

# REPORT & ACCOUNTS

31 December  
2019

**SONAE CAPITAL**



**Sonae Capital**

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Registered in the CRCM with the sole number  
of registration and tax identification 508 276 756

Share Capital € 250.000.000

Year of Edition 2020

## PREAMBLE – COVID-19

The information disclosed in the present Report and Accounts was approved by the Board of Directors of Sonae Capital on 21 February 2020. And if, by that time, the spectrum of a pandemic seemed considerably distant, the fact is that from that date until the day of the publication of this report, the rapid spread of COVID-19 has significantly changed the conditions under which each of our businesses operates, and so we have revisited the outlook for Sonae Capital's performance in 2020.

Whereas it is not yet possible to quantify the magnitude of the impact of such situation, even due to the uncertainty regarding the duration of this pandemic, we are monitoring its evolution on a daily basis. At the same time, we are implementing all the measures that we consider appropriate for, firstly, protect the health and well-being of our people and customers, and mitigate the impact that, undoubtedly, it is having on our businesses.

In the Energy business, despite the high resilience of the Production segment, we might anticipate a temporary slowdown in Turnover due to a lower thermal energy production, in Cogeneration, because of the potential stoppage of some Industrials. At Futura Energía Inversiones, the increased volatility of the markets in which it operates - of CO<sub>2</sub> emission allowances, electricity and natural gas - could lead to a preventive slowdown in the activity, in order to protect the liquidity needs required by the business.

In the Industrial Engineering business, despite we haven't seen yet significant changes in the operation, since ADIRA keeps its industrial activity in operation, the level of orders has been decreasing in line with our expectations given the current situation, due to the postponement of investment decisions by clients. Also, due to the potential pressure resulting from the supply chain, this business may also be negatively impacted by this pandemic.

In the Fitness business, we acted proactively to safeguard and defend our clients, employees and partners and suspended the operation of all our Solinca, Pump and ONE Clubs, on 14 March 2020, while we simultaneously stopped charging the monthly fee to our clients for an indefinite period. Since that date, we have been working on all online channels in order to strengthening the relationship with our members and encouraging them to practice physical exercise on a regular basis.

In the Hospitality business, we have progressively proceeded, between 15 and 25 March 2020, to the temporary closure of all our hotel units. Also in Tróia Operations, with the exception of Atlantic Ferries (which suspended only a part of the Routes) and Meu Super, considered an essential service, we closed all the remaining services for an indefinite period.

In the Real Estate Assets operation, we are anticipating a slight slowdown in activity, which we hope will only translate into a postponement on sales deeds conclusion (largely due to constraints related to the contractual formalisation of processes). Knowing in advance that a significant part of Sonae Capital's financing has been guaranteed by the monetisation of Real Estate Assets, we would like to point out that, given the circumstances and even in more adverse scenarios, the company is in conditions to finance its activity maintaining the indebtedness at an adequate level. At the same time, by 31 December 2019, we had €53.1M in Cash and credit lines available and, as of today, we have all the financing needs foreseen for 2020 assured.

Still, taking into account the degree of uncertainty that defines the current moment, the Board of Directors has decided to revert the proposal on dividend distribution previously announced, safeguarding the reinforcement of liquidity and responsiveness in a situation where resilience is essential. Nonetheless, the Board of Directors will return to this decision as soon as there is greater visibility about the future, namely when the normality of all its operations recommence and, principally, taking into account the adequacy of the capital structure given the Group's portfolio of businesses and Real Estate Assets held.

The COVID-19 pandemic represents an unprecedented crisis on a global scale, with an unimaginable level of disruption and risk for people and businesses. Currently, our action is focused on business resilience, but we maintain a recovery scenario in mind. When this crisis ends, we intend to have the right conditions and resources to properly implement Sonae Capital's strategy, maintaining the delivery and value creation levels that define us and make us a differentiated player in the market in our areas of operation.

Maia, 6 April 2020

#### **The Board of Directors**

Duarte Paulo Teixeira de Azevedo, *Chairman of the Board of Directors*

Álvaro Carmona e Costa Portela, *Member of the Board of Directors*

Miguel Jorge Moreira da Cruz Gil Mata, *Chairman of the Executive Committee, CEO*

Ivone Pinho Teixeira, *Member of the Executive Committee, CFO*

Pedro Manuel Bruno, *Member of the Executive Committee*

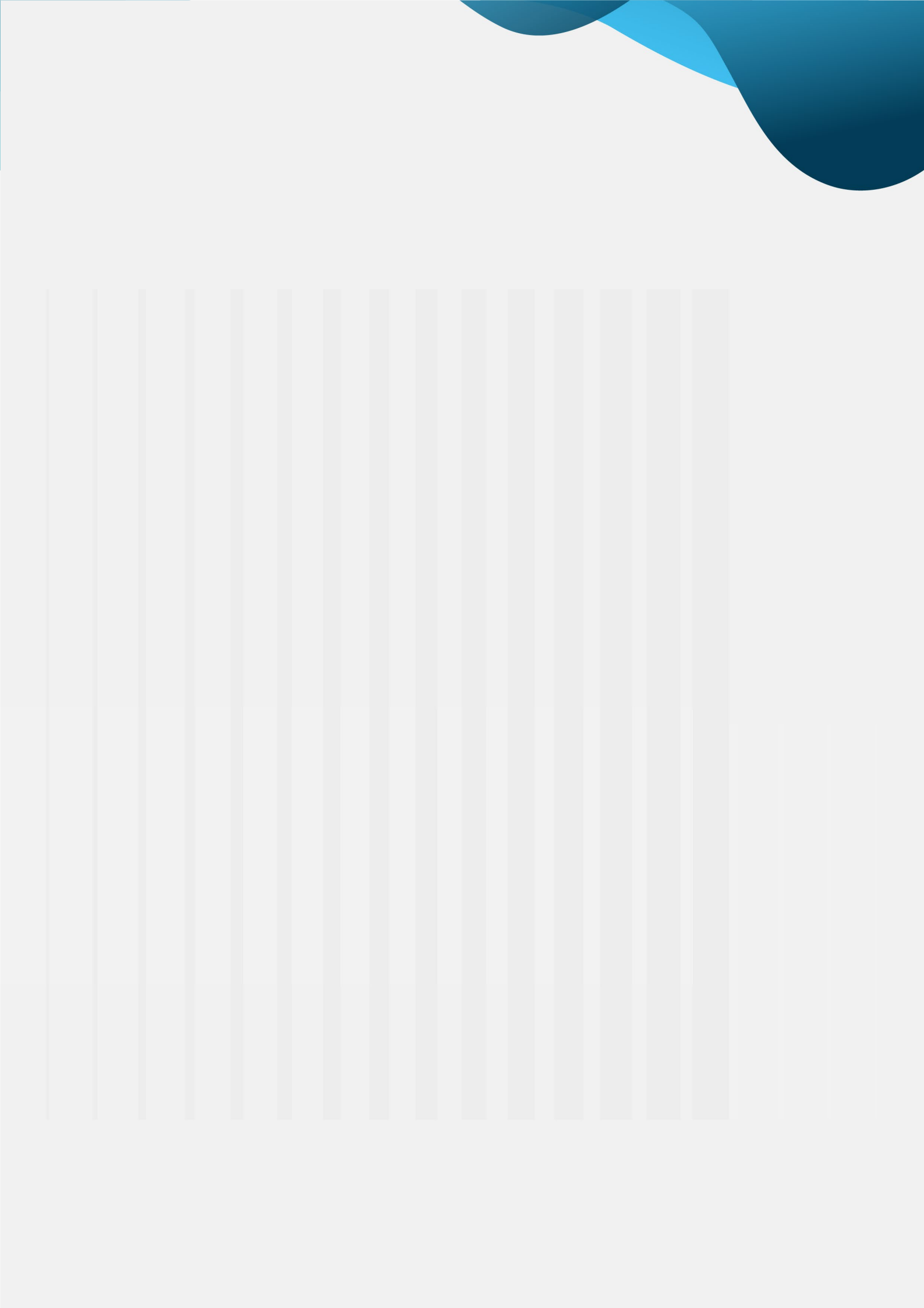
Maria Cláudia Teixeira de Azevedo, *Member of the Board of Directors*

Ângelo Gabriel Ribeirinho dos Santos Paupério, *Member of the Board of Directors*

Paulo José Jubilado Soares de Pinho, *Member of the Board of Directors*

Francisco de La Fuente Sánchez, *Member of the Board of Directors*

Isabel Maria Vaz, *Member of the Board of Directors*





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REPORT & ACCOUNTS

PART I

# MANAGEMENT REPORT

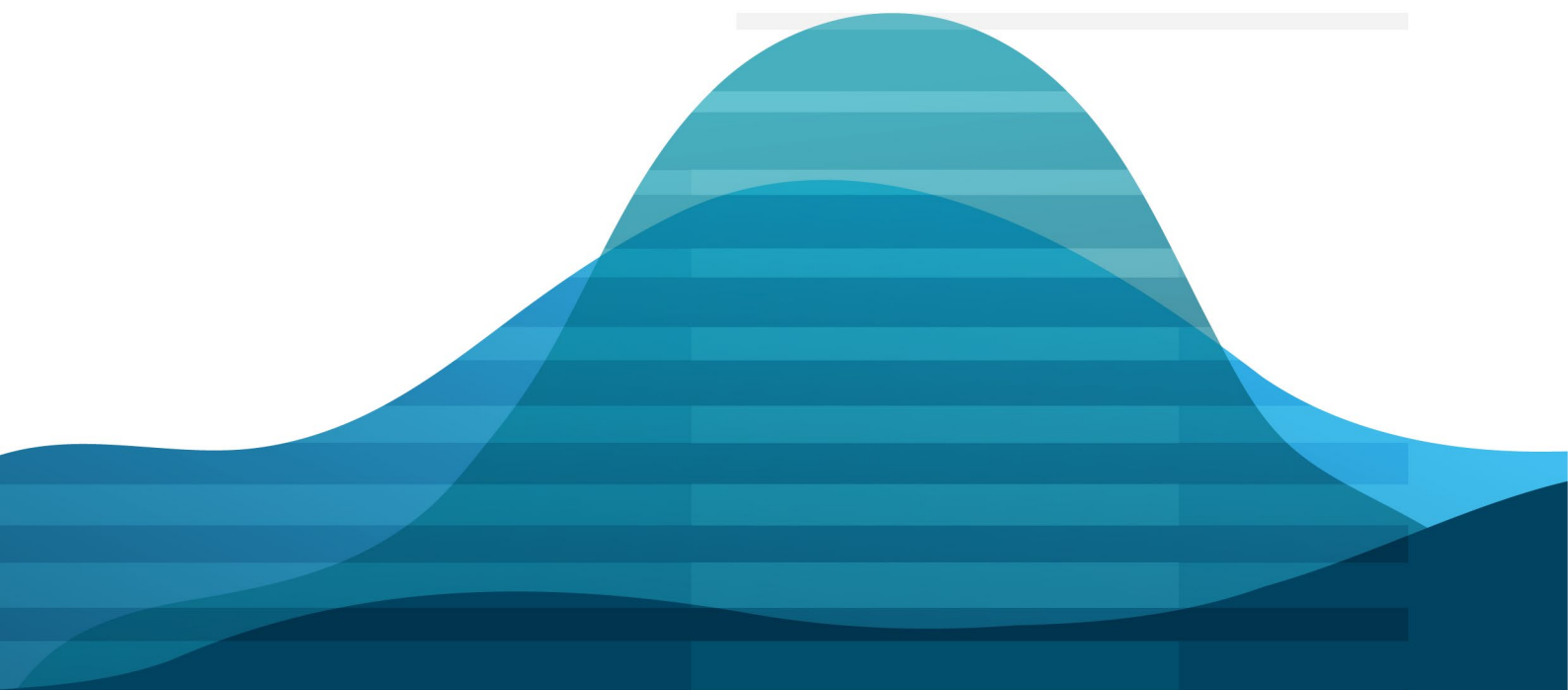
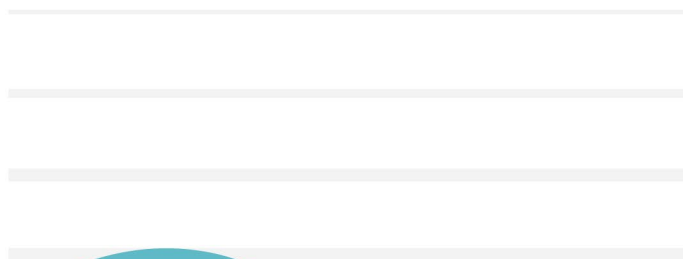
31 December  
2019

SONAE CAPITAL





PART I



# MANAGEMENT REPORT

31 December  
2019

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Since 1 January 2019, Sonae Capital reported information is subject to the application of IFRS 16, the new financial reporting standard on accounting of leases (using the modified retrospective approach).

