuts, and public spending hikes. As a result, the unemployment rate came down to 3.8%, a 49-year low. Meanwhile, the FED transitioned to a more restrictive monetary policy and raised reference rates four times during the year in order to normalise interest rates and to prevent prices from rising too quickly. On the political front, the Democrats recovered the majority in the House of Representatives and Republicans consolidated their hold on the Senate, accentuating the political divide.

The **Eurozone**<sup>6</sup> has disappointed in 2018, economic growth underperformed as the underlying momentum changed. After a strong performance in 2017, economic activity was penalised by trade links with China and by the implementation of new environmental legislation regarding diesel engines, which led to production cuts and reduced exports as vehicles were adjusted to the new regulatory framework. Growth is gradually declining from the above-mentioned trend rates to more moderate levels as the economic cycle matures. In fact, in 2018 real GDP growth fell to +1.8% from +2.4% in 2017.

Finally, in 2018 **Emerging Markets** followed the global trend. Some countries with growing economic imbalances (e.g. Brazil, Argentina, Turkey) were under financial pressure as a result of rising doubts on their ability to accommodate the hike in US interest rates. However, these markets closed the year with improved economic sentiment. The Chinese economy<sup>7</sup> is structurally slowing down, real GDP decelerated to +6.6% reflecting a slowdown in both internal and external components. High debt levels are weighing on the economy that will exhibit the lowest growth rate since 1990.

In **Portugal**, economic activity has remained robust with GDP growing by +2.1%<sup>8</sup>, driven mainly by the domestic demand and particularly by the continued growth in private spending. Growth was backed by a gradual improvement of labour market conditions, with solid rates of job creation and unemployment reaching the lowest level in 16 years (7.0%)<sup>9</sup>. The Portuguese economy benefited from an improved competitiveness with the increasing importance of the tourism, automotive and real estate sectors.

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<sup>4</sup> Data for global economy: IMF World Economic Outlook Update, January 2019

<sup>5</sup> Data for EUA economy: IMF World Economic Outlook Update, January 2019

<sup>6</sup> Data for Eurozone: IMF World Economic Outlook Update, January 2019

<sup>7</sup> Data for China: IMF World Economic Outlook Update, January 2019

<sup>8</sup> Bank of Portugal, Economic Bulletin, December 2018

<sup>9</sup> Eurostat, Unemployment rate (%), January 2019



Growth decelerated last year reflecting a natural slowdown, as the economy approaches a more mature phase of the cycle. After a notable performance in 2017, both investment and exports growth returned to more sustainable levels.

Private consumption remained particularly dynamic, taking advantage of the high levels of consumer confidence and the favourable financing conditions. Overall, consumer credit conditions continued to be largely supportive with interest rates remaining at low levels. The hike in real estate prices also contributed to a strong wealth effect providing an additional boost to private consumption growth.

Although private spending in durable goods remained dynamic, it started to show some signs of moderation with passenger car sales growing +2.8% (+7.1% in 2017)<sup>10</sup>, the lowest rate since 2013. Retail sales<sup>11</sup> also lost some strength relative to the past year (+4.6%), namely in non-food categories (+4.3%) while retail sales of food and beverage accelerated (+4.9%). Moreover, spending in hotels and restaurants remained strong (+7.7% and +5.3%)<sup>12</sup> boosted by non-resident's spending.

In **Spain** the economy continued to grow at a strong albeit somewhat more moderate pace, with GDP expanding +2.5%<sup>13</sup>. Domestic demand was the main driver of growth, supported by sound but moderate employment gains and by the recovery of the real estate and construction sectors in a context of subdued inflation. Business confidence remained positive, the private sector deleveraging process brought debt below the Eurozone average, while government continued its commitment to fiscal consolidation.

Private consumption<sup>14</sup> remained particularly dynamic over the year, growing by +2.4% in real terms (+2.5% in 2017), sustained by significant disposable income gains and taking advantage of the supportive consumer confidence and favorable financing conditions, along with a positive and significant wealth effect. Retail sales<sup>15</sup> lost some strength during the year (+2.7% vs. +2.9% in 2017), reflecting the deceleration in food and beverages sales (+1.4% vs. +2.1% in 2017).

## Perspectives

In 2019, **global growth** is expected to weaken to +3.5%<sup>16</sup> as the expansionary cycle closes amid concerns of escalating trade conflicts. The carry-over of the softer momentum in 2018 will translate into a decline from the above-mentioned trend growth, with slower labour market improvements, nevertheless it seems unlikely to materialise into a recession. A stronger synchronization in growth is expected with the gap between advanced and emerging economies narrowing.

Several pockets of instability will keep the balance of risks skewed to the downside, which are mainly related to the developments in the geopolitical situation. Financial conditions will also continue to tighten with Central Banks adopting a more restrictive monetary policy. Nevertheless, these will remain sufficiently accommodative with the FED making a more dovish hike in interest rates and ECB reinvesting maturing securities while keeping reference rates relatively unchanged.

The unwinding of the fiscal stimulus and the tightening of financial conditions will slow the **US economy**, but domestic demand will remain strong with GDP expected to grow +2.5%<sup>17</sup> in 2019.

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<sup>10</sup> ACAP, Car sales, January 2019

<sup>11</sup> Eurostat, Retail sales turnover index, January 2019

<sup>12</sup> Eurostat, Retail sales turnover index, January 2019, data for the period Jan18-Nov18

<sup>13</sup> Bank of Spain, Economic Bulletin, December 2018

<sup>14</sup> Bank of Spain, Macroeconomic Projections, December 2018

<sup>15</sup> Eurostat, Retail sales turnover index, January 2019

<sup>16</sup> Data for global economy: IMF World Economic Outlook Update, January 2019

<sup>17</sup> Data for EUA economy: IMF World Economic Outlook Update, January 2019



In the **Eurozone** growth is set to moderate marked by a softer private consumption and weaker industrial production in Germany as well as by the slowdown in Italy and France. However, prolonged uncertainty on Brexit may accentuate the expected moderation.

The outlook for **Portugal** is globally positive, but a slowdown in economic activity is expected while labor market improvements become marginal and the mood among consumers becomes less positive. In 2019, real GDP will decelerate to +1.8%<sup>18</sup>, nonetheless, domestic demand is expected to remain relatively stable benefiting from the recovery of private investment.

Private consumption in real terms will remain buoyant at +2.0%<sup>19</sup> driven by wage gains and further employment growth in a context of low inflationary pressures. The savings rate is expected to stay relatively stable at historically low levels.

In **Spain** the outlook is also favorable, as GDP is expected to continue growing at a high rate (+2.2% in 2019)<sup>20</sup>. Nevertheless, the economic growth rate is heading towards the trend levels, with private demand losing strength and consumers becoming less positive.

Private consumption<sup>21</sup> should lose some steam but remain relatively strong (+1.9% in real terms) underpinned by continued disposable income gains backed by fiscal policy stimulus, along with supportive consumer confidence and favourable financing conditions.

All in all, the growth outlook for **Iberia** is favourable, with private spending remaining strong albeit losing some of its previous steam, as both economies are expected to moderate in a clouded global outlook.

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<sup>18</sup> Bank of Portugal, Economic Bulletin, December 2018

<sup>19</sup> Bank of Portugal, Economic Bulletin, December 2018

<sup>20</sup> Bank of Spain, Macroeconomic Projections, December 2018

<sup>21</sup> Bank of Spain, Macroeconomic Projections, December 2018

## Financial statement analysis

### Aggregated businesses overview

In 2018, the **aggregated figures** from Sonae businesses continued to show a strong performance globally both in terms of turnover and underlying EBITDA. The evolution of each business is explained in detail in the following pages.

Million euros	2017	2018	y.o.y.	4Q17	4Q18	y.o.y.
<b>Turnover</b>						
Sonae Retail <sup>(1)</sup>	5,658	6,229	10.1%	1,583	1,788	13.0%
Sonae Sierra <sup>(2)</sup>	222	222	0.0%	61	63	3.6%
NOS <sup>(2)</sup>	1,559	1,576	1.1%	399	409	2.5%
Sonae IM	126	155	22.7%	31	43	36.8%
Sonae FS <sup>(3)</sup>	79	90	14.7%	23	26	14.3%
<b>Underlying EBITDA</b>						
Sonae Retail <sup>(1)</sup>	357	387	8.6%	118	141	19.8%
Sonae Sierra <sup>(2)</sup>	106	109	2.6%	29	30	3.7%
NOS <sup>(2)</sup>	575	592	2.8%	127	130	2.7%
Sonae IM	5	7	41.9%	2	2	1.4%
Sonae FS <sup>(3)</sup>	10	15	41.5%	4	5	19.4%

(1) Sonae Retail figures: a) include Sonae MC, Sonae RP, Maxmat, Worten and Sonae S&F; b) include Sport Zone figures in 2017 and in 2018 Iberian Sports Retail Group figures following its creation in January 31<sup>st</sup> 2018; and c) exclude discontinued operations, namely Berg, from Sonae S&F;

(2) Aggregated turnover and Underlying EBITDA equals 100% of the figures reported by NOS and Sonae Sierra;

(3) Includes 100% turnover and underlying EBITDA of MDS.

## Consolidated results

Million euros	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	y.o.y.	4Q17 <sup>(1)</sup>	4Q18 <sup>(1)</sup>	y.o.y.
<b>Turnover</b>	<b>5,506</b>	<b>5,951</b>	<b>8.1%</b>	<b>1,546</b>	<b>1,714</b>	<b>10.9%</b>
<b>Underlying EBITDA</b>	<b>343</b>	<b>372</b>	<b>8.4%</b>	<b>118</b>	<b>139</b>	<b>17.6%</b>
margin	6.2%	6.3%	0.0 p.p.	7.6%	8.1%	0.5 p.p.
Equity method results <sup>(2)</sup>	35	53	49.8%	-1	6	-
Non-recurrent items	2	58	-	-1	68	-
<b>EBITDA</b>	<b>381</b>	<b>483</b>	<b>26.7%</b>	<b>116</b>	<b>213</b>	<b>84.0%</b>
margin	6.9%	8.1%	1.2 p.p.	7.5%	12.4%	4.9 p.p.
D&A <sup>(3)</sup>	-201	-225	-11.8%	-58	-69	-18.6%
<b>EBIT</b>	<b>180</b>	<b>258</b>	<b>43.4%</b>	<b>57</b>	<b>144</b>	<b>-</b>
Net financial results	-34	-36	-6.2%	-7	-10	-53.9%
<b>EBT</b>	<b>146</b>	<b>222</b>	<b>51.8%</b>	<b>51</b>	<b>134</b>	<b>-</b>
Taxes	-15	-14	6.5%	-21	-19	8.2%
<b>Direct results<sup>(4)</sup></b>	<b>132</b>	<b>209</b>	<b>58.3%</b>	<b>30</b>	<b>115</b>	<b>-</b>
<b>Indirect results</b>	<b>42</b>	<b>46</b>	<b>8.3%</b>	<b>5</b>	<b>6</b>	<b>17.4%</b>
<b>Net income</b>	<b>174</b>	<b>255</b>	<b>46.1%</b>	<b>35</b>	<b>121</b>	<b>-</b>
Non-controlling interests	-8	-33	-	-3	-25	-
<b>Net income group share</b>	<b>166</b>	<b>222</b>	<b>33.7%</b>	<b>33</b>	<b>96</b>	<b>-</b>

(1) Restated figures due to: a) the creation of Iberian Sports Retail Group in January 31<sup>st</sup> 2018, Sport Zone was registered as discontinued operation and from February onwards ISRG started to be consolidated through the Equity Method; b) the sale of 1,773 shares from MDS SGPS to IPLF Holding, MDS started to be consolidated through the Equity Method and was included under Sonae FS, in June 2017 (up to June 2017, MDS is registered as a discontinued operation); c) the discontinued operations namely Berg from Sonae S&F.

(2) Equity method results: includes direct income related to investments consolidated by the equity method (mainly Sonae Sierra and NOS/Zopt) and discontinued operations results;

(3) Depreciations & amortisations including provisions & impairments;

(4) Direct results before non-controlling interests.

**From a statutory point of view, Sonae consolidated P&L figures include 4Q18 Sonae Sierra statutory accounts<sup>1)</sup> (full consolidation),** following Sonae's shareholding increase from 50% to 70% at the end of 3Q18. Up to the end of 9M18, Sonae Sierra was considered through the equity method in the P&L of Sonae.

**Sonae turnover increased by 8.1% y.o.y reaching €6.0 bn.** This top line performance benefitted from positive contributions of Sonae's retail businesses, not only from the impact of solid LfL sales performances but also from the expansion of the store network. On a pro-forma basis, and excluding Sonae Sierra's total turnover (€44 M) from 4Q18 figures, Sonae consolidated turnover would have grown by 7.3% y.o.y.

**Similar to top line growth, Sonae underlying EBITDA** grew 8.4% y.o.y. to €372 M and consequently margin was flat y.o.y. at 6.3%. On a pro-forma basis, excluding Sonae Sierra's underlying EBITDA of €11 M, consolidated underlying EBITDA would have increased 5.2% y.o.y., corresponding to a 6.1% margin.

**Sonae EBITDA** had a more significant increase, +€102 M to €483 M, mainly fuelled by capital gains from both Sonae Sierra's sale of assets (+€39 M) and Sonae RP's sale and leaseback transactions (+€37 M), and the positive impact of the JV with JD/Sprinter (ISRG) when compared to SportZone's last year figures (+€12 M, registered under equity method results). This EBITDA performance was the main reason for the **Direct result** increase of 58% to €209 M, +€77 M when compared to 2017 and consequently **Net income group share surpassed €220 M.**

The impact of the transition from Equity Method to full consolidation of Sonae Sierra accounts has now been updated to include the recycling of results from currency translation reserves (from equity to results). This has a negative non-cash impact of €74 M registered in Indirect Results and has no impact on previously reported shareholders' funds.

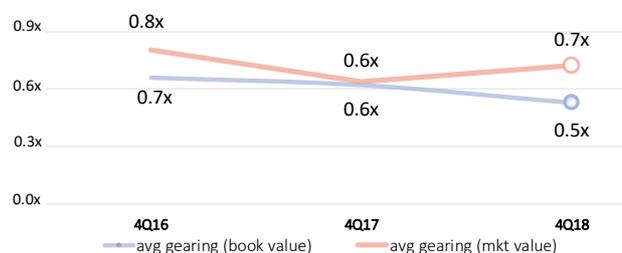
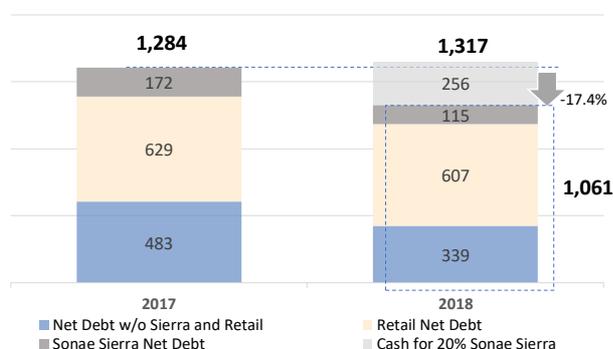
## Net invested capital

Million euros	2017	2018	y.o.y.
Net invested capital	3,248	4,605	41.8%
<b>Sonae shareholders funds</b>	<b>2,135</b>	<b>3,289</b>	<b>54.0%</b>
Sonae financial net debt	1,112	1,375	23.6%
<b>Sonae net debt <sup>(1)</sup></b>	<b>1,112</b>	<b>1,317</b>	<b>18.4%</b>
Net debt / Invested capital	34.3%	28.6%	-5.7 p.p.

(1) Financial net debt + net shareholder loans.

**Sonae Net debt stood at €1,317 M at the end of 2018**, influenced by the 20% stake acquisition in Sonae Sierra, both due to the €256 M cash-out and to the consolidation of the company's net debt (€115 M), as already reported in 9M18 results announcement.

## Pro-forma net debt and gearing



On a pro-forma basis, including the full consolidation of Sonae Sierra's net debt as of the end of 2017, net debt decreased by €223 M y.o.y. to €1,061 M (-17.4%).

**Sonae's average gearing at book value decreased to 0.5x in 4Q18 compared to 0.6x in 4Q17, due to the group's reinforced capital structure** which is now composed of 71% equity (already with Sonae Sierra's balance sheet fully consolidated since 3Q18), a 5.0 p.p. increase when compared to last year. On the contrary, average gearing at market value slightly increased up to 0.7x in 4Q18 vs 0.6x in 4Q17, mainly due to the share price performance in the period.

Excluding Sonae Sierra, Sonae was able to maintain a low average cost of debt of around 1%. Since the end of 2018, Sonae has already refinanced €200 M in long term facilities, which enables Sonae to secure a comfortable average maturity profile of around 4 years.

## Capex

Total Capex in 2018 amounted to €702 M, which includes the €256 M cash out related with the 20% stake acquisition in Sonae Sierra, the consolidation of capex from Sonae Sierra in the 4Q as well as capex related with both maintenance and expansion of the different retail businesses.

Million euros	2017	2018	% of Turnover
<b>Capex</b>	<b>316</b>	<b>702</b>	<b>11.8%</b>
<b>Sonae Retail</b>	<b>273</b>	<b>311</b>	<b>5.4%</b>
Sonae MC	164	181	4.4%
Worten	45	45	4.1%
Sonae Sports & Fashion	21	29	8.0%
Sonae RP	41	52	55.3%
Maxmat	1	3	4.0%
<b>Sonae IM</b>	<b>19</b>	<b>45</b>	<b>28.9%</b>
<b>Sonae FS</b>	<b>2</b>	<b>1</b>	<b>4.0%</b>
<b>Sonae Sierra</b>	<b>-</b>	<b>81</b>	<b>n.a.</b>
<b>Acquisition of 20% Sonae Sierra</b>	<b>-</b>	<b>256</b>	<b>n.a.</b>

## Sonae Retail Results

### Sonae MC

#### Turnover and underlying EBITDA mg evolution (€M)



In the favourable macroeconomic backdrop of 2018, and despite the strong competitive environment, **Sonae MC was again able to deliver a top line growth of 7.0% y.o.y.**, the highest annual increase over the last decade and surpassing €4 bn in sales. This performance was supported by a LfL sales growth of 2.8% in the FY18, significantly above the inflation for the same period (0.7%) as well as by the network store expansion. It is also worth highlighting the fast-developing e-commerce platform with double-digit growth figures during 2018 driven by both additional customers and higher average tickets.

Total store network ended the year with 1,085 stores (including franchisees) implying 122 news stores, which included 3 Continente Modelo and 13 Continente Bom Dia own stores (sales area increased by approximately 36k sqm). Since the beginning of 2019, Sonae MC has already opened additional 3 Continente Bom Dia and 1

Continente Modelo.

Regarding the **4Q18**, and despite the tough comparable of 4Q17 (LfL 3.2%), Sonae MC was able to reach a LfL sales growth of 3.6%, fuelled by positive figures in all formats, especially in the proximity segment (Continente Bom Dia stores) and clearly above food inflation in the period (0.3%).

**Underlying EBITDA improved €15 M to €228 M in 2018 and €5 M in the 4Q18**, while margins remained stable in both periods, at 5.5% and 6.3%, respectively. In the most important quarter of the year, which includes the Christmas season, Sonae MC proved once again its solid profile and value proposition and was able to reinforce its market leadership. This positive overall performance reflects a sound top line delivery coupled with cost discipline, despite the persistently demanding environment and the ongoing investments in the expansion program.

The **Health & Wellness** segment remained one of the main areas of growth and, already in January 2019, the acquisition of a 60% stake in the Spanish para-pharmacy and perfumery retailer Arenal was concluded.

## Sonae RP

In the last 2 months of 2018, Sonae RP completed 2 sale & leaseback transactions corresponding to 6 assets and total proceeds of €83 M, including capital gains of €37 M. With these 2 transactions, Sonae MC's freehold stood at 43% at the end of 2018.

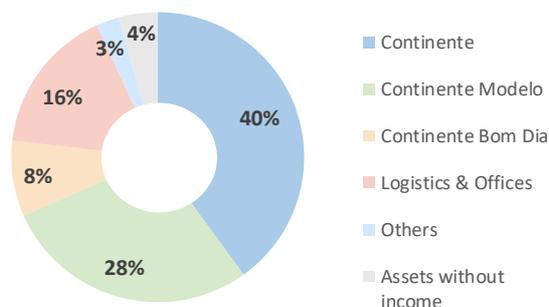
Sonae RP's portfolio at the end of year represented a gross book value of €1,247 M and a net book value of €873 M (-6.3% when compared to the end of September).

In 2018, **Sonae RP's turnover** increased 2.1% y.o.y. to €94 M, and the **underlying EBITDA** stood at €81 M, corresponding to a margin of 86.5%.

**Turnover and underlying EBITDA mg. evolution (€M)**



**Portfolio (% of Gross Book Value)**



## Sonae MC – new perimeter

**Turnover and underlying EBITDA mg. evolution (€M)**



The new perimeter of Sonae MC is mostly comprised of the historical Sonae MC segment, Maxmat and Sonae RP's operational assets. This new perimeter which will become a segment of Sonae consolidated accounts from 2019 onwards, performed in line with the previously mentioned. After the 2 sale & leaseback transactions mentioned above, Sonae MC's new perimeter freehold is 45%.

During 2018, Turnover increased €253 M, +6.2% y.o.y. **to reach €4,308 M**, fuelled by a **LfL sales growth of 3.0%**.

Underlying EBITDAR reached €421 M, implying a +€26 M growth y.o.y. and an increase in margin of 0.1 p.p. y.o.y. to 9.8%. The **underlying EBITDA margin**, stabilised y.o.y. at 7.4% and €319 M.

## Worten

### Turnover and underlying EBITDA mg. evolution (€M)



**Worten registered a strong 4Q contributing to €1.1 bn in total turnover in FY18**, 7.6% above the €1 bn threshold surpassed in FY17. This performance was underpinned by the 5.6% LfL sales growth and the e-commerce double digit growth (both in Portugal and in Spain). Despite the tough comparable (4Q17 LfL 10.2%), LfL sales grew 5.6% in the 4Q18 (robust growth in both countries) with Worten's top line reaching €343 M, implying a total sales growth of 8.1% y.o.y., with an important contribution from the Black Friday period.

The store network expanded with additional 17 new stores (including 1 franchised and 6 own stores in the 4Q) reaching a total of 257 Worten stores in Iberia by year end. Nonetheless, capex/turnover has been reduced by 0.3 p.p.. This store expansion coupled with a strong Black Friday impact led to a stable underlying EBITDA at €35 M and a margin of 3.2%.

## Sonae S&F

### Turnover and underlying EBITDA mg. evolution (€M)

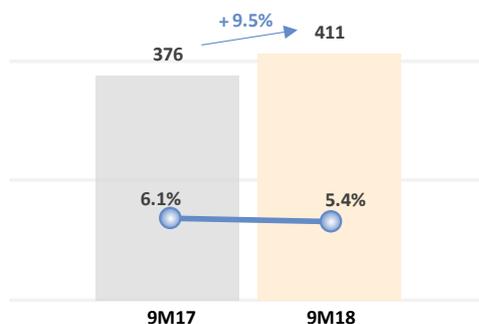


### Sonae Fashion

**A challenging year for the whole fashion sector with a positive 4Q for Sonae S&F, growing above market references.** The business recorded a 7.2% LfL growth and total sales of €104 M in the 4Q18, implying a total growth of 7.9% when compared to 4Q17. With this quarterly performance, Sonae S&F sales reached €369 M in 2018, representing a 1.9% growth when compared to 2017.

Regarding profitability, the 4Q enabled a positive contribution and evolution when compared to last year (underlying EBITDA of €12 M, +€2.5 M y.o.y.), although not sufficient to reach a yearly increase. The underlying EBITDA reached €14.9 M at YE18 with a margin of 4.0%, -1.4p.p. when compared to 2017.

### Turnover and underlying EBITDA mg. evolution (€M)



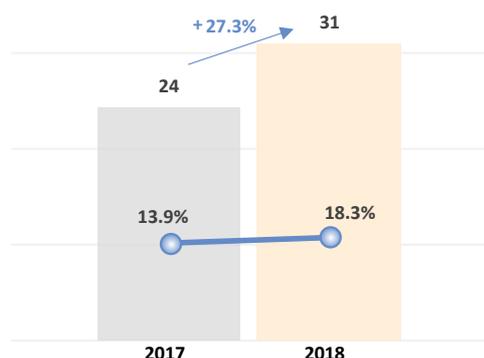
### Iberian Sports Retail Group

In the approx. 9 months<sup>22</sup> of the first year of the JV, turnover reached €411 M, an improvement mostly driven by Sprinter and JD sales performance. The group's EBITDA stood at €22 M, with an impact from Sport Zone stores' conversion to the Sprinter model in Spain. Equity method results included in Sonae accounts stood at -€5.2 M in 2018, a €12 M increment vs 2017.

<sup>22</sup> Due to calendar reporting dates of JD Sports (the main shareholder of the JV), ISRG figures refer to Feb 1<sup>st</sup> - Nov 2<sup>nd</sup>.

## Sonae FS

### Turnover and underlying EBITDA mg. evolution (€M)



**Sonae FS ended a very good year with positive evolutions in key indicators:** production surpassed the €1 bn threshold (+22.8% vs 2017), turnover jumped 27.3% y.o.y to €31 M and underlying EBITDA almost doubled to €5.7M.

The **Universo** operation continues to enhance its role in the payments market and to be the main responsible for the strong performance of this business unit. During the 4Q, the Universo card reached almost 50k additional subscribers, totalling 747k at the end year, thus net adds of 142k in 2018, an impressive figure for an operation that was launched 3 years ago. Market share in the credit card payments market also continued at high levels, ending with 12.9%<sup>23</sup> in December.

## Sonae IM

### Portfolio (at the end of 2018)

Controlling stakes	Minority stakes	
WeDo Technologies	AVP Funds	Nextail
S21Sec   Nextel	Stylesage	Case on it
Saphety	Probe.ly	Jscramber
Bizdirect	Ometria	Reblaze
InovRetail	Arctic Wolf	ciValue
Bright Pixel	Secucloud	Visenze
Excellium	Continuum Security	

In the last quarter of 2018, Sonae IM continued to implement its active portfolio management strategy. Besides the reinforcement in some portfolio companies and some early stage investments, Sonae IM acquired a minority stake in a Singapore retail tech company called **Visenze** and added a controlling stake in a cybersecurity company – **Excellium** - in Luxembourg, which represents an important step in the building of the European cybersecurity group now covering Iberia and key central European markets. Already in March 2019, Sonae IM has come to an agreement to sell Saphety (100%) to the members of its management team.

### Turnover and underlying EBITDA mg. evolution (€M)



In operational terms, **Sonae IM's turnover amounted to €155 M in the FY18, growing 22.7% y.o.y.**, fuelled by all of the portfolio companies and the integration of Nextel (cybersecurity company that merged with S21Sec in 3Q18 – the resulting company is the most important “pure player” in the cybersecurity sector both in terms of turnover and in number of cybersecurity experts).

Regarding the **profitability** level, the underlying EBITDA kept its upward trend with +€2 M y.o.y. to €6.6 M in the FY18. This performance was driven by improved efficiency across almost all companies.

<sup>23</sup> Sonae FS estimate.

## Sonae Sierra

Sonae concluded the agreement with Grosvenor for the **acquisition of an additional 20%** stake for €255.9 M, in the end of the 3Q18. Following this transaction, Sonae owns 70%, thus fully consolidates Sonae Sierra's balance sheet in the 3Q18 and its P&L from 4Q18 onwards (statutory accounts).

### Operational indicators

	2017	2018	y.o.y.
<b>Footfall</b> (million visitors)	<b>438</b>	<b>451</b>	<b>2.9%</b>
Europe & New Markets	342	356	4.2%
Brazil	96	95	-1.7%
<b>Occupancy rate</b> (%)	<b>96.0%</b>	<b>96.4%</b>	<b>0.3 p.p.</b>
Europe	97.1%	97.1%	0.0 p.p.
Brazil	92.5%	93.4%	0.9 p.p.
<b>Like-for-Like (Lfl) tenant sales</b>	<b>4.2%</b>	<b>2.6%</b>	
Europe	3.2%	2.3%	-
Brazil (local currency)	6.8%	3.4%	-
<b>Tenant sales</b> (million euros)	<b>4,897</b>	<b>4,787</b>	<b>-2.2%</b>
Europe (million euros)	3,534	3,608	2.1%
Brazil (million euros)	1,363	1,179	-13.5%
Brazil (million reais)	4,896	5,063	3.4%
<b>Nº of shopping centres owned and/or managed (EOP)</b>	<b>66</b>	<b>64</b>	<b>-2</b>
Europe	56	54	-2
Brazil	10	10	0
<b>Nº of shopping centres owned/co-owned (EOP)</b>	<b>45</b>	<b>44</b>	<b>-1</b>
Europe	36	35	-1
Brazil	9	9	0
<b>GLA under Management</b> ('000 sqm)	<b>2,423</b>	<b>2,482</b>	<b>2.4%</b>
Europe & New Markets	1,941	2,004	3.2%
Brazil	481	477	-0.8%

### Proportional basis – management accounts

Million euros	2017	2018	y.o.y.	4Q17	4Q18	y.o.y.
<b>Turnover</b>	<b>222</b>	<b>222</b>	<b>0.0%</b>	<b>61</b>	<b>63</b>	<b>3.6%</b>
<b>EBIT</b>	<b>105</b>	<b>108</b>	<b>2.8%</b>	<b>29</b>	<b>30</b>	<b>3.9%</b>
EBIT margin	47.2%	48.5%	1.3 p.p.	47.9%	48.1%	0.2 p.p.
Direct results	65	67	3.0%	19	17	-12.6%
Indirect results	45	44	-3.9%	13	18	33.4%
<b>Net results</b>	<b>110</b>	<b>110</b>	<b>0.1%</b>	<b>33</b>	<b>35</b>	<b>6.3%</b>
<b>... attributable to Sonae</b>	<b>55</b>	<b>62</b>	<b>12.9%</b>	<b>16</b>	<b>24</b>	<b>48.8%</b>

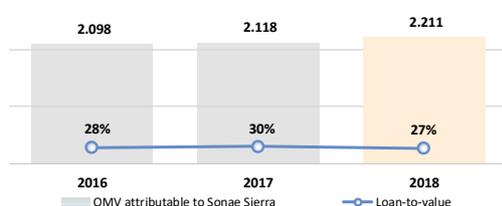
Sonae Sierra's management accounts (on a proportional basis) show that the company continues to deliver solid performance with EBIT increasing by €2.9 M to €108 M. Consequently, **Direct results** increased to €67 M, +3.0% y.o.y., underpinned by a strong performance of the shopping centre portfolio in both in Europe and Brazil coupled with good growth of the services division (EBIT +11% y.o.y.), which was partially offset by the adverse currency effect of the

Brazilian real (€3.5 M). **Indirect results** stood at €44 M mainly reflecting gains on sales of properties and valuation increases in Sierra's portfolio of assets.

During 2018, Sonae Sierra progressed with its **capital recycling strategy with almost €600 M of OMV of assets sold** (100% basis) such as the share reduction in Serra Shopping, GranCasa, Max Center, Valle Real and the full sale of Coimbrashopping (Portugal) and Nuremberg assets. In addition, Sonae Sierra acquired the remaining 50% stake of ParkLake shopping center in Romania.

As for its **development pipeline execution**, Sonae Sierra opened the Fashion City Outlet in Greece (4Q), achieved significant advances in the expansion of Norteshopping and the Designer Outlet in Malaga and, already in 2019, opened the first shopping centre in Colombia (Cucuta).

### Open Market value (OMV)<sup>(1)</sup> and leverage (billion euros)



Sonae Sierra's NAV stood at €1,455 M at the end of December 2018, +1.6% (or 3.7% on a constant currency basis) when compared to the end of 2017. This increase was driven by the positive operating results in its portfolio valuations, partially offset by the adverse currency impact. Sierra is forecasting a 5% increase in NAV during 1H19.

## Statutory accounts

Million euros	4Q18
<b>Turnover</b>	<b>44</b>
<b>Underlying EBITDA</b>	<b>11</b>
Underlying EBITDA margin	<b>24.5%</b>
Equity method results	11
Non-recurrent items	39
<b>EBITDA</b>	<b>61</b>
D&A <sup>(1)</sup>	-5
<b>EBIT</b>	<b>56</b>
Net financial results	-6
<b>EBT</b>	<b>50</b>
Taxes	-7
Direct results	43
<b>Indirect results</b>	<b>1</b>
Net income	44
Non-controlling interests	-12
<b>Net income group share</b>	<b>32</b>

(1) Depreciations & amortisations including provisions & impairments.

## NOS

NOS published its FY18 results on March 8th 2019, available on its website [www.nos.pt](http://www.nos.pt).

**Operating revenues amounted to €1,576 M in 2018, +1.1% above last year with telco revenues growing 1.5% to €1,506 M.** In the 4Q18, operating revenues grew 2.5% y.o.y. to €409 M. **Regarding profitability**, consolidated EBITDA improved 2.8% y.o.y. to €592 M in 2018 benefitting from a 4.0% growth of core telco EBITDA. Net results stood at €141 M in 2018, +16% y.o.y..

### Financial indicators

Million euros	2017	2018	y.o.y.	4Q17	4Q18	y.o.y.
<b>Operating revenues</b>	<b>1,559</b>	<b>1,576</b>	<b>1.1%</b>	<b>399</b>	<b>409</b>	<b>2.5%</b>
<b>EBITDA</b>	<b>575</b>	<b>592</b>	<b>2.8%</b>	<b>127</b>	<b>130</b>	<b>2.7%</b>
EBITDA margin	36.9%	37.5%	0.6 p.p	31.7%	31.8%	0.1 p.p
<b>Net results</b>	<b>122</b>	<b>141</b>	<b>15.8%</b>	<b>17</b>	<b>18</b>	<b>8.6%</b>
<b>Capex</b>	<b>377</b>	<b>376</b>	<b>-0.4%</b>	<b>114</b>	<b>95</b>	<b>-16.4%</b>
Total FCF before Dividends, Financial investments and Own shares acquisition	133	180	35.2%	-3	0	-

**Total capex** stood at €376 M in 2018 mostly related to telco investments, corresponding to 23.8% of revenues and -0.4% when compared to 2017. **Total Free Cash-Flow before Dividends, Financial investments and Own shares acquisition amounted to €180 M** (+35.2% y.o.y), benefitting from a strong operating cash flow of €196 M, which enabled a 1.8x Net Debt/EBITDA and should support a strong dividend distribution profile.

**As for operational indicators**, NOS ended 2018 with 9,605 thousand total RGUs, with 35.1 thousand net adds in the 4Q18. Even though the level of convergent penetration is already at 50.3%, NOS managed to register y.o.y. growth of 6.3% to 767 thousand convergent customers, corresponding to 3.9 million convergent RGUs and an average of 5 services per household. Meanwhile, the operational transformation program is on track to deliver enhanced customer experience and higher operational efficiency.

### Operational indicators

('000)	4Q17	4Q18	y.o.y.
<b>Total RGUs (Net adds)</b>	<b>46</b>	<b>35</b>	<b>-</b>
Convergent RGUs (Net adds)	19	31	-
Mobile (Net adds)	29	9	-
Pay TV (Net adds)	1	2	-
<b>Total RGUs</b>	<b>9,412</b>	<b>9,605</b>	<b>2.1%</b>
Convergent RGUs	3,651	3,902	6.9%
Convergent customers	721	767	6.3%
ARPU/Unique subscriber with fixed access (euros)	44	44	-

## Balance sheet

Million euros	2017	2018	y.o.y.
<b>TOTAL ASSETS</b>	<b>5,605</b>	<b>7,772</b>	<b>38.7%</b>
<b>Non current assets</b>	<b>4,183</b>	<b>5,996</b>	<b>43.3%</b>
Tangible and intangible assets	2,019	2,022	0.1%
Goodwill	634	779	22.9%
Investment properties	-	999	-
Other investments	1,434	2,040	42.2%
Deferred tax assets	72	73	2.1%
Others	24	83	-
<b>Current assets</b>	<b>1,422</b>	<b>1,777</b>	<b>24.9%</b>
Stocks	713	671	-5.9%
Trade debtors	130	142	9.1%
Liquidity	365	698	91.3%
Others	214	266	24.2%
<b>SHAREHOLDERS' FUNDS</b>	<b>2,135</b>	<b>3,289</b>	<b>54.0%</b>
Equity holders	1,967	2,161	9.9%
Attributable to minority interests	168	1,127	-
<b>LIABILITIES</b>	<b>3,470</b>	<b>4,484</b>	<b>29.2%</b>
<b>Non-current liabilities</b>	<b>1,385</b>	<b>1,973</b>	<b>42.4%</b>
Bank loans	573	1,072	86.9%
Other loans	647	516	-20.2%
Deferred tax liabilities	132	286	-
Provisions	19	41	-
Others	13	57	-
<b>Current liabilities</b>	<b>2,085</b>	<b>2,511</b>	<b>20.4%</b>
Bank loans	208	287	38.2%
Other loans	61	214	-
Trade creditors	1,192	1,287	8.0%
Others	623	723	16.0%
<b>SHAREHOLDERS' FUNDS + LIABILITIES</b>	<b>5,605</b>	<b>7,772</b>	<b>38.7%</b>



## Trends and outlook

---

In 2019, Sonae will keep pursuing its strategy based on three key pillars and as a holding company, **will continue to be focused on unlocking value across the portfolio. A new BoD will be elected for the 2019-2022 mandate.**

From January 1st onwards, Sonae will report its consolidated accounts in accordance with the IFRS 16 accounting standard. This will not affect cash but for comparable reasons in 1Q19, 2018 figures by quarter will be reported with IFRS impact. Sonae will explain to the market the impacts of IFRS 16 in due time.

**Sonae MC** will be a new segment in Sonae's accounts, comprising the historical Sonae MC segment, Maxmat and Sonae RP's operational assets. The food retail market should remain positively impacted by a positive macro environment, despite the strong competitive situation. Under this framework, Sonae MC will continue to be focused on developing its value proposition, the expansion of its proximity store network (Continente Bom Dia stores), while ensuring price leadership. Health & Wellness will be under the spotlight with the consolidation and expansion of Arenal, the Spanish para-pharmacy and perfumery network.

**Worten** will continue to lead the way in digital transformation, benefitting from a slower but still positive macro context both in Portugal and Spain while also maintaining its focus on the improvement of its overall profitability. Moreover, Worten will also further explore a potential growth avenue, namely through aits recently launched marketplace.

**Sonae Sports & Fashion** brands will continue to implement their strategies mainly focused on creating the conditions to achieve a visible top line and profitability growth while becoming a more fashion, more digital and more agile group. Regarding ISRG, 2019 will be the first entire year of full integration of both operations therefore important for continuing the success of this JV.

**Sonae FS** expects to further expand its product and services portfolio, through Universo in the credit, insurance and payments market.

**Sonae IM** will continue its active portfolio management with a special focus on growth stage but also investing from seed to late stages. Sonae IM's investment targets are retail, telco and cybersecurity companies with B2B business models based on strong innovative technology.

**Sonae Sierra** will continue to focus on the delivery of its three core strategic principles and on further extending its international presence. In terms of developments, Sierra has already opened a new development in Colombia, is planning to conclude the Designer Outlet in Malaga and to continue with the execution of its other ongoing expansions and developments. In terms of capital recycling, Sierra is expecting to continue to selectively recycle capital from its portfolio, whilst committing to the long-term strategic growth of its most dominant flagship assets in Iberia.

**NOS** will continue with to make significant progress in terms of its Transformation Plan, which will bring further benefits in 2019, while remaining a leading player in the Portuguese telecoms and entertainment market



## 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 2018, the individual net income of Sonae, SGPS, SA stood at 321,807,558.32 euros, having increased by 250% when compared to last year (93,223,270.03). This increase was mostly driven by higher dividends received and by the record of reversal impairments losses of approximately €126 M.

The amount of 383,648.00 euros is already reflected in the net income and is planned for the variable remuneration of executive directors, as a distribution of 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, 2018.

## 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 321,807,558.32 euros, is allocated as follows:

Legal Reserves: 16,090,378.46 euros  
Dividends: 88,200,000.00 euros  
Free Reserves: 217,517,179.86 euros.

The Board of Directors accordingly proposes that a gross dividend of 0.0441 euros per share is paid to the shareholders, excluding from the total dividends of 88,200,000.00 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.

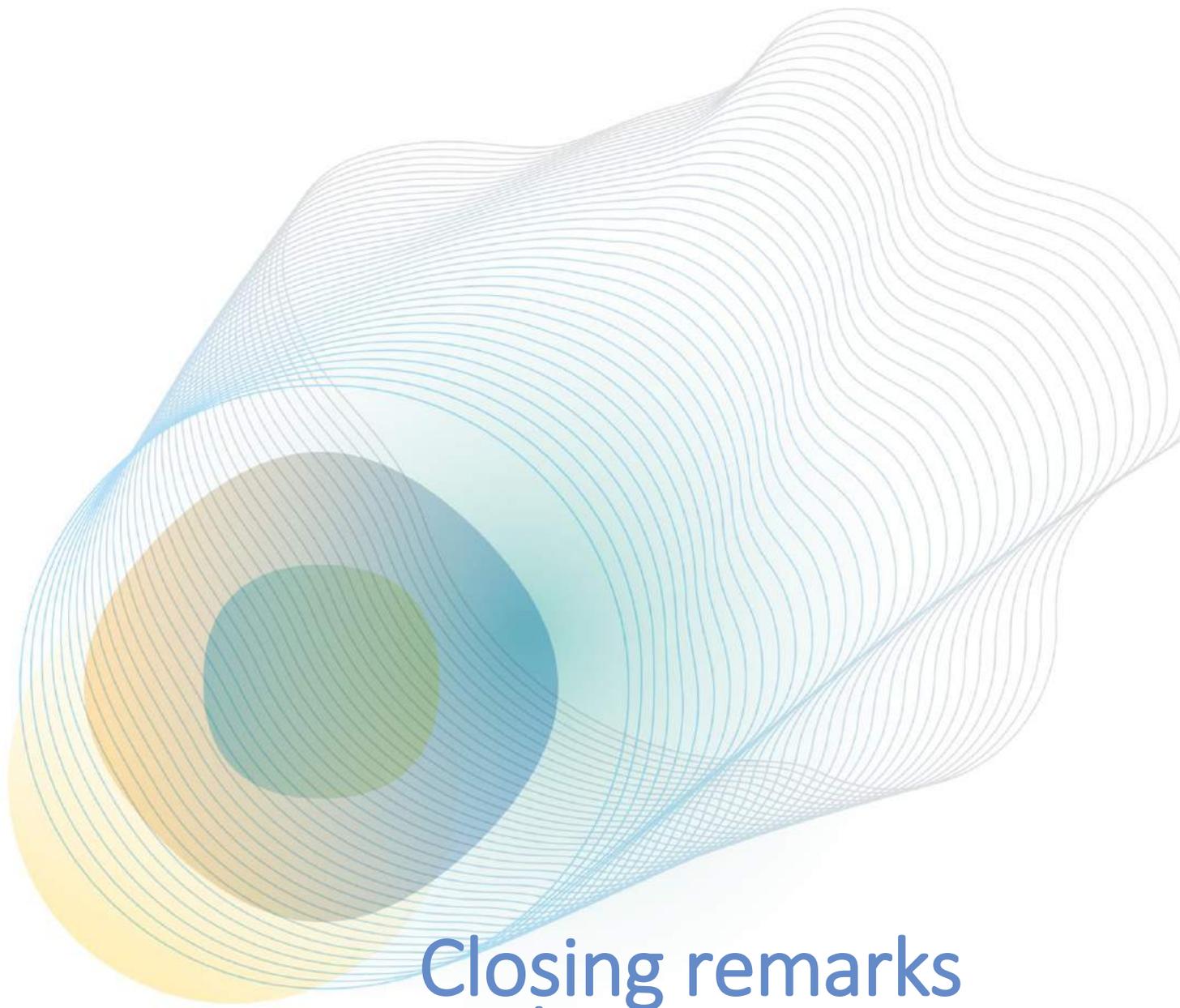
This dividend corresponds to a dividend yield of 5.4% considering the closing price of December 31<sup>st</sup> 2018 and to a payout ratio of 42% considering the direct results attributable to Sonae's shareholders.

## Subsequent events

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### February 27<sup>th</sup>

Sonae informed on Efanor announcement - intention to propose at the upcoming electoral Shareholders General Meeting (April 2019) the new Board of Directors for the 2019/2022 mandate.



# Closing remarks and acknowledgements

People:

people are at the centre of our success



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 19<sup>th</sup> 2019.

**The Board of Directors**

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

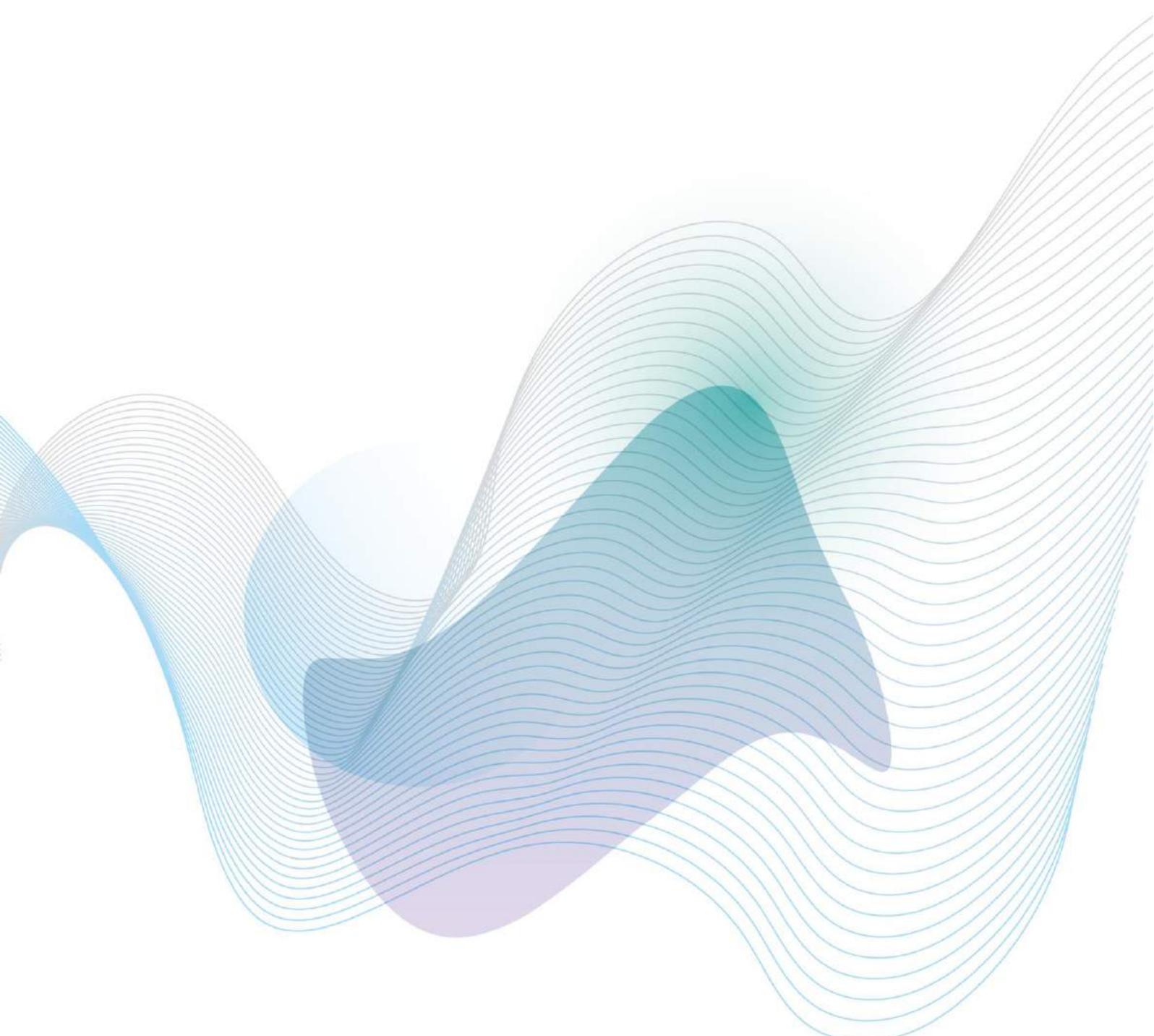
Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director



# Glossary

## Effectiveness:

we continuously look to improve the effectiveness of our actions so as to maximize results

<b>Capex</b>	Investments in tangible and intangible assets and investments in acquisitions.
<b>Direct results</b>	Results before non-controlling interests excluding contributions to indirect results.
<b>(Direct) EBIT</b>	Direct EBT - financial results.
<b>EBITDA</b>	Underlying EBITDA + equity method results + non-recurrent items.
<b>EBITDA margin</b>	EBITDA / turnover.
<b>(Direct) EBT</b>	Direct results before taxes.
<b>EoP</b>	End of period.
<b>Equity method results</b>	Include direct income related to investments consolidated by the equity method (mainly Sonae Sierra and NOS/Zopt) and results from discontinued operations.
<b>Financial net debt</b>	Total net debt excluding shareholders' loans.
<b>Gearing (book value)</b>	Average of the last four quarters considering, for each quarter, total net debt (EoP) / total shareholders' funds (EoP).
<b>Gearing (market value)</b>	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.
<b>GLA</b>	Gross Lettable Area: equivalent to the total area available to be rented in the shopping centres.
<b>Indirect results</b>	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.
<b>Investment properties</b>	Shopping centres in operation owned and co-owned by Sonae Sierra.
<b>Like for Like sales (Lfl)</b>	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.
<b>Loan to value (LTV) – Sonae Sierra</b>	Net debt / (investment properties + properties under development + properties under restructuring - goodwill).
<b>NAV or INREV NAV</b>	Open market value attributable to Sonae Sierra - net debt - minorities + deferred tax liabilities.
<b>Net debt</b>	Bonds + bank loans + other loans + financial leases + shareholder loans - cash, bank deposits, current investments, and other long-term financial applications.
<b>Net invested capital</b>	Total net debt + total shareholders' funds.
<b>Open market value (OMV)</b>	Fair value of properties in operation (% of ownership), provided by independent international entities and book value of development properties (% of ownership).
<b>Other loans</b>	Bonds, leasing and derivatives.
<b>Recurrent EBITDA</b>	Underlying EBITDA + equity method results.
<b>RGU</b>	Revenue generating unit.
<b>Technical investment</b>	Tangible assets + intangible assets + other fixed assets - depreciations and amortisations.
<b>Underlying EBITDA</b>	Recurrent EBITDA from the businesses consolidated using the full consolidation method.
<b>Underlying EBITDAR</b>	Underlying EBITDA excluding rents.

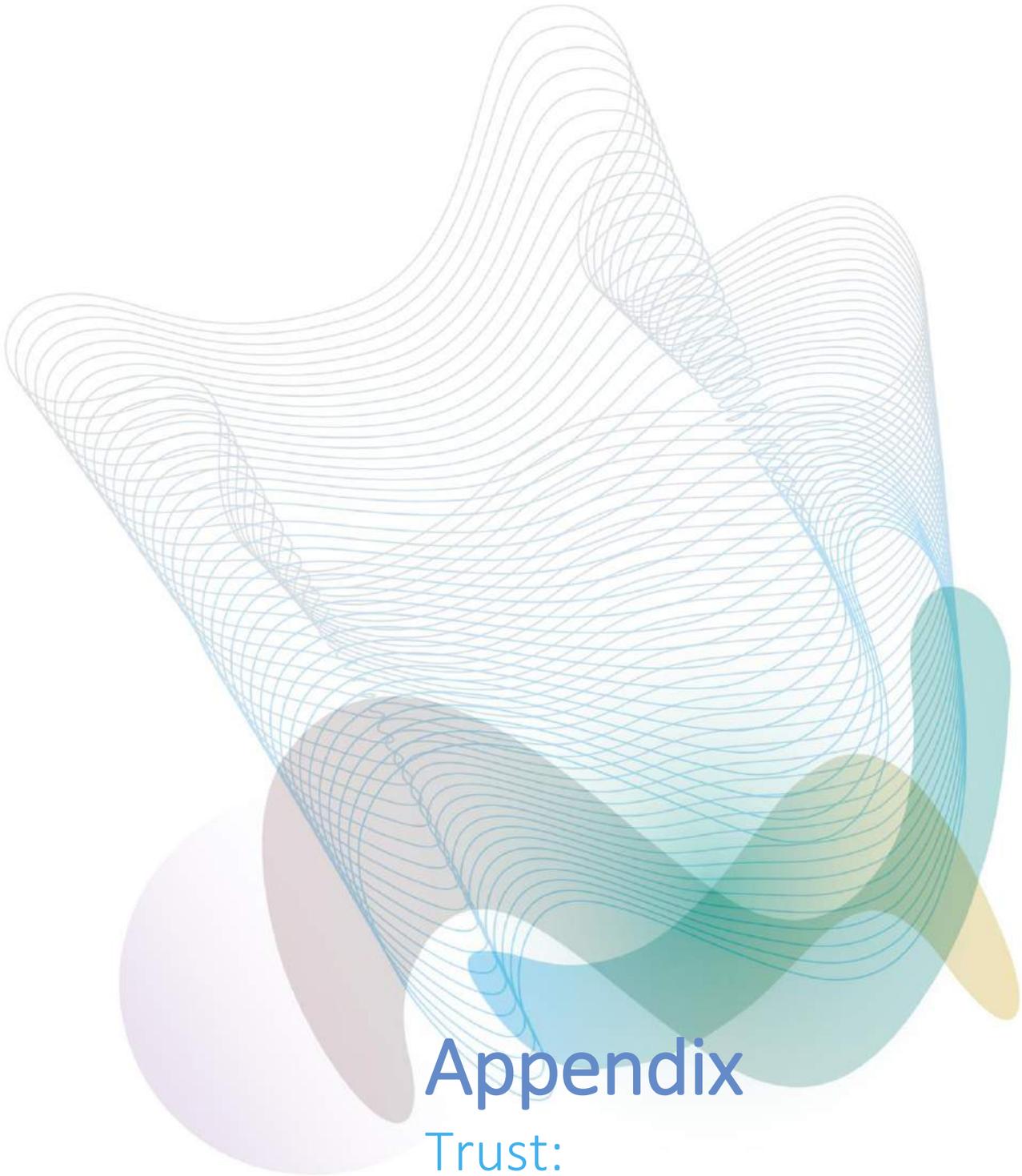


## Methodological notes

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) from 1Q17, Maxmat is reported under “Sonae Retail”, together with Sonae MC, Worten, Sonae Sports & Fashion and Sonae RP;
- (ii) MDS started to be consolidated through the Equity Method and was included in Sonae FS, in June 2017, after the sale of 1,773 shares from MDS SGPS to IPLF Holding. From 1Q16 until June 2017, MDS was registered as a discontinued operation;
- (iii) from 1Q17 until January 2018, Sport Zone figures were reported as a discontinued operation. From February 2018 onwards, ISRG started to be consolidated through the Equity Method;
- (iv) following the acquisition of a further 20% in Sonae Sierra, Sonae Sierra statutory balance sheet started to be fully consolidated in the 3Q18 and the statutory P&L in the 4Q18;
- (v) discontinued operations, namely Berg, in Sonae S&F in 2018 were also considered in 2017 for comparable reasons.



# Appendix

## Trust:

we strive at all times to gain the trust of all stakeholders, by adhering to the highest standards of ethics and transparency



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

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

Approved at the meeting of the Board of Directors held on March 19<sup>th</sup> 2019

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

## Article 447 of the Portuguese Companies Act and Article 14, paragraph 7, of the Portuguese Securities Commission (CMVM) Regulation no. 05/2008

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, by the members the statutory managing 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	Additions		Reductions		Position on 31.12.2018	Balance on 31.12.2018
		Quantity	Aver. Price €	Quantity	Aver. Price €		
<b>Duarte Paulo Teixeira de Azevedo (*) (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (3)						Dominant	
Sonae - SGPS, SA							805,730
<b>Ângelo Gabriel Ribeirinho dos Santos Paupério (*) (**)</b>							
Sonae - SGPS, SA							0
Sale	24/05/2018			212,987	1.152		
Enxomil - Consultoria e Gestão, SA (6)						Dominant	
Enxomil - Sociedade Imobiliária, SA (7)						Dominant	
<b>Maria Margarida Carvalhais Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							14,901
<b>Maria Cláudia Teixeira de Azevedo (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							377,318
Linhacom, SGPS, SA (5)						Dominant	
<b>Nuno Miguel Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	

	Date	Additions		Reductions		Position on 31.12.2018	Balance on 31.12.2018
		Quantity	Aver. Price €	Quantity	Aver. Price €		
<b>(1) Efanor Investimentos, SGPS, SA</b>							
Sonae - SGPS, SA						Dominant	200,100,000
Pareuro, BV (2)							
<b>(2) Pareuro, BV</b>							
Sonae - SGPS, SA							849,533,095
<b>(3) Migracom, SA</b>							
Sonae - SGPS, SA							2,874,339
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
<b>(4) Imparfin - Investimentos e Participações Financeiras, SA</b>							
Sonae - SGPS, SA							4,105,280
<b>(5) Linhacom, SGPS, SA</b>							
Sonae - SGPS, SA							189,314
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
<b>(6) Enxomil - Consultoria e Gestão, SA</b>							
Sonae - SGPS, SA							2,021,855
<b>(7) Enxomil - Sociedade Imobiliária, SA</b>							
Sonae - SGPS, SA							662,987
Purchase	24/05/2018	212,987	1.152				

(\*) 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)

## Qualified holdings

Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of the Sonae - SGPS, SA, calculated according to article 20 of the Portuguese Securities Code, as required by article 9 paragraph 1, subparagraph c), of the Portuguese Securities Market Commission (CMVM) Regulation no. 05/2008:

Shareholder	No. of shares	% Share capital and voting rights*	% of exercisable voting rights**
<b>Efanor Investimentos, SGPS, SA (I)</b>			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	849,533,095	42.4767%	42.4767%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	377,318	0.0189%	0.0189%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae, SGPS, SA and Efanor Investimentos, SGPS, SA)	805,730	0.0403%	0.0403%
By Migracom, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Duarte Paulo Teixeira de Azevedo)	2,874,339	0.1437%	0.1437%
By Linhacom, SGPS, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Maria Cláudia Teixeira de Azevedo)	189,314	0.0095%	0.0095%
<b>Total attributable to Efanor Investimentos, SGPS, SA</b>	<b>1,053,894,697</b>	<b>52.6947%</b>	<b>52.6947%</b>
<b>Banco BPI, SA</b>			
Banco BPI, SA	132,851,868	6.6426%	6.6426%
Banco Português de Investimento, SA	365,199	0.0183%	0.0183%
Fundos de Pensões do Banco BPI	40,071,372	2.0036%	2.0036%
BPI Vida - Companhia de Seguros de Vida, SA	4,751,416	0.2376%	0.2376%
<b>Total attributable to Banco BPI, SA (II)</b>	<b>178,039,855</b>	<b>8.9020%</b>	<b>8.9020%</b>
<b>Fundação Berardo, Instituição Particular de Solidariedade Social</b>			
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.4925%	2.4925%
<b>Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social</b>	<b>49,849,514</b>	<b>2.4925%</b>	<b>2.4925%</b>
<b>Invesco Ltd</b>			
Invesco Asset Management Ltd	41.185.755***	2.0270%	2.0270%
Invesco Asset Management		0.0130%	0.0130%
Invesco Advisers		0.0200%	0.0200%
<b>Total attributable to Invesco Ltd</b>	<b>41,185,755</b>	<b>2.0593%</b>	<b>2.0600%</b>

Source: communications received by the Company regarding qualified shareholdings up to 31 December 2018

\* 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.

(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



# CORPORATE GOVERNANCE REPORT '18

A DNA for a  
*Sustainable Company*



IMPROVING LIFE

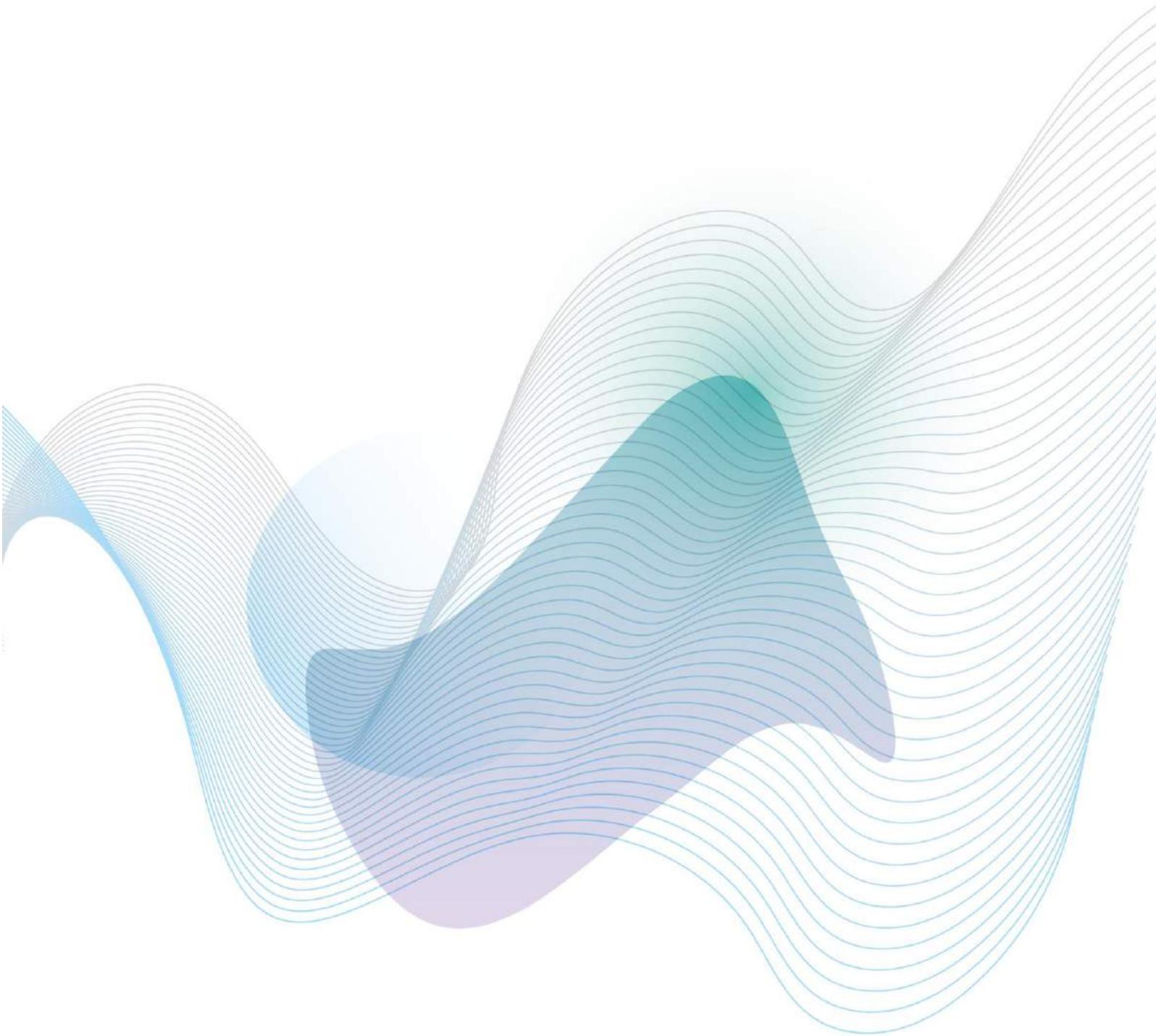


## Corporate Governance Report' 18

A-	Shareholders' structure	81
I.	Share capital structure	81
	1.Share capital structure	81
	2.Restrictions on the transfer and ownership of shares	81
	3.Own shares – number, percentage of share capital they represent and percentage of voting rights that would correspond to own shares	81
	4.Significant agreements with ownership clauses	81
	5.Defensive measures in case of change of control	81
	6.Shareholders' agreements	81
	7.Qualified shareholdings	82
	8.Number of shares and bonds held by the members of the statutory governing bodies, submitted pursuant to paragraph 5 of article 447 of the Portuguese Companies Act	84
	9.Powers of the Board of Directors on share capital increase	85
	10.Relevant business relationship between owners of qualified shareholdings and the Company'	85
	a. Composition of the Board of the Shareholders' General Meeting	85
	11.Board of the Shareholders' General Meeting: members and mandate	85
	b. Exercising Voting Rights	85
	12.Restrictions on voting rights	85
	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	86
	14.Deliberative quorum	86
	a.Composition	87
	15.Identification of the adopted governance model	87
	16.Rules for nominating and replacing board members	88
	17.Composition of the Board of Directors	88
	18.Distinction between executive and non-executive members of the Board of Directors	89
	19.Professional qualifications and curricular references of the members of the Board of Directors	90
	20.Usual and significant family, business and commercial relationships between members of the Board of Directors and shareholders with attributed qualified shareholdings	90
	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	91
	22.Internal regulation of the Board of Directors	97
	23.Number of meetings held and attendance level of each Member of the Board of Directors	97
	24.Competent bodies of the company to appraise the performance of Executive Directors	97
	25.Predetermined criteria for evaluating the performance of Executive Directors	98
	26.Availability of the members of the Board of Directors	98
	27.Identification of committees created by the Board of Directors	98
	28.Composition of the Executive Committee	98
	29.Board committees and other advisors to the Board	100
	a.Composition	105
	30.Identification of The Supervisory Bodies	105
	31.Composition	105
	32.Independence	105
	33.Professional qualifications and curricular references of the members of the Statutory Audit Board	106
	b.Functioning	106
	34.Internal regulation of the Statutory Audit Board	106
	35.Statutory Audit Board Meetings	106

36.Availability of the Statutory Audit Board members	106
c. Duties and competencies	106
37.Role of the Statutory Audit Board in the hiring of additional services from the external auditor	106
38.Other duties carried out by the Statutory Supervising Bodies	107
39.Identification	109
40.Permanence in functions	109
41.Other services provided to the Company	109
42.Identification	109
43.Permanence in functions	109
44.Policy and frequency of rotation of the external auditor	110
45.Statutory governing body responsible for the external auditor’s assessment	110
46.Additional work, other than audit services, performed by the external auditor and respective hiring process	110
47.Remuneration of the external auditor	110
48.Rules applicable in the case of amendments to the company’s articles of association	112
49.Policy on reporting irregularities	112
50.Individuals, bodies or committees responsible for internal audit and / or implementation of internal control systems	112
51.Hierarchy/or functional relationships with other company’s bodies	113
52.Other functional areas with risk control competencies	113
53.Identification and classification of main risks	113
54.Description of risk management processes: identification, assessment, monitoring, control and management	119
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	121
56.Investor Relations	122
57.Legal representative for capital market relations	123
58.Information requests	124
59.Address	124
60.Location of the information mentioned in article 171 of the Portuguese companies act	124
61.Location for the provision of the articles of association, bodies and committees’ regulations	124
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	124
63.Location for the provision of accounting documents and calendar of corporate events	124
64.Location for the provision of the notices for shareholders’ general meetings and all related information	124
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	124
66.Responsibility for approving the remuneration of the company’s statutory governing bodies, executive directors and persons discharging managerial responsibilities (“dirigentes”)	125
67. Composition of the Remuneration Committee, identification of other individuals and entities hired to provide support and advisors’ statement of independence	125
68.Knowledge and experience of the members of the Remuneration Committee	125
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	126
70.Remuneration of the members of the Board of Directors	129
71.Variable remuneration of the Executive Directors	130
72.Deferred payment of the remuneration’s variable component	131
73.Criteria that underlies the allocation of variable remuneration in shares and their maintenance	131
74.Criteria that underlies the allocation of variable remuneration in options	132
75.Main parameters and reasoning concerning annual bonuses and any other non-cash benefits	132
76. Main characteristics of complementary pension or early retirement schemes for the directors approved at the shareholders’ general meeting	133
77.Indication of the annual remuneration earned, in aggregate and individual amount, by the company’s members of the Board of Directors	133

78.Any amounts paid by other controlled or group companies, or those under shared control	135
79. Remuneration paid in the form of profit sharing and/or bonus payments	135
80.Compensation paid or owed to former Executive Directors as a result of Loss of Office	135
81.Remuneration of the Statutory Audit Board	135
82.Remuneration of the Chairman of the Board of the Shareholders' General Meeting	136
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	136
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	136
85.Identification of the plan and recipients	136
86.Plan features	136
87.Option rights granted to acquire shares ("stock options") where the beneficiaries are company employees	137
88.Control mechanisms in any system of employee participation in the share capital	137
89.Mechanisms for monitoring transactions with related parties	138
90.Transactions subjected to control during 2018	138
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	138
92.Information on transactions with related parties	138
I – General Provisions	140
II – Shareholders and General Meetings	144
III – Non-Executive Management, Monitoring and Supervision	146
IV – Executive Management	149
V – Evaluation of Performance, Remuneration and Appointment	150
VI – Risk Management	155
VII – Financial Statements and Accounting	155
1.1. Professional qualifications and curricular references	159
1.2. Positions held in other entities	165
2.1. Professional qualifications and curricular references	169
2.2. Positions held in other entities	171



## Part I:

Shareholders' structure organisation  
and Corporate Governance



## A- Shareholders' structure

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### I. Share capital structure

#### 1. Share capital structure

The Company's 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 distribution of share capital and respective voting rights among the owners of qualified shareholdings 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 31<sup>st</sup> December 2018, did not held, directly or indirectly, any percentage of own shares representing the Company's share capital.

#### 4. Significant agreements with ownership clauses

There are no agreements executed by the Company incorporating clauses with the aim of setting up defensive measures to a change in its shareholders' control or that cease in case of a change of the Company's control following a takeover bid.

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

The shareholders' agreement executed between the Company 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 the Company, but only in the particular and exclusive situation of the Company 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. Shareholdings and holdings of bonds

### 7. Qualified shareholdings

On 31<sup>st</sup> December 2018, relying on the notices received by the Company pursuant to article 16 and article 248-B of the Portuguese Securities Code, the owners of qualified shareholdings, the respective attributable share capital and voting rights percentage, as well as the source and grounds for such attribution, were the following:

#### Qualified shareholdings

Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of Sonae - SGPS, SA, calculated in accordance with 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	No. of shares	% Share capital and voting rights*	% of exercisable voting rights**
<b>Efanor Investimentos, SGPS, SA (I)</b>			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	849,533,095	42.4767%	42.4767%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	377,318	0.0189%	0.0189%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae, SGPS, SA and Efanor Investimentos, SGPS, SA)	805,730	0.0403%	0.0403%
By Migracom, SA (company controlled by Efanor Investimentos, SGPS, SA and Sonae SGPS SA's Director Duarte Paulo Teixeira de Azevedo)	2,874,339	0.1437%	0.1437%
By Linhacom, SGPS, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Maria Cláudia Teixeira de Azevedo)	189,314	0.0095%	0.0095%
<b>Total attributable to Efanor Investimentos, SGPS, SA</b>	<b>1,053,894,697</b>	<b>52.6947%</b>	<b>52.6947%</b>
<b>Banco BPI, SA</b>			
Banco BPI, SA	132,851,868	6.6426%	6.6426%
Banco Português de Investimento, SA	365,199	0.0183%	0.0183%
Fundos de Pensões do Banco BPI	40,071,372	2.0036%	2.0036%
BPI Vida - Companhia de Seguros de Vida, SA	4,751,416	0.2376%	0.2376%
<b>Total attributable to Banco BPI, SA (II)</b>	<b>178,039,855</b>	<b>8.9020%</b>	<b>8.9020%</b>
<b>Fundação Berardo, Instituição Particular de Solidariedade Social</b>			
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.4925%	2.4925%
<b>Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social</b>	<b>49,849,514</b>	<b>2.4925%</b>	<b>2.4925%</b>
<b>Invesco Ltd</b>			
Invesco Asset Management Ltd	41,185,755***	2.0270%	2.0270%
Invesco Asset Management		0.0130%	0.0130%
Invesco Advisers		0.0200%	0.0200%
<b>Total attributable to Invesco Ltd</b>	<b>41,185,755</b>	<b>2.0593%</b>	<b>2.0600%</b>

Source: communications received by the Company regarding qualified shareholdings up to 31st December 2018

\* 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.

(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

This information is disclosed in an Appendix to the 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, submitted 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 and article 14, paragraph 7, of the Portuguese Securities Commission (CMVM) Regulation no. 05/2008

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, by the members of 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	Additions		Reductions		Position on 31.12.2018	Balance on 31.12.2018
		Quantity	Aver. Price €	Quantity	Aver. Price €		
<b>Duarte Paulo Teixeira de Azevedo (*) (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (3)						Dominant	
Sonae - SGPS, SA							805,730
<b>Ângelo Gabriel Ribeirinho dos Santos Paupério (*) (**)</b>							
Sonae - SGPS, SA							0
Sale	24-05-2018			212,987	1.152		
Enxomil - Consultoria e Gestão, SA (6)						Dominant	
Enxomil - Sociedade Imobiliária, SA (7)						Dominant	
<b>Maria Margarida Carvalhais Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							14,901
<b>Maria Cláudia Teixeira de Azevedo (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							377,318
Linhacom, SGPS, SA (5)						Dominant	
<b>Nuno Miguel Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	

	Date	Additions		Reductions		Position on 31.12.2018	Balance on 31.12.2018
		Quantity	Aver. Price €	Quantity	Aver. Price €		
<b>(1) Efanor Investimentos, SGPS, SA</b>							
Sonae - SGPS, SA							200,100,000
Pareuro, BV (2)						Dominant	
<b>(2) Pareuro, BV</b>							
Sonae - SGPS, SA							849,533,095
<b>(3) Migracom, SA</b>							
Sonae - SGPS, SA							2,874,339
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
<b>(4) Imparfin - Investimentos e Participações Financeiras, SA</b>							
Sonae - SGPS, SA							4,105,280
<b>(5) Linhacom, SGPS, SA</b>							
Sonae - SGPS, SA							189,314
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
<b>(6) Enxomil - Consultoria e Gestão, SA</b>							
Sonae - SGPS, SA							2,021,855
<b>(7) Enxomil - Sociedade Imobiliária, SA</b>							
Sonae - SGPS, SA							662,987
Purchase	24-05-2018	212,987	1.152				

(\*) 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)

## 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, Bank 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

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## I. Shareholders' General Meeting

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

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

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

The members of the Board of the Shareholders' General Meeting for the mandate 2015-2018 have been in office for 3 mandates, since they were first elected in 2007.

#### **Board of the Shareholders' General Meeting**

Manuel Cavaleiro Brandão, Chair

Maria da Conceição Cabaços, Secretary

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### 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 is no limitation 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). Such policy shall remain in force for as long as the Company remains within the scope of the RGICSF, which results from indirectly holding the majority of the voting rights of the financial entity Sonaegest-Sociedade Gestora de Fundos de Investimento, S.A..

The abovementioned policy is available at the Company's website, <https://www.sonae.pt/en/investors/shareholder-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 2015-2018 mandate follows the guidelines of the Selection and Assessment Policy for Membership of the Statutory Governing Bodies, presenting 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 Paragraph III, a) below, the proportion of persons of each gender respects, in advance, the threshold imposed by article 5 of Law no. 62/2017, of August 1st.

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

The members of the Board of Directors, under the terms of the Portuguese law and the Company’s Articles of Association, are elected to the Board of Directors, in accordance with the proposal approved 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 and Remuneration Committee is responsible for proposing potential candidates with the suitable profile for Board roles.

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.

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

Board of Directors
Duarte Paulo Teixeira de Azevedo
Ângelo Gabriel Ribeirinho dos Santos Paupério
José Manuel Neves Adelino
Andrew Eustace Clavering Campbell
Christine Cross

Tsega Gebreyes

Marcelo Faria de Lima

Dag Johan Skattum\*

Margaret Lorraine Trainer

\* Ceased his role as a board member by resignation as announced to the market on June 2018

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	2018
Ângelo Gabriel Ribeirinho dos Santos Paupério	2000	2018
José Manuel Neves Adelino	2007	2018
Andrew Eustace Clavering Campbell	2015	2018
Christine Cross	2009	2018
Tsega Gebreyes	2015	2018
Marcelo Faria de Lima	2015	2018
Dag Johan Skattum	2015	2018*
Margaret Lorraine Trainer	2015	2018

\* Ceased his role as a board member by resignation as announced to the market on June 2018

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

Board of Directors	
Duarte Paulo Teixeira de Azevedo	Chair of the Board of Directors and Co-CEO
Ângelo Gabriel Ribeirinho dos Santos Paupério	Co-CEO
José Manuel Neves Adelino	Senior Independent Non-Executive Director
Andrew Eustace Clavering Campbell	Independent Non-Executive Director
Christine Cross	Independent Non-Executive Director
Tsega Gebreyes	Independent Non-Executive Director
Marcelo Faria de Lima	Independent Non-Executive Director
Dag Johan Skattum*	Independent Non-Executive Director
Margaret Lorraine Trainer	Independent Non-Executive Director

\* Ceased his role as a board member by resignation as announced to the market on June 2018

In the composition of the Board of Directors, a balance is maintained between the number of Executive Directors and the number of Non-Executive Directors. All of the Non-Executive Board Members are independent, in accordance with the independence criteria set out in paragraph 18.1 of Appendix I to the CMVM Regulation no. 4/2013 and IPCG Recommendation III.4 (2018).

Considering that the Chairman of the Board of Directors also carried out executive duties, under the provisions of paragraph 2 of Article 1 and Article 13 of the Internal Regulation of the Board of Directors (available at the Company's website <https://www.sonae.pt/en/investors/government-of-society/>), the director José Manuel Neves Adelino was appointed as Senior Independent Non-Executive Director, upon resolution of the Board taken in the meeting held on 4th May 2015. In that capacity, there were attributed, to this Director, the following duties:

- coordinate, in accordance with the Corporate Governance best practices, the effective performance of the Non-Executive Directors' duties, whether within the Board of Directors or within the Board's specialised committees,



in order to guarantee strengthened conditions for the independent and informed exercise of such directors' duties;

- ensure the existence of a continuous flow of information, necessary for the fulfilment of the legal and statutory duties inherent to the Non-Executive Directors' activities, through the adoption and timely compliance of transparent information-sharing procedures by the Executive Committee;
- supervise compliance of 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;
- ensure the execution of scope and mission of the Ethics Committee, since the Senior Independent Non-Executive Director also chairs the Ethics Committee.

#### 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 and Co-CEO, Duarte Paulo Teixeira de Azevedo, is a shareholder and member of the Board of Directors of Efanor Investimentos, SGPS, SA, the legal entity holding the majority of the share capital and voting rights of the Company.

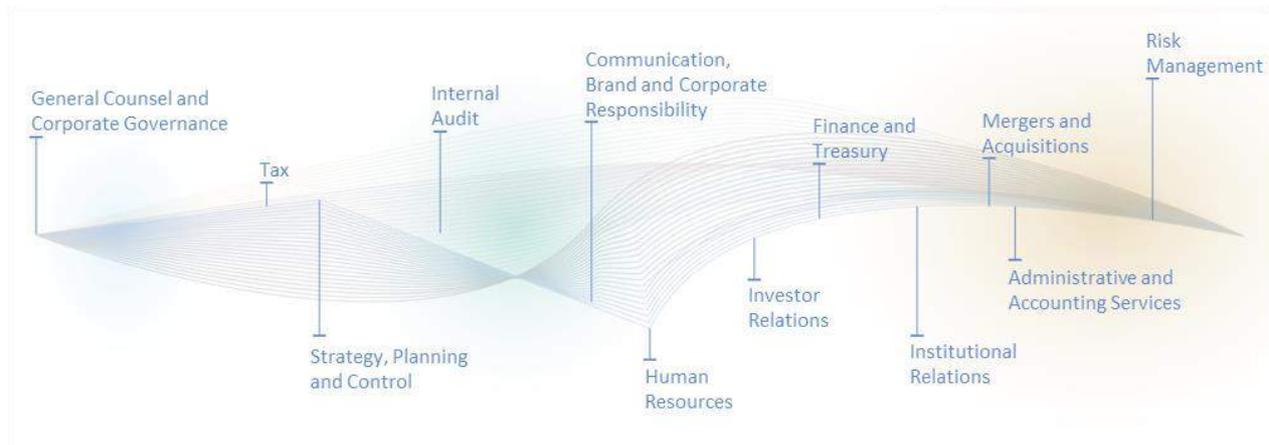
To the best of the Company's knowledge, there are no other significant or usual family, business and commercial relationships between shareholders with attributed qualified shareholdings higher than 2% of the voting rights, and the members of the Board of Directors.

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:



The corporate structure is supported by the following functional areas:



#### General Counsel and Corporate Governance

Main responsibilities:

- Provide legal advice to Sonae's business activity;
- 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 Corporate Governance and monitor the best corporate governance practice compliance;
- Coordinate and share legal knowledge in order to align the Company's position with that of other 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:
  - Controlling and monitoring tax procedures;
  - Ensuring compliance with all tax requirements;
  - Controlling all group Companies' fiscal consolidation.
- Manage the price transfer dossier;
- 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 Corporate Responsibility

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:

- Optimisation of the Company's financial function and retail business through the proposal, implementation and control of appropriate risk policies;
- Conduct of all financing operations of the Company and of the retail businesses;
- Negotiation and contracting of banking products and services for the Company and for the retail businesses;
- Treasury management and means of payment and receipt of the Company and the retail businesses;
- Management of the various financial risks of the Company and of the retail businesses;
- Development of 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 divestment;
- 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;
- Preparation of financial reporting and monitoring of the main financial risks.

#### Mergers and Acquisitions

##### Main responsibilities:

- Core businesses and corporate M&A planning and execution across the Sonae Group;
- Identification, assessment, due diligence, negotiations and closing of acquisitions, divestitures, and joint ventures across the Sonae Group;
- Reinforcing Sonae's business networking with industry players and key M&A players.

#### Risk Management

##### Main responsibilities:

- Promotion of a culture of risk awareness throughout the organisation;
- Development of the risk management policy and keep it up to date;
- Development, implementation, revision and maintenance of the risk management processes and methodologies;
- Coordination of the risk management activities and report its results;
- Identification of the critical risks and monitorisation of the development and implementation of risk indicators and risk reduction measures;
- Supporting the development of procedures for assessing risks, particularly contingency and business succession planning;
- Supporting Sonae's Risk Management Consultation Group.

#### Group Strategy, Planning and Control

##### Main responsibilities:

- Support the development of the corporate and business units' strategy;
- Preservation of the annual strategic planning cycle;
- Coordinate Sonae's annual budgeting process, and performance of the report on budget execution;

- Challenge the businesses and corporate areas on their objectives in order to constantly improve and optimise Sonae's efficiency, performance and results;
- Preparing management information on individual businesses, and at a consolidated level, on a monthly, quarterly, and annual basis, as well as analysing deviations to budget and proposing correctives measures;
- Provide support to decisions about capital allocation to existing businesses and to new business opportunities (responsibility for analysing invested capital and its respective return);
- Sharing 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 Consultation Group;

#### 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.

#### Institutional Relations

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 and Accounting Services

Main responsibilities:

- Efficiently and effectively manage of 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 knowledge sharing and specialised committees:

### Corporate Finance and Treasury Committee

Sonae's Corporate Finance and Treasury Committee is chaired by Ângelo Paupério (Co-CEO), being composed of the directors responsible for corporate finance from each of Sonae's main business areas, as well as the managers of the Company's corporate centre functional team, who are relevant to the subjects on each meeting's agenda. The Committee meets monthly with 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;
- Elaboration of 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 assists the Executive Committee in defining policies, reviewing, and coordinating the activities of internal audit, and reviewing the internal control processes and systems. This committee, which meets quarterly, is chaired by Ângelo Paupério (Co-CEO), and includes Board members and 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, and has the following main goals:

- Propose and give opinion to the Board of Directors regarding the internal audit policies and level of relation with external auditors;
- Apprise the 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 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 the Sonae Companies;
- Give opinion and cooperate in the proposal for the selection of the Company's External Auditor;
- Develop and maintain a quality assurance and improvement program of the internal audit function;
- Promote the organisation of an annual even to exchange knowledge and experiences.

### Sonae's Risk Management Consultation Group

Sonae's Risk Management Consultation Group supports the Executive Committee in defining risk management policies, having a duty to propose methodologies, standards, and tools, aligned with best practice and international standards, to follow up and coordinate risk management activities, and to promote risk management expertise and knowledge sharing amongst Sonae companies. This Group, which meets quarterly, is chaired by João Pedro Dolores and includes the Board members responsible for corporate finance and the Risk Managers responsible for this role in the Company and in its main business areas, the Board and Corporate Governance Officer, the Group Chief Internal Auditor and the Group Insurance Manager. This Group 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 supports Sonae Group in the analysis, discussion and validation of the best practices, policies and values of human resources and is chaired by José Corte-Real and is composed of members of Sonae's various business. This Group meets once every two months 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 supports the Group's businesses to promote the adoption of the best practices of continuous improvement through the various businesses, aiming to promote a common approach across the Group. This Group meets quarterly and is Chaired by Ângelo Paupério (Co-Chairman of the Executive Committee), 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 supports Sonae Group at coordinating policies and efforts in all sustainability areas, with the objective of increasing awareness across Sonae and identifying relevant common issues to encourage synergies and cohesion in the management of the various challenges in this area and generating an increasingly beneficial impacts in all stakeholders. This Group meets quarterly and is chaired by Isabel Barros, 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**, a forum dedicated to innovation, 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 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 as a basis to support the effectiveness of the Group's efforts along this strategic pillar;
- **Administrative and tax forum**, aiming at sharing knowledge and experiences, promoting the existence of synergies between the administrative services department and tax department.

Each of these informal bodies meets several times during the year and often organises seminars, workshops, and internal training courses.

## b. Functioning

### 22. Internal regulation of the Board of Directors

The Internal Regulation of the Board of Directors is 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 fifteen days beforehand and receives supporting documents for any given meeting with at least three business days in advance.

Minutes are recorded in a minute book.

During 2018, 9 (nine) 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 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 policy approved by the shareholders at a Shareholders' General Meeting.

The Board Nomination and Remuneration Committee 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 BNRC and the Shareholders' Remuneration Committee may also be supported by international external consultants of recognised competency. 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.

## 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.

## 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 2018, 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 and the Board Nomination and Remuneration Committee.

The internal regulations of these Committees are part of the Board's Internal Regulation and 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 its 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 portfolio management strategy;
- 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

Duarte Paulo Teixeira de Azevedo, Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Co-CEO

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### 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 Senior Independent Non-Executive Director and to the Chairman of the Statutory Audit Board.

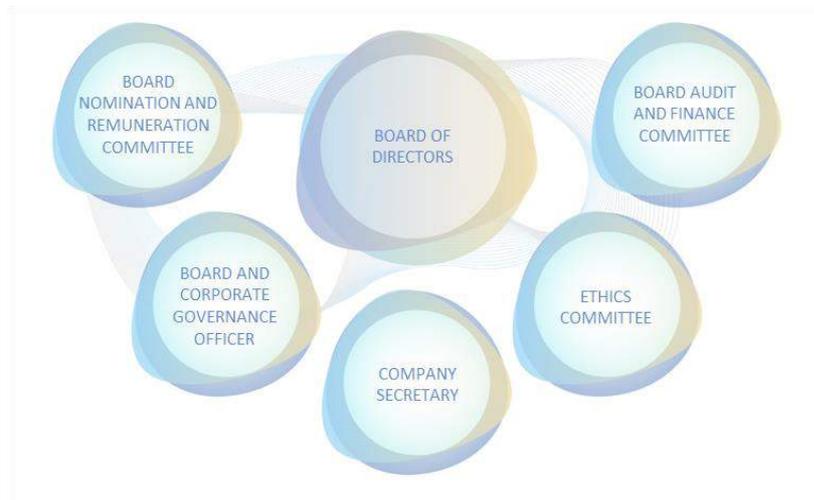
Whilst carrying out its general duty of ensuring access to fully adequate information regarding the correct assessment of its own overall performance, the Executive Committee must deliver periodic reports on its activity to the remaining members of the statutory governing bodies. The Committee must provide 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 and Remuneration 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 2018, 20 (twenty) Executive Committee's 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 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:

- Review the Company’s annual and interim financial statements and earnings announcements to the market, and report its findings to the Board of Directors, giving the necessary support to the financial statements approval process;
- Advise the Board on its reports to shareholders and financial markets to be included in the Company’s Annual and Half-Year Financial Statements, as well as in the preparation of the quarterly earnings announcements;
- Advise the Board - including the evaluation 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 control applied by the Company;
- Monitor Internal Audit activity, in conjunction with plans validated by the Statutory Audit Board, reach conclusions, and put these forward for consideration to the Board of Directors;
- Assess operational procedures in order to ensure that internal control, effective management of risks, the timely distribution of information and the reliability of the process of preparing and disclosing financial information are monitored;
- Ensure the smooth flow of information to and from the Statutory Audit Board and process any requests made by the Statutory Audit Board to the Board of Directors;
- Ensure that the Corporate Governance policies adopted by the Company are complied with, and that financial reporting standards and practices are adhered to;

- Monitor formal and informal key financial indicators reported about the Company, including reports published by rating agencies;
- Give its opinion about significantly relevant transactions made by the Company with related parties.

### Composition

The BAFC is composed of six members appointed by the Board of Directors. All members are Independent Non-Executive Directors. The composition of the Board Audit and Finance Committee during 2018 was as follows:

Board Audit and Finance Committee	
José Manuel Neves Adelino	Chair – Independent Non-Executive
Andrew Eustace Clavering Campbell	Independent Non-Executive
Christine Cross	Independent Non-Executive
Tsega Gebreyes	Independent Non-Executive
Marcelo Faria de Lima	Independent Non-Executive
Margaret Lorraine Trainer	Independent Non-Executive

### 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 2018, 5 (five) meetings of the BAFC were held with an overall attendance rate of 90%.

### Board Nomination And Remuneration Committee (“BNRC”)

#### Role

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

- Identifying potential candidates for appointment to the Board of Directors (in particular when the Board decides to co-opt a Board member) and provide oversight of succession planning, contingency planning and talent management in general for Board members and other senior management positions;
- Giving feedback, to the Board of Directors, on the proposed remuneration and compensation policy of the members of the Board of Directors prepared by the Executive Committee and to be subsequently submitted to the Board of Directors for review, before the Board submits a final proposal to the Shareholders’ Remuneration Committee for its approval and subsequent inclusion in the agenda of a Shareholders’ Annual General Meeting to obtain the approval of shareholders;
- Analysing, as required by the approved internal remuneration processes and policies, the proposals for the remuneration of the members of the Board of Directors, based on the respective performance appraisal, which are then subject to the approval of the Shareholders’ Remuneration Committee as the body responsible for approving such proposals. All proposals must be in line with the Company’s Remuneration and Compensation Policy approved at the Shareholders’ General Meeting;
- Supervising the remuneration decisions taken by the Executive Committee for the group senior executives and senior executives who report directly to the Executive Committee;
- Advising the Board of Directors on advance disclosures made by any of the members of the Board of Directors in relation to accepting Outside Directorships and Other Significant Roles or Activities, as required by the Company’s approved Independence and Conflicts of Interest Policy.

The BNRC shares with the Shareholders’ Remuneration Committee access to specialist third-party’s services from suitable entities recognised in the market as being competent and independent.

### Composition

The BNRC is composed of the Chairman of the Board of Directors, and three Independent Non-Executive Directors, also appointed from among the Board of Directors. During the year of 2018, its composition was as follows:

Board Nomination and remuneration Committee	
Margaret Lorraine Trainer	Chair – Independent Non-Executive
Duarte Paulo Teixeira de Azevedo	Executive Chairman of the Board of Directors Non-Independent
José Manuel Neves Adelino	Independent Non-Executive
Christine Cross	Independent Non-Executive

### Operating Rules

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

During 2018, 3 (three) meetings of the BNRC were held, with an overall attendance rate of 92%.

### Ethics Committee

The Company's Board of Directors approved in 2013 a new version of Sonae's Code of Ethics and Conduct, which was updated in 2017 and 2018.

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 by 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 the 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, which appears in periodic communications within the Sonae companies. During 2018, as in previous years, the Company promoted e-learning internal training courses 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. During 2018, these e-learning training courses were made available to new employees and new members of the Company's management bodies.

Sonae's Board of Directors appointed an Ethics Committee with 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 irregularities, received on a non-anonymous basis 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, on a non-anonymous basis, to the email address of the Ethics Committee: [comissaoetica@sonae.pt](mailto: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](mailto:provedoria@sonae.pt).

## Composition

Ethics Committee	
José Manuel Neves Adelino Chair	Non-Executive Senior Independent 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 2018, 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.

BCGO reports to the Board of Directors through its Chairman as well as, when appropriate, through the Senior Independent Non-Executive 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

Non-Executive Directors brought an independent perspective to the continuous monitoring of the Executive Committee, exercising a relevant influence in the strategy and structural decision-making process and particularly in the development of the corporate strategy, both within the Board of Directors, as well as in the specialised committees of the Board of which they were members (BAFC and BNRC).

During 2018, similarly to the previous years, the Executive Committee managed the Company on a day-to-day basis, monitoring the business activity and enhancing strategic decision-making in accordance with the decisions of the Board of Directors and under the terms of the delegation of powers to the Executive Committee with the adequate information contribute.

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 and the main actions implemented in the fulfilment of its competencies and duties.

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

<b>Statutory Audit Board</b>
Daniel Bessa Fernandes Coelho Chair
Maria José Martins Lourenço da Fonseca
Manuel Heleno Sismeiro Óscar José Alçada da Quinta 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.

The Chairman and the substitute member of the Statutory Audit Board were first elected on 3rd May 2007 and were later re-elected at the Company's Shareholders' Annual General Meeting, held on 27th April 2011, having concluded their mandate in 2014.

At the Shareholders' Annual General Meeting held on 30th April 2015, the Chairman and the substitute member of the Statutory Audit Board were re-elected for a third mandate within the present four-year term of 2015-2018.

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

#### 32. Independence

All members of the Statutory Audit Board in 2018 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 Statutory Audit Board has carried out, in 2018, an assessment of the independence of its members, by obtaining an update on the written information previously provided 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 Chairman 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 2018, 13 (thirteen) 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 2018 IPCG Recommendation VII.2.1 iv and with Law no. 140/2015, of 7th September;
- External Auditor's annual activity assessment in compliance with 2018 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 any audit or non-audit services to be provided by the External Auditor and approving the respective remuneration;
- 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:

- i. Verifying the accuracy of all books of account, accounting transactions and supporting documents;
- ii. 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;
- iii. Verifying the accuracy of the financial statements, and expressing an opinion on them in the Accounts Legal Certification and in the Audit Report;
- iv. Verifying whether the accounting policies and valuation criteria used lead to a fair valuation of the assets and results of the Company;

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- v. Carrying out any examinations and checks necessary to the audit and legal certification of the accounts and carrying out all procedures required by law;
  - vi. 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;
  - vii. 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 Auditor<sup>1</sup>

### 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 elected at the Shareholders' General Annual Meeting held on 3<sup>rd</sup> 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 3<sup>rd</sup> May 2018, is available for consultation at the Company's website <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

### 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 Auditor<sup>2</sup>

### 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 elected at the Shareholders' Annual General Meeting held on 3<sup>rd</sup> May 2018, following a proposal of the Statutory Audit Board. The representing partners were also appointed in 2018 following the abovementioned election.

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

<sup>2</sup> 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:

<b>Remuneration paid by the Company</b>	<b>2017*</b>		<b>2018*</b>	
Statutory Audit and Accounts Certification	0	0	31,650	100%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>31,650</b>	<b>100%</b>

\*Amounts in euros.

<b>Remuneration paid by the Group's Companies**</b>	<b>2017*</b>		<b>2018*</b>	
Statutory Audit and Accounts Certification	0	0	531,661	52%
Other Compliance and Assurance Services	0	0	397,500	39%
Tax Consultancy Services	0	0	0	0%
Other services	0	0	96,464	9%
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1,025,625</b>	<b>100%</b>

\*Amounts in euros.

\*\*Controlling companies or in a group relationship.

## C- Internal Organization

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### 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 Social Responsibility, 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's 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/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 Corporate Responsibility, Institutional Relations, Investor Relations and Administrative Services departments.

## 53. Identification and classification of main risks

### Economic risks

#### Macro-economic influences:

The uncertain economic environment impacts Sonae's businesses. Several initiatives have been launched to mitigate this risk, which include, inter alia, internationalisation of main businesses, stricter cost control measures, launching of innovative and alternative offers, and adapting to the economic context by launching promotions and products tailored to the changing consumer needs.

#### Competition:

The main competition risks are the entrance of new competitors, mergers and acquisitions opportunities, the repositioning of current competitors or the actions they might take to reposition themselves to win new markets and gain market share (promotional activity, new businesses, innovation). The inability to be competitive in areas such as pricing, product range, quality and service can have a negative impact on the financial results of the Group. 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, the Group 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 implemented globally. 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. The Group periodically monitors brands image value, their attributes and their reputation through



customer opinion surveys, research by specialist entities and market studies. The Group 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 2018, preventive and safety audits were conducted in different locations of the business units. 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 feature. 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 initiatives have been implemented to strengthen our Safety Culture:

- At Sonae MC:
  - Conscious of the importance of a strong safety culture in operations, in 2018 we have double our efforts to increase the presence in the field of our Health & Safety specialists, with the aim of adding more value. We have performed 2.064 field visits. We want to “Be (more) present in the field – to know, to prevent, to act, to report... TO FOCUS!”;
  - We know that human behaviour factors are key to excel. For that, in March 2018, we launched a training program, SST 20/80 tailored for the Continente Bom dia Stores. 80% of the training is conducted in the actual work environment, with the main goal of raising awareness of unsafe behaviour, as well as to consolidate lessons learned in earlier training programs. This program encompassed a total of 101 stores and was attended by 3.762 trainees, achieving more than 1.100 training hours. We have also developed and implemented a simple and agile coaching program for leaders with the aim of enhancing the commitment and responsibility of leaders on Health & Safety. 616 leaders participated involving 194 training hours;
  - In 2018 we changed the way training contents are delivered to our staff and reviewed the existing training programs, with the objectives of updating contents and focussing more on behaviour and main causes of accidents in each business. In total we reviewed/developed 16 training programs;
  - Being aware that Safety Promoters foster safe behaviour, we continued, in 2018, to empower this function, launched in 2004, by increasing their skills and knowledge to make them more robust, autonomous and actionable. In 2018, 48 Workshops were made, reaching 279 participants;
  - We have launched, in 2018, the Fresh A to Z project, with the clear objectives of determining direct and indirect causes of work accidents, specialising teams in processes related to fresh products and eliminating forbidden “accidents”. The aim is to reduce by 20% accidents in operations of fresh products until 2019;
  - In Logistics, we value ergonomics at the workplace, and for that we have implemented in 2018 several operational improvements, ranging from more ergonomic machines, to replacement of equipment to reduce physical efforts, to purchasing equipment, to eliminate extreme and repetitive postures. From all the initiatives developed, we highlight proof of concept involving wearables to explore new technologies which may be positive contributors in the near future;
  - During 2018, we continued to develop the partnership/project with Fidelidade (our insurers), initially launched in July 2017. This project aims to improve processes, develop tools, both managerial and operational, to increase agility, transparency and control over the life cycle of a claim.

- At Worten:
  - Health & Safety information started to be made available at W-T@ALK (job instructions, procedures, safety measures, safety instructions, risk assessments, information about accidents, amongst other information);
  - We have produced 11 videos on Health & Safety for the Logistics Hub at Azambuja, not only for visitors but also for staff, on issues like: Health & Safety highlights, Individual Protection Equipment, Manual Handling of load cargos, falling objects, falls on the ground and from heights, cutting objects, work machines and equipment, emergencies, work accidents and environment.
  
- At Sonae Sports & Fashion:
  - We have implemented a new training methodology for Health & Safety Onboarding of all recently admitted staff both in the stores and logistics - ...More Fashion; More Agile; More Digital;
  - Safety Alerts – Information sharing with each business on health & safety, with the objectives of informing and raising awareness on risks and preventive measures to minimise them;
  - Train the Trainers on Logistics Machinery – in 2018 we have launched a training program for an internal team of trainers in mechanic handling of load cargos, enabling them to train the whole Logistics team.

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 10% in frequency rate and of 6% in severity index. “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 certifications were additionally attained for all new development projects since 2009 and, at the end of 2018, 42% of Sonae Sierra Shopping Centres are individually certified with OHSAS 18001.

In 2018 Sonae Sierra has reduced, when compared to the previous year, the number of serious accidents (medical treatment, lost-workday/life disruption and fatality/permanent disability cases) by 30% in its shopping centres. The frequency rate and the severity rate of accidents with staff have reduced 5% and 50%, respectively. Among service suppliers the accident frequency and severity rates decreased 37% and 46%, respectively.

#### Business continuity management:

In Sonae Core businesses, 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 Investimentos (currently 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 5 new units certified at the end of 2018, Sonae Retail holds, in Portugal, 76 certifications (41 Continente hypermarkets, 8 Continente Modelo supermarkets, 2 Continente Bom Dia supermarkets, 18 Worten stores and 7 Warehouses, plus the Meat Processing Centre), as well as 3 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 2018, 44% of Sonae Sierra Shopping Centres were individually granted ISO 14001 certification, setting the grounds for the following corporate achievements, in the period 2002 to 2018:

- Electricity consumption fell 49%;
- Recycling rates increased from 19% to 66% of total waste generated;
- Water efficiency improved 21%.

Environmental efficiency measures implemented since 2002, which led to the above results, allowed Sonae Sierra to avoid €25,000,000 (twenty five million euro) of costs in 2018.

During the development phase of Shopping Centres, 26 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 2018 we maintained our position among the leaders in the GRESB attaining 5 Star and Green Star status. The Sierra Fund was ranked 3<sup>rd</sup> in the non-listed European retail sector and 6<sup>th</sup> in European retail overall; the Sierra Portugal Fund was placed 13<sup>th</sup> and 18<sup>th</sup> in these respective categories, and Iberia Coop 17<sup>th</sup> and 22<sup>th</sup>. The three funds ranked 4<sup>th</sup> in the Health & Well-Being category amongst non-listed European retail 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:

- *Dupont Safety Award* in 2007 in the category *Visible Management Commitment*;
- *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;
- *DuPont Safety Award* finalist, in 2011, for its exemplary performance and dedication to build safer Shopping Centres for children;
- *Forbes Green Awards*, in 2015, in the category *Green strategy in developing and operating shopping centres*;
- *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, 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 2018, 1400 food safety audits were performed.

### Information, information systems and communication risks

Sonae's 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.

During 2018, several information systems security and personal data protection awareness-training sessions were undertaken, with the presence of staff at all levels and of all functions. Additionally, we have continued with the programme to adapt to the new General Data Protection Regulation, approved in May 2016.

During 2018, information audits were carried out, in several domains that support main business processes with the objective of identifying and correcting potential vulnerabilities that can have a negative impact in the business and in the protection of information. In addition, information systems management and governance audits were also undertaken using framework COBIT v5 as a reference.

### 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 on 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.

#### 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 regard to the Internal Audit function, in 2018 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) and Certification in Control Self-Assessment (CCSA). At the end of 2018, 31 certifications existed as follows:

1		Certified Internal Auditor (IIA - The Institute of Internal Auditors)
2		Certified in Control Self-Assessment (IIA - The Institute of Internal Auditors)
3		Certified Information System Auditor (ISACA - Information System Audit and Control Association)
4		Lead Auditor Certification
5		Certified Information Security Management (ISACA - Information System Audit and Control Association)
6		Certified in Risk Management Assurance
7		Certified in Risk and Information System Control (ISACA - Information System Audit and Control Association)
8		Certified Ethical Hacker
9		Security Certified Network Professional
10		(ISACA - Information System Audit and Control Association)
11		Other certifications



4	
5	
3	
2	
1	
2	
1	
1	
1	
3	
8	Other certifications

Additionally, seven of our food safety auditors detains the EN ISO 22000:2005 and NP EN ISO 19011:2012 Certifications

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 2018, 13 training sessions were carried out, involving multidisciplinary teams and a total of 1,355 hours.

Sonae is one of the organisations with the most certified employees in internal audit and risk management in Portugal. In 2019, 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 2018

In 2018, the annual Enterprise Wide Risk Management activities focused mostly on monitoring the implementation of action plans and the assessment of their impact in risk perception.

This process, across the entire Group, is supported by an internally developed application tool, which is based on the COSO International Standard.

The Risk Management Department continued to support management of risks in main organizational projects, as well as in the design of crisis management and business continuity plans. Regarding this subject, a crisis management application was developed to support the crisis management process.

Physical safety, customer safety and security audit programmes were also implemented, and fire prevention training events were held.

#### 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 Investors 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:
  - 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;
  - 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:
  - 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;
  - 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;
- Sustainability 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](mailto:investor.relations@sonae.pt) / [pavpinto@sonae.pt](mailto: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 220104706

Fax: +351 229487722

Email: [investor.relations@sonae.pt](mailto:investor.relations@sonae.pt)

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

## 58. Information requests

During 2018, Investor Relations received 290 information requests.

The average response time was of 1 business day. Notwithstanding, that 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 the other statutory governing bodies and persons discharging managerial responsibilities, on behalf of shareholders, under the terms specified in the compensation policy approved by the shareholders at the Shareholders' General Meeting.

The Board Nomination and Remuneration Committee, mainly composed of Independent Non-Executive Directors, described in sections 15 to 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 a four-year mandate from 2015 to 2018. The Shareholders' Remuneration Committee has the following composition:

Shareholders' Remuneration Committee
Artur Eduardo Brochado dos Santos Silva, Chair
Francisco de La Fuente Sánchez
Carlos António Rocha Moreira da Silva

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 Hay Group and Mercer, 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 2018.

#### 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 2018 was as follows:

Members of the Shareholders' Remuneration Committee	2017*	2018*
Artur Eduardo Brochado dos Santos Silva	7,000	7,000
Francisco de La Fuente Sánchez	5,000	5,000
Carlos António Rocha Moreira da Silva	5,000	5,000
<b>Total</b>	<b>17,000</b>	<b>17,000</b>

\* Amounts in euros.

During 2018, 1 (one) meeting of the Shareholders' Remuneration Committee was 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 3<sup>rd</sup> May 2018, 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 Hay Group.
- 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) 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 3<sup>rd</sup> May 2018, 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 the Hay Group 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 2018, 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.

Firstly, 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.

Secondly, Sonae does not allow contracts to be signed that would minimise the importance of the MTPB plan. This policy includes forbidding any transaction that might eliminate or mitigate the risk of share price variations.

### 69.4 Remuneration Policy Approval Process

The Board Nomination and 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.

Month	Remuneration Cycle
January	<p>Reception of market surveys and benchmarking of remuneration trends and expectations using external benchmarking studies.</p> <p>Board Nominations and Remuneration Committee (BNRC) Meeting in mid-March:</p> <p>Closing of prior year and preparation for the current year, reviewing:</p> <ul style="list-style-type: none"> <li>-Annual Appraisal Process;</li> <li>-Remuneration Policy Proposal;</li> <li>-Proposals for the award of variable remuneration for previous year, including the deferred component;</li> <li>-Proposals for fixed remuneration for the current year;</li> </ul>
March	<ul style="list-style-type: none"> <li>-Proposals for variable remuneration target values for performance in the current year.</li> </ul> <p>Shareholders' Remuneration Committee (SRC) Meeting later in March, after the BNRC has met:</p> <p>Closing prior year and preparing current year, <u>approving or deciding</u> the following:</p> <ul style="list-style-type: none"> <li>-Proposals for the award of variable remuneration for the previous year, including the deferred component;</li> <li>-Proposals for fixed remuneration for the current year;</li> <li>-Proposals for variable remuneration target values for performance in the current year.</li> </ul>
April	Shareholders' Annual General Meeting in late April: Shareholders vote on Remuneration Policy proposed by the SRC.
May	<p>SRC Meeting in early May:</p> <p>Only if Board membership or responsibility changed at the Shareholders' Annual General Meeting.</p>
June	BNRC Reporting: Update on current year KPIs (if necessary).
to	SRC Meeting: Only if there are any Board membership or responsibility changes.
October	<p>BNRC Meeting:</p> <ul style="list-style-type: none"> <li>-Progress on current year KPIs (if required);</li> <li>-Review status of Medium Term Variable Remuneration plans and shares retained;</li> <li>-Review of Talent Management, and Contingency and Succession Planning;</li> </ul>
November	<ul style="list-style-type: none"> <li>-Review Nomination Process (if required);</li> <li>-Review BNRC Terms of Reference and Annual Plan for next year;</li> <li>-Review Compensation Policy, including MTIP.</li> </ul> <p>SRC Meeting:</p> <p>Only if there are any Board membership or responsibility changes.</p>
December	<p>BNRC Reporting: Update on current year KPIs (if required);</p> <p>SRC Meeting:</p> <p>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 result 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 compromise and strengthening their view over the importance of their performance for Sonae, and 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 amount of the bonus, converted into shares, may additionally be adjusted to match the success degree in achieving a medium-term objective KPI, in order to ensure the continued alignment with the business medium terms sustainability objectives. This KPI consists of the return on invested capital by reference to the Company's consolidated accounts.

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 attribute 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 2017 and 2018, is summarised in the tables below:

Individual Detail	2017*				2018*			
	Fixed Remuneration	STPB	MTPB	TOTAL	Fixed Remuneration	STPB	MTPB	TOTAL
<b>EXECUTIVE DIRECTORS</b>								
Duarte Paulo Teixeira de Azevedo (1)	241,800	205,300	205,300	652,400	240,300	209,800	209,800	659,900
Ângelo Gabriel Ribeirinho dos Santos Paupério (2)	276,800	219,800	219,800	716,400	275,300	224,600	224,600	724,500
Sub-total	518,600	425,100	425,100	1,368,800	515,600	434,400	434,400	1,384,400
<b>NON-EXECUTIVE DIRECTORS</b>								
José Manuel Neves Adelino	66,900	-	-	66,900	66,900	-	-	66,900
Andrew Eustace Clavering Campbell	46,500	-	-	46,500	46,500	-	-	46,500
Christine Cross	48,500	-	-	48,500	48,500	-	-	48,500
Tsega Gebreyes	51,500	-	-	51,500	46,500	-	-	46,500
Marcelo Faria de Lima	51,400	-	-	51,400	51,400	-	-	51,400
Dag Johan Skattum (3)	46,500	-	-	46,500	18,750	-	-	18,750
Margaret Lorraine Trainer	54,500	-	-	54,500	54,500	-	-	54,500
Sub-Total	365,800			365,800	333,050	-	-	333,050
<b>TOTAL</b>	<b>884,400</b>	<b>425,100</b>	<b>425,100</b>	<b>1,734,600</b>	<b>848,650</b>	<b>434,400</b>	<b>434,400</b>	<b>1,717,450</b>

\* Amounts in Euros.

(1) Remuneration packages for 2017 and 2018 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 on June 2018, having been remunerated until the 31<sup>st</sup> May 2018.

Open MTPB plans attributed to the Executive Directors:

EXECUTIVE DIRECTORS	Plan (Performance Year)	Award Date	Vesting Date	Amount Vested and Paid Off in 2018*	Open Plans Value at Award Date* **	Open Plans Value at 31 December 2018* **
Duarte Paulo Teixeira de Azevedo	2014	March 15	March 18	296,700	0	0
	2015	March 16	March 19		264,600	166,356
	2016	March 17	March 20		190,500	197,047
	2017	March 18	March 21		205,300	181,110
	<b>Total</b>			<b>296,700</b>	<b>660,400</b>	<b>544,513</b>
Ângelo Gabriel Ribeirinho dos Santos Paupério	2014	March 15	March 18	264,603	0	0
	2015	March 16	March 19		333,100	248,728
	2016	March 17	March 20		340,100	342,781
	2017	March 18	March 21		361,900	300,390
	<b>Total</b>			<b>264,603</b>	<b>1,035,100</b>	<b>891,899</b>
<b>TOTAL</b>			<b>561,303</b>	<b>1,695,500</b>	<b>1,436,412</b>	

\* Amounts in Euros.  
 \*\* Calculated considering the share market closing price of 2018 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 2017 and 2018, is summarised in the table below:

INDIVIDUAL DETAIL	2017*				2018*			
	Fixed Remuneration	STPB	MTPB	TOTAL	Fixed Remuneration	STPB	MTPB	TOTAL
<b>EXECUTIVE DIRECTORS</b>								
Duarte Paulo Teixeira de Azevedo	-	-	-	-	-	-	-	-
Ângelo Gabriel Ribeiro dos Santos Paupério	183,900	142,100	142,100	468,100	183,900	145,600	145,600	475,100
<i>Sub-total</i>	183,900	142,100	142,100	468,100	183,900	145,600	145,600	475,100
<b>NON-EXECUTIVE DIRECTORS</b>								
José Manuel Neves Adelino	-	-	-	-	-	-	-	-
Andrew Eustace Clavering Campbell	-	-	-	-	-	-	-	-
Christine Cross	-	-	-	-	-	-	-	-
Tsega Gebreyes	-	-	-	-	-	-	-	-
Marcelo Faria de Lima	-	-	-	-	-	-	-	-
Dag Johan Skattum **	-	-	-	-	-	-	-	-
Margaret Lorraine Trainer	-	-	-	-	-	-	-	-
<i>Sub-Total</i>	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>183,900</b>	<b>142,100</b>	<b>142,100</b>	<b>468,100</b>	<b>183,900</b>	<b>145,600</b>	<b>145,600</b>	<b>475,100</b>

\*Amounts in Euros.

\*\*Ceased his role as a board member as announced to the market on June 2018.

#### 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 3<sup>rd</sup> April 2018, 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 Loss of Office

During 2018, no compensation was paid or owed to former Executive Directors in relation to loss 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 2017 and 2018 was as follows:

Member of the Statutory Audit Board	2017*	2018*
Daniel Bessa Fernandes Coelho	13,900	13,900
Manuel Heleno Sismeiro	10,900	10,900

Maria José Martins Lourenço da Fonseca	10,900	10,900
Óscar José Alçada da Quinta(1)		
<b>Total</b>	<b>35,700</b>	<b>35,700</b>

\* Amounts in euros.

(1) Substitute Member

## 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	2017*	2018*
Manuel Eugénio Pimentel Cavaleiro Brandão	7,500	7,500
Maria Conceição Henriques Fernandes Cabaços	2,500	2,500
<b>Total</b>	<b>10,000</b>	<b>10,000</b>

\* Amounts in euros.

## 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 3<sup>rd</sup> May 2018, 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 Board Directors, during 2018, can be summarised as follows:

	Total		
	Aggregated number of plans	Number of Shares	Euros
<b>Outstanding at 31.12.2017:</b>	6	1,218,417	1,371,939
<b>Movements in the year:</b>	<b>0</b>	<b>101,449</b>	<b>-302,847</b>
Awarded	2	378,203	425,100
Vested	-2	-400,869	-440,555
Cancelled/Lapsed/Adjustments(1)	0	124,115	-287,392
<b>Outstanding at 31.12.2018:</b>	6	1,319,866	1,069,092

(1) Changes in the number of shares due to dividends paid and to the effects of 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.

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 Board Directors, including the MTPB Plans of Sonae Business Units' executive directors, by reference to the year ended on 31<sup>st</sup> December 2018:

Sonae SGPS Share Plans Outstanding during 2018	Vesting Period			At 31 December de 2018	
	Share Price at Award Date	Award Date	Vesting Date	Aggregate number of participants	Number of Shares
2015 Plan	1.278	March 2015	March 2018	18	0
2016 Plan	0.970	March 2016	March 2019	18	1,478,737
2017 Plan	0.906	March 2017	March 2020	19	1,839,375
2018 Plan	1.124	March 2018	March 2021	23	2,009,597

The present chart does not include information regarding share plans that may be attributed to the directors of Sonaecom and Sonae Sierra.

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

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### I. Mechanism of control procedures

#### 89. Mechanisms for monitoring transactions with related parties

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

In this regard, 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 2018

As stated in section 10 above, there were not, during 2018, any significant relations, of a commercial nature or otherwise, between qualified shareholders and the Company. The executed transactions, without any significant relevance, fall within the Company's scope of activity, were executed on arm's length conditions and side-by-side with other equivalent transactions executed with national and international parties, 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

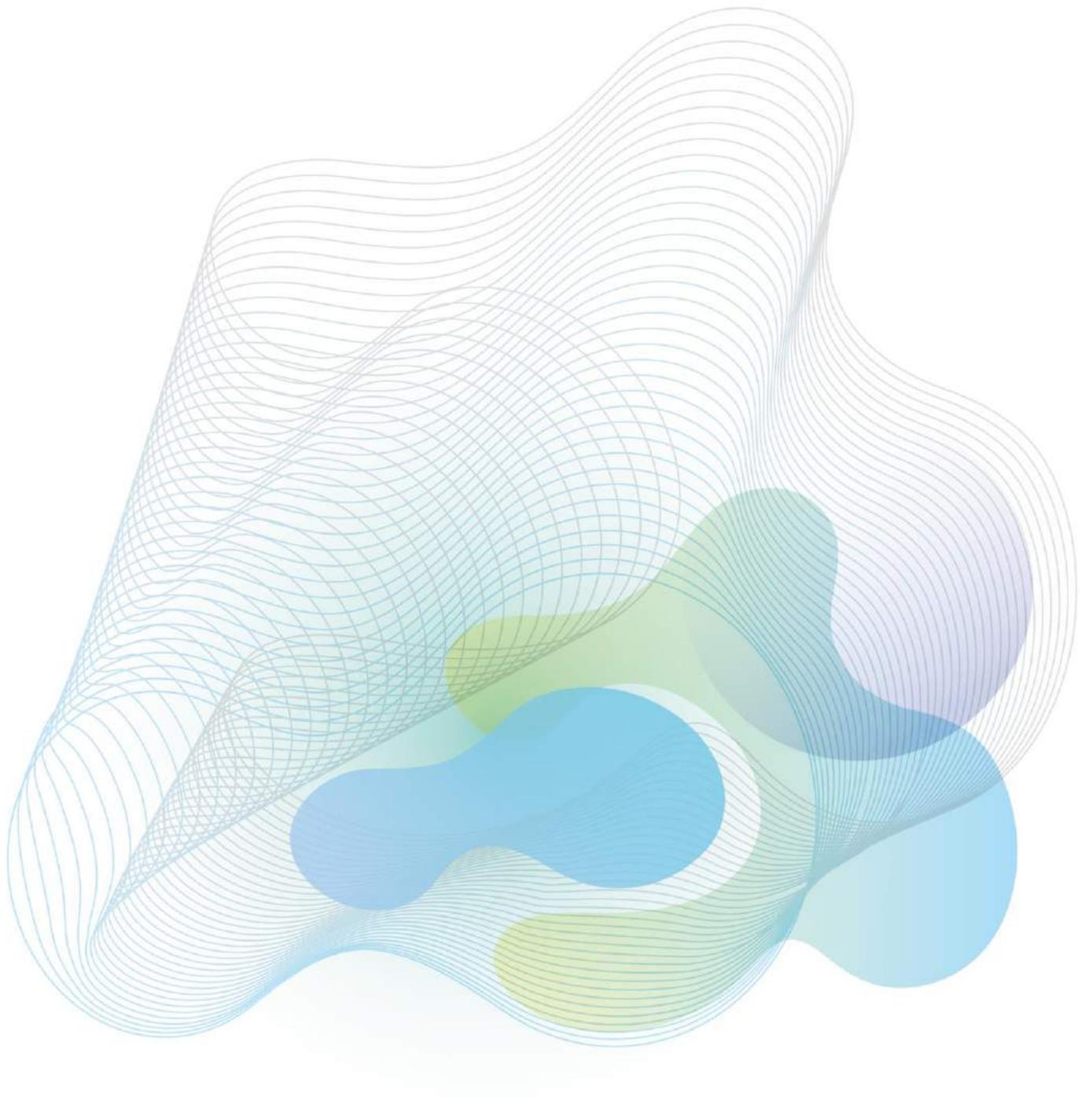
Transactions of a value exceeding 100 million euros with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Board Audit and Finance Committee and the Statutory Audit Board.

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 43 of the 2018 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 1st August. The Report additionally discloses, in light of the principle of comply or explain, the terms of compliance by the Company with the CMVM 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 2018.

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](http://www.cmvm.pt) and at <https://cgov.pt/> Unless otherwise expressly stated, all remissions to be read as being made to the Report itself.

## 2. Analysis of compliance with the adopted Corporate Governance Code

### 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.*

#### 1.1. 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:**

*1.1.1. 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 Corporate Responsibility 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 Corporate Responsibility 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 to the public in general.

#### 1.2. 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 16<sup>th</sup> 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/shareholders-general-meeting/shareholders-extraordinary-general-meeting-16th-december-2015/> and is described in section 15 of this Report.

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 the respective competencies and the framework of the duties of its members, as well as their internal functioning. Minutes of all the meetings are recorder. 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 at points 17, 18, 29, III a) and 31 of this Report.

The Board of Directors' Internal Regulation, where it is included the regulation of the respective 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 available at <https://www.sonae.pt/en/investors/government-of-society/>, having the Company's Secretary the duty to keep the minutes of the meetings.

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 available 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 an independent 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 (see point 29 of this Report and [https://www.sonae.pt/fotos/governo\\_sociedade/cod\\_etica\\_en\\_int\\_1902\\_v02\\_8870871625c791fafe05f1.pdf](https://www.sonae.pt/fotos/governo_sociedade/cod_etica_en_int_1902_v02_8870871625c791fafe05f1.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](https://www.sonae.pt/fotos/governo_sociedade/statutory_audit_board_internal_regulation_106323265c127984e0a26.pdf), receives the communications of irregularities presented by, among other, shareholders and employees of the Company, and keeps record of the communications 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](https://www.sonae.pt/fotos/governo_sociedade/bod_regulationset2015_953163875570ce7ea9023f.pdf) to receive, analyse and give response to the communications involving employees, customers, suppliers and other service providers, as well as to forward any such communications to the competent bodies.

The Company has permanent contacts available for the communication of irregularities to the Statutory Audit Board (see point 49 of this Report), to the Ethics Committee and to the Ombudsman (see point 29 of this Report). The contacts are available at <https://www.sonae.pt/en/sonae/contacts/>.

### **1.3. 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:**

*1.3.1. 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 Chairman of the Board of Directors, the Chairmen of the internal committees created by the Board, and the Senior Independent 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/>.

*1.3.2. 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 Chairman of the Statutory Audit Board.

Furthermore, considering that the Chairman of the Board of Directors is also Co-Chairman of the Executive Committee, the Board of Directors has appointed a Senior Independent Non-Executive Director who, under the terms of the Board of Directors' Internal Regulation and Corporate Governance best practices, ensures, 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.

#### 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.

*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.

## 1.5. 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**

Sonae approved and has in force a formal internal procedure embodied in the Board of Directors' Internal Regulation and the Statutory Audit Board's Internal Regulation, determining that the Executive Committee shall notify and obtain a prior opinion from the Statutory Audit Board and from the Board Audit and Finance Committee before executing any transaction with qualified shareholders or any related parties, when such transactions are in an amount higher than the one determined in these Regulations. All the transactions executed with the aforementioned entities that reach the amount determined 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.

*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 an amount higher than the one 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 FULLY ADOPTED**

The Company makes available to shareholders the means necessary to exercise written voting and voting by electronic means, considering, by its experience up until this moment, that the use of digital means for the participation at the General Meetings does not lead to an increasing attendance of the shareholders, being the effort for the implementation of any such means, when assessed in light of the principle described above in II.C, disproportionate considering the lack of any practical effect.

*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 FULLY ADOPTED**

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 the recommendation. The contracts executed by the Company reflect the defense 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**

Considering that, during the 2015-2018 mandate, the Chairman of the Board of Directors has also exercised executive duties as the Co-Chairman of the Executive Committee, it was, upon resolution of the Board of Directors taken at the meeting held on 4<sup>th</sup> May 2015, appointed the director José Manuel Neves Adelino as Senior Independent Non-Executive Director. Under the provisions of paragraph 2 of Article 1 and Article 13 of the Internal Regulation of the Board of Directors (available at <https://www.sonae.pt/en/investors/government-of-society/>), the Senior Independent Non-Executive Director has the responsibility to coordinate the work of the Non-Executive Directors', both at Board level as well as at Board's specialised committees; to guarantee the existence of the necessary conditions to underpin an independent and informed performance of their non-executive role; and to ensure the continuous flow of information for the proper fulfillment of their legal and statutory duties.

*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 eight members, six of which are non-executive (see 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 six non-executive independent directors that fulfill the independence criteria of this recommendation (see section 18 of this Report).

The maintenance of the independence criteria is periodically assessed, being the independent directors obliged 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 31<sup>st</sup> December 2018, 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, exercising an important influence in the decision-making process and in the development of strategy and policy, 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 and Board Nomination and Remuneration Committee) – see section 29 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 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/>.

*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 two 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 and the Board Nomination and Remuneration Committee and their respective competencies are detailed in this Report (see section 29).

*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 (see 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 (see 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' 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 duties, 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 and Remuneration Committee (see section 29 of this Report – Board Nomination and Remuneration Committee).

*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 Board of Directors proactively ensures the working of the internal control and risk management systems. The Statutory Audit Board evaluates the effectiveness of these 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 FULLY ADOPTED**

The assessment of the performance of the Board of Directors is carried out in accordance with the principles, valuation criteria and rules established in the Remuneration Policy presented by the Shareholders' Remuneration Committee, and annually approved by the Shareholders' General Meeting.

The Shareholders' Remuneration Committee, appointed by the Shareholders' General Meeting, is responsible for the approval of the remuneration of the members of the Board of Directors and other governing bodies, in representation of the shareholders and in accordance with the Remuneration Policy approved by the Shareholders General Meeting. The Board Nomination and 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 Directors (see sections 24, 29, 66 and 67 of this Report).

*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 policy was presented to the Shareholders' Annual General Meeting held on the 3<sup>rd</sup> of May 2018, and includes the information referred to in this recommendation.

The statement on the remuneration 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 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 policy is available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

*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**

Payments for the dismissal or termination of appointment of directors are not, subject to the applicable legal provisions, enforceable. Additionally, the approved remuneration policy does not establish any system of retirement benefits.

*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.

*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**

It is the Shareholders' Remuneration Committee policy to hire internationally recognised consultants to provide support in the carrying out of its duties. The independence of such consultants is ensured by the fact that they are not in any way related to the Board of Directors, to the Company or to the Group, and by their self-evident broad experience and recognised by the market (see section 67 of this Report).

### **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 Policy, which was approved by the Shareholders' Annual General Meeting, and is 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 policy provides a solid relationship between the fixed and variable component 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 Policy, proposed by the Shareholders' Remuneration Committee and approved at the Shareholders' Annual General Meeting held on 3<sup>rd</sup> May 2018 (available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>), respects the deferral period contained in this recommendation and its vesting value is dependent on the Company's performance during said period, as detailed in sections 69-76 of this Report.

*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 with the Company's performance or its value.

The Company's Remuneration Policy was approved at the Shareholders' Annual General Meeting, held on 3<sup>rd</sup> May 2018, and is available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/> 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 Policy approved at the Shareholders' Annual General Meeting held on 3<sup>rd</sup> May 2018, available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/> 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 16<sup>th</sup> 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., 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.

*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 and Remuneration Committee, with the nomination competencies described in this Report (see point 29 of this Report).

*V.4.3. This nomination committee includes a majority of nonexecutive, independent members.*

##### **RECOMMENDATION FULLY ADOPTED**

The Board Nomination and Remuneration Committee is composed of a majority of non-executive independent members, as detailed in this Report (see 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 and Remuneration Committee are included in the Board of Directors' Internal Regulation and are available at the Company's website at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.



The Board Nomination and Remuneration Committee has the competencies described in this Report (see section 29) that comply with the terms of this recommendation, and can in particular engage the services, together with the Shareholders' Remuneration Committee, of external specialised consultants with market recognised independence, suitability and competency.

## 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' competencies, including the ones referred to in this Recommendation.

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

**RECOMMENDATION 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 primordially responsible for receiving the Statutory External Auditor and the External Auditor's reports and for the direct interaction, 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.

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**



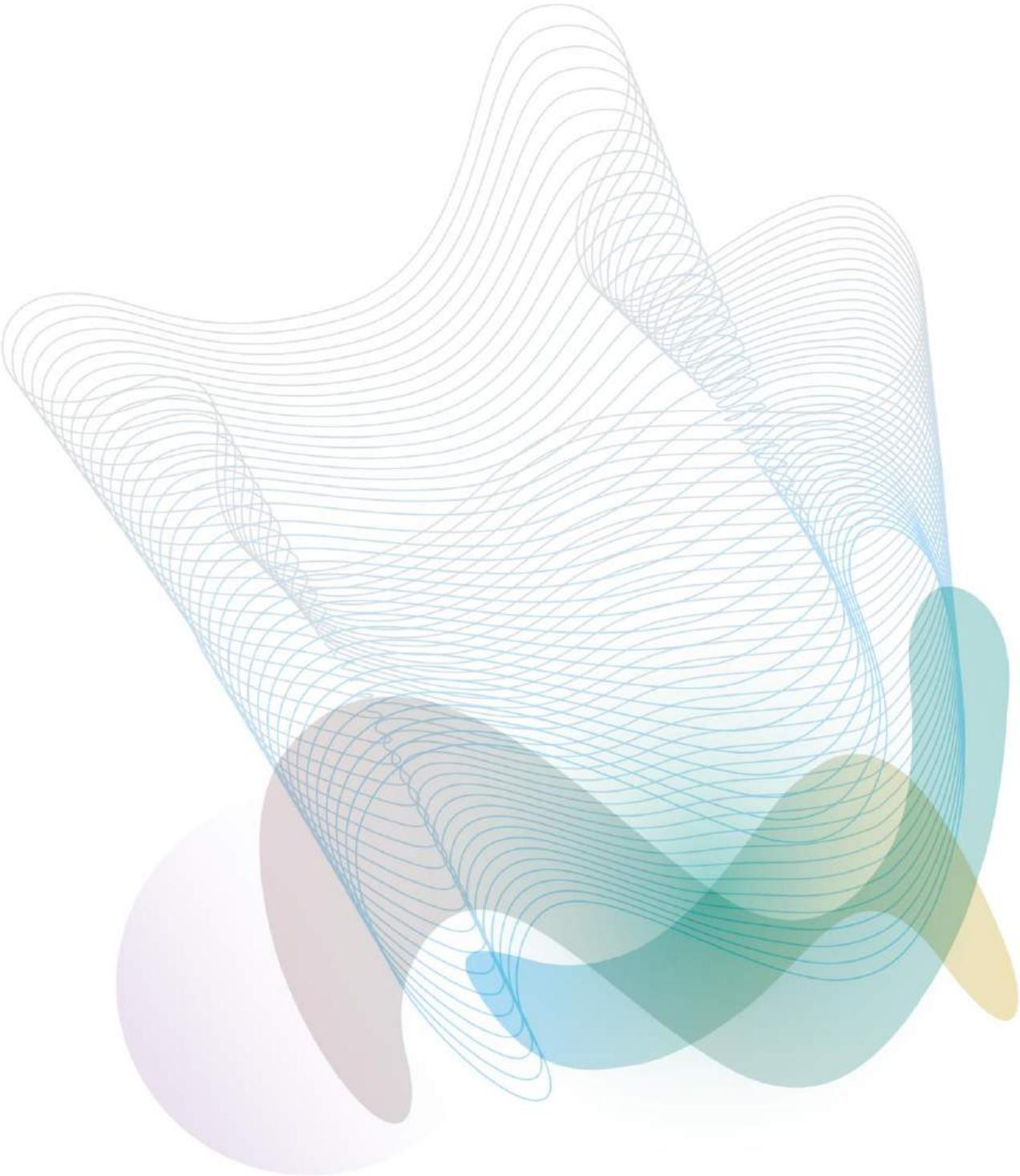
The Statutory External Auditor has evaluated the activities carried out during 2018 financial year in its annual audit report, which is subject to approval by the Shareholders' Annual General Meeting and is available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

*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

# 1. Board of Directors

## 1.1. Professional qualifications and curricular references

Duarte Paulo Teixeira de Azevedo	
Date of Birth	31 <sup>st</sup> December 1965
<b>EDUCATION</b>	
1986	Graduate Degree in Chemical Engineering – Federal Polytechnic School of Lausanne
1989	Master in Business Administration – Porto Business School
<b>EXECUTIVE EDUCATION</b>	
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
<b>PROFESSIONAL EXPERIENCE</b>	
	Sonae Group
1988-1990	Project manager and analyst of new investments at Sonae Tecnologias de Informação
1990-1993	Organisational Development Project Manager and New Businesses Commercial Manager for Portugal at Sonae Indústria, SGPS, S.A. (Wood Based Panels)
1993-1996	Head of Strategic Planning and Control and Organisational Development of Sonae Investimentos – SGPS, SA (currently Sonae - SGPS, SA)
1996-1998	Executive Member of the Board of Directors of Modelo Continente Hipermercados (Merchandising, IT and Marketing Retail)
1998-2000	Executive Member of the Board of Directors of Optimus - Telecomunicações, SA (Mobile Operator)
2000-Abril 2007	Executive Director of Sonae - SGPS, SA
2000-2007	CEO of Sonaecom, SGPS, SA
2002-2007	Chairman of the Supervisory Board of Público Comunicação Social, SA
2003-2007	Chairman of the Supervisory Board of Glunz, AG
2004-2007	Chairman of the Board of Directors of Tableros de Fibras, SA (Tafisa)
2007-2014	Chairman of the Board of Directors of Sonaecom, SGPS, SA
2007-April 2015	CEO of Sonae – SGPS, SA
2007 – March 2015	Vice-Chairman of the Board of Directors of Sonae Indústria, SGPS, SA
2007-2018	Chairman of the Board of Directors of Sonae Investimentos, SGPS, S.A (currently known as Sonae MC, SGPS, S.A.)
2008-2014	Chairman of the Board of Directors of MDS, SGPS, SA
2009-2013	Chairman of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, SA
2010-2016	Chairman of the Board of Directors of Sonae – Specialised Retail, SGPS, S.A.
2010-January 2019	Chairman of the Board of Directors of Sonae MC – Modelo Continente, SGPS, S.A. (currently known as Modelo Continente, SGPS, SA)
2013-2018	Chairman of the Board of Directors of Sonae MC, Serviços Partilhados, SA (formerly known as Sonae Center Serviços, II, SA)
Since May 2007	Chairman of the Board of Directors of Sonae Sierra, SGPS, SA
Since March 2015	Chairman of the Board of Directors of Sonae Capital, SGPS, SA
Since March 2015	Chairman of the Board of Directors of Sonae Indústria, SGPS, SA
Since April 2015	Chairman of the Board of Directors and Co-CEO of Sonae - SGPS, SA
Since May 2016	Chairman of the Board of Directors of Sonae Arauco Portugal, SA
Since 2018	Chairman of the Board of Directors of Sonae Corporate, SA
<b>Other Entities</b>	
2001-2002	Chairman 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 do Corporate Governance
2006-2013	Member of the Board of Founding Members of Casa da Música Foundation
2008-2009	Member of the Supervisory Board of AEP – Portuguese Entrepreneurship Association
2009-2014	Member of the Board of Curators of AEP - Portuguese Entrepreneurship Association
2009-2015	Chairman of the Board of Curators of Oporto University
2012-2015	Director of Cotec
2012-2017	Member of the Board of Curator of the Belmiro de Azevedo Foundation
Since 2008	Member of the European Round Table of Industrialists (ERT)

Since 2013	Member of International Advisory Board of Allianz SE
Since 2015	Member of Consejo Iberoamericano para la Productividad y la Competitividad

#### 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 businesses 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 member 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 (Chairman of the Board of Directors since October 2014)
2010-2016	Vice-Chairman of the Board of Directors of Sonae – Specialized Retail, SGPS, SA (Merger Sonae MC – Modelo Continente, SGPS, SA)
2010-2016	Chairman of the Board of Directors of Sonae RP – Retail Properties, SA
2010-2016	Chairman 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, SA)
2011-2015	Member of the Superior Counsel of Porto Business School
2012-2016	Chairman of the Board of Directors of Sonaecom – Serviços Partilhados, SA
2013-2016	Chairman of the Board of Directors of Sonae RE, SA
2013-2016	Chairman of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, 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 Investimentos, SGPS, S.A. (currently Sonae MC, SGPS, SA) (Chairman of the Board of Directors since October 2018)
Since 2007	Executive Chairman of the Board of Directors of Sonaecom, SGPS, SA
Since 2007	Non-Executive Chairman of the Board of Directors of Sonae Investment Management – Software and Technology, SA
Since 2007	Non-Executive Chairman of the Board of Directors of Público – Comunicação Social, SA
Since 2009	Executive Chairman of the Board of Directors of Sonae MC – Modelo Continente, SGPS, SA (currently Modelo Continente, SGPS, SA)
Since 2012	Executive 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 2014	Chairman of the Board of Directors of Sonae Financial Services, SA (currently performing non-executive tasks)
Since April 2015	Co-Chairman of the Executive Committee of Sonae – SGPS, S.A.
Since 2016	Chairman of the Board of Directors of SFS, Gestão e Consultoria, SA
Since 2018	Vice-Chairman of the Board of Directors of Iberian Sports Retail Group, S.L.
Since 2018	Chairman of the Board of Directors of Sonaecenter, Serviços, SA
Since 2018	Member of the Board of Directors of Sonae Corporate, SA

### 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 Teaching Fellow, Kent State University  
1981-1986 Member of the Directive 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 Chairman of the Audit Committee of EDP  
2003-2006 Strategy Advisory Board of PT  
2003-2007 Member of the Board Nomination and 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

### Andrew Eustace Clavering Campbell

Date of Birth  
3rd August 1950

#### EDUCATION

1969-1973 MA in Economics – Edinburgh University  
1976-1978 MBA – Harvard Business School

#### PROFESSIONAL EXPERIENCE

1978-1984 Mckinsey & Co, Consultant  
1984-1987 Professor at the London Business School  
Since 1987 Director of Ashridge Strategic Management Centre Part of Ashridge Business School  
Since 2014 Director of Campbell Associates Consulting Ltd

### Christine Cross

Date of Birth  
13th June 1951

#### EDUCATION

1973 B.Ed. (Distinction), Food Science and Nutrition, Newcastle University  
1983 MSc in Food Science (Distinction), University of Reading  
1990 Degree in Management Studies – Open University (OU)

#### PROFESSIONAL EXPERIENCE

1975-1978 Lecturer in Food and Nutrition - Edinburgh University  
1979-1985 Senior Lecturer - Bath SPA University College  
1985-1989 Principal Lecturer and Dean of BSc (Hons) Programme - Bath SPA University College  
1989-2003 Tesco PLC

1989-1990	Head of Consumer Services
1990-1994	Divisional Director, Technical Services
1994-1997	Commercial Director
1998-2002	World Non Food Retail Procurement Director
2002-2003	Group Business Development Director
1997-2003	Visiting Professor, , Consumer Studies - University of Ulster
2002-2005	Non-Executive Director of George Wimpey, plc
2003-2011	Non-Executive Director (Member of the Nomination and Remuneration Committee) of Sobeys Inc, Canada
2005-2006	Non-Executive Director of Fairmont Hotels Inc
2005-2014	Non-Executive Director (Member of the Audit, Remuneration and Nomination Committee) Next plc
2006-2013	Retail Advisor of Apax Private Equity
2006-2014	Retail Advisor of Warburg Pincus Private Equity
2007-2009	Visiting Professor, University of Hull Business School
2008-2009	Non-Executive Director of Premier Foods plc
2009-2016	Non-Executive Director of Plantasien (Apax PE)
2010-2013	Chief Retail Advisor, PwC
2012-2015	Non-Executive Director (PPC Chair) of Woolworths (Australia) plc
2012-2017	Non-Executive Director of Kathmandu (New Zealand) plc
2014-2015	Board Advisor of Javelin ecommerce
2014-2017	Non-Executive Director of Brambles (Australia) plc
2014-2018	Non-Executive Director of Fenwick (UK)
Since 2003	Director of Christine Cross Ltd (retail independent consultancy firm)
Since August 2013	Consultant at MHJL
Since May 2015	Board Advisor of River Island
Since March 2016	Non-Executive Director of Hilton Food Group
Since May 2016	Non-Executive Director of Coca Cola European Partners
Since October 2016	Non-Executive Director of Pollen Estate

## Tsega Gebreyes

**Date of Birth**  
14th December 1969

### EDUCATION

1986-1990	<p>Rhodes College Awarded Dual-Degree Received highest honors distinction for major in economics and cum laude for major in International Studies Received Summa Cum Laude distinction for a senior thesis Elected president of Economics Honor Society and member of International Studies Honor Society Appointed Editor of Economics Journal and elected President of Investment Group, a student managed fund Received Sophomore Woman of the Year award and the Ralph C. Hon Leadership award Elected member of two leadership honor societies Appointed member of college's Board of Trustees Elected Student Government class representative and appointed President of New York area Alumni Club</p>
1994-1996	<p>Harvard University Graduate School of Business Administration, Boston, USA Candidate for Master in Business Administration degree, June 1996 Project team leader for Volunteer Consulting Organization, client: National Foundation for Teaching Entrepreneurship. Elected section student Career Representative Project team member for European Business Conference Member of Finance Club and Venture Capital Club</p>

### PROFESSIONAL EXPERIENCE

1990-1994	<p>Citicorp Securites, INC Capital Markets: Associate Received special appointment to core team of six professionals who structured investment grade, tradable securities from a \$1 billion fund of non-investment grade, airline industry related, financial assets Co-designed and built extensive financial models to value each class of cash flow. Analysed alternatives and developed a method for measuring return volatility and correlation with other financial instruments. Persuaded rating agency to assign investment grade rating to a large portion of the fund Jointly marketed non-investment grade portion of the fund to principal and hedge funds. Identified investor concerns, developed alternative solutions, selected best alternative and convinced investors and project team members of its merit</p>
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	<p>Researched, analysed and integrated legal, tax, accounting and investor restrictions across several country jurisdictions to develop an optimal fund structure. Jointly-persuaded senior management to underwrite \$1B of assets</p> <p>Executed due diligence and independently valued debt and equity instruments purchased for inclusion in the fund</p>
1995-1996	<p>Mckinsey &amp; Company, INC. Business Strategy Associate</p> <p>Member of team that explored diversification strategy for a major English food retail chain. Designed economic analysis of proposition and estimated market potential. Authored and presented findings to senior client managers. Evaluated product/market fit for major U.K. clothing retail chain. Performed market research, analysed store operations and identified drivers of success</p>
1996-2000	<p>New Africa Opportunity Fund, LLP (re-named Zeypher Opportunity Fund, LLP) Partner</p> <p>OPIC-backed private equity fund focused on making investments in SADC region in Africa Founding partner</p> <p>Responsible for identifying, analyzing and selecting investments within the Northern SADC countries Reviewed and selected investments in wide range of industries with primary focus on telecommunication, media, financial institutions, services and fast moving consumer goods sectors</p> <p>Jointly marketed the Fund to investors to close \$120 million fund from US investors; raised \$40 million in equity to underpin the OPIC guarantee of \$80 million</p> <p>Established a regional office in Kenya to support activities Provided support to the various portfolio companies as a Board director and through managing fundraising activities, identifying strategic partners and recruiting talent</p>
2000-2007	<p>Celtel International BV/Zain Director Mobile Commerce and New Product Development</p> <p>Developed mobile commerce business strategy and manage business operations and service deployment Deployed payment processing business with 30% enterprise value increase on organization Managed private equity placement efforts during 2000-1Q 2001 Implemented first African mobile payment operation for Celtel Worked on design of global roll out plan for Pan-African expansion</p>
2003	<p>Chief Business Development and Mergers &amp; Acquisitions Officer Member of executive management team reporting to Board Participated in setting strategy and reviewing overall performance as a member of executive management team Served on Boards of subsidiary companies to support general corporate governance Responsible for identifying and acquiring businesses in new countries Responsible for identifying new lines of business and areas of new growth within existing countries Lead negotiations, analysis and relationship development to create entry into new area of expansion</p>
2005	<p>Chief Strategy and Development officer Member of executive management team reporting to Board Continued previous responsibilities in addition to taking oversight for strategy and communications Completed a number of acquisitions and investments in mobile companies across Africa, including \$1.2 billion in Nigeria; \$ 100 million in Madagascar; \$250 million in Kenya; \$40 million in Tanzania Led M&amp;A sale of Celtel to MTC which resulted in \$3.4 billion to shareholders</p>
2007	<p>Senior Group Advisor Provided business development support and advice. Sat on various boards representing companies, including: Celtel Kenya Board Member, Chair, Audit Committee Celtel Ghana advisor Celtel Nigeria Board Member, Audit Committee</p>
Since 2007	<p>Satya Capital Limited Founding Director, Managing Partner</p> <p>Investment Group focused on private equity opportunities in Africa Established business with responsibility for full range of activities ranging from legal &amp; office set-up to recruitment of other partners and Investment Professionals Defined investment strategy, recruited Board and sector advisors and Investors Raised \$200 million seed funding and planning to raise additional \$400-600 million</p>

## 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, Brazil/ Chicago, United States

1996-1998	Vice-Chairman of Banco Garantia, São Paulo, Brazil Investments Bank
1998-2000	Manager of Donaldson, Lufkin & Jenrette, São Paulo, Brazil Investments 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-Chairman of the Board of Directors of Produquímica Indústria e Comércio SA, São Paulo, Brazil Leadership company in the solutions 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 negotiated 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	Chairman of the Board of Directors of Metafrio Solutions SA, São Paulo, Brazil Public company, with shares negotiated in 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-Chairman of the Board of Directors of Restoque Comércio e Confecções de Roupas SA, São Paulo, Brazil Public company, with shares negotiated 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	Chairman 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

## Dag Johan Skatum

### Date of Birth

19th April 1961

### EDUCATION

1980	Science Gjovik, Norway, High School
1984	Bachelor of Arts, Allegheny College, Meadville, PA (USA),
1986	MBA Simon School of Business, University of Rochester, Rochester, NY (USA)

### PROFESSIONAL EXPERIENCE

1986-2007	J.P.Morgan Various roles, including head of North American M&A and European M&A
2007-2013	Partner London office of TPG
2013-2014	Consulting business of Abingdon Partners LLC
2013-2014	Managing Director of One Thousand & Voices
2000 - Present	Allegheny College Trusted advisor to prior and current President of the College Co-chaired capital campaigns
2011 - Present	Right to Play Member of the Board of Directors (Toronto, Canada HQ) Member of the Board of Directors at the UK and the US Chairman of the Human Resources Committee Chair of CEO Succession Committee (non completed) and CEO Integration Committee Trusted advisor to CEO and Founder (on going)
2012 - Present	Myelona Institute, Little Tock, Arkansas Vice Chairman of the Board of Directors

	Co-chaired CEO succession committee of the Board
	Trusted advisor to prior and current director of cancer institute (on going)
2014 - Present	Nabors Industries
	Member of the Board of Directors recruited for expertise in corporate finance and strategy (on going)
Since 2015	Vice-Chairman of J.P.Morgan Limited

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
1986-1988	Chief of Staff to Head of UK Treasury
	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
1990-1994	London Stock Exchange
	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
1994-2000	Coutts Natwest Group
	Head of Human Resources and Organisation Development responsible for all HR activities in International Private Banking
2001-2006	De Beers LV Ltd
	Member of the start-up team for this joint venture created in 2001 between LVMH and De Beers to launch a global retail diamond jewellery business, advising on organisation and people strategy
2005-2013	Aegis PLC
	Non-Executive Member of the Board of Directors and Chairman of Remuneration Committee (since 2010)
2006-2008	Manchester Square Partners
	Working with the founding partners to support them in developing a search-based business mentoring practice at board level
2008-2015	Sonae - SGPS, SA
	Advice to Chairman
	Providing board level succession planning services, and director development
2013-2015	Colt SA
	Non-Executive Member of the Board of Directors and since 2014 Chairman of Remuneration Committee. Member of the Nomination Committee. Fidelity purchased all the independent shareholdings and independent directors stood down
2010-2018	Jupiter Fund Management PLC
	Non-Executive Member of the Board of Directors and Member of the Audit Committee and the Nomination Committee. Member of the Remuneration Committee
Since 2018	TP ICAP
	Non-Executive Member of the Board of Directors, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee
Since 2013	Essentra PLC
	Non-Executive Member of the Board of Directors and, since 2014, Chairman of the Remuneration and Nomination Committee. Member of the Audit Committee.

## 1.2. Positions held in other entities

Duarte Paulo Teixeira de Azevedo

#### Offices held in other companies within Sonae

Chairman of the Board of Directors of Sonae Sierra, SGPS, SA

Chairman of the Board of Directors of Sonae Corporate, SA

#### Offices held in other companies outside Sonae

Chairman of the Board of Directors of Sonae Indústria, SGPS, SA

Chairman of the Board of Directors of Sonae Arauco Portugal, SA

Chairman of the Board of Directors of Sonae Capital, SGPS, SA

Chairman of the Board of Directors of Migracom, SA

Chairman of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, SA

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

Manager Partner of OKUK, Lda

Member of the European Round Table of Industrialists (ERT)

Member of International Advisory Board of Allianz SE

Member of Consejo Iberoamericano para la Productividad y la Competitividad

#### Ângelo Gabriel Ribeirinho dos Santos Paupério

#### Offices held in other companies within Sonae

Executive Chairman of the Board of Directors of Sonaecom, SGPS, SA

Non-Executive Chairman of the Board of Directors of Sonae Investment Management – Software and Technology, SA

Non-Executive Chairman of the Board of Directors of Público - Comunicação Social, SA

Executive Member of the Board of Directors of ZOPT, SGPS, SA

Non-Executive Member of the Board of Directors of NOS, SGPS, SA

Non-Executive Chairman of the Board of Directors of Sonae Financial Services, SA

Chairman of the Board of Directors of SFS – Gestão e Consultoria, SA

Chairman of the Board of Directors of Modelo Continente, SGPS, SA

Chairman of the Board of Directors of Sonae MC, SGPS, SA

Vice-Chairman of the Board of Directors of Iberian Sports Retail Group, SL

Chairman of the Board of Directors of Sonaecenter, Serviços, SA

Member of the Board of Directors of Sonae Corporate, SA

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

#### Offices held in other companies outside Sonae

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

Member of the Board of Directors of Love Letters – Galeria de Arte, SA

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

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

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

#### 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 the Calouste Gulbenkian Foundation



Andrew Eustace Clavering Campbell

**Offices held in other companies within Sonae**

None

**Offices held in other companies outside Sonae**

Director of Ashridge Strategic Management Centre Part of Ashridge Business School

Director of Campbell Associates Consulting Ltd

Christine Cross

**Offices held in other companies within Sonae**

None

**Offices held in other companies outside Sonae**

Director of Christine Cross Ltd

Non Executive Director of Hilton Food Group

Non-Executive Director of Coca Cola European Partners

Non-Executive Director of Pollen Estate

Board Advisor of MHJL

Board Advisor of River Island

Tsega Gebreyes

**Offices held in other companies within Sonae**

None

**Offices held in other companies outside Sonae**

Founding Director of Satya Capital Limited

Director of SES, SA

Director of TYMM Partners

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)

Chairman of Colfax Participações, SA

Director of Dover Participações, SA

Manager of GCR Administração e Participações, Lda

Chairman of the Board of Directors of Klimasan Klima Sanayi ve Ticaret AŞ  
Managing Partner of Lima & Smith Ltda  
Chairman of the Board of Directors of Metalfrio Servicios SA de CV  
Member of the Board of Directors of Metalfrio Solutions AS  
Chairman of the Board of Directors of Metalfrio Solutions SA  
Chairman of the Board of Directors of Metalfrio Solutions Sogutma Sanayi Ve Ticaret AS  
Director of Nova Bahia Empreendimentos  
Member of the Board of Directors of Peach Tree LLC  
Chairman of the Board of Directors of Restoque Comércio e Confecções 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

#### Dag Johan Skattum

##### Offices held in other companies within Sonae

None

##### Offices held in other companies outside Sonae

Allegheny College  
Trusted advisor to prior and current President of the college  
Right to Play  
Board member global board (Toronto, Canada HQ)  
Member of the Board of Directors at the UK and the US  
Chairman of the Human Resources Committee  
Chair of CEO succession committee (not completed) and Chairman of the CEO's Integration Committee  
Trusted advisor to CEO and Founder (on going)  
Myelona Institute, Little Tock, Arkansas  
Vice Chairman of the Board of Directors  
Co-chaired CEO succession committee of the board  
Trusted advisor to prior and current director of cancer institute (on going)  
Member of the Board of Directors of Nabor Industries  
Vice-Chairman of J.P. Morgan Limited  
Vice-Chairman of J.P. Morgan Securities PLC

#### Margaret Lorraine Trainer

##### Offices held in other companies within Sonae

None

##### Offices held in other companies outside Sonae

Non-Executive Director and, since 2014, Chairman of the Nomination and Remuneration Committee and Member of the Audit Committee at Essentra PLC  
Non-Executive Director, Chair of Nomination and Remuneration Committee and Member of Audit Committees of TP ICAP

## 2. Statutory Audit Board

## 2.1. Professional qualifications and curricular references

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	
1970-2009	Lecturer at the University of Oporto:
1970-1999	- Faculty of Economics
1988-2000	- ISEE (Institute for Entrepreneurship Studies)
1989-2002	- Faculty of Engineering
2000-2008	- EGP (currently Porto Business School)
2008-2009	- EGP – University of Porto Business School (currently Porto Business School)
2009-2009	- Faculty of Economics
1978-1979	Dean of the Faculty of Economics of the University of Oporto
1989-1990	Chairman of the Founding Committee of the School of Technology and Management (ESTG) of the Polytechnic Institute of Viana do Castelo (IPVC)
1990-1995	Vice-Dean of the Financial Management Guidance of the University of Oporto
1995-1996	Minister of Economy of the Portuguese Government
1996-2000	Executive Director of AURN – Associação das Universidades da Região Norte
1996-2006	Non-Executive Member of the Board of Directors of CELBI - Celulose Beira Industrial
1997-1999	Non-Executive Member of the Board of Directors of INPARSA – Indústrias e Participações, SGPS, SA
1997-2007	Chairman of the Statutory Audit Board of SPGM - Investment Company
1997-2008	Member of the Board of Directors of Finibanco, SA
1999-2002	Chairman of the Board of the Shareholder's General Meeting of APDL –Management of Douro and Leixões Ports
1999-2006	Member of the Advisory Board of Sonae – SGPS, SA and Sonae Industria, SGPS, SA
2000-2012	Chairman of the Advisory Board of IGFCSS – Portuguese Institute for Welfare Funds Management
2001-2003	Advisory member of the Consulting Council of Electric and Telephone Conductors Industries F. Cunha Barros, SA
2001-2011	Member of the Board of Directors of Finibanco Holding, SGPS, SA
2003-2014	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
2004-2013	Non-Executive Member of the Board of Directors of Efacec Capital, SGPS, SA
2007-2011	Non-Executive Member of the Board of Directors of the Agency for Investment and External Commerce of Portugal - AICEP, E.P.E.
2009-2016	Managing Director of COTEC Portugal, Business Association for Innovation
2011-2012	Member of the Supervisory Board of Banco Comercial Português, SA
2016-2019	Non-Executive Member of the Board of Directors of Amorim Turismo, SGPS, SA
2016-2019	Non-Executive Member of the Board of Directors of Sociedade Figueira Praia, SA
2017-2019	Non-Executive Member of the Board of Directors of SFP Online, SA
Since 2003	Member of the Board of Directors and of the Executive Committee of Fundação Bial
Since 2008	Member of PVCI Investment Committee – Portuguese Venture Capital Initiative, entity created by FEI – Fundo Europeu de Investimento
Since 2017	Chairman of the Board of Trustee of the Belmiro de Azevedo Foundation (since November 2017). Previously (January 2014 to November 2017), he joined this organ as a vowel.
Since 2007	Member of the Statutory Audit Board of Sonae – SGPS, SA

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>Doutor António José Sarmento Prize</i>

1987	Post graduate 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 and Administrations, with specialisation in Accounting and Management Control at Oporto University, Faculty of Economics
2015	PhD in Business and Administrations, 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 Economic Studies and Planning of BPI – Banco Português de Investimentos, S.A.
1990-1992	Senior Analyst as technician at the Corporate Banking Department of BPI – Banco Português de Investimento, S.A.
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, S.A.
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 for the International Accounting course, in the MSc 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	Chairman 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	Member of the Statutory Audit Board of SDRS – Sports Division SR, SA

#### Manuel Heleno Sismeiro

Date of Birth  
5th January 1945

#### EDUCATION

1964	Accountant, ICL, Lisbon
1971	Graduation in Finance, ISCEF, Lisbon

#### PROFESSIONAL EXPERIENCE

1965-1966	Industrial and Commercial School of Leiria: Accounting and Commercial Calculus teacher in the general Commerce course
1970-1971	Banc of Agriculture: performed functions at the Organization and Methods division
1971-1981	Instituto Superior de Economia, Lisboa: assistant of Mathematics, Statistics, Econometry and Operational Investigation
1974-1975	Arthur Young & Co: already qualified and registered as Statutory Auditor and audit assistant
1974-1976	Universidade Católica de Lisboa: assistant (first year) and regent (second year) of Accountancy in the Business Administration course
1980-2008	Banco Borges & Irmão: performed functions at the Economic 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
1980-2008	Partner of Coopers & Lybrand and of Bernardes, Sismeiro & Associados, since 1998 PricewaterhouseCoopers - auditors and statutory auditors. Responsible for the audit and statutory audit in several industries. More 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 - 1982 at 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	Chairman of the Statutory Audit Board of Sonae Indústria, SGPS, SA
2010-2017	Chairman of the Shareholders' General Meeting of Segrafedo Zanetti (Portugal) – Comercialização e Distribuição de Café, SA
Since 2014	Chairman of the Statutory Audit Board of Sonae MC, SGPS, SA (formerly known as Sonae Investimentos, SGPS, SA)
Since 2015	Chairman of the Shareholders' General Meeting of Banif – Banco de Investimento, SA
Since 2008	Consultant in internal audit and internal control fields
Since 2009	Chairman of the Statutory Audit Board of OCP Portugal – Produtos Farmacêuticos, SA
Since 2015	Member of the Statutory Audit Board of Sonae Capital, SGPS, SA
Since 2018	Chairman of the Statutory Audit Board of Sonae Arauco Portugal, SA

## 2.2. Positions held in other entities

### Daniel Bessa Fernandes Coelho

#### Offices held in other companies within Sonae

None

#### Offices held in other companies outside Sonae

Chairman of Statutory Audit Board at Galp Energia, SGPS, SA

Chairman of the Statutory Audit Board at Galp Gás Natural Distribuição, SA

Chairman of Statutory Audit Board at Bial – Portela e Companhia, SA

Non-Executive Member of the Board of Directors of Amorim Turismo, SGPS, SA

Non-Executive Member of the Board of Directors of Sociedade Figueira Praia, SA

Non-Executive Member of the Board of Directors of SFP Online, SA

Chairman of the Shareholders' General Meeting of Amkor Technology Portugal, SA (formerly known as Nanium, SA)

Chairman of the Board of Curators of Belmiro de Azevedo Foundation

Member of the Board of Directors and member of the Executive Committee of Fundação Bial

Chairman of the Teaching Board of the Master Academy Efacef of Efacec Serviços Corporativos, SA

Member of the Investment Committee of PVCI – Portuguese Venture Capital Initiative

### Maria José Martins Lourenço da Fonseca

#### Offices held in other companies within Sonae

Chairman of the Statutory Audit Board of SDRS – Sports Division SR, SA

Member of the Statutory Audit Board of Sonae MC, SGPS, SA

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

#### Offices held in other companies outside Sonae

Member of the Statutory Audit Board of Ibersol, SGPS, SA

Chairman 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)

### Manuel Heleno Sismeiro



**Offices held in other companies within Sonae**

None

**Offices held in other companies outside Sonae**

Chairman of the Statutory Audit Board of OCP Portugal - Produtos Farmacêuticos, SA

Chairman of the Statutory Audit Board of Sonae Arauco Portugal, SA

Member of the Statutory Audit Board of Sonae Capital, SGPS, SA



SUSTAINABILITY  
REPORT '18



IMPROVING LIFE



## About this report

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Under the motto “*Sustainability at the core of our DNA*”, the Sustainability Report of Sonae SGPS, SA. (henceforth also known as Sonae or Sonae Group) aims to present the group’s contribution towards sustainable development regarding the economic, environmental and social pillars, and meet the expectations and interests of the different stakeholders.

The report focuses on the period of activity from the 1<sup>st</sup> January to the 31<sup>st</sup> December 2018 of Sonae, Sonae MC, Sonae Sports & Fashion, Worten, Maxmat, Sonae RP, Sonae FS, Sonaecom (which includes Sonae IM and the Media area, among others) 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 Sports & Fashion holds 30%. In relation to Salsa, which is part of Sonae S&F, we only report data from the Spanish market.

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 28<sup>th</sup> July 2017 and to the Spanish law no. 11/2018, published on 28<sup>th</sup> December 2018.

The Report is composed of a central text structured upon the five action axes identified as priority areas, and a chapter about Sonae’s sustainability management model. For each one of the axes, the Group’s performance and some of the initiatives developed are presented. Additionally, the GRI Supplement complements the report presented, explaining the respective indicators.

The information reported in the Sustainability Report 2018 was subject to verification by an external entity – KPMG.

Should you require any further clarification regarding the information published in this Report, please check the website or contact: Catarina Oliveira Fernandes | Head of Communication, Brand and Corporate Responsibility | Email: [catarina.fernandes@sonae.pt](mailto:catarina.fernandes@sonae.pt) | Tel.: +351 220 104 000



## Table of contents

<b>About this report</b>	174
<b>Message from the Executive Commission</b>	176
<b>1. Sustainability at the core of our DNA</b>	177
<b>2. CO2 and climate change</b>	184
<b>3. Nature and biodiversity</b>	189
<b>4. Plastic</b>	194
<b>5. Inequalities and inclusive development</b>	198
<b>6. Community support</b>	205
<b>7. GRI Supplement</b>	208
<b>8. Non-financial information requirements</b>	243



## Message from the Executive Commission

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We live in challenging times, in which people and businesses interconnect and where we are all called upon to contribute to Sustainable Development – a universal, transformative and inclusive agenda, which aims to respond to the 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 it is written in our DNA 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, fostering well-being and development in the communities where we are present, mitigating the risks and minimising the negative impacts arising from our activities.

“The path to sustainable development is long and, therefore, either individually or through interaction with the diverse actors of each value chain, the different businesses of the Sonae universe still have an important path to pave. Our advantage lies in the fact that, knowingly, we aim to lead the way.”

Belmiro de Azevedo

It is a path that we have been pursuing, in a conscious and consistent manner, and in 2018 we challenged all the teams to improve it and, in particular, to identify the areas where we could make a more valuable contribution, considering the nature and relevance of our activity.

In this way, 2018 was a year of reflection and structuring the path we want to pave filled with many ambitions. Thus, on the one hand, we have strengthened the Sustainability Forum, an internal platform for sharing good practices, elevating it to a Consultative Group, with the purpose of giving it more influence in the definition of policies and more weight in the implementation of projects, processes and procedures that are required and able to accelerate, across the whole group, our ever-increasing commitment to sustainable development. On the other hand, we have defined the axes where we will focus our actions: (1) CO<sub>2</sub> and Climate Change, (2) Plastic, (3) Nature and Biodiversity, (4) Inequalities and Inclusive Development and (5) Community Support.

In the 2018 report, we aimed to reflect on our performance and some of our ongoing projects and initiatives, in each of the above-mentioned axes, examples of which are the investment made to change the Group's energy profile; the promotion of the sustainable use of plastic within our own businesses and through contact with consumers; the support to the Hall of Biodiversity; the continuous investment in the development of our people or the support to the community, which this year amounts to around 11M€.

In 2018, we also finalised a loan of 55M€ with the European Investment Bank (EIB) to accomplish a challenging investment plan of 110M€.

As agents of change and drivers of sustainable development, we do so by integrating sustainability into the core of our strategy and activity, creating shared value from the hard work and talent of our teams. We believe that sustainability is not, and should not be, compartmentalised, it is everyone's responsibility through their daily activities. Doing the right thing every day, will make a difference, so that we can continue to write the history of a long-living company.



## 1. Sustainability at the core of our DNA

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We manage a diversified business portfolio in the areas of retail, financial services, technology, shopping centres and telecommunications. As a long-living company, we have a long-term vision of the way we carry out our activities and relate to our stakeholders. Sustainability is a key part of our DNA and, with this in mind, we are committed to contributing to the improvement of the communities in which we operate, working together to overcome the most pressing environmental and social issues of our time.

### Policies developed and commitments subscribed to by Sonae

Throughout this path, we would like to highlight some of the principles and commitments to which we subscribe, as well as the internal benchmarks we have developed and that support us in the management of our activity, throughout its different dimensions:

- The United Nations Universal Declaration of Human Rights
- The United Nations Global Compact Principles
- The Paris Pledge for Action
- The European Roundtable of Industrials (ERT) Women's Initiative
- The Letter of Principles of BCSO Portugal
- Sonae's Code of Ethics and Conduct for Employees
- Sonae's Code of Conduct for Suppliers

### 1.1 Sustainability governance model

In 2018, we reviewed our governance model with the aim of strengthening the alignment between the companies that make up the Sonae Group. Therefore, the Sustainability Advisory Group (SAG) emerged from the development of the Sustainability Forum, which had a purpose of knowledge sharing. This change aims to foster the development and adoption of common policies and principles of action, as well as the pursuit of goals and targets, in the priority areas identified.

#### 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



In order to ensure the advisory group's mission and goals are fulfilled, we have defined 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 the areas to be addressed, which are the following: CO<sub>2</sub> and climate change, nature and biodiversity, plastic, inequalities and inclusive development and community support.

Sonae's Board of Directors oversees the Advisory Group, is responsible for promoting the principles and practices of action, which contribute to the creation of sustainable value by the group and its companies, in addition to approving Sonae's sustainability strategy.

The Holding Company, as the portfolio manager, is responsible for developing and implementing the strategy, ensuring the group's position on sustainability-related issues, promoting compliance with its values, specifically social responsibility, and reporting the group's performance.

The companies that make up the Sustainability Advisory Group are responsible for promoting and integrating the principles of sustainable development into their activity, as well as for developing and adopting the policies and goals considered as priorities, by monitoring and reporting their performance.

## 1.2 Surveys and stakeholder involvement

The management of our activities is based on the principles of sustainable development, whose contribution exceeds the economic value generated by our business, and which stems directly from a set of values and principles that guide the way we operate.

This vision is only possible by establishing long-lasting relationships with our stakeholders. For this purpose, we have implemented tools and processes that allow us to identify and understand our stakeholders' current and future needs and concerns.