In order to allow for a reliable analysis of Sonae Capital year-on-year evolution, we present the Profit and Loss Statement of 2018 in a pro-forma (PF) logic. Additionally, the Balance Sheet of 31 December 2018 is presented in accordance to the same logic.

«The sustainability of our operations continues to progress, not only in our Capital Structure, which remains adequate to the type of businesses and assets held by the Group, but also in the improvement of our profitability metrics.»



**Paulo Azevedo**  
Chairman of the Board of Directors

## 1. CHAIRMAN'S MESSAGE

Throughout 2019, we continued to implement the corporate strategy outlined in recent years, materialised in an active portfolio management, namely: (i) through the investment in business areas with value creation plans already approved and whose added value is visible in its results; (ii) improving the competitive position and profitability of the businesses that are still underperforming; (iii) the placing on the market of the real estate assets, including those of developed projects, and (iv) the identification and materialisation of new business areas, enhancers of future growth.

It was in this context that we proceeded to divest our participation in the share capital of RACE, a company with a long history in our Group, but which was late in presenting adequate levels of profitability. We believe that this sale will allow the company to start a new investment cycle and to generate added value for its new shareholders and, more importantly, for its employees. Additionally, this operation allowed us to free up resources to foster our growth path and improve the competitive position of each of our business units and the portfolio, in general.

At the same time, we continued to sell real estate assets held by the Group, which fulfils the dual objective of financing the investment plans of our businesses and options for future growth. Even though it was not a year of significant sales, we maintain favourable perspectives for the coming years, given the good pace of project development and negotiations, as well as the growing recognition of the intrinsic value of our assets.

The sustainability of our operations continues to improve, not only because we maintain a Capital Structure appropriate to the type of businesses and assets held by the Group, but also due to improvements in profitability. In 2019, both the EBITDA and the EBIT of Sonae Capital Business Units continued to grow and reached 35.3 and 6.4 million euros, respectively, an increase of, approximately, 9% and 12% compared to 2018. Additionally, and more importantly for the Group's sustainability in the medium to long term, the year of 2019, as previous years, was again of strong investment. We invested, in 2019, 51.7M€ (1.5x the EBITDA achieved in 2018), after having invested 32.6M€ and 61.6M€ in 2018 and 2017, respectively.

This investment was channelled, mainly, to businesses with value creation plans already approved and where we have a team with demonstrated evidence, with deep knowledge of the sector in which it operates and, above all, with visible results in terms of profitability. This year, we invested 35.4M€ in our Energy segment, including the acquisition of Futura Energia Inversiones, which is important not only for the complementarity of offers, especially in a scenario post feed-in tariffs, but also for the contribution to the growing internationalisation of this business. A special note should be taken on the sustained steps that have been taken in the operation in Mexico, which, given the number of projects analysed, prove that we are facing a country of great opportunities in our preferred technology, the Cogeneration. Still in Energy, we will start operating the biomass-fired cogeneration power plant very soon, in Mangualde. In addition to its economic contribution, associated with the steady flow of cash-flow over the next 25 years, this facility will make an important contribution to the optimisation of forest management in the region and, consequently, to the minimisation of

the risk of forest fires, as well as it will allow, with the use of sub-products of the industrial process, to promote the circular economy, with all the associated environmental benefits.

In the Fitness business, in which, we believe we have already achieved the long-awaited position of market leadership, we have invested 7.1M€, including the acquisition of the Urban Fit chain, whose integration in our portfolio and subsequent repositioning for the Pump brand, not despite the difficulties encountered, is being a success.

In the Hospitality and Tróia Operations businesses, efforts have been mainly focused on operational and customer experience improvement. During the year, we achieved significant progress: in Hospitality, after reaching the operational breakeven, in 2018, this year we more than doubled the EBIT (+1.1M€ vs. 2018) and, at the same time, we continued to invest on the opening of some units, in order to reduce the scale differential versus our biggest competitors in this market. In this context, the concession of the emblematic building of Santa Apolónia Railway Station and the acquisition of the exploration of Aqualuz Lagos, both in early 2019, as well as the recent signing of a contract for the installation of another hotel unit, on the most important avenue of the city of Porto (Avenida dos Aliados) are very significant steps. As for the Operations in Tróia, we remain fully focused on the commitment to raise the customer experience to levels of excellence, at the same time that we managed to improve the operating profitability of this segment, visible in the EBITDA growth of more than 92% compared to the previous year.

Regarding the completion of our future growth options, namely, in the new Industrial Engineering business, which materialises the announced investment theme - Portuguese Engineering Export, 2019 was well below our initial expectations. The difficulties have been substantially greater than anticipated. In effect, given the current sales levels, we are making an additional effort to reduce the fixed costs structure, to allow us to present results more in line with the ambition at the time of the acquisition. We remain confident that Adira will register, in the short and medium term, an operational and, mainly, commercial activity, in line with the value we recognise to it.

The sale of Real Estate Assets is one of the central axes of our strategy and plays a fundamental role in the materialisation of the latter. In 2019, despite the fact that we did not register any sale of the most significant projects, the global amount of sales of Real Estate Assets (including a stock of PPSAs and Reserves) stood at 68.3M€. It is worth highlighting, due to its importance, the still not concluded sale of UNOP3, for 20M€, for the development of yet another distinctive project, in the Tróia Peninsula, for reasons that we do not fully control. We are certain that the benefits of the project in question, for the Peninsula in particular, and for the Country, in general, are recognised by all the entities involved and that the proper authorisations will necessarily be obtained.

The cash flow generated in 2019 by the sale of Real Estate Assets, and the expectations of future evolution, allow us to fulfil the triple goal of financing the growth of the Business Units with a high potential for generating value, of maintaining a robust capital structure, appropriate to the type of businesses and assets held by the Group, and to propose to the Shareholders' General Meeting the distribution of a dividend that continues to represent one of the best yields on the Portuguese stock exchange.

Furthermore, I would like to highlight that, after having first reported a Sustainability report of Sonae Capital in 2018, in 2019 we were consistent and defined our priority areas of action. We have been working to make clear commitments on each axis, across all our businesses, and we are convinced that, despite the high degree of challenge we are aiming for, we will be fulfilled. We hope that, by communicating Sonae Capital's contribution to a sustainable development from an economic, social and environmental point of view, we have made this report an asset for our stakeholders. Because we want to be even more transparent in communicating our performance in terms of climate change, I would like to add that we are committed to, already in this year 2020, reporting to the CDP (Carbon Disclosure Project).

To conclude, I would like to thank our people. For their effort and dedication, which are fundamental to the various achievements of Sonae Capital throughout 2019. I also extend this acknowledgment to our customers, partners and shareholders, for believing in our commitment and our value proposition. Finally, I extend a special appreciation to all the members of our Governing Bodies, for their constant advice, challenge and attention.

**Paulo Azevedo**  
Chairman of the Board of Directors

«Based on the results we are disclosing today, I reaffirm my comfort and confidence in the strategy outlined for Sonae Capital, as well as in the competence of our Human Resources to execute it.»



**Miguel Gil Mata**  
Chief Executive Officer

## 2. CEO'S MESSAGE

2019 was unquestionably an important year regarding Sonae Capital active portfolio management strategy. We sold our participation in the share capital of RACE, ending a cycle of almost 35 years in this company. We have created conditions for RACE to start a new growth phase, generating value for the new shareholders and for its employees and, at the same time, we crystallised value, releasing funds to leverage our growth path. Moreover, we completed the acquisition of the Urban Fit chain, as well as of Futura Energía Inversiones, both aimed at boosting the development of Fitness and Energy segments, respectively.

Now focusing on the results, the Business Units Turnover increased 46.5% and reached 268.8 million euros, as a result of a robust performance in nearly all segments, being important to notice the significant contribution from the Energy's Retail & Trade unit. The EBITDA increased 8.9%, to 35.3 million euros. The EBIT has also improved and reached 6.4 million euros, 11.8% above 2018.

Despite the positive results in our Business Units as a whole, it should be pointed out the negative impact registered by the Industrial Engineering segment, namely by ADIRA. In 2019, we finished a restructuring process that carried significant changes in the team, at the same time that we restructured the main business processes, giving particular relevance to those associated with the commercial area. Importantly, throughout 2019 and also in 2020, we are making an additional effort to adapt the cost structure to the current levels of demand.

In Energy, the team is fully committed to grow as a promoter of integrated Energy solutions, while taking safe steps to increase CapWatt international exposure: in Spain, leveraged by the recent acquisition of Futura Energía Inversiones, and in Mexico. The construction of the biomass-fired cogeneration power plant in Mangualde has entered its final stage, being in line with our plan both in terms of timings and investment. In Fitness, supported by a well balanced expansion model, we currently operate 37 Clubs with more than 104 thousand active members, and we ensured an EBIT margin increase of 2.4pp to 8.7% in 2019. In Hospitality, the effort placed not only in improving the operating indicators, but also in optimising the operation, resulted in a record EBIT of 1.7 million euros and a 3.6pp increase in the EBIT margin, to 6.2%. Very recently, we signed a contract for the opening of an additional hotel unit in Porto, in a privileged location at Avenida dos Aliados, which will allow us to expand our scale, while maintaining a capital light approach.

In the Real Estate Assets unit, we completed sales deeds in the amount of 33 million euros and we still hold in reserves and promissory purchase and sale agreements (PPSAs) a portfolio of about the same amount. This performance is particularly important when it comes to cash generation. In 2019, this unit generated more than 43 million euros in cash, which is essential to maintain a healthy balance sheet, at the same time that we continued to invest in our portfolio in order to improve the competitive position of our businesses. Additionally, it allowed us to maintain an adequate shareholder remuneration. Accordingly, the Net Financial Debt reached 141.2 million euros at the end of December 2019, despite the investment of 51.7 million euros and the distribution of dividends in the amount of 18.5 million euros.



2019 Net Result evolved negatively, impacted by the recognition of a Goodwill impairment related with the sale of RACE, and by the lack of relevant Real Estate Assets sales, some of which however we expect to accomplish in the short-term.