**CUSTOMERS AND VISITORS**

Websites  
Call Centres  
Suggestions and Complaints Systems  
Sonae Ombudsman Surveys  
Stores and Shopping Centres



**EMPLOYEES**

Social Climate Survey  
Sonae Ombudsman Surveys  
Intranet News  
Internal Publications  
Knowledge Sharing Forums and Groups



**INVESTORS**

General Meetings  
Quarterly Financial Reports  
Response to Specific Questionnaires



**SUPPLIERS**

Suppliers' Portals  
Visits and Audits  
Reciprocal Training Surveys  
Performance Assessment



**REGULATORY AND GOVERNMENTAL ENTITIES**

Participation in various Sector-Specific Associations



**COMMUNITY**

Partnerships with Representative Institutions  
Community Engagement Projects  
Surveys



**MEDIA**

Conferences  
Interviews  
Response to specific questions



**SHOP TENANTS**

Written Communications  
Meetings  
Training  
Surveys

In this context, following the organisational changes previously mentioned, in 2018 we reviewed the stakeholder survey process – employees, customers, suppliers, investors/analysts, industry and sector associations and communities – carried out in 2017.

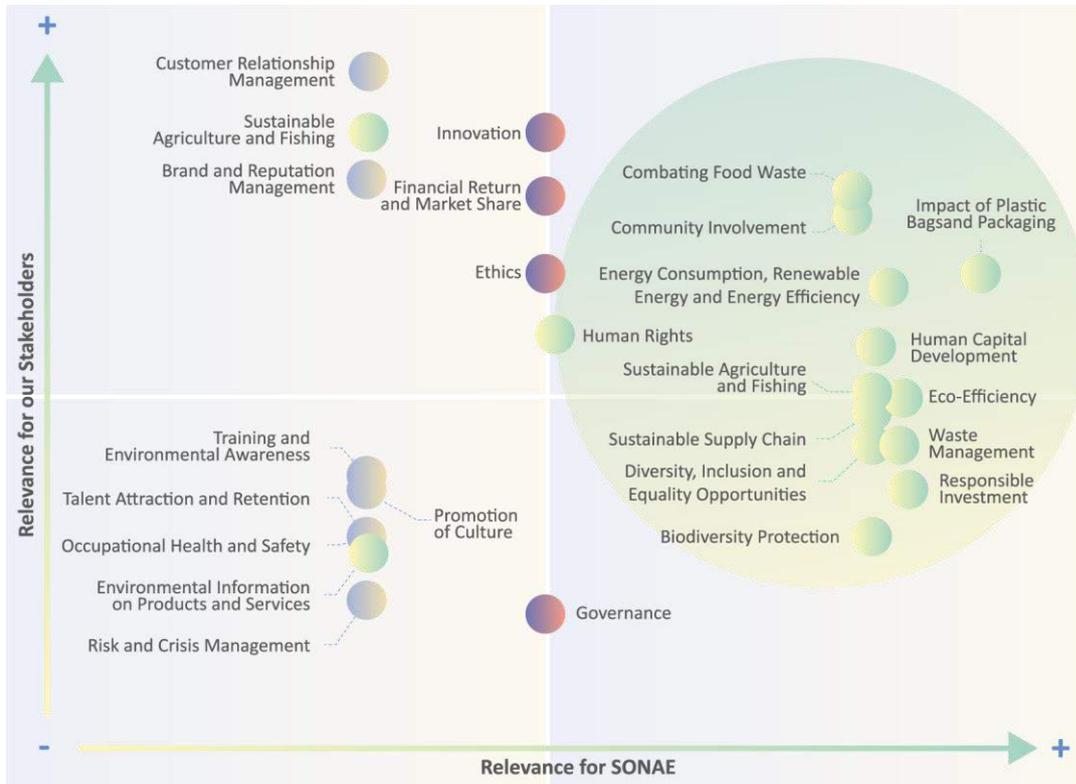
As a result of this analysis, with the aim of integrating Sonae's perspective, the action areas considered as priorities for the group were identified and an internal assessment took place of the 26 issues stakeholders had previously evaluated. These issues were classified according to their importance for Sonae and grouped into three clusters: 1 - issues intrinsic to the principles and values of the group; 2 - matters addressed in the previous cycle and/or a highly integrated within the business; and 3 – areas on which Sonae could have a positive impact through the nature and relevance of its activity.

### Organisation of the areas by cluster



Contrasting the priority areas highlighted by the external stakeholders, with the internal perspective (employees and management), a materiality matrix was drawn up. For the first two clusters, this matrix confirms the maturity of the management of these themes in the group and, on the other hand, it highlights the special relevance of 12 out of the 16 issues prioritised by Sonae: Responsible Investment, Sustainable Supply Chain, Human Capital Development, Diversity, Inclusion and Equality Opportunities, Community Involvement, Energy Consumption, Renewable Energy and Energy Efficiency, Eco-efficiency, Biodiversity Protection, Impact of Plastic Bags and Packaging, Waste Management, Combating Food Waste and Sustainable Agriculture and Fishing.

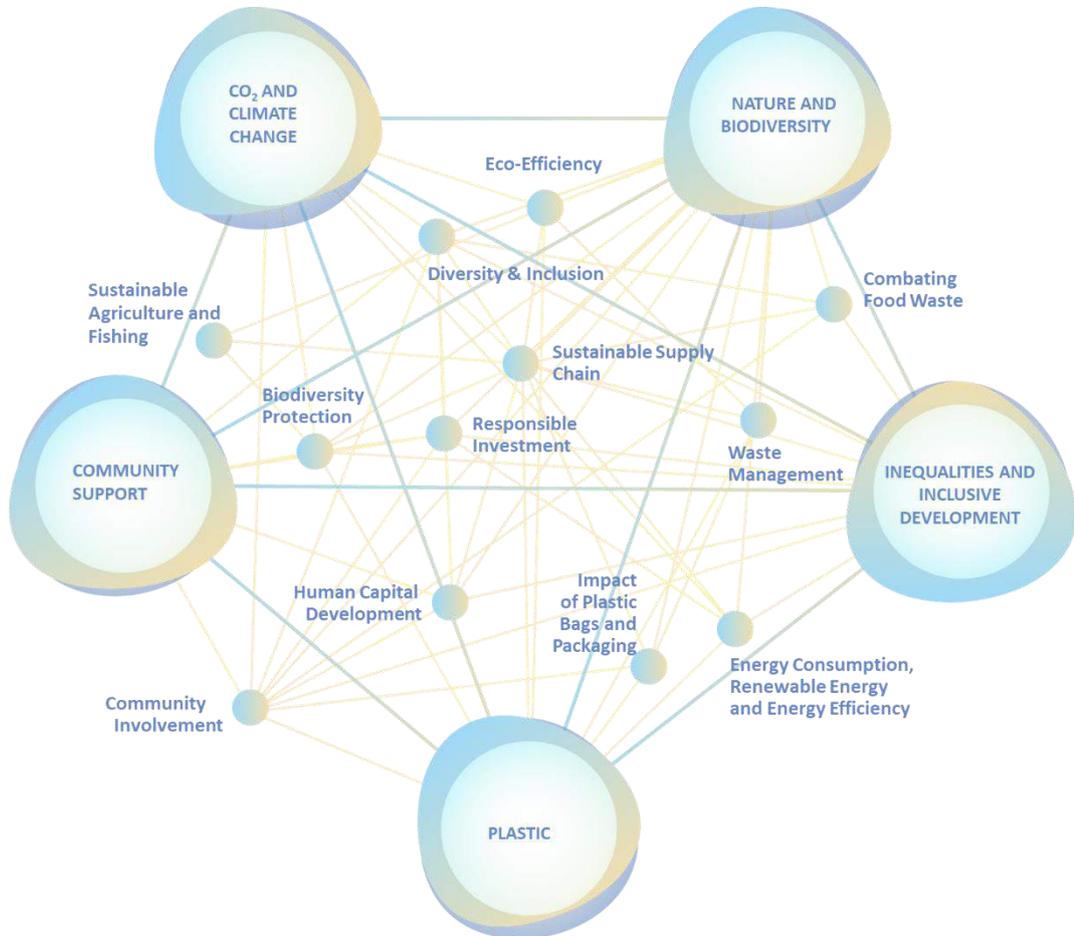
## Materiality matrix



### 1.3 Action axes

Based on the material issues identified, the results of the previous strategic cycle, the areas highlighted at sector level, the commitments subscribed to by Sonae and in line with the United Nations Sustainable Development Goals, we defined the following five action axes, which will guide our activities in building a sustainable future: CO<sub>2</sub> and climate change, nature and biodiversity, plastic, inequalities and inclusive development and community support.

*Improving Life – Our path towards a sustainable future*



We consider the action axes to be a central part of an interconnected and interdependent system, in which material themes are not understood in a strict and compartmentalised way, 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.

From 2019 onwards, these axes will be developed across the whole organisation with the continual definition of policies, principles of action, goals and targets to be achieved by the Sonae companies.

**CO<sub>2</sub> and climate change** – the companies’ activity contributes significantly to climate change – not only through the energy consumption throughout the different stages of the production cycle, but also by the greenhouse gas (GHG) emissions resulting from different activities. For this reason, it is fundamental to develop efforts to limit the



average increase in temperature between 2° and 1.5°C, in line with the commitment we made when we signed the Paris Pledge for Action<sup>1</sup>.

**Nature and biodiversity** – the dependence of organisations on natural capital and the consequent impact (direct and indirect) underlying this and/or the potential habitat change leads us to consider 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 or, the promotion of a deeper understanding of this topic in the community as relevant.

**Plastic** - considering the role that plastic plays in today's society, we understand the enormous environmental challenge it represents - namely, the high consumption of single-use plastics and the inefficiency of recycling policies. Given the nature of our activities, we consider it urgent to work together to promote more sustainable production, logistics and consumption processes.

**Inequalities and inclusive development** - are one of the most urgent social challenges of our time and one to which we can contribute in different ways. As a reference employer, we have an important role to play in creating qualified employment, implementing development policies for our people or 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.

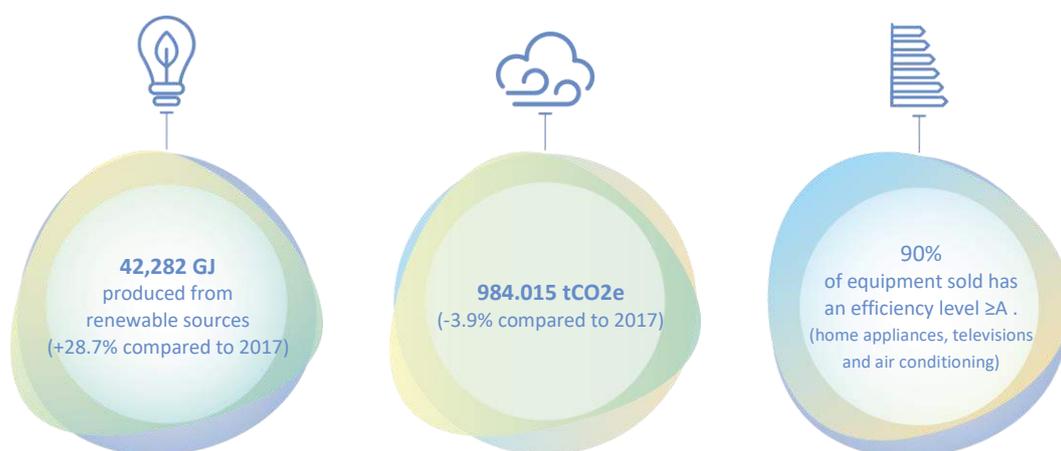
**Community support** – the support, in an integrated and sustained way, to the community is a legacy of Sonae's culture, present across the entire group. Within the framework of our activities, we aim to increase the resilience and autonomy of the communities in which we operate, contributing to the elimination of poverty in all its different forms. This axis, therefore, is intrinsically linked to the former axis, considering that we aim to enhance the impact of our action, in favour of more empowered and resilient communities.

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<sup>1</sup> In 2015, Sonae joined the list of companies that signed the Paris Pledge for Action - this initiative, within the scope of the Paris Climate Summit (COP21), aims to protect the planet from climate change and establishes a commitment by businesses to keep the increase in global average temperature to well below 2°C above pre-industrial levels.

## 2. CO2 and climate change

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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. Our support is clearly demonstrated through our endorsement of the Paris Pledge for Action and, internally, we launched a working group whose mission is to map Sonae's response to this commitment, based on best known practices and trends. A second group was also created to assess the risk that climate change represents for our different businesses.

Nevertheless, we have a long history of climate change action, a path that our companies have paved in order to improve their carbon footprint. Several initiatives have been implemented to promote eco-efficiency, as detailed in the examples provided below. In addition, we have increased our investment in renewable energy production systems.

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### Investment in renewable energy

The installation of photovoltaic plants is part of an integrated effort to improve our environmental and energy performance, which also includes the installation of more efficient equipment in terms of cold production systems, electricity and air conditioning.

Currently, the retail structure (stores and warehouses) is partially powered by 141 photovoltaic plants, which represents an increase of 20 units compared to 2017. This investment allowed us to reduce the energy dependence of our facilities, generating energy savings of around 20% per unit, depending on the installed area and the period of sun exposure.

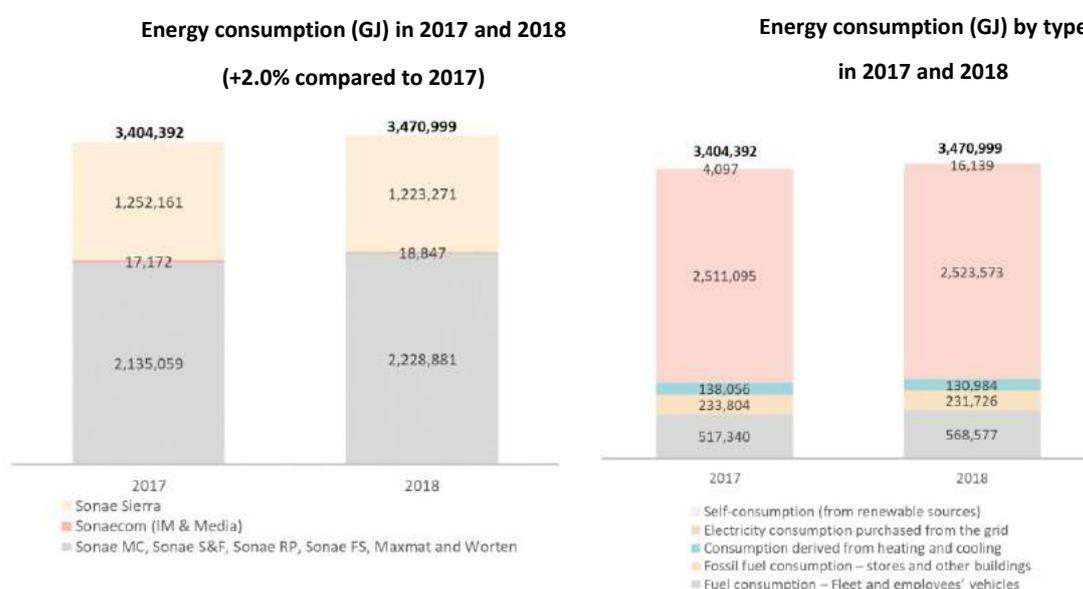
In 2018, the accumulated production of energy from renewable sources was 42,282 GJ (28.7% more than in 2017), of which 38.2% were channelled for self-consumption, and the remaining 61.8% sold to into the public grid. All in all, this production allowed the potential emission of 5,520 tCO2e to be avoided.

Following a pilot study carried out in the last year to test the feasibility of installing photovoltaic panels in four assets in Portugal, in 2019, Sonae Sierra is planning to install the first system in Maia Shopping.

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## 2.1 Energy performance

In 2018, the total energy consumption of our companies was 3,470,999 GJ, which represented an increase of 2.0% in relation to the previous year due to the extension of the scope of this indicator to the retail activity in Spain, which makes the number not entirely comparable. In the similar scope, we recorded a slight reduction (1%) in comparison to 2017. This figure, considering the widened scope, includes 2,539,711 GJ of electricity and 800,303 GJ of fuels, which represents 73.2% and 22.6% of the energy consumption, respectively. It is worth noting that 16,139 GJ of the consumed energy during the year comes from the production of energy from renewable sources. Although it still represents a small share of the energy consumed (0.5%), this is an increase of 294% since the previous year, as a result of the previously mentioned investment.



At Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten the energy consumption shows an increase of 4.4%, as a result of extending the scope of this indicator to the activity in Spain in 2018, otherwise it would have remained almost unchanged (-0.3%).

The majority (74.7%) relates to electricity (1,665,647 GJ), with an increase of 2.4% for the above-mentioned reasons. Considering the comparable scope, it would show a reduction of 1.4% when compared to 2017. Despite organic growth, this decrease reflects our continued investment in projects and measures to promote energy efficiency, such as the installation of more efficient equipment and systems, LED lighting, installation of doors on refrigeration equipment, implementation of counters equipped with telemetry or audits of stores with lower energy performance. In addition, energy efficiency measures such as power adjustments and LED lighting have been implemented in the Spanish activity.

In terms of fuels, this universe of Portuguese and Spanish companies was responsible for the consumption of 563,234 GJ (+10.6% compared to 2017<sup>2</sup>). Looking towards minimising the impact of the increased logistics activity, we have been developing a set of projects aimed at optimising the routes by reducing the distances covered, increasing the

<sup>2</sup>In addition to the inclusion of the Spanish retail activity in 2018, it should be noted that the value of the natural gas consumption that contributes to the total consumption of fuels is not directly comparable with the total value of 2017, as the scope of 2018 of this indicator in Portugal is wider, as it includes warehouses in addition to stores.

load capacity and the number of deliveries per km travelled. In addition, we have worked with suppliers to improve the eco-efficiency of the vehicles they use. By the end of 2018, 84% of the vehicles used complied with the Euro 6<sup>3</sup> Standard (representing a 12% increase from 2017); and the remaining 16% complied with the Euro 5 Standard.

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### Backhauling Project

Through this initiative, Sonae MC's logistics department provides its suppliers with a transportation service, along the routes that our trucks would otherwise travel back empty, after completing the last store delivery. Thus, we attain a significant reduction of routes travelled with empty trucks, both of our stores' supply fleet (upon return after the last delivery) and our suppliers' fleet after delivery at our warehouse.

In 2018, this project covered 40 suppliers (+14% when compared to the previous year) and resulted in a net saving of 1,801,480 km from our suppliers (+ 222% when compared to 2017) and 1,380 tonnes of avoided CO<sub>2</sub>e emissions.

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The energy consumption at Sonaecom (Sonae IM & Media) grew by 10% over 2017. It was particularly aggravated by the significant increase in electricity consumption (+23% compared to the previous year). This variation is explained by the inclusion of new buildings in the scope of the report, when compared to 2017. As we are particularly sensitive to the issue, the company has been implementing several measures at its facilities in order to minimise energy loss and to increase the thermal performance of buildings. In terms of fuels, there was an increase of 4.3% over the previous year to 12,835 GJ.

On the other hand, Sonae Sierra recorded a total reduction in energy consumption of 2% when compared to the previous year, with reductions of 2% in both electricity and fuel consumption and 5% in consumption derived from heating and cooling.

The Bright programme, effective since 2013, has enabled the identification and implementation of various energy efficiency measures in Sonae Sierra's shopping centres by monitoring the electricity consumption of buildings and comparing them with an optimised virtual model. To date, the programme has allowed Sonae to identify 250 optimising measures, 76% of which were implemented in 28 of its shopping centres. With a total investment of 2.3 million euros, the implemented measures allow Sonae Sierra a reduction of electricity consumption of 19,100 MWh annually (approximately 11% of its annual consumption) and 2.4 million euros in costs. This corresponds to reductions in carbon dioxide emissions equivalent to 13% of Sonae Sierra's footprint in 2018 (Scope 1 and 2 based on average network emission factors). The remaining measures to be implemented will save 1.2 million euros in costs and around 8,700 MWh annually. This project was once again recognised and in 2018 won the Silver Stevie® Award, in the "Energy Industry Innovation of the Year" category at the 15<sup>th</sup> Annual International Business Awards®, one of the largest business recognition programmes in the world.

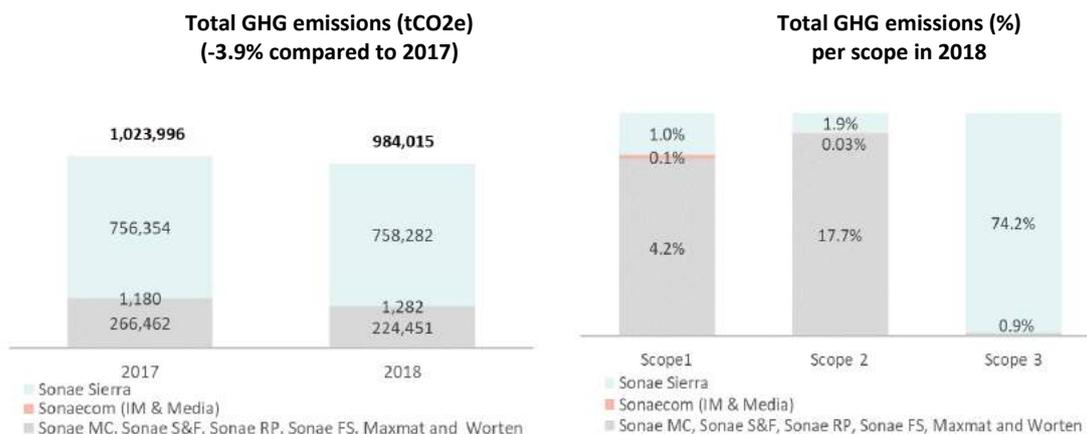


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<sup>3</sup> The Euro standards establish the rules for the exhaust emissions of cars sold in the countries of the European Union, defining the maximum limits for exhaust emissions of road vehicles. The Euro 6 is the latest standard and applies to all vehicles registered as of September 1<sup>st</sup>, 2015 included.

## 2.2 Carbon footprint

In 2018, considering the wider reporting scope, Sonae companies emitted 984,015 tCO<sub>2</sub>e, a reduction of 3.9% in comparison to the previous year. This figure corresponds to 52,459 tCO<sub>2</sub>e of Scope 1 emissions (5.3%), 192,794 tCO<sub>2</sub>e of Scope 2 emissions (19.6%) and, lastly, 738,762 tCO<sub>2</sub>e of Scope 3 emissions (75.1% of the total carbon footprint).



The Scope 1 emissions recorded an increase of 4.2%, as a result of extending the scope, otherwise it would have decreased 1.2%. Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten's activity is largely responsible for this type of emission, mainly associated with fuel consumption, representing 4.2% of total emissions.

Furthermore, concerning Scope 2, mainly related to the consumption of electricity, the emissions from retail activity stand out with a combined 17.7% of the total emissions of the group. Overall, this scope was significantly reduced compared to 2017 (-21.1%), which is mainly associated with the reduction of electricity consumption from the public grid and the reduction of the emission factor of this type of emission.

It should be noted that most of the emissions come from Scope 3, where Sonae Sierra's activities carry a weight of 74.2% in the total volume of emissions. This result is essentially due to the broader scope of this business unit compared to the rest, where 61.3% of total emissions from the Sonae companies are emissions associated with the different means of transport used by visitors to reach Sonae Sierra's shopping centres. Although there is no direct control over these Scope 3 emissions, Sonae Sierra continues to raise their tenant's awareness of good environmental management practices. They are also developing better access to many of their shopping centres, encouraging the use of public transport and promoting the use of bicycles, by ensuring the existence of suitable bicycle parking facilities.

### Accounting for emissions along the value chain

In many sectors of activity, most greenhouse gas emissions do not occur during direct operations, but outside of the organisation's own walls: in the supply chain and in the use of products and services. In the telecommunications sector, these indirect emissions represent, on average, about 80% of the total carbon footprint.

NOS already includes and reports emissions from its own activities (Scope 1 and Scope 2 emissions), in addition to some sources of indirect emissions (Scope 3 emissions), such as the pendulum movements of its employees, the commute between home and work, or the treatment of the waste produced. In order to increase the capacity to



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induce emission reductions throughout the value chain, in 2018, NOS developed a roadmap to expand the scope of accounting for its carbon footprint.

Based on the methodology of the GHG Protocol, they identified the categories of indirect emissions most relevant to their activity, through criteria such as the estimated size of each category, the ability to influence its reduction, the level of risk exposure involved, the importance to its stakeholders and the practices of reference counterparts.

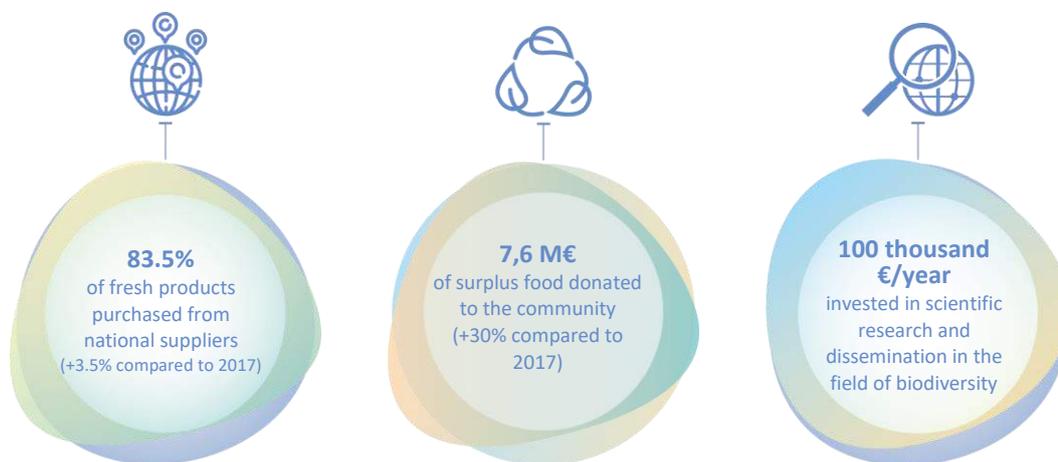
The next step was to define the accounting methodology to be applied to each of the material categories. In the case of activities carried out by third parties, access to primary data is limited, so it was necessary to establish approaches based on the application of emission reference values by economic value (e.g., for the acquisition of goods and services) or by physical unit (e.g., for the energy consumption in customers' equipment).

This exercise enabled us to conclude that the most relevant indirect emissions for NOS are associated with the production of the goods and services purchased (telecommunications network equipment, equipment placed with clients and interconnection services with other operators) and the use of products and services (energy consumption in mobile terminals, landlines, the set-up of TV boxes, customers' routers or modems). Taking second place, in terms of relevance are the emissions associated with the network of stores operated by agents, the logistics and distribution activities carried out by third parties and the use of shared technical infrastructure with other operators.

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### 3. Nature and biodiversity

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A significant part of our activity is focused on retail. Considering that together with the agricultural sector and food processing companies, retailers have a significant impact on biodiversity<sup>4</sup>, we are strongly committed to minimising the negative effects that the products we sell could have on nature. For this reason, together with our suppliers and partners, we have been developing a set of initiatives that foster the creation of responsible supply networks, contributing to the protection of ecosystems and the preservation of natural resources. We are also concerned with promoting 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 environmental and social footprint.

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#### Sonae becomes a patron of the University of Porto's Hall of Biodiversity

Sonae and the University of Porto, through the Hall of Biodiversity, celebrated the founding of a sponsorship programme to encourage the promotion, development and dissemination of scientific research in the field of biodiversity. Therefore, we recognise the importance of developing the understanding of this issue within the community, stimulating dialogue between the academia and society, and raising their awareness of the importance of biodiversity conservation. Through this sponsorship, Sonae will invest 300 thousand euros over the next 3 years.



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<sup>4</sup> Source: Lake Constance Foundation (2018) Recommendations. The "LIFE Food & Biodiversity – Biodiversity in Standards and Labels for the Food Industry" project.

### 3.1 The creation of sustainable supply networks

The Continent Producers Club (CPC) was founded in 1998, with the aim of supporting national agri-food production through the sharing of Sonae's knowledge with producers. Today, its mission, still based on knowledge sharing, also involves strengthening strategic partnerships with producers who guarantee the availability in Continente stores of products of national origin of quality and that are innovative and increasingly sustainable.



Focused on national production, innovation and the training of producers, CPC provides technical support to its members and recognises them through an integrated certification system. Understanding the Club's responsibility in terms of Production, and with sustainability as one of its focal areas, in 2018, a review of this system was carried out, with a view to optimising and using more stringent agri-food standards, including not only food quality and safety criteria, but also environmental, social responsibility and animal welfare criteria.

In 2016, the CPC Scientific Council was formed and made up of researchers from national and foreign universities, through which a closer relationship between producers, academia and research centres is nurtured, thereby ensuring they have access to scientific and technical support. In this context and by way of example, in partnership with the *Instituto Superior Técnico*, the Club is part of the Food and Biodiversity project, whose main objective is to include biodiversity criteria into the certification, brands and labels of the agri-food sector.

In 2018, several sector meetings were held, with representatives of the Scientific Council, Sonae's Commercial Management Teams and the CPC members. These meetings involve knowledge sharing and the identification of opportunities and challenges that make a valuable contribution to national production and Continente's supply.

It is worth highlighting the 1<sup>st</sup> Meeting of the Scientific Council under the topic "Sustainable Production and Consumption" (goal no. 12 of the Sustainable Development Goals), and that was attended by all the producers of the Club, members of the Scientific Council, Sonae teams, *Associação Zero* and a representative of the UN.

In 2018, the volume of purchases from the CPC members increased when compared to 2017, representing 23.1% of the value of fresh product purchases (33.1% in volume). It should also be noted that 83.5% of the value of Continente's fresh product purchases is from national suppliers.



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### Cereals of 100% national origin

Sonae MC has signed a pioneering and unprecedented supply agreement with six cereal operators, which involves the purchase of three thousand tonnes of Portuguese wheat. This step will ensure that all wheat bread produced in stores is of 100% national origin. A partnership that represents an important incentive for the relaunch of cereal production in Portugal.

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Aware of the importance of the sustainable management of marine resources<sup>5</sup>, over the years, we have been implementing several measures that aim to minimise the impacts of fishing activities on marine biodiversity and promote the adoption of sustainable fishing practices, taking into consideration a set of guidelines that encourage the protection of ecosystems.

In order to more easily assess the sustainability level of the products we sell, Sonae MC developed the Traffic Light System (TLS). From the use of this tool, the red, yellow, blue or green colour is assigned according to the fishing method used<sup>6</sup>, thus simplifying the survey of the main fishing practices. Priority is given to suppliers that use fishing methods with a lower impact on species and ecosystems.

Volume of fish purchases according to the TLS classification (%) in 2018



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### Partnerships to promote sustainable consumption

Retailers play a central role in the transition to a more sustainable consumption model, not only because of their ability to influence the supply chain, but also because of their close interaction with a significant part of the population. Throughout 2018, we developed and participated in several initiatives with this objective in mind, among which we would like to highlight the following:

**Cities and the Circular Economy for Food:** Sonae MC joined the Ellen MacArthur Foundation's study on the transition of urban food systems towards a circular model. It outlined the main challenges to be addressed and the main areas of action to be developed, namely: sourcing food grown regeneratively and locally, where appropriate; making the most of food; and designing and marketing food products that are not only healthy from a nutritional point of view, but also in the way they are produced. Porto is one of the four focus cities where an in-depth analysis was carried out, along with Brussels, Guelph and São Paulo.

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<sup>5</sup> For further information see our [Sustainable Fishing Policy](#).

<sup>6</sup> Key: Green = The use of fishing methods that pose little risk to the species; Blue = Aquaculture; Yellow = There are some problems associated with the fishing methods used; Red = The fishing methods used are harmful to other species/habitats.

**The Food Wheel:** Sonae MC has launched an integrated communication platform that aims to raise consumer's awareness of the topics related to a healthy lifestyle and eating habits. With the support of a team of experts, content for different media channels (TV, Blog and Social Media) was created. Every month, the project focuses on a different topic that is presented to demystify the myths surrounding it, providing reliable information, showing the origin of food and products brought to the table, sharing lessons about cooking it and presenting quick and simple tricks for everyday life.

**Troca por Troca - We plant a tree for each piece of used equipment:** the campaign carried out in Portugal and Spain by Worten appealed to its customers to bring their old electrical and electronic equipment to the stores, guaranteeing that all the appliances delivered in store or collected from homes would be converted into trees to plant in the areas affected by the fires in the Iberian Peninsula, in 2017. To date, this initiative has resulted in the planting of 4,100 trees (arbutus unedo, oak and tilia trees) in Oliveira do Hospital and in Málaga.

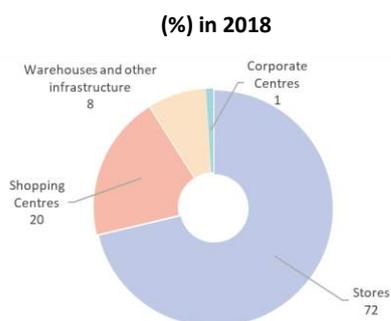
### 3.2 Reduction of the environmental impact of our businesses

Furthermore, we have invested 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.

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.

By the end of 2018, Sonae MC and Worten had 81 units certified according to the NP EN ISO 14001:2015, mostly stores: 51 Continente and 21 Worten. Sonae Sierra has 44% (20) of its operational shopping centres certified and, to date, 26 development projects certified according to the same standard.

Environmental certification by type of infrastructure

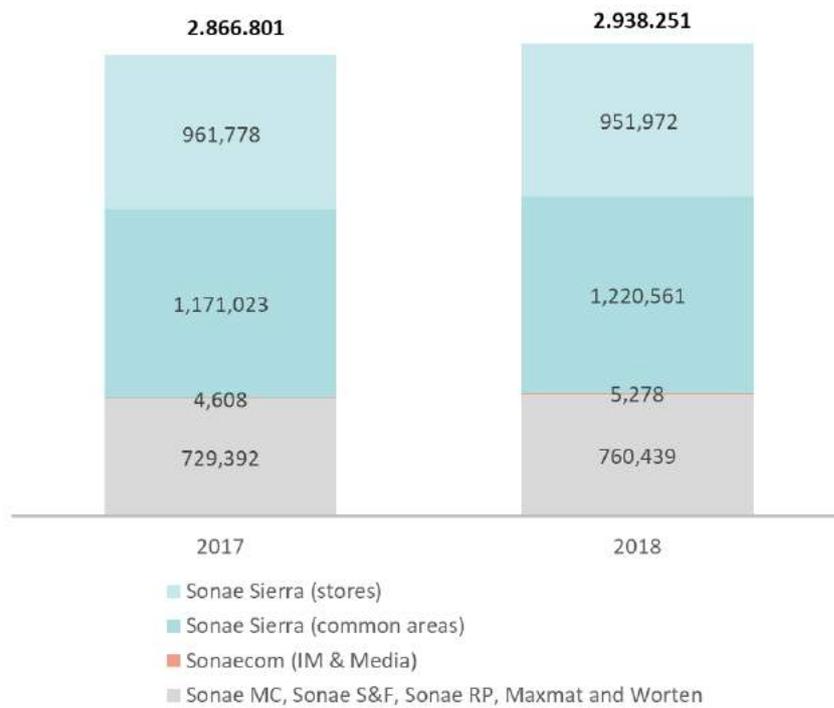


The Sonae Group of companies are committed to reducing their water footprint, enhancing the efficiency of their operations, innovating and using technology to rethink the way water is used and managed throughout their infrastructure.

In 2018, Sonae companies consumed 2,938,251m<sup>3</sup> of water, showing an increase of 2.5%, due to observed growth in the activity in Portugal and also because of extending the scope of this indicator to the activity in Spain in 2018.

Despite this growth, the consumption ratios by store area, in the case of Sonae MC, or by common area, in the case of Sonae Sierra, show an improvement in terms of efficiency, with the consumption ratios per m<sup>2</sup> decreasing in Sonae MC, or remaining the same, in Sonae Sierra. The decline seen in Sonae MC is due to the progressive installation of meters equipped with telemetry, which allow consumption monitoring. 72% of the consumed water resources come from the public supply networks. Additionally, it should be noted that in the case of Sonae Sierra, 12% of the consumed water (excluding tenants) is reused or recycled.

**Total water consumption (m<sup>3</sup>) in 2017 and 2018**  
**(+2.5% compared to 2017)**



## 4. Plastic



In recent years, we have witnessed a global movement focused on reducing plastic consumption, particularly single-use plastic. Due to the very nature and relevance of a significant part of our activity, in which we are in direct contact with producers, operators and consumers, considering the efforts we have been putting in rethinking and redesigning our processes, products and services in relation to circularity, we consider that we play a crucial role in responding to this challenge.

With this in mind, our focus will be on: identifying and reducing the amount of plastic we use in our operations and in our products, strengthening the principles of circularity in our actions, replacing plastic with alternative materials with less environmental impact, and raising communities' awareness of the responsible use of plastic by promoting behaviours that fosters the reduction, reuse, repair and recycling of plastic.

We believe that these goals will contribute not only to reduce the consumption of single-use plastic, but also of other materials, in particular regarding the packaging of the products we distribute and concerning secondary packaging.

### 4.1 Rethinking the use of plastic

In 2018, we developed a diversified set of actions aimed at reducing plastic consumption, in particular by reducing its use in the packaging of our own brand products and the introduction of recycled raw materials. These measures are being gradually implemented by the different companies in their various areas - operational processes, central structures, warehouses, consumables and own brand products.

Due to its volume (more than 50 million units per year) at Sonae MC, we would like to highlight the introduction of polyethylene (PE) plastic bags, made up of 80% recycled material, in both the stores and for online deliveries. Furthermore, in 2018, Sonae S&F through its Zippy stores, and MO, in 2019, decided to end the use of plastic bags, replacing them with paper bags.



Regarding the packaging of our own brand products, we have been introducing a number of changes aiming at reducing their environmental footprint. As an example, Worten reduced the plastic packaging of Goodis headphones by 50% using cardboard instead, and Kunft began to use kraft packaging with only a small printed area and no plastic film around it.

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#### **Project YPACK:**

Under the motto Fighting Food Waste & Plastics, this project aims to develop a new generation of biodegradable packaging that simultaneously increases the shelf-life of critical products. The consortium responsible for the project encompasses a wide range of partners including Sonae MC, the University of Minho, Lisbon's Nova University, INL Laboratories, Linpac and others. Sonae MC is leading the work package in relation to the approval of the prototype and in 2019 will test these new types of packaging on a range of products, namely on the *Panana* (banana cakes) – one of the circular economy items developed by the company.

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While working on innovative solutions for alternative materials, in some products Sonae MC has been, in parallel, replacing plastic packaging with cardboard (e.g., Boost and Mainstream lamps) or reducing the amount of plastic used, such as in the case of Boost batteries (a decrease of more than 70%). In the last year, it should also be noted that the cuvettes used for the products available at the meat counters have increased the inclusion of recycled material to 50%.

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#### **Deeply eco-friendly wetsuits:**

The wetsuits are developed with ecological neoprene (85%) and with a reduced amount of synthetic rubber (15%), in this case chlorine-free. Naturalprene allows natural neoprene to be made from natural rubber which comes from plants and glued with an ecologically solvent-free and chemical-free water-based product. Deeply also uses other environmentally friendly technologies in its products, such as neoprene based on natural limestone minerals, eco carbon black (resulting from the reuse of car tires), which significantly reduces energy consumption and CO<sup>2</sup> emissions of 200g per suit, and aqua tack (TM), a solvent-free and completely water-based glue, eliminating harmful volatile organic compounds (VOCs).

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It is also worth highlighting that in terms of operations, the Bagga coffee shops and Continente take-away sections have eliminated disposable plastic dishes (stirrers, cutlery, plates, water and teacups), which will reduce consumption by more than 37 tonnes/year. We will also have an annual saving of around 72 tonnes by reducing the thickness of films used in logistics operations.

In addition, Sonae S&F is developing a set of guidelines aimed at reducing the number of labels used and the plastic used in the packaging of its products.

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### Promoting sustainable behaviour

Our action also extends downstream through the promotion of the conscious use of plastic and our management of the waste generated by our activities.

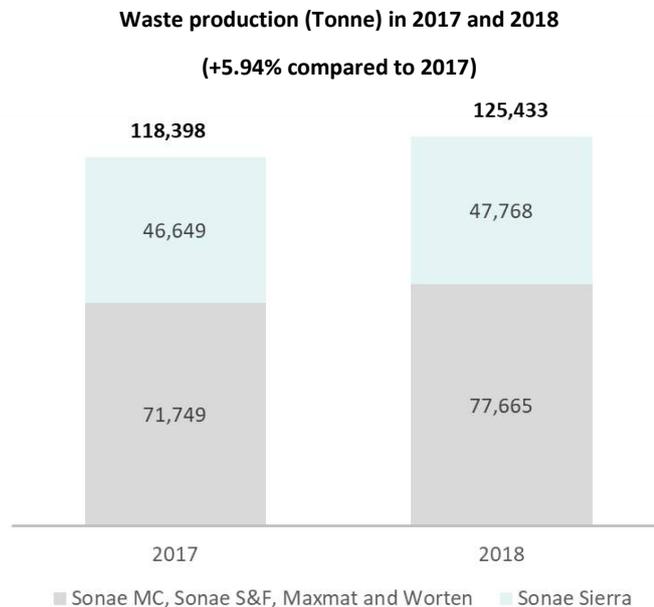
**Corporate Offices:** plastic cups for drinking water and coffee have been eliminated in our offices, as was the case with SportZone, which celebrated the World Nature Conservation Day by offering its employees sports water bottles and glass cups for coffee, thus reducing the need to use plastic for this purpose. Worten and Sonae MC have introduced changes of the same nature.

**Escola *Missão Continente*:** in the 2018/2019 academic year, reached 23,939 students in 273 schools, with the challenge of involving the entire educational community in reducing the use of plastic. This programme focuses on learning through didactic activities, the distribution of recreational materials, field trips and challenges, which will encourage the community to think and act on these and other topics. In this way, we aim to develop a multidisciplinary initiative capable of involving students, teachers, helpers and parents in becoming aware of our excessive use of plastic - how we use it, what we do with it after using it, how we can give it a new life, reducing and making its use more conscious – educating students so that they too can become agents of change.

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## 4.2 Responsible Waste Management

In 2018, Sonae produced 125,433 t of waste (+5.94% year-on-year) in line with the increase in its activity and as a result of extending the scope of the report, 61.2% of which is due to retail operation.

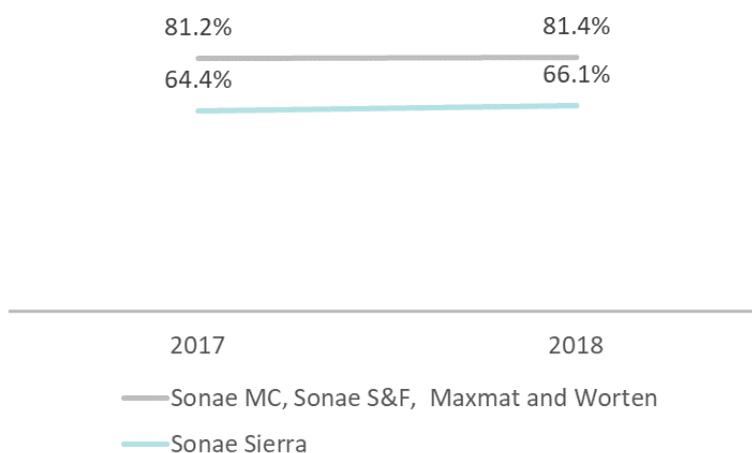


During the year, Sonae MC, Sonae S&F, Maxmat and Worten, in Portugal and Spain, were responsible for the total production of 77,662 t of waste (+8.2% year-on-year). They recorded a recovery rate of 81.4% (+0.3% year-on-year) of the waste produced, of which 63,248 t were recovered and 14,414 t were disposed.

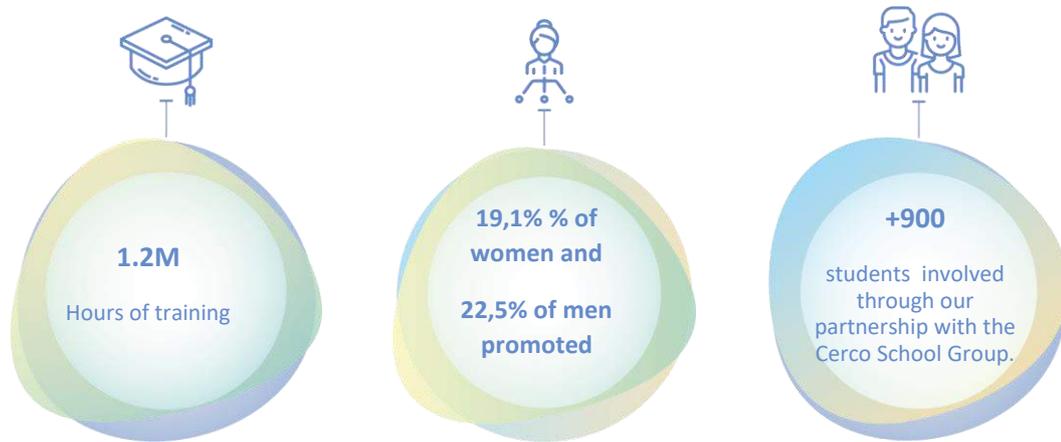
In 2018, Sonae Sierra had a 2.4% increase in the production of waste resulting from the activity of its shopping centres and corporate offices, from which 47,768 t, corresponding to 66.1% of this waste was sent for recycling, composting or anaerobic digestion.

In terms of promoting recycling, in the retail area we have recycling bins in the car parks of our stores, so that our customers can exercise their environmental citizenship options in a more comfortable way, taking advantage of their trips to these areas. On the other hand, Continente Online has implemented a return process, ensuring that the bags returned by customers are recycled.

**Recovery rate (%) in 2017 and 2018**



## 5. Inequalities and inclusive development



We see inequalities as one of the most complex and urgent social challenges of our time. We believe that it is through education that a fairer, non-discriminatory and inclusive society can be built.

In order to bring the benefits of progress to an ever-increasing number of people, we take on the responsibility of addressing this challenge, internally and externally, and the commitment to play an active role in reducing inequalities in the communities in which we operate.

### 5.1 Promoting a diverse and inclusive organisation

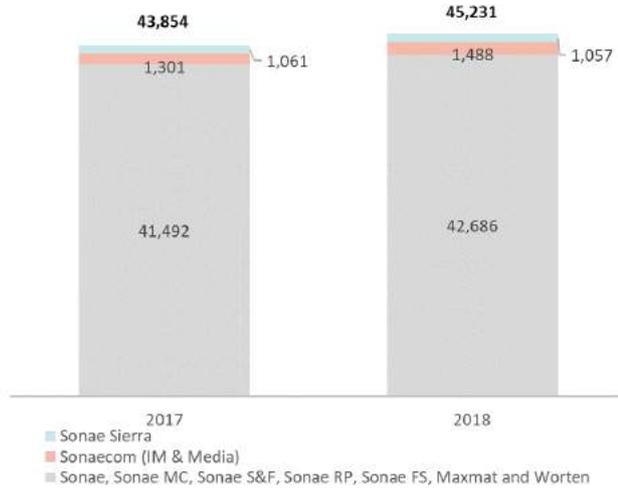
It is our ambition to be a diverse and inclusive organisation, able to attract, integrate and develop people with different profiles and experiences. In this sense, we work continuously to provide the best context to develop our teams' skills and for them to reach their full potential, in a safe and fair working environment, where everyone's contribution is valued. We are convinced that only in this way, based on this wealth of profiles, we will be able to respond to the current and future challenges of our business and of society in general.

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. Some of the guidelines considered when promoting diversity are that during the recruitment process, we always recommend to recruiters to create a balanced short-list in terms of gender representation and to pay attention to the composition of the teams, avoiding homogenous teams. In addition, we monitor performance appraisals, promotions, salary reviews and resignations, in order to guarantee the fair management of these processes in terms of equality and non-discrimination.

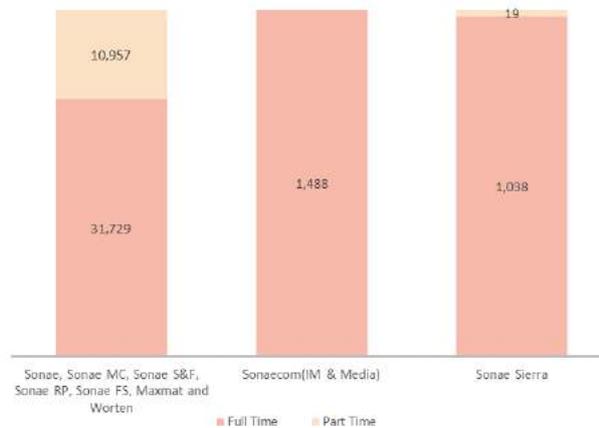
At the end of 2018 we employed 45,231 people, 3.1% more than in 2017, of which 65% are women and 35% are men. This increase is justified by the expansion of the group's various businesses. Of these, 70% are permanent employees, this proportion remained relatively stable compared to 2017. Most of the employees (92%) are in Portugal. The remaining, 5.5% are located in Spain, a trend that remains stable in comparison to previous years, and 2.5% are situated in other geographic areas.

**Nº. of employees in 2017 and 2018**

**(+3.1% compared to 2017)**



**Nº. of employees by type of job in 2018**



**Sonae strengthens women's representation in top leadership positions**

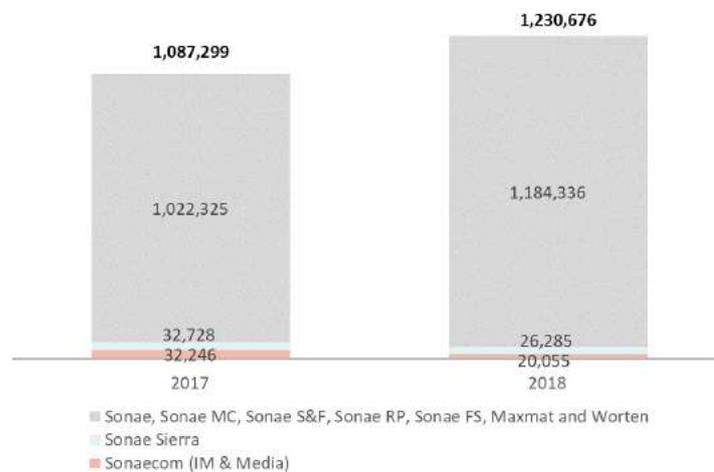
Sonae is among the European companies with the highest percentage of women in leadership positions, according to the analysis presented by the European Roundtable of Industrialists (ERT). By the end of 2018, 32.4% of Sonae's leadership positions were held by women. Sonae intends to continue to strengthen this performance, with the goal set to ensure that by 2020, 30% of the Top Management positions of the group are filled by women. The increased representation of women in top positions in Sonae is already visible at the level of Sonae's Board of Directors and Supervisory Board, where today one in every four members is female, which represents a significant increase compared to 2013.

## 5.2 Development of our people

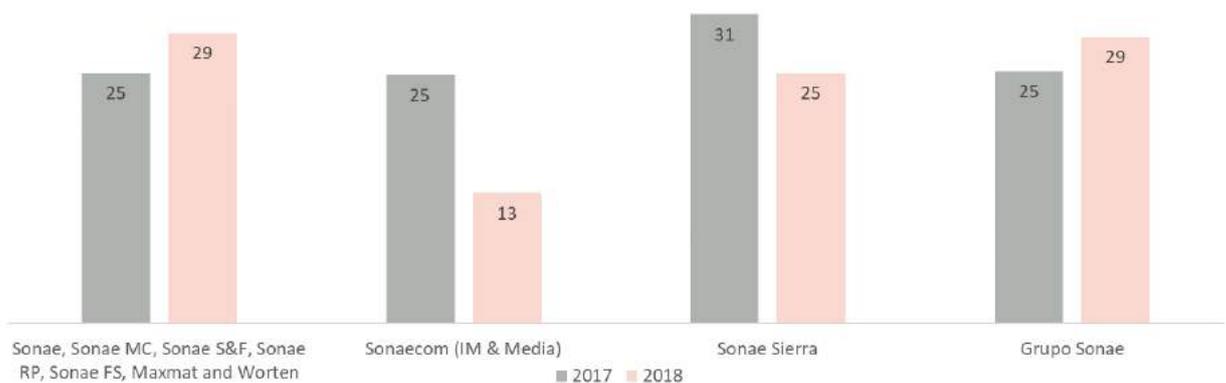
We promote a meritocratic culture, where a differentiated performance and the contribution of our employees is supported through recognition processes and tools. Sonae's performance management model - Improving Our People - promotes, on an annual basis, joint reflection between management and each team member on their performance achieved and the existing opportunities for development.

Training is a focal point for the personal and professional development of our employees. In 2018, the number of training hours in the Sonae Group increased by 13.2%, as well as the average number of hours of training per employee (13.8%), despite the reductions seen in Sonaecom and Sonae Sierra. The decrease in Sonaecom is due to the fact that, in 2017, a number of specific training sessions related to the launch of a new product was carried out. At Sonae Sierra, in 2017, a cycle of long-term training came to an end and did not continue in 2018.

**Training hours in 2017 and 2018**  
(+13.2% compared to 2017)



**Average hours of training per employee in 2017 and 2018**





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Our training offer was developed to respond to the needs of the different employee segments, from the most operational to the most strategic levels, taking into consideration the different generations, areas and geographic locations that characterise our human profile.

**Qualifica Centre:** we are one of the only two private companies in Portugal to host a *Qualifica Centre*, created by the Portuguese government, which aims to increase our employees' level of education, as well as to certify them in various subjects. The objective of the programme is to increase the qualification level of Sonae MC's employees, who have not completed an upper-secondary education, by 4%, by 2020. In 2018, 185 adults were certified, 95 of whom increased their school qualifications and 90 their professional qualifications.

**Fashion Partnerships:** Sonae S&F has been developing partnerships with entities that work on design and fashion in order to develop specific skills in its employees in these areas. The London College of Fashion and Central St Martins are examples of entities with which we have been developing partnerships both at the level of specific technical business expertise, such as clothing, textiles, materials, patterns and colour, and at the level of sharing creative trends, consumer lifestyles or fashion culture.

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In 2018, we implemented the *Improving Our People GT (Growth Toolkit)* programme directed at all of the Sonae Group of Senior Executives. This programme represents a specific approach to the management and development of the group's executive talent, involving two phases. A first phase of diagnosis, which includes a description of the participants' profile in relation to their skills, experiences, motivational drivers and personality, and which aims to promote in each case a clear and comprehensive vision of what their positively differentiated values are, as well as of the areas where there is still room for development. This diagnostic stage culminates with an individual feedback session, led by a coach from outside the organisation. The second stage is based on the co-construction of personal and professional development plans customised to each person, with a time horizon of two to three years, covering different approaches, in line with the preferences and priorities defined.

In order to prepare employees who have recently taken on leadership roles, Sonae MC has launched a new management and leadership programme, *First Time Leaders*. The contents of this programme have a strong practical component, with a focus on real-world situations mapped in a work context and they also invest in the construction of digital collaborative communities to reinforce the network among the approximately 500 participants. The sessions aim to capitalise the internal know-how and the potential for cooperation between different areas and partners of Sonae MC.

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## Digital platforms for training and development

In order to continue to promote a culture of learning, we have been developing a set of alternative training formats adapted to the contexts of different businesses.

**Sonae Academy - Management & Leadership and Values & People:** aims to be a central platform in the way we learn and share knowledge, responding to different learning styles and preferences through the following approaches: Books & Articles – with a recommended reading component on a diverse set of management, leadership and business topics, with suggestions updated monthly and the Learning Hubz – is an online platform for easy and permanent access to short videos on a wide range of management and leadership issues. The curation of this content is carried out in more than 200 renowned institutions such as Harvard, Columbia, IMD, MIT, among many others. At the end of 2018, it had more than 2,000 registered and approximately 1,150 active employees, with more than 10 thousand videos/sessions accessed, which involved the investment of more than 740 hours by our people.

**Worten Academy:** is a digital training platform focused on topics that are essential and relevant to the business, such as sales, products, services or after-sales. In 2018, it consolidated its relevance for the development of the teams, with an increase of around 30% in the training hours carried out through this platform and reaching more than 6,400 employees, who evaluated the training content positively (4.3 on a scale of 1 - 5 points). From 2019 onwards, this platform will allow on-site and on-the-job training to be managed.

**Wortubers** is an interactive channel that aims to share knowledge among Worten employees using videos produced by the collaborators themselves. This solution allows Worten employees to use their knowledge and skills by promoting peer learning and mutual help among colleagues. This initiative already has 17 videos, with more than 775 views.

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## 4.3 Building inclusive communities

We consider education an important and powerful tool for social transformation. A belief clearly based on the legacy that Belmiro de Azevedo built. A commitment that goes beyond Sonae's borders and is extended through Belmiro de Azevedo's education think tank – *Edulog Foundation*. This platform aims to discuss education, promote research and informed debate on issues as diverse as the learning process we experience throughout life or the best policies for a transformative education, among many other topics.

Along this journey, one of the lessons we have learnt is that these themes must be developed with a long-term perspective in mind, with an articulated and integrated logic between the various community members who are involved in the communities. In this sense, since 2007, we have nurtured a partnership with the *Cerco School Group*, which was initiated as part of a partnership with the educational service of Porto City Council through the *Porto de Futuro* project. This partnership aims to support school management and development, with a view to fostering the increased participation of civil society in school life, recognising the fundamental role of education in the sustainable development of a more competitive and dynamic society.

Therefore, we are developing actions for 3 types of beneficiaries - students, school communities and families - both at school and outside the school environment.



Under the scope of this partnership, in the 2018/2019 academic year, a group of 77 students were involved in the Network of Mediators for School Success programme, developed by the Association of Entrepreneurs for Social Inclusion (EPIS), which identifies youth at risk in terms of leaving school before they complete upper-secondary education and continuously monitors each student closely, aiming at empowering the students and encouraging them to be successful, as well as discouraging early school leavers, absenteeism and disciplinary issues.

Regarding curriculum enrichment initiatives, we would like to highlight the partnership with Yscience that aims to promote interest in the areas of Science, Technology, Engineering and Mathematics (CTEM). Through practical activities that combine scientific and technological components with ludic-pedagogical components, we intend to awaken hidden talents while developing a series of fundamental skills that can make a difference in their school and professional choices. The programme involves 80 students from the second year of the primary education cycle, from three of the group's primary education schools. In addition, the development programme of 22 students, who are part of the group's Specific Individual Curriculum, is complemented by weekly therapeutic horse-riding lessons, as well as the presence of three students in six adapted equestrian events and in the Special Olympics Portugal.

With the aim of enriching the students' schooling and developing their personal, relational and social skills, we provide a number of internships, promote a diversified programme of field trips and offer a regular cycle of lectures, entitled Inspiring Conversations, which brings people to the school from different sectors of society, who share their journey with the students.

As we advocate at Sonae, we consider the recognition of merit and performance essential for success. As such, at the end of each school year we grant four merit awards to: the two best students of Year 12 (general and technical education), the EPIS student who has shown the most improvement, and the student in the group who developed the most relevant social responsibility project. In addition, the best student of each academic year (ten students, in total) can enrol in the University of Porto's Summer Junior University programme.

As we consider family a key player in this project, and in order to foster closer family interaction with the school environment, we provide a series of workshops designed to support them in the education of their younger children, in addition to promoting times of social and cultural interaction. We also promote an individualised plan, with close monitoring by EPIS mediators, so that the work with the student is carried out jointly by the School - Family - Community triad, providing families with tools to improve study methods and habits, interpersonal relationships and conflict management.

For the school community, we have developed a set of actions that aims to recognise the work developed and promote some awareness actions on topics that may be relevant to the performance of their activities.

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### ***Código Dá Vinte***

The *Código Dá Vinte* project, celebrated its 6<sup>th</sup> edition in 2018, supporting the *Associação Corações com Coroa*, has provided 34 annual grants for young girls who, although school achievers, have faced various socioeconomic constraints that have hampered their school attendance and consequent progression in their studies. Customers made their contributions in one of the more than 190 Worten stores in the country or through Worten.pt and Worten added another 20% to the total amount raised, resulting in a total donation of €180,000, delivered earlier this year to *Corações com Coroa*.

This Worten initiative takes place every year at Christmas time and invites customers to contribute to a particular cause and, in order to do this, all they have to do is go to a Worten store and swipe the solidarity bar code, for a minimum amount of €0.20. This action is also valid in Worten.pt.

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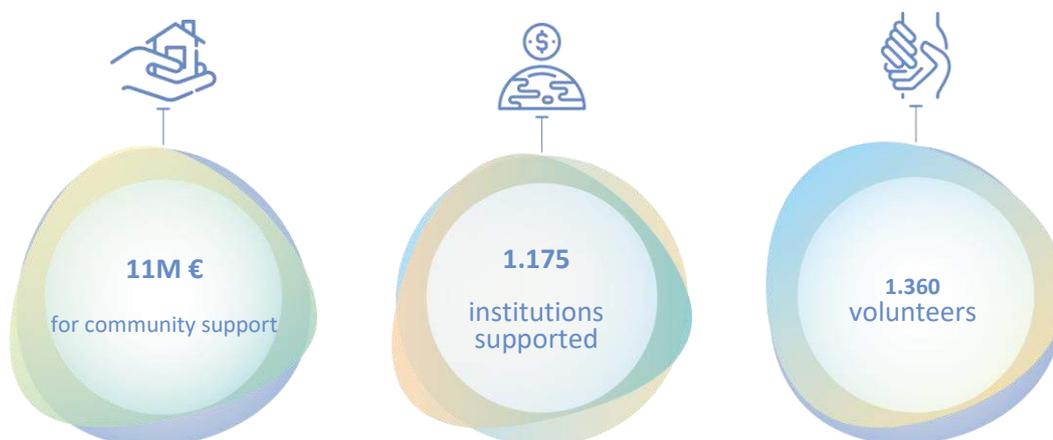
Along the same lines, and with the aim of supporting the academic studies of the children of our employees with more precarious financial situations, we have a scholarship programme in place. This programme is transversal to all companies and recognises the merit of young people by awarding scholarships to candidates with the highest overall averages of each school year in question.

Within this scope, Sonae IM also supports the Faculty of Engineering of the University of Porto (FEUP) in the area of computer engineering. For this purpose, in early 2019, Sonae IM and FEUP announced a partnership for the creation of a research and development laboratory - Sonae IM LAB@FEUP. The goal of this partnership is to encourage the co-creation of knowledge and the development of technologies in the field of computer engineering, as well as to promote innovation and competitiveness of companies in the sector, contributing to the creation of highly qualified scientific employment. Within this framework, we intend to carry out joint research projects between Sonae IM and FEUP that reflect, in an integrated way, both academia and industry's interests.

In parallel and given the impact that the low birth rate and the aging population may have on the communities where we operate, specifically in Portugal, these issues have gained particular relevance for the Sonae Group. Well's has created the "For a Future with More Babies" project, designed to celebrate the births which have taken place, support a group of poor households, as well as promoting an in-depth debate on the issue. Over the course of the year, more than 40 thousand Baby Well's kits were distributed, covering half of the births in Portugal and support was given to about 50 families in need, covering all their childcare, infant feeding and hygiene needs, as well as the care needs of their mothers. A volunteer network of Well's employees was also created, which sponsored these families and visited them weekly.

Sonae MC is part of the CordonGris project, whose mission is to help seniors maintain a healthy and independent life through meal recommendations, health management and shopping assistance in the context of a defined budget. Through an easy-to-use system, CordonGris will assist in meal planning and family budget management without compromising the quality of each individual's diet. This project is being developed in three countries: Portugal, the United Kingdom and the Netherlands. Sonae MC is one of the partners along with Can Cook, Red Ninja Studios, *Santa Casa da Misericórdia* of Lisbon and the Association of Catholic Organizations of Senior Citizens. The project is coordinated by Fraunhofer Portugal.

## 6. Community support

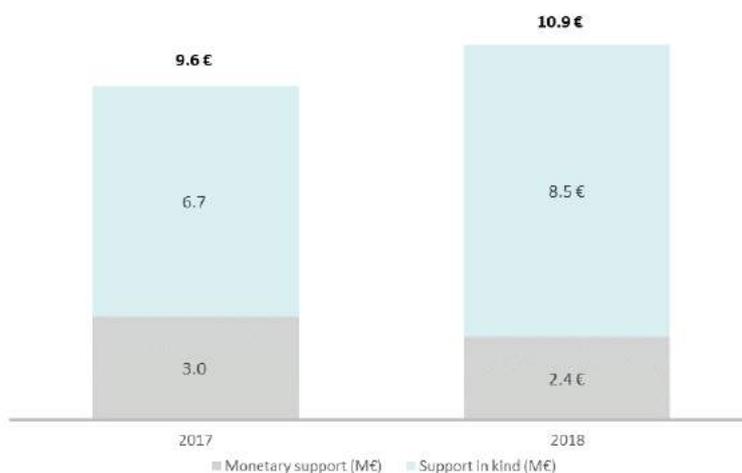


The Sonae Group's commitment to support the development of the communities in which it operates is a value that is transversal to the various companies in the group. With this goal in mind, we want to enhance our contribution by measuring the impact, focusing on the initiatives where we are most effective and empowering social economy organisations with whom we work in order to help them to strengthen the effectiveness of their own missions. We believe that in this way, we will be contributing to more empowered and resilient communities.

Throughout 2018, we invested around 11 million euros of support to social economy organisations (1,175 institutions), representing an increase of 13.4% in comparison to 2017. These contributions cover five distinct areas: social solidarity, health and sport, raising environmental awareness, culture, education and science and innovation.

### Sonae's direct support to the community (€) in 2017 and 2018

(+13.4% compared to 2017)



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The commitment to share and promote well-being is a value that is transversal to the various companies of the Sonae group, which, influenced by this strong culture, have developed diverse external initiatives, reinforcing their proximity to the community. Outlined below are some of the actions developed during 2018:

**Food Donations *Missão Continente*:** in Sonae MC preventing food waste is a cause shared by different areas throughout the entire value chain. As such, they have committed themselves to combating and giving value to this food waste based on a diverse set of actions, amongst which we would like to emphasise the donation of products to social economy organisations, an initiative implemented in 274 stores and warehouses, allowing Sonae MC to support 900 organisations with food worth over 7 million euros.

**Worten Team:** is a recycling awareness programme developed by Worten, which for each tonne of waste electrical and electronic equipment collected in Worten stores and from customer's homes, Worten in turn donates new equipment to social solidarity institutions throughout the country. This has allowed Worten to support more than 2,000 NGOs, since 2009, with the donation of new equipment valued at €2M (Retail Price).

**Doar é Receber (Giving is Receiving):** Zippy has joined the Heat the Street civil movement, which aims to collect warm clothes to deliver to those who need it most. An initiative that was started in 2015 and quickly became a solidarity chain that has already reached several cities throughout the country. For every sweater donated, Zippy offers a direct discount of 20% on the purchase of a new Zippy jacket, leading to the collection of about 750 coats in the Zippy stores, which were distributed on December 15<sup>th</sup> at an event held on *Av. Liberdade*, in Lisbon.

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## 6.1 Involvement through volunteering

We believe that our 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. In addition, it increases the close involvement with the communities where we operate, leading to a positive impact on their quality of life.

As such, in 2012 we created the Sonae Activshare programme, responsible for consolidating and coordinating all of Sonae's social responsibility and volunteer initiatives, involving all employees of the various companies in the group.

In 2018, 1,360 volunteers were involved in Sonae Activshare, -16% than in 2017, which was also reflected in volunteer hours, with a decrease of 12%. This reduction is due to the fact that, in 2017, a series of actions were organised to respond to emergency situations (fires) that resulted in the mobilisation of a large number of employees. These initiatives did not take place in 2018, given their exceptional nature.

With the purpose of reinforcing its relevance and elevating its positioning, which is natural due to its level of maturity, in 2019, we will reshape the programme in order to adjust Sonae Activshare to the new strategic challenges: to focus increasingly on our performance in education through volunteering skills. We also intend to measure the impact of the main programmes implemented to incorporate this analytical component into the continuous improvement of the programme.



Sonae  
Activshare  
SONAE



## 6.2 Supporting our people

The Sonae Group has a universe of more than 45 thousand employees, who, naturally, have sometimes found themselves at risk or in a vulnerable situation. For this purpose, since September 2013, we have had the programme *Somos Sonae* in place. This initiative aims to provide support, of an exceptional and temporary nature to our employees and their families. A specialised and multidisciplinary team from the Portuguese Red Cross is mobilised to analyse any requests for support received. After an initial assessment, a support plan is developed and implemented, tailored according to the specific situation of each of our employees, with support provided in different ways. All processes are managed and monitored to ensure the privacy of employees and their families. In 2018, through this programme, we supported 105 employees, reaching 191 people, with an investment of 155 thousand euros.

Again, bearing in mind that our people are our target audience, as part of the celebration of the 25<sup>th</sup> anniversary of the Maia Distribution Centre (MDC), in 2015, the Solidarity Logistics initiative was launched. This programme has been gradually increasing its impact on the lives of the employees it reaches. Today, it is a programme consisting of a set of actions that are developed from the resources gathered through the Solidarity Bazaar organisation, a bazaar where employees can purchase, for a nominal fee, various Sonae brand products donated by the company. The solidarity bazaar took place between November and December 2018, in seven venues - Maia, Azambuja, SOHI, Lumiar, Carregado, Guia and Água de Pena. The total revenue, about 65 thousand euros, was donated to three initiatives:

- The School Manuals scholarship, which consists of lending school textbooks to the children of school age of the Logistics' employees, between Year 7 and Year 12. By 2018, there were about 1,500 school textbooks circulating, reaching 200 families.
- *The Colega Mudámos-te a Casa initiative*, a project to renovate the homes of the most disadvantaged employees, leading to the improvement of their well-being and that of their families. For 2018/19, 14 projects are planned, of which 9 have already been implemented. The others are scheduled for the first quarter of 2019.
- Junior Club, a week of recreational and educational activities to occupy the summer vacations of the employees' children. The last edition took place in 11 cities, with 78 children involved from the ages of 6 to 12 - 188 employees' children, if logistics, operations and structural support are considered.

## 7. GRI Supplement

### Sonae

	<b>sonae mc</b>	 food retail	
	<b>sonae rp</b>	 retail properties	
	<b>maxmat</b>	 DIY retail	
	<b>worten</b>	 electronics retail	
	<b>sonae s&amp;f</b>	 sports and fashion retail*	
	<b>sonae im</b>	 investment management	
	<b>sonae fs</b>	 financial services	
	<b>sonae sierra</b>	 retail real estate developer, owner and manager	
	<b>NOS</b> <i>(equity consolidated)</i>	 telecoms	

\* SportZone, Sprinter, JD and Size? belong to the Iberian Sports Retail Group (ISRG), in which Sonae holds 30%. In relation to Salsa, which is part of Sonae S&F, we only report data from the Spanish market.

## GRI TABLE FOR THE OPTION “IN ACCORDANCE” – CORE

GRI 102 – GENERAL DISCLOSURES					
Disclosures	Localisation	Verification	UNGC Principles	SDG	
<b>ORGANISATIONAL PROFILE</b>					
102-1	Name of the organisation	Sonae SGPS	V		
102-2	Activities, brands, products and services	Sonae Group <a href="https://www.sonae.pt/en/sonae/the-group-and-our-businesses/">https://www.sonae.pt/en/sonae/the-group-and-our-businesses/</a>	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	<a href="https://www.sonae.pt/en/sonae/where-we-are-in-the-world/">https://www.sonae.pt/en/sonae/where-we-are-in-the-world/</a>	V		
102-5	Ownership and legal form	About this report	V		
102-6	Markets served	<a href="https://www.sonae.pt/en/sonae/where-we-are-in-the-world/">https://www.sonae.pt/en/sonae/where-we-are-in-the-world/</a>	V		
102-7	Scale of the organisation	Sonae Group	V		
102-8	Information on employees and other workers	Inequalities and inclusive development Below, we present supplementary information on this indicator:	V	6	8

2018 No.	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten			Sonaecom (IM & Media)			Sonae Sierra		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent contracts	9,379	19,733	<b>29,112</b>	933	455	<b>1,388</b>	490	505	<b>995</b>
Temporary contracts	5,041	8,533	<b>13,574</b>	63	37	<b>100</b>	3	6	<b>9</b>
Fixed term contracts	-	-	-	-	-	-	18	35	<b>53</b>
<b>Total</b>	<b>14,420</b>	<b>28,266</b>	<b>42,686</b>	<b>996</b>	<b>492</b>	<b>1,488</b>	<b>511</b>	<b>546</b>	<b>1,057</b>
Full-time	11,246	20,483	<b>31,729</b>	996	492	<b>1,488</b>	510	528	<b>1,038</b>
Part-time	3,177	7,780	<b>10,957</b>	0	0	<b>0</b>	-	-	<b>-</b>
Permanent Part-time	-	-	-	-	-	-	1	13	<b>14</b>
Temporary Part-time	-	-	-	-	-	-	0	5	<b>5</b>
<b>Total</b>	<b>14,423</b>	<b>28,263</b>	<b>42,686</b>	<b>996</b>	<b>492</b>	<b>1,488</b>	<b>511</b>	<b>546</b>	<b>1,057</b>

	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten			Sonaecom (IM & Media)			Sonae Sierra		
	Permanent Contract	Temporary Contract	Total	Permanent Contract	Temporary Contract	Total	Female	Male	Total
Portugal	27,280	12,866	40,146	910	48	958	261	204	465
Germany	-	-	-	-	-	-	35	36	71
Algeria	-	-	-	-	-	-	-	1	1
Brazil	370	-	370	69	7	76	141	184	325
China	36	20	56	-	-	-	-	-	-
Colombia	-	-	-	8	-	8	-	2	2
Egypt	-	-	-	22	1	23	-	-	-
Spain	1,340	701	2,041	301	39	340	51	35	86
USA	-	-	-	24	-	24	-	-	-
France	41	10	51	-	-	-	-	-	-
Greece	-	-	-	-	-	-	6	3	9
Netherlands	-	-	-	-	-	-	-	1	1
England	-	-	-	2	-	2	-	-	-
Italy	3	-	3	-	-	-	27	22	49
Luxembourg	9	-	9	-	-	-	-	-	-
Malaysia	-	-	-	8	3	11	-	-	-
Morocco	-	-	-	-	-	-	4	8	12
Mexico	1	-	1	44	2	46	-	-	-
Romania	-	-	-	-	-	-	14	9	23
Russia	5	-	5	-	-	-	-	-	-
Turkey	4	-	4	-	-	-	7	6	13
<b>Total</b>	<b>29,112</b>	<b>13,574</b>	<b>42,686</b>	<b>1,388</b>	<b>100</b>	<b>1,488</b>	<b>546</b>	<b>511</b>	<b>1,057</b>

No.	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)		Sonae Sierra	
	2017	2018	2017	2018	2017	2018
Permanent contracts	28,408	29,112	1,222	1,388	980	995
Temporary contracts	13,084	13,574	79	100	14	9
Fixed term contracts	-	-	-	-	67	53
<b>Total</b>	<b>41,492</b>	<b>42,686</b>	<b>1,301</b>	<b>1,488</b>	<b>1,061</b>	<b>1,057</b>
Full-time	30,620	31,729	1,301	1,488	1,045	1,038
Part-time	10,872	10,957	0	0	-	-
<i>Permanent Part Time</i>	-	-	-	-	14	14
<i>Temporary Part Time</i>	-	-	-	-	2	5
<b>Total</b>	<b>41,492</b>	<b>42,686</b>	<b>1,301</b>	<b>1,488</b>	<b>1,061</b>	<b>1,057</b>

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> <p>“204-1 Proportion of spending on local suppliers”;</p> <p>“304-2 - Significant impacts of activities, products and services on biodiversity”;</p> <p>“308-1 – New suppliers that were screened using environmental criteria”;</p> <p>“407-1 – Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk”;</p> <p>“408-1 – Operations and suppliers at significant risk for incidents of child labour”;</p> <p>“409-1 – Operations and suppliers at significant risk for incidents of forced or compulsory labour”;</p> <p>“414-1 – New suppliers that were screened using social criteria”.</p>	V		
102-10	Significant changes to the organisation and its supply chain	In 2018, the agreement to merge SportZone with Sprinter and the British group JD Sports for the Iberian Peninsula was concluded, as well as the agreement with the Grosvenor group for the acquisition of a 20% stake in Sonae Sierra, SGPS, SA.	V		
102-11	Precautionary Principle or approach	Corporate Governance Report 2018  C. Internal Organisation: III- Internal Control and Risk Management: 55.; IV- Investor Relations: 56-58	V		
102-12	External initiatives	<p>Sustainability at the core of our DNA</p> <p>In addition, we subscribe to the following policies and commitments:</p> <ul style="list-style-type: none"> <li>• Environmental Policy</li> <li>• Sustainable Fishing Policy</li> <li>• Retail Environmental Action Programme</li> <li>• European Code of Conduct of Good Practice in the Food Supply Chain</li> </ul>	V		
102-13	Membership of associations	<u>Partner Organisations</u>	V		
STRATEGY					
102-14	Message from the senior decision maker	Message from the Executive Commission	V		

102-15	Key impacts, risks and opportunities	Sustainability at the core of our DNA Corporate Governance Report 2018 C. Internal Organisation: III- Internal Control and Risk Management	V		
ETHICS AND INTEGRITY					
102-16	Values, principles, standards and norms of behaviour	Sustainability at the core of our DNA 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 <a href="http://www.sonae.pt">www.sonae.pt</a>	V	10	16
GOVERNANCE					
102-18	Governance structure	Sustainability at the core of our DNA Corporate Governance Report 2018 B. Governing Bodies and Committees: I– Shareholders' General Meeting: 12.3-14; II– Management and Supervision: 15-26	V		
102-21	Consulting stakeholders on economic, environmental and social topics	Sustainability at the core of our DNA Corporate Governance Report 2018 B. Governing Bodies and Committees: II- Management and Supervision: 21-26	V		
102-22	Composition of the highest governance body and its committees	Sustainability at the core of our DNA Corporate Governance Report 2018 B. Governing Bodies and Committees: II- Management and Supervision 19-21	V		
102-23	Chair of the highest governance body	Corporate Governance Report 2018 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 2018 B. Governing Bodies and Committees: II- Management and Supervision 21	V		
102-25	Conflicts of interest	Corporate Governance Report 2018 C. Internal Organisation: I- Articles of Association: 48; II- Reporting of Irregularities (whistleblowing): 49; III- Internal Control and Risk Management: 51-52	V		
102-28	Evaluating the highest governance body's performance	Corporate Governance Report 2018 B. Governing Bodies and Commissions: II- Management and Supervision: 24-25 – 30-31.	V		

102-29	<b>Identification and managing economic, environmental and social impacts</b>	Sustainability at the core of our DNA Corporate Governance Report 2018 B. Governing Bodies and Commissions: II- Management and Supervision: 18-29; III- Audit: 30-35	V		
102-31	<b>Review of economic, environmental and social topics</b>	Sustainability at the core of our DNA Corporate Governance Report 2018 B. Governing Bodies and Commissions: II- Management and Supervision: 18-29; III- Audit: 30-35	V		
102-33	<b>Communicating critical concerns</b>	Sustainability at the core of our DNA Corporate Governance Report 2018 B. Governing Bodies and Committees: II- Management and Supervision: 21-26	V		
102-35	<b>Remuneration policies</b>	Corporate Governance Report 2018 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	V		
102-37	<b>Stakeholders' involvement in remuneration</b>	Corporate Governance Report 2017 B. Governing Bodies and Committees: II- Management and Supervision: 21-26	V		
102-38	<b>Annual total compensation ratio</b>	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, are as follows: Sonae S&F 33; Salsa 10; Worten PT 26; Worten Spain 27.6 and Worten Canary Islands 17.9.			
102-39	<b>Percentage increase in annual total compensation ratio</b>	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 is 0 for Sonae S&F and Salsa, -9 for Worten Portugal and Spain and 2.6 for the Worten Canary Islands.			
<b>INVOLVEMENT WITH STAKEHOLDERS</b>					
102-40	<b>List of stakeholder groups</b>	Sustainability at the core of our DNA	V		
102-41	<b>Collective bargaining agreements</b>	In Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten the employees are covered by collective bargaining agreements. About 9% of Sonaeacom's employees are part of these agreements. At Sonae Sierra, the employees are not covered.	V	3	8

102-42	Identifying and selecting stakeholders	Sustainability at the core of our DNA	V		
102-43	Approach to stakeholder engagement	Sustainability at the core of our DNA	V		
102-44	Key topics and concerns raised by stakeholders	<p>Sustainability at the core of our DNA</p> <p>In 2018, Sonae MC, Sonae S&amp;F, Sonae FS , Maxmat and Worten registered 135,589 suggestions and complaints from their stakeholders. The Sonae S&amp;F doesn't include Losan suggestions and complaints.</p> <p>Regular analyses of the level of customer satisfaction are carried out at Sonacom (IM &amp; Media) according to existing tools (websites, apps, chats, etc.).</p> <p>Sonae Sierra regularly maintains a customer satisfaction index for shop tenants and visitors. In 2018, shop tenants showed a level of satisfaction of 4.73 and visitors of 4.13, both on a scale of 1 to 5.</p>	V		
REPORTING PRACTICE					
102-45	Entities included in the consolidated financial statements	About this report	V		
102-46	Defining the report content and topic Boundaries	<p>About this report</p> <p>New indicators added to the report:</p> <ul style="list-style-type: none"> <li>• 102-38: Annual total compensation ratio</li> <li>• 102-39: Percentage increase in annual total compensation ratio</li> <li>• 301-1: Materials used by weight or volume</li> <li>• 301-2: Recycled input materials used</li> <li>• 302-2: Energy consumption outside the organisation</li> <li>• 403-1: Workers representation health and safety committees</li> <li>• 410-1: Security personnel trained in human rights policies or procedures</li> </ul> <p>The indicators of the 300 series were widened to include information on Worten Spain &amp; Sonae S&amp;F (including Losan and Salsa Spain).</p> <p>The indicators of the 200 and 400 series that were widened to include information on Worten Spain &amp; Sonae S&amp;F (including Losan and Salsa Spain) were as follows:</p> <ul style="list-style-type: none"> <li>• 102-43: Approach to stakeholder engagement</li> <li>• 102-44: Key topics and concerns raised</li> <li>• 403-2: Types and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</li> </ul> <p>The indicators of the 200 and 400 series that were widened to include information on the specifics of the Worten Canary Islands and Sonae S&amp;F Canary Islands, Losan and Salsa Spain were as follows:</p> <ul style="list-style-type: none"> <li>• 202-2: Proportion of senior management hired from the local community</li> </ul>	V		

		<ul style="list-style-type: none"> <li>• 401-1: New employee hires and employee turnover</li> <li>• 401-3: Parental leave</li> <li>• 404-1: Average hours of training per year per employee (Salsa Spain )</li> <li>• 404-3: Percentage of employees receiving regular performance and career development reviews (Salsa Spain and Losan)</li> <li>• 405-1: Composition of governance bodies and other indicators of diversity</li> <li>• 405-2: Ratio of basic salary and remuneration of men to women</li> <li>• 412-2: Employee training on human rights policies or procedures</li> <li>• 419-1: Non-compliance with laws and regulations in the social and economic area</li> </ul>			
102-47	List of material topics	Sustainability at the core of our DNA	V		
102-48	Restatements of information	About this report	V		
102-49	Changes in reporting	About this report	V		
102-50	Reporting period	About this report	V		
102-51	Date of most recent report	March 31 <sup>st</sup> , 2018	V		
102-52	Reporting cycle	Annual	V		
102-53	Contact point for questions regarding the report	About this report	V		
102-54	Claims of reporting "in accordance" with the GRI Standards	This report was prepared according to the GRI Standards: Core Option	V		
102-55	GRI content index	Present table	V		
102-56	External assurance	About this report	V		

SPECIFIC STANDARD CONTENTS						
Disclosures	Localisation		Verifi- cation	UNGC Principles	SDG	
GRI 200 – ECONOMIC DISCLOSURES						
GRI 201 – ECONOMIC PERFORMANCE						
201-1	Direct economic value generated and distributed	<b>Direct economic value generated and distributed (€)</b>	<b>2017</b>	<b>2018</b>	V	2 5 7 8 9
		Economic value generated	6,503,753,691	6,795,001,763		
		- Revenues	6,503,753,691	6,795,001,763		
		<b>Economic value distributed</b>	<b>6,301,803,089</b>	<b>6,543,216,569</b>		
		- Operational Costs	5,407,867,988	5,576,254,389		
		- Salaries and employee benefits	764,191,618	800,223,988		
		- Payments to investors	115,767,432	131,605,729		
		- Payments to the State	4,359,495	24,132,462		
		- Donations and other community investments	9,616,555	11,000,000		
		<b>Accumulated economic value</b>	<b>201,950,602</b>	<b>251,785,195</b>		
201-2	Financial implications and other risks and opportunities for the organisation due to climate change	CO <sub>2</sub> and climate change		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 2018, Sonae received 36,389,926€. 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		
202-2	Proportion of senior management hired from the local community	90% of Sonae, Sonae MC, Sonae S&F, Maxmat, Sonae RP, Sonae FS, Worten and Sonaecom (IM & Media) senior management are hired from the local community.		V	6	8

GRI 203 – INDIRECT ECONOMIC IMPACTS (MATERIAL ASPECT)												
Management Approach	103-1	Explanation of the material topic and its Boundary	Sustainability at the core of our DNA									
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Indirect Economic Impacts ( <i>vide</i> chapters 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	Sustainability at the core of our DNA Nature and Biodiversity Inequalities and Inclusive Development Community Support	V			2 5 7 9 11						
203-2	Significant indirect economic impacts	Sustainability at the core of our DNA 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	Sustainability at the core of our DNA									
	103-2	The management approach and its components	Sonae has promoted several initiatives related to <i>Procurement Practices</i> ( <i>vide</i> chapters Nature and Biodiversity, Inequalities and Inclusive Development and Charity and GRI Table Indicators 308-1; 407-1; 408-1; 409-1; 412-2, 412-3 and 414-1).	V								
	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).									
204-1	Proportion of spending on local suppliers	<table border="1"> <thead> <tr> <th colspan="2">2018</th> </tr> </thead> <tbody> <tr> <td>Costs with foreign suppliers (%)</td> <td>18%</td> </tr> <tr> <td>Costs with national suppliers (%)</td> <td>82%</td> </tr> </tbody> </table>	2018		Costs with foreign suppliers (%)	18%	Costs with national suppliers (%)	82%	V			12
2018												
Costs with foreign suppliers (%)	18%											
Costs with national suppliers (%)	82%											

GRI 205 – ANTI-CORRUPTION					
205-1	Operations assessed for risk related to corruption	Sonae implements the international methodology <i>Enterprise Risk Management - Integrated Framework (COSO)</i> in its risk management process, which enables the identification of different types of risks and threats to the development of the business, 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.	V	10	16
205-2	Communication and training about anti-corruption policies and procedures	Sonae's Code of Conduct and Ethics for Portugal and Spain, 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.	V	10	16

Training on anti-corruption policies and procedures	2017	2018
No. of top executives who received training in anti-corruption training	17	62
No. of employees who received anti-corruption training	21,843	44,994

Note: all training participants were included, regardless of if they were active on December 31<sup>st</sup>, 2018.