Therefore, based on an adequate balance sheet and, as in previous years, on the cash proceeds from the sale of Real Estate Assets and without compromising the investment plan required for our Business Units, I would like to announce that the Board of Directors will propose, to be approved at the next Annual Shareholders' Meeting, the distribution of dividends in the amount of 15 million euros, equivalent to a dividend yield of 8.0%.

Given the results we disclose today, I reiterate my comfort and confidence in the strategy outlined for Sonae Capital, as well as in the capability of our human resources to execute it.

**Miguel Gil Mata**  
Chief Executive Officer

### 3. SONAE CAPITAL



#### Business Units

##### **B2B, Business-to-Business**

**Energy:** Player focused on the promotion, detention and operation of integrated energy optimisation solutions, contributing to a sustainable energy paradigm

**Industrial Engineering (ADIRA):** Reference in innovative, customized and value-adding metal forming solutions

**Refrigeration & HVAC:** Player specialized in refrigeration, air conditioning and building efficiency engineering

\* Held until 19 November 2019, the date on which Sonae Capital announced to the market the sale of its entire stake in the share capital of RACE, S.A..

##### **B2C, Business-to-Consumer**

**Fitness:** Health clubs chain operator, focused on physical activity, health and well-being

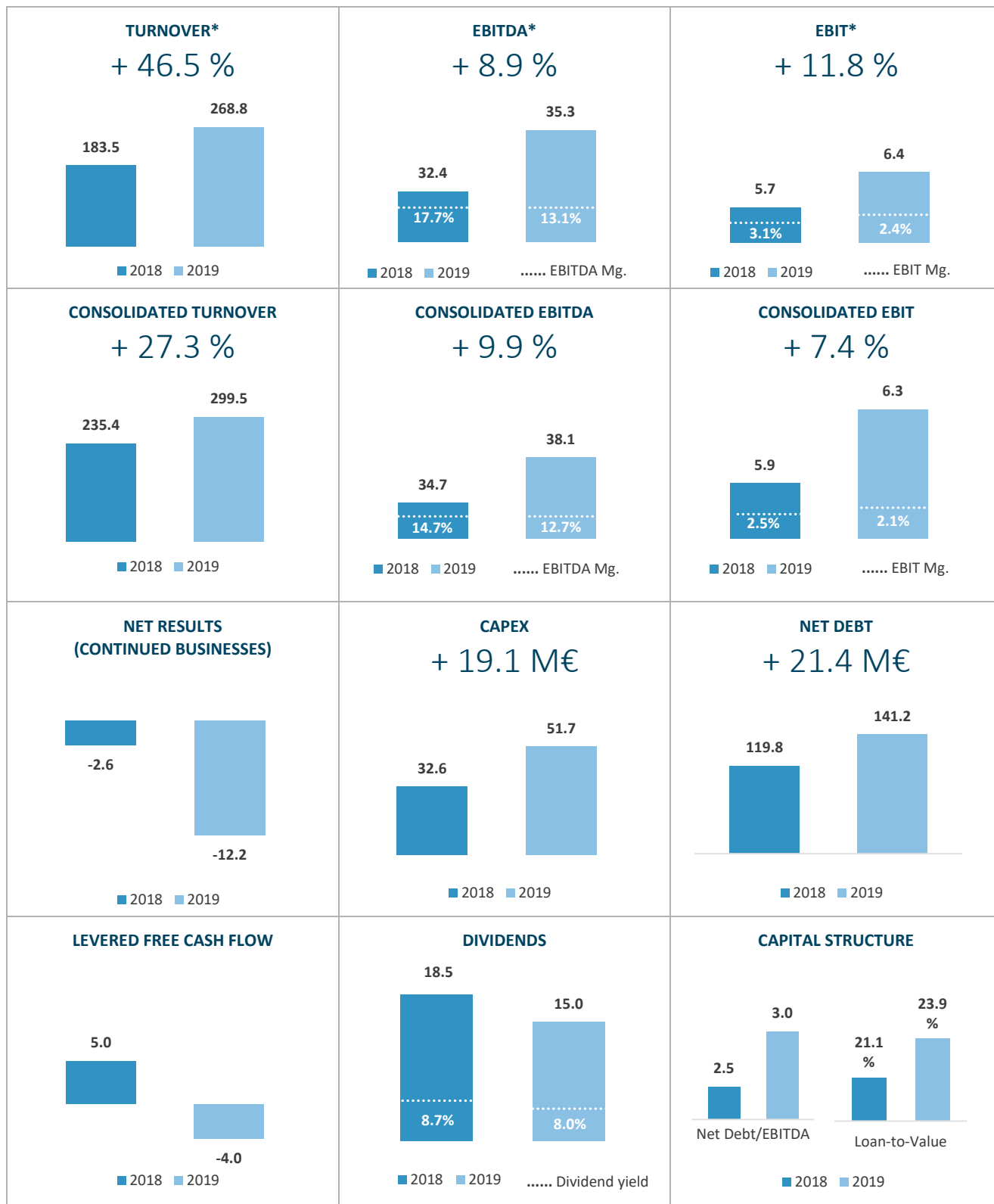
**Hospitality:** Hotel management recognised for its outstanding service

**Tróia Operations:** Development and management of TROIA RESORT, distinguished for the diversified offer of quality services and the promotion of unforgettable experiences

#### Real Estate Assets

Real Estate Assets targeted to the financing of the group corporate strategy.

KEY FIGURES



\* Business Units.

## 4. CORPORATE STRATEGY

Sonae Capital aspires to be a long-living investment company, focused on the sustainable creation of economic, social and environmental value, identifying and developing high-potential businesses, integrating them in an ecosystem of resources and managerial skills, and foreseeing their autonomisation.

Seeking to create economic, social and environmental value, Sonae Capital:

- holds a diversified business portfolio, constantly evolving;
- made up of companies operating in different markets and economic cycles;
- seeking high potential sectors; and,
- crystallising value through dynamic portfolio management, oriented towards a medium and long-term time horizon.

The value contribution of Sonae Capital is leveraged in:

- recognised managerial practices;
- its ability to attract and retain talent;
- the access to adequate financial resources;
- a strong brand, culture e values.

### 4.1. OUR VALUES

Sonae Capital has a strong corporate culture, based on solid values.

#### Ethics and Trust

We are primarily committed to the creation of economic value on a long-term horizon, based on principles of ethics and sustainable development, built on relationships of trust with our stakeholders.

#### People at the centre of our success

We promote the development of the abilities and competences of everyone through constant challenges, an appetite for change and teamwork. Supported by an internal culture that encourages meritocracy, we believe that these are crucial factors for attracting, retaining and developing employees with outstanding talent and potential.

#### Ambition

This is our driving force, embodied in the way we continuously challenge ourselves to remain resilient and determined, stimulating and challenging our capabilities and adding value to our clients.

### Innovation

Innovation is in the lifeblood of our businesses. We continuously break with the conventional and we have the capacity to surprise the market. We believe that mistakes and failure can be a source of learning, but we are aware of the importance of knowing how to balance them within acceptable risk parameters.

### Social responsibility

We have an active sense of social responsibility, aiming to improving our society, with a strong concern for the environment and the development of human knowledge.

### Frugality and efficiency

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

### Cooperation and independence

We take a position of independence and autonomy in relation to central and local Government, but we are always open and willing to cooperate with the authorities to improve the regulatory, legislative and social framework.

## 4.2. STRATEGIC PILLARS

The implementation of Sonae Capital corporate strategy is materialized throughout 3 strategic pillars:



### Sale of Real Estate Assets

Sonae Capital has a portfolio of Real Estate Assets whose purpose is to finance new investment opportunities and leverage the growth of its business portfolio, ensuring an adequate capital structure. At the end of 2019, according to the valuation carried out by Cushman & Wakefield, Sonae Capital's real estate assets portfolio was valued at 324.6M€ (including the WTC Fund, whose market value stood at 73.3M€ at the same date).

## Troia Resort

The Tróia Peninsula is a sandy line approximately 25 kilometres long and is located between the Atlantic Ocean, the Sado Estuary and the Serra da Arrábida. Located at about 60 kilometres from Lisbon, the Peninsula stands out for its landscape and environmental value, since its low construction density and the uniqueness of its environmental ecosystem make the Tróia-Comporta Peninsula, with 15 km of thin and white sand beach, a destination of high exclusivity.



Picture 1: Tróia Peninsula.

Sonae Capital holds for sale, in the Tróia Peninsula, residential tourist units already developed as well as plots for construction. Throughout 2019, Sonae Capital sold 33 residential units, for a total amount of 16.8M€. Of the total of 546 residential tourist units developed in Tróia, by Sonae Capital, the number of units available for sale at the end of 2019, including Reserves and PPSAs in the portfolio, stood at 61, including 3 Apartments, 26 Plots and 32 Ocean Villages.

Regarding Operational Units (UNOPs), the valuation carried out by Cushman & Wakefiel stood at 80.0M€ at the end of 2019, including the UNOP 3 (already in PPSA, for the amount of 20M€), the UNOP 1 and the UNOP4.



Picture 2: Residential Tourist Units in Tróia.

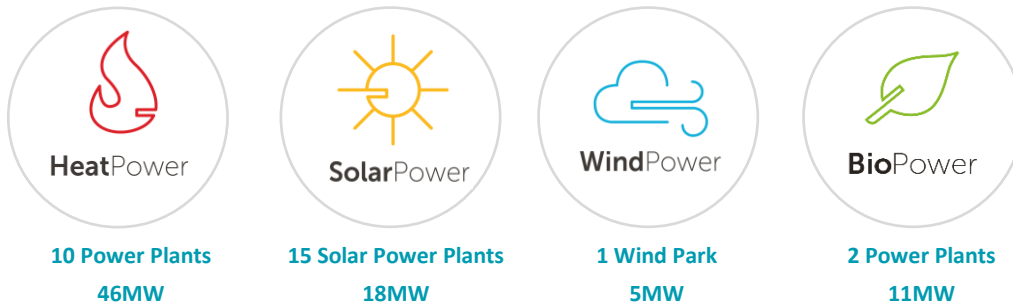
## Other Assets

This portfolio includes assets with different stages of licensing and construction, including plots of land with and without constructive viability, residential units, residential, tourist and commercial construction projects, hotels, offices, factory buildings and commercial spaces. All assets are located in Portugal and have a wide geographical dispersion.

In 2019, the Other Assets unit carried out deeds in the amount of 14.2M€, including the Metrópolis Building for 6.3M€, Crotália for 4.0M€, and the Santarém Allotment for 1.5M€.

## Growth of our businesses

### Energy



Note: Capacity includes expansion projects already underway.

CapWatt promotes integrated solutions for decentralised energy production for industrial and service customers, with emphasis on high-efficiency cogeneration and renewable generation assets.

Cogeneration combines the production of electricity and thermal energy from the same source of primary energy, in a highly efficient process. It is a way of rationalising energy consumption, as it allows a more efficient use of the primary energy used - natural gas, biomass or biogas - thus reducing its consumption, compared to what would occur in separate production of the same quantities thermal and electrical energy. Currently, CapWatt owns and operates 10 natural gas cogeneration plants, totaling 44.4MW, and 1 cogeneration plant, with 1MW, powered by landfill gas. At the same time, the expansion process of the plant located in Serrado is under development, which will add 2MW to the portfolio in 2020.