205-3	Confirmed incidents of corruption and actions taken	There were no registered cases of corruption in 2018.	V	10	16
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#### GRI 300 - ENVIRONMENTAL DISCLOSURES

##### GRI 301 – MATERIALS

Management Approach	103-1	Explication of the materials topics and its Boundary	Sustainability at the core of our DNA			
	103-2	The management approach and its components	Sonae has promoted several initiatives related to the Materials ( <i>vide</i> chapters Nature and Biodiversity, CO <sub>2</sub> and Climate Change and 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	Plastic Indicator reported for activity in Spain. Worten has subcontracted its logistics activity in Spain. In the case of MO and Zippy, logistics are managed from Portugal. Information is not available for Losan and Salsa.	V	7 and 8	8 12	
301-2	Recycled input materials used	Not applicable, considering indicator 301-1.				
301-3	Reclaimed products and their packaging materials	Plastic	V	8	8 12	

**GRI 302 - ENERGY (MATERIAL ASPECT)**

Management Approach	103-1	Explanation of the material topic and its Boundary	Sustainability at the core of our DNA	V		
	103-2	The management approach and its components	Sonae has promoted several initiatives related to the Energy ( <i>vide</i> chapters CO <sub>2</sub> and Climate Change).			
	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).			
302-1	Energy consumption within the organisation	CO <sub>2</sub> and Climate Change Notes: for the specific case of Salsa Spain the electricity consumption values were estimated based on the annual cost of electricity and a sample of invoices.	V	7 and 8	7 8 12 13	
302-2	Energy consumption outside the organisation	In Spain, Worten has subcontracted its logistics activity, with an electricity consumption of 665.7 MWh in 2018.				

302-3	Energy intensity	CO <sub>2</sub> and Climate Change	V	8	7 8 12 13
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Energy intensity	Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)		Sonae Sierra	
	2017	2018	2017	2018	2017	2018
Total energy consumption (GJ)	2,130,963	2,228,881	17,172	18,847	-	-
Business turnover (M€)	5,434	5,801	140	169.1	-	-
Energy intensity ratio (GJ/M€)	392	384	123	111	-	-
Shopping centres - Energy intensity ratio (kWh/m <sup>2</sup> of common areas)	-	-	-	-	698	676

302-4	Reduction of energy consumption	CO <sub>2</sub> and Climate Change	V	8 and 9	7 8 12 13
302-5	Reductions in energy requirements of products and services	CO <sub>2</sub> and Climate Change	V	8 and 9	7 8 12 13

**GRI 303 – WATER**

Management Approach	103-1	Explanation of the material topic and its Boundary	Sustainability at the core of our DNA	V		
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	103-2	The management approach and its components	Sonae has promoted several initiatives related to Water ( <i>vide</i> chapter Nature and Biodiversity).			
	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	Nature and Biodiversity	V	7 and 8	6

	Sonae MC, Sonae S&F, Sonae RP, Maxmat e Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>Water withdrawal by source</b>				
Underground withdrawal (m <sup>3</sup> )	11,333	13,030	-	-
Municipal water supply (m <sup>3</sup> )	718,059	747,409	4,608	5,278
<b>Total water consumption (m<sup>3</sup>)</b>	<b>729,392</b>	<b>760,439</b>	<b>4,608</b>	<b>5,278</b>
<b>Water consumption per store area</b>				
Store area (1,000 m <sup>2</sup> )	716	1,109	-	-
<b>Water consumption per store area (m<sup>3</sup>/m<sup>2</sup>)</b>	<b>1.03</b>	<b>0.69</b>	-	-
<b>Note:</b> Sonaecom (IM & Media) includes the water consumption of the offices where the supply services are provided directly to Sonae and for which we receive detailed consumption information for the payment of rent.				

	Sonae Sierra							
	2017		2018		2017		2018	
Water withdrawal	Excluding tenants		Water reallocation for tenants		Total		Total	
Underground withdrawal (m <sup>3</sup> )	299,051	326,253	245,079	241,203	544,130	567,456		
Rainwater (m <sup>3</sup> )	30,480	26,694	-	-	30,480	26,694		
Public supply network (m <sup>3</sup> )	653,981	668,779	712,206	693,764	1,366,188	1,362,543		
Other sources of withdrawal (m <sup>3</sup> )	338	476	-	-	338	476		
Mix of water sources (m <sup>3</sup> )	76,122	78,540	4,493	17,006	80,615	95,546		
Grey water (m <sup>3</sup> )	23,785	27,800	-	-	23,785	27,800		
Treated wastewater (m <sup>3</sup> )	87,266	92,019	-	-	87,266	92,019		
<b>Total water consumption (m<sup>3</sup>)</b>	<b>1,171,023</b>	<b>1,220,561</b>	<b>961,778</b>	<b>951,972</b>	<b>2,132,801</b>	<b>2,172,534</b>		
<b>Water consumption per m<sup>2</sup> of shopping centre areas, bathrooms, own portfolio and number of visitors</b>								
Water consumption per mall and toilet area (m <sup>3</sup> /m <sup>2</sup> )	-	-	-	-	4.6	4.5		
Water consumption per common area (excluding tenants) (m <sup>3</sup> /m <sup>2</sup> )	-	-	-	-	2.5	2.5		
Water consumption by number of visits (l / visitor)	-	-	-	-	6	6		
Water consumption by number of visits (excluding tenants) (l / visitor)	-	-	-	-	3.3	3.4		
<b>Notes:</b> This includes all shopping centres owned by Sonae Sierra, operational throughout the reporting year. It was not possible to obtain the values for Portimão Retail Centre, in Portugal, so they were not included. The Albufeira Retail Park was also not included in the consumption indicators per visit, as there is no footfall system in place and the number of visitors is not known.								

303-3	Water recycled and reused	Nature and Biodiversity	V	8	6 8 12
<b>GRI 304 - BIODIVERSITY (MATERIAL ASPECT)</b>					
Management Approach	103-1	Explanation of the material topic and its Boundary	Sustainability at the core of our DNA	V	
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Biodiversity ( <i>vide</i> chapter 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> the indicators presented below)		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Nature and Biodiversity  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.	V	8	6 14 15
304-2	Significant impacts of activities, products and services on biodiversity	Nature and Biodiversity	V	8	6 14 15
304-3	Habitats protected or restored	Nature and Biodiversity  In 2018, there were no operations carried out leading to changes in the surrounding habitats that would result in their restoration.	V	8	6 14 15
<b>GRI 305 - EMISSIONS (MATERIAL ASPECT)</b>					
Management Approach	103-1	Explanation of the material topics and its Boundary	Sustainability at the core of our DNA	V	
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Emissions ( <i>vide</i> chapters CO <sub>2</sub> and Climate Change chapters).		
	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).		

305-1	Direct (Scope 1) GHG emissions	CO <sub>2</sub> and Climate Change	V	7 and 8	3
					12
					13
					14
					15
305-2	Energy indirect (Scope 2) GHG emissions	CO <sub>2</sub> and Climate Change	V	7 and 8	3
					12
					13
					14
					15
305-3	Energy indirect (Scope 3) GHG emissions	CO <sub>2</sub> and Climate Change	V	7 and 8	3
					12
					13
					14
					15

	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>305 - 1 GHG Emissions (Scope 1), by source</b>				
Emissions associated with the consumption of natural gas – Stores (t CO <sub>2</sub> e)	674	908	0	0
Emissions associated with the consumption of propane (t CO <sub>2</sub> e)	110	62	0	0
Emissions associated with the consumption of diesel - Stores (t CO <sub>2</sub> e)	313	315	0	0
Emissions associated with the consumption of diesel - contracted fleet (t CO <sub>2</sub> e)	29,139	32,350	896	933
Emissions associated with the consumption of petrol - contracted fleet (t CO <sub>2</sub> e)	0	0	15	17
Emissions associated with the consumption of diesel - employees' vehicles (t CO <sub>2</sub> e)	7,224	7,750	0	0
Emissions associated with the consumption of petrol - employees' vehicles (t CO <sub>2</sub> e)	30	45	0	0
Emissions associated with the consumption of natural gas- supply fleet's vehicles	0	0	0	0
<b>Total direct GHG emissions (t CO<sub>2</sub>e)</b>	<b>37,491</b>	<b>41,430</b>	<b>911</b>	<b>950</b>
<b>305 – 2 GHG Emissions (Scope 2), by source</b>				
Emissions associated with electricity consumption (t CO <sub>2</sub> e) – <i>market based</i>	<b>220,684</b>	<b>174,146</b>	<b>269</b>	<b>332</b>
Emissions associated with electricity consumption (t CO <sub>2</sub> e) – <i>location based</i>	<b>126,753</b>	<b>128,918</b>	<b>381</b>	<b>470</b>

305 – 3 GHG Emissions (Scope 3), by source				
Emissions related to energy recovery (t CO <sub>2</sub> e)	102	179	-	-
Emissions related to organic recovery (t CO <sub>2</sub> e)	230	241	-	-
Emissions related to sanitary landfill (t CO <sub>2</sub> e)	7,955	8,454	-	-
<b>Total GHG emissions (Scope 3) (t CO<sub>2</sub>e)</b>	<b>8,287</b>	<b>8,875</b>	-	-

Emission Factors				
Energy	Unit	Factor 2017	Factor 2018	Source (2018)
Natural gas	kg CO <sub>2</sub> /GJ	56.1	56.1	<p><b>2017:</b> APA (2017) Portuguese National Inventory Report on Greenhouse Gases 1990-2015</p> <p><b>2018:</b> APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016 (pg. 189)</p> <p><a href="https://unfccc.int/documents/65569">https://unfccc.int/documents/65569</a></p>
Propane	kg CO <sub>2</sub> /GJ	63.1	63.1	
Diesel	kg CO <sub>2</sub> /GJ	74.1	74.1	
Petrol	kg CO <sub>2</sub> /GJ	69.3	69.3	
Electricity - Market Based (Sonae MC, Sonae Sports & Fashion, Worten)	(kg CO <sub>2</sub> /GJ)	136.1	104.8	<p><b>2017:</b> Mix de: Endesa; Galp - <a href="http://www.galpenergia.com/PT/ProdutosServicos/Eletricidade-Gas-Natural-Livre/Centro-de-informacao/A-nossa-Energia/Paginas/Rotulagem_2017.aspx">http://www.galpenergia.com/PT/ProdutosServicos/Eletricidade-Gas-Natural-Livre/Centro-de-informacao/A-nossa-Energia/Paginas/Rotulagem_2017.aspx</a>; Elergone; EEM - <a href="https://www.eem.pt/media/323353/evol_mad_11_2017.pdf">https://www.eem.pt/media/323353/evol_mad_11_2017.pdf</a></p> <p><b>2018:</b> Mix de: Endesa; Galp - <a href="http://www.galpenergia.com/PT/ProdutosServicos/Eletricidade-Gas-Natural-Livre/Centro-de-informacao/A-nossa-Energia/Paginas/Rotulagem_2017.aspx">http://www.galpenergia.com/PT/ProdutosServicos/Eletricidade-Gas-Natural-Livre/Centro-de-informacao/A-nossa-Energia/Paginas/Rotulagem_2017.aspx</a>; Elergone; EEM - <a href="https://www.eem.pt/media/323353/evol_mad_11_2017.pdf">https://www.eem.pt/media/323353/evol_mad_11_2017.pdf</a></p>
Electricity - Market Based (Maxmat)	(kg CO <sub>2</sub> /GJ)	131.9	105.6	<p><b>2017:</b> Mix de: EDA - <a href="http://www.eda.pt/Regulacao/Rotulagem">http://www.eda.pt/Regulacao/Rotulagem</a>; EEM - <a href="https://www.eem.pt/me">https://www.eem.pt/me</a></p> <p><a href="https://www.eem.pt/media/323353/evol_mad_11_2017.pdf">https://www.eem.pt/media/323353/evol_mad_11_2017.pdf</a>; Elergone –</p> <p><b>2018:</b> Mix de: EDA - <a href="http://www.eda.pt/Regulacao/Rotulagem">http://www.eda.pt/Regulacao/Rotulagem</a>; EEM - <a href="https://www.eem.pt/media/323353/evol_mad_11_2017.pdf">https://www.eem.pt/media/323353/evol_mad_11_2017.pdf</a>; Elergone -</p>
Electricity - Market Based (Sonae RP)	(kg CO <sub>2</sub> /GJ)	137.2	105.6	<p><b>2017:</b> Elergone</p> <p><b>2018:</b> Mix de: EDA - <a href="http://www.eda.pt/Regulacao/Rotulagem">http://www.eda.pt/Regulacao/Rotulagem</a>; EEM - <a href="https://www.eem.pt/media/323353/evol_mad_11_2017.pdf">https://www.eem.pt/media/323353/evol_mad_11_2017.pdf</a>; Elergone -</p>
Electricity - Market Based (Sonaecom)	(kg CO <sub>2</sub> /GJ)	55.2	55.2	<p><b>2017:</b> EDP - <a href="http://www.edpsu.pt/pt/origemdaenergia/Pages/OrigensdaEnergia.aspx">http://www.edpsu.pt/pt/origemdaenergia/Pages/OrigensdaEnergia.aspx</a></p> <p><b>2018:</b> EDP - <a href="http://www.edpsu.pt/pt/origemdaenergia/Pages/OrigensdaEnergia.aspx">http://www.edpsu.pt/pt/origemdaenergia/Pages/OrigensdaEnergia.aspx</a></p>
Electricity - Spain based market	(kg CO <sub>2</sub> /GJ)	-	108.33	<b>2018:</b> Endesa emission factor assumed: 0.39 kg CO <sub>2</sub> /kWh
Electricity – Portugal based Portugal	(kg CO <sub>2</sub> /GJ)	78.2	78.2	International Energy Agency (2015). CO <sub>2</sub> Emissions from Fuel Combustion, 2015 Edition.
Electricity – Spain based location	(kg CO <sub>2</sub> /GJ)	-	122.2	<p><b>2018:</b> Defra (2018) UK Government GHG Conversion Factors for Company Reporting: <a href="https://www.carbonfootprint.com/docs/2018_conversion_factors_2018_full_set_for_advanced_users_v01-00.xls">https://www.carbonfootprint.com/docs/2018_conversion_factors_2018_full_set_for_advanced_users_v01-00.xls</a></p>

Type of Treatment	Unit	Factor 2017	Factor 2018	Source (2018)
Sanitary Landfill	t CO <sub>2</sub> /t waste	0.589	0.589	2017: DEFRA (2017). Greenhouse gas reporting - Conversion factors 2017 ( <a href="https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2017">https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2017</a> ) 2018: DEFRA (2017). Greenhouse gas reporting - Conversion factors 2017 ( <a href="https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2017">https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2017</a> )
Energy Recovery	t CO <sub>2</sub> /t waste	0.0218	0.0214	
Organic Recovery	t CO <sub>2</sub> /t waste	0.0218	0.0214	

Sonae Sierra			2017	2018
<b>305-1 GHG Emissions (Scope 1), by source</b>				
Emissions associated with the consumption of natural gas (t CO <sub>2</sub> e)			9,227	8,723
Emissions associated with the consumption of LPG (t CO <sub>2</sub> e)			11	8
Emissions associated with the consumption of fuels by contracted fleet (petrol, diesel and ethanol) (t CO <sub>2</sub> e)			936	941
Emissions associated to leaks (t CO <sub>2</sub> e)			1,758	406
<b>Total direct (Scope 1) GHG emissions (t CO<sub>2</sub>e)</b>			<b>11,933</b>	<b>10,079</b>
<b>305-2 GHG Emissions (Scope 2), per source</b>				
Emissions associated with electricity consumption (t CO <sub>2</sub> e)			12,391	12,127
Emissions associated with electricity consumption for the cooling of water (t CO <sub>2</sub> e)			5,669	5,078
Emissions associated with electricity consumption for the heating of water (t CO <sub>2</sub> e)			1,210	1,111
<b>Total emissions (t CO<sub>2</sub>e)</b>			<b>19,271</b>	<b>18,316</b>
<b>305-3 GHG Emissions (Scope 3), by source</b>				
Emissions from tenant's electricity consumption (t CO <sub>2</sub> e)			115,405	12,1266
Emissions related to air travel (t CO <sub>2</sub> e)			1,699	2,040
Emissions related to train travel (t CO <sub>2</sub> e)			13	12
Emissions related to hotel stays (t CO <sub>2</sub> e)			137	83
Emissions related to employees' business trips (t CO <sub>2</sub> e)			1,094	1,082
Emissions from shopping centre visitors (t CO <sub>2</sub> e)			604,375	603,012
Emissions from waste (t CO <sub>2</sub> e)			2,428	2,393
<b>Total GHG emissions (Scope 3) (t CO<sub>2</sub>e)</b>			<b>725,150</b>	<b>729,887</b>
<b>Notes:</b> This includes all shopping centres owned by Sonae Sierra, operational during the full reporting year, with the exception of Portimão Retail Centre in Portugal, and all corporate offices with SHEMS (Lisbon, Maia and São Paulo), with the exception of fleet fuel, which included all corporate offices (Lisbon, Maia, São Paulo, Milan, Madrid, Dusseldorf and Bucharest), due to the materiality of these emissions. Emissions in tonnes of CO <sub>2</sub> , equivalent (t CO <sub>2</sub> e) refer to emissions from energy sources over which Sonae Sierra has financial control. For information on Sonae Sierra's 2017 and 2018 emission factors, please refer to Sonae Sierra's Sustainability Report for the respective years.				

305-4	GHG emissions intensity	CO <sub>2</sub> and Climate Change	V	8	13
					14
					15

	Sonae MC, Sonae S&F, Sonae RP, Sonae FS Maxmat and Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>GHG emissions intensity</b>				
Total GHG emissions (t CO <sub>2</sub> e)	266,460	224,452	1,180	1,282
Business turnover (M€)	5,435	5,801	140	169.1
<b>GHG emissions intensity ratio (t CO<sub>2</sub>/M€)</b>	<b>49</b>	<b>39</b>	<b>8</b>	<b>8</b>

Sonae Sierra		
	2017	2018
<b>GHG emissions intensity</b>		
Total GHG emissions (t CO <sub>2</sub> e)	756,353	758,282
<b>Excluding tenants (t CO<sub>2</sub>e/m<sup>2</sup>)</b>	<b>0.061</b>	<b>0.055</b>
<b>Including tenants (t CO<sub>2</sub>e/m<sup>2</sup>)</b>	<b>0.298</b>	<b>0.302</b>
<p><b>Notes:</b> This includes all shopping centres owned by Sonae Sierra, operational during the full reporting year, and corporate offices with SHEMS (Lisbon, Maia and São Paulo). For data that exclude tenants, the numerator includes the Scope 1 emissions (excluding emissions associated with natural gas consumed by cogeneration but including the emissions from the hot/cold water produced by cogeneration and consumed on-site), Scope 2 emissions and Scope 3 emissions associated with waste from shopping centres and corporate offices with SHEMS (Lisbon, Maia and São Paulo). As an exception, the emissions associated with the consumption of the fuel fleet are considered for the following corporate offices: Lisbon, Maia, São Paulo, Madrid, Düsseldorf, Bucharest and Milan. The denominator includes the common areas of the shopping centres and the area of the corporate offices with SHEMS (Lisbon, Maia and São Paulo). There is a slight maladjustment between the numerator and the denominator, as the energy consumption in technical areas and the hot/cold water supplied to some tenants is considered, but the consumption of the areas is not. For the data that includes tenants, the same assumptions as above apply but in addition the emissions associated with the consumption of the tenants are included.</p>		

305-5	Reduction of GHG emissions	CO <sub>2</sub> and Climate Change	V	8 and 9	13 14 15
305-6	Emissions of ozone-depleting substances	As in 2017, the value is zero.	V	7 and 8	3 12 13
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions		V	7 and 8	3 12 13 14 15

	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions</b>				
NOx emissions – Diesel consumed - stores (t)	3.38	3.40	-	0.00
NOx emissions - Diesel consumed - contracted fleet (t)	314.59	349.26	9.67	10.07
NOx emissions - Petrol consumed - contracted fleet	0.00	0.00	0.13	0.15
NOx emissions - Diesel consumed - employees' vehicles (t)	78.00	83.68	-	0.00
NOx emissions - Petrol consumed - employees' vehicles (t)	0.26	0.39	-	0.00
<b>Total NOx emissions (t)</b>	<b>396.23</b>	<b>436.72</b>	<b>9.8</b>	<b>10.22</b>
SO <sub>2</sub> emissions - Diesel consumed - stores (t)	0.89	0.89	-	0.00

SO <sub>2</sub> emissions - Diesel consumed - contracted fleet (t)	82.58	91.68	2.54	2.64
SO <sub>2</sub> emissions - Petrol consumed - contracted fleet (t)	0.00	0.00	0.02	0.02
SO <sub>2</sub> emissions - Diesel consumed - employees' vehicles	204.74	21.96	-	0.00
SO <sub>2</sub> emissions - Petrol consumed - employees' vehicles	0.03	0.05	-	0.00
<b>Total SO<sub>2</sub> emissions (t)</b>	<b>288.23</b>	<b>114.59</b>	<b>2.56</b>	<b>2.66</b>

**Emission Factors:**

Energy	Unit	NO <sub>x</sub>	SO <sub>2</sub>	Source
Diesel	kg/GJ	0.8	0.21	IPCC 2006
Petrol	kg/GJ	0.6	0.075	IPCC 2006

Sonae Sierra does not report this indicator.

GRI 306 - EFFLUENTS AND WASTE (MATERIAL ASPECT)															
Management Approach	103-1	Explanation of the material topic and its Boundary	Sustainability at the core of our DNA												
	103-2	Management approach and its Components	Sonae has promoted several initiatives related to Waste and Effluents ( <i>vide</i> chapter Plastic).	V											
	103-3	Evolution 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> <table border="1"> <thead> <tr> <th>Volume of effluent discharged (m<sup>3</sup>)</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Sonae MC, Sonae S&amp;F, Sonae RP, Maxmat and Worten</td> <td>574,234</td> <td>608,351</td> </tr> <tr> <td>Sonaecom (IM &amp; Media)</td> <td>3,686</td> <td>4,222</td> </tr> </tbody> </table> <p>Sonae Sierra does not report this indicator.</p>	Volume of effluent discharged (m <sup>3</sup> )	2017	2018	Sonae MC, Sonae S&F, Sonae RP, Maxmat and Worten	574,234	608,351	Sonaecom (IM & Media)	3,686	4,222	V	8	3 6 12 14
Volume of effluent discharged (m <sup>3</sup> )	2017	2018													
Sonae MC, Sonae S&F, Sonae RP, Maxmat and Worten	574,234	608,351													
Sonaecom (IM & Media)	3,686	4,222													
306-2		Waste by type and disposal method	Plastic	V	8	3 6 12									

	Sonae MC, Sonae S&F, Sonae RP, Maxmat and Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>Waste by type and disposal method</b>				
<b>Hazardous waste (t)</b>	<b>2,134</b>	<b>3,097</b>	-	-
Recovery	2,134	3,097	-	-
Elimination	-	-	-	-
<b>Non-hazardous waste (t)</b>	<b>69,615</b>	<b>74,568</b>	-	-
Recovery	56,106	60,154	-	-
Elimination	13,509	14,414	-	-
<b>Total volume of waste (t)</b>	<b>71,749</b>	<b>77,665</b>	-	-

Waste generated by Sonae activity (t)	64,703	70,536	-	-
Waste deposited by the customers at the stores (t)	6,175	6,200	-	-
Energy Recovery (t)	-	8,378	-	-
Organic Recovery (t)	-	11,284	-	-
Sanitary Landfill (t)	-	14,414	-	-
<b>Total volume of waste (t)</b>	<b>71,749</b>	<b>77,665</b>	-	-
<b>Recovery rate</b>	<b>81%</b>	<b>81%</b>	-	-

Sonae Sierra		
	2017	2018
<b>Waste by type and disposal method</b>		
<b>Hazardous waste (t)</b>	<b>99</b>	<b>77</b>
Anaerobic digestion	0.1	-
Composting	-	-
Energy recovery from incineration	11	10
Incineration without energy recovery	1	1
Sanitary Landfill	1	1
Recycling	80	58
Reuse	-	-
Treatment/Elimination	5	7
Energy recovery	0.4	0.4
WWTP	-	-
<b>Non-hazardous waste (t)</b>	<b>46,550</b>	<b>47,691</b>
Anaerobic digestion	3,091	3,241
Composting	7,266	7,489
Energy recovery from incineration	3,584	3,582
Incineration without energy recovery	18	27
Sanitary Landfill	8,303	8,103
Recycling	19,622	20,769
Reuse	-	3
Treatment/Elimination	18	18
Energy recovery	4,339	4,319
WWTP	309	140
<b>Total waste (t)</b>	<b>46,649</b>	<b>47,768</b>
<b>Recycling rate – shopping centres (%)</b>	<b>64%</b>	<b>66%</b>
<b>Recycling rate – corporate offices with SHEMS (Lisbon, Maia and São Paulo) (%)</b>	<b>75%</b>	<b>87%</b>
<b>Waste disposal rate in sanitary landfill – shopping centres (%)</b>	<b>18%</b>	<b>17%</b>
<b>Waste disposal rate in sanitary landfill – corporate offices (Lisbon, Maia and São Paulo) (%)</b>	<b>8%</b>	<b>13%</b>
<b>Notes:</b> This includes all shopping centres owned by Sonae Sierra, operational during the reporting year, except Portimão Retail Centre in Portugal. This includes all corporate offices with SHEMS (Lisbon, Maia and São Paulo). The recycling rate includes waste sent for recycling, anaerobic digestion and composting.		

306-3	Significant Spills	In 2018, there was no significant spills.	V	8	3
					6
					12
					14
					15

GRI 307 – ENVIRONMENTAL COMPLIANCE						
Management Approach	103-1	Explanation of the material topics and its Boundary	Sustainability at the core of our DNA	V		
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Environmental Compliance ( <i>vide</i> chapters Nature and Biodiversity and CO <sub>2</sub> and Climate Change).			
	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).			
307-1		<b>Non-compliance with environmental laws and regulations</b>	<p>Sonae considers a fine to be significant when the total monetary value equals or exceeds 12,000€, since this corresponds to the minimum fine for a serious environmental infringement (Law no. 114/2015, of August 28<sup>th</sup>).</p> <p>In 2018, we received a fine of 22,000 euros, imposed on a Sonae Sierra centre, resulting from a process of misdemeanour filed by Seixal Town Council regarding non-compliance with the correct disposal of waste. This has been contested by the centre and there is still no final decision.</p>	V	8	16
GRI 308 - SUPPLIER ENVIRONMENTAL ASSESSMENT (MATERIAL ASPECT)						
Management Approach	103-1	Explanation of the material topics and its Boundary	Sustainability at the core of our DNA	V		
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Suppliers Environmental Assessment ( <i>vide</i> chapter Nature and Biodiversity).			
	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).			
308-1		<b>New suppliers that were screened using environmental criteria</b>	Nature and Biodiversity	V	8	

In 2018, the suppliers' assessment and qualification process of Sonae MC, Maxmat and Worten's own-brand products was reviewed. This consists of a mechanism that has the dual purpose of assessing and qualifying the suppliers who 'qualify' to work with Sonae, but also of using audits to identify areas for improvement in their operations.

For each supplier of an assessed brand, a Risk Index is created - composed of: Quality Index (IQ), which assesses quality indicators such as inspections, incidents, nonconformities, withdrawals and complaint rate, and the Vulnerability Index (IV). The latter is analysed according to geographical origin criteria and includes five criteria: legal & regulatory, labour relations, environment, corruption, child labour, and supplier guarantee through certification and/or audit.

Sonae S&F also reviewed its supplier assessment process by investing in the creation of a pool of local quality controllers specifically trained to carry out inspections and audits. At the same time, a supplier's manual consisting of a single document with all the rules to be complied with by the suppliers was developed. This also includes the revised version of Sonae's Code of Ethics and Conduct. The audit framework to be applied by the quality controllers has been reviewed in light of this Code, and includes a set of social, environmental and ethical criteria. This new model will be implemented in 2019.

Depending on the result obtained, in any of the methodologies, the supplier and product quality control processes can be adjusted to include the definition of a corrective action plan or, if necessary, supply may be suspended, or the supplier replaced. It is also worth noting that all suppliers receive the Suppliers' Code of Conduct and, in the qualification phase, depending on the products to be supplied, they may be subjected to pre-tests.

## GRI 400 - SOCIAL DISCLOSURES

### GRI 401 - EMPLOYMENT (MATERIAL ASPECT)

Management Approach	103-1	Explication of the materials topics and its boundary	Sustainability at the core of our DNA	V		
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Employment ( <i>vide</i> chapter 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	Inequalities and Inclusive Development			

#### Sonae MC, Sonae S&F, Sonae RP, Maxmat and Worten

##### Screened suppliers based on environmental criteria

	Fresh Products		Food retail		Non-food retail		Wells		S&F (MO, Zippy and Losan)		S&F (Deeply and Berg)		Worten		Maxmat	
	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New
<b>Total suppliers (no.)</b>	<b>302</b>	<b>32</b>	<b>405</b>	<b>39</b>	<b>299</b>	<b>37</b>	<b>57</b>	<b>8</b>	<b>368</b>	<b>82</b>	<b>70</b>	<b>12</b>	<b>118</b>	<b>12</b>	<b>73</b>	<b>6</b>
National	260	31	213	17	109	9	23	2	148	30	28	2	8	0	42	5
Foreign	42	1	192	22	190	28	34	6	220	52	42	10	110	12	31	1
<b>Total qualified suppliers (no.)</b>	<b>271</b>	<b>5</b>	<b>379</b>	<b>22</b>	<b>237</b>	<b>9</b>	<b>42</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>98</b>	<b>0</b>	<b>29</b>	<b>0</b>
National	229	4	199	9	92	1	16	1	0	0	0	0	8	0	16	0
Foreign	42	1	180	13	145	8	26	2	0	0	0	0	90	0	13	0
<b>Percentage of qualified suppliers (%)</b>	<b>90%</b>	<b>16%</b>	<b>94%</b>	<b>56%</b>	<b>79%</b>	<b>24%</b>	<b>74%</b>	<b>38%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>83%</b>	<b>0%</b>	<b>40%</b>	<b>0%</b>
National	88%	13%	93%	53%	84%	11%	70%	50%	0%	0%	0%	0%	100%	0%	38%	0%
Foreign	100%	100%	94%	59%	76%	29%	76%	33%	0%	0%	0%	0%	82%	0%	42%	0%
<b>Total audits conducted (no.)</b>	<b>81</b>	<b>1</b>	<b>78</b>	<b>3</b>	<b>186</b>	<b>3</b>	<b>26</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64</b>	<b>0</b>	<b>13</b>	<b>0</b>
National	77	1	55	3	46	0	7	0	0	0	0	0	0	0	5	0
Foreign	4	0	23	0	140	3	19	1	10	0	0	0	64	0	8	0

No.	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten			Sonaecom (IM & Media)			Sonae Sierra		
	Total	New hires	Departures	Total	New hires	Departures	Total	New hires	Departures
Male	13,844	9,094	8,751	996	231	185	511	64	65
Female	27,193	13,394	12,720	492	98	58	546	74	77
<b>Total</b>	<b>41,037</b>	<b>22,488</b>	<b>21,471</b>	<b>1,488</b>	<b>329</b>	<b>243</b>	<b>1,057</b>	<b>138</b>	<b>142</b>
<30 years old	15,485	17,963	16,118	375	160	89			
From 30 to 50 years old	20,958	4,194	4,749	982	160	144			
>50 years old	4,594	331	604	131	9	10			
<b>Total</b>	<b>41,037</b>	<b>22,488</b>	<b>21,471</b>	<b>1,488</b>	<b>329</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>
< 35 years old							291	94	74
From 35 to 44							425	36	49

From 45 to 54							247	8	15
From 55 to 64							88	0	2
> 64 years old							6	0	2
<b>Total</b>							<b>1,057</b>	<b>138</b>	<b>142</b>
Portugal	38,935	21,193	20,027	958	189	126	465	44	44
Brazil	0	0	0	76	4	4	325	50	54
Spain	2,086	1,295	1,440	340	97	84	86	6	5
The rest of the world	17	0	0	114	39	29	181	38	39
<b>Total</b>	<b>41,037</b>	<b>22,488</b>	<b>21,471</b>	<b>1,488</b>	<b>329</b>	<b>243</b>	<b>1,057</b>	<b>138</b>	<b>142</b>
<b>Percentage %</b>	<b>Sonae, Sonae MC, Sonae S&amp;F, Sonae RP, Sonae FS, Maxmat and Worten</b>			<b>Sonaecom (IM &amp; Media)</b>			<b>Sonae Sierra</b>		
	<b>Total</b>	<b>New hires</b>	<b>Departures</b>	<b>Total</b>	<b>New hires</b>	<b>Departures</b>	<b>Total</b>	<b>New hires</b>	<b>Departures</b>
Male	34%	22%	21%	67%	16%	12%	48%	6%	6%
Female	66%	33%	31%	33%	7%	4%	52%	7%	7%
<b>Total (%)</b>	<b>100%</b>	<b>55%</b>	<b>52%</b>	<b>100%</b>	<b>22%</b>	<b>16%</b>	<b>100%</b>	<b>13%</b>	<b>13%</b>
<30 years old	38%	44%	39%	25%	11%	6%			
30-50 years old	51%	10%	12%	66%	11%	10%			
>50 years old	11%	1%	1%	9%	1%	1%			
<b>Total (%)</b>	<b>100%</b>	<b>55%</b>	<b>52%</b>	<b>100%</b>	<b>22%</b>	<b>16%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
< 35 years old							28%	9%	7%
From 35 to 44							40%	3%	5%
From 45 to 54							23%	1%	1%
From 55 to 64							8%	0%	0.2%
> 64 years old							1%	0%	0.2%
<b>Total</b>							<b>100%</b>	<b>13%</b>	<b>13%</b>
Portugal	95%	51.6%	48.8%	64%	13%	8%	44%		
Brazil	0%	0%	0%	5%	0%	0%	31%		
Spain	5.1%	3.2%	3.5%	23%	7%	6%	8%		
The rest of the world	0.04%	0%	0%	8%	3%	2%	17%		
<b>Total (%)</b>	<b>100%</b>	<b>55%</b>	<b>52%</b>	<b>100%</b>	<b>22%</b>	<b>16%</b>	<b>100%</b>		

No.	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)		Sonae Sierra	
	2017	2018	2017	2018	2017	2018
Total Employees	39,004	41,037	1,301	1,488	1,061	1,057
New hires	20,257	22,488	257	329	136	138
Percentage of new employee hires (%)	31%	55%	19.8%	22%	13%	13%
Departures	18,992	21,471	214	243	144	142
Percentage of turnover (%)	31%	52%	16.4%	16%	14%	13%

**Notes:** Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten's 2017 category data do not include Worten Canary Islands, MDS Brazil, Salsa, Losan and Go Natural Restaurants. This does not include the members of the Board of Directors.  
Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten's 2018 category data do not include MDS Brazil and GO NATURAL Restaurants. This does not include the members of the Board of Directors.  
Sonae Sierra: This includes all of Sonae Sierra's direct employees, at the end of the report period.

401-3	Parental Leave	V	6	5 8
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2018	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten			Sonaecom (IM & Media)		
	No.	Male	Female	Total	Male	Female
Total employees entitled to parental leave (no.)	13,844	27,193	41,037	36	18	54
Total employees who benefitted from parental leave (no.)	619	1,569	2,188	36	18	54
Total employees who returned to work after completion of Parental leave (no.)	606	1,484	2,090	36	18	54
Total employees who returned to work after completion of parental leave and continued to work for the Company 12 months after returning (no.)	515	1,156	1,671	16	11	27
<b>Take-up rate (%)</b>	4%	6%	5%	100%	100%	100%
<b>Rate of return (%)</b>	98%	95%	96%	100%	100%	100%
<b>Rate of retention (%)</b>	83%	74%	76%	44%	61%	50%

**Notes:** Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten's category data do not include MDS Brazil, and GO NATURAL Restaurants. It does not include the members of the Board of Directors. Employees who benefitted from parental leave in 2017 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 2018 and not in 2017.

No.	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>Take-up rate (%)</b>	5%	5%	100%	100%
<b>Rate of return (%)</b>	95%	96%	100%	100%
<b>Rate of retention (%)</b>	85%	76%	0%	50%

GRI 403 – OCCUPATIONAL HEALTH AND SAFETY					
Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability at the core of our DNA	V	
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Occupational Health and Safety ( <i>vide</i> chapter 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).		
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 number of work-related fatalities			V	3 8

Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities									
2018	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten			Sonaecom (IM & Media)			Sonae Sierra		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Workable hours by all employees (h)	25,076,732	49,776,891	74,853,623	1,840,608	909,216	2,749,824	-	-	1,825,192
Total deaths (no.)	0	1	1	0	0	0	-	-	0
Total accidents in the workplace (no.)	466	732	1,198	0	0	0	-	-	4
Total accidents during the commute between home and work (no.)	47	143	190	1	2	3	-	-	2
<b>Total accidents (no.)</b>	<b>513</b>	<b>875</b>	<b>1,388</b>	<b>1</b>	<b>2</b>	<b>3</b>	-	-	<b>6</b>
<b>Rate of accidents (%)</b>	<b>0.002%</b>	<b>0.002%</b>	<b>0.002%</b>	<b>0.000%</b>	<b>0.000%</b>	<b>0.000%</b>	-	-	<b>3.29</b>
Total days of absence due to occupational accidents (d)	7,929	13,320	21,249	5	243	248	-	-	38
<b>Rate of days lost due to occupational accidents (%)</b>	<b>0.032%</b>	<b>0.027%</b>	<b>0.028%</b>	<b>0.000%</b>	<b>0.027%</b>	<b>0.009%</b>	-	-	<b>20.82</b>
Total days of absence due to occupational diseases (d)	220	613	833	0	0	0	-	-	0
<b>Rate of occupational diseases (%)</b>	<b>0.001%</b>	<b>0.001%</b>	<b>0.001%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	-	-	<b>0%</b>
Total number of days lost (d)	8,149	13,933	22,082	5	243	248	-	-	38
<b>Rate of lost days (%)</b>	<b>0.032%</b>	<b>0.028%</b>	<b>0.030%</b>	<b>0.000%</b>	<b>0.027%</b>	<b>0.009%</b>	-	-	<b>20.82</b>
Total hours of absence (h)	815,937	52,752,510	3,574,999	7,317	16,617	23,934	-	-	32,507
<b>Absenteeism rate (%)</b>	<b>3.25%</b>	<b>5.45%</b>	<b>4.72%</b>	<b>0%</b>	<b>2%</b>	<b>1%</b>	-	-	<b>2%</b>

**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 1<sup>st</sup> 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 S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)		Sonae Sierra	
	2017	2018	2017	2018	2017	2018
<b>Rate of accidents</b>	0.002%	0.002%	0%	0%	3.45	3.29
<b>Rate of days lost due to occupational accidents</b>	0.03%	0.028%	0.007%	0.009%	-	-
<b>Rate of occupational diseases</b>	0.001%	0.001%	0%	0%	-	-
<b>Rate of lost days</b>	0.03%	0.03%	0.007%	0.009%	41.46	20.82
<b>Absenteeism rate</b>	5%	4.72%	1%	1%	2%	2%

403-3	<b>Workers with high incidence or high risk of diseases related to their occupation</b>	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	Sustainability at the core of our DNA	V			
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Training and Education ( <i>vide</i> chapter 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	Inequalities and Inclusive Development	V	6	4	5	8

	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten			Sonaecom (IM & Media)		
	Male	Female	Total	Male	Female	Total
<b>Total Employees (no.)</b>						
Top Executive	68	18	86	2	0	2
Management	551	313	864	289	77	366
Middle Management	973	1,207	2,180	628	314	942
Technicians/highly specialised technicians	1,079	1,866	2,945			
Middle Management, Technicians/highly specialised technicians – SALSA	20	42	62			
Representatives	10,956	23,441	34,397	77	101	178
<b>Total</b>	<b>13,627</b>	<b>26,845</b>	<b>40,472</b>	<b>996</b>	<b>492</b>	<b>1,488</b>
<b>Total hours of training (h)</b>						
Top Executive	2,103	441	2,545	6	0	6
Management	16,849	10,849	27,698	4,413	1,476	5,889
Middle Management	35,100	60,191	95,291	9,326	4,825	14,151
Technicians/highly specialised technicians	27,722	46,748	74,470			
Representatives	353,100	601,515	954.615	4	5	8.82
Total hours Spain*	0	0	29,718			
<b>Total</b>	<b>434,874</b>	<b>719,744</b>	<b>1,184,336</b>	<b>13,749</b>	<b>6,306</b>	<b>20,055</b>
<b>Average hours of training by category and gender (h/employee)</b>						
Top Executive	31	25	30	3	0	3
Management	31	35	32	15	19	16
Middle Management	36	50	44	15	15	15
Technicians/highly specialised technicians	26	25	25			
Representatives	32	26	27	0	0	0
<b>Total</b>	<b>32</b>	<b>27</b>	<b>29</b>	<b>14</b>	<b>13</b>	<b>13</b>

**Notes:** This includes all training participants, regardless of if they are active on December 31<sup>st</sup>, 2018.  
The average hours by functional group is only in relation to Portugal's employees. In 2018, the number of employees and training hours of Salsa in Spain was considered, however this was not considered in 2017.

Sonae Sierra			
Total Employees (no.)			
	Number of Employees	Number of hours of training	Average number of hours of training for year, per employee, by category
Global Senior Executive, Senior Executive, Executive	29	1,070	37
Senior Manager	60	2,087	35
Manager	108	2,858	26
Team Leader	124	3,670	30
Project Team Specialist	177	5,868	31
Team Member	559	10,732	19
<b>Total</b>	<b>1,057</b>	<b>26,285</b>	<b>25</b>
Female	546	12,731	23
Male	511	13,554	27
<b>Total</b>	<b>1,057</b>	<b>26,285</b>	<b>25</b>

	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)		Sonae Sierra	
	2017	2018	2017	2018	2017	2018
Total employees (no.)	40,905	40,472	1,301	1,488	1,061	1,057
Total training hours (h)	1,022,325	1,184,336	32,246	20,055	32,728	26,285
<b>Average number of hours of training (h/employee)</b>	25	29	25	13	31	24.9

**Note:** This includes all of Sonae Sierra's direct employees, at the end of the report period.

404-2	Programmes for upgrading employee skills and transition assistance programmes	Inequalities and inclusive development	V		8
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Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		
Programmes for upgrading employee skills and transition assistance programmes 2018		
Training Programmes	Total Actions (no.)	Total Hours (h)
Conferences & Seminars	278	16,417
Schools/Academies	101,999	614,011
Spain	0	29,927
Management	34	2,488
Management & Leadership	4,195	60,701
Continuous Improvement	4,144	22,978
Occupational Health and Safety	31,037	118,667
Sustainability	7,510	8,058
Technical	51,786	238,279
Transversal	36,971	43,496

**Notes:** This includes all training participants, regardless of if they are active on December 31<sup>st</sup>, 2018.

Sonaecom (IM & Media)		
Programmes for upgrading employee skills and transition assistance programmes 2018		
Training Programmes	Total Actions (no.)	Total Hours (h)
Behavioural	13	866
Conferences & Seminars	32	1,299
Management & Leadership	12	764

Continuous Improvement	9	416
Occupational Health and Safety	24	297
Sustainability	1	19
Technical	254	16,028
Transversal	39	366
<b>Notes:</b> This includes all training participants, regardless of if they are active on December 31 <sup>st</sup> , 2018.		

Sonae Sierra		
Programmes for improving employee skills 2018		
Training Programmes	Total Hours (h)	Total Hours (%)
Behavioural	4,351	17%
Conferences & Seminars	2,746	10%
Management & Leadership	19,188	73%
<b>Total</b>	<b>26,285</b>	<b>100%</b>

404-3	Percentage of employees receiving regular performance and career development reviews	At Sonae, Sonae MC, Sonae S&F, Worten, Maxmat, Sonae RP, Sonae FS, 100% of the employees received performance assessment and career development reviews. At Sonae S&F Spain, 18% of the employees received performance assessment. At Sonaecom (IM) the value was 82%. Sonae Sierra does not report this indicator.	V	6	58
GRI 405 - DIVERSITY AND EQUAL OPPORTUNITIES - (MATERIAL ASPECT)					
GRI 406 - NON-DISCRIMINATION (MATERIAL ASPECT)					
Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability at the core of our DNA		
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Diversity and Equal Opportunities ( <i>vide</i> chapter 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	Inequalities and Inclusive Development	V	6	58

	Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten				Sonaecom (IM & Media)			
	Age Group	Male	Female	Total	Age Group	Male	Female	Total
<b>Percentage of employees by functional category (%)</b>								
Top Executive (%)	< 30 years old	0%	0%	0%	< 30 years old	0%	0%	0%
	From 30 to 50 years old	40%	13%	52%	From 30 to 50 years old	50%	0%	50%
	≥ 50 years old	40%	8%	48%	≥ 50 years old	50%	0%	50%
	<b>Total</b>	<b>79%</b>	<b>21%</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>
Management (%)	< 30 years old	0%	0%	0%	< 30 years old	1%	0%	1%
	From 30 to 50 years old	47%	29%	77%	From 30 to 50 years old	67%	18%	85%
	≥ 50 years old	15%	7%	23%	≥ 50 years old	11%	3%	14%
	<b>Total</b>	<b>63%</b>	<b>37%</b>	<b>100%</b>	<b>Total</b>	<b>79%</b>	<b>21%</b>	<b>100%</b>
Middle Management (%)*	< 30 years old	4%	6%	10%				
	From 30 to 50 years old	34%	44%	78%				
	≥ 50 years old	6%	6%	12%				
	<b>Total</b>	<b>44%</b>	<b>56%</b>	<b>100%</b>				
Technicians/highly specialised technicians (%)	< 30 years old	9%	16%	25%	< 30 years old	25%	12%	36%
	From 30 to 50 years old	24%	41%	66%	From 30 to 50 years old	41%	20%	61%

	≥ 50 years old	3%	6%	9%	≥ 50 years old	1%	2%	3%				
	<b>Total</b>	36%	64%	100%	<b>Total</b>	67%	33%	100%				
<i>*includes Middle Management , Technicians/highly specialised technicians (%) - SALSA</i>	< 30 years old	6%	18%	24%								
	From 30 to 50 years old				-	-	-	-				
	≥ 50 years old	26%	50%	76%	-	-	-	-				
	<b>Total</b>	0%	0%	100%								
<i>Representatives (%)</i>	< 30 years old	16%	25%	42%	< 30 years old	7%	11%	18%				
	From 30 to 50 years old	13%	34%	47%	From 30 to 50 years old	25%	29%	54%				
	≥ 50 years old	3%	8%	11%	≥ 50 years old	12%	16%	28%				
	<b>Total</b>	32%	68%	100%	<b>Total</b>	43%	57%	100%				
<i>Governance bodies (%)</i>	< 30 years old	0%	0%	0%	< 30 years old	0%	0%	0%				
	From 30 to 50 years old	33%	0%	33%	From 30 to 50 years old	37.5%	12.5%	50%				
	≥ 50 years old	67%	0%	67%	≥ 50 years old	50,0%	00%	50%				
	<b>Total</b>	100%	0%	100%	<b>Total</b>	88%	13%	100%				
<b>Sonae, Sonae MC, Sonae S&amp;F, Sonae RP, Sonae FS, Maxmat and Worten</b>							<b>Sonacom (IM &amp; Media)</b>					
	2017			2018			2017			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
<i>Top Executive (%)</i>	83%	17%	<b>100%</b>	79%	21%	<b>100%</b>	100%	0%	<b>100%</b>	100%	0%	<b>100%</b>
<i>Management (%)</i>	63%	37%	<b>100%</b>	63%	37%	<b>100%</b>	78%	22%	<b>100%</b>	79%	21%	<b>100%</b>
<i>Middle Management (%)</i>	45%	55%	<b>100%</b>	45%	55%	<b>100%</b>	-	-	-			
<i>Technicians/highly specialised technicians (%)</i>	37%	63%	<b>100%</b>	36%	64%	<b>100%</b>	-	-	-	67%	33%	<b>100%</b>
<i>Representatives (%)</i>	32%	68%	<b>100%</b>	32%	68%	<b>100%</b>	66%	34%	<b>100%</b>	43%	57%	<b>100%</b>
<i>Governance bodies (%)</i>	100%	0%	<b>100%</b>	100%	0%	<b>100%</b>	46%	54%	<b>100%</b>	88%	13%	<b>100%</b>

**Notes:** Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten's category data do not include MDS Brazil and GO NATURAL Restaurants. This does not include the Board of Directors.

<b>Sonae Sierra</b>				
<b>Percentage of employees by functional category (%)</b>				
	<b>Age Group</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
<i>Global Senior Executive, Senior Executive, Executive</i>	< 35 years old	0%	0%	0%
	From 35 to 44 years old	3%	17%	21%
	From 45 to 54 years old	10%	38%	48%
	From 55 to 64 years old	3%	21%	24%
	> 64 years old	0%	7%	7%
	<b>Total</b>	<b>17%</b>	<b>83%</b>	<b>100%</b>
<i>Senior Manager</i>	< 35 years old	0%	0%	0%
	From 35 to 44 years old	2%	17%	18%
	From 45 to 54 years old	13%	33%	47%
	From 55 to 64 years old	7%	25%	32%
	> 64 years old	0%	3%	3%
	<b>Total</b>	<b>22%</b>	<b>78%</b>	<b>100%</b>
<i>Manager</i>	< 35 years old	1%	2%	3%
	From 35 to 44 years old	18%	22%	40%
	From 45 to 54 years old	17%	29%	45%
	From 55 to 64 years old	1%	10%	11%
	> 64 years old	0%	1%	1%

	<b>Total</b>	36%	64%	<b>100%</b>
<i>Team Leader</i>	< 35 years old	5%	7%	12%
	From 35 to 44 years old	27%	28%	55%
	From 45 to 54 years old	16%	11%	27%
	From 55 to 64 years old	2%	2%	5%
	> 64 years old	0%	1%	1%
	<b>Total</b>	50%	50%	<b>100%</b>
<i>Project Team Specialist</i>	< 35 years old	11%	20%	31%
	From 35 to 44 years old	26%	21%	47%
	From 45 to 54 years old	7%	10%	17%
	From 55 to 64 years old	1%	5%	5%
	> 64 years old	0%	0%	0%
	<b>Total</b>	45%	55%	<b>100%</b>
<i>Team Member</i>	< 35 years old	24%	15%	39%
	From 35 to 44 years old	24%	15%	38%
	From 45 to 54 years old	11%	5%	16%
	From 55 to 64 years old	4%	3%	6%
	> 64 years old	0%	0%	0%
	<b>Total</b>	62%	38%	<b>100%</b>

405-2	Ratio of basic salary and remuneration of women to men	V	6	5
				8
				10

	CC, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten		Sonaecom (IM & Media)	
	2017	2018	2017	2018
<b>Ratio of average basic salary by functional category (F/M)</b>				
<i>Top Executives</i>	0.93	1.04	-	0.00
<i>Management &amp; Senior Management</i>	0.91	0.91	0.9	0.89
<i>Middle Management*</i>	0.9	0.91	0.9	0.92
<i>Technicians/highly specialised technicians</i>	0.87	0.87	-	-
<i>* Includes Middle Management, Technicians/highly specialised technicians – SALS</i>	-	0.96	-	-
<i>Representatives</i>	1	1.00	0.89	0.90
<b>Total</b>	<b>0.92</b>	<b>0.98</b>	<b>0.79</b>	<b>0.80</b>
<b>Average pay ratio by functional category (F/M)</b>				
<i>Top Executives</i>	0.89	0.99	-	0.00
<i>Management &amp; Senior Management</i>	0.9	0.90	0.9	0.89
<i>Middle Management*</i>	0.89	0.96	0.9	0.92
<i>Technicians/highly specialised technicians</i>	0.86	0.85	-	-
<i>* Includes Middle Management, Technicians/highly specialised technicians – SALS</i>	-	1.00	-	-
<i>Representatives</i>	0.99	1.00	0.89	0.90
<b>Total</b>	<b>0.89</b>	<b>0.96</b>	<b>0.79</b>	<b>0.80</b>

**Note:** The monthly base salary (converted to full-time equivalent) includes:  
All fixed remuneration as of December 31<sup>st</sup>, 2018. Based on 12 months.  
Total remuneration included (converted to full-time equivalent):  
- Monthly base salary;  
- Performance bonus, discrepancy allowance and shift allowance as of December 31<sup>st</sup>, 2018;  
- Variable components calculated based on the last 12 months (January to December 2018);

Sonae, Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten's category data do not include MDS Brazil and GO NATURAL Restaurants. This does not include the Board of Directors.

Sonaecom (Sonae IM & Media)								
Ratio of average basic salary by functional category by country (F/ M)								
	Brazil	Spain	Egypt	USA	Mexico	Colombia	Malaysia	England
Management	0.90	1.06	0.00	0.87	1.14	0.00	0.32	0.00
Middle Management	0.89	0.97	0.91	0.78	1.01	1.29	0.40	-
<b>Total</b>	<b>0.90</b>	<b>1.04</b>	<b>0.16</b>	<b>0.84</b>	<b>1.10</b>	<b>0.29</b>	<b>0.33</b>	<b>0.00</b>

**Notes:** In Australia and England, we only have one employee (one per country), so the calculation of the ratio is not applicable. Also in Ireland, there are only male employees, so, likewise, the calculation of the indicator is not applicable.

406-1	Incidents of discrimination and corrective actions taken	There were no cases of discrimination.	V	6	5 8 16
<b>407 - FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>					
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 in the right to freedom of association and collective bargaining agreements. In the specific case of Sonae MC, Maxmat and Worten, according to the audit reports, all suppliers have "Freedom of association: they can be members of institutions / associations that represent their rights" accordingly. Sonae Sierra does not report this indicator.	V	3	8
<b>408 - CHILD LABOUR</b>					
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. At Sonae MC, Maxmat 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.  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
<b>409 - FORCED OR COMPULSORY LABOUR</b>					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	At Sonae, there is no forced labour. At Sonae MC, Maxamat and Worten if it is found that a supplier is at significant risk for incidents of forced or compulsory labour, the supplier is placed on stand-by and only re-enters after an SA8000 audit has been carried out by an accredited institution. 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.	V	4	8

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.												
412 - HUMAN RIGHTS ASSESSMENT														
412-1	Operations that have been subject to human rights reviews or impact assessments	In 2018, no operation that has been subject to a reassessment of human rights and/or impact assessment was registered in this regard.	V	1										
412-2	Employee training on human rights policies or procedures	<p>In 2018, Sonae, Sonae MC, Sonae S&amp;F, Worten, Maxmat, Sonae RP and Sonae FS employees received training related to human rights practices and policies, according to the following table:</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</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>21,883</td> <td>43,596</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>228,485</td> <td>307,817</td> </tr> </tbody> </table> <p>Notes: Includes all training participants, independent of if they were active on the 31<sup>st</sup> December 2017.</p>		2017	2018	Total employees that received formal training on the policies and procedures of the organisation regarding Human Rights issues (no.)	21,883	43,596	Total hours dedicated to training on policies and procedures relative to Human Rights aspects that are relevant to operations (no.)	228,485	307,817	V	1	
	2017	2018												
Total employees that received formal training on the policies and procedures of the organisation regarding Human Rights issues (no.)	21,883	43,596												
Total hours dedicated to training on policies and procedures relative to Human Rights aspects that are relevant to operations (no.)	228,485	307,817												
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In Sonae MC, Sonae S&F, Worten and Maxmat, supply contracts include a supplier obligation clause that mentions "Comply with all applicable norms 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	Sustainability at the core of our DNA	V	
	103-2	The management approach and its components	Sonae has promoted several initiatives related to local communities ( <i>vide</i> chapter 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	<p>Inequalities and Inclusive Development and Community Support</p> <p>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.</p>	V	1	

GRI 414 - SUPPLIER SOCIAL ASSESSMENT (MATERIAL ASPECT)						
Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability at the core of our DNA	V		
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Supplier Social Assessment ( <i>vide</i> chapter 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	New suppliers that were screened using social criteria			V	8	

Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten																
Screened suppliers based on social criteria - labour practices, human rights, with an impact on society																
2018	Fresh Products		Food Retail		Non-food retail		S&F (MO, Zippy and Losan)		S&F (Deeply & Berg)		Well's		Worten		Maxmat	
	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New
Total suppliers (no.)	302	32	405	39	299	37	368	82	70	12	57	8	118	12	73	6
National	260	31	213	17	109	9	148	30	28	2	23	2	8	0	42	5
Foreign	42	1	192	22	190	28	220	52	42	10	34	6	110	12	31	1
Total qualified suppliers (no.)	271	5	379	22	235	9	0	0	0	0	42	3	98	0	29	0
National	229	4	199	9	90	1	0	0	0	0	16	1	8	0	16	0
Foreign	42	1	180	13	145	8	0	0	0	0	26	2	90	0	13	0
Percentage of qualified suppliers (%)	90%	16%	94%	56%	79%	24%	0%	0%	0%	0%	74%	38%	83%	0%	40%	0%
National (%)	88%	13%	93%	53%	83%	11%	0%	0%	0%	0%	70%	50%	100%	0%	38%	0%
Foreign (%)	100%	100%	94%	59%	76%	29%	0%	0%	0%	0%	76%	33%	82%	0%	42%	0%
Total audits performed on suppliers (no.)	81	1	78	3	186	3	10	0	0	0	26	1	64	0	13	0
National	77	1	55	3	46	0	0	0	0	0	7	0	0	0	5	0
Foreign	4	0	23	0	140	3	10	0	0	0	19	1	64	0	8	0

Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat e Worten															
Screened suppliers based on social criteria - labour practices, human rights, with an impact on society															
2018	Fresh Products		Food Retail		Non-food Retail		S&F		Well's		Worten		Maxmat		
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
Total suppliers (no.)	369	302	291	405	305	299	-	70	48	57	133	118	77	73	
Total qualified suppliers (no.)	357	271	288	379	219	235	-	0	35	42	106	98	17	29	
Percentage of qualified suppliers (%)	97%	90%	99%	94%	72%	79%	-	0%	73%	74%	80%	82%	22%	40%	
Total audits performed on suppliers (no.)	99	81	67	78	167	186	-	10	22	26	99	64	10	13	

GRI 416 - CUSTOMER HEALTH AND SAFETY (MATERIAL ASPECT)			
416-1	Assessment of the health and safety impacts of products and services		V

2018	Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten							
	Categories of significant products and services assessed in terms of health and safety impacts							
	Fresh Products	Food Retail	Non-food Retail	Well's	S&F (MO, Zippy and Losan)	S&F (Deeply & Berg)	Worten	Maxmat
Total categories of significant products and services (no.)	2	1	2	1	7	4	1	1
Total categories of significant products and services that are assessed in terms of health and safety impacts (no.)	2	1	2	1	7	4	1	1
Percentage of significant products and services assessed in terms of health and safety impacts (%)	100%	100%	100%	100%	100%	100%	100%	100%

**Note:** 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.

Sonae Sierra			
Categories of significant products and services assessed in terms of health and safety impacts	New Building	Management	Development/ Redevelopment
Percentage of significant products and services assessed in terms of health and safety impacts (%)	100%	100%	100%

**Note:** This includes all shopping centres owned by Sonae Sierra, operational in the reporting period and all projects under development during the reporting period.

GRI 417 - MARKETING AND LABELLING (MATERIAL ASPECT)			
417-1	Requirements for product and service information and labelling	V	12 16

	Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten						
	Categories of significant products and services assessed in terms of health and safety impacts						
	Fresh	Food Retail	Non Food	Well's	S&F	Worten	Maxmat
Origin of the product or service	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Composition, with particular attention to potentially harmful substances to the environment or to society	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Safe use of the product or service	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Product elimination and underlying environmental and social impacts	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total categories of products with specific labelling (no.)	-	-	65	120	11	10	10
Total product categories (no.)	-	-	252	148	11	44	89
Percentage of product categories with specific labelling (%)	0%	0%	26%	81%	100%	23%	11%

Sonae FS is responsible for issuing and managing *Cartão Universo*, and its credit facility is secured by a credit facility granted and managed by BNP Paribas Personal Finance, S.A.

In the area of "Pricing and Legal Information" of the *Universo* site, various documents can be consulted and/or downloaded in order to guarantee total transparency and complete information on the procedures associated with *Cartão Universo*: European Standardised Information Sheet regarding consumer credit; Credit Agreement for the opening of a credit line associated with *Cartão Universo*; Agreement for the Provision of Payment and Issuing of Electronic Currency Services; Terms and Conditions of Loyalty Programmes; Prices; Pre-Contractual Information on Credit Intermediation; Complaints; Sonae FS and BNP Bank's Privacy Policies; Sonae's Code of Ethics and Conduct; Procedure for access and use of *Universo* Online; Precontractual Information Documents and General Conditions of *Universo's* Insurance.

GRI 419 - SOCIOECONOMIC COMPLIANCE (MATERIAL ASPECT)					
Management Approach	103-1	Explanation of the material topic and its boundary			
	103-2	The management approach and its components	Sonae has promoted several initiatives related to Socioeconomic Compliance ( <i>vide</i> chapters Nature and Biodiversity and Inequality 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).		
419-1	Non-compliance with laws and regulations in the social and economic area			V	16

Non-compliance with laws and regulations in the social and economic area	Sonae MC, Sonae S&F, Sonae RP, Sonae FS, Maxmat and Worten	Sonae com (Sonae IM & Media)	Sonae Sierra
Total monetary value of significant fines - Economic area (€)	44,178	There were no non-compliance issues with laws and regulations of this nature.	There were no non-compliance issues with laws and regulations of this nature.
Total number of non-monetary sanctions (no.)	0		
Total monetary value of significant fines - Social area (labour) (€)	0		
Total number of non-monetary sanctions (no.)	0		

Table Key:

V – Verified

UNGC Principles – United Nations Global Compact

SDG – Sustainable Development Goals

## 8. Non-financial information requirements

The report of the activity responds to the legal requirements imposed by Portuguese Decree-Law no. 89/2017, published on July 28, 2017 and Spanish law no. 11/2018, of December 28, as it is subsequently shown.

TABLE OF CORRESPONDENCE TO DL 89/2017 of July 28 <sup>th</sup>	
Contents of the Decree-Law no. 89/2017 of July 28 <sup>th</sup>	Location
Article no. 3 (refers to Article no. 66-B and no. 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	<b>Sustainability Report 2018:</b> 7. GRI Supplement
b) A description of the company's policies in relation to these issues, including the due diligence procedures duly applied	<b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 2. CO <sub>2</sub> and climate change 3. Nature and biodiversity 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement
c) The results from these policies	<b>Sustainability Report 2018:</b> 2. CO <sub>2</sub> and climate change 3. Nature and biodiversity 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement
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	<b>Sustainability Report 2018:</b> 7. GRI Supplement  <b>Corporate Governance Report 2018</b> C. Internal Organisation: III- Internal Control and Risk Management: 53-55.; IV- Investor Relations: 56-58
e) Key performance indicators relevant to its specific activity	<b>Sustainability Report 2018:</b> 2. CO <sub>2</sub> and climate change 3. Nature and biodiversity 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement
Article no. 4 (refers to Article no. 245- no. 1 r) and no. 2 of the CVM): 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.	<b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 5. Inequalities and inclusive development 7. GRI Supplement Information about Corporate Governance can be found: <a href="#">here</a> .

TABLE OF CORRESPONDENCE TABLE TO THE SPANISH LAW 11/2018 of December 28<sup>th</sup>

Contents of the Spanish Law 11/2018 of December 28 <sup>th</sup>	Material issue in materiality analysis	Location
<b>Global</b>		
<p>The consolidated statement of non-financial information will include the information necessary to understand:</p> <ul style="list-style-type: none"> <li>▪ The development,</li> <li>▪ The results and situation of the group and</li> <li>▪ The impact of its activity;</li> </ul> <p>In relation to:</p> <ul style="list-style-type: none"> <li>▪ Environmental issues,</li> <li>▪ Social issues,</li> <li>▪ Respect for human rights,</li> <li>▪ 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.</li> </ul>	Yes	<p><b>Management Report and Financial Statements 2018:</b> An overview of Sonae Portfolio performance</p> <p><b>Sustainability Report 2018:</b> 2. CO<sub>2</sub> and climate change 3. Nature and biodiversity 4. Plastic 5. Inequalities and inclusive development 6. Community support</p>
<b>Business Model</b>		
<p>Brief description of the group's business model, which will include:</p> <ol style="list-style-type: none"> <li>1.) The business environment,</li> <li>2.) The organisation and structure,</li> <li>3.) The markets in which it operates,</li> <li>4.) The goals and strategies,</li> <li>5.) The main factors and trends that may affect its future development.</li> </ol>	Yes	<p><b>Management Report and Financial Statements 2018:</b> An overview of Sonae Portfolio performance</p> <p><b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 7. GRI Supplement</p>
<b>Policies</b>		
<p>A description of the policies that the group applies to these issues, including:</p> <ol style="list-style-type: none"> <li>1.) due diligence procedures applied to the identification, assessment, prevention and mitigation of significant risks and impacts.</li> <li>2.) verification and control procedures including the measures that have been adopted.</li> </ol>	Yes	<p><b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 2. CO<sub>2</sub> and climate change 3. Nature and biodiversity 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement</p> <p><b>Corporate Governance Report 2018</b> C. Internal Organisation: III- Internal Control and Risk Management: 53-55.; IV- Investor Relations: 56-58</p>
<b>Results of the policies and key performance indicators</b>		
<p>The results of those policies, including key performance indicators of relevant non-financial results that allow:</p> <ol style="list-style-type: none"> <li>1.) the monitoring and assessment of progress and</li> <li>2.) that favour comparability between sectors, according to the national, European or international benchmarks used for each area.</li> </ol>	Yes	<p><b>Sustainability Report 2018:</b> 2. CO<sub>2</sub> and climate change 3. Nature and biodiversity 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement</p>
<b>Risks</b>		
<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"> <li>▪ how the group manages these risks,</li> </ul>	No	<p><b>Sustainability Report 2018:</b> 7. GRI Supplement</p> <p><b>Corporate Governance Report 2018</b> C. Internal Organisation: III- Internal Control and Risk Management: 53-55.; IV- Investor Relations:</p>

<ul style="list-style-type: none"> <li>▪ explaining the procedures used to detect and assess risks, according to the national, European or international benchmark structures for each area.</li> <li>▪ Information should be included on the impacts detected, detailing the main risks in the short, medium and long-term.</li> </ul>		56-58
<b>Key performance indicators</b>		
<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. 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.</p>	Yes	<p><b>Sustainability Report 2018:</b></p> <ul style="list-style-type: none"> <li>2. CO<sub>2</sub> and climate change</li> <li>3. Nature and biodiversity</li> <li>5. Inequalities and inclusive development</li> <li>6. Community support</li> <li>7. GRI Supplement</li> </ul>
<b>Environmental issues</b>		
<b>Global environment</b>		
<ul style="list-style-type: none"> <li>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;</li> <li>2.) Resources dedicated to the prevention of environmental risks;</li> <li>3.) The application of the precautionary principle, the quantity of provisions and guarantees for environmental risks.</li> </ul>	Yes	<p><b>Sustainability Report 2018:</b></p> <ul style="list-style-type: none"> <li>2. CO<sub>2</sub> and climate change</li> <li>3. Nature and biodiversity</li> <li>5. Inequalities and inclusive development</li> <li>6. Community support</li> <li>7. GRI Supplement</li> </ul> <p><b>Corporate Governance Report 2018</b></p> <ul style="list-style-type: none"> <li>C. Internal Organisation: III- Internal Control and Risk Management: 53-55.; IV- Investor Relations: 56-58</li> </ul>
<b>Contamination</b>		
<ul style="list-style-type: none"> <li>1.) Measures to prevent, reduce or repair damage from carbon emissions, which seriously affect the environment;</li> <li>2.) Taking into consideration any form of air pollution, which is activity-specific, including noise and light pollution.</li> </ul>	Yes	<p><b>Sustainability Report 2018:</b></p> <ul style="list-style-type: none"> <li>2. CO<sub>2</sub> and climate change</li> <li>7. GRI Supplement</li> </ul> <p>Sonae's activity, due to its nature, does not have significant impacts on the level of noise and light pollution.</p>
<b>Circular economy and waste management and prevention</b>		
<p><b>Circular economy</b></p> <p>Waste: prevention, recycling, reuse, other forms of waste recovery and disposal; actions to combat food waste</p>	Yes	<p><b>Sustainability Report 2018:</b></p> <ul style="list-style-type: none"> <li>3. Nature and biodiversity</li> <li>4. Plastic</li> <li>7. GRI Supplement</li> </ul>

<b>Sustainable use of resources</b>		
Water consumption and water supply according to local restrictions;	Yes	<b>Sustainability Report 2018:</b> 2. CO <sub>2</sub> and climate change 3. Nature and biodiversity 7. GRI Supplement
Consumption of raw materials and the measures adopted to improve the efficiency of use;		
Energy consumption, direct and indirect, measures adopted to improve energy efficiency and the use of renewable energy.		
<b>Climate change</b>		
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;	Yes	<b>Sustainability Report 2018:</b> 2. CO <sub>2</sub> and climate change 7. GRI Supplement
Measures taken to adapt to the consequences of climate change;		
The voluntary medium and long-term reduction targets set to reduce greenhouse gas emissions and the measures implemented to achieve this.		
<b>Biodiversity protection</b>		
Measures taken to preserve and restore biodiversity;	Yes	<b>Sustainability Report 2018:</b>  3. Nature and biodiversity 7. GRI Supplement  Sonae does not own any facilities in areas classified as habitats rich in biodiversity. In 2018, there were no operations carried out leading to changes in the surrounding habitats that would result in their restoration.
Impacts caused by the activities or operations in protected areas.		
<b>Employment</b>		
Total number and distribution of employees by gender, age, country and professional category	Yes	<b>Sustainability Report 2018:</b>  5. Inequalities and inclusive development 7. GRI Supplement  <b>Corporate Governance Report 2018</b> 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
Total number and distribution of work contract modalities,		
Annual average of undefined contracts, temporary contracts and part-time contracts by gender, age and professional category,		
Dismissal numbers by gender, age and professional category,		
The average remuneration and its evolution disaggregated by gender, age and professional category or equal value;		
Salary difference, the remuneration of equal or average positions in the company,		
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		

Implementation of labour disconnection policies,		When employees disconnect compliance to the legal requirements applicable to these situations is ensured.
Employees with disabilities		At Sonae, we continuously work to provide an inclusive, non-discriminatory work environment. Our facilities are developed to ensure universal accessibility.
<b>Organisation of work</b>		
Organisation of workable hours	Yes	<b>Sustainability Report 2018:</b> 5. Inequalities and inclusive development 7. GRI Supplement
Number of hours of absence		
Measures to facilitate parental leave and encourage joint responsibility by both parents		
<b>Health and Safety</b>		
Health and safety conditions at work;	No	<b>Sustainability Report 2018:</b> 5. Inequalities and inclusive development 7. GRI Supplement
Work accidents, in particular their frequency and severity,		
Occupational diseases; disaggregated by gender.		
<b>Social Relations</b>		
Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them;	Yes	<b>Sustainability Report 2018:</b> 5. Inequalities and inclusive development 7. GRI Supplement
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		<b>Sonae's Code of Ethics and Conduct for Employees</b>
<b>Training</b>		
The policies implemented in the field of training;	Yes	<b>Sustainability Report 2018:</b> 5. Inequalities and inclusive development 7. GRI Supplement
Total number of hours of training by professional category		
<b>Universal accessibility for people with disabilities</b>		At Sonae, we continuously work to provide an inclusive, non-discriminatory work environment. Our facilities are developed to ensure universal accessibility.
<b>Equality</b>		
Measures taken to promote equal treatment and opportunities between men and women;	Yes	<b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA

<p>Equality Plans (Chapter III of the Organic Law 3/2007, of March 22<sup>nd</sup>, 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;</p> <p>The policy against all types of discrimination and, when appropriate, the management of diversity.</p>		<p>5. Inequalities and inclusive development 7. GRI Supplement <b>Equality Plans</b></p>
<b>Human Rights</b>		
<p>Application of the due diligence procedures in the field of human rights Prevention of the risks of human rights violations and, when appropriate, measures to mitigate, manage and repair possible abuses committed;</p> <p>Reports on cases of human rights violations;</p> <p>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;</p> <p>The elimination of forced or compulsory labour;</p> <p>The effective abolition of child labour.</p>	Yes	<p><b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 5. Inequalities and inclusive development 7. GRI Supplement <b>Sonae's Code of Ethics and Conduct for Employees</b> <b>Sonae's Code of Conduct for Suppliers</b></p>
<b>Corruption and bribery</b>		
<p>Measures taken to prevent corruption and bribery;</p> <p>Measures taken to combat money laundering;</p> <p>Contributions to foundations and non-profit entities.</p>	Yes	<p><b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement <b>Sonae's Code of Ethics and Conduct for Employees</b> <b>Sonae's Code of Conduct for Suppliers</b></p>
<b>Society</b>		
<b>The company's commitment to sustainable development</b>		
<p>The impact of the company's activity on employment and local development;</p> <p>The impact of the company's activity on the local population and territory;</p> <p>The relations maintained with the representatives of the local communities and the modalities of dialogue with them;</p> <p>Association and sponsorship actions.</p>	Yes	<p><b>Sustainability Report 2018:</b> 1. Sustainability at the core of our DNA 5. Inequalities and inclusive development 6. Community support 7. GRI Supplement <b>Sonae's Code of Ethics and Conduct for Employees</b> <b>Sonae's Code of Conduct for Suppliers</b></p>

Subcontracting and suppliers		
The inclusion in the purchasing policy of social issues, gender equality and environmental issues; Consideration in relations with suppliers and subcontractors of their social and environmental responsibility;		<b>Sustainability Report 2018:</b> 3. Nature and biodiversity 7. GRI Supplement <b>Sonae's Code of Ethics and Conduct for Employees</b> <b>Sonae's Code of Conduct for Suppliers</b>
Supervisory systems and audits and their results.		
Consumers		
Measures for the health and safety of consumers;	No	<b>Sustainability Report 2018:</b> 3. Nature and biodiversity 4. Plastic 7. GRI Supplement
Complaints systems, complaints received and their resolution.		
Tax information		
Benefits obtained by country	Yes	<b>Sustainability Report 2018:</b> 7. GRI Supplement <b>Management Report and Financial Statements 2018</b>
Taxes on benefits paid		



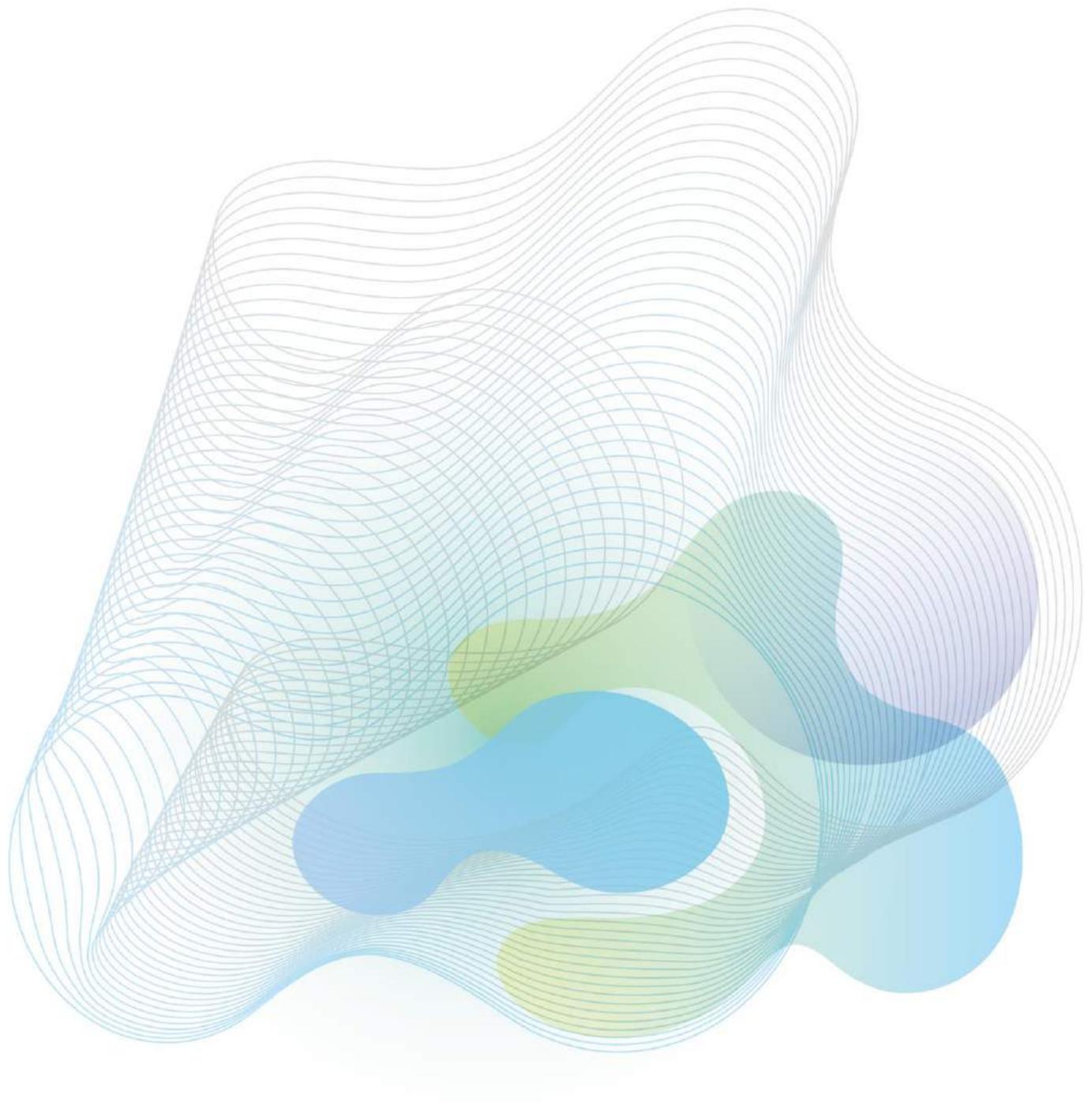


# FINANCIAL STATEMENTS '18

A DNA of a  
*Sustainable Company*



IMPROVING LIFE



Consolidated  
financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017**

(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 2018	31 Dec 2017
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	8	1,656,150,305	1,650,873,072
Intangible assets	9	365,568,045	367,924,247
Investment properties	10	982,910,025	-
Investment properties in progress	10	15,667,343	-
Goodwill	11	779,450,545	634,363,213
Investments in joint ventures and associates	12	1,992,454,216	1,414,450,837
Other investments	7 and 13	47,195,342	19,423,775
Deferred tax assets	20	73,372,923	71,883,593
Other non-current assets	7 and 14	82,828,050	23,611,943
<b>Total Non-Current Assets</b>		<b>5,995,596,794</b>	<b>4,182,530,680</b>
<b>CURRENT ASSETS:</b>			
Inventories	15	671,321,594	713,253,625
Trade receivables	7 and 16	141,935,385	130,075,290
Other receivables	7 and 17	83,725,262	62,600,744
Income tax assets	18	93,190,955	86,571,966
Other current assets	19	88,921,987	64,068,395
Investments	7 and 13	1,558,683	179,881
Cash and bank balances	7 and 21	696,243,071	364,589,115
<b>Total Current Assets</b>		<b>1,776,896,937</b>	<b>1,421,339,016</b>
Assets classified as held for sale		-	782,540
<b>TOTAL ASSETS</b>		<b>7,772,493,731</b>	<b>5,604,652,236</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	22	2,000,000,000	2,000,000,000
Own shares	22	(104,204,112)	(108,567,192)
Legal reserve		251,937,767	247,276,603
Reserves and retained earnings		(208,063,188)	(337,235,187)
Profit/(Loss) for the period attributable to the equity holders of the Parent Company		221,653,131	165,753,915
<b>Equity attributable to the equity holders of the Parent Company</b>		<b>2,161,323,598</b>	<b>1,967,228,139</b>
<b>Equity attributable to non-controlling interests</b>	23	<b>1,127,493,090</b>	<b>167,809,994</b>
<b>TOTAL EQUITY</b>		<b>3,288,816,688</b>	<b>2,135,038,133</b>
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Loans	7 and 24	1,071,821,181	573,440,551
Bonds	7 and 24	513,293,183	643,667,042
Obligation under finance leases	7, 24 and 25	535,812	881,956
Other loans	7 and 24	2,217,506	2,244,793
Other non-current liabilities	7 and 27	57,438,677	13,449,318
Deferred tax liabilities	20	285,988,650	132,200,898
Provisions	32	41,375,212	18,955,625
<b>Total Non-Current Liabilities</b>		<b>1,972,670,221</b>	<b>1,384,840,183</b>
<b>CURRENT LIABILITIES:</b>			
Loans	7 and 24	287,144,891	207,748,007
Bonds	7 and 24	210,841,257	57,970,806
Obligation under finance leases	7, 24 and 25	873,513	832,895
Other loans	7 and 24	1,848,994	2,526,745
Trade payables	7 and 29	1,287,490,385	1,192,499,941
Other payables	7 and 30	243,858,209	221,229,879
Income tax liabilities	18	117,715,566	98,367,443
Other current liabilities	31	355,310,985	297,987,821
Provisions	32	5,923,022	5,610,383
<b>Total Current Liabilities</b>		<b>2,511,006,822</b>	<b>2,084,773,920</b>
Liabilities directly associated with assets classified as held for sale		-	-
<b>TOTAL LIABILITIES</b>		<b>4,483,677,043</b>	<b>3,469,614,103</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,772,493,731</b>	<b>5,604,652,236</b>

The accompanying notes are part of these consolidated financial statements.

## CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018 AND 2017

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017 Restated
Sales	6 and 36	5,670,549,206	5,290,203,853
Services rendered	6 and 36	280,146,684	215,618,821
Changes in value of investment properties	10	3,815,651	-
Income or expense relating to investments	37	(16,872,069)	1,184,106
Gains and losses on investments recorded at fair value through results	13	4,327,175	-
Financial income	38	11,657,628	8,244,529
Other income	39	178,772,140	125,129,850
Cost of goods sold and materials consumed	15	(4,050,718,345)	(3,791,251,452)
(Increase) /Decrease in production	15	(58,763)	351,870
External supplies and services	40	(776,592,575)	(694,081,760)
Employee benefits expense	41	(800,223,989)	(725,179,712)
Depreciation and amortisation expenses	6,8 and 9	(205,160,593)	(186,902,826)
Provisions and impairment losses	32	(36,911,584)	(9,746,303)
Financial expense	38	(47,413,353)	(41,901,359)
Other expenses	42	(83,350,974)	(80,586,239)
Share of results of joint ventures and associates	12.3	157,241,495	83,507,189
<b>Profit/(Loss) before taxation from continuing operations</b>		<b>289,207,734</b>	<b>194,590,567</b>
Income tax expense	43	(28,778,374)	(16,521,089)
<b>Profit/(Loss) after taxation from continuing operations</b>		<b>260,429,360</b>	<b>178,069,478</b>
Profit/(Loss) from discontinued operations after taxation	5	(5,877,333)	(3,860,407)
<b>Consolidated profit/(Loss) for the period</b>		<b>254,552,027</b>	<b>174,209,071</b>
Attributable to equity holders of the Parent Company:			
Continuing operations		227,354,859	170,505,268
Discontinued operations		(5,701,728)	(4,751,353)
		<b>221,653,131</b>	<b>165,753,915</b>
Attributable to non-controlling interests			
Continuing operations		33,074,501	7,564,210
Discontinued operations		(175,605)	890,946
	23	<b>32,898,896</b>	<b>8,455,156</b>
Profit/(Loss) per share			
From continuing operations			
Basic	45	0.119939	0.090031
Diluted	45	0.115807	0.088218
From discontinued operations			
Basic	45	(0.003008)	(0.002509)
Diluted	45	(0.002803)	(0.002340)

The accompanying notes are part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
Net Profit / (Loss) for the period		254,552,027	174,209,071
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		9,779,725	(1,915,943)
Share of other comprehensive income of joint ventures and associates	12.3	41,723,824	(20,231,758)
Changes value of financial assets at fair value	7 and 13	2,385,907	-
Changes in cash flow hedging reserve		(156,453)	(2,272,901)
Income tax relating to items that may be reclassified subsequently to profit or loss		8,310	498,915
Others		(213,288)	(304,001)
		53,528,025	(24,225,688)
Items that were reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations related to discontinued operations	5	201,588	4,214,202
		201,588	4,214,202
<b>Total other comprehensive income for the period</b>		<b>53,729,613</b>	<b>(20,011,486)</b>
<b>Total comprehensive income for the period</b>		<b>308,281,640</b>	<b>154,197,585</b>
Attributable to:			
Equity holders of parent company		267,408,509	143,563,901
Non controlling interests		40,873,131	10,633,684

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	Share Capital	Own Shares	Legal Reserve	Reserves and Retained Earnings					Total	Net Profit/(Loss)	Total	Non controlling Interests (Note 23)	Total Equity
					Currency Translation Reserve	Investments Fair Value Reserve	Cash-flow Hedging Reserve	Option Premium Convertible Bonds Note 24	Other Reserves and Retained Earnings					
Attributable to Equity Holders of Parent Company														
Balance as at 1 January 2017		2,000,000,000	(114,738,086)	244,211,592	3,845,889	-	1,948,405	22,313,000	(478,988,441)	(450,881,147)	215,073,949	1,893,666,308	169,040,186	2,062,706,494
Total comprehensive income for the period		-	-	-	157,543	-	(1,773,986)	-	(20,573,571)	(22,190,014)	165,753,915	143,563,901	10,633,684	154,197,585
Appropriation of consolidated net profit of 2016														
Transfer to legal reserves and retained earnings		-	-	3,065,011	-	-	-	-	212,008,938	212,008,938	(215,073,949)	-	-	-
Dividends distributed		-	-	-	-	-	-	-	(75,824,357)	(75,824,357)	-	(75,824,357)	(4,074,876)	(79,899,233)
Obligation fulfilled by share attribution to employees		-	-	-	-	-	-	-	171,280	171,280	-	171,280	15,152	186,432
Partial cancellation of Cash Settled Equity Swap		-	6,170,894	-	-	-	-	-	(632,348)	(632,348)	-	5,538,546	-	5,538,546
Variation in percentage of subsidiaries		-	-	-	-	-	-	-	112,461	112,461	-	112,461	(94,537)	17,924
Acquisitions of affiliated companies		-	-	-	-	-	-	-	-	-	-	-	3,772,948	3,772,948
Capital increase		-	-	-	-	-	-	-	-	-	-	-	1,207,700	1,207,700
Change of the consolidation method		-	-	-	-	-	-	-	-	-	-	-	(13,090,263)	(13,090,263)
Creation of affiliated companies		-	-	-	-	-	-	-	-	-	-	-	400,000	400,000
Balance as at 31 December 2017		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
Balance as at 1 January 2018		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 15 application		-	-	-	-	-	-	-	(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	221,653,131	267,408,509	40,873,131	308,281,640
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	22	-	-	-	-	-	-	-	(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	28	-	-	-	-	-	-	-	720,374	720,374	-	720,374	(2,468)	717,906
Partial cancellation of Cash Settled Equity Swap	22	-	4,363,080	-	-	-	-	-	262,240	262,240	-	4,625,320	-	4,625,320
Variation in percentage of subsidiaries	23	-	-	-	-	-	-	-	1,995,735	1,995,735	-	1,995,735	(1,995,735)	-
Medium and long-term variable remuneration policy - reclassification of equity to liabilities		-	-	-	-	-	-	-	(578,200)	(578,200)	-	(578,200)	-	(578,200)
Acquisitions of affiliated companies	4.2	-	-	-	-	-	-	-	-	-	-	-	89,063	89,063
Capital increase		-	-	-	-	-	-	-	-	-	-	-	2,053,149	2,053,149
Change of the consolidation method	23	-	-	-	-	-	-	-	-	-	-	-	937,126,154	937,126,154
Balance as at 31 December 2018		2,000,000,000	(104,204,112)	251,937,767	4,160,385	2,146,500	123,615	22,313,000	(236,806,688)	(208,063,188)	221,653,131	2,161,323,598	1,127,493,090	3,288,816,688

The accompanying notes are part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018 AND 2017**
*(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)*

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		5,995,280,882	5,731,208,842
Payments to suppliers		(4,733,688,555)	(4,570,905,080)
Cash paid to employees		(795,426,129)	(763,240,214)
<b>Cash flow generated by operations</b>		<b>466,166,198</b>	<b>397,063,548</b>
Income taxes (paid) / received		(19,298,938)	(21,655,220)
Other cash receipts and (payments) relating to operating activities		(7,045,373)	(7,188,614)
<b>Net cash flow from operating activities (1)</b>		<b>439,821,887</b>	<b>368,219,714</b>
<b>INVESTMENT ACTIVITIES</b>			
Receipts arising from:			
Investments	46	212,485,544	21,546,532
Property, plant and equipment	8	160,940,628	39,862,783
Intangible assets		1,064,658	479,278
Interests and similar income		3,355,044	1,093,492
Loans granted		587,444	1,500
Dividends	12.3	50,277,352	54,033,853
Others	22	50,178,105	37,027,805
		<b>478,888,775</b>	<b>154,045,243</b>
Payments arising from:			
Investments	46	(231,964,915)	(21,009,745)
Property, plant and equipment		(264,548,727)	(232,180,121)
Intangible assets		(46,009,404)	(46,896,856)
Loans granted		(5,546)	(242,465)
Others	22	(23,838,433)	(16,203,904)
		<b>(566,367,025)</b>	<b>(316,533,091)</b>
<b>Net cash used in investment activities (2)</b>		<b>(87,478,250)</b>	<b>(162,487,848)</b>
<b>FINANCING ACTIVITIES</b>			
Receipts arising from:			
Loans obtained		6,647,588,977	6,969,262,977
Investments	46	-	1,213,187
Capital increase		2,133,149	1,347,500
Others		1,503,670	2,287
		<b>6,651,225,796</b>	<b>6,971,825,951</b>
Payments arising from:			
Loans obtained		(6,489,300,449)	(7,018,150,115)
Investments	46	-	(1,504,253)
Interests and similar charges		(29,143,429)	(27,379,973)
Dividends and distributed reserves		(144,744,047)	(79,736,296)
Others		(406,772)	(536,928)
		<b>(6,663,594,697)</b>	<b>(7,127,307,565)</b>
<b>Net cash used in financing activities (3)</b>		<b>(12,368,901)</b>	<b>(155,481,614)</b>
<b>Net increase in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>339,974,736</b>	<b>50,250,252</b>
Effect of foreign exchange rate		10,371	582,155
Effect of discontinued operations	5	(6,113,132)	(11,088,316)
Cash and cash equivalents at the beginning of the period	21	361,770,007	323,190,227
<b>Cash and cash equivalents at the end of the period</b>	<b>21</b>	<b>695,621,240</b>	<b>361,770,008</b>

The accompanying notes are part of these financial statements.



# SONAE, SGPS, SA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts stated in euro)

## 1 Introduction

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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

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The principal accounting policies adopted in preparing the accompanying consolidated financial statements are described below. These policies have been consistently applied in comparative periods, except as the resulting from the adoption of IFRS 9 and IFRS 15.

### 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 2018, 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 2.20.

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 2018:

With mandatory application during the year 2018:		Effective date (for financial years beginning on or after)
IFRS 9	Financial instruments (establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules)	01 Jan 2018
IFRS 15	Revenue from contracts with customers (introduces a principles-based revenue recognition framework based on a template to be applied to all contracts with customers)	01 Jan 2018
IFRS 15 (amendment)	Revenue from contracts with customers (various clarifications are introduced in the standard to eliminate the possibility of divergent interpretations of various topics)	01 Jan 2018
IFRS 4 (amendment)	Insurance contracts (provides guidance on the application of IFRS 4 in together with IFRS 9)	01 Jan 2018
IFRS 2 (amendment)	Share-based payment (include a number of clarifications in the standard related to recording share-based payment transactions that are settled with cash, (ii) recording changes in share-based payment transactions (of cash settled for settlement with equity instruments), (iii) the classification of transactions with cleared liquidation characteristics)	01 Jan 2018
	Annual Improvements to international financial reporting standards (cycle 2014-2016)	01 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration (establish the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue).	01 Jan 2018
IFRS 40 (amendment)	Investment properties (clarify that the change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset)	01 Jan 2018

These standards were applied by the Group in 2018, however there were no significant impacts on these financial statements.

## **a) Adoption of IFRS 9 – Financial Instruments**

In accordance with IFRS 9 transitional requirements, the Group chose the retrospective application with adjustment to retained earnings, at the date of initial adoption (1 January 2018), and comparative values were not restated.

### **Classification and measurement of financial instruments**

With the adoption of IFRS 9, the Group assessed the business models that applied to its financial assets and the characteristics of contractual cash flows, at the date of initial application of IFRS 9 (1 January 2018). The Group classified financial instruments in the categories provided by IFRS 9, which resulted in reclassifications of unlisted equity instruments from available-for-sale financial assets to fair value through profit or loss (4.3 million euro) and fair value through other comprehensive income (2.4 million euro) (Note 13).

Financial assets classified in 2017 in the caption of IAS 39 "Loans and accounts receivable" are classified in 2018 as financial assets measured at amortized cost. The reclassification of these assets had no impact on equity as of 1 January 2018, because the application of the new classification criteria of IFRS 9 did not change the asset measurement model before impairment losses, and the continued to be applied cost amortized.

### **Impairment of financial assets**

The application of IFRS 9 requires the determination of impairment losses based on the estimated credit losses model, rather than the valuation made on the basis of the incurred losses in accordance with IAS 39. Subjected to the new credit impairment model set forth in IFRS 9 the debt instruments recognized at amortized cost (customers, other debtors, loans to related entities) and assets of contracts with customers.

For debt instruments at amortized cost, customers and other debts, the group applies the simplified approach of IFRS 9. Estimated impairment losses are recognized since the initial recognition of the balances and of the period of maturity considering a matrix of historical default rates for the maturity of the balances, adjusted by prospective estimates.

Loans to related entities and debt instruments were considered as having low risk. Impairment losses were determined by assessing the estimated losses over the next 12 months, according to the general model of estimated credit losses.

The total impact on the group retained earnings by the adoption of the IFRS 9 model of impairment at 1 January 2018 was considered immaterial and was not recorded in the accounts.

## **b) Adoption of IFRS 15 – Revenue from contracts with customers**

IFRS 15 – Revenue from contracts with customers is based on the principle that revenue is recognized on the date that the transfer occurs, with the transaction value being allocated to the different performance obligations and subject to measurement adjustment whenever the consideration is variable or subject to a significant financial effect.

In adopting IFRS 15 the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018, with the use of the following practical records: application only for contracts not completed on 1 January 2018 and non-restatement of modified contracts before 1 January 2017.



The adoption of IFRS 15 resulted in the following changes to the accounting policies, reclassifications and adjustments:

- (i) Accounting for Software as a Service (SaaS) contracts - IFRS 15 requires that if a service is not distinct, the entity shall combine such service with other services until it identifies a distinct service package. This will result in accounting all services in a contract as a single performance obligation. In some SaaS agreements, software implementation services do not constitute a distinct performance obligation, but a performance obligation combined with the SaaS service. In these cases, implementation and initial configuration activities consist primarily in administrative tasks required to perform the primary SaaS service, but do not provide an incremental benefit to the customer on a standalone basis. Thus, in these contracts, the group identified only one performance obligation (implementation and SaaS) and recognized the revenue from that single performance obligation on a monthly over the time basis over the contract period. The introduction of IFRS 15 caused a deferred recognition of revenue over the SaaS contract period.
- (ii) Accounting for certain costs incurred in the fulfilment of a contract (fulfilment costs) - The costs related to the implementation phase are considered fulfilment costs. Costs associated with fulfilment of a contract must be capitalised in accordance with IFRS 15 if (i) they are related to an existing contract or a specific future contract; ii) if they create the resources that will be used to satisfy a performance obligation in the future; (iii) whether costs are expected to be recovered; (iv) are not already covered by another standard. These costs will be capitalised and recognised in the income statement according to the client's estimated period of stay or over the contract period.
- (iii) Accounting for IT Audit Contracts - In accordance with IFRS 15, recognition of audit revenue must be "over-time" at the time the benefits of the performance obligation are transferred to the customer. This must be in accordance with the milestones of delivery reports. The introduction of IFRS 15 caused a deferral of revenue recognition to the time of delivery of the report.
- (iv) Accounting for the newspapers sales and associated products through a distributor- In accordance with the definitions of IFRS 15, revenue from these contracts must be recognised at the total cover value. In result of the conditions set out in IFRS 15 the Group act as principal in these contracts. In this way, revenue must be recognised by the total value of the newspapers sales and associated products (cover value). The discount attributed to the distributor should be recognised as cost of distribution.
- (v) Reclassification of revenue accrual balances from service contracts for contractual assets and contractual liabilities on the balance sheet.

This analysis concludes that the adoption of IFRS 15 in the consolidated financial statements of the Group will have an immaterial estimated net impact on consolidated equity on 1 January 2018.

The following standards, interpretations, amendments and revisions were endorsed by the European Union and have mandatory application in future economic exercises:

With mandatory application after 2018	Effective date (for financial years beginning on or after)
IFRS 9 (amendment) Prepayment features with negative compensation	01 Jan 2019
IFRIC 23 Uncertainly over income tax treatments (clarifies the accounting for uncertainties in income taxes)	01 Jan 2019
IFRS 16 Leases - (recognition and measurement principles)	01 Jan 2019
IAS 28 (amendment) Long-term interests in associates and joint ventures	01 Jan 2019
IAS 19 (amendment) Amendments, reductions or liquidation of employee benefit plans	01 Jan 2019
Annual Improvements to international financial reporting standards (cycle 2015-2017)	01 Jan 2019

The Group did not proceed to the early adoption of any of these standards on the financial statements for the year ended on the 31 December 2018, since their application is not yet mandatory. There is no estimated significant impact on the financial statements resulting from their application, except in what related to IFRS 16.

The estimated impacts of the application of IFRS 16 in the consolidated financial statements may be analyzed as follows:

### c) IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance.

IFRS 16 distinguishes leases and service contracts taking into account whether there is an identified asset that is controlled or not. Distinctions between operating leases (off-balance sheet) and finance leases (included in the balance sheet) are eliminated at the level of the lessee and are replaced by a model in which an identified asset with a right of use and a corresponding liability are registered for all lease contracts, except for short-term (up to 12 months) and low value contracts.

The "right of use" is initially measured at cost and subsequently at the cost net of depreciation and impairment, adjusted by the remeasurement of the lease liability. The lease liability is initially measured based on the present value of the lease responsibilities at the date and subsequently is adjusted by the financial update of that amount, as well as the possible modifications of the lease contracts.

During 2018, Sonae undertook the inventory of existing leases, and carried out its analysis and technical framework taking into consideration the provisions of IFRS 16. About 3,900 lease contracts were analyzed, of which about 1,800 related to rental of real estate. The analyzes carried out focused in particular on the lease terms to be used according to the nature of the leases, the options available in the contractual agreements and the implementation of an interest rate methodology that meets the requirements of the new standard.

In addition, existing information systems have been reviewed and adopted in order to meet the requirements of the standard.

After the analysis of impact carried out during 2018, the Group decided to apply IFRS 16 in accordance with the retrospective complete approach from 1 of January of 2019. This approach allows for a more comprehensive and the

financial statements for 2018 will be restated as if this standard had been applied since the beginning of the lease contracts.

The estimated impacts of applying IFRS 16 to the Group as at 31 December 2018 are an increase in the asset value by approximately 970 million euro relating to "Right of use", an increase in the liability value of approximately 1,060 million euro relating to "Lease Liabilities" and a reduction of equity by approximately 90 million euro. Regarding income financial statements of 2019, the Group estimates a reduction of 138 million euro in "External supplies and services", an increase by approximately of 68 million euro and 90 million in "Financial expenses " and "Depreciation and amortization", respectively.

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 2018		Effective date (for financial years beginning on or after)
IFRS 17	(Insurance contracts)	01 Jan 2021
	Amendments to references to the Conceptual Framework in IFRS Standards	01 Jan 2020
IAS 1 and IAS 8 (amendment)	Disclosure material items	01 Jan 2020
IFRS 3 (amendment)	Business Combinations (clarifies what is a business activity)	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 2018 due to the fact that their application is not mandatory, lying in the process of analyzing expected effects of those standards.

## 2.2 Consolidation Principles

The consolidation methods adopted by Sonae are as follows:

### a) Investments in Sonae 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 whether or not it controls an entity 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 have to 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 2018 and 2017 the Group did not held 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 11) or as Investments in jointly controlled and associated entities (Note 12). 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, ie, the highest between fair value value less 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 can not 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 2018		31 Dec 2017	
	End of exercise	Average of exercise	End of exercise	Average of exercise
US Dollar	0.87336	0.84753	0.83382	0.88717
Swiss Franc	0.88739	0.86610	0.85455	0.90056
Pound Sterling	1.11791	1.13038	1.12710	1.14142
Brazilian Real	0.22502	0.23289	0.25171	0.27834
Australian Dollar	0.61652	0.63302	0.65164	0.67985
Mexican Peso	0.04446	0.04408	0.04226	0.04696
Turkish Lira	0.16505	0.17953	0.21995	0.24336
Mozambican Metical	0.01422	0.01406	0.01418	0.01399
Angolan Kwanza	0.00283	0.00342	0.00496	0.00530
Polish Zloty	0.23248	0.23472	0.23941	0.23494

## 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
Plant and machinery	10 to 20
Vehicles	4 to 5
Tools	4 to 8
Fixture and fittings	3 to 10
Other property, plant and equipment	4 to 8



The useful lives of the assets are reviewed in each financial report so that the depreciations practiced are in compliance with 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 12).

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 accounted for in the consolidated income statement.

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 relates. 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 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. 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. Only costs directly attributable to projects for which the generation of future economic benefits for Sonae is probable are capitalized as intangible assets. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by mean 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. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

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 in compliance with the consumption patterns of the assets. Changes in useful lives are treated as a change in accounting estimates and are applied prospectively.

## 2.6 Accounting for leases

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 analysis of the transfer of risks and rewards of ownership of the asset takes into account several factors, including whether or not ownership is contractually conditioned to assume ownership of the asset, the value of minimum future payments over the contract, nature of the leased asset and the duration of the contract taking into consideration the possibility of renewal, when that renewal is considered to be probable.

Whether a lease is classified as finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

### **a) Accounting for leases where Sonae is the lessee**

Financial leases are capitalized at the beginning of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the commencement date of the lease.

Assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method, the assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of minimum lease payments. In addition, interests included in lease payments and the depreciation of the assets are recognized as expenses in the income statement during the period to which they relate. Property, plant and equipment acquired through finance leases are depreciated at the lower of the useful life of the asset and the period of the lease when the Group does not have a purchase option at the end of the agreement or for the estimated useful life when the Group intends to acquire the assets at the end of the contract.

In operating leases, rents are recognized as expenses in the income statement on a straight-line basis over the lease period.

Possible incentives received related with leases are recorded as liabilities and recognized in a straight line over the lease period. Similarly amounts to be offset against future income are recognized as assets and reversed over the lease period.

### **b) Accounting for leases where Sonae is the lessor**

The accounting for leases where Sonae is the lessor, the value of allocated goods is kept on Sonae statement of financial position and income is recognized on a straight-line basis over the period of the lease contract.

### **c) 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 previously on lease agreements. In case of sale of assets followed by operating lease contracts, the Company recognizes a gain related with the fair value of the asset sold deducted from the book value of the leased asset. In situations where the assets are sold for an amount higher than its fair value or when the Group receives a higher price as compensation for expenses to be incurred, namely with costs that are traditionally the owner's responsibility, such amounts is deferred over the lease period.

## **2.7 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.

## **2.8 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.

Grants related to depreciable assets are disclosed as “Other non-current liabilities” and are recognised as income on a straight-line basis over the expected useful lives of those underlying assets.

## **2.9 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 less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction less 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 remodeling 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.

## **2.10 Financial expenses relating to loans obtained**

Financial expenses related to loans obtained are usually recognized as an expense in the period in which they are incurred.

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.

## **2.11 Inventories**

Goods for resale are stated at the lower of cost deducted from the related quantity discounts granted by suppliers and net realizable value. Cost is determined on a weighted average basis.

Finished goods and intermediate and work in progress are stated at the lower of cost of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads.



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".

## 2.12 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.

## 2.13 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

#### ***Accounting policy adopted from 1 January 2018***

##### 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.

Financial assets classification depends on the business model followed by the group in the management of financial assets (receipt of cash flows 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, 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 an 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.

### **Accounting policy adopted until 31 December 2017**

*Held to maturity investments* were classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and Sonae has the intention and ability to hold them until the maturity date.

The *investments measured at the fair value through profit or loss* included the investments held for trading that Sonae acquired with the purpose of trading in the short term. They were classified in the consolidated balance sheet as current investments.

Sonae classifies as available-for-sale investments those that were neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets were classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

## Recognition and measurement

All purchases and sales of investments were recognised on the trade date, independently of the settlement date.

Investments were initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs apart from investment measured at fair value through results, in which the investments were initially recognised at fair value and transaction costs were recognised in the income statement.

Held to maturity investments were recorded at amortized cost using the effective interest rate, net of amortization of principal and interest received.

Available-for-sale investments and investments measured at fair value through profit or loss were subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments not listed and whose fair value cannot be reliably measured, are stated at cost less impairment losses.

Gains or losses arising from a change in the fair value of investments measured at fair value through profit or loss were recorded under the caption "Gains and losses on investments recorded at fair value through results in the consolidated income statement.

## Impairment losses

Sonae assessed at each financial reporting date the existence of impairment indicators for financial assets that were not measured at fair value through profit or loss. If there was objective evidence of impairment, the Company recognized an impairment loss in the income statement under "Provisions and impairment losses".

Gains or losses arising from a change in the Investments fair value of available-for-sale investments were recorded in equity, until the investment is sold, received or otherwise disposed of, in caption "Fair value reserves" or until the fair value of the investment is below its cost of acquisition and that this corresponds to an impairment loss, at which time the accumulated gain or loss was recorded in the income statement. Significant or prolonged decline in the fair value of an investment in an equity instrument below its cost was also objective evidence of impairment.



In the case of investments in equity securities classified as available for sale, an investment was considered to be impaired when a significant or prolonged decline in its fair value below its cost of acquisition occurred.

#### Derecognition

The group derecognised financial assets when and only when contractual rights to cash flows had expired or had been transferred and the group had transferred substantially all the risks and benefits arising from the ownership of the asset.

### **b) Loans and accounts receivable**

Loans and non-current accounts receivables are measured at amortised cost using the effective interest method, less 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.

Loans and receivables are recorded as current assets, when the estimated collection is 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 captions presented in Note 7.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in Note 2.13.a). As at 31 December 2017, 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.

#### ***Accounting policy adopted from 1 January 2018***

"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 2.13.a).

#### ***Accounting policy adopted until 31 December 2017***

"Trade receivables" and "Other receivables" were recorded at their nominal value and presented in the combined statement of financial position net of accumulated impairment losses, recognized under the caption "Provisions and impairment losses". These captions, when classified as current, do not include interests because the effect of discounting would be immaterial.

As at 31 December 2017, impairment was recognized if there was objective and measurable evidence that, because of one or more events that occurred, the amount would not be fully received. Therefore, each company took into consideration market information that indicated:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments;
- becoming probable that the borrower would enter bankruptcy or financial re-organization.

When it is not feasible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis. Objective evidence of impairment of a portfolio of receivables could include Sonae's experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is 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.

#### **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 at the proceeds received, net of direct issue costs.

#### **e) Financial Liabilities**

##### ***Accounting policy adopted from 1 January 2018***

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 2018, 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 canceled or expire.

##### ***Accounting policy adopted until 31 December 2017***

Financial liabilities were classified into two categories: (iii) Financial liabilities at fair value through profit or loss; and iv) Other financial liabilities.

The category "Other financial liabilities" includes liabilities presented under "Loans", "Bonds", "Other loans", "Other non-current liabilities", "Trade payables" and "Other payables". These liabilities were initially recognized at fair value and subsequently measured at amortized cost at the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are canceled 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. 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 2.10. 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.

## **g) 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 classified as equity is estimated by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity. The conversion option classified as equity will remain in equity until the conversion option is exercised. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

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.

## **h) Trade payables and Other 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.

## **i) 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.

## **j) 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.

### ***Accounting policy adopted from 1 January 2018***

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.

Sonae may agree to become part of a derivative transaction in order to hedge cash-flows related to exchange rate risk. In some cases, these derivatives may not fulfil the criteria for hedging accounting under IAS 39 and, if so, changes in their fair value are recognized in the income 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 income 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 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.

#### ***Accounting policy adopted until 31 December 2017***

Sonae’s criteria for classifying a derivative instrument as a cash flow hedge instrument include: i) the hedge transaction was expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk; ii) the effectiveness of the hedge can be reliably measured; iii) there were adequate documentation of the hedging relationships at the inception of the hedge; iv) the transaction being hedged was highly probable.

Cash flow hedge instruments used by the Sonae to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost, if any, which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption “Cash Flow Hedging reserves”, and then recognized in the income statement over the same period in which the hedged instrument affects profit or loss.

For derivatives designated as hedging in line of IAS 39 were found to comply with the coverage under IFRS 9, therefore no adjustment was made on 1 January 2018.

#### **k) 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”.

#### **l) 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”.



All the amounts included in this caption can be reimbursed at demand as there are no pledges or guarantees over these assets.

## **2.14**      **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.

## **2.15**      **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.

## **2.16 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.

### ***Accounting policy adopted from 1 January 2018***

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 27 and 31).

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".

### **Accounting policy adopted until 31 December 2017**

Revenue from the sale of goods is recognized in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognized net of sales taxes and discounts and other expenses arising from the sale and are measured as the fair value of the amount received or receivable.

Regarding loyalty programs and dividends, there was no change in policy compared to 2017.

## 2.17 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.

## 2.18 Commercial revenues

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".

## 2.19 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 2.13.j)).

## 2.20 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.

## 2.21 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.

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.

For accounting policies that have changed as of 1 January 2018, the main estimates and assumptions regarding future events included in the preparation of the consolidated financial statements are as follows:

#### **Impairment of financial assets**

Accounting policies of 2018:

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Group 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 "Trade receivables", "Other receivables" and "Other current assets" are valued taking into account 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 analyzing estimated credit losses.

Accounting policies of 2017:

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Group assesses, among other factors, the duration and extent of circumstances in which the recoverable value of these assets is lower than their cost. The balances of " Trade receivables ", " Other receivables " and "Other current



assets" were valued taking into account the frequency of default, recovery of previously recognized impairments and financial situation of the debtor, as more critical valuation elements for analysis purposes impairment.

### **Recognition of contract revenue**

In the recognition of revenue based on the percentage of completion, management reviews each of the total estimated costs, corresponding to the best estimate of the costs associated with the provision of the construction service and / or until its completion. Where there are significant deviations in the performance of the contract that are not associated with changes resulting in the right to additional revenue, as agreed with the customer, management reviews the percentage of completion and margin associated with the contract, in accordance with its best estimate as to the conclusion of the same, which may give rise to the registration of a provision (onerous contract) (Note 2.16).

The main estimates and assumptions for future events included in the preparation of the consolidated financial statements are described in the related notes.

## **2.22 Insurance and reinsurance contracts**

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.

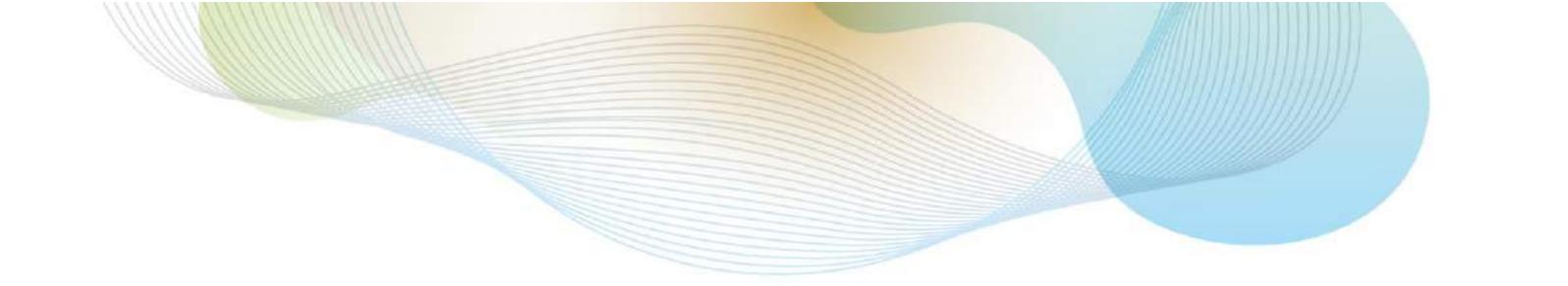
In Provision for claims (Note 32) is recorded the estimated amounts payable for claims, including claims that have been incurred but not reported and future administrative costs to be incurred on the settlement of claims under management. Provisions for claims recorded by Sonae are not discounted.

Reinsurer's share of technical provisions (Assets – Note 13) are determined by applying the above described criteria for direct insurance, taking into account 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.

## **2.23 Segment information**

Information regarding operating segments identified is included in Note 6.



## 2.24 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 2.13.j)) 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 2.23 and 28.

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.

## 2.25 Shared 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.

## 2.26 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 2.13.g)). 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

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### 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:

- Only carry out transactions (short term investments and derivatives) with counterparties that have a high national and international prestige and based on their respective rating notations taking into consideration the nature, maturity and size of the operations;

- Sonae only enters into eligible and approved financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made in 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 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 65,590 thousand euro as at 31 December 2018 (136,284 thousand euro as at 31 December 2017).

### **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 S&F

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. As mentioned in Note 2.1.a) given the immateriality of the impact in relation to the model of credit losses incurred in 2017, no additional amount of impairment losses was recorded in the balances of " Trade receivables" and "Other receivables". The amount related to customers and other debtors represents maximum Sonae exposure to credit risk.

### 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 2018, the total gross debt (excluding shareholders loans) was 2,089 million euro (on 31 December 2017 was 1,489 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 2018, Sonae's average debt maturity was approximately 3.4 years (2017: 4.2 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 24, 25, 29, and 30, 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 unfavorable terms. In 31 December 2018, the consolidated loan amount maturing in 2018 is of 501 million euro (269 million euro maturing in 2017) and in 31 December 2018 Sonae had 231 million euro available in consolidated credit lines (242 million euro in 2017) with commitment less than or equal to one year and 231 million euro (293 million euro in 2017) with a commitment greater than one year.

Additionally, Sonae held, as at 31 December 2018, cash and cash equivalents and current investments amounting to 696 million euro (365 million euro as at 31 December 2017).

Consequentially, 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 S&F

Business exposure to interest rates arises mainly from long term loans which bear interests at Euribor.

Sonae MC purpose 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 venture

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 FS

MDS exposure to interest rate arises essentially from short-term bank loans or loans payable to shareholders, which bears interests at Euribor market rates. The impact of this volatility on income or equity is mitigated by the following factors:

(i) controlled financial leverage with conservative use of bank lending;

(ii) probable correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the operating segment results (namely operational), thus partially offsetting the increased financial costs ("natural hedge").

#### - 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 more strict 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 entered into 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 2018 would decrease by approximately 12.5 million euro (8.4 million euro decrease as at 31 December 2017).

## 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 S&F

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 venture

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, Australia, Egypt, 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.

Sonaecom 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 FS

Insurance brokerage activity is developed in different countries. When transactions are made in a different currency than the one in the country where the entity operates, exposure to exchange rate risk is minimized by hiring hedging derivatives.

- 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 analysis

As at 31 December 2018 and 2017 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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Brazilian Real	-	-	1,936	545,014
British Pound	901,574	1,075,847	69,710	133,152
US Dollar	11,608,041	13,389,239	21,775,775	27,974,391
Other Currencies	506,438	734,478	20,375,456	835,774

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 and capital market 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 12.

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 28.

In 2007, Sonae entered into a Total Return Swap (TRS) with Sonae Holding shares as underlying. As explained in Note 22, 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 2018, Sonae price had been 1% higher/lower, Sonae would have receiving/ payments additional of 812 thousand euro (at 31 December 2017 Sonae would not have additional receiving/payments).

### 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 2018 an average gearing (countable) of 0.5 x (0.6 x in 2017). The average gearing at market values in 2018 was 0.7 x (0.6 x in 2017).

## 4 Changes in the consolidation scope

### 4.1 Acquisition of shares and gain of control of Sonae Sierra

In September 2018, following the approval by the competent competition authorities, Sonae has completed the agreement with Grosvenor group for the acquisition of a 20% participation in Sonae Sierra SGPS, SA.

This acquisition resulted in a change in the shareholder agreement and in the gain of control of this joint venture. Therefore, and as provided by IFRS 3, Sonae Sierra, SGPS, S.A. began to be consolidated by the full consolidation method.

The companies included in the Sonae Sierra consolidation scope are detailed in notes 52 and 53.

The effects of the acquisition of control and the consequent passage of equity method for full consolidation can be analyzed as follows:

Amounts in euro	At the date of acquisition 30 Sep 2018	31 Dec 2018
<b>Net assets acquired</b>		
Investment properties (Note 10)	806,124,576	998,577,368
Property, plant and equipment and intangible assets (Note 8 and 9)	3,100,687	3,366,289
Investments in joint ventures and associates (Note 12.3)	1,208,735,741	1,098,628,056
Deferred tax assets (Note 20)	1,336,664	2,403,635
Trade and other receivables	229,620,324	119,873,314
Cash and bank balances	117,614,568	312,665,334
Loans	(386,979,196)	(486,024,320)
Deferred tax liabilities (Note 20)	(140,142,627)	(147,350,175)
Trade and other payables	(134,005,805)	(129,718,297)
<b>Total net assets acquired</b>	<b>1,705,404,932</b>	<b>1,772,421,204</b>
Goodwill (Note 11)	129,010,948	
Currency Translation Reserve	74,319,831	
Non Controlling Interests (Note 23)	938,637,605	
Change in consolidation method (financial participation at equity method) (Note 12.3)	593,987,852	
Transfer to profit and loss from currency translation reserve (Note 37)	(74,319,831)	
Capital Gain on revaluation to fair value of the financial participation (Note 37)	45,853,773	
<b>Acquisition cost</b>	<b>255,936,650</b>	
	<b>At the date of acquisition 30 Sep 2018</b>	
<b>Net cash flow arising from acquisition:</b>		
Cash payment	255,936,650	
Cash and bank balances acquired	(117,614,568)	
	<b>138,322,082</b>	

Amounts in euro	Since the date of acquisition	12 months
Turnover	44,090,725	156,734,711
Other operational income	32,785,252	60,942,218
	76,875,977	217,676,929
Cost of good sold and materials consumed	(18,220,831)	(61,422,275)
External supplies and service	(12,875,737)	(50,169,674)
Amortisation	(232,633)	(928,422)
Other operational expenses	(11,038,876)	(39,410,467)
	(42,368,077)	(151,930,838)
Income and financial income	845,383	7,309,137
Financial expenses	(6,449,251)	(15,319,550)
Financial results	(5,603,868)	(8,010,413)
Gains or losses related to joint ventures and associated undertaking	8,143,072	116,872,879
Other income / expenses	13,742,357	14,369,164
Profit/(Loss) before tax	50,789,461	188,977,721
Income tax expense	(6,691,872)	(20,013,026)
Consolidated profit /(loss) for the period	44,097,589	168,964,695
Attributable to:		
Equity attributable to shareholders of parent company	30,868,312	110,115,420
Non-controlling interests	13,229,277	58,849,274
	44,097,589	168,964,694
Other comprehensive income for the period	9,800,770	137,041,468
Total comprehensive income for the period	53,898,359	306,006,162

Sonae and Grosvenor (holder of the remaining 30% of Sonae Sierra) continue to be partners in the Sonae Sierra and hold the usual options for a transaction of this nature that may allow the minority shareholder to leave the partnership for a certain period of time.

At the date of presentation of these financial statements, it was not yet possible to finalize the analysis to assign, in accounting terms, the fair value of identified assets and liabilities assumed, a part of the acquisition cost, which is recognized as Goodwill and recorded under Intangible assets. However, the purchase price allocation will be concluded until the end of the one-year period from the date of acquisition, as established by IFRS 3 – Business Combinations.

## 4.2 The main acquisitions of subsidiaries in the period ended 31 December 2018

The acquisitions of companies included in the full consolidation can be analyzed as follows:

COMPANY	HEAD OFFICE	Date of acquisition	Proportion of voting equity interests acquired	
			Direct	Total
<b>Sonae MC</b>				
Amor Bio, Mercado Biológico, Lda	Lisbon (Portugal)	March 2018	100.00%	100.00%
<b>Sonae IM</b>				
Mxtel SA de CV	City of Mexico (Mexico)	June 2018	100.00%	72.78%
Nextel, SA	Bilbao (Spain)		100.00%	72.78%
Excellium Group, S.A.	Contem (Luxembourg)	December 2018	59.20%	53.26%
Excellium Services, S.A.	Contem (Luxembourg)	December 2018	59.20%	53.26%
Excellium Services Belgium, S.A.	Wavre (Belgium)	December 2018	59.20%	53.26%
Excellium Factory SARL	Raouad Ariana (Tunisia)	December 2018	59.20%	53.26%
<b>Sonae IM</b>				
Parklake Business Centre Srl	Bucharest (Romania)	September 2018	100.00%	70.00%
Parklake Shopping S.A.	Bucharest (Romania)	September 2018	100.00%	70.00%
Plenerg Srl	Bucharest (Romania)	September 2018	100.00%	70.00%

The effects of these acquisitions in the consolidated financial statements can be analysed as follows:

Amounts in euro	Sonae MC		Sonae Sierra	
	At the date of acquisition	31 Dec 2018	At the date of acquisition	31 Dec 2018
<b>Net assets</b>				
Property, plant and equipment and intangible assets (Notes 8 and 9)	323,987	309,541	10,806	9,650
Investment Properties	-	-	243,793,000	244,006,000
Inventories (Note 15)	134,878	143,160	-	-
Deferred tax assets	-	-	156,809	165,294
Trade receivables and other assets	68,468	64,030	5,960,770	2,850,475
Cash and bank balances	(6,266)	201,134	1,675,065	5,868,591
Bank loans short term	(206,821)	-	(161,624,518)	(127,163,825)
Trade payables and other current liabilities	(364,334)	(300,600)	(24,867,736)	(19,417,852)
<b>Total net assets acquired</b>	<b>(50,088)</b>	<b>417,265</b>	<b>65,104,196</b>	<b>106,318,333</b>
Change in consolidation method (Note 12)	-	-	(32,552,098)	-
Goodwill (Note 11)	668,055	-	7,052,084	-
<b>Acquisition cost</b>	<b>617,967</b>	-	<b>39,604,182</b>	-
Cash payment	577,967	-	480,000	-
Consideration to be paid	40,000	-	30,000,021	-
	617,967	-	30,480,022	-
<b>Net cash flow arising from acquisition</b>				
Cash payment	577,967	-	480,000	-
Cash and bank balances acquired	(6,266)	-	1,675,065	-
	571,701	-	2,155,065	-

Amounts in euro	Sonae IM					
	Nextel e MxTel			Excellium Group		
	At the date of acquisition	Fair value adjustments	Fair value at the date of acquisition	31 Dec 2018	At the date of acquisition	31 Dec 2018
<b>Net assets</b>						
Tangible and intangible assets (Notes 8 and 9)	187,611	2,545,991	2,733,602	2,346,772	2,032,187	2,182,187
Deferred tax assets	3,930,008	(1,684,536)	2,245,472	2,245,472	-	-
Trade receivables and other assets	5,605,676	(279,711)	5,325,965	8,514,057	4,760,330	4,609,926
Cash and bank balances	1,186,530	(73,807)	1,112,723	481,705	2,125,602	2,125,602
Bank loans short term	(4,676,304)	98,164	(4,578,140)	-	(3,089,140)	(3,089,141)
Trade payables and other current liabilities	(3,876,697)	(551,600)	(4,428,297)	(11,070,999)	(4,158,589)	(4,158,587)
<b>Total net assets acquired</b>	<b>2,356,824</b>	<b>54,501</b>	<b>2,411,325</b>	<b>2,517,007</b>	<b>1,670,390</b>	<b>1,669,987</b>
Financial Update	-	-	-	-	229,010	-
Goodwill (Note 11)	1,696,325	(54,501)	1,641,824	-	12,074,316	-
<b>Acquisition cost</b>	<b>4,053,149</b>	<b>(54,501)</b>	<b>4,053,149</b>	-	<b>13,973,716</b>	-
Cash payment	4,053,149	-	4,053,149	-	7,500,000	-
Consideration to be paid	-	-	-	-	6,473,716	-
	4,053,149	-	4,053,149	-	13,973,716	-
<b>Net cash flow arising from acquisition</b>						
Cash payment	4,053,149	-	4,053,149	-	(7,500,000)	-
Cash and bank balances acquired	(1,186,530)	73,807	(1,112,723)	-	2,125,602	-
	2,866,619	73,807	2,940,426	-	(5,374,398)	-

Amounts in euro	Sonae MC		Sonae Sierra		Sonae IM	
	From the date of acquisition	12 months	From the date of acquisition	12 months	From the date of acquisition	12 months
Sales and services	1,527,517	2,129,934	5,487,252	22,334,649	8,777,000	20,114,595
Other income	4,608	16,477	2,854,997	15,519,557	434,758	1,923,785
Cost of sales	(1,191,869)	(1,736,224)	(363,809)	(1,445,792)	(5,440,160)	(11,089,408)
Supplies and external services	(221,418)	(301,082)	(2,594,404)	(12,640,428)	(662,348)	(3,195,717)
Employee benefits expense	(128,685)	(173,649)	(12,746)	(51,547)	(2,750,197)	(9,448,270)
Depreciation and amortization	(46,913)	(47,555)	(1,761)	(15,922)	(454,780)	(138,690)
Others	(5,164)	(18,950)	(907,421)	(6,408,439)	(4,911)	(525,714)
Net financial income	(4,802)	(7,637)	(3,590,052)	(5,514,308)	(81,623)	85,515
Investment results	27	27	-	-	-	(169,035)
<b>Profit/loss before taxation</b>	<b>(66,698)</b>	<b>(138,659)</b>	<b>872,056</b>	<b>11,777,770</b>	<b>(182,261)</b>	<b>(2,442,939)</b>
Income tax expense	-	26,440	(2,471,869)	(2,548,973)	-	-
<b>Net Amount</b>	<b>(66,698)</b>	<b>(112,219)</b>	<b>(1,599,812)</b>	<b>9,228,797</b>	<b>(182,261)</b>	<b>(2,442,939)</b>



The subsidiaries Nextel and Mxtel were acquired by the group in June 2018 and have as main activity the provision of engineering and information systems consulting services, specialized in information security and management of telecommunications services.

Following these acquisitions, the group recognized a Goodwill amount of 1,641,824 euro. An assessment of the fair value of the assets acquired and the assumed liabilities was carried out, which resulted in an increase in total assets and total liabilities in the amount of 507,937 euro and 453,436 euro respectively, which includes the recognition of the customer portfolio in the 2,548,521 euro. The purchase price allocation is still subject to changes until the end of the 12-month period from the date of acquisition, as permitted by IFRS 3 Business Combinations.

As usually happens in business combinations, also in the case of the acquisition of these two subsidiaries, it was not yet possible to attribute, in accounting terms, to the fair value of identified assets and liabilities assumed, a portion of the acquisition cost, being recognized as Goodwill. Goodwill will be related to elements that cannot be reliably isolated and quantified and include synergies, skilled workforce, technological capabilities and market reputation, among others.

The companies that make up the Excellium Group was acquired by the Group in December 2018 and its main activity is the provision of services within the field of IT and cybersecurity mainly for financial institutions. Following this acquisition, the group recognized a provisional Goodwill amounting to 12,074,316 euro. Excellium's acquisition price includes a contingent amount (6,473,716 euro) payable over 2 years, depending on the company's performance. At 31 December 2018, the subsidiaries that make up the Excellium group had no contribution to the net profit attributable to the group.

At the date of presentation of these financial statements, it was not yet been possible to conclude the analysis to assign, in accounting terms, the fair value of identified assets and liabilities assumed, a part of the acquisition cost, which is recognized as Goodwill and recorded under Intangible assets. However, the purchase price allocation will be completed until the end of the one year period from the date of acquisition, as permitted by IFRS 3 - Business Concentrations.

### **4.3 Completion of the agreement for the combination of Sport Zone with JD Sprinter Holdings**

On March 9<sup>th</sup> 2017, Sonae through one of its subsidiaries, signed a Memorandum of Understanding (MoU) with JD Sports Fashion Plc (JD Group), UK's leading retailer of sports, fashion and outdoor brands, and JD Sprinter Holdings 2010 (JD Sprinter), which provides the combination of the JD Group's existing businesses in Iberia and JD Sprinter, with SDSR – Sports Division SR, SA (Sport Zone). This MoU establishes the key parameters for the creation of an Iberian Sports Retail Group that will have as shareholders the JD Group, Sonae and the family shareholders of JD Sprinter, with shareholdings of approximately 50%, 30% and 20%, respectively. Under the agreement reached, the procedures for determining the assets, liabilities and transactions to be the object of this transaction were initiated.

As at 14 September 2017, Sonae MC Modelo Continente SGPS, SA entered into an agreement with JD Sports Fashion Plc, Balaico Firaja Invest SL and JD Sprinter Holdings 2010, SL (JD Sprinter) which provides for the combination of JD Sprinter and Sport Zone under the terms described above. However, the execution of this transaction was subject to the fulfillment of suspensive conditions dependent on third parties, namely approval by the General Directorate of Competition of the European Commission, the authorization of the shareholder alteration by the owners of the leased stores of the Sport Zone business as well as of bank guarantees.

The approval by the General Directorate of Competition occurred on 18 January 2018 and compliance with the remaining conditions precedent occurred until 31 January 2018, the date on which the Group considered that the transaction and the respective loss of control.

Considering the loss of control in Sport Zone, Sport Zone and its subsidiaries were no longer included by the full consolidation method in Sonae's consolidated financial statements, being the investment in the new partnership, Iberian Sports Retail Group, included by the equity method. At the date of loss of control, the amount of this investment amounts 78.1 million euros, which represents the fair value of the participation at the date of the transaction. This partnership with loss of control in Sport Zone generated a capital gain in the amount of 11 million euro.

The companies included in the transaction can be detailed as follows:

COMPANY	Head Office	Percentage of share capital held	
		At date of consolidation method change	
		Direct	Total
<b>Sports &amp; Fashion</b>			
SDSR – Sports Division SR, SA	Matosinhos (Portugal)	100.00%	100.00%
Sport Zone Canarias, SL	Tenerife (Spain)	60.00%	60.00%
Sport Zone España - Comércio de Articulos de Deporte, SA	Madrid (Spain)	100.00%	100.00%

The effects of this transaction in the income statement can be analysed as follows:

Amounts in euro	Sport Zone	
	31 Jan 2018 Loss control	31 Dec 2017
<b>Net assets</b>		
Property, plant and equipment and intangible assets (Notes 8 and 9)	54,323,790	54,659,282
Goodwill (Note 11)	3,642,946	3,642,943
Deferred tax assets (Note 20)	6,872,143	6,593,675
Inventories	53,449,595	54,408,789
Trade receivables and other assets	12,476,345	9,836,456
Cash and bank balances	6,062,386	6,679,540
Bank loans long term	(6,445,557)	(45,948,953)
Deferred tax liabilities (Note 20)	(973,004)	(963,072)
Bank loans short term	(2,236,375)	(21,619,782)
Trade payables and other current liabilities	(53,071,092)	(52,809,981)
Shareholder Supplies	-	60,883,601
<b>Total net assets</b>	<b>74,101,177</b>	<b>75,362,498</b>
Price adjustment	(5,039,083)	
Fair value of estimated future receipts	5,000,000	
Gain in operation	11,090,755	
<b>Financial investment retained at fair value</b>	<b>85,152,849</b>	
	<b>31 Dec 2018</b>	
Financial investment in ISRG at the date of loss of control (Note 12.3)	78,085,756	
Amounts receivable	5,000,000	
Amounts received	2,067,093	
	<b>85,152,849</b>	

Amounts expressed in euro	31 Jan 2018	31 Dec 2017
Turnover	19,075,708	265,621,386
Financial income	67	141,527
Other income	409,025	9,666,511
Cost of goods sold and materials consumed	(11,911,628)	(167,660,085)
External supplies and services	(4,966,459)	(70,200,674)
Staff costs	(3,261,694)	(34,405,305)
Depreciation and amortisation	(876,205)	(10,302,511)
Provisions and impairment losses	(133,092)	(6,155,086)
Financial expense	(58,146)	(1,334,621)
Other expenses	(265,687)	(2,388,530)
<b>Profit/(Loss) before taxation</b>	<b>(1,988,111)</b>	<b>(17,017,388)</b>
Taxation	262,640	(563,283)
<b>Profit/(Loss) after taxation</b>	<b>(1,725,471)</b>	<b>(17,580,671)</b>
Income or expenses related to loss control	11,090,755	-
<b>Profit/(Loss) for period from discontinued operations</b>	<b>9,365,284</b>	<b>(17,580,671)</b>

Details of discontinuing operations in the statement of cash flows can be analysed as follows:

Cash flows for the period from discounting operations	31 Jan 2018
Net cash flow from operating activities	5,796,552
Net cash used in investment activities	(1,613,005)
Net cash used in financing activities	1,309,488
<b>Net increase in cash and cash equivalents</b>	<b>5,493,035</b>

The fair value of the retained investment was based on an internal valuation through annual planning methodologies, based on business plans where the respective cash flows for 5-year periods are projected using a weighted average cost of capital of 11 % and a perpetuity growth rate of 1%.

#### 4.4 Disposal of Tlantic group

Tlantic is a group of three companies that develop software. As at 26 September 2018 Sonae disposed that participation.

The subsidiaries disposal can be analyzed as follows:

COMPANY	Head Office	Percentage of share capital held	
		Direct	Total
<b>Others</b>			
Tlantic, BV	Amsterdam (Netherlands)	72.10%	72.10%
Tlantic Portugal - Sistemas de Informação, SA	Maia (Portugal)	100.00%	72.10%
Tlantic Sistemas de Informação, Ltda	Porto Alegre (Brazil)	100.00%	72.10%

The effects of this transaction in the consolidated financial statements can be analysed as follows:

Amounts in euro	Date of disposal 28 Sep 2018	31 Dec 2017
<b>Net assets</b>		
Property, plant and equipment and intangible assets (Notes 8 and 9)	1,580,953	1,622,493
Deferred tax assets (Note 20)	331,475	274,148
Trade receivables and other assets	1,186,310	1,110,025
Other debtors	814,557	1,009,086
Cash and bank balances	78,323	207,609
Bank loans long term	(27,577)	(69,403)
Deferred tax liabilities (Note 20)	(9,240)	(9,873)
Trade payables and other current liabilities	(3,998,653)	(3,421,792)
<b>Total net assets</b>	<b>(43,852)</b>	<b>722,293</b>
Currency translation reserves	201,588	
Non-controlling interests	(309,172)	
Gain in operation	1,351,436	
<b>Financial investment retained at fair value</b>	<b>1,200,000</b>	

	31 Dec 2018
Amounts receivable	1,200,000
Amounts received	-
	<b>1,200,000</b>

Amounts in euro	Date of disposal 28 Sep 2018	31 Dec 2017
Services rendered	5,039,317	6,664,319
Other income	89,432	223,795
External supplies and services	(2,753,855)	(2,504,527)
Employee benefits expense	(2,786,408)	(4,277,157)
Depreciation and amortisation expenses	(275,996)	(348,309)
Other expenses	(264,695)	(275,276)
Financial income	60,132	(26,048)
<b>Profit/(Loss) before tax</b>	<b>(892,073)</b>	<b>(543,203)</b>
Income tax expense	65,905	(13,707)
<b>Profit/(Loss) after tax</b>	<b>(826,168)</b>	<b>(556,910)</b>
Income or expenses related to loss control	1,351,436	-
<b>Profit/(Loss) for period from discontinuing operations</b>	<b>525,268</b>	<b>(556,910)</b>

Details of discontinued operations in the statement of cash flows can be analysed as follows:

Cash flows for the period from discontinuing operations	Date of disposal 28 Sep 2018
Net cash flow from operating activities	369,530
Net cash used in investment activities	(238,247)
Net cash used in financing activities	(4,300)
<b>Net increase in cash and cash equivalents</b>	<b>126,983</b>

## 5 Restatement of Financial Statement

According to predicted by IFRS 5, changes were made in the Consolidated Statements of Income by nature for the years ended at 31 December 2018 and 2017 to reflect in a single line (Net income for discontinued operations), in the face of Statement of profit or loss, after-tax profit or loss from discontinued operations. Sport Zone, Tlantic Group and some operations that are in the process of being liquidated were considered as discontinued operations.

Additionally, 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, are recorded as a deduction in the cost of goods sold, caption "Cost of goods sold and materials consumed". This reclassification only had an impact on the consolidated income statement.

The impact on the consolidated income statement as at 31 December 2017 is as follows:

Amounts in thousands of euro	31 Dec 2017			
	Before the restatement	Reclassification of commercial income	Discontinued operations	After the restatement
Sales	5,515,425,881	-	(225,222,028)	5,290,203,853
Services rendered	194,726,055	-	20,892,766	215,618,821
Income or expenses related to investments	(1,659,574)	-	2,843,680	1,184,106
Other income and financial income	7,120,098	-	1,124,431	8,244,529
Other income	793,249,885	(663,855,332)	(4,264,703)	125,129,850
Cost of good sold and materials consumed	(4,587,311,688)	663,855,332	132,204,904	(3,791,251,452)
(Increase) /Decrease in production	351,870	-	-	351,870
External supplies and service	(737,623,531)	-	43,541,771	(694,081,760)
Employee benefits expense	(764,191,618)	-	39,011,906	(725,179,712)
Depreciation and amortisation	(197,659,331)	-	10,756,505	(186,902,826)
Provisions and impairment losses	(10,486,042)	-	739,739	(9,746,303)
Financial expenses	(43,137,650)	-	1,236,291	(41,901,359)
Other expenses	(82,932,769)	-	2,346,530	(80,586,239)
Share of results of joint ventures and associates	86,350,626	-	(2,843,437)	83,507,189
<b>Profit (loss) from continuing operations, before taxation</b>	<b>172,222,212</b>	<b>-</b>	<b>22,368,355</b>	<b>194,590,567</b>
Income tax expense	(16,123,970)	-	(397,119)	(16,521,089)
<b>Consolidated profit (loss) for the period from continuing operations</b>	<b>156,098,242</b>	<b>-</b>	<b>21,971,236</b>	<b>178,069,478</b>
<b>Profit/(Loss) from discontinued operations, after taxation</b>	<b>18,110,829</b>	<b>-</b>	<b>(21,971,236)</b>	<b>(3,860,407)</b>
<b>Consolidated profit /(loss) for the period</b>	<b>174,209,071</b>	<b>-</b>	<b>-</b>	<b>174,209,071</b>
Attributable to equity holders of the Parent Company:				
Continuing operations	148,588,229	-	21,917,039	170,505,268
Discontinued operations	17,165,686	-	(21,917,039)	(4,751,353)
	<b>165,753,915</b>	<b>-</b>	<b>-</b>	<b>165,753,915</b>
Attributable to non-controlling interests				
Continuing operations	7,510,013	-	54,197	7,564,210
Discontinued operations	945,143	-	(54,197)	890,946
	<b>8,455,156</b>	<b>-</b>	<b>-</b>	<b>8,455,156</b>

## 6 Segment information

Sonae has in its portfolio 5 main segments: Sonae Retail, Sonae Sierra, NOS, Sonae IM and the Sonae FS.

- Sonae Retail has 5 segments:
  - Sonae MC is a food retail unit with insignis Continente, Continente Modelo, Continente Bom Dia, Go Natural, Well's, and franchising stores Meu Super; ended the year 2018 with 1,085 stores (including franchisees);
  - Worten is one of the Iberian electronic players, counting on a portfolio of 257 physical stores in Iberia;
  - Sonae Sports & Fashion has a network of own stores of sports and clothing products, combined with a franchising network store;
  - Sonae RP is dedicated to optimizing the management of Sonae's retail real estate portfolio, mainly by stores that operate under the Continente brand and under other brands of Sonae;

- Maxmat operates in the DIY, construction, bathroom and garden market with a network of 31 stores;

- Sonae Sierra is the partnership dedicated to the activity of development and management of shopping centres.
- NOS is the partnership that the Group holds through Zopt dedicated to telecommunications.
- Sonae IM has an active portfolio management strategy, with the objective of building and managing a portfolio of technology-based companies related to retail and telecommunications.
- Sonae FS aims to boost retail financial services.

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 operates in 74 countries, including operations, third-party services, representation offices, franchising and partnerships.

The list of Group companies and their businesses are detailed in Notes 52 and 53.

## 6.1 Financial information per business segment

The main operating segment information as at 31 December 2018 and 2017 can be detailed as follows:

31 Dec 2018	Turnover	Depreciation and amortisation <sup>(3)</sup>	Provisions and impairment losses <sup>(3)</sup>	EBIT <sup>(3)</sup>	Financial results <sup>(2)</sup>	Income tax <sup>(2)</sup>
Sonae MC	4,157,636,134	112,326,135	1,155,522	104,753,918	-	-
Worten	1,095,328,241	29,763,742	1,120,651	549,465	-	-
Sports & Fashion	368,690,150	22,664,583	3,679,903	(29,454,014)	-	-
Sonae RP	94,104,570	25,259,036	13,632,889	87,380,058	-	-
Maxmat	85,539,017	1,796,656	977	5,908,545	-	-
<b>Sonae Retail</b>	<b>5,801,298,110</b>	<b>191,810,152</b>	<b>19,589,943</b>	<b>169,137,972</b>	<b>(12,360,655)</b>	<b>20,843,807</b>
Sonae Sierra	44,090,725	-	5,396,552	80,453,012	(5,603,868)	6,691,872
NOS	-	-	-	34,074,000	-	-
Sonae IM	154,574,296	10,632,323	1,004,878	(4,446,706)	(106,813)	(1,854,849)
Sonae FS	30,963,556	943,649	-	1,638,979	100,052	(394,336)
Other, eliminations and adjustments <sup>(4)</sup>	(80,230,797)	1,774,470	7,072,038	(22,925,341)	(17,784,441)	3,491,880
<b>Total consolidated - Direct</b>	<b>5,950,695,890</b>	<b>205,160,593</b>	<b>33,063,411</b>	<b>257,931,915</b>	<b>(35,755,725)</b>	<b>28,778,374</b>

31 Dec 2017 - Restated	Turnover	Depreciation and amortisation <sup>(3)</sup>	Provisions and impairment losses <sup>(3)</sup>	EBIT <sup>(3)</sup>	Financial results <sup>(2)</sup>	Income tax <sup>(2)</sup>
Sonae MC	3,884,235,290	99,298,234	2,229,104	101,815,713	-	-
Worten	1,018,280,258	26,593,764	2,268,812	(1,740,070)	-	-
Sports & Fashion	361,665,880	19,895,412	1,160,587	(25,901,216)	-	-
Sonae RP	92,138,557	24,343,863	445,945	65,450,006	-	-
Maxmat	78,118,529	1,738,182	-	4,699,211	-	-
<b>Sonae Retail</b>	<b>5,434,438,514</b>	<b>171,869,456</b>	<b>6,104,448</b>	<b>144,323,643</b>	<b>(15,958,951)</b>	<b>36,055,934</b>
Sonae Sierra	-	-	-	32,310,056	-	-
NOS	-	-	-	27,234,000	-	-
Sonae IM	125,929,752	9,426,834	1,187,584	(4,980,350)	(776,114)	728,989
Sonae FS	24,327,569	523,143	25,337	2,936,559	(42,599)	15,636
Other, eliminations and adjustments <sup>(4)</sup>	(78,873,161)	5,083,393	2,428,934	(21,909,589)	(16,879,166)	(20,279,471)
<b>Total consolidated - Direct</b>	<b>5,505,822,674</b>	<b>186,902,826</b>	<b>9,746,303</b>	<b>179,914,319</b>	<b>(33,656,830)</b>	<b>16,521,089</b>

	31 Dec 2018			31 Dec 2017		
	Investment (CAPEX)	Invested capital	Financial net debt <sup>(2)</sup>	Investment (CAPEX)	Invested capital	Financial net debt <sup>(2)</sup>
Sonae MC	181,182,745	626,748,441	-	164,462,924	697,071,753	-
Worten	44,557,148	(101,523,756)	-	44,599,644	(90,641,251)	-
Sonae Sports & Fashion	29,473,206	341,119,928	-	21,262,126	355,988,594	-
Sonae RP	52,043,830	872,604,249	-	41,181,011	902,627,242	-
Maxmat	3,463,954	33,811,116	-	1,390,622	32,639,857	-
<b>Sonae Retail</b>	<b>310,720,884</b>	<b>1,772,759,978</b>	<b>613,672,874</b>	<b>272,896,329</b>	<b>1,897,686,195</b>	<b>628,698,342</b>
Sonae Sierra	81,196,481	2,029,519,948	114,833,000	-	-	-
Sonae IM	44,670,006	184,176,467	29,340,344	19,390,000	159,330,000	31,636,048
Sonae FS	1,243,820	11,186,711	-	1,641,218	20,126,477	-
Other, eliminations and adjustments <sup>(1)</sup>	264,244,113	607,851,472	558,831,651	22,238,305	1,170,360,921	452,131,712
<b>Total consolidated</b>	<b>620,878,823</b>	<b>2,575,974,628</b>	<b>1,201,844,869</b>	<b>316,165,851</b>	<b>3,247,503,593</b>	<b>1,112,466,101</b>

- 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.

The intra-groups of the turnover can be analyzed by following:

Turnover	31 Dec 2018 Inter-segment	31 Dec 2017 Inter-segment
Sonae MC	(1,751,790)	(1,759,375)
Worten	(16,487)	(22,055)
Sonae Sports & Fashion	(22,929,347)	(29,995,432)
Sonae RP	(68,441,734)	(83,876,500)
Maxmat	-	-
<b>Sonae Retail</b>	<b>(93,139,358)</b>	<b>(115,653,362)</b>
Sonae IM	(15,747,907)	(14,859,179)
Sonae FS	-	-
Other, eliminations and adjustments	(1,158,923)	(1,106,597)
<b>Total consolidated</b>	<b>(110,046,188)</b>	<b>(131,619,138)</b>

The caption "Others, eliminations and adjustments" can be analyzed as follows:

	Turnover		EBIT	
	31 Dec 2018	31 Dec 2017 Restated	31 Dec 2018	31 Dec 2017 Restated
Inter-segment intra-groups	(93,590,369)	(131,619,138)	-	-
Contributions of entities not included in the segments	13,359,572	52,745,977	(13,916,978)	(12,452,310)
Others	-	-	(9,008,363)	(21,909,589)
<b>Other, eliminations and adjustments</b>	<b>(80,230,797)</b>	<b>(78,873,161)</b>	<b>(22,925,341)</b>	<b>(21,909,589)</b>

	Investment		Invested capital	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Inter-segment intra-groups and contributions of entities non-individualized entities as segments	264,244,113	22,238,305	(1,954,294)	(24,887,601)
Investments in joint ventures and associated companies	-	-	683,809,343	1,289,028,845
Other investments	-	-	9,872,807	9,919,677
Cash settled equity swap <sup>(3)</sup>	-	-	(83,876,384)	(103,700,000)
	<b>264,244,113</b>	<b>22,238,305</b>	<b>607,851,472</b>	<b>1,170,360,921</b>

- 4) Financial Instrument reported in Note 22.

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 2018		31 Dec 2017 Restated	
	Non-current assets	Sales and services rendered by destination market	Non-current assets	Sales and services rendered by destination market
Portugal	4,055,603,451	5,383,105,763	3,988,903,667	4,988,550,692
Spain	354,220,905	383,820,721	110,543,603	344,509,052
France	-	49,436,153	-	39,341,208
United Kingdom	-	4,367,933	-	3,042,370
Germany	190,449	9,936,889	-	4,707,821
Italy	95,536,163	17,747,335	-	13,539,643
Romania	295,685,998	6,505,948	-	425,328
Brazil	13,885,548	6,155,470	14,730,642	6,306,319
Mexico	1,161,218	7,054,723	923,120	9,033,767
Netherlands	1,080,147,219	3,992,386	1,429,864	13,315,776
Rest of the world	99,165,843	78,572,569	66,782,324	83,050,698
	5,995,596,794	5,950,695,890	4,183,313,220	5,505,822,674

Glossary:

Net Invested capital = Net debt + Shareholder funds;

Net Financial Debt = Bonds + bank loans + other loans + financial leases - cash, bank deposits, current investments, excluding other long term financial applications;

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, ie 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 2018 and 2017, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 12.2).

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 2018 and 2017, 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 2018	31 Dec 2017
<b>Assets</b>		
Property, plant and equipment	1,053,663	1,137,209
Intangible assets	1,064,878	1,141,104
Deferred tax assets	85,641	99,538
Other non-current assets	190,991	44,306
<b>Non-current assets</b>	<b>2,395,173</b>	<b>2,422,157</b>
Trade receivables	382,100	417,270
Cash and bank balances	2,182	2,977
Other current assets	146,088	124,664
<b>Current assets</b>	<b>530,370</b>	<b>544,911</b>
<b>Total assets</b>	<b>2,925,543</b>	<b>2,967,068</b>
<b>Liabilities</b>		
Loans	888,918	954,658
Provisions	128,814	142,029
Other non-current liabilities	21,901	30,991
<b>Non-current liabilities</b>	<b>1,039,633</b>	<b>1,127,678</b>
Loans	244,134	210,136
Trade creditors	254,950	267,525
Other current liabilities	302,940	275,360
<b>Total current liabilities</b>	<b>802,024</b>	<b>753,021</b>
<b>Total liabilities</b>	<b>1,841,657</b>	<b>1,880,699</b>
Shareholders' funds excluding non-controlling interests	1,076,585	1,077,302
Non-controlling interests	7,301	9,067
<b>Total Equity</b>	<b>1,083,886</b>	<b>1,086,369</b>
<b>Total equity and liabilities</b>	<b>2,925,543</b>	<b>2,967,068</b>

Amounts in thousands of euros	31 Dec 2018	31 Dec 2017
<b>Total revenue</b>	<b>1,576,161</b>	<b>1,561,783</b>
<b>Costs and losses</b>		
Direct costs and External supplies and services	(664,057)	(672,811)
Depreciation and amortisation	(388,701)	(422,211)
Other operating costs	(321,326)	(323,999)
	<b>(1,374,084)</b>	<b>(1,419,021)</b>
<b>Financial results</b>	<b>(31,538)</b>	<b>(1,061)</b>
Income tax expense	(29,635)	(17,480)
<b>Consolidated net income/(loss) for the year</b>	<b>140,904</b>	<b>124,221</b>
Attributed to non-controlling interests	(503)	128
Attributed to shareholders of parent company	141,407	124,093

## 7 Financial instruments by class

At 31 December 2018, the categories and fair value of 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
<b>As at 31 December 2018</b>						
<b>Non-current assets</b>						
Other investments	13	-	28,101,682	19,093,660	-	47,195,342
Other non-current assets	14	80,415,888	492,489	-	1,919,673	82,828,050
		80,415,888	28,594,171	19,093,660	1,919,673	130,023,392
<b>Current assets</b>						
Trade receivables	16	141,935,385	-	-	-	141,935,385
Other debtors	17	83,725,262	-	-	-	83,725,262
Investments	13	-	1,558,683	-	-	1,558,683
Cash and bank balances	21	696,243,071	-	-	-	696,243,071
		921,903,718	1,558,683	-	-	923,462,401
		1,002,319,606	30,152,854	19,093,660	1,919,673	1,053,485,793
<b>Financial liabilities</b>						
		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
<b>As at 31 December 2018</b>						
<b>Non-current liabilities</b>						
Loans	24	1,071,821,181	-	-	-	1,071,821,181
Bonds	24	513,293,183	-	-	-	513,293,183
Obligations under finance	24 and 25	535,812	-	-	-	535,812
Other loans	24	2,217,506	-	-	-	2,217,506
Other non-current liabilities	27	26,589,135	-	-	30,849,542	57,438,677
		1,614,456,817	-	-	30,849,542	1,645,306,359
<b>Current liabilities</b>						
Loans	24	287,144,891	-	-	-	287,144,891
Bonds	24	210,841,257	-	-	-	210,841,257
Obligations under finance	24 and 25	873,513	-	-	-	873,513
Other loans	24	1,664,567	184,427	-	-	1,848,994
Trade payables	29	1,287,490,385	-	-	-	1,287,490,385
Other payables	30	243,858,209	-	-	-	243,858,209
		2,031,872,821	184,427	-	-	2,032,057,248
		3,646,329,638	184,427	-	30,849,542	3,677,363,607

At 31 December 2017, the categories and fair value of financial instruments were classified as follows:

Financial assets	Notes	Loans and accounts receivable	Available for sale	Derivates (Note 26)	Sub-total	Assets not covered by IFRS 9	Total
<b>As at 31 December 2017</b>							
<b>Non-current assets</b>							
Other investments	13	9,919,677	9,504,098	-	19,423,775	-	19,423,775
Other non-current assets	14	22,927,207	-	-	22,927,207	684,736	23,611,943
		32,846,884	9,504,098	-	42,350,982	684,736	43,035,718
<b>Current assets</b>							
Trade receivables	16	130,075,290	-	-	130,075,290	-	130,075,290
Other receivables	17	62,600,744	-	-	62,600,744	-	62,600,744
Investments	13	-	-	179,881	179,881	-	179,881
Cash and cash equivalent	21	364,589,115	-	-	364,589,115	-	364,589,115
		557,265,149	-	179,881	557,445,030	-	557,445,030
		590,112,033	9,504,098	179,881	599,796,012	684,736	600,480,748

Financial liabilities	Notes	Derivates (Note 26)	Financial liabilities recorded at amortised cost	Sub-total	Liabilities not covered by IFRS 9	Total
<b>As at 31 December 2017</b>						
<b>Non-current liabilities</b>						
Loans	24	-	573,440,551	573,440,551	-	573,440,551
Bonds	24	-	643,667,042	643,667,042	-	643,667,042
Obligations under finance	24 and 25	-	881,956	881,956	-	881,956
Other loans	24	-	2,244,793	2,244,793	-	2,244,793
Other non-current liabilities	27	-	3,074,159	3,074,159	10,371,159	13,449,318
		-	1,223,308,501	1,223,308,501	10,371,159	1,233,683,660
<b>Current liabilities</b>						
Loans	24	-	207,748,007	207,748,007	-	207,748,007
Bonds	24	-	57,970,806	57,970,806	-	57,970,806
Obligations under finance	24 and 25	-	832,895	832,895	-	832,895
Other loans	24	1,248,119	1,278,626	2,526,745	-	2,526,745
Trade payables	29	-	1,192,499,941	1,192,499,941	-	1,192,499,941
Other payables	30	-	210,262,167	210,262,167	10,967,712	221,229,879
		1,248,119	1,670,592,442	1,671,840,561	10,967,712	1,682,808,273
		1,248,119	2,893,900,943	2,895,149,062	21,338,871	2,916,491,933

## 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.a)):

	31 Dec 2018			31 Dec 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>						
Investments	-	28,066,217	19,129,125	-	-	35,462
Derivatives	-	2,051,172	-	-	179,881	-
	-	30,117,389	19,129,125	-	179,881	35,462
<b>Financial liabilities measured at fair value</b>						
Derivatives	-	184,427	-	-	1,248,119	-
	-	184,427	-	-	1,248,119	-

## 8 Property, plant and equipments

During the periods ended as at 31 December 2018 and 2017, the movements in Property, plant and equipments 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
<b>Gross costs:</b>							
<b>Opening balance as at 1 January 2017</b>	1,366,708,975	1,438,240,754	25,828,269	145,305,401	46,752,623	30,984,493	3,053,820,515
Discontinued operations	(489,027)	(2,829,332)	(201,726)	(3,743,352)	(20,818)	(566,767)	(7,851,022)
Investment	10,851,529	4,987,246	324,056	866,813	558,989	221,746,704	239,335,337
Acquisitions of subsidiaries	1,443,694	2,624,130	115,936	272,563	61,598	-	4,517,921
Disposals	(32,875,531)	(83,685,531)	(1,408,275)	(4,938,004)	(3,733,628)	(1,406,653)	(128,047,622)
Exchange rate effect	(74,051)	(115,026)	(23,709)	(642,303)	(3,725)	(15,958)	(874,772)
Transfers	24,962,674	162,212,106	2,237,924	14,560,837	3,968,831	(210,792,120)	(2,849,748)
<b>Opening balance as at 1 January 2018</b>	<b>1,370,528,263</b>	<b>1,521,434,347</b>	<b>26,872,475</b>	<b>151,681,955</b>	<b>47,583,870</b>	<b>39,949,699</b>	<b>3,158,050,609</b>
Discontinued operations (Note 4.3 and 4.4)	(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 (Note 4.2)	89,516	2,181,271	397,673	430,059	108,964	219,627	3,427,110
Change in method (Note 4.1)	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)
<b>Closing balance as at 31 December 2018</b>	<b>1,353,846,057</b>	<b>1,538,227,443</b>	<b>28,380,550</b>	<b>159,235,784</b>	<b>47,336,072</b>	<b>46,534,775</b>	<b>3,173,560,681</b>
<b>Accumulated depreciation and impairment losses</b>							
<b>Opening balance as at 1 January 2017</b>	397,973,790	881,497,880	19,812,551	107,337,504	39,002,488	110,824	1,445,735,037
Depreciation of period	22,330,323	112,857,866	1,569,254	13,469,610	3,617,283	-	153,844,336
Impairment losses of the period (Note 32)	507,782	297,594	-	10,991	15,065	22,165	853,597
Acquisitions of subsidiaries	1,173,261	1,542,374	62,161	245,035	208,205	-	3,231,036
Disposals	(6,943,974)	(73,220,922)	(1,336,624)	(4,619,701)	(3,680,413)	-	(89,801,634)
Exchange rate effect	(52,860)	(57,406)	(13,865)	(495,178)	(35,655)	-	(654,964)
Transfers	673,551	(429,014)	(223,265)	(582,071)	(252,508)	-	(813,307)
<b>Opening balance as at 1 January 2018</b>	<b>415,435,082</b>	<b>920,710,779</b>	<b>19,723,002</b>	<b>112,320,814</b>	<b>38,854,871</b>	<b>132,989</b>	<b>1,507,177,537</b>
Discontinued operations (Note 4.3 and 4.4)	(35,641)	(63,883,637)	(54,420)	(3,872,266)	(2,266,511)	-	(70,112,475)
Depreciation of the period	23,619,452	113,257,392	1,777,158	13,705,165	3,776,596	-	156,135,763
Impairment losses of the period (Note 32)	13,567,883	1,663,222	-	273,087	2,540	22,165	15,528,897
Reversals of impairment losses (Note 32)	(8,010,808)	(2,134,774)	(2,196)	(14,180)	(1,051)	-	(10,163,009)
Acquisitions of subsidiaries (Note 4.2)	10,836	1,315,763	345,562	310,842	21,506	-	2,004,509
Change in method (Note 4.1)	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)
<b>Closing balance as at 31 December 2018</b>	<b>422,744,884</b>	<b>917,106,778</b>	<b>20,569,342</b>	<b>118,819,629</b>	<b>38,014,589</b>	<b>155,154</b>	<b>1,517,410,376</b>
<b>Carrying amount</b>							
<b>As at 31 December 2017</b>	<b>955,093,181</b>	<b>600,723,568</b>	<b>7,149,473</b>	<b>39,361,141</b>	<b>8,728,999</b>	<b>39,816,710</b>	<b>1,650,873,072</b>
<b>As at 31 December 2018</b>	<b>931,101,173</b>	<b>621,120,665</b>	<b>7,811,208</b>	<b>40,416,155</b>	<b>9,321,483</b>	<b>46,379,621</b>	<b>1,656,150,305</b>

The investment includes the acquisition of assets of approximately 233 million euro (221 million euro in 2017), associated with the opening and remodeling of stores of Sonae retail operating segments.

The caption "Depreciation for the year" of Property, plant and equipment and intangible assets includes 1.3 million euro (10.8 million as at 31 December 2017) transferred to discontinued operations.

Disposal in the years 2018 and 2017 can be analyzed as follow:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Tangible assets in progress	Total tangible assets
<b>Gross assets:</b>							
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)
<b>Closing balance as at 31 December 2018</b>	<b>(61,407,368)</b>	<b>(62,399,558)</b>	<b>(1,275,911)</b>	<b>(6,745,218)</b>	<b>(3,367,053)</b>	<b>(7,399,600)</b>	<b>(142,594,708)</b>
<b>Accumulated depreciation and impairment losses</b>							
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)
<b>Closing balance as at 31 December 2018</b>	<b>(22,616,863)</b>	<b>(54,286,661)</b>	<b>(1,246,311)</b>	<b>(6,324,148)</b>	<b>(3,207,518)</b>	<b>-</b>	<b>(87,681,501)</b>
<b>Carrying amount</b>							
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)
<b>Gross assets:</b>							
Disposals	(5,078,563)	(82,783,750)	(1,408,275)	(4,938,004)	(3,733,628)	(1,406,653)	(99,348,873)
Sale and Leaseback	(27,796,968)	(901,781)	-	-	-	-	(28,698,749)
<b>Closing balance as at 31 December 2017</b>	<b>(32,875,531)</b>	<b>(83,685,531)</b>	<b>(1,408,275)</b>	<b>(4,938,004)</b>	<b>(3,733,628)</b>	<b>(1,406,653)</b>	<b>(128,047,622)</b>
<b>Accumulated depreciation and impairment losses</b>							
Disposals	(2,158,414)	(72,438,851)	(1,336,624)	(4,619,701)	(3,680,413)	-	(84,234,003)
Sale and Leaseback	(4,785,560)	(782,071)	-	-	-	-	(5,567,631)
<b>Closing balance as at 31 December 2017</b>	<b>(6,943,974)</b>	<b>(73,220,922)</b>	<b>(1,336,624)</b>	<b>(4,619,701)</b>	<b>(3,680,413)</b>	<b>-</b>	<b>(89,801,634)</b>
<b>Carrying amount</b>							
Disposals	(2,920,149)	(10,344,899)	(71,651)	(318,303)	(53,215)	(1,406,653)	(15,114,870)
Sale and Leaseback	(23,011,408)	(119,710)	-	-	-	-	(23,131,118)

During the period ended at 31 December 2018 and 31 December 2017, several sale and leaseback transactions were accounted for by the Group. The accounting values of the disposed assets, approximately, 36.6 million euro (23 million euro as at 31 December 2017), corresponds to 6 real estate food retail assets located in Portugal (5 real estate food retail assets located in Portugal in 2017). These operations resulted in a cash inflow of 82.8 million euro (36.9 million euro as at 31 December 2017) and generated a net capital gain of approximately, 37.4 million euro (10.8 million euro as at 31 December 2017) (Note 39).

The lease agreements for the assets in question, were considered as operating leases, taking into account the indicators traditionally used to determine the nature of the lease agreements as defined in IAS 17. 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 2017 also includes about 9.6 million euro related to the restructuring process of the new store concepts, of Worten (around 3.9 million euro) and of the Sonae MC (around 6 million euro), resulting in the use of impairment losses in the amount of 2.8 million euro and 1.2 million euro respectively.

Most real estate assets from Sonae RP (Note 6), as at 31 December 2018 and 2017, 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 2017), 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 2018.