Picture 3: Natural gas cogeneration plants: CapWatt Maia, Serrado and Tagol.

At the end of 2017, the investment in a biomass-fired cogeneration power plant powered by forest biomass, with an electrical power of 10MW, was announced at the Sonae Arauco industrial unit, in Mangualde. This project, which is in its final phase, foresees the construction of a last generation biomass boiler, with 90MW of combustion power, equivalent to 266 thousand tons of forest biomass per year, to produce thermoelectric energy. Due to its specificity, this plant will have a very significant contribution, not only in terms of optimising forest management in the region, but also in minimising the risk of forest fires.

This investment is part of Sonae Capital's long-term strategy for the Energy business, in particular, in the reinforcement and development of cogeneration technology. The total amount of investment made over the past two years amounted to around 40M€, with the start of the operation scheduled for the second quarter of 2020.

CapWatt also owns 15 photovoltaic plants with 18.3 MW, of which 2.5 MW are in self-consumption production units (UPACs), already developed or under development, and 1 wind park, with 5 MW. Photovoltaic systems use cells to convert solar radiation into electrical energy. A set of cells connected together forms a photovoltaic module, which in turn converts solar energy into direct current electrical energy. Photovoltaic systems can be integrated into buildings or into large centralised production parks.



Picture 4: Solar Park Ferreira do Alentejo (10MW), Martim Longo (2.2MW) and UPAC Sicor (1MW).

Through its activities of energy efficiency services, energy trading and CO<sub>2</sub> emission licenses, CapWatt complements its integrated offer, also assuming the role of energy manager for its customers.

In this context, Futura Energía Inversiones was acquired in 2019. Futura Energía Inversiones is a company based in Madrid, Spain, made up of a group of professionals with long experience in the Energy sector, namely in the natural gas commercialisation activities, emission of carbon rights and electric energy.

Simultaneously, throughout 2019, CapWatt continued to take steps towards becoming more international, namely in Spain and Mexico, essentially through cogeneration technology.

In 2019, Turnover was 144.0M€ in the Energy segment, of which 89.7M€ related to the contribution of Futura Energía Inversiones. In turn, EBITDA stood at 15.8M€.

## Fitness



SC Fitness intends to grow and lead, unequivocally, the market for the provision of physical activity services in Portugal. In this context, it follows a multi-segment strategy, which aims to consolidate its presence in the Lifestyle segment, with the Pump brand, in the Mainstream segment, with the Solinca brand and in the Premium segment, with the ONE brand.

In compliance with a strong expansion plan, this business has grown significantly over the past few years, both organically and through acquisition.

In early 2018, it completed the acquisition of the Pump chain, with eight clubs, seven of which in the Lisbon region and one in the Algarve region, allowing it to quickly make its presence felt in the Lifestyle segment in the south of the country. In 2019, it completed the acquisition of the Urban Fit chain, meanwhile rebranded as Pump, in order to expand the presence of the same segment in the north of the country. At the same time, it opened two new clubs in 2019, Pump Seixal and Pump Cascais. At the end of 2019, the total number of clubs in operation was 36 and included more than 104 thousand active members.





Picture 5: Clubs Solinca Estádio do Dragão, Pump Saldanha and ONE Lagoas.

Hospitality



The Hospitality business intends to benefit from the positive trend that the tourism sector is experiencing in Portugal, finding growth solutions based on a capital light logic, aimed at increasing scale and improve the overall competitive position.

Currently, Sonae Capital's Hospitality business has six hotel units in operation, three of which in Porto (Porto Palácio Hotel, The House Ribeira Hotel and The Artist Porto Hotel & Bistro), two in Tróia (Aqualuz Tróia and Tróia Residence) and, since the beginning of 2019, a unit in Algarve (Aqualuz Lagos).

At the beginning of 2019, the business won the sub-concession for the installation and operation of a hotel unit in the Santa Apolónia Railway Station building, in Lisbon. This opportunity, in addition to allowing to start a presence in the city of Lisbon - the biggest tourist destination in Portugal, - allows to achieve a more balanced offer between city and beach destinations. In 2020, a contract was signed for the installation of another hotel in the city of Porto, in a privileged location - Avenida dos Aliados.



Picture 6: The House Ribeira Hotel, The Artist Porto Hotel & Bistro and Aqualuz Lagos.



Picture 7: Models of the new units: Estação Ferroviária Santa Apolónia (Lisbon) and Avenida dos Aliados (Porto).

### 4.3. THE ESG APPROACH

The recent regulatory changes, which aim to promote the increasing transparency of companies in the reporting of non-financial information, the progressive preponderance of sustainable and responsible investment, the increasing awareness of stakeholders regarding environmental and corporate governance impacts and the incentive for the organisations' contribution to the promotion of a more diverse and inclusive society, have created a market dynamic that reinvents the concept of performance.

We believe that ESG (Environment, Social and Governance) topics will be increasingly crucial for investors' decisions. Sonae Capital develops its strategy focused on creating economic, social and environmental value and, in parallel, it has been investing, not only in increasing its levels of transparency in terms of social, environmental and corporate governance information, but has been also working to gradually improve its indicators. Because we know our responsibility and because we care.

In 2018, for the first time, we prepared a Sustainability Report in accordance with the standards contained in the Global Reporting Initiative (GRI Standards) and with the European Parliament and Council's Non-Financial Reporting Directive 2014/95 of 22 October 2014, and Decree-Law 89/2017 of 28 July, in order to report the performance of the Group and its Business Units, in the different dimensions of Sustainability. In 2019, and in compliance with article 451, no. 6 of the Commercial Companies Code, we are preparing a Sustainability Report that is separated from the Management Report, which will include non-financial information, as provided for in article 508-G of the Commercial Companies Code, to be released at: <https://www.sonaecapital.pt/en/sonae-capital/sustainability> within the legal term.

### 4.4. CORPORATE GOVERNANCE

Sonae Capital is an investment holding that manages a business portfolio. Our parenting model is intended to be agile and adjusted to the level of maturity, robustness and life cycle of each Business Unit. Each Business Unit has, as such, a dedicated Management team with total focus and responsibility, always favoring a sustained, long-term development, and ensuring alignment with the guidelines, management principles and, above all, culture and values of the Group.

#### BOARD OF DIRECTORS

The Board of Directors of Sonae Capital is composed of ten Directors, which ensure a balanced level between Executive and Non-Executive functions appropriate to the interests and nature of the company. Among the ten Directors, three of them exercise Executive functions and seven Non-Executive functions. The Board of Directors of Sonae Capital has also four Independent Non-Executive members, ensuring a proper monitoring and supervision.

The Board of Directors is responsible for defining Sonae Capital's strategy and general policies, exercising all management acts related to the object of the company's activity, defining strategic guidelines, appointing the Executive Committee and supervising, in general, its activity and that of its specialised commissions.

The Board of Directors' term of office is three years and corresponds to the 2018-2020 three-year period. Its members may be re-elected, one or more times.



**Duarte Paulo Teixeira de Azevedo**

Chairman of the Board of Directors

*First appointment: March 2015*



**Álvaro Carmona e Costa Portela**

Deputy Chairman of the Board of Directors

*First appointment: March 2011*



**Miguel Jorge Moreira da Cruz Gil Mata**

Member of the Executive Commission, CEO

*First appointment: April 2016*



**Ivone Pinho Teixeira**

Member of the Executive Commission, CFO

*First appointment: March 2013*



**Pedro Manuel Bruno**

Member of the Board of Directors, Executive Director

*First appointment: April 2019*



**Maria Cláudia Teixeira de Azevedo**

Member of the Board of Directors, Non-executive Director

*First appointment: March 2011*



**Ângelo Gabriel Ribeirinho dos Santos Paupério**

Member of the Board of Directors, Non-executive Director

*First appointment: December 2019*



**Paulo José Jubilado Soares de Pinho**

Member of the Board of Directors, Non-executive Director

*First appointment: April 2008*



**Francisco de la Fuente Sánchez**

Member of the Board of Directors, Non-executive Director

*First appointment: April 2008*



**Isabel Maria Vaz**

Member of the Board of Directors, Non-executive Director

*First appointment: April 2019*

## Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (BNRC) supports the Remuneration Committee in the performance of its competence in terms of assessing the performance of the Executive Directors and remunerations. The BNRC is entirely composed of Non-Executive Directors, presided by the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, and has as members Álvaro Carmona e Costa Portela and Francisco de La Fuente Sánchez, these last two Independent Non-Executive Directors.

## Board Audit and Finance Committee

The Board Audit and Finance Committee (BAFC) is responsible for supporting the Board of Directors in monitoring and evaluating the activity of the Executive Committee, in order to supervise management skills. The BAFC reports to the Board of Directors, on a regular basis, the actions conducted and the conclusions reached and proposes action plans to be developed, in order to proactively ensure the company's internal control and risk management system. As of 31 December 2019, BAFC is composed by the Independent Non-Executive Directors, Francisco de La Fuente Sánchez, as Chairman, and Paulo José Jubilado Soares de Pinho.

## Executive Committee

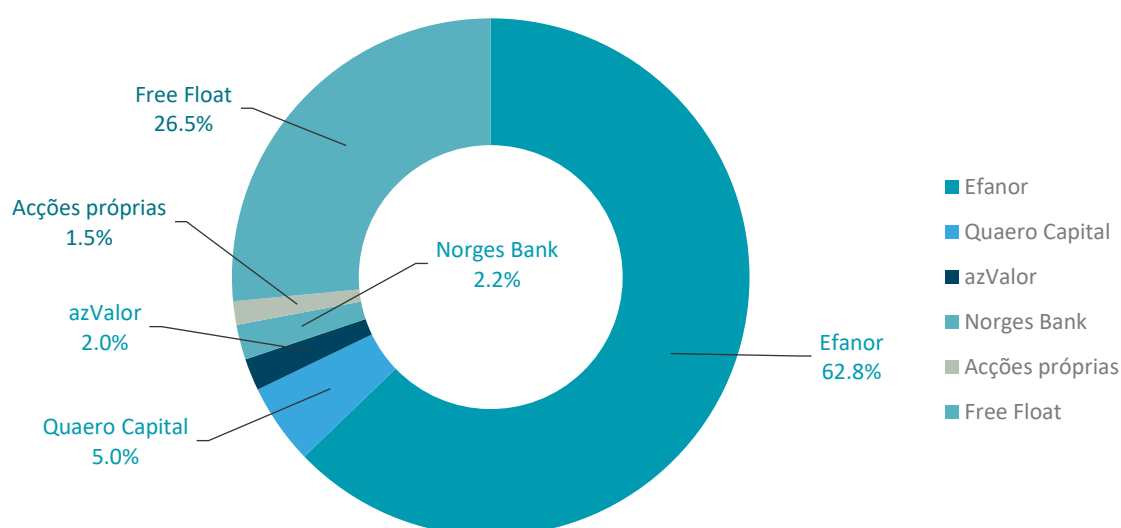
Sonae Capital's Executive Committee is based on a close relationship, responsible for the implementation of strategic guidelines, working every day to achieve sustainable long-term success, and focused on developing the intrinsic value of each of the businesses of our portfolio, as well as maximising the creation of value within it. With reference to 31 December 2019, the Executive Committee is chaired by Miguel Gil Mata, and is also composed by the Executive Directors Ivone Pinho Teixeira (as CFO) and Pedro Manuel Bruno.

For more information, please refer to Sonae Capital's Corporate Governance Report.