The most significant values under the caption "Property, plant and equipment in progress" refer to the following projects:

	31 Dec 2018	31 Dec 2017
Refurbishment and expansion of stores in the retail businesses located in Portugal	34,453,775	33,490,064
Refurbishment and expansion of stores in the retail businesses located in Spain	3,994,223	1,473,742
Projects "Continente" stores for which advance payments were made	1,996,471	1,296,000
Others	5,935,151	3,556,904
	<b>46,379,621</b>	<b>39,816,710</b>

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 2017	90,436,703	28,067,641	37,906	371,618	186,353	119,100,221
Impairment losses of the period (Note 32)	507,782	297,593	-	10,991	37,231	853,597
Disposals (Note 32)	(387,817)	(5,197,222)	(16,324)	(60,231)	(82,456)	(5,744,050)
Acquisitions of subsidiaries	-	-	-	-	169,243	169,243
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 32)	13,567,883	1,663,222	-	273,087	24,705	15,528,897
Disposals (Note 32)	(8,208,119)	(5,072,953)	(2,312)	(60,096)	(4,398)	(13,347,878)
Transfers	-	(90,581)	-	-	(14,914)	(105,495)
<b>Closing balance as at 31 December 2018</b>	<b>95,916,432</b>	<b>15,216,226</b>	<b>19,270</b>	<b>498,983</b>	<b>293,449</b>	<b>111,944,360</b>

## 9 Intangible Assets

In the years ended at 31 December 2018 and 2017, 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
<b>Gross assets:</b>					
<b>Opening balance as at 1 January 2017</b>	181,013,190	395,609,595	97,774,152	28,060,990	702,457,927
Discontinued operations	(1,991,644)	(8,370,813)	(25,794,980)	(103,663)	(36,261,100)
Investment	35,356	1,297,805	140,803	53,557,319	55,031,283
Acquisitions of subsidiaries	13,500	-	138,687	-	152,187
Disposals	(153,310)	(5,866,252)	(621,963)	(942,118)	(7,583,643)
Exchange rate effect	(924,982)	(1,439,831)	(3,257,180)	(42,150)	(5,664,143)
Transfers	72,243	46,276,425	1,368,766	(51,017,625)	(3,300,191)
<b>Opening balance as at 1 January 2018</b>	<b>178,064,353</b>	<b>427,506,929</b>	<b>69,748,285</b>	<b>29,512,753</b>	<b>704,832,320</b>
Discontinued operations (Note 4.3 and 4.4)	(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 (Note 4.2)	-	3,027,568	11,930	52,348	3,091,846
Change in method (Note 4.1)	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
<b>Closing balance as at 31 December 2018</b>	<b>180,613,796</b>	<b>475,539,380</b>	<b>77,501,241</b>	<b>34,530,270</b>	<b>768,184,687</b>
<b>Accumulated depreciation and impairment losses</b>					
<b>Opening balance as at 1 January 2017</b>	40,763,712	254,593,027	33,591,700	-	328,948,439
Discontinued operations	(1,098,292)	(7,722,345)	(16,389,372)	-	(25,210,009)
Depreciation of the period	2,513,225	38,166,979	5,099,309	-	45,779,513
Impairment losses of the period (Note 32)	-	234,501	764,278	-	998,779
Acquisitions of subsidiaries	6,222	-	79,637	-	85,859
Disposals	(108,769)	(6,452,909)	(338,254)	-	(6,899,932)
Exchange rate effect	(858,715)	(934,360)	(2,102,414)	-	(3,895,489)
Transfers	(243,995)	(3,014,432)	359,340	-	(2,899,087)
<b>Opening balance as at 1 January 2018</b>	<b>40,973,388</b>	<b>274,870,461</b>	<b>21,064,224</b>	<b>-</b>	<b>336,908,073</b>
Discontinued operations (Note 4.3 and 4.4)	(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 (Note 32)	33,074	6,709,968	-	-	6,743,042
Acquisitions of subsidiaries (Note 4.2)	-	1,930,210	29,646	-	1,959,856
Change in method (Note 4.1)	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)
<b>Closing balance as at 31 December 2018</b>	<b>44,923,144</b>	<b>325,387,047</b>	<b>32,306,451</b>	<b>-</b>	<b>402,616,642</b>
<b>Carrying amount</b>					
<b>As at 31 December de 2017</b>	<b>137,090,965</b>	<b>152,636,468</b>	<b>48,684,061</b>	<b>29,512,753</b>	<b>367,924,247</b>
<b>As at 31 December de 2018</b>	<b>135,690,652</b>	<b>150,152,333</b>	<b>45,194,790</b>	<b>34,530,270</b>	<b>365,568,045</b>

As at 31 December 2018 the Investment related to intangible assets in progress includes 53 million euro related to IT projects and development software (53 million euro at 31 December 2017). Within that amount it is included 16 million euro of capitalizations of personnel costs related to own work (about 13 million euro in 31 December 2017) (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 and Losan brand amounting to 11.6 million euro, both 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 2018, 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 2018, 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 11 regarding the recovery of non-current assets.

## 10 Investment Properties

The value of Investment Properties is related to the subsidiary Sonae Sierra (Note 4.1) from the date of the change in consolidation method can be analyzed as follows:

	Investment properties				
	In Operation	"Fit Out"	under development at cost	Advances	Total
<b>Balance as at 1 October 2018</b>	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)
Fit-out receivables	-	-	-	-	-
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
<b>Closing balance as at 31 December 2018</b>	<b>982,910,025</b>	<b>-</b>	<b>13,942,343</b>	<b>1,725,000</b>	<b>998,577,368</b>

Increase in investment properties under development at cost, in the amount of 3.4 million euros relates mainly to a project in Germany, which was sold in December 2018.

Disposals of Investment Properties in operation and under development at cost in the amounts 15.4 and 31.8 million euros, respectively in 2018, relates to Coimbrashopping and Nürnberg project respectively, having generated a plus value of 28 million (Note 39).

As at 31 December 2018 investment properties in operation and the information about the fair value assessment was as follows:

	31 Dec 2018	
	Portugal / Spain	Other European Countries
10 yr discount rate		
Floor	6.95%	8.65%
Weighted average	6.92%	8.69%
Cap	8.10%	8.70%
10 yr cap rate		
Floor	5.20%	6.75%
Weighted average	3.54%	6.86%
Cap	5.20%	6.90%
Annual rent per sqm (€)		
Floor	17	15
Weighted average	31	18
Cap	54	21
<b>Fair value (Level 3)</b>	<b>645,115,025</b>	<b>337,795,000</b>

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 at a market discount 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.

In terms of hierarchy, the Group's investment properties that are valued at fair value are all within Level 3.

The relationship between non-observable elements and the fair value of properties can be described as follows:

- A decrease in annual revenues contributes to a decrease in fair value;
- An increase in discount and capitalization rates contributes to a decrease in 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 year that ended at 31 December 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 (these values are related to 12 months):

	31 Dec 2018	
	Rents	Direct operating expenses
Portugal / Spain	39,711,826	2,640,443
Other European Countries	11,884,455	1,383,148
	51,596,281	4,023,591

As at 31 December 2018 the following investment properties had been given in guarantee of bank loans:

Dos Mares	Plaza Mayor Parque de Ócio
Cascaishopping	Plaza Mayor Shopping
Gli Orsi	Parklake

As at 31 December 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 32 and 34.

At 31 December 2018 Investment properties under development are made up as follows:

	31 Dec 2018
<b>Investment properties at cost:</b>	
Portugal / Spain	15,098,100
Other European Countries	68,836,173
	<b>83,934,273</b>
Impairment for assets at risk	(68,266,930)
	<b>15,667,343</b>

The amounts of 68.3 million euro, recorded under caption “Impairment for assets at risk”, correspond to the estimate made by the Board of Directors for losses that may occur as result of delays in the development of its projects, given the market uncertainties in relation to them.

## 11 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 Retail - Goodwill is allocated to each operating business segment, Sonae MC, Worten, Sonae Sports & Fashion and Maxmat, 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 RP;
- Sonae Sierra-the value of the Goodwill of this segment is allocated to the assets held; and
- Sonae IM - In this segment the Goodwill is mainly related to the technology business.

As at 31 December 2018 and 2017, the caption “Goodwill” was made up as follows by insignia and country:

Insignia	31 Dec 2018				
	Portugal	Spain	Brazil	Other countries	Total
Sonae Retail					
Sonae MC	495,836,653	-	-	-	495,836,653
Worten	65,283,532	-	-	-	65,283,532
Sonae Sports & Fashion	53,928,075	245,817	-	-	54,173,892
Sonae RP	1,614,443	-	-	-	1,614,443
Sonae Sierra	134,629,157	-	-	-	134,629,157
Sonae IM	2,686,758	1,641,824	7,090	23,577,196	27,912,868
	<b>753,978,618</b>	<b>1,887,641</b>	<b>7,090</b>	<b>23,577,196</b>	<b>779,450,545</b>

Insignia	31 Dec 2017				
	Portugal	Spain	Brazil	Other countries	Total
Sonae Retail					
Sonae MC	495,168,601	-	-	-	495,168,601
Worten	65,283,532	-	-	-	65,283,532
Sonae Sports & Fashion	57,571,018	245,817	-	-	57,816,835
Sonae RP	2,142,168	-	-	-	2,142,168
Sonae IM	2,686,758	-	7,090	11,258,229	13,952,077
	622,852,077	245,817	7,090	11,258,229	634,363,213

During the year ended in 31 December 2018 and 2017, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2018	31 Dec 2017
<b>Gross value:</b>		
Opening balance	645,031,970	671,687,610
Discontinued operations (Note 4.3)	(5,082,341)	(33,674,270)
Goodwill generated in the period (Note 4.1 and 4.2)	150,447,227	9,546,335
Assets disposals	(527,725)	(509,678)
Currency translation	94,651	(2,263,844)
Other variations	(1,098,814)	245,817
Closing balance	788,864,968	645,031,970
<b>Accumulated impairment</b>		
Opening balance	10,668,757	16,203,262
Discontinued operations	-	(5,534,505)
Increases	185,061	-
Assets disposals (Note 4.3)	(1,439,395)	-
Closing balance	9,414,423	10,668,757
<b>Carrying amount</b>	779,450,545	634,363,213

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.

During the periods ended at 31 December 2018 and 2017, Sonae performed analysis in order to test any impairment on goodwill. As a result of that analysis, the Group didn't record impairment losses in 2018 and in 2017.

The main assumptions used in the above mentioned business plans are detailed as follows for each of Sonae operating segments.

## Sonae Retail

For this purpose, the Sonae MC, Worten and Sonae Sports & 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 resources 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 2018			31 Dec 2017		
		Average capital cost	Growth rate in perpetuity	Compound growth rate sales	Average capital cost	Growth rate in perpetuity	Compound growth rate sales
Sonae Retail	value of use	9% a 10%	<=2%	0,1% a 2,17%	9% to 10%	<=2%	-1%
Sonae MC	value of use	9% a 11%	<=1%	4%	9% to 11%	<=1%	3%
Worten	value of use	9% a 11%	<=1%	9%	9% to 11%	<=1%	6%
Sonae Sports & Fashion	value of use	9% a 11%	<=1%	9%	9% to 11%	<=1%	6%

## 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 holdings held.

## 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 2018 and 2017, the assumptions used are based on the various businesses of this segment and the growth of the various geographic areas where it operates:

	Basis of recoverable amount	Discount rates	Growth rate in perpetuity	Average sales growth rate
Tecnology				
Telecommunications	value of use	6,25% - 17%	2%	
Retail	value of use	10.5%	3%	6.27%
Cybersecurity	value of use	6,25% - 11,25%	3%	
Others	value of use	7% - 13,75%	1% - 2%	
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 2018. 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.

## 12 Joint ventures and associated companies

### 12.1 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 2018	31 Dec 2017
<b>Investments in joint ventures</b>	1,624,447,426	1,323,493,499
<b>Investments in associates</b>	368,006,790	90,957,338
<b>Total</b>	<b>1,992,454,216</b>	<b>1,414,450,837</b>

Detail by company is as follows:

COMPANY	31 Dec 2018	31 Dec 2017
<b>Sonae MC</b>		
Sohi Meat Solutions - Distribuição de Carnes, SA	3,006,331	2,361,045
<b>Sonae Sierra</b>		
1) Sonae Sierra SGPS, SA (consolidated)	-	600,833,979
2) Arrábidasshopping- Centro Comercial, S.A.	30,393,218	-
2) DOC Malaga Holdings S.L	3,591,217	-
2) Gaiashopping I- Centro Comercial, S.A.	35,009,254	-
2) Harvey Dos Iberica, S.L.	4,395,212	-
2)3) Iberian Assets, S.A.	-	-
2) Madeirashopping- Centro Comercial, S.A.	15,127,930	-
2) Norte Shopping Retail and Leisure Centre B.V.	161,222,523	-
2) Pantheon Plaza B.V.	10,263,665	-
2)4) Parklake Shopping S.A.	-	-
2)4) Plenerg Srl	-	-
2) Park Avenue Development of Shopping Centres S.A.	(463,459)	-
2) Parque Atlântico Shopping - Centro Comercial, S.A.	17,670,436	-
2) Proyecto Cúcuta S.A.S.	8,344,371	-
2) Pud Srl	5,987,801	-
2) SC Aegean B.V.	4,926,261	-
2) Shopping Centre Colombo Holding B.V.	255,362,940	-
2) Sierra Central S.A.S.	56,883	-
2) Solingen Shopping Centre GmbH	(4,157,349)	-
2) Sonae Sierra Brazil B.V. Sarl	241,178,416	-
2) VdG Holding BV	112,144,202	-
2) Via Catarina- Centro Comercial, S.A.	8,774,648	-
<b>NOS</b>		
ZOPT, SGPS, SA (consolidated)	683,809,343	688,194,866
<b>Sonae IM</b>		
Unipress - Centro Gráfico, Lda	618,102	608,237
<b>Sonae FS</b>		
MDS SGPS, S.A. (consolidated)	26,246,269	31,495,372
<b>Sonae SGPS</b>		
5) Mktpplace- Comércio Eletrónico, SA	939,211	-
<b>Investments in joint ventures</b>	<b>1,624,447,426</b>	<b>1,323,493,499</b>

COMPANY	31 Dec 2018	31 Dec 2017
<b>Sonae MC</b>		
6) APOR - Agência para a Modernização do Porto, S.A.	-	290,475
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	1,078,484	1,050,793
S2 Mozambique, SA	-	1,592,748
Ulabox, SL	-	4,046,829
	-	-
<b>Sonae Sierra</b>		
2) 3shoppings - Holding, SGPS, S.A.	11,730,360	-
2) ALEXA Asset GmbH & Co, KG	39,128,706	-
2) Area Sur Shopping, S.L.	7,655,180	-
2) Iberia Shop.C. Venture Coöperatief U.A. ("Iberia Coop")	23,368,651	-
2) Le Terrazze - Shopping Centre 1 Srl	8,236,533	-
2) Loop5 Shopping Centre GmbH & Co KG	10,423,800	-
2) Olimpo Real Estate SOCIMI, S.A.	7,768,532	-
2) Serra Shopping- Centro Comercial, S.A.	1,013,274	-
2) Sierra Cevital Shopping Center, Spa	38,079	-
2) Sierra Portugal Real Estate ("SPF")	45,506,314	-
2) Trivium Real Estate Socimi, S.A.	31,895,992	-
2) Zenata Commercial Project	1,967,259	-
<b>Sonae IM</b>		
Armilar Venture Partners - Sociedade de Capital de Risco, SA	-	1
Fundo de Capital de Risco Armilar Venture Partners II (Armilar II)	52,265,707	44,333,718
Fundo de Capital de Risco Armilar Venture Partners III (Armilar III)	30,135,509	24,920,506
Fundo de Capital de Risco Espirito Santo Ventures Inovação e Internacionalização (AVP I+I)	16,978,359	9,431,245
Secucloud GMBH	3,833,921	4,819,257
Probe.ly - Soluções de Cibersegurança, Lda	401,600	471,766
<b>Sonae SGPS</b>		
7) Iberian Sports Retail Group (ISRG)	74,580,531	-
<b>Investment in associates companies</b>	<b>368,006,790</b>	<b>90,957,338</b>

- At September 2018, the agreement with the Grosvenor Group was concluded for the acquisition of a 20% stake in Sonae Sierra, SGPS, SA, and from that date onwards it will be controlled by Sonae and as such consolidated by the full consolidation method;
- With the acquisition of control of Sonae Sierra, SGPS, S.A., these companies are now included as joint ventures (Note 4.1);
- At December 2018, the group sold 37.5% of the capital of this joint venture, maintaining a minority percentage of 12.5%, and as such was excluded from the consolidated;
- At September 2018, the group acquired 50% of these subsidiaries, starting from October to be consolidated by the full method;
- Joint venture liquidated in the period;
- Associate liquidated in the period;
- In 2017 was effected a partnership agreement that materialised in January 2018, passing this subsidiary to be consolidated by the equity method due to the loss of control (Notes 4.3 and 5);

## 12.2 Financial indicators of participations

### 12.2.1 Joint ventures

As at 31 December 2018 and 2017, summary financial information of joint ventures of the group can be analysed as follows:

Joint ventures	31 Dec 2018				
	Joint ventures of Sonae Sierra (Note 53.1)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
<b>Assets</b>					
Investment properties	4,081,868,697	659,000	835,256	-	-
Property, plant and equipment	-	1,090,939,437	2,831,424	19,454,900	874,646
Intangible assets	-	2,219,604,000	37,256,681	789,101	981,823
Other non-current assets	27,695,465	385,596,563	9,737,037	41,994	240,774
<b>Non-current assets</b>	<b>4,109,564,162</b>	<b>3,696,799,000</b>	<b>50,660,398</b>	<b>20,285,994</b>	<b>2,097,244</b>
Cash and bank balances	180,821,457	2,319,000	14,054,322	408,471	2,286,696
Other current assets	67,484,235	528,196,000	16,290,124	49,723,048	1,635,358
<b>Current assets</b>	<b>248,305,692</b>	<b>530,515,000</b>	<b>30,344,446</b>	<b>50,131,519</b>	<b>3,922,054</b>
<b>Total assets</b>	<b>4,357,869,854</b>	<b>4,227,314,000</b>	<b>81,004,844</b>	<b>70,417,513</b>	<b>6,019,298</b>
<b>Liabilities</b>					
Loans	1,048,957,786	888,918,000	11,216,534	-	-
Other non-current liabilities	970,696,094	208,014,000	8,057,086	-	500,000
<b>Non-current liabilities</b>	<b>2,019,653,880</b>	<b>1,096,932,000</b>	<b>19,273,620</b>	<b>-</b>	<b>500,000</b>
Loans	75,441,328	244,134,000	9,496,077	-	-
Other current liabilities	114,774,245	558,008,000	25,766,741	65,021,799	2,652,143
<b>Total current liabilities</b>	<b>190,215,573</b>	<b>802,142,000</b>	<b>35,262,818</b>	<b>65,021,799</b>	<b>2,652,143</b>
<b>Total liabilities</b>	<b>2,209,869,453</b>	<b>1,899,074,000</b>	<b>54,536,438</b>	<b>65,021,799</b>	<b>3,152,143</b>
Equity attributable to the equity holders of the Parent Company	1,817,910,360	1,209,594,000	22,171,422	5,395,715	2,867,155
Non-controlling interests	330,090,041	1,118,145,000	4,296,984	-	-
<b>Total equity</b>	<b>2,148,000,401</b>	<b>2,328,240,000</b>	<b>26,468,406</b>	<b>5,395,715</b>	<b>2,867,155</b>
<b>Total equity and liabilities</b>	<b>4,357,869,854</b>	<b>4,227,314,000</b>	<b>81,004,844</b>	<b>70,417,513</b>	<b>6,019,298</b>

Joint ventures	31 Dec 2017				
	Sonae Sierra SGPS, SA (consolidated)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
<b>Assets</b>					
Investment properties	781,879,364	661,000	857,259	-	-
Property, plant and equipment	1,885,203	1,087,641,000	2,376,935	20,771,255	548,080
Intangible assets	5,730,128	2,426,618,000	38,808,039	309,299	6,451
Other non-current assets	1,360,580,998	344,526,000	12,524,962	204,757	518
<b>Non-current assets</b>	<b>2,150,075,693</b>	<b>3,859,446,000</b>	<b>54,567,195</b>	<b>21,285,311</b>	<b>555,049</b>
Cash and cash equivalents	68,144,912	5,493,000	10,448,200	367,901	215,122
Other current assets	103,862,911	552,257,000	8,897,932	35,969,285	1,721,532
<b>Current assets</b>	<b>172,007,823</b>	<b>557,750,000</b>	<b>19,346,132</b>	<b>36,337,186</b>	<b>1,936,654</b>
<b>Total assets</b>	<b>2,322,083,516</b>	<b>4,417,196,000</b>	<b>73,913,327</b>	<b>57,622,497</b>	<b>2,491,703</b>
<b>Liabilities</b>					
Loans	198,185,930	997,423,000	15,575,000	-	463,240
Other non-current liabilities	144,521,632	261,996,000	9,357,967	-	11,121
<b>Non-current liabilities</b>	<b>342,707,562</b>	<b>1,259,419,000</b>	<b>24,932,967</b>	<b>-</b>	<b>474,361</b>
Loans	171,613,095	210,175,000	6,419,272	-	26,262
Other current liabilities	78,723,282	543,178,000	15,787,509	53,517,354	1,232,829
<b>Total current liabilities</b>	<b>250,336,377</b>	<b>753,353,000</b>	<b>22,206,781</b>	<b>53,517,354</b>	<b>1,259,091</b>
<b>Total liabilities</b>	<b>593,043,939</b>	<b>2,012,772,000</b>	<b>47,139,748</b>	<b>53,517,354</b>	<b>1,733,452</b>
Equity attributable to the equity holders of the Parent Company	1,150,533,916	1,230,019,000	24,734,144	4,105,143	758,251
Non-controlling interests	578,505,661	1,174,405,000	2,039,435	-	-
<b>Total equity</b>	<b>1,729,039,577</b>	<b>2,404,424,000</b>	<b>26,773,579</b>	<b>4,105,143</b>	<b>758,251</b>
<b>Total equity and liabilities</b>	<b>2,322,083,516</b>	<b>4,417,196,000</b>	<b>73,913,327</b>	<b>57,622,497</b>	<b>2,491,703</b>

Joint ventures	31 Dec 2018				
	Joint ventures of Sonae Sierra (Note 53.1)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
Total revenue	506,063,782	1,576,160,000	56,866,716	296,242,604	-
Cost of sales	-	-	-	(263,028,955)	(644,184)
External supplies and services	(117,536,508)	(664,005,000)	(26,604,495)	(14,282,149)	(1,581,913)
Amortisation	(494,040)	(410,883,000)	(3,077,546)	(3,791,345)	(154,115)
Other operating costs	(29,373,111)	(315,394,000)	(24,044,924)	(13,287,173)	(1,212,947)
Expenses and losses	(147,403,659)	(1,390,282,000)	(53,726,965)	(294,389,622)	-
Financial results	(45,452,649)	(24,697,000)	(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)	(24,359,000)	(130,335)	(323,595)	205,445
Consolidated net income/(loss) for the year	178,330,260	129,712,000	2,552,466	1,290,572	200,640
Attributable to:	-	-	-	-	-
Equity holders of the Parent Company	144,467,692	67,616,000	1,886,471	1,290,572	(794,447)
Non-controlling interests	33,862,568	62,096,000	665,995	-	-
	178,330,260	129,712,000	2,552,466	1,290,572	(794,447)

Joint ventures	31 Dec 2017				
	Sonae Sierra SGPS, SA (consolidated)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
Total revenue	237,846,027	1,558,640,000	49,484,088	313,236,917	3,872,367
Cost of sales	-	-	-	(253,593,835)	-
External supplies and services	(78,210,260)	(662,617,000)	(24,476,991)	(9,181,542)	(1,522,834)
Amortisation	(1,035,809)	(440,954,000)	(3,815,644)	(2,099,216)	(416,949)
Other operating costs	(58,635,105)	(333,689,000)	(21,502,449)	(48,325,516)	(1,756,300)
Expenses and losses	(137,881,174)	(1,437,260,000)	(49,795,084)	(313,200,109)	(3,696,083)
Financial results	(7,943,976)	(25,528,000)	(794,999)	(41)	(2,627)
Results of joint ventures and associated companies	132,052,492	20,251,000	12,112	-	(16)
Income tax expense	(26,095,351)	(9,949,000)	158,077	5,323	(29,685)
Consolidated net income/(loss) for the year	197,978,018	106,154,000	(935,806)	42,090	143,956
Attributable to:	-	-	-	-	-
Equity holders of the Parent Company	109,951,209	54,510,000	(876,353)	42,090	143,956
Non-controlling interests	88,026,809	51,644,000	(59,453)	-	-
	197,978,018	106,154,000	(935,806)	42,090	143,956

As of December 31, 2018, the summary financial information of the joint ventures of Sonae Sierra can be analyzed as follows:

Joint ventures	31 Dec 2018				
	Joint Ventures of Sonae Sierra				
	Investment		Developments	Brazil	Total
Companies owned by Sierra BV	Other investment companies				
<b>Assets</b>					
Investment properties	2,697,299,067	123,859,858	129,028,242	1,131,681,530	4,081,868,697
Other non-current assets	1,955,799	2,053,870	505,022	23,180,774	27,695,465
Non-current assets	2,699,254,866	125,913,728	129,533,264	1,154,862,304	4,109,564,162
Cash and cash equivalents	107,306,832	4,445,273	5,097,326	63,972,026	180,821,457
Other current assets	21,713,682	2,327,055	4,704,643	38,738,855	67,484,235
Current assets	129,020,514	6,772,328	9,801,969	102,710,881	248,305,692
<b>Total assets</b>	<b>2,828,275,380</b>	<b>132,686,056</b>	<b>139,335,233</b>	<b>1,257,573,185</b>	<b>4,357,869,854</b>
<b>Liabilities</b>					
Loans	845,670,596	6,441,395	47,838,616	149,007,179	1,048,957,786
Other non-current liabilities	645,464,147	30,238,181	31,899,765	263,094,001	970,696,094
Non-current liabilities	1,491,134,743	36,679,576	79,738,381	412,101,180	2,019,653,880
Loans	104,414	70,434,518	-	4,902,396	75,441,328
Other current liabilities	49,649,602	13,359,331	23,642,503	28,122,809	114,774,245
Total current liabilities	49,754,016	83,793,849	23,642,503	33,025,205	190,215,573
<b>Total liabilities</b>	<b>1,540,888,759</b>	<b>120,473,425</b>	<b>103,380,884</b>	<b>445,126,385</b>	<b>2,209,869,453</b>
Equity attributable to the equity holders of the Parent Company	1,287,386,621	12,212,631	35,954,349	482,356,759	1,817,910,360
Non-controlling interests	-	-	-	330,090,041	330,090,041
<b>Total equity</b>	<b>1,287,386,621</b>	<b>12,212,631</b>	<b>35,954,349</b>	<b>812,446,800</b>	<b>2,148,000,401</b>
<b>Total equity and liabilities</b>	<b>2,828,275,380</b>	<b>132,686,056</b>	<b>139,335,233</b>	<b>1,257,573,185</b>	<b>4,357,869,854</b>

31 Dec 2018					
Joint Ventures of Sonae Sierra					
Joint ventures	Investment		Developments	Brazil	Total
	Companies owned by Sierra BV	Other investment companies			
Turnover	220,830,875	34,253,122	29,583	98,184,239	353,297,819
Value created on investment properties	77,100,000	4,891,000	-	67,573,000	149,564,000
Other operating income	1,605,350	1,099,389	(27,439)	524,663	3,201,963
	299,536,225	40,243,511	2,144	166,281,902	506,063,782
External supplies and services	(79,400,786)	(17,766,172)	(266,888)	(20,102,662)	(117,536,508)
Amortisation	(15,190)	(14,680)	(12,424)	(451,746)	(494,040)
Other operating costs	(4,294,558)	(5,644,610)	(511,025)	(18,922,918)	(29,373,111)
	(83,710,534)	(23,425,462)	(790,337)	(39,477,326)	(147,403,659)
Financial results	(24,602,321)	(8,269,422)	(785,602)	(11,795,304)	(45,452,649)
Results of joint ventures and associated companies	-	-	-	1,551,547	1,551,547
Income tax expense	(48,402,343)	(137,434)	(11,854)	(87,877,130)	(136,428,761)
Consolidated net income/(loss) for the year	142,821,027	8,411,193	(1,585,649)	28,683,689	178,330,260
Attributable to:					
Equity holders of the Parent Company	142,821,027	8,411,193	(1,585,649)	(5,178,879)	144,467,692
Non-controlling interests	-	-	-	33,862,568	33,862,568
	142,821,027	8,411,193	(1,585,649)	28,683,689	178,330,260

The reconciliation of financial information with the joint ventures carrying amount can be analysed as follows:

31 Dec 2018						
Joint Ventures	Equity	Percentage of share capital held	Share of the net assets	Goodwill recognized in financial investment	Other effects	Financial investment
Sonae Sierra's joint ventures (Note 53.1)	1,817,910,360	50%	908,955,180	874,686	(1,697)	909,828,169
ZOPT, SGPS, SA (consolidated)	1,209,594,000	50%	604,797,000	87,527,500	(8,515,157)	683,809,343
MDS,SGPS,SA (consolidated)	22,171,422	50%	11,085,711	-	15,160,558	26,246,269
Sohimeat, SA	5,395,715	50%	2,697,858	-	308,473	3,006,331
Others	2,867,155	50%	1,433,578	-	123,736	1,557,314
						1,624,447,426

31 Dec 2017						
Joint Ventures	Equity	Percentage of share capital held	Share of the net assets	Goodwill recognized in financial investment	Other effects	Financial investment
Sonae Sierra SGPS (consolidated)	1,150,533,916	50%	575,266,958	32,133,330	(6,566,309)	600,833,979
ZOPT, SGPS, SA (consolidated)	1,230,019,000	50%	615,009,500	86,413,582	(13,228,216)	688,194,866
MDS,SGPS,SA (consolidated)	24,734,144	50%	12,367,072	-	19,128,300	31,495,372
Sohimeat, SA	4,105,143	50%	2,052,572	-	308,474	2,361,045
Others	758,251	50%	379,126	-	229,112	608,237
						1,323,493,499

At 31 December 2018, the amount included in the caption "Other effects" in MDS, SGPS, SA includes the elimination of goodwill recognized in the share of net assets in the amount of 15.1 million euros (14.6 million euro at 31 December 2017) and the fair value of the customer portfolio in the amount of 30.6 million euro (33.7 million euro at 31 December 2017), which is being amortized over 12 years.

## 12.2.2 Associates

As at 31 December 2018 and 2017, summary financial information of associated companies of the Group can be analysed as follows:

31 Dec 2018							
Associates	Participation %	Assets	Liabilities	Equity	Revenue	Operational profit	Net profit
<b>Sonae MC</b>							
Sempre a Postos	40.41%	10,221,252	5,907,317	4,313,935	61,193,913	3,005,152	2,279,937
Ulabox	25.00%	3,001,232	247,268	2,753,964	10,667,002	(4,031,417)	(4,031,417)
S2 Mozambique	30.00%	8,103,157	5,589,119	2,514,038	4,799,919	(2,590,650)	(2,892,046)
Others		1,186,554	33,741	1,152,813	179,594	(97,422)	(97,465)
<b>Sonae Sports &amp; Fashion</b>							
ISRG	29.99%	333,544,822	192,881,328	140,663,494	412,300,271	(5,032,966)	(9,726,836)
<b>Associates of Sonae Sierra</b>							
		2,761,632,809	1,114,861,752	1,646,771,057	210,372,363	131,563,216	117,712,682
<b>Sonae IM</b>							
Armilar II	50.74%	121,340,408	18,615,514	102,724,894	150,392,000	129,487,953	129,530,235
Armilar III	42.70%	82,380,080	11,445,720	70,934,360	20,365,000	10,922,245	11,120,849
AVP I+I	37.54%	57,598,881	12,388,978	45,209,903	26,184,266	20,066,155	20,087,372
Others		4,009,299	3,956,005	53,294	237,939	(3,802,531)	(3,802,393)

31 Dec 2017							
Associates	Participation %	Assets	Liabilities	Equity	Revenue	Operational profit	Net profit
<b>Sonae MC</b>							
Sempre a Postos	25.00%	11,052,768	6,849,597	4,203,171	59,121,816	2,953,853	2,169,174
Ulabox	40.41%	2,907,625	1,284,421	1,623,204	9,723,250	(3,819,722)	(3,819,722)
S2 Mozambique	30.00%	8,061,479	2,959,516	5,101,963	5,936,184	(2,903,658)	(3,239,010)
Others		3,034,723	2,786,220	248,503	684,548	(1,697,113)	(1,698,407)
<b>Sonae IM</b>							
Armilar I	35.00%	4,908,519	677,581	4,230,938	2,245,000	426,464	284,464
Armilar II	50.74%	92,742,416	5,361,017	87,381,399	18,621,787	17,959,308	17,868,956
Armilar III	42.64%	69,694,614	11,350,315	58,344,299	(5,330,000)	(6,651,940)	(6,353,072)
AVP I+I	37.54%	32,059,226	6,936,645	25,122,581	12,412,000	5,827,559	5,893,576
Others		6,017,750	4,752,485	1,265,265	5,301,000	(3,979,247)	(3,979,251)

As of December 31, 2018, the summary financial information of the associates of Sonae Sierra can be analyzed as follows:

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 2018						
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	4,313,935	25.00%	1,078,484	-	(0)	1,078,484
Ulabox	2,753,964	40.41%	1,112,877	-	(1,112,877)	-
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	-	(153,462)	30,135,509
AVP I+I	45,209,903	37.54%	16,971,798	-	6,561	16,978,359
Others	53,294		7,124	4,935,120	(706,723)	4,235,521
						368,006,790

31 Dec 2017						
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	4,203,171	25.00%	1,050,793	-	-	1,050,793
Ulabox	1,623,204	40.41%	655,937	1,549,408	1,841,484	4,046,829
S2 Mozambique	5,101,963	30.00%	1,530,589	-	62,159	1,592,748
Others	248,503		27,433	137,494	125,548	290,475
Sonae IM						
Armillar I	4,230,938	35.00%	1,480,828	-	(1,480,827)	1
Armillar II	87,381,399	50.74%	44,337,322	-	(3,604)	44,333,718
Armillar III	58,344,299	42.64%	24,878,009	-	42,497	24,920,506
AVP I+I	25,122,581	37.54%	9,431,017	-	228	9,431,245
Others	1,265,265		350,308	4,935,121	5,594	5,291,023
						90,957,338

Following the partnership in ISRG resulting from the combination of Sport Zone and JD Sprinter Holdings (Note 4.3), 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%.

The Group will complete this allocation of the purchase price until the end of the period of one year from the date of acquisition, as permitted by IFRS 3 - Business Concentrations.

## 12.3 Movements occurred in the period

During the year ended at 31 December 2018 and 2017, movements in investments in joint ventures and associates are as follows:

	31 Dec 2018			31 Dec 2017		
	Proportion on equity	Goodwill	Total investment	Proportion on equity	Goodwill	Total investment
<b>Investments in joint ventures</b>						
Initial balance as at 1 January	757,716,434	565,777,065	1,323,493,499	716,500,628	566,650,040	1,283,150,668
Change of consolidation method due to loss of control	-	-	-	35,237,454	-	35,237,454
Incorporation of Sonae Sierra's joint ventures, due to change of consolidation method (Note 4.1)	1,040,058,136	7,346,030	1,047,404,166	-	-	-
Transfers to subsidiaries	(32,552,098)	-	(32,552,098)	-	-	-
Capital increase in associated companies	1,583,950	-	1,583,950	-	-	-
Disposals during the period	(143,596,491)	(6,471,343)	(150,067,834)	-	-	-
Derecognition of financial participation due to loss of significant	7,228,382	-	7,228,382	-	-	-
Change of consolidation method (Note 4.1)	(551,998,522)	(41,989,330)	(593,987,852)	-	-	-
<b>Equity method</b>						
Effect in gains or losses in joint controlled (1)	103,541,213	-	103,541,213	81,688,116	-	81,688,116
Distributed dividends	(49,572,396)	-	(49,572,396)	(53,929,242)	-	(53,929,242)
Effect in equity capital and non-controlling interests	41,854,601	-	41,854,601	(21,417,071)	-	(21,417,071)
Impairment in joint ventures	-	-	-	-	(872,975)	(872,975)
Other effects in net income	(74,478,205)	-	(74,478,205)	(363,451)	-	(363,451)
	<b>1,099,785,004</b>	<b>524,662,422</b>	<b>1,624,447,426</b>	<b>757,716,434</b>	<b>565,777,065</b>	<b>1,323,493,499</b>
<b>Investments in associates companies</b>						
Initial balance as at 1 January	84,335,315	6,622,023	90,957,338	75,105,163	4,015,059	79,120,222
Capital increase	796,501	-	796,501	4,593,031	303,423	4,896,454
Acquisitions during the period	31,940,561	-	31,940,561	(417,871)	4,935,121	4,517,250
Capital reduction in associated companies	(1,340,259)	-	(1,340,259)	-	-	-
Incorporation of Sonae Sierra's associated, due to change of consolidation method (Note 4.1)	156,014,275	5,317,300	161,331,575	-	-	-
Change in consolidation method due to loss of control (Note 4.3)	42,069,015	36,016,741	78,085,756	(532,545)	(481,659)	(1,014,204)
Deferred taxes - transfer from Alexa Holding to Alexa KG	(4,737,438)	-	(4,737,438)	-	-	-
Discontinued operations	(858,339)	-	(858,339)	-	-	-
<b>Equity method</b>						
Effect in gains or losses in associated companies	73,831,518	-	73,831,518	5,925,562	-	5,925,562
Distributed dividends	(647,127)	-	(647,127)	(829,823)	-	(829,823)
Effect in equity capital and non-controlling interests	(130,777)	-	(130,777)	1,185,313	-	1,185,313
Return of invested capital	(16,477,366)	-	(16,477,366)	-	-	-
Impairment in associated companies	(1,714,529)	(1,686,903)	(3,401,432)	(693,515)	(2,149,921)	(2,843,436)
Others	(41,343,721)	-	(41,343,721)	-	-	-
	<b>321,737,629</b>	<b>46,269,161</b>	<b>368,006,790</b>	<b>84,335,315</b>	<b>6,622,023</b>	<b>90,957,338</b>
<b>Total</b>	<b>1,421,522,633</b>	<b>570,931,583</b>	<b>1,992,454,216</b>	<b>842,051,749</b>	<b>572,399,088</b>	<b>1,414,450,837</b>

In the year ended 31 December 2018, the amount in Transfer to subsidiaries refers to the subsidiaries Project Sierra 10, BV and Project Sierra 10, BV, which acquired the remaining shares representing the capital of the joint venture Parklake Shopping SA and Plenerg SRL for a value of 39.6 million euros. In turn, Parklake Shopping S.A. holds 100% of



the capital of Parklake Business Center SRL. Since 1 October 2018, these subsidiaries have been included in the integral method;

In 2018, the amount included in the caption Disposals during the year in joint ventures relates to the sale of the 50% equity held in the joint venture Iberian Assets, SA to the associate Trivium Real Estate Socimi, SA for a total of 164.3 million euro. Trivium now holds 100% of Iberian and since then Iberian is considered as associates.

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 20,130,786 million euro 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 32).

In July 2017, there was a change in the number of units in the Armilar II fund for the withdrawal of one of the Shareholders, thus bringing Sonae IM to a 50.74% stake in the fund in the year ended 31 December 2018.

In March 2017, an increase in units of the Armilar III fund was approved, with Sonae IM subscribed and paid in the amount of 622.996 euro, corresponding to 0.41%, in July 2017 a new increase of in the Armilar III fund and Sonae IM subscribed and paid the amount of 302.598 euros, corresponding to 0.20% and in November 2017 a further increase in the number of units in the Armilar III fund was approved and Sonae IM subscribed and paid the amount of 484.103 euro, corresponding to 0.04%, to be held in the year ended 31 December 2017 a 42.64% stake in Armilar III.

In the year ended 31 December 2017, the value of acquisitions includes the investment in the company Secucloud amounting to 4,000,000 euros.

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 24.873.210 euro (37.391.100 euro in December 2017) and ZOPT 19.755.883 euros (16.512.005 euro in December 2017).

The value of change of consolidation method due to loss of control includes:

- a) As at 31 December 2018, the amount of 78.085.756 euro in investments in associates in the caption "Change in method of consolidation through loss of control" (Note 4.3), as detailed in this note and in note 5 refers to 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.
- b) As at 31 December 2017, 32.534.003 euros relates to MDS SGPS, S.A. following the agreement signed between Sonae and IPLF Holding. Following the loss of control and consequent appreciation of the fair value participation in 2017, the Group carried out an evaluation of retained assets and liabilities, which resulted in the valuation of MDS customer portfolios by approximately 35 million euro (considering only share held by Sonae), and which annuls, almost in full the value of goodwill generated in the acquisition. The customer portfolio is being amortised over a 12 years' period; and
- c) 2.703.451 euros referring to Sohi Meat Solutions- Distribuição de Carnes, SA, following the agreement signed on January 3, 2017, the date on which a Joint Venture was formed between Sonae MC and Hilton Food



Group PLC through a capital increase of this Group in Sohimeat. Since then, Sohimeat has been consolidated using the equity method.

The measurement of the existence or not of impairment in investments in joint ventures companies is determined as follows:

- Regarding the area of telecommunications (Zopt), the measurement of the existence or not of impairment for the amounts of investments included in Goodwill recorded in the consolidated financial statements for the telecommunications sector (Zopt), is determined taking into account with several information as business plans approved by the Board of Directors of NOS for five years, which implied average growth rate of operating margin amounts to 4% and its associated, and the average rating of external reviewers (researches), the discount rate used is 7.2% and the growth rate in perpetuity is 1.3%; and

- Regarding Sonae Sierra the impairment tests are made by comparison with the "Net Asset Value ", this results from the valuation of investment properties at market value and does not include the deferred taxes on unrealized capital gains.

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial investments that Group holds in associated companies operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The book value of these associates in the financial statements of ZOPT on 31 December 2018 amounts to approximately 100 million euro, which was reduced during the current year by approximately 95 million euro, mainly due to the devaluation of the kWanza exchange rate.

During the last quarter of 2017, Angola was considered a hyperinflationary economy, and the individual financial statements of the investees in Angola were restated (for consolidation purposes) in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies. Effective at 1 January 2017, the financial participation (including implicit goodwill of 171.1 million euro) on the Angolan associates was adjusted by the effect of hyperinflation by a total of 140.5 million euro and reduced by 138.5 million euro of impairment losses on the holding. The net amount of approximately 2 million euro was recorded under 'Other reserves'. In the years 2017 and 2018, the effect of hyperinflation had a net impact of approximately 0.2 million euro (includes 68.9 million euro of impairment losses) and 3.4 million euro (includes 10 million euro of impairment losses), respectively, with both impacts being recorded under the caption 'Losses / gains in investees'.

The Group made impairment tests for those assets, which are denominated in the currencies of those countries, Kwanzas and Meticals, respectively, considering the business plans (internal valuation using the discounted cash flow method, compared to researches) approved by the Board of Directors for a five years period, which include average growth rates of revenue for that period of 10.7% (Angola) and 3.2% (Mozambique). These revenue growth rates reflects: (i) the best estimate for the growth of the customer base, reflecting an expectation of new clients and churn estimated rates, when considered prudent, and (ii) an price increase which corresponds considering the nature of the activity carried out by the companies, especially in Angola, it is not expected that companies will be able to reflect in their prices the total inflation in the country.

In 2018, following the recommendation of the INACOM (regulatory entity of the communication sector in Angola), the Angolan subsidiaries did not carry out any price increase. Business plans consider annual price growth of 16%, 11% and 8% in 2019, 2020 and the period from 2021 to 2023 respectively.

The business plans consider yet a growth rate in perpetuity of 6.5% (Angola) and 5.0% (Mozambique) and a discount rate ('wacc') in perpetuity of 17.5% (Angola) and 21% (Mozambique). The discount rate, over the period 2018 to 2023 ranged from a maximum of 34.0% to a minimum of 17.5% (in 2023), for Angola, and from a maximum of 23% to a minimum of 21% (2023) in Mozambique, in line with the most appropriate inflation forecasts (source: International Monetary Fund (FMI)) and assume the current structure of the market in terms of competition. The impairment tests carried out, based on the assumptions above, disregarding the effect of the adjustment to the effects of hyperinflation in the amount of financial investment, support the value of the assets, so not result in additional

impairments was recorded in relation to the effect of the hyperinflationary economy. However, that the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer, and in the INACOM recommendation for the absence of price increases in the TV and internet packages (in the special case of Angola), introduces an additional degree of variability to the assumptions, which could significantly impact the estimates considered, in particular, in terms the rate of inflation and the ability to reflect, in price increases of the above-mentioned tax.

With respect to the Angolan associates intervals above the usual were used in the sensitivity analyses, in which variations of 2pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high rate of inflation and a lower capacity of the company to reflect a higher price increase (analysed scenarios of price repercussion between 25% and 75% of the inflation rate, being this the most critical variable with impacts in variation of 54% and 133% of the book value), the valuation would not support the assets' value, varying between 50% and 157% of the book value.

At the end of January 2019, ZAP announced an increase in prices as at 26 February 2019. This increase in prices is higher than that used in the projections.

The Board of Directors' conviction is that the assumptions used in the business plans are the most prudent and appropriate, and that the situations of high inflation and lower capacity of the company to reflect a higher price increase correspond to extreme situations not expected.

The financial participations of Armilar II, Armilar III and AVP I+I are valued at fair value and classified in the corresponding hierarchy of fair value, as shown in the table below:

(Amounts in thousands of euro)	31 Dec 2018		
Fair value hierarchy	Armilar II	Armilar III	AVP I+I
Level 2	118,184	47,390	56,236
Level 3	1,479	34,023	1,363

Level 2 valuation techniques are essentially related to valuations resulting from the last transaction or firm acquisition offers, from significant percentages of holdings occurring in non-active markets.

Level 3 valuation techniques are essentially supported by: (i) Business plans of the subsidiaries, in which discount rates ranging from 6.87% to 20.0% were used, revenue growth rates over the projection period (CAGR) ranging between 20.7% and 33.3% and where the terminal value was estimated by a mix of multiples applied mainly on Revenue and EBITDA. It should be noted that the implied appreciation of the investments held by the Fund results from a set of sensitivities applied to the original parameters of the Business Plans made available by the management of the Subsidiaries; and (ii) Market Multiples in similar transactions applied to Revenues, Free Cash Flow, EBITDA, Recurring Revenues and other financial data of the Subsidiary.

Armilar II includes a participation in level 2 with an accounting value of approximately 118 million euro. Armilar III and AVP I + I include a level 2 share with an accounting value of approximately Euro 40 million euro and 52 million euro, respectively, which was valued based on the last non-active transaction. It should be noted that these values are perfectly fit in those that would be obtained if the valuation methodology adopted was the use of market multiples.

Evidence of impairment analysis and review of the projections and impairment tests did not lead to the counting of losses in the years ended at 31 December 2018 and 2017.

The sensitivity analysis carried out did not lead to material changes in the recovery values, so no impairment would result.

Contingent liabilities an additional information related to joint ventures are disclosed in Note 47.

## 13 Other investments

Other non-current investments, their head offices, percentage of share capital held and book value as at 31 December 2018 and 2017, are as follows:

Company	Head Office	Statement of financial position	
		31 Dec 2018	31 Dec 2017
<b>Sonae MC</b>			
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	9,976	9,976
Insco - Insular de Hipermerc., SA	Ponta Delgada	5,252,372	925,197
Other financial assets		13,831,312	13,007,639
<b>Financial assets at fair value through profit or loss</b>		<b>19,093,660</b>	<b>13,942,812</b>
<b>Sonae IM</b>			
Arctic Wolf Networks, Inc	Delaware	7,751,174	3,830,113
1) ViSenze	Singapura	4,384,811	-
1) Reblaze	St. Louis	2,352,438	-
1) Nextail Labs, SL	Madrid	2,300,000	-
Ometria, Ltd.	Londres	2,228,029	854,165
1) Case on IT	Madrid	2,280,000	-
1) ciValue	Yokneam	1,970,097	-
StyleSage, Inc.	Delaware	1,848,578	448,834
1) Jscrambler	Porto	1,250,000	-
1) Whitefantasy	Évora	640,804	-
Other financial assets		1,095,751	347,851
<b>Financial assets at fair value through other comprehensive income</b>		<b>28,101,682</b>	<b>5,480,963</b>
		<b>47,195,342</b>	<b>19,423,775</b>

1) Investment acquired in period.

During the period ended at 31 December 2018, the major acquisitions of Sonae IM are:

- ViSenze, this subsidiary offers intelligent image recognition solutions that facilitate consumer research action;
- Reblaze, this subsidiary offers patented security technologies on a single platform, protecting assets from technological threats;
- Nextail, this subsidiary developed a cloud-based platform that combines artificial intelligence and prescriptive analysis to improve stock management processes and storage operations of retailers;
- Case on IT, this subsidiary owns a product called MedUX which is a machine learning solution that allows the measurement, prevention and quality analysis of fixed, mobile and television services;
- ciValue, this subsidiary provides a cloud-based product for segmented and personalized marketing and a supplier portal for retailers;
- Jscrambler, the main activity of this subsidiary is to develop security products to protect the integrity of web-based or mobile applications based on JavaScript;
- Whitefantasy, this subsidiary develops digital solutions and engages in computer programming activities;

As at 31 December 2018 the caption "Other investments" includes, among others, 9.872.807 euro (9.919.677 euro in 31 December 2017) 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 32 and 34).

As at 31 December 2018, 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 2.13.a) ii) and iii).

As at 31 December 2017, before IFRS 9 implementation, the cost of acquisition of these investments was considered a reasonable approximation of their respective fair value, adjusted, whenever applicable, for the identified impairment losses.

As at 31 December 2018 and 2017, the movements in "Other investments" made up as follows:

	31 Dec 2018		31 Dec 2017	
	Non current	Current	Non current	Current
<b>Other investments:</b>				
Fair value (net of impairment losses) as at 1 January	19,423,775	-	20,784,450	161,050
Acquisitions in the period	21,801,235	-	6,808,903	-
Disposals in the period	(814,303)	-	(15,931)	-
Increase/(decrease) in fair value through profit and loss	4,492,336	-	(123,713)	(161,050)
Increase/(decrease) in fair value through other comprehensive inc	2,385,907	-	-	-
Transfers	(11,638)	-	-	-
Discontinued operations	(81,970)	-	(8,029,934)	-
Fair value (net of impairment losses) as at 31 December	47,195,342	-	19,423,775	-
<b>Derivative financial instruments (Note 26)</b>				
Fair value as at 1 January	-	179,881	-	4,207,972
Increase/(decrease) in fair value	-	1,378,802	-	(4,028,091)
Fair value as at 31 December	-	1,558,683	-	179,881
	47,195,342	1,558,683	19,423,775	179,881

## 14 Other non-current assets

As at 31 December 2018 and 2017, "Other non-current assets" are detailed as follows:

	31 Dec 2018			31 Dec 2017		
	Gross Value	Accumulated impairment losses (Note 32)	Carrying Amount	Gross Value	Accumulated impairment losses (Note 32)	Carrying Amount
<b>Loans granted to related parties (Note 44)</b>	54,497,134	-	54,497,134	-	-	-
<b>Trade accounts receivable and other debtors</b>						
Legal deposits	3,502,069	-	3,502,069	3,916,334	-	3,916,334
Cautions	4,163,529	-	4,163,529	5,120,591	-	5,120,591
Special regime for payment of tax and social security	4,527,309	-	4,527,309	6,397,435	-	6,397,435
Rent deposits from tenants	3,037,324	-	3,037,324	787,615	-	787,615
Receivables from disposal of financial investments	5,900,000	-	5,900,000	1,000,000	-	1,000,000
Debt to receive related to Armilar Funds	1,274,358	-	1,274,358	2,778,017	-	2,778,017
Amount retained on acquisition of Salsa group	2,463,875	-	2,463,875	2,463,875	-	2,463,875
Others	1,050,290	-	1,050,290	463,340	-	463,340
	25,918,754	-	25,918,754	22,927,207	-	22,927,207
<b>Non-current derivatives (Note 26)</b>	492,489	-	492,489	-	-	-
<b>Total financial instruments (Note 7)</b>	80,908,377	-	80,908,377	22,927,207	-	22,927,207
<b>Reinsurer's' share of technical provisions</b>	-	-	-	412,943	-	412,943
<b>Other non-current assets</b>	1,919,673	-	1,919,673	271,793	-	271,793
	82,828,050	(48,383)	82,828,050	23,611,943	-	23,611,943

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 canceled. 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.

The amounts included in "Reinsurer's' share of technical provisions" refer to a Sonae's subsidiary whose activity is non-life reinsurance. The amount of the provision is related to provisions for claims declared (Note 32).

## 15 Inventories

As at 31 December 2018 and 2017, "Inventories" are detailed as follows:

	31 Dec 2018	31 Dec 2017
Raw materials and consumables	2,739,033	3,112,234
Goods for resale	686,247,529	731,937,990
Finished and intermediate goods	14,029,390	11,393,255
Work in progress	1,540,926	1,763,374
	704,556,878	748,206,853
Accumulated adjustments in inventories	(33,235,284)	(34,953,228)
	671,321,594	713,253,625

Cost of goods sold as at 31 December 2018 and 2017 amounted to 4,050,718,345 euro and 3,791,251,452 euro, respectively, and may be detailed as follows:

	31 Dec 2018	31 Dec 2017
Opening balance	735,050,224	716,877,576
Acquisitions of subsidiaries (Note 4.2)	134,878	586,950
Discontinued operations	(57,655,263)	(20,739,408)
Purchases	4,075,909,292	3,838,859,266
Adjustments	(16,411,996)	(11,686,719)
Closing balance	688,986,562	735,050,224
	4,048,040,573	3,788,847,441
Adjustments in inventories	2,677,772	2,404,011
	4,050,718,345	3,791,251,452

As at 31 December 2018 and 2017, 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 2018 and 2017 amounted to (58,763) euro and 351,870 euro, respectively, and may be detailed as follows:

	31 Dec 2018	31 Dec 2017
Opening balance	13,156,629	12,643,378
Adjustments	1,549,871	(653,636)
Closing balance	15,570,316	13,156,629
	863,816	1,166,887
Adjustments in inventories	(922,579)	(815,017)
	(58,763)	351,870

## 16 Trade receivable

As at 31 December 2018 and 2017, "Trade receivable" are detailed as follows:

Trade receivable and doubtful accounts	31 Dec 2018			31 Dec 2017		
	Gross Value	Impairment losses (Note 32)	Carrying Amount	Gross Value	Impairment losses (Note 32)	Carrying Amount
Sonae Retail						
Sonae MC	34,554,817	(2,879,363)	31,675,454	38,613,915	(3,961,001)	34,652,914
Worten	10,178,229	(460,952)	9,717,277	10,470,241	(674,825)	9,795,416
Sonae Sports&Fashion	35,344,839	(3,447,481)	31,897,358	38,897,965	(3,583,372)	35,314,593
Sonae RP	389,894	(32,960)	356,934	523,593	(72,751)	450,842
Maxmat	15,084	(1,829)	13,255	33,566	(19,754)	13,812
Sonae Sierra	24,510,307	(9,653,330)	14,856,977	-	-	-
Sonae IM	48,798,586	(3,468,102)	45,330,484	44,309,473	(2,539,839)	41,769,634
Sonae SF	2,858,082	-	2,858,082	2,208,338	-	2,208,338
Others	6,873,839	(1,644,275)	5,229,564	7,501,438	(1,631,697)	5,869,741
	163,523,677	(21,588,292)	141,935,385	142,558,529	(12,483,239)	130,075,290

At 31 December 2018, 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.

## 17 Other receivables

As at 31 December 2018 and 2017, Other debtors are detailed as follows:

	31 Dec 2018	31 Dec 2017
<b>Granted loans to related companies (Note 44)</b>	11,280,301	-
<b>Other debtors</b>		
Trade creditors - debtor balances	27,831,663	37,512,048
Dividends to be received of jointly controlled companies	7,685,381	6,441,330
Disposal of financial investments	1,300,000	-
Disposal of property, plant and equipment	1,489,845	2,142,406
Vouchers and gift cards	1,227,577	2,237,906
VAT recoverable on real estate assets and vouchers discounts	4,116,518	6,371,632
Advances to suppliers	9,517,585	697,627
Escrow account	2,224,210	-
Subsidies	2,730,669	205,231
Other current assets	23,171,348	14,255,794
	81,294,796	69,863,974
Accumulated impairment losses in receivables (Note 32)	(8,849,835)	(7,263,230)
<b>Total of financial instruments (Note 7)</b>	<b>83,725,262</b>	<b>62,600,744</b>
	83,725,262	62,600,744

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 2018, 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.

## 18 Income tax

As at 31 December 2018 and 2017, "Other tax assets", and "Other tax liabilities" are made up as follows:

	31 Dec 2018	31 Dec 2017
<b>Debtors values</b>		
Income taxation	44,470,989	45,725,862
VAT	46,134,853	38,785,695
Other taxes	2,585,113	2,060,409
	93,190,955	86,571,966
<b>Creditors values</b>		
Income taxation	17,954,098	12,950,290
VAT	72,864,281	64,625,279
Staff income taxes withheld	10,335,492	5,856,546
Social security contributions	16,115,361	14,489,824
Other taxes	446,333	445,504
	117,715,566	98,367,443

## 19 Other current assets

As at 31 December 2018 and 2017, "Other current assets" is made up as follows:

	31 Dec 2018	31 Dec 2017
Invoices to be issued	12,726,484	8,807,168
Commercial discounts	36,866,309	25,221,050
Key money	320,822	-
Management fees to be received	1,970,601	-
Deferred costs - supplies and services	14,545,487	10,065,624
Deferred costs - rents	4,335,165	6,986,698
Insurance indemnities	67,020	122,335
Other current assets	18,090,099	12,865,520
	<b>88,921,987</b>	<b>64,068,395</b>

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"

## 20 Deferred taxes

Deferred tax assets and liabilities as at 31 December 2018 and 2017 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Difference between fair value and acquisition cost	5,247,517	4,933,142	179,858,651	33,865,461
Temporary differences on property, plant and equipment and intangible assets	1,437,193	1,527,715	68,518,308	69,044,445
Temporary difference of negative goodwill and equity method	-	-	13,930,732	10,243,448
Provisions and impairment losses not accepted for tax purposes	18,007,749	23,215,181	-	-
Write off of proeprty, plant and equipment and intangible assets	10,515	28,517	5,239	-
Write off of deferred income relating entrance fees (key money) and expenses relating the opening of shopping centres	-	-	(813,440)	-
Valuation of hedging derivatives	39,451	11,702	86,360	41,952
Temporary differences arising from the securitization of receivable operatio	-	-	652,100	-
Amortisation of Goodwill for tax purposes in Spain	-	-	22,103,283	17,457,039
Revaluation of tangible assets	-	-	748,212	916,509
Tax losses carried forward	36,903,134	37,631,860	-	-
Reinvested capital gains/losses	-	-	265,898	302,963
Tax Benefits	9,248,776	986,686	-	-
Others	2,478,588	3,548,790	633,307	329,081
	<b>73,372,923</b>	<b>71,883,593</b>	<b>285,988,650</b>	<b>132,200,898</b>

During the periods ended 31 December 2018 and 2017, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
<b>Opening balance</b>	71,883,593	61,360,744	132,200,898	113,450,277
<b>Effects in net income:</b>				
Difference between fair value and acquisition cost	314,375	408,534	(266,809)	(1,490,206)
Temporary differences on property, plant and equipment and intangible assets	(381,214)	(259,291)	1,596,823	5,910,379
Temporary difference of negative goodwill and equity method	-	-	3,687,284	1,980,030
Provisions and impairment losses not accepted for tax purposes	(4,221,949)	(778,238)	804	-
Write-off of property, plant and equipment and intangible assets	-	(10,247)	-	(44,232)
Write-off of deferred accrued costs	-	-	276,328	-
Revaluation of tangible assets	-	-	(167,936)	(116,394)
Constitution / reversal of deferred tax assets over tax losses	4,179,858	13,243,850	-	-
Amortization of goodwill for fiscal purposes in Spain	-	-	5,816,680	17,457,039
Reinvested capital gains/(losses)	-	-	(392,818)	(26,647)
Effect of change of tax rate	47,231	(943,285)	(13,512)	(220,405)
Tax Benefits	8,262,090	(50,429)	-	-
Others	(3,467,183)	(181,800)	(1,157,724)	(415,076)
	4,733,208	11,429,094	9,379,120	23,034,488
<b>Effects in equity:</b>				
Valuation of hedging derivatives	35,596	(75,230)	42,145	(574,145)
Others	231,623	(88,390)	71,458	(468,354)
	267,219	(163,620)	113,603	(1,042,499)
Acquisitions of subsidiaries	3,692,521	353,206	145,277,273	-
Loss control in subsidiaries	-	(1,095,831)	-	(3,400,449)
Discontinued operations (Note 4.3)	(7,203,618)	-	(982,244)	159,081
<b>Closing Balance</b>	<b>73,372,923</b>	<b>71,883,593</b>	<b>285,988,650</b>	<b>132,200,898</b>

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 (Note 4.1).

As at 31 December 2018, 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 2018 and 2017, 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 2018			31 Dec 2017		
		Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
<b>With limited time use</b>							
Generated in 2013	Portugal				1,220,382	256,280	2018
Generated in 2014	Portugal	1,273,815	267,501	2026	1,673,556	351,447	2026
Generated in 2015	Portugal	604,829	127,014	2027	69,902	14,680	2027
Generated in 2016	Portugal	20,046,006	4,209,661	2028	21,550,140	4,525,529	2028
Generated in 2017	Portugal	24,622,425	5,170,709	2022	21,264,154	4,465,472	2022
Generated in 2018	Portugal	10,018,691	2,103,925	2023	-	-	
		56,565,766	11,878,810		45,778,134	9,613,408	
<b>With a time limit different from the above mentioned</b>							
	Spain	3,912,524	978,131	2028 to 2029	3,464,916	866,229	2028 to 2029
	United States of America	8,194,754	2,335,505	2030 to 2035	7,823,749	2,229,769	2030 to 2035
	Mexico	2,838,428	851,528	2021 to 2027	2,178,019	653,406	2021 to 2027
		14,945,706	4,165,164		13,466,684	3,749,404	
<b>Without limited time use</b>							
	Spain	83,396,849	20,849,212		97,076,194	24,269,048	
	Italy	41,445	9,948		-	-	
		83,438,294	20,859,160		97,076,194	24,269,048	
		154,949,766	36,903,134		156,321,012	37,631,860	

As at 31 December 2018 and 2017, 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 11 with the exception of Retail operations in Spain.

As at 31 December 2018, the Group had an amount of 13.1 million euro (20 million euro as at 31 December 2017) 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 2018 and 2017, 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 6.5% over a 10-year period (8.4% in 2017)

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 2017 the amount of deferred tax assets also includes the amount of 6.6 million euros related to tax losses carried forward and deductible temporary differences which will be derecognised as a result of the loss of control of the Sport Zone operation (Note 4.3).

As at 31 December 2018, there are reportable tax losses in the amount of 581.3 million euro (433.7 million euro as at 31 December 2017), whose deferred tax assets are not recorded for prudence purposes.

	Country	31 Dec 2018			31 Dec 2017		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
<b>With limited time use</b>							
Generated in 2013	Portugal	-	-		21,578	4,531	2018
Generated in 2014	Portugal	8,742,117	1,835,845	2026	3,538,124	743,006	2026
Generated in 2015	Portugal	254,720	53,491	2027	534,927	112,335	2027
Generated in 2016	Portugal	121,243	25,461	2028	49,793	10,457	2028
Generated in 2017	Portugal	607,289	127,531	2022	570,677	119,842	2022
Generated in 2018	Portugal	6,092,458	1,279,416	2023	-	-	-
		15,817,827	3,321,744		4,715,099	990,171	
<b>With a time limit different from the above mentioned</b>							
	Spain	6,825,310	1,706,331	2020 to 2032	6,310,255	1,577,566	2020 to 2032
	Netherlands	114,543,040	26,200,843	2019 to 2025	56,209,973	13,987,824	2018 to 2025
	Mexico	4,011,385	1,203,416	2019 to 2027	2,294,563	688,368	2018 to 2027
	United States of America	2,076,996	591,944	2037 to 2038	2,499,672	712,405	2037
	Greece	1,746,511	506,487	2019 to 2022	-	-	-
	Romania	21,040,337	3,366,454	2019 to 2024	-	-	-
	Colombia	415,153	130,287	2019 to 2030	-	-	-
	Turkey	2,408,685	495,264	2019 a 2024	-	-	-
		153,067,417	34,201,026		67,314,463	16,966,163	
<b>Without limited time use</b>							
	Australia	-	-		788,220	224,643	
	Brazil	19,547,151	6,646,031		18,980,307	6,453,304	
	Colombia	357,131	121,425		630,032	189,010	
	Spain	315,060,069	78,765,017		336,368,571	84,092,143	
	Malta	44,040	15,414		12,752	4,463	
	United Kingdom	4,762,788	904,930		4,324,097	821,578	
	Ireland	700,649	87,581		562,925	70,366	
	Germany	33,199,773	10,326,663		-	-	
	United States of America	262,923	74,933		-	-	
	Romania	36,378,444	5,820,551		-	-	
	Italy	2,131,056	511,453		-	-	
		412,444,024	103,273,998		361,666,904	91,855,507	
		581,329,268	140,796,768		433,696,466	109,811,841	

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 (Tribunal Economico Administrativo Central de Madrid) in 2010 and 2011 respectively, and it is the Board of Directors understanding that the decision will be favorable 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 Espana"), 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 (Tribunal Economico-Administrativo Central Espana). Tax reports for 2012 to 2015 were corrected. During 2018, as a result of the unfavorable 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 and 2018.

## 21 Cash and cash equivalents

As at 31 December 2018 and 2017, Cash and cash equivalents are as follows:

	31 Dec 2018	31 Dec 2017
Cash at hand	10,750,265	10,467,637
Bank deposits	680,458,016	283,561,778
Bank deposits - shopkeepers deposits	5,021,398	-
Treasury applications	13,392	70,559,700
Cash and bank balances on the statement of financial position	696,243,071	364,589,115
Bank overdrafts (Note 24)	(621,831)	(2,819,107)
Cash and bank balances in the statement of cash flows	695,621,240	361,770,008

As at 31 December 2018, 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 27).

Bank overdrafts are disclosed in the statement of financial position under "Loans".

The applications of treasury mentioned above are remunerated and, during the closed exercise in 31 December 2017, they won interest to a middle tax of 0,29 % being distributed, that one dates, for 2 financial institutions.

## 22 Share Capital

### Share capital

As at 31 December 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 15<sup>th</sup> 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 30). 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 2018 the Group requested the partial termination of the Cash Settled Equity Swap for 4,195,875 Sonae SGPS shares. Which resulted receipts of 457,631 euro (344,293 euro of receipts and 73,946 payments as at 31 December 2017), 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 2018 receipts of 4,167,689 euro and payments of 19,823,616 euro (36,666,746 euro of receipts and 15,420,657 euro in payments as at 31 December 2017) included also in the Investment Activities as “Others”.

Considering the operations mentioned above, the liability recorded amounts to 83,876,384 euro (Note 30) (103,700,000 euro as at 31 December 2017) reflecting the market value of 100,210,733 Sonae Holding shares (104,406,608 shares as at 31 de December 2017).

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 2018 the dividends paid by Sonae SGPS amounted to 84,000,000 euro (80,000,000 euro as at 31 December 2017) and 4,209,064 euro were attributed to Sonae SGPS, SA shares (4,203,696 euro as at 31 December 2017), which were credited to shareholders' equity. During the financial year of 2016 there was no distribution of dividends.

## Capital Structure

As at 31 December 2018, the following entities held more than 20% of the subscribed share capital:

Company	%
Efanor Investimentos, SGPS, SA and subsidiaries	52,48

## 23 Non-controlling interest

As at 31 December 2018 and 2017, "Non-controlling interests" are detailed as follows:

	31 dec 2018				
	Equity <sup>(1)</sup>	Profit/(Loss) for the period <sup>(1)</sup>	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends attributable to non-controlling interests
<b>Sonae Retail</b>					
Sonae MC	4,050,906	1,038,874	4,544,035	170,815	-
Worten	7,882,091	125,780	1,152,834	50,312	-
Sonae Sports & Fashion	72,341,296	4,968,123	33,099,552	2,740,675	(1,326,684)
Sonae RP	116,459,506	12,855,144	2,390,134	263,379	(10,084)
Maxmat	48,721,698	4,325,006	24,351,613	2,162,503	-
<b>Sonae IM</b>					
Sonaecon, SGPS, SA (consolidated)	1,052,581,562	72,276,818	107,847,550	6,905,314	(1,720,219)
<b>Sierra</b>					
SonaeSierra, SGPS, SA (consolidated)	1,767,934,495	44,092,872	954,489,375	21,103,162	(14,923,926)
<b>Others</b>					
	7,979,855	(4,415,763)	(382,003)	(497,264)	-
<b>Total</b>	<b>3,077,951,409</b>	<b>135,266,854</b>	<b>1,127,493,090</b>	<b>32,898,896</b>	<b>(17,980,913)</b>

(1) Contribution to the consolidated financial statements of the Group.

	31 dec 2017				
	Equity <sup>(1)</sup>	Profit/(Loss) for the period <sup>(1)</sup>	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends attributable to non-controlling interests
<b>Retail</b>					
Sonae MC	3,666,888	766,953	4,592,402	212,251	-
Worten	2,756,310	751,757	1,102,522	300,702	-
Sonae Sports & Fashion	67,870,269	7,806,086	32,826,507	3,935,968	(1,050,475)
Sonae RP	124,016,739	15,965,998	2,601,245	336,708	(408,900)
Maxmat	44,394,344	4,198,323	22,187,936	2,099,161	-
<b>Sonae IM</b>					
Sonaecon, SGPS, SA (consolidated)	1,012,610,908	26,239,058	104,097,279	2,739,449	(2,442,162)
<b>Sonae FS</b>					
MDS, SGPS, SA	-	1,890,664	-	945,143	(173,339)
<b>Others</b>					
	5,876,431	(7,231,383)	402,103	(2,114,226)	-
<b>Total</b>	<b>1,261,191,889</b>	<b>50,387,456</b>	<b>167,809,994</b>	<b>8,455,156</b>	<b>(4,074,876)</b>

Movements in non-controlling interests during the periods ended as at 31 December 2018 and 2017 are as follows:

	31 dec 2018				
	Sonae Retail	Sonae IM	Sierra	Others	Total
	Sonae Retail	Sonae IM	Sierra	Others	Total
	Sonae Retail	Sonae IM	Sierra	Others	Total
	Sonae Retail	Sonae IM	Sierra	Others	Total
Opening balance as at 1 January	63,310,612	104,097,279	-	402,103	167,809,994
Distributed dividends	(1,336,768)	(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)
Delivery of shares to employees to due the settle of the obligation	(2,468)	-	-	-	(2,468)
Increase of capital	-	2,053,149	-	-	2,053,149
Changes in cash-flow hedging reserves	(97,339)	-	-	-	(97,339)
IFRS 15 impacts	-	(73,934)	-	-	(73,934)
Others	(128,153)	247,408	4,717	4	123,976
Profit for the period attributable to non-controlling interests	5,387,684	6,905,314	21,103,162	(497,264)	32,898,896
<b>Closing balance as at 31 December</b>	<b>65,538,168</b>	<b>107,847,550</b>	<b>954,489,375</b>	<b>(382,003)</b>	<b>1,127,493,090</b>

	31 dec 2017				
	Sonae Retail	Sonae IM	Sonae FS	Others	Total
	Sonae Retail	Sonae IM	Sonae FS	Others	Total
	Sonae Retail	Sonae IM	Sonae FS	Others	Total
	Sonae Retail	Sonae IM	Sonae FS	Others	Total
Opening balance as at 1 January	53,800,688	102,772,762	11,630,167	836,569	169,040,186
Distributed dividends	(1,050,475)	(2,442,162)	(173,339)	-	(3,665,976)
Distributed income of Investment Funds	(408,900)	-	-	-	(408,900)
Acquisition in subsidiary	3,772,948	-	-	-	3,772,948
Change in percentage of subsidiaries	(110,864)	-	-	-	(110,864)
Constitution of subsidiaries	400,000	-	-	-	400,000
Change in the consolidation method	-	-	(13,090,263)	-	(13,090,263)
Change in currency translation reserve	-	(217,872)	2,346,684	11,903	2,140,715
Change in fair value of investments available for sale (Note 13)	-	67,586	(8,813)	-	58,773
Delivery of shares to employees to due the settle of the obligation	6,096	(25,742)	34,798	-	15,152
Increase of capital	-	1,207,700	-	-	1,207,700
Changes in cash-flow hedging reserves	18,048	-	-	-	18,048
Others	(1,719)	(20,769)	(1,684,377)	1,667,857	(39,008)
Profit for the period attributable to non-controlling interests	6,884,790	2,739,449	945,143	(2,114,226)	8,455,156
<b>Closing balance as at 31 December</b>	<b>63,310,612</b>	<b>104,097,279</b>	<b>-</b>	<b>402,103</b>	<b>167,809,994</b>

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 4.1), this change in consolidation method had an impact on uncontrolled interests amounting to 939 million euro.

During the years ended 31 December 2018 and 2017, the movement occurred in the non-controlling interests of subsidiaries included in the Sonae retail segment can be analyzed as follows:

	31 dec 2018					
	Sonae MC	Worten	Sonae Sports & Fashion	Sonae RP	Maxmat	Total Sonae Retail
Opening balance as at 1 January	4,592,402	1,102,522	32,826,507	2,601,245	22,187,936	63,310,612
Distributed dividends	-	-	(1,326,684)	(10,084)	-	(1,336,768)
Distributed income of Investment Funds	-	-	-	(405,352)	-	(405,352)
Acquisition in subsidiary	-	-	80,000	-	-	80,000
Change in percentage of subsidiaries	-	-	-	(59,394)	-	(59,394)
Change in the consolidation method	-	-	(1,211,039)	-	-	(1,211,039)
Change in currency translation reserve	-	-	385	-	-	385
Delivery of shares to employees to due the settle of the obligation	-	-	-	341	(2,809)	(2,468)
Changes in cash-flow hedging reserves	(105,936)	-	4,614	-	3,983	(97,339)
Others	(113,246)	-	(14,906)	(1)	-	(128,153)
Profit for the period attributable to non-controlling interests	170,815	50,312	2,740,675	263,379	2,162,503	5,387,684
Closing balance as at 31 December	4,544,035	1,152,834	33,099,552	2,390,134	24,351,613	65,538,168

	31 dec 2017					
	Sonae MC	Worten	Sonae Sports & Fashion	Sonae RP	Maxmat	Total Sonae Retail
Opening balance as at 1 January	526,934	801,820	29,570,669	2,783,406	20,117,859	53,800,688
Distributed dividends	-	-	(1,050,475)	-	-	(1,050,475)
Distributed income of Investment Funds	-	-	-	(408,900)	-	(408,900)
Acquisition in subsidiary	3,772,948	-	-	-	-	3,772,948
Change in percentage of subsidiaries	-	-	-	(110,864)	-	(110,864)
Constitution of subsidiaries	-	-	400,000	-	-	400,000
Delivery of shares to employees to due the settle of the obligation	-	-	-	895	5,201	6,096
Changes in cash-flow hedging reserves	78,909	-	(26,576)	-	(34,285)	18,048
Others	1,360	-	(3,079)	-	-	(1,719)
Profit for the period attributable to non-controlling interests	212,251	300,702	3,935,968	336,708	2,099,161	6,884,790
Closing balance as at 31 December	4,592,402	1,102,522	32,826,507	2,601,245	22,187,936	63,310,612

As at 31 December 2018 and 2017, the aggregate financial information of subsidiaries with non-controlling interests are as follows:

	31 Dec 2018				
	Sonae Retail	Sonae IM	Sierra	Others	Total
		Sonaeacom, SGPS, SA	SonaeSierra, SGPS, SA	Others	Total
Total Non-Current Assets	276,472,154	873,478,071	2,167,032,679	4,060,141	3,321,043,045
Total Current Assets	122,297,842	289,919,620	361,841,072	10,171,188	784,229,722
Total Non-Current Liabilities	69,067,938	46,348,099	615,193,198	1,417,460	732,026,695
Total Current Liabilities	80,246,561	64,468,030	145,746,058	4,834,014	295,294,663
Equity	249,455,497	1,052,581,562	1,767,934,495	7,979,855	3,077,951,409

	31 Dec 2017			
		Sonae IM	Others	Total
	Sonae Retail	Sonacom, SGPS, SA	Others	Total
Total Non-Current Assets	284,676,402	818,628,771	5,776,045	1,109,081,218
Total Current Assets	112,339,625	257,360,460	9,922,930	379,623,015
Total Non-Current Liabilities	77,445,918	16,655,798	1,765,865	95,867,581
Total Current Liabilities	76,865,559	46,722,525	8,056,679	131,644,763
Equity	242,704,550	1,012,610,908	5,876,431	1,261,191,889

	31 Dec 2018				
		Sonae IM	Sierra	Others	Total
	Sonae Retail	Sonacom, SGPS, SA	SonaeSierra, SGPS, SA	Others	Total
Turnover	292,012,658	138,048,111	41,252,432	14,808,678	486,121,879
Other operating income	81,083,265	10,236,433	34,720,060	9,307	126,049,065
Operating expenses	(345,136,062)	(153,490,399)	(41,464,593)	(19,364,862)	(559,455,916)
Financial results	(1,389,892)	99,629	(5,603,868)	26,003	(6,868,128)
Gains or losses on joint ventures and associates	-	90,724,700	8,138,356	53,169	98,916,225
Investment results	381	3,760	13,742,357	15,900	13,762,398
Income tax expense	(3,257,423)	(13,345,416)	(6,691,872)	1,170,428	(22,124,283)
Consolidated profit/(Loss) for the period	23,312,927	72,276,818	44,092,872	(3,281,377)	136,401,240
Profit/(Loss) from discontinuing operations	-	-	-	(1,134,386)	(1,134,386)
Other comprehensive income for the period	(96,954)	382,000	3,107,471	13,567	3,406,084
Total comprehensive income for the period	23,215,973	72,658,818	47,200,343	(4,402,196)	138,672,938

	31 Dec 2017				
		Sonae IM	Sonae FS	Others	Total
	Sonae Retail	Sonacom, SGPS, SA	MDS, SGPS, SA	Others	Total
Turnover	279,152,529	110,598,426	-	16,647,127	406,398,082
Other operating income	74,661,851	9,707,267	-	5,401,752	89,770,870
Operating expenses	(320,256,488)	(126,278,515)	-	(28,734,884)	(475,269,887)
Financial results	(1,641,715)	(776,111)	-	(162,425)	(2,580,251)
Gains or losses on joint ventures and associates	-	35,708,166	-	45,449	35,753,615
Investment results	37	298	-	(59,202)	(58,867)
Income tax expense	(2,427,097)	(2,720,473)	-	(369,200)	(5,516,770)
Consolidated profit/(Loss) for the period	29,489,117	26,239,058	-	(7,231,383)	48,496,792
Profit/(Loss) from discontinued operations	-	-	1,890,664	-	1,890,664
Other comprehensive income for the period	16,329	(171,055)	2,217,264	115,990	2,178,528
Total comprehensive income for the period	29,505,446	26,068,003	4,107,928	(7,115,393)	52,565,984

As at 31 December 2018 and 2017, the aggregate financial information of subsidiaries with non-controlling interests are as follows:

	31 Dec 2018					
	Sonae MC	Worten	Sonae Sports & Fashion	Sonae RP	Maxmat	Total Sonae Retail
Total Non-Current Assets	1,109,280	7,393,807	119,234,553	116,418,302	32,316,212	276,472,154
Total Current Assets	11,915,546	14,538,327	53,904,170	1,308,440	40,631,359	122,297,842
Total Non-Current Liabilities	11,569	6,181,483	62,091,606	-	783,280	69,067,938
Total Current Liabilities	8,962,351	7,868,560	38,705,821	1,267,236	23,442,593	80,246,561
<b>Equity</b>	<b>4,050,906</b>	<b>7,882,091</b>	<b>72,341,296</b>	<b>116,459,506</b>	<b>48,721,698</b>	<b>249,455,497</b>

	31 Dec 2017					
	Sonae MC	Worten	Sonae Sports & Fashion	Sonae RP	Maxmat	Total Sonae Retail
Total Non-Current Assets	687,357	6,407,769	124,746,002	122,103,353	30,731,921	284,676,402
Total Current Assets	8,753,344	10,624,536	52,996,066	3,916,363	36,049,316	112,339,625
Total Non-Current Liabilities	23,405	6,835,930	69,880,218	(53,754)	760,119	77,445,918
Total Current Liabilities	5,750,408	7,440,065	39,991,581	2,056,731	21,626,774	76,865,559
<b>Equity</b>	<b>3,666,888</b>	<b>2,756,310</b>	<b>67,870,269</b>	<b>124,016,739</b>	<b>44,394,344</b>	<b>242,704,550</b>

	31 Dec 2018					
	Sonae MC	Worten	Sonae Sports & Fashion	Sonae RP	Maxmat	Total Sonae Retail
Turnover	14,251,794	55,891,403	136,050,340	305,452	85,513,669	292,012,658
Other operating income	55,386,489	576,921	4,627,581	17,274,089	3,218,185	81,083,265
Operating expenses	(68,173,385)	(56,215,075)	(133,080,796)	(4,779,536)	(82,887,270)	(345,136,062)
Financial results	(35,187)	(128,558)	(1,119,333)	(1)	(106,813)	(1,389,892)
Investment results	381	-	-	-	-	381
Income tax expense	(391,218)	1,089	(1,509,669)	55,140	(1,412,765)	(3,257,423)
<b>Consolidated profit/(Loss) for the period</b>	<b>1,038,874</b>	<b>125,780</b>	<b>4,968,123</b>	<b>12,855,144</b>	<b>4,325,006</b>	<b>23,312,927</b>
Other comprehensive income for the period	(105,936)	-	4,999	-	3,983	(96,954)
<b>Total comprehensive income for the period</b>	<b>932,938</b>	<b>125,780</b>	<b>4,973,122</b>	<b>12,855,144</b>	<b>4,328,989</b>	<b>23,215,973</b>

	31 Dec 2017					
	Sonae MC	Worten	Sonae Sports & Fashion	Sonae RP	Maxmat	Total Sonae Retail
Turnover	8,000,499	50,754,215	141,612,978	293,276	78,491,561	279,152,529
Other operating income	48,843,728	368,150	1,786,748	20,414,709	3,248,517	74,661,851
Operating expenses	(55,811,193)	(50,022,367)	(133,025,574)	(4,443,127)	(76,954,228)	(320,256,488)
Financial results	(16,191)	(121,514)	(1,473,252)	(1)	(30,757)	(1,641,715)
Investment results	37	-	-	-	-	37
Income tax expense	(249,927)	(226,727)	(1,094,814)	(298,859)	(556,770)	(2,427,097)
<b>Consolidated profit/(Loss) for the period</b>	<b>766,953</b>	<b>751,757</b>	<b>7,806,086</b>	<b>15,965,998</b>	<b>4,198,323</b>	<b>29,489,117</b>
Other comprehensive income for the period	80,269	-	(29,655)	-	(34,285)	16,329
<b>Total comprehensive income for the period</b>	<b>847,222</b>	<b>751,757</b>	<b>7,776,431</b>	<b>15,965,998</b>	<b>4,164,038</b>	<b>29,505,446</b>

## 24 Loans

As at 31 December 2018 and 2017, loans are made up as follows:

	31 Dec 2018		31 Dec 2017	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
<b>Bank loans</b>				
Sonae, SGPS, SA - commercial paper	182,500,000	213,750,000	36,390,000	166,250,000
Sonae SGPS, SA / 2016/2023	-	50,000,000	-	50,000,000
Sonae Investimentos, SGPS, SA - commercial paper	15,500,000	313,000,000	7,500,000	182,500,000
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	-	5,000,000	30,000,000
Sonae Investimentos affiliated /2017/2022	-	-	-	31,000,000
Sonae Investimentos affiliated /2017/2025	-	20,000,000	-	-
Sonae Investimentos /2018/2018	-	-	100,000,000	-
Sonae Holding affiliated /2014/2018	-	-	40,000,000	-
Sonae Holding affiliated /2014/2021	-	20,000,000	10,000,000	20,000,000
Sonae Holding affiliated - commercial paper	5,000,000	35,000,000	-	-
Sonae Sierra SGPS, SA - commercial paper	-	25,000,000	-	-
Sonae Sierra / 2018/2022	-	10,000,000	-	-
Sonae Sierra affiliated / 2016/2023	2,100,000	65,800,000	-	-
Sonae Sierra affiliated / 2016/2021	-	41,300,000	-	-
Sonae Sierra affiliated / 2016/2023	2,100,000	65,800,000	-	-
Sonae Sierra affiliated / 2014/2019	22,755,000	-	-	-
Sonae Sierra affiliated / 2014/2019	13,102,064	-	-	-
Sonae Sierra affiliated / 2018/2021	-	13,475,000	-	-
Sonae Sierra affiliated / 2018/2023	5,200,000	123,500,000	-	-
Others	9,214,687	7,982,360	6,144,402	24,093,006
	<b>287,471,751</b>	<b>1,074,607,360</b>	<b>205,034,402</b>	<b>573,843,006</b>
Bank overdrafts (Note 20)	621,830	-	2,819,107	-
Up-front fees beard with the issuance of borrowings	(948,690)	(2,786,179)	(105,502)	(402,455)
<b>Bank loans</b>	<b>287,144,891</b>	<b>1,071,821,181</b>	<b>207,748,007</b>	<b>573,440,551</b>
<b>Bonds</b>				
Bonds Sonae SGPS / 2015/2022	-	100,000,000	-	100,000,000
Bonds Sonae SGPS / 2016/2023	-	60,000,000	-	60,000,000
Bonds Sonae Investments BV / 2014/2019	207,994,922	-	-	203,466,710
Bonds Sonae Investimentos/ June 2013/2018	-	-	50,000,000	-
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	6,000,000	3,000,000	9,000,000
Bonds IVN 2016/2023	-	-	5,000,000	25,000,000
Bonds Sonae Sierra 2018/2025	-	50,000,000	-	-
Bonds Sonae Sierra 2018/2023	-	25,000,000	-	-
Bonds Sonae Sierra 2018/2023	-	25,000,000	-	-
Up-front fees beard with the issuance of borrowings	(153,665)	(2,706,817)	(29,194)	(3,799,668)
<b>Bonds</b>	<b>210,841,257</b>	<b>513,293,183</b>	<b>57,970,806</b>	<b>643,667,042</b>
Other loans	1,664,567	2,217,506	1,278,626	2,244,793
Derivates (Note 26)	184,427	-	1,248,119	-
<b>Other loans</b>	<b>1,848,994</b>	<b>2,217,506</b>	<b>2,526,745</b>	<b>2,244,793</b>
Obligations under finance leases (Note 25)	873,513	535,812	832,895	881,956
	<b>500,708,655</b>	<b>1,587,867,682</b>	<b>269,078,453</b>	<b>1,220,234,342</b>

In June 2014, a subsidiary of Sonae SGPS, SA issued bonds which may be convertible (Sonae Investments BV 2014/2019) in Sonae shares already issued and fully subscribed or to be later on issued.