## 5. CAPITAL MARKETS

The admission to trading of the shares representing the share capital of Sonae Capital on the Euronext Lisbon regulated market took place on 28 January 2008. Sonae Capital has a stable and committed shareholding base that favours the development, implementation and execution of its strategy.

### Shareholding Structure | 31 December 2019



Sonae Capital share information

Name	Sonae Capital, SGPS, S.A.
Security's issuer	Sonae Capital, SGPS, S.A.
Listing date	28 January 2008
Share capital, €	250.000.000
Listed amount	250.000.000 shares
ISIN Code	PTSNP0AE0008
NYSE Euronext	SONC
Reuters	SONAC LS
Bloomberg	SONC.PL

Sonae Capital share performance

The following table summarises the most relevant information on Sonae Capital' shares traded in Euronext Lisbon:

Main Indicators

	2019	2018
Closing price, €	0.753	0.849
Maximum price, €	0.923	1.076
Minimum price, €	0.600	0.696
Average volume traded	122,388	234,603
Market cap, 31 Dec. (M€)	188.3	212.3

During 2019, Sonae Capital' share price decreased by 11.3%, ending the year at 0.753 euros. The main reference index of the Portuguese Stock Exchange (PSI20) increased by 10.2% in the same period.

The following chart shows the share performance of Sonae Capital over 2019:



The main announcements, during 2019, which may had a potential impact on Sonae Capital share price, were as follows:

**21 January**

Subconcession contract information for the construction of a hotel unit in Santa Apolónia Railway Station, in Lisbon

**6 February**

Information on the acquisition, for the value of 1 euro, of the company Aqualuz - Turismo e Lazer, Lda, which owns the operation of the Hotel «Aqualuz Suite Hotel Lagos»

**1 March**

Disclosure of Sonae Capital 2018 Consolidated Results

**8 April**

Disclosure of the Qualified Holding of FundPartner Solutions (Europe) S.A.

**29 April**

Disclosure of the resolutions taken at the Annual General Shareholders Meeting of 29 April 2019. Information on changes to the Board of Directors, through the election of two Directors, for the current term

**6 May**

Dividend payment information regarding the year 2018

**16 May**

Disclosure of Sonae Capital Consolidated Results of the first quarter of 2019

**31 May**

Disclosure of Quaero Capital, S.A. Qualified Holding

**26 June**

Disclosure of Quaero Capital, S.A. Qualified Holding

**1 July**

Information on the binding offer for the acquisition of 100% of the share capital of Futura Energía Inversiones, S.L.

**26 July**

Disclosure of Sonae Capital Consolidated Results of the first half of 2019

**9 August**

Information on the completion of the acquisition of 100% of the share capital of Futura Energía Inversiones, S.L.

**7 November**

Disclosure of Sonae Capital Consolidated Results of the first nine months of 2019

**19 November**

Information on the sale of Sonae capital shareholding in the share capital of RACE, SGPS, SA

**4 December**

Disclosure of the resolutions taken at the Extraordinary General Shareholders Meeting of 4 December 2019. Information on changes to the Board of Directors for the current term, through the election of Ângelo Ribeirinho Paupério

**11 December**

Disclosure of Norges Bank Qualified Holding

**14 December**

Disclosure of Norges Bank Qualified Holding

## Shareholder Remuneration

	Main indicators				
	2015	2016	2017	2018	2019*
Dividends, M€	15	25	15	18.5	15
Dividends per share, €	0.060	0.100	0.060	0.074	0.060
Closing price, €	0.510	0.748	0.887	0.849	0.753
Dividend yield, %	11.8%	13.4%	6.8%	8.7%	8.0%
Total shareholder return, %	95.4%	58.4%	32.0%	2.5%	-2.6%

\*Dividend subject to approval in the Shareholders General Meetings.

In 2015, Sonae Capital started a practice of shareholder remuneration in the form of dividend distribution. Throughout the last four years, a total of 73.5M€ in dividends were distributed, which is equivalent to almost 0.30€ per share. Shareholders' remuneration has been indexed to the monetisation of Real Estate Assets, as long as the maintenance of a capital structure appropriate to the type of business and assets held by the Group is safeguarded.

## 6. THE YEAR OF 2019



Sonae Capital continued to implement its active portfolio management strategy:

- With the acquisition of:
  - (i) Futura Energía Inversiones, in Energy;
  - (ii) the Urban Fit chain, in Fitness; and
  - (iii) the exploration of Aqualuz Lagos, in Hospitality; and
- The sale of the Refrigeration & HVAC business, RACE.



Business Units posted sustained growth:

- Turnover increased 46.5%, to 268.8M€ (or 7.0%, to 145.4M€, excluding the contribution of Futura Energía Inversiones and RACE);
- EBITDA totalled 35.3M€, 8.9% above 2018;
- All Units increased their EBITDA, with the exception of Industrial Engineering.



The Real Estate Assets unit continued the monetisation plan, key for the financing of the corporate strategy:

- Residential Tourist Units in Tróia: 33 sales deeds, corresponding to 16.8M€, coupled with 7 PPSAs and Reserves in the amount of 3.9M€;
- Other Real Estate Assets: sales deeds in the global amount of 14.2M€, added to a stock of PPSAs in the amount of 34.9M€ (including the PPSA of UNOP 3).



Business Units EBIT increased 11.8%, to 6.4M€;



Net Results totalled negative 12.3M€ (mostly driven by Investment Income and Results from Associated Undertakings, due to a Goodwill impairment in Sonae Capital Consolidated Results, following the sale of RACE);



Negative Consolidated FCF of 4.0M€, notwithstanding the significant Capex (51.7M€). Following the dividends payment (18.5M€), Net Financial Debt at 141.2M€ at the end of December 2019 (Net Debt at 204.6M€);



Capital structure remained adequate: Net Financial Debt / EBITDA at 3.0x and LTV of 23.9%.



## 6.1. OVERALL PERFORMANCE

### Profit and Loss Statement

#### Consolidated Profit and Loss Statement

Million Euros	FY 2018 PF	FY 2019	Δ 19/18
<b>Turnover</b>			
<b>Business Units</b>	<b>183.53</b>	<b>268.79</b>	<b>+46.5%</b>
Energy	52.55	144.02	>100%
Industrial Engineering	11.91	9.78	-17.9%
Fitness	36.12	41.25	+14.2%
Hospitality	23.84	27.73	+16.4%
Refrigeration & HVAC	47.70	33.75	-
Troia Resort – Operations	11.41	12.25	+7.4%
<b>Real Estate Assets</b>	<b>59.63</b>	<b>40.52</b>	<b>-32.0%</b>
Troia Resort	18.54	20.87	+12.6%
Other Real Estate Assets	41.09	19.64	-52.2%
Eliminations & Adjustments	-7.79	-9.78	-25.6%
<b>Consolidated Turnover</b>	<b>235.37</b>	<b>299.54</b>	<b>+27.3%</b>
Other Operational Income	5.01	3.44	-31.3%
<b>Total Operational Income</b>	<b>240.38</b>	<b>302.97</b>	<b>+26.0%</b>
<b>EBITDA</b>			
<b>Business Units</b>	<b>32.41</b>	<b>35.29</b>	<b>+8.9%</b>
Energy	15.63	15.78	+1.0%
Industrial Engineering	-1.80	-3.60	<-100%
Fitness	10.94	12.70	+16.1%
Hospitality	4.29	6.69	+56.1%
Refrigeration & HVAC	2.46	2.00	-
Troia Resort – Operations	0.89	1.72	+92.6%
<b>Real Estate Assets</b>	<b>8.62</b>	<b>10.11</b>	<b>+17.3%</b>
Troia Resort	0.57	4.18	>100%
Other Real Estate Assets	8.05	5.93	-26.3%
Eliminations & Adjustments	-6.35	-7.30	-15.0%
<b>Consolidated EBITDA</b>	<b>34.69</b>	<b>38.11</b>	<b>+9.9%</b>
Depreciations & Amortizations	30.91	32.36	+4.7%
Provisions & Impairment Losses	-2.01	-0.56	+72.4%
Non-Recurring Costs/Income (1)			
<b>EBIT</b>			
<b>Business Units</b>	<b>5.70</b>	<b>6.37</b>	<b>+11.8%</b>
Energy	4.86	4.45	-8.4%
Industrial Engineering	-3.13	-4.48	-43.1%
Fitness	2.29	3.60	+57.1%
Hospitality	0.61	1.71	>100%
Refrigeration & HVAC	2.08	1.44	-
Troia Resort – Operations	-1.00	-0.34	+66.4%
<b>Real Estate Assets</b>	<b>3.64</b>	<b>3.67</b>	<b>+1.0%</b>

## Consolidated Profit and Loss Statement

Million Euros	FY 2018 PF	FY 2019	Δ 19/18
Eliminations & Adjustments	-3.47	-3.74	-7.9%
<b>Consolidated Recurrent EBIT</b>	<b>5.87</b>	<b>6.31</b>	<b>+7.4%</b>
Non-Recurring Costs/Income (1)	0.18	1.52	>100%
<b>Consolidated EBIT</b>	<b>5.69</b>	<b>4.79</b>	<b>-15.9%</b>
Net Financial Expenses	-8.19	-6.47	+21.0%
Investment Income and Results from Assoc. Undertakings	0.73	-9.91	-
<b>EBT</b>	<b>-1.77</b>	<b>-11.60</b>	<b>&lt;-100%</b>
Taxes	0.81	0.56	-30.1%
<b>Net Profit – Continued Businesses</b>	<b>-2.57</b>	<b>-12.16</b>	<b>&lt;-100%</b>
Net Profit – Discontinued Businesses	-3.47	-0.14	+96.0%
<b>Net Profit – Total</b>	<b>-6.04</b>	<b>-12.30</b>	<b>&lt;-100%</b>
Attributable to Equity Holders of Sonae Capital	-6.63	-13.58	<-100%
Attributable to Non-Controlling Interests	0.59	1.28	>100%

The Business Units turnover stood at 268.8M€, performing a growth of 46.5% when compared to 2018. It should be noted that all the Business units increased turnover, with the exception of Industrial Engineering. In the same period, the Real Estate Assets Unit decreased turnover by 32.0%, to 40.5M€ (due an increase of 12.6% in Real Estate Assets unit in Tróia and a decrease of 52.2% in the Other Real Estate Assets line, given that the 4Q18 was positively impacted by the sale of the Efanor Allotment).

The Business Units EBITDA grew to 35.3M€, 8.9% above 2018, generating an EBITDA margin of 13.1%, a decrease of 4.6pp y.o.y., partially due to the consolidation of Futura Energía Inversiones. The Real Estate Assets EBITDA increased 17.3%, to 10.1M€ in 2019.

The Recurrent EBIT totalled 6.3M€, driven by a positive evolution in the Business Units and the Real Estate Assets unit, which represents an increase of 7.4% when compared to 2018.

The Net Results decreased 6.3M€ y.o.y., due to the following effects:

- (i) an increase of 1.4M€ in the level of Non-Recurrent costs (most of which related to ADIRA, following the ongoing restructuring plan and the recognition of impairment losses related to clients and stocks);
- (ii) a higher level of Amortizations and Depreciations, in the amount of 1.5M€ (0.8M€ referred to IFRS 16 Amortizations and 0.7M€ driven by the investment plan in place, namely in the Energy segment); and,
- (iii) a negative effect of 10.6M€ in Investment Income and Results from Associated Undertakings, which includes 10.5M€ related with a Goodwill impairment in Consolidated Results, driven by the sale of the Refrigeration & HVAC business.

Notwithstanding:

- (iv) an increase of 3.4M€ verified in the Consolidated EBITDA; and,
- (v) an improvement of 1.7M€ in Financial Results, including the amount related to the capitalization of interest incurred in the development of the Biomass-fired cogeneration plant in the Energy segment (in the amount of 0.8M€);

## Capital Structure

Investment, Capital Structure and Ratios			
Million Euros	FY 2018 PF	FY 2019	Δ 19/18
<b>Net Capital Employed</b>	438.74	422.53	-3.7%
Fixed Assets	379.91	369.99	-2.6%
o.w. Rights of Use (IFRS16)	50.93	50.92	-0.0%
Non-Recurring Investments (net)	15.17	8.99	-40.7%
Working Capital	43.66	41.32	-5.4%
Capex (end of period)	32.62	51.73	+58.6%
% Fixed Assets	8.6%	13.9%	+5.3 pp
Capex (L12M) / Depreciations	1.34x	2.07x	+0.73x
<b>Net Debt</b>			
Net Financial Debt	119.78	141.21	+17.9%
Total Net Debt	181.67	204.55	+12.6%
% Net Capital Employed	41.4%	48.4%	+7.0 pp
Debt to Equity	70.7%	93.8%	+23.2 pp
<b>Capital Structure Ratios</b>			
Loan to Value (Real Estate Assets)	21.1%	23.9%	+2.8 pp
Net Financial Debt/EBITDA	2.49x	3.00x	+0.51x
Net Debt/EBITDA	3.49x	3.55x	+0.06x

Capex totalled 51.7M€ in 2019, mostly driven by the Energy segment, namely on the back of the biomass-fired cogeneration project development (with an investment of 27.4M€) and the acquisition of Futura Energía Inversiones (in the amount of 6.2M€), as well as the investment made in the Fitness segment, which includes the acquisition of Urban Fit chain.

Net Debt stood at 204.6M€ at the end of December 2019. Net Financial Debt reached 141.2M€ in the same period, registering an increase of 21.4M€ when compared to the end of 2018 and including: (i) dividends distributed in the amount of 18.5M€, on May 2019; (ii) Business Units cash flow of 11.5M€; (iii) Business Units investment in the amount of 46.8M€, and (iv) Real Estate Assets cash flow of 33.2M€.

We maintain an adequate capital structure when considering the Group's portfolio of businesses and Real Estate Assets held, with Net Financial Debt to EBITDA of 3.0x and LTV of 23.9%, both slightly above the figures reported in 2018 year-end.

## Consolidated Balance Sheet

Consolidated Balance Sheet			
Million Euros	FY 2018 PF	FY 2019	□ 19/18
<b>Total Assets</b>	<b>552.86</b>	<b>558.93</b>	<b>+1.1%</b>
Tangible and Intangible Assets	327.89	336.36	+2.6%
o.w. Rights of Use (IFRS16)	50.93	50.92	-0.0%
Goodwill	52.02	33.64	-35.3%
Non-Current Investments	2.29	2.12	-7.5%
Other Non-Current Investments	35.20	30.63	-13.0%
Stocks	63.26	49.14	-22.3%
Trade Debtors and Other Current Assets	63.96	83.57	+30.7%
Financial Instruments	0.00	15.82	-
o.w. Other Financial Assets	0.00	5.69	-
Cash and Cash Equivalents	7.56	7.59	+0.4%
Assets held for sale	0.67	0.05	-91.8%
<b>Total Equity</b>	<b>257.06</b>	<b>217.98</b>	<b>-15.2%</b>
Total Equity attributable to Equity Holders of Sonae Capital	247.62	215.79	-12.9%
Total Equity attributable to Non-Controlling Interests	9.44	2.18	-76.9%
<b>Total Liabilities</b>	<b>295.79</b>	<b>340.95</b>	<b>+15.3%</b>
<b>Non-Current Liabilities</b>	<b>127.20</b>	<b>161.04</b>	<b>+26.6%</b>
Non-Current Borrowings	59.43	88.40	+48.8%
Non-Current Borrowings - IFRS16	50.39	49.29	-2.2%
Deferred Tax Liabilities	12.98	12.43	-4.3%
Other Non-Current Liabilities	4.39	10.91	+100%
<b>Current Liabilities</b>	<b>168.60</b>	<b>179.91</b>	<b>+6.7%</b>
Current Borrowings	67.91	64.43	-5.1%
Current Borrowings - IFRS16	11.50	14.05	+22.2%
Suppliers and Other Current Liabilities	83.57	91.40	+9.4%
Financial Instruments	0.00	9.57	-
o.w. Other Financial Liabilities	0.00	1.66	-
Liabilities associated to assets held for sale	5.62	0.47	-91.6%
<b>Total Equity and Liabilities</b>	<b>552.86</b>	<b>558.93</b>	<b>+1.1%</b>

Note: Trade Debtors and Other Current Assets and Trade Creditors and Other Current Liabilities include a balance of 42.5M€ and 19.4M€, respectively, related with the consolidation of Futura Energía Inversiones. The Financial Instruments line reflects the mark-to-market of swaps and options referred to the outstanding positions in Futura Energía Inversiones' subsidiaries, at the end of December 2019. These positions are related to risk coverage of the corresponding underlying assets, as Futura Energía Inversiones policy involves managing assets and liabilities in order to cover almost all the risks involved.

## 6.2. BUSINESS UNITS

## Energy

Operational and Financial Information				
Million Euros	FY 2018 PF	FY 2019	Δ 19/18	
Total Operational Income	55.14	144.45	>100%	
<b>Turnover</b>	<b>52.55</b>	<b>144.02</b>	<b>&gt;100%</b>	
Production	52.55	54.65	+4.0%	
Retail & Trade	-	89.67	-	
Other Operational Income	2.59	0.43	-83.4%	
<b>Total Operational Costs</b>	<b>39.52</b>	<b>128.67</b>	<b>&gt;100%</b>	
Cost of Goods Sold	28.03	116.31	>100%	
External Supplies and Services	6.42	7.30	+13.6%	
Staff Costs	2.95	3.94	+33.4%	
Other Operational Expenses	2.12	1.13	-46.8%	
<b>EBITDA</b>	<b>15.63</b>	<b>15.78</b>	<b>+1.0%</b>	
Production	15.63	15.21	-2.7%	
Retail & Trade	-	0.57	-	
EBITDA Margin (% Turnover) - [Production]	29.7%	27.8%	-1.9 pp	
Depreciations IFRS16	0.43	0.53	+23.6%	
Depreciations	10.34	10.80	+4.4%	
Impairment Losses	0.00	0.00	-	
<b>Recurrent EBIT</b>	<b>4.86</b>	<b>4.45</b>	<b>-8.4%</b>	
Production	4.86	3.92	-18.9%	
Retail & Trade	-	0.53	-	
Recurrent EBIT Margin (% Turnover) - [Production]	9.2%	7.2%	-2.1 pp	
<b>Capex</b>	<b>15.00</b>	<b>35.39</b>	<b>&gt;100%</b>	
<b>EBITDA-Capex</b>	<b>0.63</b>	<b>-19.61</b>	<b>-</b>	
<b>Total Capacity (MW)</b>	<b>76.5</b>	<b>80.8</b>	<b>+5.6%</b>	
<b>Owned (and operated)</b>	<b>62.3</b>	<b>64.6</b>	<b>+3.7%</b>	
Operated (not consolidated)	3.2	3.2	+0.0%	
Projects in Progress (MW)	11.0	13.0	+17.9%	

Following the acquisition of Futura Energía Inversiones, the Energy business consolidates two different businesses since 1 August, 2019. Two businesses that are different, not only in nature but also in turnover and profitability metrics: the Production business, which includes Cogeneration and Renewables operations, and the Retail & Trade business, which includes the operation developed by Futura Energía Inversiones.

The Production business increased turnover by 4.0% when compared to 2018, totalling 54.7M€, benefiting from both the Cogeneration operation and the Renewables operation: in Cogeneration, the contribution of electric energy was positive, as well as the availability of solar and wind resources in Renewables. On a quarterly basis, turnover decreased by 5.0%, to 12.2M€, due to a change in the regime of electric energy remuneration in two power plants (Maia and Carvemagere), as well as the technical maintenance stop of Tagol, transversal to the entire industrial complex, in the beginning of 4Q19 and 3Q19, as previously reported. The EBITDA stood at 15.2M€ in 2019, 2.7% below 2018, impacted by the performance of the 4Q19, in which EBITDA decreased by 37.7%, to 2.5M€, largely due to the recognition of operating costs related to the ongoing expansion plan and the acquisition process of Futura Energía Inversiones. These costs are no more than the investment required to pursue the business growth path. In addition, in Cogeneration, EBITDA continued to be negatively

affected by the increase of the price of CO2 licences versus 2018 (circa 450 thousand euros in 2019 and 276 thousand euros in 4Q19, respectively).

The Retail & Trade business (operated through Futura Group), whose activity includes trading of natural gas, electricity and carbon emission allowances, had a contribution of 89.7M€ and 0.6M€ for turnover and EBITDA, respectively, in 2019.

The Capex amounted to 35.4M€, almost entirely due to the ongoing investment in the biomass-fired cogeneration plant, totalling 27.4M€ in 2019. Everything is planned in order to start the operation in the beginning of 2Q20, which will ensure a material and stable cash flow throughout at least 25 years (the feed-in tariff period).

## Industrial Engineering

Operational and Financial Information				
Million Euros	FY 2018 PF	FY 2019	Δ 19/18	
Total Operational Income	12.65	10.88	-14.0%	
<b>Turnover</b>	<b>11.91</b>	<b>9.78</b>	<b>-17.9%</b>	
Other Operational Income	0.74	1.10	+49.7%	
<b>Total Operational Costs</b>	<b>14.45</b>	<b>14.49</b>	<b>+0.3%</b>	
Cost of Goods Sold	8.18	7.39	-9.7%	
External Supplies and Services	1.84	2.58	+40.5%	
Staff Costs	3.67	4.11	+12.0%	
Other Operational Expenses	0.76	0.41	-46.4%	
<b>EBITDA</b>	<b>-1.80</b>	<b>-3.60</b>	<b>&lt;-100%</b>	
EBITDA Margin (% Turnover)	-15.1%	-36.8%	-21.7 pp	
Depreciations IFRS16	0.04	0.04	+15.8%	
Depreciations	0.95	0.83	-12.4%	
Impairment Losses	0.34	0.00	-	
<b>Recurrent EBIT</b>	<b>-3.13</b>	<b>-4.48</b>	<b>-43.1%</b>	
Recurrent EBIT Margin (% Turnover)	-26.3%	-45.8%	-19.5 pp	
<b>Capex</b>	<b>1.10</b>	<b>0.94</b>	<b>-14.4%</b>	
<b>EBITDA-Capex</b>	<b>-2.90</b>	<b>-4.54</b>	<b>-56.8%</b>	

The turnover stood at 9.8M€, 17.9% below 2018. In the same period, the EBITDA registered negative 3.6M€. This evolution is principally the result of an unfavourable evolution in the number of orders, which will be surpassed in the short-term, thus resulting in a better top line performance.

Throughout 2019, in order to achieve better results, ADIRA profit and loss statement was impacted by effects related with the implementation of new processes and resources, at the same time we recognised clients and stocks impairments (registered in the cost of goods sold and other operating costs).