The fair value of the Equity component of this compound instrument was valued at 22,313,000 euro at 31 December 2014 and it was determined by an independent entity from Sonae, taking into consideration the fair value of similar non- convertible financial instruments, having been estimated a market interest rate to establish the amortized cost of this financial liability. This process of measurement represents a Level 3 fair value measurement according to IAS 39. The liability component is recorded at the amortized cost based on the market rate.

The Bonds were issued at par with a nominal value of 100,000, (2.105 euro per bond) with a maturity of 5 years and with a fixed coupon of 1.625% per year, paid in arrears and semi-annually.

The bonds can be converted at the request of the bondholder when the Sonae SGPS, SA share price, in accordance with the technical data sheet, exceeds 1,636 euro per share. This price is subject to adjustments in accordance with the market practices, in particular when the dividend exceeds 0.0284 euro per share.

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, with the exception the convertible bond loan into shares whose fair value is determined by the market price at the balance sheet date.

Bonds and bank loans bear an average interest rate of 1.05% (1.35% as at 31 December 2017). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

The derivatives are recorded at fair value (Note 26).

The loans face value, maturities and interests are as follows (including obligations under financial leases):

	31 Dec 2018		31 Dec 2017	
	Capital	Interests	Capital	Interests
N+1 <sup>a)</sup>	504,131,661	25,705,132	267,965,030	18,176,095
N+2	253,486,848	21,951,824	266,186,915	14,514,432
N+3	363,191,358	17,770,069	242,942,827	11,837,792
N+4	329,157,254	13,391,355	296,490,957	7,625,492
N+5	600,538,813	7,020,711	278,889,510	4,032,644
After N+5	46,986,404	854,376	146,959,544	1,739,800
	<b>2,097,492,338</b>	<b>86,693,467</b>	<b>1,499,434,783</b>	<b>57,926,255</b>

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 taking into account Sonae's best estimated regarding their reimbursement date and include the amount to be paid in 2019 related to the convertible bond updated to the referred date and whose fair value of unamortized liabilities amounted to 3 million euro (7 million euro at 31 December 2017)

As at 31 December 2018 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 2018, Sonae has, as detailed below, cash and bank balance equivalents in the amount of 696 million euro (365 million euro in 2017) and available credit lines as follows:

	31 Dec 2018		31 Dec 2017	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
<b>Unused credit facilities</b>				
Sonae Retail	94,000,000	202,000,000	94,443,125	242,750,000
Sonae Sierra	61,469,346	20,000,000	-	-
Sonae Holding	75,000,000	8,620,000	147,802,076	50,000,000
	<b>230,469,346</b>	<b>230,620,000</b>	<b>242,245,201</b>	<b>292,750,000</b>
<b>Agreed credit facilities</b>				
Sonae Retail	101,500,000	515,000,000	105,760,000	537,500,000
Sonae Sierra	61,469,346	45,000,000	-	-
Sonae Holding	209,500,000	260,750,000	152,195,242	216,250,000
	<b>372,469,346</b>	<b>820,750,000</b>	<b>257,955,242</b>	<b>753,750,000</b>

## 25 Obligations under finance leases

As at 31 December 2018 and 2017, Finance lease liabilities are as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Amounts under finance leases:				
N+1	885,187	864,939	873,513	832,895
N+2	393,640	574,170	375,006	566,129
N+3	115,059	209,394	109,871	206,702
N+4	45,013	87,965	44,769	87,266
N+5	6,175	21,927	6,166	21,859
After N+5	-	0	-	0
	<b>1,445,074</b>	<b>1,758,395</b>	<b>1,409,325</b>	<b>1,714,851</b>
Future Interests	(35,749)	(43,544)		
	<b>1,409,325</b>	<b>1,714,851</b>		
<b>Current obligations under finance leases</b>			<b>873,513</b>	<b>832,895</b>
<b>Obligations under finance leases - net of the short-term portion</b>			<b>535,812</b>	<b>881,956</b>

Finance leases contracts are agreed at market interest rates, have defined periods and include an option for the acquisition of the related assets at the end of the period of the agreement.

As at 31 December 2018 and 2017, the fair value of finance leases is close to its carrying amount.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2018 and 2017, accounting net value of assets acquired under finance leases can be detailed as follows:

Property leasing object	31 Dec 2018	31 Dec 2017
Lands and buildings	71,889	83,707
Plant and machinery	758,785	862,844
Vehicles	606,185	666,754
Fixture and Fittings	155,650	330,638
<b>Total tangible assets</b>	<b>1,592,509</b>	<b>1,943,943</b>
Software	77,477	208,111
<b>Total intangible assets</b>	<b>77,477</b>	<b>208,111</b>
	<b>1,669,986</b>	<b>2,152,054</b>



As at 31 December 2018, the acquisition cost of Property, plant and equipment and intangible assets amounted to 4,237,876 euro (4,227,538 euro as at 31 December 2017).

## 26 Derivatives

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### 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 184,427 euro and an asset of 1,454,393 euro (1,248,119 euro liabilities and 179,881 euro in assets as at 31 December 2017).

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;

The fair value of efficient hedging instruments was recorded against the Group's hedging reserve (2 thousand euro and -168 thousand euro at 31 December 2018 and 2017, respectively)

## Interest rate and Exchange rate derivatives

As at 31 December 2018 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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Derivatives not qualified as hedging				
Interest rate	492,489	-	-	-
Exchange rate	1,454,393	179,881	184,427	1,248,119
Derivates qualified as pending				
Exchange rate	-	-	-	-
	1,946,882	179,881	184,427	1,248,119

## 27 Others non-currents liabilities

As at 31 December 2018 and 2017 "Other non-current liabilities" are made up as follows:

	31 Dec 2018	31 Dec 2017
Shareholders loans	3,943,666	155,732
Fixed assets suppliers	800,618	1,151,347
Creditors for acquisition of financial investments	14,000,000	-
Rents deposits from tenants	6,481,004	-
Guarantees	457,180	-
Other non-current liabilities	#VALUE!	1,771,080
Financial instruments (Note 7)	#VALUE!	3,078,159
Deferral of the disposal of the extended warranties in the Worten segment (Note 2.16)	3,051,974	7,551,397
Charges made on the sale of real estate (Notes 2.6.c) and 8)	20,453,191	-
Other accruals and deferrals	7,344,377	2,819,762
Other non-current liabilities	57,438,677	13,449,318

The caption "Shareholder loans" relates to loans in affiliated undertakings in the Retail, and Sonae IM operating segments. These liabilities do not have a defined vesting date and bear interests at variable market rates.

The value of 14 million euro is related to the debt value of the acquisition of Parklake and Plenerg payable in 2020.

The carrying amount of "Other non-current liabilities" is estimated to be approximately its fair value.

## 28 Share based payment

In 2018 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 2018, 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 2018, 2017 and 31 December 2015. Share-based payments costs are recognized on a straight-line basis between the grant and the settlement date.

As at 31 December 2018 and 2017, 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 2018	31 Dec 2017
2015	2018	-	1.278	-	3,620,437
2016	2019	242	0.970	4,015,983	4,472,331
2017	2020	84	0.906	3,473,761	4,394,822
2018	2021	80	0.810	3,140,435	-
				10,630,179	12,487,590

During the period ending 31 December 2018 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 2017	595	12,487,590
Grant	85	3,039,987
Vesting	(240)	(4,015,357)
Canceled /extinct / corrected / transferred <sup>(1)</sup>	(34)	(882,041)
Closing balance as at 31 December 2018	406	10,630,179

(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 2018 and 2017, 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	Fair value *	
		31 Dec 2018	31 Dec 2017
		Sonae SGPS	Sonae SGPS
2015	2018	-	4,076,612
2016	2019	3,252,946	3,357,230
2017	2020	1,875,831	1,649,523
2018	2021	847,917	-
	<b>Total</b>	<b>5,976,694</b>	<b>9,083,365</b>

\* Share market value as of 31 December 2018, and 2017.

As at 31 December 2018 and 2017 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 2018	31 Dec 2017
Recorded in employee benefits expense in the current period	3,687,934	2,535,536
Recorded in previous years	5,193,110	5,776,008
	<b>8,881,044</b>	<b>8,311,544</b>
Recorded value in Other reserves	8,881,044	8,311,544
	<b>8,881,044</b>	<b>8,311,544</b>

## 29 Trade payables

As at 31 December 2018 and 2017 Trade payables are as follows:

	31 Dec 2018	Payable to	
		up to 90 days	more than 90 days
Trade payables - current account			
Sonae Retail			
Sonae MC	710,092,907	709,586,518	506,389
Worten	406,362,666	406,362,666	-
Sonae Sports & Fashion	52,042,643	51,734,734	307,909
Sonae RP	258,369	242,494	15,875
Maxmat	15,803,917	15,803,917	-
Sonae Sierra	7,225,046	4,601,617	2,623,429
Sonae IM	15,490,325	15,490,325	-
Sonae SF	1,507,189	1,507,189	-
Others	6,498,919	6,284,583	214,336
	<b>1,215,281,981</b>	<b>1,211,614,043</b>	<b>3,667,938</b>
Trade payables - Invoice Accruals	72,208,404	72,208,404	-
	<b>1,287,490,385</b>	<b>1,283,822,447</b>	<b>3,667,938</b>

	31 Dec 2017	Payable to	
		up to 90 days	more than 90 days
Trade payables - current account			
Sonae Retail			
Sonae MC	633,808,748	633,364,284	444,464
Worten	367,730,269	367,730,269	-
Sonae Sports & Fashion	75,957,293	75,237,297	719,996
Sonae RP	98,526	97,579	947
Maxmat	14,335,703	14,335,703	-
Sonae IM	12,223,120	12,223,120	-
Sonae SF	564,154	564,154	-
Others	6,796,086	6,365,690	430,396
	1,111,513,899	1,109,918,096	1,595,803
Trade payables - Invoice Accruals	80,986,042	80,986,042	-
	1,192,499,941	1,190,904,138	1,595,803

As at 31 December 2018 and 2017 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.

### 30 Other Payables

As at 31 December 2018 and 2017, the caption "Other payables" is detailed as follows:

	31 Dec 2018	Payable to		
		up to 90 days	90 to 180 days	more than 180 days
Fixed assets suppliers	74,215,573	71,024,934	690,297	2,500,343
Other payables	169,642,635	70,413,659	391,041	98,837,936
	243,858,209	141,438,593	1,081,337	101,338,278
Related undertakings	-	-	-	-
	243,858,209	141,438,593	1,081,337	101,338,278

	31 Dec 2017	Payable to		
		up to 90 days	90 to 180 days	more than 180 days
Fixed assets suppliers	67,664,713	66,596,753	709,290	358,670
Other payables	153,565,166	49,493,445	139,469	103,932,252
	221,229,879	116,090,198	848,759	104,290,922
Related undertakings	-	-	-	-
	221,229,879	116,090,198	848,759	104,290,922

The caption "Other payables" includes:

- 83,876,384 euro (103,700,000 euro as at 31 December 2017) relating to the fair value of the shares covered by Sonae Holding financial derivative referred to in Note 22;
- 10,435,849 euro (10,421,939 euro as at 31 December 2017) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente"
- 21,446,519 euro (16,150,935 euro as at 31 December 2017) related to vouchers, gift cards and discount tickets not yet redeemed;
- 16,000,000 euro relating to the debt value of the acquisition of Parklake and Plenerg payable in 2019 (Note 12.3);
- 3,080,487 euro (3,447,882 euro as at 31 December 2017) related to amounts payable to Sonae Distribuição Brasil S.A. buyer as result of responsibilities assumed with that entity (Note 32); and
- 395,698 euro (383,343 euro as at 31 December 2017) relating to amounts payable associated to reinsurance operations

As at 31 December 2018 and 2017, 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.

## 31 Other current liabilities

As at 31 December 2018 and 2017, "Other current liabilities" are made up as follows:

	31 Dec 2018	31 Dec 2017
Holiday pay and bonus	147,260,333	128,309,674
Other external supplies and services	53,437,534	39,766,899
Deferred Revenue of warranty extension (Note 2.16)	66,834,299	57,862,718
Marketing expenses	20,436,949	15,660,724
Fixed assets to be billed by third parties	12,815,192	-
Charges made on the sale of real estate (Notes 2.6.c) and 8)	1,314,234	17,728,428
Advance receipts from Trade Receivables	14,871,112	9,993,106
Rentals	6,944,330	7,028,035
Fixed income charged in advance	5,288,247	1,035,450
Interest payable	4,001,727	2,079,044
Expenses on purchases	3,208,354	4,133,909
Municipal property tax	2,274,544	2,097,284
Others	16,624,131	12,292,550
	<b>355,310,985</b>	<b>297,987,821</b>

## 32 Provisions and impairment losses

Movements in “Provisions and impairment losses” during the period ended 31 December 2018 and 2017 are as follows:

Caption	Balance as at 01 Jan 2018	Increase	Decrease	Discontinued operations (note 4.3)	Entries in consolidation perimeter	Balance as at 31 Dec 2018
Accumulated impairment losses on investments (Note 12 and 13)	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	2,396,643	6,743,042	(437,639)	-	-	8,702,046
Accumulated impairment losses on trade receivables (Note 16)	12,483,239	5,121,548	(7,705,922)	-	11,689,427	21,588,292
Accumulated impairment losses on other current receivables (Note 17)	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

Caption	Balance as at 31 Dec 2016	Increase	Decrease	Changes in the scope of consolidation	Balance as at 31 Dec 2017
Accumulated impairment losses on investments (Note 12 and 13)	9,054,576	3,011,792	(62,784)	(8,683,892)	3,319,692
Impairment losses on property, plant and equipment (Note 8)	119,100,221	853,597	(5,744,050)	169,243	114,379,011
Impairment losses on intangible assets (Note 9)	2,638,761	998,779	(858,758)	(382,139)	2,396,643
Accumulated impairment losses on trade receivables (Note 16)	10,272,280	4,235,593	(2,008,966)	(15,668)	12,483,239
Accumulated impairment losses on other current receivables (Note 17)	7,598,754	1,225,221	(1,531,235)	(29,510)	7,263,230
Non - current provisions	25,848,118	1,139,726	(4,277,928)	(3,754,291)	18,955,625
Current provisions	3,558,708	4,302,362	(2,084,667)	(166,020)	5,610,383
	178,071,418	15,767,070	(16,568,388)	(12,862,277)	164,407,823

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 2017, the “Changes in consolidation scope” includes (13,031,521) euro related to derecognition arising from the loss of control of MDS.

As at 31 December 2018 and 2017 increases in Provisions and impairment losses are as follows:

	31 Dec 2018	31 Dec 2017
Provisions and impairment losses in the income statement	36,911,584	9,746,303
Impairment losses on "Other investments" (Notes 12, 13 and 37)	3,401,432	2,900,748
Discontinued operations	-	724,260
Incentive for Armilar Fund	20,130,786	-
Others	1,447,484	2,395,759
	61,891,286	15,767,070

As at 31 December 2018 and 2017 the value of decreases in provisions and impairment losses can be detailed as follows:

	31 Dec 2018	31 Dec 2017
Provisions and impairment losses reversal ( Note 39)	(16,705,303)	(4,974,050)
Direct use of impairments on accounts receivable	(6,618,581)	(3,765,057)
Technical provisions on reinsurance	(497,132)	(275,256)
Direct use and reversals recorded in property, plant and equipment	(4,293,316)	(4,854,094)
Currency translation	(1,022,712)	(2,033,460)
Others responsibilities	(1,776,404)	(666,471)
	<b>(30,913,449)</b>	<b>(16,568,388)</b>

As at 31 December 2018 and 2017, 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 2018	31 Dec 2017
Technical provisions on reinsurance (a)	1,051,863	786,208
Incentive for the Armilar Fund (b)	20,130,786	-
Future liabilities relating to retail subsidiaries operations sold in Brazil (c)	9,570,442	7,358,151
Judicial claims	2,469,889	4,577,787
Contingent liabilities for subsidiaries acquired (d)	7,811,959	7,811,959
Discontinued operation in Turkey	1,178,000	-
Indemnities	2,370,954	-
Clients guarantees	621,401	1,056,471
Others responsibilities	2,092,940	2,975,432
	<b>47,298,234</b>	<b>24,566,008</b>

- (a) 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”.
- (b) 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 12.3).
- (c) The caption non-current provisions includes 9,570,442 euro (7,358,151 euro as at 31 December 2017), 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;
- (d) The amount of contingent liabilities is related to the liabilities assumed at the date of acquisition mainly of the subsidiaries Salsa and Losan.
- (e) The caption “Current provisions” includes as at 31 de December 2017 the estimate of the Group's liabilities directly related to the sale of its own branded products in Worten's business segment stores.

Impairment losses are deducted from the book value of the corresponding asset.

### 33 Reconciliation of liabilities arising from financing activities

As at 31 December 2018 the reconciliation of liabilities arising from financing activities are as follows:

	Obligations under finance leases (Note 24)	Bank loans (Note 24)	Derivative financial instruments (Note 26)	Loans from related parties (Note 44)
Balance as at 01 January 2018	1,714,851	1,486,369,150	1,068,238	160,586
Cash flows:				
Receipts relating to financial debt	-	6,647,588,977	-	-
Payments relating to financial debt	-	(6,489,300,449)	-	-
Bank overdrafts	-	(2,197,277)	-	-
Capital Leasing Depreciation	(305,526)	-	-	-
Increase/(decrease) in fair value	-	4,666,695	(2,830,693)	-
Change in consolidation method	-	442,114,020	-	3,763,846
Interest and similar costs	-	(2,258,532)	-	-
Exchange rate	-	-	-	(7,461)
<b>Balance as at 31 December 2018</b>	<b>1,409,325</b>	<b>2,086,982,585</b>	<b>(1,762,455)</b>	<b>3,916,971</b>

### 34 Contingent assets and liabilities

As at 31 December 2018 and 2017, contingent liabilities to which Group is exposed can be detailed as follows:

#### Guarantees and sureties given

	31 Dec 2018	31 Dec 2017
Guarantees given:		
on tax claims	1,182,625,021	1,133,241,313
on judicial claims	197,349	398,390
on municipal claims	10,232,177	9,126,363
contractual guaranties by proper compliance	22,905,136	12,318,637
others guaranties	10,387,120	8,117,670

#### 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 531.7 million euro (531.7 million euro as at 31 December 2017) 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 (146.6 million euro as at 31 December 2017), 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 advisors 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, 14.7 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 45.8 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, 31.2 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 14 and 17).

### **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 unfavorably 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 24.6 million euro (27.5 million euro at 31 December 2017) related to programs for the Brazilian State of tax recovery, amount to near 21.6 million euro (24.1 million euro at 31 December 2017). Furthermore, there are other tax assessments totaling 42 million euro (38 million euro as at 31 December 2017) 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 defense, 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.

- Contingent liabilities related to subsidiaries of Sonae Sierra

- 
- In 2018 the Group has 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 has 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 has 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 6 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 0.9 million euro. Based on the opinion of the tax expert there are valid rea-sons to consider the claim without foundation, and so the Group has appealed to the Supreme Court. In the specific case of the penalties requested by the tax authorities, the tax expert understands that no penalty is due. To provide for this contingency, the Group has expensed in 2013 an amount of 10.4 million euro (corresponding to real estate transfer tax (9.5 million euro) plus count agent fee (0.9 million euro)). 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.
  - The 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 14.3 million euros and bank guarantee for 1.5 million euros, for the years 2008 to 2014 and 1996, respectively. In these guarantees or guarantees the most relevant value is associated to the correction of the deductibility of the financial charges. No provision was recorded by the Group because it was understood that the risk of this contingency is not probable.
  - Contingent liabilities related to joint ventures are disclosed in Note 47.

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.

## 35 Operational lease

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 2018 and 2017 amounted to 28,709,171 euro and 10,123,670 euro, respectively.

Additionally, at 31 December 2018 and 2017, Sonae had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2018	31 Dec 2017
<b>Due in:</b>		
N+1 automatically renewal	3,608,098	4,548,381
N+1	62,429,481	5,662,797
N+2	55,027,202	5,148,034
N+3	45,663,135	4,265,464
N+4	33,574,504	3,243,195
N+5	24,575,023	2,697,356
After N+5	74,261,908	10,654,331
	<b>299,139,351</b>	<b>36,219,558</b>

The significant increase of value face to 2017 results essentially from the consolidation for the integral method of the Sonae Sierra.

During the year ended at 31 December 2018, the amount of 139,090,938 euro (155,647,598 euro as at 31 December 2017) was recognized as cost of the year related to rents paid under operating lease agreements in which Sonae acts as lessee.

Additionally, at 31 December 2018 and 2017, Sonae had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2018	31 Dec 2017
<b>Due in:</b>		
N+1 automatically renewal	20,467,175	23,425,931
N+1	123,792,832	128,002,564
N+2	118,457,541	122,297,885
N+3	112,064,053	116,897,580
N+4	104,064,464	110,245,974
N+5	96,665,386	100,941,260
After N+5	761,697,434	666,390,892
	<b>1,337,208,885</b>	<b>1,268,202,086</b>

At the end of the lease period, the Group has, in certain contracts, the possibility of exercising the option to acquire the assets at its fair value.

## 36 Turnover

As at 31 December 2018 and 2017, Turnover is made up as follows:

	31 Dec 2018	31 Dec 2017 Restated
Sale of goods	5,623,887,406	5,231,563,929
Sale of products	46,661,800	58,639,924
	5,670,549,206	5,290,203,853
Services rendered	280,146,684	215,618,821
<b>Turnover (Note 6)</b>	<b>5,950,695,890</b>	<b>5,505,822,674</b>

Services includes rental of investment property in the amount of 51,596,281 euro.

## 37 Gains and losses on investments

As at 31 December 2018 and 2017, Gain or losses Investment is made up as follows:

	31 Dec 2018	31 Dec 2017 Restated
Dividends	100,793	130,748
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 4.1)	45,853,773	-
Transfer of currency translation reserves due to gain of control (Note 4.1)	(74,319,831)	-
Correction to cost of acquisition of subsidiaries	-	1,111,020
Others	122,092	(7,456)
Gains / (losses) on the sale of investments in subsidiaries, joint ventures and associates	(14,608,077)	1,103,564
Gains / (losses) on the sale of investments on available for sale	-	-
Others	4,271	(3,125)
Impairment of investments in associates	(2,384,956)	(57,312)
Impairment reversal on financial investments	15,900	10,231
Impairment reversal/(losses) on investments	(2,369,056)	(47,081)
<b>Total income and (expenses) related to investments</b>	<b>(16,872,069)</b>	<b>1,184,106</b>

## 38 Net financial expenses

As at 31 December 2018 and 2017, Net financial expenses are as follows:

	31 Dec 2018	31 Dec 2017 Restated
<b>Expenses</b>		
Interest payable		
related with bank loans and overdrafts	(9,790,635)	(8,165,191)
related with non convertible bonds	(10,912,131)	(11,541,059)
related with financial leases	(30,684)	(55,148)
others	(6,304,057)	(5,733,469)
	(27,037,506)	(25,494,867)
Foreign exchange losses	(9,521,902)	(7,546,927)
Up front fees and commissions related to loans	(6,618,548)	(5,857,332)
Others	(4,235,397)	(3,002,233)
	(47,413,353)	(41,901,358)
<b>Income</b>		
Interest receivable		
related with bank deposits	33,457	28,424
others	1,398,871	1,754,747
	1,432,328	1,783,171
Foreign exchange gains	8,245,215	6,143,869
Other financial income	1,980,085	317,489
	11,657,628	8,244,529
<b>Net financial expenses</b>	<b>(35,755,725)</b>	<b>(33,656,830)</b>

## 39 Other income

As at 31 December 2018 and 2017, the caption "Other Income" is made up as follow

	31 Dec 2018	31 Dec 2017 Restated
Supplementary income	24,139,478	26,453,413
Prompt payment discounts obtained	25,533,977	24,412,810
Foreign currency exchange gains	23,548,719	27,545,455
Own work capitalised (Note 9)	16,459,627	12,754,179
Gains on sales of assets (Note 8 and 10)	66,727,083	14,850,356
Provisions and impairment losses reversals (Note 32)	16,705,303	4,974,050
Benefits of contractual penalties	658,546	5,501,080
Insurance claims	132,204	955,215
Subsidies	1,647,008	1,151,057
Others	3,220,195	6,532,235
	178,772,140	125,129,850

As at 31 December 2018 under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback" amounting to 37.4 million euro (10.8 million euro as at 31 de December 2017) (Note 8) and the disposal of two investment properties related to Coimbrashopping and Nurberg in the amount of 28 million euro (Note 10).

## 40 External supplies and services

As at 31 December 2018 and 2017, External supplies and services are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Rents	174,460,904	164,156,182
Publicity	103,827,911	99,651,700
Electricity	69,229,277	63,182,273
Transports	73,688,423	62,203,189
Services	87,802,399	71,469,455
Subcontracts	28,242,172	19,908,505
Maintenance	29,488,204	25,567,740
Costs with automatic payment terminals	13,833,887	12,704,348
Security	21,124,627	20,172,117
Cleaning up services	25,537,010	23,526,667
Consumables	14,483,639	12,933,630
Travel expenses	18,884,334	16,780,460
Commissions	21,697,350	12,983,692
Insurances	6,649,491	6,621,661
Communications	10,607,516	10,937,220
Home delivery	7,629,344	7,148,536
Others	69,406,087	64,134,385
	<b>776,592,575</b>	<b>694,081,760</b>

## 41 Employee benefits expense

As at 31 December 2018 and 2017, Employee benefits expense are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Salaries	625,818,953	574,390,058
Social security contributions	129,439,102	121,025,986
Insurance	13,561,083	12,717,583
Welfare	4,607,970	4,464,483
Other staff costs	26,796,881	12,581,602
	<b>800,223,989</b>	<b>725,179,712</b>

## 42 Other expenses

As at 31 December 2018 and 2017, other expenses are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Exchange differences	23,507,715	26,341,112
Galp/Continente loyalty program	12,608,328	12,952,898
Losses on the sale and write-off of assets	8,727,653	12,518,523
Indirect taxes and fees	11,042,713	9,627,686
Donations	9,278,059	7,683,902
Municipal property tax	3,133,206	2,356,778
Payment of withholding dividends payment tax	2,640,350	-
Doubtful debts	225,430	816,273
Other expenses	12,187,520	8,289,067
	<b>83,350,974</b>	<b>80,586,239</b>

## 43 Income tax expense

As at 31 December 2018 and 2017, income tax is made up as follows:

	31 Dec 2018	31 Dec 2017 Restated
Current tax	24,132,462	4,915,695
Deferred tax (Note 20)	4,645,912	11,605,394
	28,778,374	16,521,089

The reconciliation between profit before Income tax and "Income tax expense" for the periods ended 31 December 2018 and 2017 is as follows:

	31 Dec 2018	31 Dec 2017 Restated
Profit before income tax	262,956,736	194,590,567
Income tax (21%)	55,220,915	40,864,019
Effect of different income tax rates in other countries	(12,257,908)	(12,139,713)
Difference between capital (losses)/gains for accounting and tax purposes	980,019	(944,073)
Gains or losses in jointly controlled and associates companies (Note 12)	(24,066,539)	(16,285,604)
Provisions and impairment losses not accepted for tax purposes	1,030,902	597,211
Use of tax losses that have not originated deferred tax assets	(10,244,187)	(5,486,796)
Recognition of tax losses that have not originated deferred tax assets	10,291,121	2,313,306
Amortization of goodwill for tax purposes in Spain	5,816,680	17,457,039
Use of tax benefits	(9,196,591)	(3,673,407)
Under/(over) Income tax estimates	(545,816)	(13,261,077)
Autonomous taxes and tax benefits	3,720,095	3,518,722
Municipality surcharge	9,677,104	6,561,800
Others	(1,647,421)	(3,000,339)
Income tax	28,778,374	16,521,089

## 44 Related parties

Balances and transactions with related parties during the periods ended 31 December 2018 and 2017 are as follows:

Transactions	Turnover and other income		Purchases and services obtained	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Parent Company	256,729	237,925	584,297	540,705
Jointly controlled companies	31,147,699	86,190,388	290,960,343	312,189,577
Associated companies	43,947,244	35,771,366	15,947,416	31
Other related parties	59,873,825	62,068,713	16,580,415	17,593,337
	135,225,497	184,268,392	324,072,471	330,323,650

Transactions	Interest income		Interest expenses	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Parent Company	-	-	40,148	43,548
Jointly controlled companies	255,964	215	31,134	-
Associated companies	583,698	12,566	-	-
Other related parties	-	-	10,548	-
	839,662	12,781	81,830	43,548

Balances	Accounts receivable		Accounts payable	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Parent Company	32,998	51,947	564,227	512,593
Jointly controlled companies	13,527,883	14,904,259	80,068,951	42,584,035
Associated companies	19,040,984	8,479,551	5,374,965	1,843
Other related parties	16,561,221	19,066,434	11,572,936	7,631,440
	49,163,086	42,502,191	97,581,079	50,729,911

Balances	Loans			
	Obtained		Granted	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Parent Company	-	-	-	-
Jointly controlled companies	3,763,846	-	14,672,564	-
Associated companies	-	-	49,944,871	-
Other related parties	3,944,638	160,586	2,160,000	3,570
	7,708,484	160,586	66,777,435	3,570

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 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 2018 and 2017, is composed as follows:

	31 Dec 2018		31 Dec 2017	
	Board of Directors	Strategic direction (a)	Board of Directors	Strategic direction (a)
Short-term employee benefits	1,283,050	9,471,816	1,635,500	6,725,295
Share-based payments	434,400	2,998,100	567,200	1,888,000
	1,717,450	12,469,916	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 Earning per share

Earnings per share for the periods ended 31 December 2018 and 2017 were calculated taking into consideration the following amounts:

	31 Dec 2018		31 Dec 2017 Restated	
	Continuing Operations	Discontinuing Operations	Continuing Operations	Discontinuing Operations
<b>Net profit</b>				
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	227,354,859	(5,701,728)	170,505,268	(4,751,353)
Effect of dilutive potential shares	-	-	-	-
Interest related to convertible bonds (net of tax)	8,220,670	-	8,587,542	-
Net profit taken into consideration to calculate diluted earnings per share	235,575,529	(5,701,728)	179,092,810	(4,751,353)
<b>Number of shares</b>				
Weighted average number of shares used to calculate basic earnings per share	1,895,593,392	1,895,593,392	1,893,848,246	1,893,848,246
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	10,630,179	10,630,179	12,923,765	12,923,765
Shares related to performance bonus that can be bought at market price	(689,056)	(689,056)	(5,319,084)	(5,319,084)
Weighted average number of shares used to calculate diluted earnings per share	2,034,201,997	2,034,201,997	2,030,120,409	2,030,120,409
<b>Earnings per share</b>				
Basic	0.119939	(0.003008)	0.090031	(0.002509)
Diluted	0.115807	(0.002803)	0.088218	(0.002340)

The 2018 average number of shares for the year ended 31 December 2018 considers 100,210,733 Sonae Holding shares (104,406,608 shares in 31 December 2017) (Note 22)

## 46 Cash receipts and cash payments of investments

As at 31 December 2018 and 2017, cash receipts and cash payments related to investments can be detailed as follows:

### - Investments activities

Receipts	31 Dec 2018	31 Dec 2017
Disposal of Iberian Assets	163,959,175	-
Disposal of Sport Zone participation (Note 4.3)	28,628,150	-
Capital giveback invested in the Armilar fund II (Note 12.3)	16,477,366	-
Disposal of Imoconti in 2016	-	21,009,032
Receipt relating to the sale of Raso SGPS	-	537,500
Others	3,420,853	-
	212,485,544	21,546,532

Payments	31 Dec 2018	31 Dec 2017
Acquisition of Sonae Sierra (Note 4.1)	138,322,082	-
Capital increase of Global Tarpeya	31,934,175	-
Subscription of JD Sprinter shares (Note 4.3)	26,546,230	-
Acquisition of Excellium	5,374,398	-
Acquisition of Visenze	4,384,811	-
Acquisition of Nextel (Note 4.2)	2,940,587	-
Acquisition of Reblaze (Note 13)	2,352,437	-
Acquisition of Artic Wolf	2,302,130	-
Acquisition of Nextail (Note 13)	2,300,000	-
Acquisition of Case on IT (Note 13)	2,280,000	-
Acquisition of clValue (Note 13)	1,970,097	-
Supplementary Payments of MKTPLACE	1,339,604	-
Acquisition of Jscrambler (Note 13)	1,250,000	-
Fund Work compensation	1,156,533	1,323,730
Capital increase of Style Sage (Note 13)	812,414	-
Capital increase of Armilar	652,756	-
Capital increase of Ometria	800,882	-
Acquisition of a participation in Artic Wolf Networks, Inc	-	3,830,113
Acquisition of a participation in Secucloud Networks GmbH	-	4,000,000
Acquisition of GoWell, SA	-	3,788,464
Supplementary Benefit of S2 Mozambique, SA	118,745	1,078,154
Capital increase in Ulabox, SL	-	2,007,819
Capital increase in Fundo Armilar III	-	1,409,696
Acquisition of Brio, SA	-	931,023
Acquisition of a participation in OMETRIA, Ltd	-	854,165
Others	5,127,034	3,110,311
	231,964,915	21,009,745

## - Financing activities

Receipts	31 Dec 2018	31 Dec 2017
Disposal of Imosonae Dois fund units	-	1,124,447
Others	-	88,740
	-	1,213,187

Payments	31 Dec 2018	31 Dec 2017
Acquisition of Imosonae Dois's fund units	-	1,267,876
Others	-	236,377
	-	1,504,253

## 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).

This disposal may take the form of sale of the asset or sale of the shares of the company that directly or indirectly holds the asset.

The price revision will be made by Sonae Sierra to 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 105.8 million euro;
  - (ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, a maximum amount of 52.9 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. In 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. In 2018 the shareholders of Sierra BV agreed to schedule a number of workshops to be carried out at each of the Core Assets – Colombo, Norteshopping, Vasco da Gama, Cascaishopping and Plaza Mayor – to ascertain in more depth the long-term strategy of each scheme, in view of agreeing the basis for a prospective long-term extension of the venture. The Group also continues to study several alternatives to dispose of the other properties held by Sierra BV, but there are no intentions to proceed with forced asset sales.

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 would end 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**

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### **ZOPT Group**

The consolidated financial statements of ZOPT (joint venture that controls NOS) and NOS as at 31 December 2018 and 2017, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 6 and Note 12).

#### **a) Provision of ZOPT Group**

The processes described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

- Future credits transferred



For the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, 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 euro 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 years, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014, the company has appealed.

- Supplementary capital

The fiscal authorities are of the opinion that NOS SA has broken the principle of full competition under the terms of (1) of article 58 of the Corporate Tax Code (CIRC), (actual 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 favourable. This decision is concluded (favourable), originating a reversal of provisions, in 2016, in the amount of 1.3 million Euro plus interest. As for the years 2006 and 2007, the Porto Fiscal and Administrative Court has already decided unfavourable, the company has contested these decisions. For 2005, the decision was favorable, though it was, however, carried out by the tax authority, which resulted in the reversal of the value of provisions in the amount of 1 million euro.

- 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 nr 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (ex-PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a tender procedure, which constitutes an illegality, as 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 Euro for illegally designating MEO. In accordance with Article 18 of the abovementioned Law number 35/2012, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. Indeed, in accordance with the law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of about 66.8 million Euro, decision contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million Euro, which were contested by NOS and for which bail were presented by NOS SGPS to avoid Tax Execution Proceedings, guarantees that 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 about 47.1 million Euro, a decision also contested by NOS. In February 2016, ANACOM



issued the settlement notes to the Company in amount of 13 million Euro which will be contested by NOS 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 for the year of 2012 and 2013, in the amount of about 26 million Euro and 20 million Euro, respectively, decision which was contested by the companies. In December 2016, the liquidation notes relating to NOS, SA, NOS Madeira and NOS Azores, relating to that period, amounting to 13.6 million Euro, were challenged by NOS and to which guarantees have also been presented by NOS SGPS in order to avoid the promotion of the respective tax enforcement procedures. The guarantees were also accepted by ANACOM.

At October 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, in the amount of 7.7 million Euro, which NOS challenged in its usual terms in January 2017. In December 2017, NOS, SA, NOS Madeira and NOS Azores were notified of ANACOM's draft decision on entities required to contribute to the compensation fund and to the setting of the contributions to the CLSU to be offset for 2014, which provides for a contribution of 2,4 million Euro for all these companies. In December 2017, settlement notes were issued for NOS, SA, NOS Madeira and NOS Açores, related to that period, in the amount of approximately 2.4 million euro, which were challenged by NOS and to which guarantees have also been provided 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 CLSU of service providing by MEO violates 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 the audit results to the net costs of the universal service for the pre-competitive period or the liquidation of each extraordinary contributions, 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**

- Legal action 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 (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017) for carrying on the business of Electronic Communications Services Networks Supplier, and furthermore, it is requested to pay back the sums paid in the course of the execution of said liquidation acts. The liquidations referring to the 2017 year were challenged in the first semester of 2018.

The settlement amounts are as follows:

- NOS SA: 2009: 1,861 thousand Euro, 2010: 3,808 thousand Euro, 2011: 6,049 thousand Euro, 2012: 6,283 thousand Euro, 2013: 7,270 thousand Euro, 2014: 7,426 thousand Euro, 2015: 7,253 thousand Euro, 2016: 8,242 thousand Euro and 2017: 9,099 thousand Euro
- NOS Azores: 2009: 29 thousand Euro; 2010: 60 thousand Euro, 2011: 95 thousand Euro, 2012: 95 thousand Euro, 2013: 104 thousand Euro, 2014: 107 thousand Euro, 2015: 98 thousand Euro, 2016: 105 thousand Euro e 2017: 104 thousand Euro.
- NOS Madeira: 2009: 40 thousand Euro, 2010: 83 thousand Euro, 2011: 130 thousand Euro, 2012: 132 thousand Euro, 2013: 149 thousand Euro, 2014: 165 thousand Euro, 2015: 161 thousand Euro, 2016: 177 thousand Euro e 2017: 187 thousand Euro



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 invoke, in particular, i) flaws of unconstitutionality and illegality related to the inclusion, in the accounting of ANACOM's costs, of the accrued provisions, due to the legal proceedings brought against it (including these same challenges 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.

Two single judgments were passed on this matter, namely in December 2012, September 2017, April 2018 and May 2018, respectively, as part of the challenge of the 2009 Annual Fee for 2010 (NOS Communications), of 2012 (Ex-ZON and also of Ex-Optimus). The first judgment upheld the respective challenge, but based only on the defect of the previous hearing and condemning ANACOM to pay interest. ANACOM appealed against this decision, but the Court of Appeal, by a decision of July 2013, did not uphold it. The three remaining decisions also considered, and in turn, the corresponding challenges, but this time for substantive reasons, annulling the contested act for illegality, with the legal consequences, namely imposing the return to the NOS of the tax paid yet not returned and condemning ANACOM to pay compensatory interest. These decisions were appealed by ANACOM to the Central Administrative Court -Sul, where they are pending.

The remaining cases are awaiting judgment and / or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of a process of mismanagement related to price update communications, at the end of 2016. At the time, it is not possible to determine the scope of the process of mismanagement.

- Tax authorities

During the course of the 2003 to 2018 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2015 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 Corporate Income Tax, 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 16 million Euro, plus interest and charges. Note that the Group considered that the corrections were unfounded, and contested the corrections and the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings.

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

- Actions by MEO against NOS Madeira and NOS Açores and by NOS S.A. against MEO

- In 2011, MEO brought an action against NOS SA at the Lisbon Judicial Court for compensation of 10.3 million euro as compensation for NOS SA's alleged improper portability in the period from March 2009 to July of 2011. NOS SA lodged a contest and reply, having started the expert evidence, that the Court however declared void. The discussion and trial hearing took place at the end of April and beginning of May 2016, and then in September of the same year, handed down in September of the same year, handed down judgment in September of the same year, which judged the proceeding partially based, not based on the demonstration of the existence of improper portabilities, that the Court determined to restrict those that do not correspond to the will of the holder, but merely delaying the submission of the portability documentation by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it ordered NOS to pay MEO approximately 5.3 million euro, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, in turn, complied with the judgment and did not resort to the part of the sentence that acquitted the NOS of the requests it made for compensation - amounting to approximately 5.0 million euro - related to alleged improper portability. The Lisbon Court of Appeal, in the first quarter of 2018, confirmed the decision of the Court of First Instance, except for interest, in which it was justified by NOS's claim that they should be counted from the date of



service for the action and not of the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice, which has already been admitted and is currently pending on that Court.

- 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, specifying only part of these, in the case of NOS SA, in the amount of 26 million Euro (from August 2011 and May 2014), in the case of NOS Açores, in the amount of 195 thousand Euro and NOS Madeira, amounting to 817 thousand Euro.

At the beginning of July 2018, NOS, SA was quoted from the filing by MEO of a court case concerning portability offsets in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euro, follow a separate judicial notice sent to NOS in July 2015, as referred to above. NOS challenged the action during October.

- In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO (PT), claiming payment of 22.4 million Euro, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway, the expert report having been notified to the parties and the parties have submitted their requests for clarification to the experts. At the same time, it was requested by the NOS and accepted by the Court to carry out economic and financial expertise, waiting for it to be schedule.

It is the understanding of the Board of Directors of NOS, supported by lawyers who monitor the process, that there is, in substance, a good possibility of NOS SA winning the action, due to the fact that MEO has already been convicted for the same offense, by ANACOM. However, it is impossible to determine the outcome of the action.

- Action brought by DECO

In March 2018, the NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2015 is requested. In April and May 2018, the operators, including the NOS, filed a defense, awaiting further developments of the process. The Board of Directors is convinced that the arguments used by the author are not appropriate, and therefore it is believed that the outcome of the proceeding should not result in any significant impact on the Group's financial statements.

- Interconnections tariffs

At 31 December 2018, accounts receivable and accounts payable include 37,139,253 euro and 43,475,093 euro, 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 indefiniteness of interconnection tariffs, recorded in the year ended at 31 December 2001. In the part of this dispute that was in court, the result was totally favorable to NOS SA, having already gone in judged.

- 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 immediately pay damages by the set of advantages that, from the perspective of the agreed duration of the contract, were provided by the operator.



Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at 31 December 2018, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of 58,933 thousand euro. During the year ended on 31 December 2018 1,233 thousand euro related to 2014 receivables were received and recorded in the income statement.

From 1 January 2015, revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and amounts determined as uncollectible are recorded as impairment by deducting revenue recognized upon invoicing.

The Sonae Board of Directors believes that the above processes may result in contingencies that affect the ZOPT group's accounts are properly provisioned, given the degree of risk in the consolidated accounts of Sonaecom.

### **c) Other commitments Grupo Zopt**

In December 2015, NOS Group signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, S.A. of television rights of home football games of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract will begin in 2016/2017 sports season and has an initial duration of three years and may be renewed by decision of either party to a total of 10 sports seasons, with the overall financial consideration reaching the amount of 400 million Euro, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting Comunicação e Plataformas, S.A. for the assignment of the following rights:

- 1) Television and multimedia rights of home games of the Sporting SAD senior team;
- 2) Right to explore the static and virtual advertising of José Alvalade Stadium;
- 3) Right of Transmission and Distribution Sporting TV channel;
- 4) Right to be its main sponsor.

The contract will last 10 seasons as regards the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights mentioned 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, amounting to overall financial contribution to the amount of 446 million euro, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed contracts of assignment of television rights credits of Senior home 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 Arçua 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, 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 sport season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, in order to assure to both companies, the availability of broadcasting rights of the sports club home football games, as well as the broadcasting and distribution rights of sports and sports club 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 2016/2017, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every pay-tv client can have access to every relevant sports content, regardless of which operator they use.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

Seasons	2018/19	Flowing
Estimated cash flows with the contracts signed by NOS with the sports entities*	74,1 million euro	1.017 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	67,3 million euro	559 million euro

\* Includes games and channels broadcasting rights, advertising and others.

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement for the development and sharing of infrastructure of national scope. This partnership allows the two Operators to make available to their commercial offers, under the shared network, from the beginning of 2018.

The agreement covers the reciprocal sharing of dark fiber in about 2.6 million houses, where each entity shares an equivalent investment value with the other, ie they share similar goods, assuming that the two companies maintain total autonomy, independence and confidentiality in the design of commercial offers and management of the customer database and in the choice of technological solutions they decide to implement, without causing any impact on the NOS Group's financial statements (in accordance with IAS 16, this exchange of similar non-monetary assets will be presented by the liquid).

The partnership was also extended to share mobile infrastructure, where it is agreed the minimum sharing of 200 mobile towers.

## 49 Presentation of consolidated income statements

Aln 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 2018 and 2017 can be summarized as follows:

	31 Dec 2018			31 Dec 2017 Restated		
	Consolidated	Indirect Income	Direct Income	Consolidated	Indirect income	Direct income
Turnover	5,950,695,890	-	5,950,695,890	5,505,822,674	-	5,505,822,674
Value created on investment properties	3,815,651	3,815,651	-	-	-	-
Investment income						
Dividends and others adjustments	100,793	-	100,793	130,748	-	130,748
Impairments losses (note 11)	(2,369,056)	-	(2,369,056)	(2,843,437)	-	(2,843,437)
Others	(14,603,806)	(28,466,058)	13,862,252	3,896,794	1,111,020	2,785,775
Others income						
Reversal of impairment losses	2,182,367	-	2,182,367	1,737,441	-	1,737,441
Reversal of provisions for warranty extensions	11,991,497	-	11,991,497	3,251,342	-	3,251,342
Others	164,598,276	-	164,598,276	120,338,990	-	120,338,990
<b>Total income</b>	<b>6,116,411,612</b>	<b>(24,650,407)</b>	<b>6,141,062,019</b>	<b>5,632,334,553</b>	<b>1,111,020</b>	<b>5,631,223,534</b>
<b>Total expenses</b>	<b>(5,739,386,050)</b>	<b>(2,113,955)</b>	<b>(5,737,272,095)</b>	<b>(5,284,441,371)</b>	<b>(1,123,135)</b>	<b>(5,283,318,236)</b>
Depreciation and amortisation	(205,160,593)	-	(205,160,593)	(186,902,826)	-	(186,902,826)
Gains and Losses on property, plant and equipment and intangible assets	(29,459,668)	(6,841,687)	(22,617,981)	(8,972,953)	-	(8,972,953)
Impairment losses and provisions						
Provisions for warranty extensions	(1,747,297)	-	(1,747,297)	(1,344,717)	-	(1,344,717)
Others	(35,164,287)	(3,848,173)	(31,316,114)	(8,401,586)	-	(8,401,586)
<b>Profit before financial results and results of joint ventures and associates and non-recurrent items</b>	<b>105,493,717</b>	<b>(37,454,223)</b>	<b>142,947,940</b>	<b>142,271,100</b>	<b>(12,115)</b>	<b>142,283,216</b>
Non-recurrent items	57,901,072	-	57,901,072	2,469,108	-	2,469,108
Gains and losses on investments recorded at fair value through results	4,327,175	-	4,327,175	-	-	-
Financial profit/(loss)	(35,755,725)	-	(35,755,725)	(33,656,830)	-	(33,656,830)
Share of results of joint ventures and associated undertakings						
Sonae Sierra consolidated	38,871,917	14,067,370	24,804,547	54,487,230	22,177,174	32,310,056
Associates and joint ventures of Sonae Sierra	34,389,356	23,180,213	11,209,143	-	-	-
Armilar Venture Funds	57,731,649	57,731,649	-	8,800,135	8,800,135	-
ZOPT	34,074,000	-	34,074,000	27,234,000	-	27,234,000
Others	(7,825,427)	-	(7,825,427)	(7,014,176)	(2,843,437)	(4,170,740)
<b>Profit before income tax</b>	<b>289,207,734</b>	<b>57,525,009</b>	<b>231,682,725</b>	<b>194,590,567</b>	<b>28,121,757</b>	<b>166,468,810</b>
Income Tax	(28,778,374)	(15,200,266)	(13,578,108)	(16,521,089)	(1,991,482)	(14,529,607)
<b>Profit/(Loss) from continued operations</b>	<b>260,429,360</b>	<b>42,324,743</b>	<b>218,104,617</b>	<b>178,069,478</b>	<b>26,130,275</b>	<b>151,939,203</b>
<b>Profit/(Loss) from discontinued operations</b>	<b>(5,877,333)</b>	<b>3,528,408</b>	<b>(9,405,741)</b>	<b>(3,860,407)</b>	<b>16,220,165</b>	<b>(20,080,572)</b>
<b>Profit/(Loss) for the period</b>	<b>254,552,027</b>	<b>45,853,151</b>	<b>208,698,876</b>	<b>-</b>	<b>42,350,440</b>	<b>(42,350,440)</b>
Attributable to equity holders of Sonae	221,653,131	45,853,151	175,799,980	165,753,915	41,467,417	124,286,498
Non-controlling interests	32,898,896	-	32,898,896	8,455,156	883,023	7,572,133
"Underlying" EBITDA (b)			371,659,531			343,178,490
EBITDA (a)			482,417,125			380,940,342
EBIT (c)			257,931,916			179,914,320

- (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.

Indirect income can be analysed as follows:

Indirect income	31 Dec 2018	31 Dec 2017 Restated
Indirect income of Sonae Sierra	17,883,021	22,177,174
Gain generated on the fair value measurement of financial participation (Note 4.1 and 37)	45,853,773	-
Transfer to profit and loss of currency translation reserves (Note 4.1 and 37)	(74,319,831)	-
Impairment of discontinued assets	(7,592,687)	-
Impairment of financial investments	-	(2,843,436)
Indirect result of Armilar Venture Funds net of tax	42,531,383	6,808,654
Discontinued operations	3,528,408	16,220,165
Others	17,969,085	(12,117)
<b>Total</b>	<b>45,853,151</b>	<b>42,350,440</b>

“Underlying Direct EBITDA” and non-recurrent items can be analysed as follows:

	31 Dec 2018	31 Dec 2017 Restated
Direct EBITDA	482,417,125	380,940,342
Share of results of joint ventures and associated companies accounted by Equity Method and others	(62,262,264)	(55,373,317)
Discontinued operations (Note 5)	9,405,741	20,080,572
Unusual results		
Gain on the sale & leaseback transactions	(37,258,310)	(10,760,430)
Gain from the disposal of Imoconti	(38,904,300)	-
Other expenses considered non-recurring	18,261,538	8,291,322
	(57,901,072)	(2,469,108)
<b>"Underlying" Direct EBITDA</b>	<b>371,659,531</b>	<b>343,178,490</b>

## 50 Subsequent events

As at 28 September 2018, Sonae SGPS, SA informed that its subsidiary Modelo Continente Hipermercados SA, a subsidiary in Spain, entered into an agreement with Corpfin Capital to acquire 60% of Tomenider SL ("Company"), which holds 100% of Arenal Perfumarias SLU ("Arenal"), for the total estimated value of approximately 45 million euro. Arenal is a retailer of para-pharmacies and perfumeries with a network of 41 stores in the north of Spain. Founded in 1971 by the Vázquez family, Arenal generated a turnover of 97 million euro in 2017

At 11 December 2018, the transaction was approved by the competent competition authorities. The conclusion of this operation, scheduled for January 2019, will enable Sonae MC to significantly enhance the joint assets and competences of Well's and Arenal, reinforcing its position in the Health Wellness segment, one of its main strategic development pillars.

In January, Sonae Sierra sold its stake (9%) in associate Loop5 Shopping Center GmbH Co. KG ("Loop 5") for 10.3 million euro.

## 51 Approval of financial statements

The accompanying consolidated financial statements were approved by the Board of Directors on 19 March 2019. 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 2018 and 31 December 2017 are as follows:

COMPANY	Head Office	Percentage of capital held			
		31 Dec 2018		31 Dec 2017	
		Direct*	Total*	Direct*	Total*
<b>Sonae - SGPS, S.A.</b>	Maia	HOLDING	HOLDING	HOLDING	HOLDING
<b>Sonae MC</b>					
1) Amor Bio, Mercado Biológico, Lda	a) Lisbon (Portugal)	100.00%	100.00%	-	-
BB Food Service, S.A.	a) Maia (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%
Continente Hipermercados, S.A.	a) Oeiras (Portugal)	100.00%	100.00%	100.00%	100.00%
Elergone Energias, Lda	a) Matosinhos (Portugal)	75.00%	75.00%	75.00%	75.00%
Farmácia Selecção, S.A.	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	a) Lisbon (Portugal)	51.00%	51.00%	51.00%	51.00%
MCCARE – Serviços de Saúde, S.A.	a) Matosinhos (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%
Modelo Continente Hipermercados, S.A.	a) Matosinhos (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%
SK – Skin Health Cosmetics	a) Oeiras (Portugal)	100.00%	100.00%	100.00%	100.00%
<b>Worten</b>					
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%
Sonae SR Malta Holding Limited	a) La Valletta (Malta)	100.00%	100.00%	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%

2)	Worten International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	-	-
2)	Wrt Business – Distribuição de Eletrodomésticos, Eletrónica e Informática, S.A.,	a)	Matosinhos (Portugal)	100.00%	100.00%	-	-
<b>Sonae Sports &amp; Fashion</b>							
	Bright Brands SportsGoods, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
3)	Comercial Losan Polonia SP Z.O.O	a)	Warsaw (Poland)	-	-	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%
	Fashion Division Canárias, SL	a)	Tenerife (Spain)	100.00%	100.00%	100.00%	100.00%
2)	Fashion International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	-	-
	Irmãos Vila Nova, S.A.	b)	Vila Nova de Famalicão (Portugal)	100.00%	50.00%	100.00%	50.00%
	Irmãos Vila Nova III - Imobiliária, S.A.	b)	Vila Nova de Famalicão (Portugal)	100.00%	50.00%	100.00%	50.00%
	IVN – Serviços Partilhados, S.A.	b)	Vila Nova de Famalicão (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%
4)	Losan Tekstil Unruleri 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%
2)	Modalfa Canarias, SL	a)	Tenerife (Spain)	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%
5)	SDSR – Sports Division SR, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	SLS Salsa – Comércio e Difusão de Vestuário, S.A.	b)	Vila Nova de Famalicão (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%
5)	Sport Zone Canárias, SL	a)	Tenerife (Spain)	60.00%	60.00%	60.00%	60.00%
5)	Sport Zone España - Comércio de Articulos de	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%

	Deporte, S.A.						
4)	Sport Zone spor malz.per.satis ith.ve tic.ltd.sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
	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%
4)	Zippy cocuk malz.dag.ith.ve tic.ltd.sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%

#### Sonae RP

	Arat Inmuebles, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	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%
	Bertimóvel - Sociedade Imobiliária, 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%
	Cumulativa - Sociedade Imobiliária, S.A.	a)	Maia (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 Fechado Imosedo	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia (Portugal)	98.00%	98.00%	98.00%	98.00%
	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%
	MJLF - Empreendimentos Imobiliários, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modelo Hiper Imobiliária, S.A.	a)	Maia (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%

	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%
	Sesagest - Proj.Gestão Imobiliária, S.A.	a)	Porto (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%
	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%
	Valor N, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	<b>Maxmat</b>						
	Modelo - Distribuição de Materiais de Construção, S.A.	b)	Maia (Portugal)	50.00%	50.00%	50.00%	50.00%
	<b>Sonae IM</b>						
	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%
	Cape Technologies Limited	a)	Dublin (Ireland)	100.00%	89.97%	100.00%	89.97%
	Digitmarket - Sistemas de Informação, S.A.	a)	Maia (Portugal)	75.00%	67.47%	75.10%	67.56%
1)	Excellium Group, S.A.	a)	Contem (Luxembourg)	59.20%	53.26%	-	-
1)	Excellium Services, S.A.	a)	Contem (Luxembourg)	59.20%	53.26%	-	-
1)	Excellium Services Belgium, S.A.	a)	Wavre (Belgium)	59.20%	53.26%	-	-
1)	Excellium Factory SARL	a)	Raouad Ariana (Tunisia)	59.20%	53.26%	-	-
	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%
2)	Inovretail España, S.L.	a)	Madrid (Spain)	100.00%	89.97%	-	-
1)	Mxtel SA de CV	a)	City of Mexico (Mexico)	99.93%	72.78%	-	-
1)	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%	89.97%
	S21 Sec Brasil, Ltda	a)	São Paulo (Brazil)	99.99%	72.78%	99.99%	89.96%
	S21 Sec Gestion, S.A.	a)	Navarra (Spain)	80.90%	72.78%	100.00%	89.97%
	S21 Sec Information Security Labs, S.L.	a)	Navarra (Spain)	100.00%	72.78%	100.00%	89.97%
	S21 Sec, S.A. de CV	a)	City of Mexico (Mexico)	100.00%	72.78%	100.00%	89.97%
	Saphety – Transacciones Electronicas SAS	a)	Bogota (Colombia)	100.00%	78.27%	100.00%	78.27%

	Saphety Brasil Transações Eletrônicas Lda	a)	São Paulo (Brazil)	100.00%	78.27%	100.00%	78.27%
	Saphety Level - Trusted Services, S.A.	a)	Maia (Portugal)	86.99%	78.27%	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%
2)	Taikai, Ltda	a)	Porto (Portugal)	99.01%	89.08%	-	-
	Tecnológica Telecomunicações, Ltda	a)	Rio de Janeiro (Brazil)	99.99%	89.87%	99.99%	89.87%
	We Do Brasil Soluções Informáticas, Ltda	a)	Rio de Janeiro (Brazil)	99.91%	89.88%	99.91%	89.88%
	We Do Consulting - Sistemas de Informação, S.A.	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
6)	WE DO Technologies España, SL	a)	Madrid (Spain)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies (UK) Limited	a)	Berkshire (U.K.)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Americas, Inc.	a)	Delaware (USA)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Australia PTY Limited	a)	Sydney (Australia)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Egypt Limited Liability Company	a)	Cairo (Egypt)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Mexico S. de RL	a)	City of Mexico (Mexico)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies B.V.	a)	Amsterdam (Netherlands)	100.00%	89.97%	100.00%	89.97%
<b>Sonae FS</b>							
7)	SFS Gestão e Consultoria, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonae Financial Services, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
<b>Sonae Sierra</b>							
8)9)	ALEXA Holding GmbH	a)	Dusseldorf (Germany)	-	-	100.00%	50.00%
8)9)	ALEXA Shopping Centre GmbH	a)	Dusseldorf (Germany)	-	-	100.00%	50.00%
9)	ARP Alverca Retail Park, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Axnae Spain Holdings, S.L.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
9)	Cascaishopping-Centro Comercial, S.A.	a)	Maia (Portugal)	100.00%	40.07%	100.00%	28.62%
9)	CCCB Caldas da Rainha - Centro Comercial, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Coimbrashopping- Centro Comercial, S.A.	a)	Maia (Portugal)	100.00%	35.07%	100.00%	25.05%
9)	Dos Mares - Shopping Centre B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
9)	Dos Mares-Shopping Centre, S.A.	a)	Madrid (Spain)	100.00%	35.07%	100.00%	25.05%

9)	Gli Orsi Shopping Centre 1 Srl	a)	Milan (Italy)	100.00%	70.00%	100.00%	50.00%
9)	Iberian Holdings Spain, S.L.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
9)	Ioannina Development of Shopping Centres, S.A.	a)	Athens (Greece)	100.00%	70.00%	100.00%	50.00%
9)	Land Retail B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	28.62%
3)9)	Luz del Tajo B.V.	a)	Amsterdam (Netherlands)	-	-	100.00%	25.05%
9)	Microcom Doi, Srl	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	50.00%
9)	Paracentro - Gestão de Galerias Comerciais, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
2)9)10)	Parklake Business Centre Srl	a)	Bucharest (Romania)	100.00%	70.00%	-	-
9)10)	Parklake Shopping, S.A.	a)	Bucharest (Romania)	100.00%	70.00%	50.00%	25.00%
9)	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Plaza Eboli – Centro Comercial S.A.	a)	Madrid (Espanha)	100.00%	70.00%	100.00%	50.00%
9)	Plaza Mayor Parque de Ócio B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
9)	Plaza Mayor Parque de Ocio, S.A.	a)	Madrid (Spain)	100.00%	35.07%	100.00%	25.05%
9)11)	Plaza Mayor Shopping B.V.	a)	Amsterdam (Netherlands)	-	-	100.00%	25.05%
9)	Plaza Mayor Shopping, S.A.	a)	Madrid (Spain)	100.00%	35.07%	100.00%	25.05%
9)10)	Plenerg Srl	a)	Bucharest (Romania)	100.00%	70.00%	50.00%	25.00%
9)	Project Sierra 10 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra 11 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra 12 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra 2 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra Cúcuta B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra Four, Srl	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra Germany 4 (four) - Shopping Centre, GmbH	a)	Dusseldorf (Germany)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra Spain 1 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Project Sierra Spain 2- Centro Comercial S.A.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
9)	River Plaza B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)12)	River Plaza Mall, Srl	a)	Bucharest (Romania)	-	-	100.00%	50.00%

9)	Shopping Centre Parque Principado B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
9)	Sierra Berlin Holding B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)9)	Sierra Core Assets Holdings, B.V.	a)	Amsterdam (Netherlands)	-	-	50.00%	25.05%
9)	Sierra Developments Holding B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Developments, SGPS, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Sierra European Retail Real Estate Assets Holdings B.V.	a)	Amsterdam (Netherlands)	50.10%	35.07%	50.10%	25.05%
9)	Sierra Germany GmbH	a)	Dusseldorf (Germany)	100.00%	70.00%	100.00%	50.00%
9)	Sierra GP Limited	a)	Guernesey (U.K.)	100.00%	70.00%	100.00%	50.00%
9)13)	Sierra Greece, S.A.	a)	Athens (Greece)	-	-	100.00%	50.00%
9)	Sierra Investments (Holland) 1 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Investments (Holland) 2 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Investments Holdings B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Investments SGPS, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Italy Srl	a)	Milan (Italy)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Management, SGPS, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Maroc, SARL	a)	Casablanca (Morocco)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Maroc Services, SARL	a)	Casablanca (Morocco)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Parma Project B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Portugal, S.A.	a)	Lisbon (Portugal)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Project Nürnberg B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Real Estate Greece B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Retail Ventures B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Romania Shopping Centers Services, SRL	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Services Holland B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Solingen Holding GmbH	a)	Dusseldorf (Germany)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Spain Malaga Holdings, S.L.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Spain, Shopping Centers Services, S.A.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%

9)	Sierra Turkey Gayrimenkul Yönetim Pazarlama ve Danışmanlık Anonim Şirket	a)	Istanbul (Turkey)	100.00%	70.00%	100.00%	50.00%
9)	Sierra Zenata Project B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
9)	Sonae Sierra, SGPS, S.A.	a)	Maia (Portugal)	70.00%	70.00%	50.00%	50.00%
9)	SPF - Sierra Portugal	a)	Luxembourg	100.00%	70.00%	100.00%	50.00%
9)	Weierstadt Shopping B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
<b>Other</b>							
	Libra Serviços, Lda	a)	Funchal (Portugal)	100.00%	100.00%	100.00%	100.00%
2)	Halfdozen Real Estate, S.A.	a)	Maia (Portugal)	100.00%	100.00%	-	-
	Modelo Continente International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
14)	Modelo Continente SGPS, S.A.	a)	Matosinhos (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%
	SCBRASIL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	SIAL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	Soflorin, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
15)16)	Sonae Corporate, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonae Investments, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sonaecenter Serviços, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonaegeest-Soc.Gest.Fundos Investimentos, S.A.	a)	Maia (Portugal)	100.00%	94.00%	100.00%	90.00%
17)	Sonae MC – Serviços Partilhados, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
18)	Sonae MC, SGPS, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	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%
	Sonae MC S2 Africa Limited	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
	SONAESR – Serviços e Logística, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonvecap, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
19)	Tlantic, B.V.	a)	Amsterdam (Netherlands)	-	-	70.71%	70.71%
19)	Tlantic Portugal - Sistemas de Informação, S.A.	a)	Maia (Portugal)	-	-	100.00%	70.71%

19)	Tlantic Sistemas de Informação, Ltda	a)	Porto Alegre (Brazil)	-	-	100.00%	70.71%
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\*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 created during the period;
- 3) Company liquidated during the period;
- 4) Company in liquidation process reason why it is classified in discontinued operations in the period;
- 5) In 2017, a partnership agreement was signed, which took place in January 2018, and this company was consolidated using the equity method, given the loss of control (Notes 4.3 and 5);
- 6) Former Sonaecom - Sistemas de Información España, SL;
- 7) Former SFS – Serviços de Gestão e Marketing, S.A.;
- 8) Company ALEXA Shopping Centre GmbH merged in ALEXA Holding GmbH with effects at 1 January 2018, and ALEXA Holding GmbH merged in Sierra Berlin Holding B.V. at 30 September 2018;
- 9) By obtaining control of Sonae Sierra, SGPS, S.A., these companies went from joint ventures to subsidiaries and began to be consolidated by the full consolidation method (Note 4.1);
- 10) In September 2018, the Group acquired 50% of these Companies;
- 11) Company merged in subsidiária Plaza Mayor Parque de Ócio B.V. with effects at 1 January 2018.
- 12) Company withdrawal of consolidated scope in December 2018, as a result of the agreement made with the financing entity;
- 13) Company merged in Ioannina Development of Shopping Centres, S.A. with effects at 1 January 2018.
- 14) Former Sonae MC - Modelo Continente SGPS, S.A.;
- 15) Former ZYEvolution-Invest.Desenv., S.A.;
- 16) Former Sonae – Shared Service Center, S.A.;
- 17) Former Sonae Center Serviços II, S.A.;
- 18) Former Sonae Investimentos, SGPS, S.A.;
- 19) Company sold on 26 September 2018.

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 2018 and 31 December 2017 are as follows:

### 53.1 Joint ventures

COMPANY	Head Office	Percentage of capital held			
		31 Dec 2018		31 Dec 2017	
		Direct*	Total*	Direct*	Total*
<b>Sonae MC</b>					
Sohi Meat Solutions – Distribuição de Carnes, S.A.	Santarém (Portugal)	50.00%	50.00%	50.00%	50.00%
<b>Sonae Sierra</b>					
1) 3shoppings - Holding, SGPS, S.A.	Maia (Portugal)	20.00%	14.00%	20.00%	10.00%
1) 8ª Avenida Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
Aegean Park Constructions Real Estate and Development, S.A.	Athens (Greece)	100.00%	35.00%	100.00%	25.00%
1) ALBCC – Albufeirashopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
1) ALBRP Albufeira Retail Park, Lda	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
1) Albufeira RP (Luxembourg) 1, SARL	Luxembourg	100.00%	7.00%	100.00%	5.00%
1) Albufeira RP (Luxembourg) 2, SARL	Luxembourg	100.00%	7.00%	100.00%	5.00%
1) ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	9.00%	6.30%	9.00%	4.50%
2) ALEXA Holding GmbH	Dusseldorf (Germany)	-	-	100.00%	50.00%
2) ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	-	-	100.00%	50.00%
1) Algarveshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
1) Area Sur Shopping, SL	Madrid (Spain)	15.00%	10.50%	15.00%	7.50%
3) ARP Alverca Retail Park, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
4) Arrábidasshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	12.53%	100.00%	12.53%
3) Axnae Spain Holdings, S.L.	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
1) Candotal Spain S.L.U	Madrid (Spain)	100.00%	7.00%	100.00%	5.00%
3) Cascaishopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	40.07%	100.00%	28.62%
3) CCCB Caldas da Rainha - Centro Comercial, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%

	Centro Colombo - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	12.53%
	Centro Vasco da Gama - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	12.53%
3)	Coimbrashopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	35.07%	100.00%	25.05%
	DOC Malaga Holdings S.L.	Madrid (Spain)	50.00%	17.54%	50.00%	12.53%
	DOC Malaga SITECO S.L.U.	Madrid (Spain)	100.00%	17.54%	100.00%	12.53%
3)	Dos Mares - Shopping Centre, B.V.	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
3)	Dos Mares - Shopping Centre, S.A.	Madrid (Spain)	100.00%	35.07%	100.00%	25.05%
1)	Estação Viana - Centro Comercial, S.A.	Viana do Castelo (Portugal)	100.00%	7.00%	100.00%	5.00%
	Freccia Rossa - Shopping Centre, Srl	Milan (Italy)	50.00%	35.00%	50.00%	25.00%
	Fundo de Investimento Imobiliário Parque Dom Pedro Shopping Center	Rio de Janeiro (Brazil)	58.07%	14.48%	50.00%	10.34%
	Fundo de Investimento Imobiliário Shopping Parque Dom Pedro	Rio de Janeiro (Brazil)	87.61%	22.09%	87.61%	15.78%
4)	Gaiashopping I - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	12.53%
4)	Gaiashopping II - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	12.53%
3)	Gli Orsi Shopping Centre 1, Srl	Milan (Italy)	100.00%	70.00%	100.00%	50.00%
1)	Guimarãesshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	14.00%	100.00%	10.00%
	Harvey Dos Iberica, SL	Madrid (Spain)	50.00%	17.54%	50.00%	12.53%
	Iberian Assets, S.A.	Madrid (Spain)	50.00%	17.54%	50.00%	12.53%
1)	Iberia Shopping Centre Venture Cooperatief UA	Amsterdam (Netherlands)	10.00%	7.00%	10.00%	5.00%
3)	Iberian Holdings Spain, S.L.	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
1)	Imoconti - Sociedade Imobiliária, S.A.	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
3)	Ioannina Development of Shopping Centres, S.A.	Athens (Greece)	100.00%	70.00%	100.00%	50.00%
3)	Land Retail, B.V.	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	28.62%
	Larissa Development of Shopping Centres, S.A.	Athens (Greece)	100.00%	35.00%	100.00%	25.00%
1)	LCC – Leirishopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
1)	Le Terrazze – Shopping Centre 1, Srl	Milan (Italy)	10.00%	7.00%	10.00%	5.00%
1)	Loop5 Shopping Centre GmbH & Co KG	Dusseldorf (Germany)	9.00%	6.30%	9.00%	4.50%
1)	Loureshopping – Centro Comercial, S.A.	Maia (Portugal)	50.00%	7.88%	50.00%	5.63%
2)3)	Luz del Tajo, B.V.	Amsterdam (Netherlands)	-	-	100.00%	25.05%
1)	Luz del Tajo - Centro Comercial, S.A.	Madrid (Spain)	100.00%	7.00%	100.00%	5.00%
	Madeirashopping - Centro Comercial, S.A.	Funchal (Portugal)	50.00%	17.54%	50.00%	12.53%

1)	Maiashopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	14.00%	100.00%	10.00%
3)	Microcom Doi, Srl	Bucharest (Romania)	100.00%	70.00%	100.00%	50.00%
	Norte Shopping Retail and Leisure Centre, B.V.	Amsterdam (Netherlands)	50.00%	17.54%	50.00%	12.53%
	Norteshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	12.53%
1)	Olimpo Asset 1, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
1)	Olimpo Asset 2, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
1)5)	Olimpo Asset 3, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
1)6)	Olimpo Asset 4, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
1)	Olimpo Real Estate Socimi, S.A.	Madrid (Spain)	3.75%	2.63%	3.75%	1.88%
	Pantheon Plaza B.V.	Amsterdam (Netherlands)	50.00%	35.00%	50.00%	25.00%
3)	Paracentro - Gestão de Galerias Comerciais, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
	Park Avenue Development of Shopping Centers, S.A.	Atenas (Grécia)	50.00%	35.00%	50.00%	25.00%
3)	Parklake Shopping, S.A.	Bucharest (Romania)	100.00%	70.00%	50.00%	25.00%
	Parque Atlântico Shopping - Centro Comercial, S.A.	Ponta Delgada (Portugal)	50.00%	17.54%	50.00%	12.53%
	Parque D. Pedro 1, B.V. SARL	Luxembourg	100.00%	35.00%	100.00%	25.00%
3)	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
	Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	100.00%	23.33%	100.00%	16.66%
7)	Pátio Goiânia Shopping, Ltda	São Paulo (Brazil)	-	-	100.00%	16.66%
	Pátio Londrina Empreendimentos e Participações, Ltda	São Paulo (Brazil)	100.00%	23.33%	100.00%	16.66%
	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	100.00%	23.33%	100.00%	16.66%
	Pátio Sertório Shopping, Ltda	Manaus (Brazil)	100.00%	23.33%	100.00%	16.66%
	Pátio Uberlândia Shopping, Ltda	São Paulo (Brazil)	100.00%	23.33%	100.00%	16.66%
3)	Plaza Eboli - Centro Comercial, S.A.	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
3)	Plaza Mayor Parque de Ócio, B.V.	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
3)	Plaza Mayor Parque de Ócio, S.A.	Madrid (Spain)	100.00%	35.07%	100.00%	25.05%
3)	Plaza Mayor Shopping, B.V.	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
3)	Plaza Mayor Shopping, S.A.	Madrid (Spain)	100.00%	35.07%	100.00%	25.05%
3)	Plenerg Srl	Bucharest (Romania)	100.00%	70.00%	50.00%	25.00%
1)	PORTCC – Portimãoshopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
1)	Project Guia, S.A.	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
3)	Project Sierra 10 B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%

3)	Project Sierra 11 B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Project Sierra 12 B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Project Sierra 2, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
1)	Project Sierra 8, B.V.	Amsterdam (Netherlands)	100.00%	7.00%	100.00%	5.00%
3)	Project Sierra Cúcuta, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Project Sierra Four Srl	Bucharest (Romania)	100.00%	70.00%	100.00%	50.00%
3)	Project Sierra Germany 4 (four), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	70.00%	100.00%	50.00%
3)	Project Sierra Spain 1, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Project Sierra Spain 2 - Centro Comercial, S.A.	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
	Proyecto Cúcuta S.A.S	Santiago de Cali (Colombia)	50.00%	35.00%	50.00%	25.00%
1)	Rio Sul – Centro Comercial, S.A.	Lisboa (Portugal)	50.00%	7.88%	50.00%	5.63%
3)	River Plaza B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)8)	River Plaza Mall, Srl	Bucharest (Romania)	-	-	100.00%	50.00%
	SC Aegean, B.V.	Amsterdam (Netherlands)	50.00%	35.00%	50.00%	25.00%
1)	Serra Shopping – Centro Comercial, S.A.	Lisbon (Portugal)	5.00%	3.50%	50.00%	5.63%
	Shopping Centre Colombo Holding, B.V.	Amsterdam (Netherlands)	50.00%	17.54%	50.00%	12.53%
3)	Shopping Centre Parque Principado, B.V.	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	25.05%
2)	Sierra Asia Limited	Hong Kong	-	-	100.00%	50.00%
3)	Sierra Berlin Holding B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
	Sierra Brazil 1, B.V.	Amsterdam (Netherlands)	100.00%	35.00%	100.00%	25.00%
	Sierra Central, S.A.S.	Santiago de Cali (Colombia)	50.00%	35.00%	50.00%	25.00%
1)	Sierra Cevital Shopping Center, Spa	Algeria	49.00 %	34.30%	49.00 %	24.50%
2)	Sierra Core Assets Holdings, B.V.	Amsterdam (Netherlands)	-	-	50.00%	25.05%
3)	Sierra Developments Holding, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Developments, SGPS, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
3)	Sierra European Retail Real Estate Assets Holdings, B.V.	Amsterdam (Netherlands)	50.10%	35.07%	50.10%	25.05%
3)	Sierra Germany GmbH	Dusseldorf (Germany)	100.00%	70.00%	100.00%	50.00%
3)	Sierra GP, Limited	Guernesey (R.U.)	100.00%	70.00%	100.00%	50.00%
3)10)	Sierra Greece, S.A.	Athens (Greece)	-	-	100.00%	50.00%
	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	100.00%	23.33%	100.00%	16.66%
3)	Sierra Investments (Holland) 1, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%

3)	Sierra Investments (Holland) 2, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Investments Holding, B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Investments SGPS, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Italy, Srl	Milan (Italy)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Management, SGPS, S.A.	Maia (Portugal)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Maroc, SARL	Casablanca (Morocco)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Maroc Services, SARL	Casablanca (Morocco)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Parma Project B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Portugal, S.A.	Lisbon (Portugal)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Project Nürnberg B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Real Estate Greece B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Retail Ventures B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Romania Shopping Centers Services, SRL	Bucharest (Romania)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Services Holland B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Solingen Holding GmbH	Dusseldorf (Germany)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Spain Malaga Holdings, S.L.	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Spain – Shopping Centers Services, S.A.	Madrid (Spain)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Turkey Gayrimenkul Yönetim Pazarlama ve Danışmanlık Anonim Şirket	Istanbul (Turkey)	100.00%	70.00%	100.00%	50.00%
3)	Sierra Zenata Project B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
	Solingen Shopping Center GmbH	Dusseldorf (Germany)	50.00%	35.00%	50.00%	25.00%
	Sonae Sierra Brasil, S.A.	São Paulo (Brazil)	66.65%	23.33%	66.65%	16.66%
	Sonae Sierra Brazil, B.V. SARL	Luxembourg	50.00%	35.00%	50.00%	25.00%
3)	Sonae Sierra, SGPS, S.A.	Maia (Portugal)	70.00%	70.00%	50.00%	50.00%
3)	SPF - Sierra Portugal	Luxembourg	100.00%	70.00%	100.00%	50.00%
1)	SPF - Sierra Portugal Real Estate, SARL	Luxembourg	22.50%	15.75%	22.50%	11.25%
	Unishopping Consultoria Imobiliária, Ltda	São Paulo (Brazil)	100.00%	23.33%	100.00%	16.66%
	VdG Holding B.V.	Amsterdam (Netherlands)	50.00%	17.54%	50.00%	12.53%
	Via Catarina - Centro Comercial, S.A.	Maia (Portugal)	50.00%	17.54%	50.00%	12.53%
3)	Weierstadt Shopping B.V.	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	50.00%
1)	Zenata Commercial Project, S.A.	Mohammedia (Morocco)	11.00%	7.7%	11.00%	5.5%

## 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%
2)	Canal 20 TV, S.A.	Madrid (Spain)	-	-	50.00%	11.73%
	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%
	NOS Communications Sàrl	Luxembourg	100.00%	23.46%	100.00%	23.46%
	NOS Comunicações, S.A.	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOS Inovação, S.A.	Matosinhos (Portugal)	100.00%	23.46%	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%
	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%
	ZAP Cinemas, S.A.	Luanda (Angola)	100.00%	7.04%	100.00%	7.04%
	ZAP Media, S.A.	Luanda (Angola)	100.00%	7.04%	100.00%	7.04%
	ZAP Publishing, S.A.	Luanda (Angola)	100.00%	7.04%	100.00%	7.04%
	ZOPT, SGPS, S.A.	Porto (Portugal)	50.00%	44.99%	50.00%	44.99%
	<b>Sonae IM</b>					
	Intelligent Big Data, SL	Gipuzcoa (Spain)	50.00%	36.39%	50.00%	44.99%
	<b>Sonae FS</b>					
	Accive Insurance – Corretor de Seguros, S.A.	Porto (Portugal)	70.00%	35.00%	70.00%	35.00%
	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%
	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%
	Herco Consultoria de Risco e Corretora de Seguros, Ltda	Santa Catarina (Brazil)	100.00%	50.00%	100.00%	50.00%
	Herco, Consultoria de Risco, 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%
11)	ISEM – Corretora de seguros e resseguros, S.A.	Lisboa (Portugal)	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)	50.00%	25.00%	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%
9)	MDS Link Solutions, Lda	Porto (Portugal)	50.00%	25.00%	-	-
	MDS Malta Holding Limited	La Valletta (Malta)	100.00%	50.00%	100.00%	50.00%
11)	MDS MG Corretora e Administradora de Seguros, Ltda	Minas Gerais (Brazil)	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%	50.00%	50.00%	50.00%



9)	Moneris Correctores de Seguros Limitada	Maputo (Mozambique)	50.00%	50.00%	-	-
	Moneris. Seguros - Mediação de Seguros, Lda	Oeiras (Portugal)	60.00%	30.00%	60.00%	30.01%
11)	Reinsurance Solutions, Soc. Corretora de Resseguros, S.A.	Luanda (Angola)	50.00%	33.33%	-	-
<b>Others</b>						
9)	MKTPLACE – Comércio Eletrónico, S.A.	Porto (Portugal)	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) With the acquisition of control of Sonae Sierra, SGPS, S.A., these companies went from joint ventures to associates (Notes 4.3, 10.1, 10.2.2 and 10.3);
- 2) Company liquidated during the period;
- 3) With the control of Sonae Sierra SGPS, S.A., these companies went from joint ventures for passing to consolidate subsidiaries by the integral consolidation method (Note 4.3);
- 4) With the acquisition of control of Sonae Sierra SGPS, S.A., the part jointly controlled by the Sierra Portugal Fund (SPF) is now classified as associate;
- 5) Former Portitail – Investimentos Imobiliários, S.A.;
- 6) Former Haciairriba – Projetos, Negócios e Promoções, S.A.;
- 7) Company extinguished by merger in Sierra Investimentos Brasil Ltda;
- 8) Subsidiary withdrawn from the consolidated in December 2018, as a result of the agreement made with the financing entity;
- 9) Company created in the period;
- 10) Company merged Ioannina Development of Shopping Centres, S.A. in 2017;
- 11) Company acquired in the period.

## 53.2 Associates

COMPANY	Head Office	Percentage of capital held			
		31 Dec 2018		31 Dec 2017	
		Direct*	Total*	Direct*	Total*
<b>Sonae MC</b>					
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%
Ulabox, S.L.	Barcelona (Spain)	36.00%	36.00%	41.89%	41.89%
<b>Sonae Sports &amp; Fashion</b>					
3) ISRG - Iberian Sports Retail Group, SL	Alicante (Spain)	33.33%	33.33%	-	-
<b>Sonae IM</b>					
1) Alfaro SRAL	Tunisia	40.00%	21.30%	-	-
2) Armilar Venture Partners – Sociedade de Capital de Risco, S.A.	Lisbon (Portugal)	-	-	35.00%	31.49%
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)	42.70%	38.42%	42.64%	38.36%
Fundo de Capital de Risco Espírito Santo Venture Partners Inovação e Internacionalização	Lisbon (Portugal)	37.54%	33.77%	37.54%	33.77%
MOVVO, S.A.	Porto (Portugal)	25.58%	25.58%	25.58%	25.58%
Probe.ly	Lisbon (Portugal)	21.21%	19.08%	22.88%	20.58%
Secucloud Network GmbH	Hamburgo (Germany)	27.45%	24.70%	27.45%	24.70%
1) Suricate Solutions	Luxembourg	20.00%	10.65%	-	-
<b>Sonae Sierra</b>					
4) 3shoppings - Holding, SGPS, S.A.	Maia (Portugal)	20.00%	14.00%	20.00%	10.00%
4) 8ª Avenida Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
4) ALBCC – Albufeirashopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
4) ALBRP Albufeira Retail Park, Lda	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
4) Albufeira RP (Luxembourg) 1, SARL	Luxembourg	100.00%	7.00%	100.00%	5.00%
4) Albufeira RP (Luxembourg) 2, SARL	Luxembourg	100.00%	7.00%	100.00%	5.00%
4) ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	9.00%	6.30%	9.00%	4.50%
4) Algarveshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%

4)	Area Sur Shopping, S.L	Madrid (Spain)	15.00%	10.50%	15.00%	7.50%
5)	Arrábidasshopping - Centro Comercial, S.A.	Maia (Portugal)	50.00%	7.88%	100.00%	12.53%
4)	Candotal Spain S,L,U,	Madrid (Spain)	100.00%	7.00%	100.00%	5.00%
4)	Estação Viana - Centro Comercial, S.A.	Viana do Castelo (Portugal)	100.00%	7.00%	100.00%	5.00%
5)	Gaiashopping I - Centro Comercial, S.A.	Maia (Portugal)	100.00%	7.88%	100.00%	12.53%
5)	Gaiashopping II - Centro Comercial, S.A.	Maia (Portugal)	100.00%	7.88%	100.00%	12.53%
4)	Guimarãeshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	14.00%	100.00%	10.00%
4)	Iberia Shopping Centre Venture Cooperatief UA	Amsterdam (Netherlands)	10.00%	7.00%	10.00%	5.00%
4)	Imoconti – Sociedade Imobiliária, S.A.	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
4)	LCC – Leiriashopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
4)	Le Terrazze – Shopping Centre 1, Srl	Milan (Italy)	10.00%	7.00%	10.00%	5.00%
4)	Loop5 Shopping Centre GmbH & Co KG	Dusseldorf (Germany)	9.00%	6.30%	9.00%	4.50%
4)	Loureshopping – Centro Comercial, S.A.	Maia (Portugal)	50.00%	7.88%	50.00%	5.63%
4)	Luz del Tajo - Centro Comercial, S.A.	Madrid (Spain)	100.00%	7.00%	100.00%	5.00%
4)	Maiashopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	14.00%	100.00%	10.00%
4)	Olimpo Asset 1, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
4)	Olimpo Asset 2, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
4)6)	Olimpo Asset 3, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
4)7)	Olimpo Asset 4, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	1.88%
1)	Olimpo Asset 5, S.A.	Maia (Portugal)	100.00%	2.63%	-	-
1)	Olimpo Asset 6, S.A.	Maia (Portugal)	100.00%	2.63%	-	-
1)	Olimpo Asset 7, S.A.	Maia (Portugal)	100.00%	2.63%	-	-
1)	Olimpo Asset 8, S.A.	Maia (Portugal)	100.00%	2.63%	-	-
4)	Olimpo Real Estate Socimi, S.A.	Madrid (Spain)	3.75%	2.63%	3.75%	1.88%
4)	PORTCC – Portimãoshopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	11.25%
4)	Project Guia, S.A.	Maia (Portugal)	100.00%	7.00%	100.00%	5.00%
4)	Project Sierra 8, B.V.	Amsterdam (Netherlands)	100.00%	7.00%	100.00%	5.00%
4)	Rio Sul – Centro Comercial, S.A.	Lisbon (Portugal)	50.00%	7.88%	50.00%	5.63%
4)	Serra Shopping – Centro Comercial, S.A.	Lisbon (Portugal)	5.00%	3.50%	50.00%	5.63%
4)	Sierra Ceval Shopping Center, Spa	Algeria	49.00 %	34.30%	49.00 %	24.50%
4)	SPF - Sierra Portugal Real Estate, SARL	Luxembourg	22.50%	15.75%	22.50%	11.25%
4)	Zenata Commercial Project, S.A.	Mohammedia (Morocco)	11.00%	7.7%	11.00%	5.5%

## Others

8)	APOR – Agência para a Modernização do Porto, S.A.	Porto (Portugal)	-	-	22.75%	22.75%
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\* 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 acquired during the period;
- 2) In June, the fund's share was disposal;
- 3) A partnership agreement was signed in 2017, which took place in January 2018. This subsidiary was consolidated using the equity method due to loss of control (Notes 3.2 and 4)
- 4) With the acquisition of control of Sonae Sierra, SGPS, S.A., these companies went from joint ventures to associates (Notes 4.3, 10.1, 10.2.2 and 10.3);
- 5) With the acquisition of control of Sonae Sierra SGPS, S.A., the part jointly controlled by the Sierra Portugal Fund (SPF) is now classified as associate;
- 6) Former Portitail – Investimentos Imobiliários, S.A.
- 7) Former Hacia arriba – Projetos, Negócios e Promoções, S.A.;
- 8) Company liquidated during the period.

Jointly controlled companies and associated companies were included in the consolidated financial statements by the equity method.

Approved at the Board of Directors meeting on 19 March 2019

The Board of Directors,

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

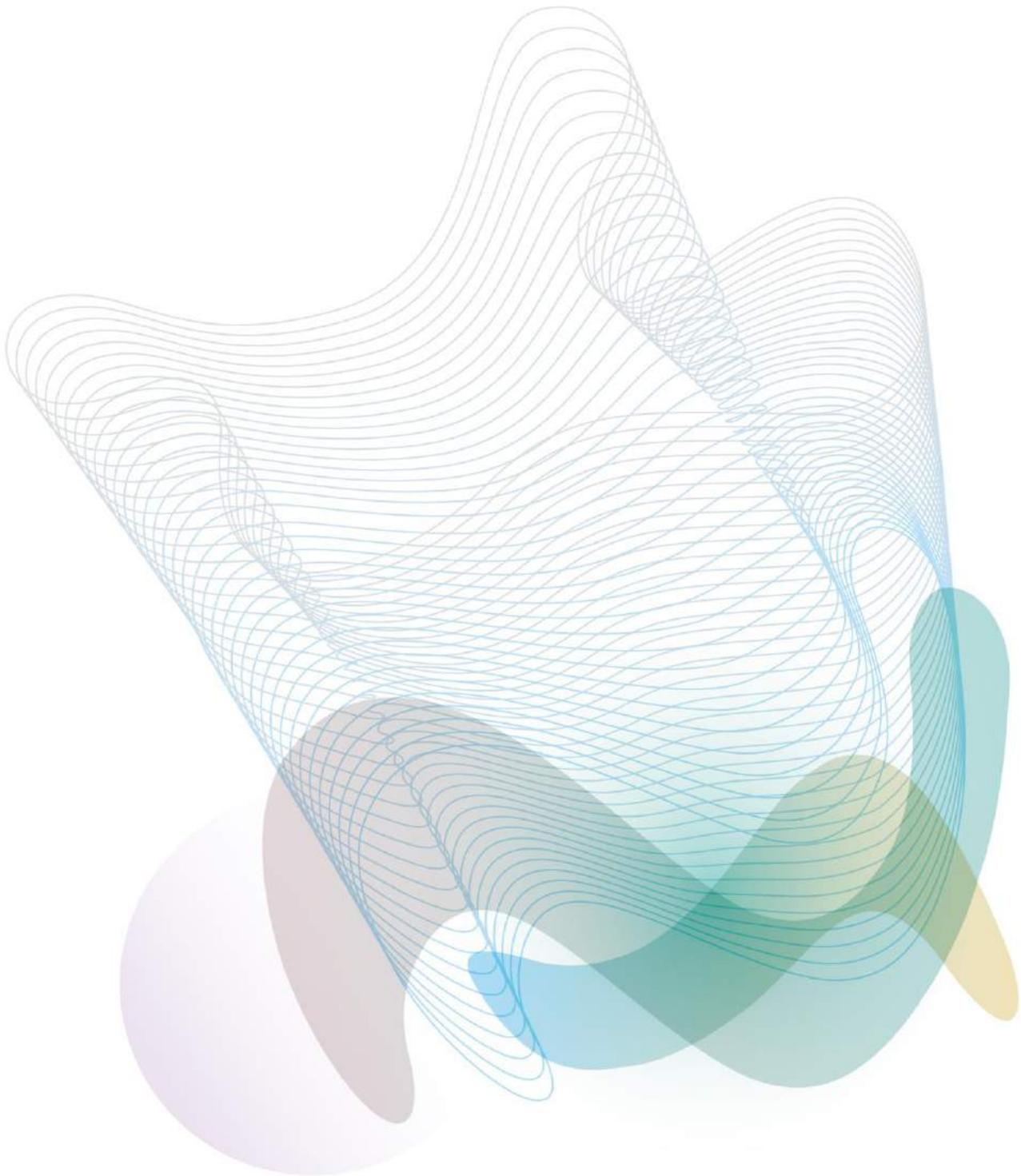
Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director



Separate financial  
statements

## SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	6	47,575	68,906
Intangible assets	7	-	20
Investments in subsidiaries, associates and joint ventures	8	4,472,705,724	3,824,883,407
Other investments	9	49,880	49,880
Deferred taxes	33	10,152,126	7,755,724
Other non-current assets	4, 10	26,000,000	110,649,867
<b>Total non-current assets</b>		<b>4,508,955,305</b>	<b>3,943,407,804</b>
<b>CURRENT ASSETS:</b>			
Trade accounts receivable	4, 11	533,735	531,855
Other debtors	4, 12	430,081,947	28,342,353
Taxes recoverable	13	14,759,647	13,704,653
Other current assets	4, 14	2,959,900	2,245,319
Cash and cash equivalents	4, 15	13,496,553	170,739
<b>Total current assets</b>		<b>461,831,782</b>	<b>44,994,919</b>
		<b>4,970,787,087</b>	<b>3,988,402,723</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	16	2,000,000,000	2,000,000,000
Legal reserves	18	251,937,767	247,276,603
Other reserves	19	1,047,473,703	1,042,902,457
Retained earnings		101,174,851	101,174,851
Profit for the year		321,807,558	93,223,270
<b>TOTAL EQUITY</b>		<b>3,722,393,879</b>	<b>3,484,577,181</b>
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Bonds	4, 21	159,092,197	158,758,711
Bank loans	4, 21	263,537,827	215,983,190
<b>Total non-current liabilities</b>		<b>422,630,024</b>	<b>374,741,901</b>
<b>CURRENT LIABILITIES:</b>			
Bank loans	4, 21	182,500,000	36,390,000
Trade accounts payable	4	292,578	286,234
Loans obtained from group companies	4, 22	600,131,390	77,494,244
Other creditors	4, 23	31,488,723	3,789,922
Taxes and contributions payable	13	8,530,735	8,919,178
Other current liabilities	4, 24	2,819,758	2,204,063
<b>Total current liabilities</b>		<b>825,763,184</b>	<b>129,083,641</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,970,787,087</b>	<b>3,988,402,723</b>

The accompanying notes are part of these separate financial statements.

## SEPARATE INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
Revenue from contracts with customers	28	524,985	523,066
Gains or losses on investments	29	330,515,255	75,572,196
Financial income	30	2,491,520	3,243,663
Other income		1,892,655	1,617,563
External supplies and services	31	(4,134,628)	(3,574,692)
Staff costs	32	(1,994,697)	(1,938,085)
Depreciation and amortisation	6, 7	(21,462)	(31,950)
Financial expense	30	(7,647,908)	(7,396,261)
Other expenses		(861,456)	(587,785)
Profit/(Loss) before taxation		320,764,264	67,427,715
Taxation	33	1,043,294	25,795,555
Profit/(Loss) after taxation		321,807,558	93,223,270
Profit/(Loss) per share			
Basic	34	0.160904	0.046612
Diluted	34	0.160830	0.046593

The accompanying notes are part of these separate financial statements.

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
Net Profit / (Loss) for the year		321,807,558	93,223,270
Other comprehensive income for the year		-	-
Total comprehensive income for the year		321,807,558	93,223,270

The accompanying notes are part of these separate financial statements.

## SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AS AT 31 DECEMBER 2018 AND 2017

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	Share capital	Own shares	Legal reserve	Other reserves			Retained earnings	Net Profit/(Loss)	Total
					Share based payments reserve	Free reserves	Total other reserves			
Balance as at 1 January 2017		2,000,000,000	-	244,211,592	1,078,568	1,063,555,682	1,064,634,250	146,534,851	15,940,218	3,471,320,911
Total comprehensive income for the year		-	-	-	-	-	-	-	93,223,270	93,223,270
Appropriation of profit of 2016:										
Transfer to legal reserves		-	-	3,065,011	-	-	-	-	(3,065,011)	-
Dividends distributed		-	-	-	-	-	-	-	(58,235,207)	(58,235,207)
Free reserves distributed		-	-	-	-	(21,764,793)	(21,764,793)	-	-	(21,764,793)
Transfer to retained earnings of the change of accounting policy effect		-	-	-	-	-	-	(45,360,000)	45,360,000	-
Other changes:										
Obligation fulfilled by a third party	20	-	(466,211)	-	-	-	-	-	-	(466,211)
Share-based payments	20	-	-	-	475,900	-	475,900	-	-	475,900
Shares sold under the terms of annual performance bonus plan and medium term incentive plans	20	-	466,211	-	(541,400)	98,500	(442,900)	-	-	23,311
<b>Balance as at 31 December 2017</b>		<b>2,000,000,000</b>	<b>-</b>	<b>247,276,603</b>	<b>1,013,068</b>	<b>1,041,889,389</b>	<b>1,042,902,457</b>	<b>101,174,851</b>	<b>93,223,270</b>	<b>3,484,577,181</b>
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
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 payment - reclassification from capital to liabilities	20	-	-	-	(578,200)	162,473	(415,727)	-	-	(415,727)
Share-based payments	20	-	-	-	424,867	-	424,867	-	-	424,867
<b>Balance as at 31 December 2018</b>		<b>2,000,000,000</b>	<b>-</b>	<b>251,937,767</b>	<b>859,735</b>	<b>1,046,613,968</b>	<b>1,047,473,703</b>	<b>101,174,851</b>	<b>321,807,558</b>	<b>3,722,393,879</b>

The accompanying notes are part of these separate financial statements.

## SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2018 AND 2017

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
<b>OPERATING ACTIVITIES</b>			
Cash receipts from trade debtors		523,105	706,639
Cash paid to trade creditors		(4,653,516)	(3,867,851)
Cash paid to employees		(2,012,648)	(1,903,085)
Cash flow generated by operations		(6,143,059)	(5,064,297)
Income taxes (paid) / received		23,623,308	(14,754,977)
Other cash receipts and (payments) relating to operating activities		(45,633)	1,511,840
<b>Net cash flow from operating activities (1)</b>		<b>17,434,616</b>	<b>(18,307,434)</b>
<b>INVESTMENT ACTIVITIES</b>			
Cash receipts arising from:			
Investments	35	125,156,262	-
Tangible assets		-	603
Interest and similar income		3,624,958	657,501
Dividends	29	203,189,270	54,809,596
Others		1,791,362	2,399,600
Loans granted		2,951,828,927	2,482,084,000
		<b>3,285,590,779</b>	<b>2,539,951,300</b>
Cash payments arising from:			
Investments	35	(647,443,956)	-
Tangible assets		(111)	(35,456)
Loans granted		(3,268,165,061)	(2,419,641,000)
		<b>(3,915,609,128)</b>	<b>(2,419,676,456)</b>
<b>Net cash used in investment activities (2)</b>		<b>(630,018,349)</b>	<b>120,274,844</b>
<b>FINANCING ACTIVITIES</b>			
Cash receipts arising from:			
Loans obtained	36	4,954,052,590	4,813,773,244
		<b>4,954,052,590</b>	<b>4,813,773,244</b>
Cash payments arising from:			
Loans obtained	36	(4,237,805,444)	(4,828,281,000)
Interest and similar charges		(6,341,605)	(8,229,388)
Dividends		(83,995,994)	(80,010,413)
		<b>(4,328,143,043)</b>	<b>(4,916,520,801)</b>
<b>Net cash used in financing activities (3)</b>		<b>625,909,547</b>	<b>(102,747,557)</b>
<b>Net increase in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>13,325,814</b>	<b>(780,147)</b>
Cash and cash equivalents at the beginning of the year	15	170,739	950,886
Cash and cash equivalents at the end of the year	15	13,496,553	170,739

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 2018

(Translation of the separate financial statements originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

## 1 Introduction

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SONAE, SGPS, SA ("the Company" or "Sonae"), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

The separate financial statements are presented as required by Commercial Companies Code. According to Decree-Law 158/2009 of 13 July, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU).

Consolidated financial statements are also presented in accordance with applicable legislation.

## 2 Principal accounting policies

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The principal 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 were 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"), that have been adopted by the European Union in force as at 1 January 2018.

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 2.11.

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.

## **New accounting standards and their impact in the financial statements**

Up to the approval date of these financial statements, the European Union endorsed standards, interpretations, amendments and revisions, some of which have become effective during the year 2018. These changes are presented in note 2.1 of the notes to the consolidated financial statements. The adoption, during 2018, of the mentioned standards did not produce relevant impacts on the Company financial statements.

### **IFRS 9 and IFRS 15 impacts**

The impacts of IFRS 9 and IFRS 15 that became effective at 1 January 2018, are as follows:

#### **IFRS 9 – Financial instruments**

IFRS 9 establishes the requirements relating classification, measurement and derecognition of financial instruments, introducing changes regarding financial assets classification, financial assets impairment calculation and the application of hedge accounting rules.

With the adoption of IFRS 9, the Company assessed the business models that applied to its financial assets and the characteristics of contractual cash flows, at the date of initial application of IFRS 9 (1 January 2018) and has classified financial instruments in the categories provided for in IFRS 9.

In accordance with IFRS 9 transition requirements, the Company opted for retrospective application with adjustment to retained earnings, at the date of initial adoption (1 January 2018), and comparative values were not restated.

Financial assets classified in 2017 in the "Loans and accounts receivable" category of IAS 39 are classified in 2018 as financial assets measured at amortized cost. The reclassification of these assets had no impact on equity as of 1 January 2018, since the application of the new classification criteria of IFRS 9 did not change the asset measurement model before impairment losses, and the amortized cost continued to be applied.

#### **Impairment of financial assets**

The application of IFRS 9 requires the determination of impairment losses based on the estimated credit losses model, rather than the valuation made on the basis of the incurred losses in accordance with IAS 39. Subject to the new credit impairment model set forth in IFRS 9 are debt instruments recognized at amortized cost (customers, other debtors, loans to related entities) and assets of contracts with customers. The Company applies the simplified approach of IFRS 9. Estimated impairment losses are recognized since the initial recognition of the balances and by the period of maturity considering a matrix of historical default rates for the maturity of the balances, adjusted by prospective estimates.

Loans to related entities and debt instruments were considered as having low risk. Impairment losses were determined by assessing the estimated losses over the next 12 months, according to the general model of estimated credit losses.

The total impact on the Company retained earnings by the adoption of the IFRS 9 model of impairment at 1 January 2018 was considered immaterial and was not recorded in the accounts.



## **IFRS 15 – Revenue from contracts with customers**

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

Additionally, there are standards that have been approved for adoption in the periods started on or after 1 January 2019, and standards not yet approved by the European Union. The company did not early adopt any of the mentioned standards and do not expect significant impacts in the separate financial statements of the company from the application of those standards. The company is still reviewing the impacts of IFRS 16 which is expected to be immaterial. The description of these standards is presented in note 2.1 of the notes to the consolidated financial statements.

## **2.2 Investments in subsidiaries, associates and joint ventures**

Equity investments in subsidiaries, associates and joint ventures are accounted for in accordance with IAS 27, hence at acquisition cost less impairment losses.

Subsidiaries are all entities over which Sonae has the power to decide over the financial and operational policies, which is usually associated to the direct or indirect control of more than half of the voting rights.

Joint ventures are entities over which Sonae has joint control with other partner over a certain business activity.

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.

When applicable, Sonae registers impairments related to these investments, and also records additional losses when it has assumed obligations or made payments in behalf of these entities.

Dividends received are registered as income related to investments, when attributed.

Sonae carries out impairment assessments related to the investments in subsidiaries, associates 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.

Impairment analyses is performed on the basis of fair value estimate of its net assets, mainly equity investments in other Company's subsidiaries, less the subsidiaries' liabilities measured at fair value.

The above-mentioned estimate is based on the fair value computation of the value in use of its holdings by means of discounted cash flow models in order to estimate the value in use of such investments. Subsidiaries or joint ventures which main assets are investments in real estate companies or real estate assets are valued with reference to the fair 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 eventual existence of financial investments impairment as it incorporates the best available information as at the date of the financial statements.

## **2.3 Tangible assets**

Tangible assets are recorded at acquisition cost in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.



Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortisation.

The impairment losses in the realisable value of tangible assets are recorded in the year they arise in the caption of the income statement - impairment losses.

## 2.4 Intangible assets

Intangible assets are stated at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Company and if their cost can be reliably measured.

Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortization.

## 2.5 Non-current assets held for sale

Non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable, and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. These assets are not depreciated.

## 2.6 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

#### Accounting policy adopted from 1 January 2018

Recognition:

All purchases and sales of investments in financial assets are recognized on the trade date, on the date where 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 financial assets (receipt of cash flows 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, 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) 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.

At 31 December 2018 the classification of financial assets by category is disclosed in Note 4.

#### 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 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. Applied impairment methodology 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 Company 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 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, 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 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:

Sonae 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.

#### Accounting policy adopted until 31 December 2017:

Classification:

Held to maturity investments were classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and Sonae has the intention and ability to hold them until the maturity date.

The investments measured at the fair value through profit or loss included the investments held for trading that Sonae acquired with the purpose of trading in the short term. They were classified in the statement of financial position as current investments.

Sonae classifies as available-for-sale investments those that were neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets were classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

Recognition and measurement:

All purchases and sales of investments were recognised on the trade date, independently of the settlement date.

Investments were initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs apart from investment measured at fair value through results, in which the investments were initially recognised at fair value and transaction costs were recognised in the income statement.

Held to maturity investments were recorded at amortized cost using the effective interest rate, net of amortization of principal and interest received.

Available-for-sale investments and investments measured at fair value through profit or loss were subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted



market price at the balance sheet date. Investments in equity instruments not listed and whose fair value cannot be reliably measured, are stated at cost less impairment losses.

Gains or losses arising from a change in the fair value of investments measured at fair value through profit or loss were recorded under the caption "Gains and losses on investments" recorded at fair value through profit or loss in the income statement.

Impairment losses:

Sonae assessed at each financial reporting date the existence of impairment indicators for financial assets that were not measured at fair value through profit or loss. If there was objective evidence of impairment, the Company recognized an impairment loss in the income statement under "Provisions and impairment losses".

Gains or losses arising from a change in the fair value of available-for-sale investments were recorded in equity, until the investment is sold, received or otherwise disposed of, in caption "Fair value reserves" or until the fair value of the investment is below its cost of acquisition and that this corresponds to an impairment loss, at which time the accumulated gain or loss was recorded in the income statement. Significant or prolonged decline in the fair value of an investment in an equity instrument below its cost was also objective evidence of impairment.

In the case of investments in equity securities classified as available for sale, an investment was considered to be impaired when a significant or prolonged decline in its fair value below its cost of acquisition occurred.

Derecognition:

The Company derecognised financial assets when and only when contractual rights to cash flows had expired or had been transferred and the Company had transferred substantially all the risks and benefits arising from the ownership of the asset.

## **b) Loans and accounts receivable**

Loans and accounts receivable are recorded at amortised cost using the effective rate method net of accumulated impairment losses, in order to reflect its realisable value.

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 and receivables 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 2.6 k). As at 31 December 2017, impairment was recognized if there were objective and measurable evidence that, because of one or more events that occurred, the amount would not be fully or partially received. Therefore, the Company had into consideration market information that indicated:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments;
- becoming probable that the borrower would enter bankruptcy or financial re-organization.

When it is not feasible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis. Objective evidence of impairment of a portfolio of receivables could include past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses equals 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.

These financial assets are included in the captions presented in note 4.

### **c) 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.

### **d) Financial liabilities**

#### Accounting policy adopted from 1 January 2018

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 2018, 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 canceled or expire.

#### Accounting policy adopted until 31 December 2017

Financial liabilities were classified into two categories:

- (i) Financial liabilities at fair value through profit or loss; and
- (ii) Other financial liabilities.



The category "Other financial liabilities" includes liabilities presented under "Loans", "Bonds", "Other loans", "Other non-current liabilities", "Trade payables" and "Other payables". These liabilities were initially recognized at fair value and subsequently measured at amortized cost at the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are canceled or expire.

#### **e) 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 income statement on an accruals basis, in accordance with the accounting policy defined in note 2.9. 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.

#### **f) 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.

#### **g) 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.

#### Accounting policy adopted from 1 January 2018

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 income statement.



Sonae may agree to become part of a derivative transaction in order 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 income 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 income 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 Income Statement.

#### Accounting policy adopted until 31 December 2017

Sonae’s criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- i) the hedge transaction was expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- ii) the effectiveness of the hedge can be reliably measured;
- iii) there was adequate documentation of the hedging relationships at the inception of the hedge;
- iv) the transaction being hedged was highly probable.

Cash flow hedge instruments used by the Sonae to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost, if any, which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption “Hedging reserves”, and then recognized in the income statement over the same period in which the hedged instrument affects profit or loss.

For derivatives designated as hedging in line of IAS 39 were found to comply with the coverage under IFRS9, therefore no adjustment was made on 1 January 2018.

#### **h) Own shares**

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of treasury shares are recorded in other reserves.

#### **i) 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.

## **j) 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.

## **k) Impairment of financial assets**

### Accounting policy adopted from 1 January 2018

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 "Trade receivables", "Other receivables" and "Other current assets" are valued taking into account 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 analyzing estimated credit losses, as described in 2.6 b).

### Accounting policy adopted until 31 December 2017

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Board assesses, among other factors, the duration and extent of circumstances in which the recoverable value of these assets is lower than their cost. The balances of " Trade receivables ", " Other receivables " and "Other current assets" were valued taking into account the frequency of default, recovery of previously recognized impairments and financial situation of the debtor, as more critical valuation elements for analysis purposes impairment.

## **2.7 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.

## **2.8 Revenue**

Revenue from services rendered is recognised in the income statement in the period they are performed.

## **2.9 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 income statement.

## 2.10 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.

## 2.11 Judgements and estimates

The most significant accounting estimates reflected in the financial statements are as follows:

- a) Record of adjustments to the value of assets and provisions;
- b) Impairment analysis of financial investments and loans granted to affiliated and associated companies;

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. Although future events are not controlled by the Company and are not foreseeable, some could occur and have impact on the estimates. 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.

The main estimates and assumptions in relation to future events included in the preparation of these financial statements are disclosed in the correspondent notes, if applicable.

## 2.12 Share-based payments

Deferred performance bonus plans are indexed to Sonae 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 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 an option to settle in cash, and the value of each plan is determined as at the grant date based on fair value of shares granted and cost is recognized rateably during the period of each plan. The fair value of the plan is recognized as staff costs against equity.

## 2.13 Income tax

Since 2014, Sonae is taxed in accordance with Special Regime of Taxing Groups of Companies (Parent company). Each company included in the perimeter records income tax for the year in its financial statements by recognizing a liability to group companies.

Except in 2017 where only the parent company recognized the effect of tax losses generate by the group, the companies that contribute with tax losses register the corresponding tax amount in the individual financial statements by counterpart of the intercompany caption.

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 expected to apply in the periods 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 an assessment of the deferred tax assets recognized is made, being reduced whenever their future use is no longer probable.

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.

## 2.14 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 27.

# 3 Financial risk management

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## 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 Group'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 enter into 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. 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 into 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 as a result of its portfolio management activities (buying or 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 (short term investments and derivatives) 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 in order 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 2018 the total gross debt was 606 million euro (411 million euro as at 31 December 2017) (note 21) 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 in order 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 2018 Sonae debt average life maturity, adjusted by the amount of committed long-term facilities and cash equivalents, was 2.6 years (4.5 years as at 31 December 2017);
- 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, 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 417.3 million euro (381.3 million euro as at 31 December 2017) committed credit facilities. As at 31 December 2018, the amount of loans with maturity in 2019 is 182.5 million euro (36.4 million euro with maturity in 2018). At the reporting date Sonae has no expectation that such renewals will not occur. Additionally, considering the credit lines used at 31 December 2018, 74 million euro are available (as at 31 December 2017 Sonae had available credit lines amounting to 210.6 million euro). In view of the above Sonae expects to meet all its obligations by means of its investments cash flows and from its financial assets as well as from drawing existing available credit lines, if needed. Furthermore, Sonae maintains a liquidity reserve that includes cash and cash equivalents and current investments amounting as described in note 15.

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 as a result 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 more strict 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 into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into:

- 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 a sufficient 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). As a consequence, 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 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 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 2018 (separate statements) would decrease by approximately 2.9 million euro (as at 31 December 2017 the net profit would have decreased by 1.9 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 2017).

### **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 income 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 8.

### **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.

## 4 Financial instruments by class

The accounting policies disclosed in note 2.6 have been applied to the line items below:

	31 Dec 2018			
	Notes	Assets / liabilities at amortized cost	Other non-financial assets / liabilities	Total
Other non-current assets	10	26,000,000	-	26,000,000
<b>Non-current assets</b>		<b>26,000,000</b>	<b>-</b>	<b>26,000,000</b>
Trade accounts receivables	11	533,735	-	533,735
Other debtors	12	430,081,947	-	430,081,947
Other current assets	14	2,023,092	936,808	2,959,900
Cash and cash equivalents	15	13,496,553	-	13,496,553
<b>Current assets</b>		<b>446,135,327</b>	<b>936,808</b>	<b>447,072,135</b>
<b>Financial Assets</b>		<b>472,135,327</b>	<b>936,808</b>	<b>473,072,135</b>
Bonds	21	159,092,197	-	159,092,197
Bank loans	21	263,537,827	-	263,537,827
<b>Non-current liabilities</b>		<b>422,630,024</b>	<b>-</b>	<b>422,630,024</b>
Bank loans	21	182,500,000	-	182,500,000
Trade accounts payable		292,578	-	292,578
Loans obtained from group companies	22	600,131,390	-	600,131,390
Other payables creditors	23	31,488,723	-	31,488,723
Other current liabilities	24	2,819,758	-	2,819,758
<b>Current liabilities</b>		<b>817,232,449</b>	<b>-</b>	<b>817,232,449</b>
<b>Financial Liabilities</b>		<b>1,239,862,473</b>	<b>-</b>	<b>1,239,862,473</b>

	31 Dec 2017			
	Notes	Assets / liabilities at amortized cost	Other non-financial assets / liabilities	Total
Other non-current assets	10	110,649,867	-	110,649,867
<b>Non-current assets</b>		<b>110,649,867</b>	<b>-</b>	<b>110,649,867</b>
Trade accounts receivables	11	531,855	-	531,855
Other debtors	12	28,342,353	-	28,342,353
Other current assets	14	1,472,606	772,713	2,245,319
Cash and cash equivalents	15	170,739	-	170,739
<b>Current assets</b>		<b>30,517,553</b>	<b>772,713</b>	<b>31,290,266</b>
<b>Financial Assets</b>		<b>141,167,420</b>	<b>772,713</b>	<b>141,940,133</b>
Bonds	21	158,758,711	-	158,758,711
Bank loans	21	215,983,190	-	215,983,190
<b>Non-current liabilities</b>		<b>374,741,901</b>	<b>-</b>	<b>374,741,901</b>
Bank loans	21	36,390,000	-	36,390,000
Trade accounts payable		286,234	-	286,234
Loans obtained from group companies	22	77,494,244	-	77,494,244
Other payables creditors	23	3,789,922	-	3,789,922
Other current liabilities	24	8,919,178	(6,715,115)	2,204,063
<b>Current liabilities</b>		<b>126,879,578</b>	<b>(6,715,115)</b>	<b>120,164,463</b>
<b>Financial Liabilities</b>		<b>501,621,479</b>	<b>(6,715,115)</b>	<b>494,906,364</b>

Sonae financial asset and liabilities classes remained the same in the transition from IAS 39 and IAS 9.

## 5 Changes in accounting policies

During the year there were no material changes in accounting policies or prior period errors.

## 6 Tangible assets

As at 31 December 2018 and 2017 tangible assets movements are as follows:

	Plant and machinery	Vehicles	Fixtures and fittings	Others	In progress	Total
<b>Gross cost</b>						
Opening balance as at 1 January 2017	132,742	20,821	1,655,881	723	-	1,810,167
Increase	-	-	27,615	-	7,841	35,456
Decrease	-	-	(1,398)	-	-	(1,398)
Transfers and write-offs	1,601	-	6,240	-	(7,841)	-
Opening balance as at 1 January 2018	134,343	20,821	1,688,338	723	-	1,844,225
Increase	-	-	-	-	111	111
Transfers and write-offs	-	-	111	-	(111)	-
Closing balance as at 31 December 2018	134,343	20,821	1,688,449	723	-	1,844,336
<b>Accumulated depreciation</b>						
Opening balance as at 1 January 2017	91,981	17,746	1,634,342	723	-	1,744,792
Increase	12,748	3,075	16,100	-	-	31,923
Decrease	-	-	(1,396)	-	-	(1,396)
Opening balance as at 1 January 2018	104,729	20,821	1,649,046	723	-	1,775,319
Increase	12,802	-	8,640	-	-	21,442
Closing balance as at 31 December 2018	117,531	20,821	1,657,686	723	-	1,796,761
<b>Carrying amount</b>						
As at 31 December 2017	29,614	-	39,292	-	-	68,906
As at 31 December 2018	16,812	-	30,763	-	-	47,575

## 7 Intangible assets

As at 31 December 2018 and 2017 intangible assets movements are as follows:

	Patents and other similar rights	Software	Total intangible assets
<b>Gross cost</b>			
Opening balance as at 1 January 2017	187,305	2,837	190,142
Opening balance as at 1 January 2018	187,305	2,837	190,142
Closing balance as at 31 December 2018	187,305	2,837	190,142
<b>Accumulated depreciation</b>			
Opening balance as at 1 January 2017	187,305	2,790	190,095
Increase	-	27	27
Opening balance as at 1 January 2018	187,305	2,817	190,122
Increase	-	20	20
Closing balance as at 31 December 2018	187,305	2,837	190,142
<b>Carrying amount</b>			
As at 31 December 2017	-	20	20
As at 31 December 2018	-	-	-

## 8 Investments in subsidiaries, associates and joint ventures

As at 31 December 2018 and 2017, the Company held investments in the following subsidiaries, associates and joint ventures

Companies	31 Dec 2018					
	% Held	Opening balance	Increase	Decrease	Impairment recognised during the year	Closing balance
Arat Inmuebles, SAU	100.00%	-	1,827,149	-	-	1,827,149
Fundo de Investimento Imobiliário Fechado Imosede	50.00%	30,000,544	46,047,451	-	-	76,047,995
Halfdozen Real Estate, SA	-	-	50,000	(50,000)	-	-
Interlog, SGPS, SA	-	106,686	-	(106,686)	-	-
Mktplace Comércio Eletrónico, SA	50.00%	-	1,389,604	-	-	1,389,604
SFS, Gestão e Consultoria, SA	100.00%	-	48,455,868	-	-	48,455,868
Sonae Corporate, SA (Ex Sonae - Shared Service Center, SA)	100.00%	-	6,062,634	-	-	6,062,634
Sonae Financial Services, SA	100.00%	-	45,700,000	-	-	45,700,000
Sonae Investments, BV	100.00%	835,700,000	-	-	-	835,700,000
Sonae MC, SGPS, SA (Ex Sonae Investimentos, SGPS, SA)	35.03%	532,246,696	223,111,000	(124,883,953)	-	630,473,743
Sonae RE, SA	99.92%	1,481,059	-	-	(721,000)	760,059
Sonae Sierra SGPS, SA	70.00%	490,113,339	255,936,650	-	-	746,049,989
Sonaecenter, Serviços, SA	100.00%	1,537,221,545	18,050,000	-	95,900,000	1,651,171,545
Sonaecom, SGPS, SA	26.02%	111,098,824	-	-	-	111,098,824
Sonaegest, SA	80.00%	159,615	813,600	-	-	973,215
Sontel, BV	35.87%	286,755,099	-	-	30,240,000	316,995,099
<b>Total</b>		<b>3,824,883,407</b>	<b>647,443,956</b>	<b>(125,040,639)</b>	<b>125,419,000</b>	<b>4,472,705,724</b>

Companies	31 Dec 2017					
	% Held	Opening balance	Increase	Decrease	Impairment recognised during the year	Closing balance
Interlog, SGPS, SA	1.02%	106,686	-	-	-	106,686
Fundo de Investimento Imobiliário Fechado Imosede	19.60%	30,000,544	-	-	-	30,000,544
Sonae MC, SGPS, SA (Ex Sonae Investimentos, SGPS, SA)	25.03%	532,246,696	-	-	-	532,246,696
Sonae Investments, BV	100.00%	835,700,000	-	-	-	835,700,000
Sonae RE, SA	99.92%	1,232,059	-	-	249,000	1,481,059
Sonae Sierra SGPS, SA	50.00%	490,113,339	-	-	-	490,113,339
Sonaecom, SGPS, SA	26.02%	111,098,824	-	-	-	111,098,824
Sonaegest, SA	20.00%	159,615	-	-	-	159,615
Sonaecenter, Serviços, SA	100.00%	1,530,231,545	-	-	6,990,000	1,537,221,545
Sontel, BV	35.87%	275,631,099	-	-	11,124,000	286,755,099
<b>Total</b>		<b>3,806,520,407</b>	<b>-</b>	<b>-</b>	<b>18,363,000</b>	<b>3,824,883,407</b>

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 in order to estimate the value of use of said investments.

The assumptions used are similar to those used on goodwill impairment test and are disclosed in the consolidated financial statements.

Accumulated impairment losses as at 31 December 2018 and 2017 are as follows:

	31 Dec 2018	31 Dec 2017
Sonae RE, SA	2,912,000	2,191,000
Sonaecenter, Serviços, SA	204,110,000	300,010,000
Sontel, BV	88,646,000	118,886,000
<b>Total</b>	<b>295,668,000</b>	<b>421,087,000</b>

## 9 Other investments

As at 31 December 2018 and 2017 other investments available for sale are as follows:

Companies	31 Dec 2018			
	Opening balance	Increase	Decrease	Closing balance
Associação Escola Gestão Porto	49,880	-	-	49,880
Total	49,880	-	-	49,880

Companies	31 Dec 2017			
	Opening balance	Increase	Decrease	Closing balance
Associação Escola Gestão Porto	49,880	-	-	49,880
Total	49,880	-	-	49,880

## 10 Other non-current assets

As at 31 December 2018 and 2017 other non-current assets are as follows:

	31 Dec 2018	31 Dec 2017
Loans granted to group companies:		
Sonae Investments, BV	25,000,000	110,649,867
Other debtors		
MDS, SGPS, SA	1,000,000	-
	26,000,000	110,649,867

As at 31 December 2018 the loans granted to group companies, bear interest at market rates indexed to Euribor, have a long-term maturity and its fair value is similar to its carrying amount.

There are no past due or impaired receivable balances as at 31 December 2018 and 2017. The eventual impairment of loans granted to group companies is assessed in accordance with note 2.6 k).

## 11 Trade accounts receivable

Trade accounts receivable amounted to 533,735 euro and 531,855 euro as at 31 December 2018 and 2017 respectively, and include balances arising solely from services rendered to group companies.

As at the statement of financial position dates there are no accounts receivable past due, and no impairment loss was recorded, as there are no indications as of the reporting date that the debtors will not meet their payment obligations.

## 12 Other debtors

As at 31 December 2018 and 2017 other debtors are as follows:

	31 Dec 2018	31 Dec 2017
<b>Group companies</b>		
Loans (Note 27)	401,986,000	-
Chão Verde – Sociedade de Gestão Imobiliária, SA	722,000	-
Fashion Division, SA	137,673,000	-
Halfdozen Real Estate, SA	4,464,000	-
MCCARE, Serviços de Saúde, SA	1,769,000	-
Modalfa – Comércio e Serviços, SA	11,366,000	-
SK - Skin Health Cosmetics, SA	273,000	-
Sonae Corporate, SA	140,120,000	-
Sonaecenter, Serviços, SA	85,187,000	-
Zippy - Comércio e Distribuição, SA	20,412,000	-
Interest	1,072,307	2,630,955
Sonae Investments, BV	1,072,307	2,630,955
Taxes - Special regime for taxation of group companies (a)	26,783,070	25,532,297
<b>Other debtors</b>		
Others	240,570	179,101
	<b>430,081,947</b>	<b>28,342,353</b>

- (a) The amount recorded in the caption taxes-special regime for taxation of groups corresponds to the tax estimate calculated by the companies taxed under the Special Regime for Taxation of Corporate Groups, of which the Company is the dominant company.

Loans granted to group companies return interest at variable market rates indexed to Euribor and have a maturity of less than one year.

There were no assets impaired or past due as at 31 December 2018 and 2017. The fair value of loans granted is similar to its carrying amount.

## 13 Taxes

As at 31 December 2018 and 2017 taxes balances are as follows:

Assets	31 Dec 2018	31 Dec 2017
Advance payments	5,045,140	8,172,423
Taxes withheld	7,802,786	3,738,704
Others	1,911,721	1,793,526
	<b>14,759,647</b>	<b>13,704,653</b>
Liabilities	31 Dec 2018	31 Dec 2017
Income tax charge for the year	8,326,891	8,737,183
Taxes withheld		
Staff	19,864	24,988
Other	15,464	3,750
Value added tax	152,118	137,119
Social security contributions	16,398	16,138
	<b>8,530,735</b>	<b>8,919,178</b>

The income tax charge for the year corresponds to the income tax estimated by the companies included in the special tax regime for company groups dominated by the Company and will be paid by the subsidiaries with taxable income.

## 14 Other current assets

As at 31 December 2018 and 2017 other current assets are as follows:

	31 Dec 2018	31 Dec 2017
Accrued income	2,023,093	1,472,606
Prepayments	936,807	772,713
	2,959,900	2,245,319

The amount recorded under the caption Accrued income relates essentially to the interests to be received for loans granted and commissions from guarantees given to subsidiaries.

## 15 Cash and cash equivalents

As at 31 December 2018 and 2017 cash and cash equivalents are as follows:

	31 Dec 2018	31 Dec 2017
Cash in hand	1,255	953
Bank deposits	13,495,298	169,786
Cash and cash equivalents on the statement of financial position	13,496,553	170,739
Cash and cash equivalents on the cash flow statement	13,496,553	170,739

## 16 Share capital

As at 31 December 2018 and 2017 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2018 and 2017 Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae's share capital.

## 17 Own shares

As at 31 December 2018 the Company do not hold directly or indirectly any own shares.

## 18 Legal reserve

The Company has set up legal reserves in accordance with Commercial Companies Code.

## 19 Other reserves

As at 31 December 2018 and 2017 other reserves are detailed as follows:

	31 Dec 2018	31 Dec 2017
Free reserves	1,046,613,968	1,041,889,389
Share-based payments reserve (Note 20)	859,735	1,013,068
	1,047,473,703	1,042,902,457

Movements occurred in 2018 and 2017 in these reserves are detailed in the Company statement of changes in equity.

Share-based payments reserve relates to equity-share based payments under the deferred performance bonuses to be settled by delivery of shares, measured based on shares fair value at grant date.

## 20 Share-based payments

In 2018 and in previous years, according to the remuneration policy disclosed in its Corporate Governance Report, Sonae granted deferred performance bonuses to its directors. These are based on shares to be acquired with discount, three years after being attributed. These shares are only granted if the Director still works for Sonae at the vesting date.

As at 31 December 2018 and 2017, the outstanding plans were as follows:

	Vesting period		31 Dec 2018		31 Dec 2017	
	Year of grant	Vesting year	Number of participants	Number of shares	Number of participants	Number of shares
Plan 2014	2015	2018	-	-	2	400,869
Plan 2015	2016	2019	2	353,240	2	336,710
Plan 2016	2017	2020	2	503,647	2	480,838
Plan 2017	2018	2021	2	462,979	-	-

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 2018	31 Dec 2017
Plan 2014	2015	2018	578,200	-	451,378
Plan 2015	2016	2019	455,100	286,124	379,135
Plan 2016	2017	2020	394,400	407,954	541,424
Plan 2017	2018	2021	425,100	375,013	-

During the year the movements occurred can be detailed as follows:

Number of shares	31 Dec 2018	31 Dec 2017
Opening balance	1,218,417	1,186,411
Changes during the year:		
Attributed	378,203	435,320
Vested	(400,869)	(497,027)
Canceled/ extinct/ corrected/ transferred	124,115	93,713
Closing balance	1,319,866	1,218,417

Amount	31 Dec 2018	31 Dec 2017
Recorded as staff cost in the year	424,867	475,900
Recorded as staff cost in previous year	434,868	537,168
	859,735	1,013,068

## 21 Borrowings

As at 31 December 2018 and 2017 this caption included the following loans:

	31 Dec 2018	31 Dec 2017
Bonds Sonae 2015/2022	100,000,000	100,000,000
Bonds Sonae 2016/2023	60,000,000	60,000,000
Up-front fees not yet charged to income statement	(907,803)	(1,241,289)
<b>Bonds</b>	<b>159,092,197</b>	<b>158,758,711</b>
Sonae SGPS - commercial paper	213,750,000	166,250,000
Sonae SGPS - bank loans	50,000,000	50,000,000
Up-front fees not yet charged to income statement	(212,173)	(266,810)
<b>Bank loans</b>	<b>263,537,827</b>	<b>215,983,190</b>
<b>Non-current loans</b>	<b>422,630,024</b>	<b>374,741,901</b>
Sonae SGPS - commercial paper	182,500,000	36,390,000
<b>Bank loans</b>	<b>182,500,000</b>	<b>36,390,000</b>
<b>Current loans</b>	<b>182,500,000</b>	<b>36,390,000</b>

As at 31 December 2018 and 2017, the major part of loans bears interests at variable interest rates. The above mentioned loans estimated fair value is considered to be near its carrying amount. Loans fair value was determined by discounting estimated future cash flows.

### Maturity of Borrowings

As at 31 December 2018 and 2017 the analysis of the maturity of loans excluding derivatives is as follows:

	31 Dec 2018		31 Dec 2017	
	Nominal value	Interests	Nominal value	Interests
N+1	182,500,000	5,410,490	36,390,000	4,185,658
N+2	73,750,000	4,643,020	4,000,000	4,162,803
N+3	10,000,000	4,079,990	76,750,000	4,079,569
N+4	130,000,000	3,259,192	83,000,000	3,309,021
N+5	200,000,000	1,544,852	113,000,000	2,135,533
after N+5	10,000,000	58,858	99,500,000	967,039

The maturities above were estimated in accordance with the contractual terms of the loans and taking into account Sonae's best estimated regarding their reimbursement date.

The interest amount was calculated considering the applicable interest rates for each loan at 31 December.

As at 31 December 2018, there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are complied with.

Sonae held 74 million euro available to meet its cash requirements in lines of credit and commercial paper programs with firm commitments, as follows:

	31 Dec 2018		31 Dec 2017	
	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	203,500,000	213,750,000	145,000,000	216,250,000
Available credit facilities amounts	74,000,000	-	140,610,000	50,000,000

Interest rate as at 31 December 2018 of the bonds and bank loan was, in average, 0.68% (1.18% as at 31 December 2017).

## 22 Loans from group companies

As at 31 December 2018 and 2017 loans obtained from group companies are as follows:

	31 Dec 2018	31 Dec 2017
Arat Inmuebles, SAU	1,287,000	-
Bright Brands Sportsgoods, SA	619,000	-
Infofield – Informática, SA	1,205,000	-
Modalloop - Vestuário e Calçado, SA	815,000	-
Sesagest – Projectos e Gestão Imobiliária, SA	36,852,000	-
SFS, Gestão e Consultoria, SA	20,141,000	-
Sonae RE, SA	765,000	1,199,000
Sonaecenter, Serviços, SA	-	56,265,000
SonaeSR - Serviços e Logística, SA	7,334,000	-
Sontel, BV	395,710,390	20,030,244
Têxtil do Marco, SA	230,000	-
Worten - Equipamentos para o Lar, SA	135,123,000	-
WRT Business – Distribuição de Eletrodomésticos, Eletrónica e Informática, SA	50,000	-
	<b>600,131,390</b>	<b>77,494,244</b>

Loans obtained from group companies bear interest at rates indexed to the Euribor.

## 23 Other creditors

As at 31 December 2018 and 2017 other creditors are as follows:

	31 Dec 2018	31 Dec 2017
Group companies		
Taxes - Special regime for taxation of groups	31,383,078	3,690,603
Shareholders	101,229	97,223
Others	4,416	2,096
	<b>31,488,723</b>	<b>3,789,922</b>

## 24 Other current liabilities

As at 31 December 2018 and 2017 other current liabilities are as follows:

	31 Dec 2018	31 Dec 2017
Accruals:		
Salaries	475,202	498,616
Interest	1,594,698	792,064
Others	749,858	913,383
	<b>2,819,758</b>	<b>2,204,063</b>

## 25 Contingent liabilities

As at 31 December 2018 and 2017, contingent liabilities were guarantees given are as follows:

	31 Dec 2018	31 Dec 2017
Guarantees given:		
on tax claims	196,974,371	146,570,558
on judicial claims	70,766	70,766
<b>Guarantees given in the name of subsidiaries (a)</b>	<b>374,453,368</b>	<b>375,078,359</b>

a) Guarantees given to Tax authorities in favour of subsidiaries to defer tax claims. The main tax claims for which guarantees were issued are disclosed in consolidated financial statements.

The caption guarantees given on tax claims includes guarantees in favor of Tax authorities regarding the periods of 2007 up to 2015 income tax. 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 disregarded of reinvestment concerning capital gains in shares disposal and the fact that demerger operations shall be considered neutral for income tax proposes. The Company has presented an appeal against this additional tax claim, being the Board of Directors understanding, based on its advisors assessment, that such appeal will be favorable.

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 the Company.

## 26 Operational leases

As at 31 December 2018 and 2017, the company had operational lease contracts, as a lessee, whose minimum lease payments had the following schedule:

	31 Dec 2018	31 Dec 2017
Due in		
N+1 automatically renewable	326,665	262,561
N+1	21,533	21,533
N+2	21,533	21,533
N+3	21,533	21,533
N+4	16,150	21,533
N+5	-	16,150
	<b>407,414</b>	<b>364,843</b>

In 2018 Sonae recognized costs on operational leases amounting 283,175 euro (267,378 euro in 2017).

## 27 Related parties

As at 31 December 2018 and 2017 balances and transactions with related parties are as follows:

Balances	31 Dec 2018	31 Dec 2017
Subsidiaries	30,379,597	29,929,831
Jointly controlled companies	1,001,290	218,605
Other related parties	98,000	98,000
Accounts receivable	31,478,887	30,246,436
Parent company	563,852	512,593
Subsidiaries	32,665,803	4,241,261
Jointly controlled companies	23,018	-
Other related parties	6,664	6,941
Accounts payable	33,259,339	4,760,795
Subsidiaries	426,986,000	110,649,867
Loans granted (Notes 10 and 12)	426,986,000	110,649,867
Subsidiaries	600,131,390	77,494,244
Loans obtained (Note 22)	600,131,390	77,494,244
Transactions	31 Dec 2018	31 Dec 2017
Subsidiaries	2,029,413	1,743,261
Jointly controlled companies	111,533	223,066
Other related parties	104,806	100,000
Services rendered	2,245,752	2,066,327
Parent company	584,297	540,705
Subsidiaries	1,690,513	1,337,149
Jointly controlled companies	489	-
Other related parties	38,445	42,206
Purchases and services obtained	2,313,745	1,920,060
Subsidiaries	2,434,477	3,243,663
Interest income	2,434,477	3,243,663
Subsidiaries	1,978,054	1,099,011
Interest expenses	1,978,054	1,099,011
Subsidiaries	178,316,060	17,418,496
Jointly controlled companies	24,873,210	37,391,100
Dividend income (Note 29)	203,189,270	54,809,596
Subsidiaries	1,791,362	2,399,600
Income from investment fund participation units	1,791,362	2,399,600
Subsidiaries	390,117,702	-
Jointly controlled companies	1,389,604	-
Acquisition of investments / capital increase (Note 35)	391,507,306	-

All Sonae, SGPS, SA subsidiaries, associates and joint ventures are considered related parties and are identified in Consolidated Financial Statements. All Efanor Investimentos, SGPS, SA (parent company), subsidiaries, including the ones of Sonae Indústria, SGPS, SA and of Sonae Capital, SGPS, SA are also considered related parties (Other related parties).

The remuneration attributed to the Board of Directors for the years ended 31 December 2018 and 2017 is detailed as follows:

	31 Dec 2018	31 Dec 2017
Variable - short term	1,283,050	1,309,500
Share based payments	434,400	425,100
	1,717,450	1,734,600

In 2018 and 2017 no loans were granted to the Company's Directors.

As at 31 December 2018 and 2017 no balances existed with the Company's Directors.

## 28 Revenue from contracts with customers

Services rendered amounted to 524,985 euro and 523,066 euro, in 31 December 2018 and 2017. These fees correspond to services rendered to subsidiaries of the Company, performed in accordance with Portuguese Holding Companies law.

## 29 Gains or losses related to investments

As at 31 December 2018 and 2017 investment income are as follows:

	31 Dec 2018	31 Dec 2017
Dividends received	203,189,270	54,809,596
Gains/(Losses) on sale of investments	115,623	-
Impairment losses (Note 8)	(721,000)	-
Impairment reversal (Note 8)	126,140,000	18,363,000
Income from investment fund participation units	1,791,362	2,399,600
	330,515,255	75,572,196

Dividends were received from Sonae MC, SGPS, SA (165,335,314 euro), Sonaegest, SA (33,612 euro), Sonae Sierra, SGPS, SA (34,822,494 euro) and Sonaecom, SGPS, SA (2,997,850 euro).

## 30 Financial income / expenses

As at 31 December 2018 and 2017 net financial expenses are as follows:

	31 Dec 2018	31 Dec 2017
Interest arising from:		
Bank loans	(1,605,243)	(2,177,490)
Bonds	(2,096,624)	(2,137,348)
Other	(1,980,024)	(1,099,011)
Up front fees on the issuance of debt	(1,822,768)	(1,827,820)
Other financial expenses	(143,249)	(154,592)
Financial expenses	(7,647,908)	(7,396,261)
Interest income	2,434,805	3,243,663
Others	56,715	-
Financial income	2,491,520	3,243,663

## 31 External supplies and services

As at 31 December 2018 and 2017 external supplies and services are as follows:

	31 Dec 2018	31 Dec 2017
Operational rents	424,213	425,914
Services obtained (a)	2,644,034	2,131,031
Others (b)	1,066,381	1,017,747
	4,134,628	3,574,692

- (a) As at 31 December 2018 and 31 December 2017, the amount recorded in services obtained are mainly related to shared services provided by a subsidiary and to consultancy rendered by external entities.
- (b) As at 31 December 2018 and 31 December 2017, the amounts recorded in others are mainly related to expenses with guarantees given by the parent company, insurances costs and travel expenses.

## 32 Staff costs

As at 31 December 2018 and 2017 staff costs are as follows:

	31 Dec 2018	31 Dec 2017
Salaries	1,764,779	1,699,075
Social costs	203,706	160,301
Other staff costs	26,212	78,709
	1,994,697	1,938,085

## 33 Income tax

Income tax amount can be detailed as follows:

	31 Dec 2018	31 Dec 2017
Current tax	(164,981)	(503,745)
Deferred tax	1,658,555	3,281,349
Saving arising on special regime for group of companies	(450,280)	23,017,951
	1,043,294	25,795,555

The reconciliation between the profit before taxes and the tax charge for the years ended 31 December 2018 and 2017 are summarized as follows:

	31 Dec 2018	31 Dec 2017
Profit before taxes	320,764,264	67,427,715
(Decrease) / Increase to net income for tax purposes		
Dividends	(203,189,270)	(54,809,596)
Impairment losses	(125,419,000)	(18,363,000)
Others	(53,876)	24,547
<b>Taxable income</b>	<b>(7,897,882)</b>	<b>(5,720,334)</b>
Tax charge	21%	21%
<b>Calculated tax</b>	<b>-</b>	<b>-</b>
Saving arising on special regime for groups of companies	(450,280)	23,017,950
Deferred tax asset recognized by Tax Group	1,658,555	3,281,349
Change in income tax estimate from previous years	(162,605)	(499,676)
Municipal surcharge	-	-
Autonomous taxation	(2,376)	(4,069)
<b>Tax charge</b>	<b>1,043,294</b>	<b>25,795,555</b>

The caption Savings arising on Special tax regime for group companies correspond essentially to the effect of the calculation, in the group, of autonomous taxation

As at 31 December 2018 and 2017, the amount of deferred tax assets and their movement can be detailed as follows:

	31 Dec 2018	31 Dec 2017
Opening balance	7,755,724	966,895
Record of deferred tax assets	1,830,167	3,281,349
Previous year income tax estimate excess /(insufiency)	566,235	3,507,480
<b>Closing balance</b>	<b>10,152,126</b>	<b>7,755,724</b>

In accordance with Portuguese legislation, the tax losses for which deferred tax assets were recognized are as follows:

	31 Dec 2018		31 Dec 2017	
	Carried forward tax loss	Limit for use	Carried forward tax loss	Limit for use
Generated in 2016	19,755,779	2028	21,306,549	2028
Generated in 2017	19,872,599	2022	15,625,470	2022
Generated in 2018	8,715,080	2022	-	-
	<b>48,343,458</b>		<b>36,932,019</b>	

## 34 Earnings per share

Earnings per share for the period ended 31 December 2018 and 2017 were calculated taking into consideration the following amounts:

	31 Dec 2018	31 Dec 2017
<b>Net profit</b>		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	321,807,558	93,223,270
Effect of dilutive potential shares	-	-
Interest related to convertible bonds (net of tax)	-	-
Net profit taken into consideration to calculate diluted earnings per share	321,807,558	93,223,270
<b>Number of shares</b>		
Weighted average number of shares used to calculated basic earnings	2,000,000,000	2,000,000,000
Effect of dilutive potential ordinary shares from convertible bonds	-	-
Outstanding shares related with deferred performance bonus	1,319,866	1,218,417
Number of shares that could be acquired at average market price	(404,917)	(436,212)
Weighted average number of shares used to calculated diluted earnings per share	2,000,914,949	2,000,782,205
<b>Profit/(Loss) per share</b>		
Basic	0.160904	0.046612
Diluted	0.160830	0.046593

## 35 Receipts / payments of investments

During 2018, the following receipts and payments occurred:

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
SonaeGEST, SA	813,600	-	813,600
	522,287,694	125,156,262	647,443,956

## 36 Reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities during 2018 and 2017 is as follows:

	Borrowings (note 21)	Group companies (note 22)
Opening balance as at 1 January 2017	466,000,000	38,642,000
Receipts arising from bank loans	3,765,134,000	-
(Payments) arising from bank loans	(3,818,494,000)	-
Receipts arising from group companies	-	1,048,639,244
(Payments) arising from group companies	-	(1,009,787,000)
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)
Closing balance as at 31 December 2018	606,250,000	600,131,390

## 37 Dividends

For the year 2018, the Board of Directors will propose a gross dividend of 0.0441 euro per share, in the total amount of 88,200,000 euro. This dividend is subject to the approval by shareholders of the Company in the Shareholders Meeting.

## 38 Approval of the financial statements

The accompanying financial statements were approved by the Board of Directors on 19th March 2019. These financial statements will be presented to the Shareholders' General Meeting for final approval.

## 39 Information required by law

### Decree-Law nr 318/94 art 5 nr 4

In 2018 long-term loan contracts were entered into with the following companies:

Sonae Investments, BV

In 2018 short-term loan contracts were entered into with the following companies:

Arat Inmuebles, SAU

Bright Brands SportsGoods, SA

Chão Verde – Sociedade de Gestão Imobiliária, SA

Fashion Division, SA

Halfdozen Real Estate, SA

Infocfield – Informática, SA

MCCARE, Serviços de Saúde, SA

Modalfa – Comércio e Serviços, SA  
 Modaloop – Vestuário e Calçado, SA  
 Público – Comunicação Social, SA  
 Público, Comunicação e Jornalismo, SA  
 Sesagest – Projectos e Gestão Imobiliária, SA  
 SFS, Gestão e Consultoria, SA  
 SK Skin Health Cosmetics, SA  
 Sonae Corporate, SA (Ex. Sonae - Shared Service Center, SA)  
 Sonae MC, SGPS, SA (Ex Sonae Investimentos, SGPS, SA)  
 Sonae RE, SA  
 Sonaecenter, Serviços, SA  
 Sonaecom – Serviços Partilhados, SA  
 Sonaecom, SGPS, SA  
 SonaeSR – Serviços e Logística, SA  
 Sontel, BV  
 Têxtil do Marco, SA  
 Worten – Equipamentos para o Lar, SA  
 WRT Business – Distribuição de Eletrodomésticos, Eletrónica e Informática, SA  
 Zippy - Comércio e Distribuição, SA

As at 31 December 2018 amounts owed by subsidiaries can be detailed as follows:

	Closing Balance
Chão Verde – Sociedade de Gestão Imobiliária, SA	722,000
Fashion Division, SA	137,673,000
Halfdozen Real Estate, SA	4,464,000
MCCARE, Serviços de Saúde, SA	1,769,000
Modalfa – Comércio e Serviços, SA	11,366,000
SK - Skin Health Cosmetics, SA	273,000
Sonae Corporate, SA	140,120,000
Sonae Investments, BV	25,000,000
Sonaecenter, Serviços, SA	85,187,000
Zippy - Comércio e Distribuição, SA	20,412,000
<b>Total</b>	<b>426,986,000</b>



As at 31 December 2018 amounts owed to subsidiaries can be detailed as follows:

	Closing Balance
Arat Inmuebles, SAU	1,287,000
Bright Brands Sportsgoods, SA	619,000
Infofield – Informática, SA	1,205,000
Modalloop - Vestuário e Calçado, SA	815,000
Sesagest – Projectos e Gestão Imobiliária, SA	36,852,000
SFS, Gestão e Consultoria, SA	20,141,000
Sonae RE, SA	765,000
SonaeSR - Serviços e Logística, SA	7,334,000
Sontel, BV	395,710,390
Têxtil do Marco, SA	230,000
Worten - Equipamentos para o Lar, SA	135,123,000
WRT Business – Distribuição de Eletrodomésticos, Eletrónica e Informática, SA	50,000
<b>Total</b>	<b>600,131,390</b>

### **Article 66 A of the Commercial Companies Code**

As at 31 December 2018, fees Statutory Auditor amounted to 31,650 euro fully related with audit fees.

Approved at the meeting of the Board of Directors held on March 19th, 2019

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

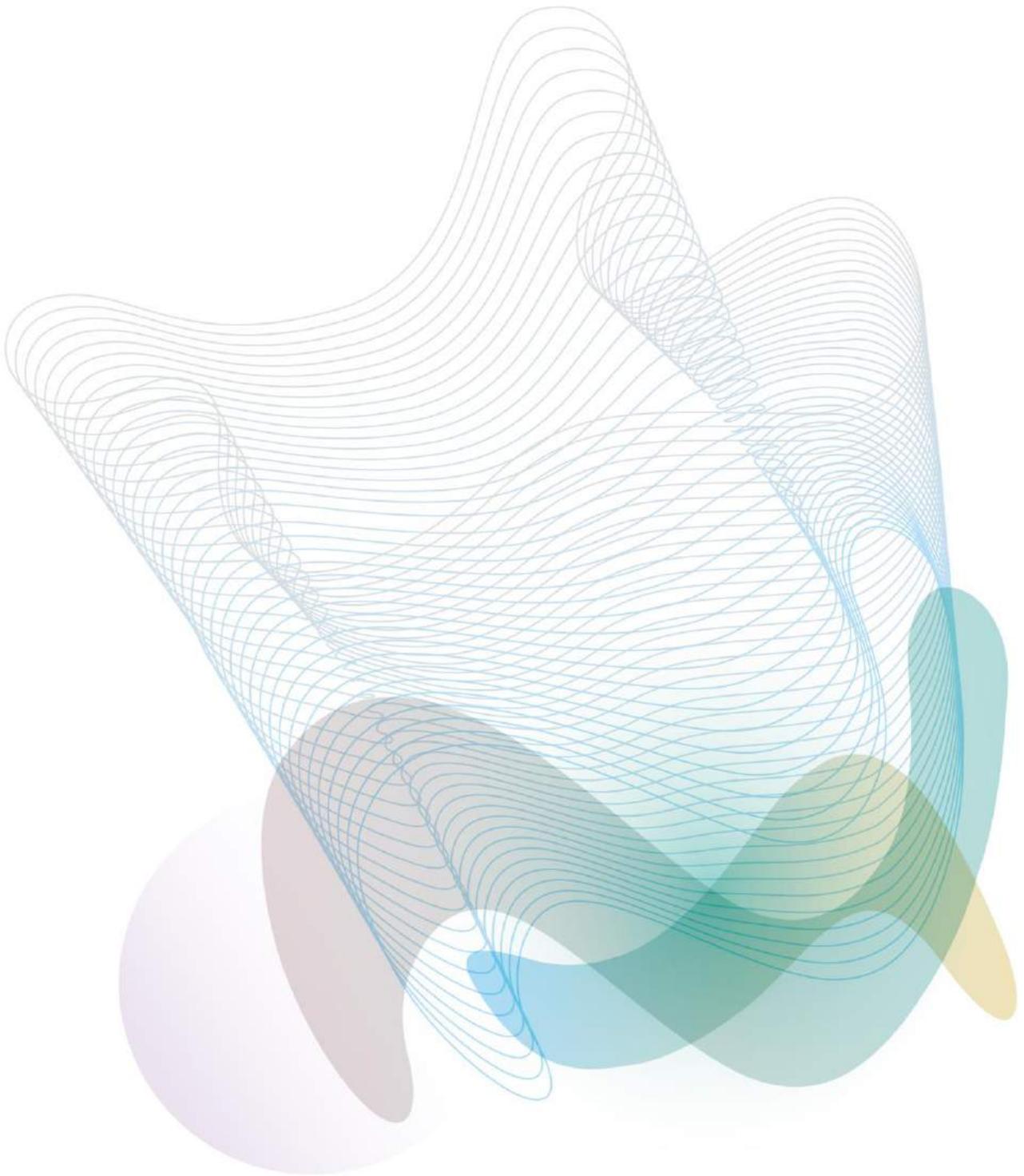
Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director



Legal certification of  
accounts



## ***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 2018 (which shows total assets of 7,772,493,731 euros and total shareholders' equity of 3,288,816,688 euros including a net profit of 221,653,131 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 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Measurement of investments in joint ventures and associates**

The Group holds significant investments on joint ventures and associates, with carrying amount of 1,624 million euros, mainly through investments in ZOPT (683.8 million euros), which holds investments in the Angolan and Mozambican associates, Finstar, Mstar and Zap Media, in the amount of approximately 100 million euros, having the Angolan economy been classified as hyperinflationary in 2018 and 2017, as well as several joint ventures held through the subsidiary, Sonae Sierra (909.8 million euros). Furthermore, the Group holds investments in associates in the amount of 368 million euros, mainly related to interests held through Sonae Sierra (188.7 million euros) and Venture Capital Funds (99.4 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 SGPS, SA, their realizable value is determined by reference to the estimated sale price, based on the fair value of their investment properties, determined by valuations performed by specialized entities (Note 10), in accordance with the "Practice Statements" of the "RICS Appraisal and Valuation Manual" published by The Royal Institution of Chartered Surveyors ("Red Book").

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

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 another auditor audits these financial statements, 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) analysis of the validation procedures of the adjustments resulting from Angola being considered a hyperinflationary economy, in accordance with IAS 29; (ii) 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; (iii) comparing the book value with the market value of NOS; and (iv) validation of the application of equity method to these investments.

Regarding the subsidiaries of Sonae Sierra, 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 (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

<b>Key Audit Matter</b>	<b>Summary of the Audit Approach</b>
<p>investment properties at fair value, we consider this as a key audit matter</p>	<p>the application of equity method to the these investments.</p>
<p>The related disclosures are presented in notes 2.2 b), 2.9, 6.2 and 12 to the consolidated financial statements.</p>	<p>We also verified the adequacy of the disclosures related to valuation of financial investments in subsidiaries, associates and joint ventures, in accordance with the applicable accounting standards.</p>
<p><b><i>Impairment of goodwill and non-current assets, excluding investment properties</i></b></p>	
<p>As at 31 December 2018, the consolidated statement of financial position includes a carrying amount of goodwill of Euro 779.5 million euros, including 150.4 million euros resulting from current year acquisitions, as well as tangible fixed assets in the amount of 1,656 million euros and indefinite-life intangible assets in the amount of 137 million euros.</p>	<p>Our audit procedures included, among others: (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, namely involving internal experts; and (iii) scenarios and performing sensitivity analysis around the key variables.</p>
<p>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 impairment indicators exit, and an additional 15.5 million euros impairment losses and approximately 13.5 million euros impairment reversals have been accounted for in the year.</p>	<p>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 <i>yields</i> used and comparison with the previous year; and (iii) adequacy of using the referred criteria in determining the recoverable amount for consolidated financial statements' purposes</p>
<p>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 recoverable value (fair value less costs to sell) 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.</p>	<p>We also verified the adequacy of the disclosures related to these impairment tests.</p>

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**Key Audit Matter****Summary of the Audit Approach**

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The related disclosures are presented in Notes 2.2 c), 2.3, 2.5, 2.9, 8, 9, 11 and 32 to the consolidated financial statements.

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**Subsequent measurement of investment properties**

Investment properties, amounting to 982.9 million euros, are measured at fair value determined by valuation performed by an independent specialized entity. The fair value of such investment properties is determined in accordance with the guidelines established for the calculation of NAV ("Net Asset Value") provided by INREV (European Association for Investors in Non-Listed Real Estate Vehicles).

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.

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 of 31<sup>st</sup> December 2018, 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 Group controlled investment properties, we obtained the valuations made by the entities hired by the Group for this purpose and analyzed the main assumptions included in those valuations, namely discount rates, *exit cap rates*, revenue, change in the ratio of operating income to revenue and implicit yields in the valuation, involving internal experts. For assets with sales proposals, we also analyzed the respective documental support.

We have also verified the adequacy of the disclosures presented in the notes to the consolidated financial statements, in accordance with applicable accounting standards.

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**Key Audit Matter****Summary of the Audit Approach**

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**Litigations and Contingencies**

The Group maintains uncertain tax positions being disputed in tax courts, for which the Group granted warranties in the amount of 1,182.6 million Euro, part of which (531.7 million euros) related to additional value added tax settlements (“VAT”).

The classification of the litigations as contingent liabilities or provisions 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 2.12, 2.14, 32 and 34 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) obtained the assessment performed by the Group's corporate tax department, which includes the Group's significant subsidiaries (ii)obtainedand analysis of the documentation of the claims and reviewed correspondence with external legal consultants, reviewed the tax claims and appeals made by the Group to courts, when applicable; (iii) analysis of documentation and evaluation of complaints and disputes made by the Group, in applicable cases; (iv) discussed with the company the support positioning of management; and (v) evaluation of the assumptions assumed by the Group in the contingency classification.

We also verified the adequacy of the disclosures presented in the notes to the consolidated financial statements.

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**Commercial income from suppliers**

The Group, through its retail operations, signs a significant number of agreements with suppliers from which obtains commercial income.

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".

Our audit procedures included among others: (i) the analysis of the design, implementation and assessment of relevant controls over 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;

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**Key Audit Matter**

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 2.11, 2.18, 15, 19 to the consolidated financial statements.

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**Summary of the Audit Approach**

(iv) the validation of the correct cut off at the end of the period, namely through subsequent events procedures in 2019, (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 verified the adequacy of the disclosures presented in the consolidated financial statements.

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**Accounting treatment of significant and unusual transactions**

During the year ended as at 31 December 2018, the Group performed some significant and unusual transactions, namely the acquisition of the control of Sierra group and the subsequent integration of its assets and liabilities, as well as sale and leaseback operations of real estate assets.

In September 2018, the Group obtained the control of the Sonae Sierra Group, a joint venture until that date, by acquiring 20% of total shares representing its capital. The price purchase allocation to net assets and liabilities acquired was not performed as at 31 December 2018, which lead to a goodwill amounting to 134.6 million Euro.

Furthermore, as mentioned in the Note 8, during the year, the Group carried out sales of assets related to the food retail business, simultaneously with the execution of operating lease agreements, generating net capital gains of approximately 37.4 million euros.

Considering Management's judgment, both regarding the evaluation of control over the Sonae Sierra Group and the classification of such leases,

Our audit procedures included among others: (i) obtaining and analyzing the purchase agreement that supports the acquisition of control; (ii) analysis of calculation of the accumulated amount of other comprehensive income recycled to the profit and loss and re-calculation of the measurement of previously held interest in Sonae Sierra Group.

Regarding real estate sale and leaseback operations, our procedures included: (i) obtaining and analyzing the real estate deeds and their respective operating lease agreements; (ii) revision of the criteria set forth in the applicable accounting regulations, in order to establish such contracts as operating lease contracts; and (iii) revision of the calculation of the present value of future minimum lease payments and analysis of the lease period.

We also validated the adequacy of the disclosures presented in the consolidated financial statements relating to these matters.

Regarding to the real estate *sale and leaseback* operations, our procedures included: (i)

<b>Key Audit Matter</b>	<b>Summary of the Audit Approach</b>
<p>as well as the relevance of the impacts of these transactions (revaluation of interest previously held in Sonae Sierra in 45.9 million euros, recycling to profit and loss of the accumulated amounts in comprehensive income of 74.3 million euros and capital gains of 37.4 million euros), we consider these operations as a key audit matter.</p> <p>The related disclosures are presented in Notes 4.1 and 8 of the consolidated financial statements.</p>	<p>obtaining and analyzing the real estate alienation deeds as well as the related operating lease agreements; (ii) reviewing applicable accounting standard criteria to classify those agreements as operating leases; and (iii) reviewing the calculation of present value of the minimum futures lease payments and analysis of the lease period.</p> <p>We also validated the adequacy of the disclosures presented in the consolidated financial statements relating to these matters.</p>

### ***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 appointed auditors of Sonae, SGPS, S.A. in the Shareholders' General Meeting of 3 May 2018 until the end of the current mandate 2015 to 2018;
- 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 28 March 2019; 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.

28 March 2019

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 statement of financial position as at 31 December 2018 (which shows total assets of Euro 4,970,787,087 and total shareholders' equity of Euro 3,722,393,879 including a net profit of Euro 321,807,558), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Key Audit Matter****Summary of the Audit Approach**

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**Measurement of Investments in Subsidiaries and Joint Ventures**

Sonae SGPS, S.A. holds financial investments in subsidiaries, associates and joint ventures amounting to Euro 4,472.7 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, which, as at 31 December 2018, were based on discounted cash flow models and appraisals of real estate assets in the investees holding such assets.

The assessment of fair 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 126 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, 8 and 29 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 and key assumptions 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 and methodology used in the calculation, namely, discount rate and growth rate comparing with the external valuation from the previous year and, namely, involving our internal experts in reviewing the discount rate; (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, and (vi) reviewing scenarios and performing sensitivity analysis around the key variables.

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.

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**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 appointed auditors of Sonae, SGPS, S.A. in the Shareholders' General Meeting of 3 May 2018 until the end of the current mandate 2015 to 2018.

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.

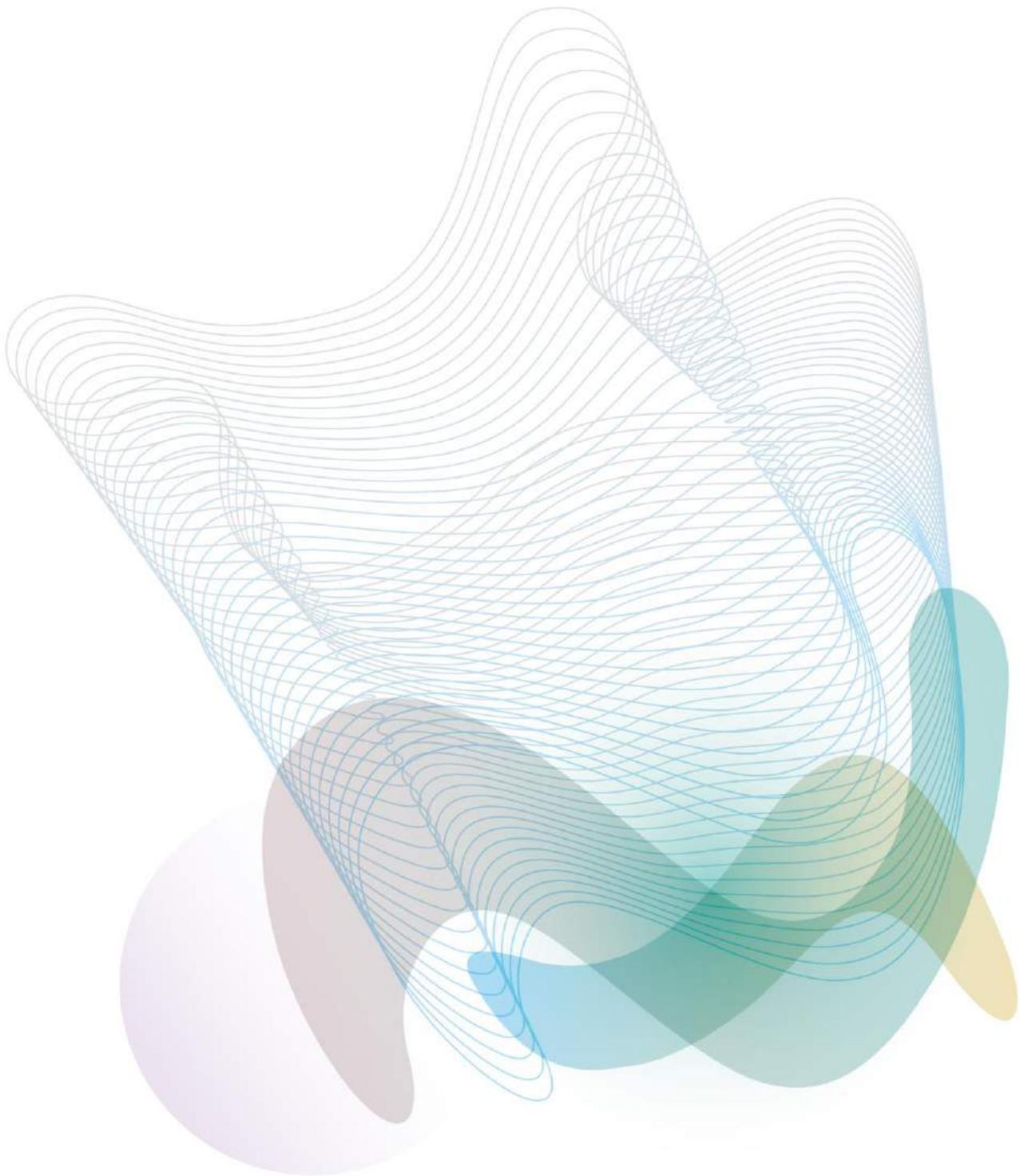
c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 28 March 2019.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

28 March 2019

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Herminio António Paulos Afonso, R.O.C.



Report and opinion of  
the Statutory Audit  
Board

## 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 2018, 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 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 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 4<sup>o</sup> 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 Market Code, neither having identified relevant transactions that complied with 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 fully body of independent members, in accordance with the legal criteria, and 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 fourteen meetings, seven 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 420<sup>o</sup> of Commercial Companies Code, having verified that the it includes the elements referred to in article 245<sup>o</sup>-A of the Portuguese Securities Market 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 Report of the Board of Directors;
- b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2018;
- c) the proposal of net profit appropriation presented by the Board of Directors.

## 3 – Responsibility Statement

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in paragraph c) nº 1 of the article 245º of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonae, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of 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 Market Code.

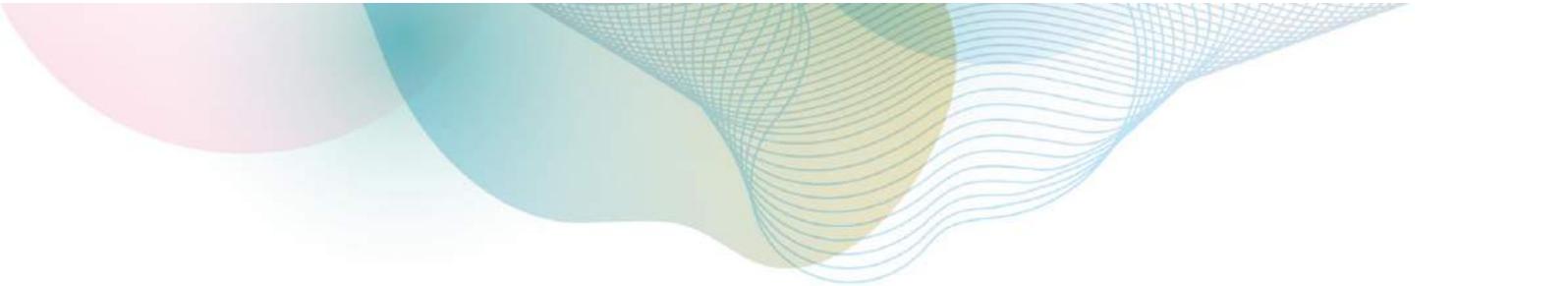
Maia, 28 March 2019

The Statutory Audit Board

Daniel Bessa Fernandes Coelho

Manuel Heleno Sismeiro

Maria José Martins Lourenço da Fonseca



#### **Media and Investor Contacts**

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SONAE is listed on the Euronext Stock Exchange.  
Information may also be accessed on Reuters  
under the symbol **SONP.IN** and on Bloomberg  
under the symbol **SON PL**