As previously disclosed, Adira has entered into an agreement with Mitsubishi to exclusively supply bending and cutting machines in the USA, Canada and Mexico, which will ensure a significant increase in the number of machines produced at cruising speed. At the same time, this will leverage the entrance of ADIRA in these markets, where the company's penetration has been relatively small.

## Fitness

Operational and Financial Information			
Million Euros	FY 2018 PF	FY 2019	Δ 19/18
Total Operational Income	36.42	41.86	+14.9%
<b>Turnover</b>	<b>36.12</b>	<b>41.25</b>	<b>+14.2%</b>
Other Operational Income	0.30	0.62	>100%
<b>Total Operational Costs</b>	<b>25.48</b>	<b>29.16</b>	<b>+14.5%</b>
Cost of Goods Sold	0.25	0.19	-24.2%
External Supplies and Services	12.46	13.46	+8.0%
Staff Costs	11.03	13.10	+18.8%
Other Operational Expenses	1.74	2.42	+38.6%
<b>EBITDA</b>	<b>10.94</b>	<b>12.70</b>	<b>+16.1%</b>
EBITDA Margin (% Turnover)	30.3%	30.8%	+0.5 pp
Depreciations IFRS16	5.23	5.61	+7.3%
Depreciations	3.16	3.49	+10.5%
Impairment Losses	0.26	0.00	-
<b>Recurrent EBIT</b>	<b>2.29</b>	<b>3.60</b>	<b>+57.1%</b>
Recurrent EBIT Margin (% Turnover)	6.3%	8.7%	+2.4 pp
<b>Capex</b>	<b>12.62</b>	<b>7.09</b>	<b>-43.8%</b>
<b>EBITDA-Capex</b>	<b>-1.68</b>	<b>5.61</b>	<b>-</b>
<b># Average number of active members</b>	<b>85 637</b>	<b>104 126</b>	<b>21.6%</b>
<b># Clubs in Operation</b>	<b>30</b>	<b>36</b>	<b>+6</b>

2019 stood out for Fitness organic growth, with the opening of two Pump Clubs, in Seixal and Cascais, as well as for the completion of the work carried out at Solinca Matosinhos, whose inauguration took place in the beginning of January 2020. At the same time, we acquired and completed the integration of the Urban Fit chain (afterwards rebranded to Pump), in order to leverage the brand's presence in the north of Portugal. Accordingly, to date, the Fitness segment includes the operation of 37 Clubs: 21 Solinca Clubs, 15 Pump Clubs and 1 ONE Club.

The average number of active members stood at approximately 104 thousand, a growth of 21.6% y.o.y., benefiting from the positive performance of Pump, Solinca and ONE chains.

The turnover increased by 14.2% y.o.y., to 41.3M€, mostly due to a higher number of active members. Importantly, in Solinca chain, the average monthly fee increased by 3% on a comparable basis.

The Consolidated EBITDA reached 12.7M€ in 2019, which represents a growth of 16.1% when compared to 10.9M€ achieved in 2018. The EBITDA margin reached 30.8%, 0.5pp above the previous year.

The Recurrent EBIT totalled 3.6M€, increasing 57.1% compared to 2018. As for the Recurrent EBIT margin, it stood at 8.7% in 2019, 2.4pp above 2018.

Capex stood at 7.1M€ in 2019, driven by the acquisition of the Urban Fit chain (in the amount of 5.0M€). This compares with 12.6M€ in 2018, impacted by the acquisition of Pump chain (for 8.4M€).

## Hospitality

Operational and Financial Information			
Million Euros	FY 2018 PF	FY 2019	Δ 19/18
Total Operational Income	24.28	28.03	+15.4%
<b>Turnover</b>	<b>23.84</b>	<b>27.73</b>	<b>+16.4%</b>
Other Operational Income	0.44	0.29	-34.2%
<b>Total Operational Costs</b>	<b>19.99</b>	<b>21.33</b>	<b>+6.7%</b>
Cost of Goods Sold	3.26	3.25	-0.3%
External Supplies and Services	8.95	9.39	+5.0%
Staff Costs	7.08	7.80	+10.3%
Other Operational Expenses	0.71	0.89	+25.7%
<b>EBITDA</b>	<b>4.29</b>	<b>6.69</b>	<b>+56.1%</b>
EBITDA Margin (% Turnover)	18.0%	24.1%	+6.1 pp
Depreciations IFRS16	3.22	4.35	+35.1%
Depreciations	0.46	0.63	+39.2%
Impairment Losses	0.00	0.00	-
<b>Recurrent EBIT</b>	<b>0.61</b>	<b>1.71</b>	<b>&gt;100%</b>
EBIT Recurrent (% Turnover)	2.6%	6.2%	+3.6 pp
<b>Capex</b>	<b>1.28</b>	<b>1.50</b>	<b>+17.2%</b>
<b>EBITDA-Capex</b>	<b>3.00</b>	<b>5.19</b>	<b>+72.8%</b>
<b># Hotel operating units</b>	<b>5</b>	<b>6</b>	<b>+1</b>

The Hospitality segment includes the operation of six Hotel units: three units located in Porto (Porto Palácio Hotel, The Artist and The House), two units located in the Tróia Peninsula (Aqualuz Troia and Troia Residence) and, since 1 January, 2019, a unit in the Algarve region (Aqualuz Lagos). Thus, compared to 2018, this segment includes the operation of one more unit. Additionally, the development of a new unit in Lisbon, in the Santa Apolónia Railway Station building, is already underway and the opening is planned for the 2H21.

Throughout 2019, we continued to improve the main operational indicators – occupancy rate and price, in order to maximize the RevPAR. As a result, the RevPAR increased 1.7% in 2019, fueled by a 4.6% increase in the 4Q19.

The turnover increased 16.4% versus 2018, to 27.7M€.

Over the past quarters, the operation worked significantly in order to improve the profitability of the units in operation. As a result, EBITDA increased meaningfully compared to 2018, to 6.7M€, +56.1% y.o.y.. The EBIT stood at 1.7M€, a record level for the operation, more than doubling compared to the 0.6M€ generated in 2018. The EBIT margin totalled 6.2%, 3.6pp above last year.

On a comparable basis, i.e. excluding the contribution of Aqualuz Lagos, both turnover and EBIT would continue to increase, registering a turnover growth of 1.6% and more than doubling the EBIT when compared to 2018. As a result, the conversion ratio stood at 2.6x, a very significant level.

The Capex reached 1.5M€ in 2019, essentially due to the refurbishment of Porto Palácio Hotel and the beginning of the Santa Apolónia Railway Station project, in Lisbon.



## TROIA RESORT – Operations

Operational and Financial Information				
Million Euros	FY 2018 PF	FY 2019	Δ 19/18	
Total Operational Income	12.27	13.06		+6.5%
<b>Turnover</b>	<b>11.41</b>	<b>12.25</b>		<b>+7.4%</b>
Other Operational Income	0.85	0.81		-5.3%
<b>Total Operational Costs</b>	<b>11.37</b>	<b>11.34</b>		<b>-0.3%</b>
Cost of Goods Sold	1.56	1.56		+0.4%
External Supplies and Services	5.57	5.35		-3.8%
Staff Costs	3.47	3.79		+9.0%
Other Operational Expenses	0.78	0.64		-18.0%
<b>EBITDA</b>	<b>0.89</b>	<b>1.72</b>		<b>+92.6%</b>
EBITDA Margin (% Turnover)	7.8%	14.0%		+6.2 pp
Depreciations IFRS16	0.18	0.19		+6.6%
Depreciations	1.70	1.87		+9.9%
Impairment Losses	0.02	-0.00		-
<b>Recurrent EBIT</b>	<b>-1.00</b>	<b>-0.34</b>		<b>+66.4%</b>
Recurrent EBIT Margin (% Turnover)	-8.8%	-2.8%		+6.0 pp
<b>Capex</b>	<b>0.38</b>	<b>2.16</b>		<b>&gt;100%</b>
<b>EBITDA-Capex</b>	<b>0.51</b>	<b>-0.44</b>		<b>-</b>

This segment aims to promote Tróia as a touristic and leisure destination, with high standards of quality of service and environmental sustainability, through an integrated management of its infrastructures. Besides Atlantic Ferries river transportation, it includes operations such as Tróia Marina, «Meu Super» supermarket, the Roman Ruins, a sports centre and a Golf course, among others.

The turnover stood at 12.3M€ in 2019, 7.4% above the 2018. The EBITDA reached 1.7M€, showing a significant growth of 92.6% when compared with the previous year. Since the beginning of 2019, the performance of Atlantic Ferries, which registered a larger number of travellers and traffic of vehicles, has been one of the major drivers of the segment's performance.

The Capex totalled 2.2M€ and resulted from investments made in Atlantic Ferries operation, as well as in some refurbishment works in the Marina of Tróia, in «Meu Super» and the Beach infrastructure.

## REFRIGERATION &amp; HVAC

Operational and Financial Information				
Million Euros	FY 2018 PF	FY 2019	Δ 19/18	
Total Operational Income	47.88	33.70		-
<b>Turnover</b>	<b>47.70</b>	<b>33.75</b>		-
Other Operational Income	0.18	-0.05		-
<b>Total Operational Costs</b>	<b>45.42</b>	<b>31.70</b>		-
Cost of Goods Sold	24.62	14.96		-
External Supplies and Services	11.52	8.50		-
Staff Costs	8.89	7.85		-
Other Operational Expenses	0.39	0.40		-
<b>EBITDA</b>	<b>2.46</b>	<b>2.00</b>		-
EBITDA Margin (% Turnover)	5.2%	5.9%		-
Depreciations IFRS16	0.31	0.49		-

## Operational and Financial Information

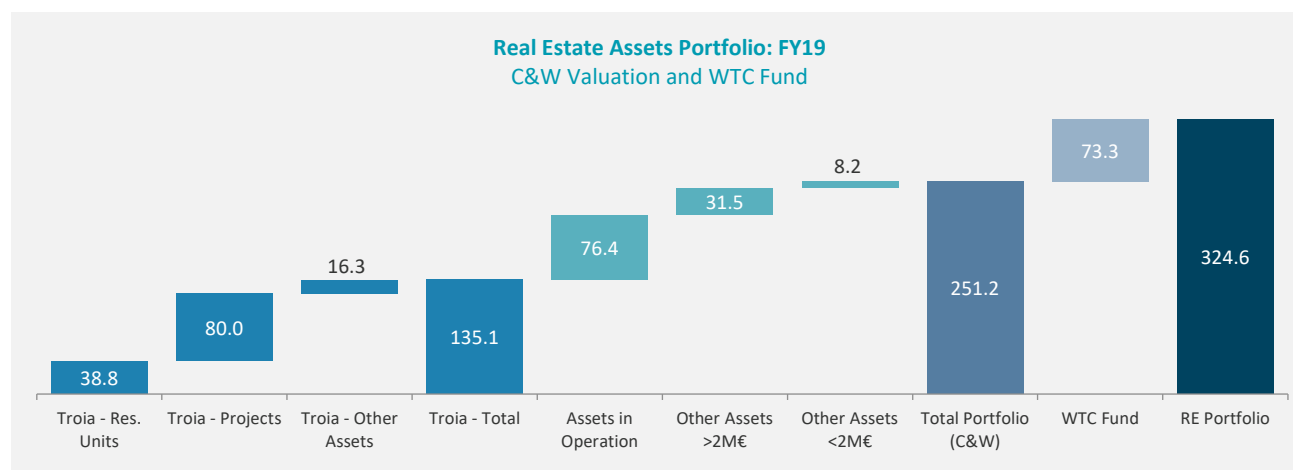
Million Euros	FY 2018 PF	FY 2019	Δ 19/18
Depreciations	0.06	0.07	-
Impairment Losses	0.00	0.00	-
<b>Recurrent EBIT</b>	<b>2.08</b>	<b>1.44</b>	-
Recurrent EBIT Margin (% Turnover)	4.4%	4.3%	-
<b>Capex</b>	<b>0.14</b>	<b>0.17</b>	-
<b>EBITDA-Capex</b>	<b>2.32</b>	<b>1.83</b>	-

Sonae Capital sold its 70% participation in the share capital of RACE, SGPS, SA in November 2019. Accordingly, the financial performance disclosed in 2019 refers to the results generated up to the end of November, which does not ensure a direct comparison with 2018 information.

### 6.3. REAL ESTATE ASSETS

On 31 December 2019, the portfolio of real estate assets of the Sonae Capital Group amounted to 324.6M€, including not only part of assets valued by Cushman & Wakefield (C&W) in the amount of 251.2M€, but also the assets held by the WTC Fund, whose market value was, on the same date, at 73.3M€.

On the same date, the capital employed in this portfolio of real estate assets amounted to 197.0M€.



### TROIA RESORT

This segment includes, in the Peninsula of Tróia, developed touristic residential units for sale, as well as plots for construction. Out of 546 touristic residential units developed, we had 61 units available for sale at the date of this report (considering the stock of Reserves and PPSAs).

The turnover reached 20.9M€ in 2019, showing an increase of 12.6% y.o.y., on the back of the following contributions:

- 33 sales deeds, corresponding to 16.8M€, which compare with 38 sales deeds in the amount of 14.7M€ in 2018. Out of the 33 sales deeds reported, 14 were made under the guaranteed income product.
- Rents related to the assets in operation (Hotels, Tróia Shopping, Car parking lots, Touristic Units in operation), totalling 3.1M€.

Up to the date of this report, we have completed another deed, in the amount of 0.5M€. In addition, 6 Purchase and Sale Promises and Reserves contracts are in stock, in the total amount of 3.4M€. It should be noted that, as in all Promise Purchase and Sale Contracts, the PPSAs in stock are not reflected in the results (namely the PPSA of UNOP 3, signed in 2Q18, for 20M€).

## OTHER ASSETS

The Other Real Estate Assets unit recorded a Turnover of 19.6M€. This value includes the remuneration of the Assets under exploration and the value of the deeds carried out, in the global amount of 14.2M€. In the block of deeds carried out, the Metr polis Building (6.3M€), Crot lia (4.0M€) and the Santar m Allotment (1.5M€) stand out.

Already in 2020, we completed the sales deed of Casa da Ribeira (1.5M€) and, at the date of this report, there are PPSAs signed on a set of assets in the global amount of 14.9M€ (8.0M€ of which referring to the Country Club da Maia and 4.8M€ referring to the Costa D'Oiro Allotment).

## 7. OUTLOOK

We face the future with confidence, certain that we have been setting the foundations to achieve a bigger Sonae Capital, with the potential to generate even more value.

Throughout 2020, we will continue our Real Estate Assets monetisation plan. We will be particularly focused in the sale of the WTC Fund under conditions that reflect its intrinsic value, as well as in the conclusion of the sales deed of UnOp 3.

At the same time, we will continue to provide our businesses with the appropriate tools and resources to improve their competitive position, pursuing the growth plan set.

The Energy segment will continue to improve its position as a promoter of integrated Energy solutions, not only in Portugal, but also embracing new opportunities in the Spanish market. In Mexico, where the number of projects under analysis is already significant, the main growth driver will remain in cogeneration. The know-how of Futura Energ a Inversiones will allow us to improve our skills in the sourcing of natural gas and CO2 emission allowances (both of each essential for the cogeneration activity), but in particular, it will support us in the sale of the electricity produced, which is key in a scenario post-feed-in-tariffs, as well as in the offer of integrated energy solutions. In the beginning of 2Q20, we will start the biomass-fired cogeneration plant operation, in Mangualde, which will add a stable flow of cash to the segment over the next 25 years.

In Fitness, we will remain focused on growth, continuing a multi-segment expansion strategy in the metropolitan areas of Porto and Lisbon. We intend to be undisputable market leaders in the provision of physical activity and wellness services, expanding our scale and ensuring the sustainability of the segment.

In Hospitality, we will continue to focus on improving the operational indicators that lead to better profitability standards. At the same time, certain that we are facing a sector that is experiencing a very particular dynamic, we will remain active in the search for opportunities that allow us to expand our scale under a capital light approach, as well as, watchful to potential consolidation movements.

In Industrial Engineering, notwithstanding the difficulties found in ADIRA, we uphold the purpose to invest in the creation of a cluster of technology-based companies, with strong export vocation and leveraged in the Portuguese engineering skills. In a short-term horizon, we might complete acquisitions that despite immaterial in size, aim to improve the segment in a build-up logic.

Lastly, and particularly important, we will continue to focus on maintaining a level of debt that is appropriate to the type of businesses and assets held by Sonae Capital.

## 8. PROFIT APPROPRIATION PROPOSAL

Given the results and cash-flow generated in 2019 and the prospects for the ongoing sale of Real Estate Assets underway, Sonae Capital's Board of Directors approved a proposal for the distribution of a gross dividend of 15M€ to shareholders. This dividend shall be carried out by the appropriation of the results of the year and the distribution of Free Reserves, corresponding to a gross dividend of 0.060 euros per share.

From the global dividend of 15M€, the amount of the latter that would correspond to own shares, at the date of the distribution thereof, will be excluded, continuing to be allocated to Free Reserves.

This proposal is subject to final approval at the Shareholders General Meeting.

## 9. OTHER INFORMATION

### 9.1. INDIVIDUAL FINANCIAL STATEMENTS

The net result of Sonae Capital, SGPS, SA, the Group's holding company, was positive in 2.3M€. The result compares with the value of 5.3M€ from the previous year, mainly due to lower Investment Results and the lower positive contribution of the tax line, in the amount of 2.4M€.

The amount of 202,439 euros for the variable remuneration of executive directors and staff is already reflected in the year's result, in the form of profit distribution of the year, pursuant to paragraph 2 of article 31 of the Articles of Association and under proposal of the Remuneration Committee, which is responsible for implementing the remuneration policy approved at the Shareholders General Meeting of 29 April 2019.

### 9.2. OWN SHARES

During 2019, the Company sold 436,800 shares, for the global amount of 382,200 euros (average reference price of 0.875 euros per share), as a result of the distribution of shares by employees in accordance with the Medium Term Variable Remuneration Plans.

As of 31 December 2019, Sonae Capital held 3,670,823 own shares, representing 1.468% of its share capital.

### 9.3. ACTIVITY CARRIED OUT BY THE MEMBERS OF THE BOARD OF DIRECTORS

During 2019, Non-Executive Directors significantly contributed to the discussion of the different strategic options, maintaining, as in previous years, close contact with corporate directors and management teams. During the year under review, the Non-Executive Directors effectively performed their duties as members of the Board of Directors and members of the Board Audit and Finance Committee and of the Board Nomination and Remuneration Committee

In the point no. 29 of the Corporate Governance Report, it is possible to find additional information regarding the functioning of the aforementioned Committees, complementing the information regarding the activity of the Non-Executive Directors described in this point of the report.

## 9.4. ACKNOWLEDGEMENTS

The Board of Directors thanks all Sonae Capital's stakeholders for the support and confidence shown throughout the year, highlighting the cooperation and monitoring made by the Statutory Audit Committee and the Statutory External Auditor.

To our employees, we acknowledge their sense of commitment, their unequivocal contribution to the significant improvement of the operational results and the shared effort in pursuing the goals set.

We reaffirm that we continue to trust that the foundations for the Group's solid growth are increasingly firm, believing in the success and sustainability of the defined strategy.

### **The Board of Directors**

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors

Álvaro Carmona e Costa Portela, Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata, Chairman of the Executive Committee, CEO

Ivone Pinho Teixeira, Member of the Executive Committee, CFO

Pedro Manuel Bruno, Member of the Executive Committee

Maria Cláudia Teixeira de Azevedo, Member of the Board of Directors

Ângelo Gabriel Ribeirinho dos Santos Paupério, Member of the Board of Directors

Paulo José Jubilado Soares de Pinho, Member of the Board of Directors

Francisco de La Fuente Sánchez, Member of the Board of Directors

Isabel Maria Vaz, Member of the Board of Directors

## 10. APPENDIX

### 10.1. STATEMENT

#### **Under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code**

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared in accordance with applicable International Financial Reporting Standards (IFRS), as adopted by the European Union, and give a true and fair view of the assets and liabilities, the financial position and the consolidated and individual results of Sonae Capital, SGPS, S.A., and of the companies included in the consolidation perimeter and that the Management Report faithfully exposes the businesses' evolution, the performance and position of Sonae Capital, SGPS, S.A., and the companies included in the consolidation perimeter, and contains a description of the main risks and uncertainties that they face.

Approved in the Board of Directors' meeting of 21 February 2020.

#### **The Board of Directors**

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors

Álvaro Carmona e Costa Portela, Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata, Chairman of the Executive Committee, CEO

Ivone Pinho Teixeira, Member of the Executive Committee, CFO

Pedro Manuel Bruno, Member of the Executive Committee

Maria Cláudia Teixeira de Azevedo, Member of the Board of Directors

Ângelo Gabriel Ribeirinho dos Santos Paupério, Member of the Board of Directors

Paulo José Jubilado Soares de Pinho, Member of the Board of Directors

Francisco de La Fuente Sánchez, Member of the Board of Directors

Isabel Maria Vaz, Member of the Board of Directors

## 10.2. ARTICLE 447 OF THE PORTUGUESE COMPANIES ACT AND ARTICLE 14(7) OF THE PORTUGUESE SECURITIES COMMISSION (CMVM) REGULATION NO.5/2008

Disclosure of the number of shares and other securities issued by the Company that are held by members of the statutory governing and auditing bodies and by people closely connected with them, pursuant to Article 248 B of the Portuguese Securities Code, and description of the transactions carried out on those securities during the year under analysis.

Article 447							
	Date	Acquisitions Number	Av. Price, €	Sales Number	Av. Price, €	Position as of 31.12.2019	Balance as of 31.12.2019
<b>Duarte Paulo Teixeira de Azevedo (*) (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (3)						Dominant	
<b>Maria Cláudia Teixeira de Azevedo (*) (**) (***)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Linhacom, SA (4)						Dominant	
Sonae Capital, SGPS, SA							449 213
<b>Maria Margarida Carvalhais Teixeira de Azevedo (**)</b>							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae Capital, SGPS, SA							838 862
<b>Miguel Jorge Moreira da Cruz Gil Mata (*) (***)</b>							
Sonae Capital, SGPS, SA	29.03.2019	119 012	0.87500				1 099 342
<b>Ivone Maria Pinho Teixeira da Silva (*) (***)</b>							
Sonae Capital, SGPS, SA	29.03.2019	130 674	0.87500				408 269
<b>Álvaro Carmona e Costa Portela (*)</b>							
Sonae Capital, SGPS, SA							24 942
<b>Paulo José Jubilado Soares de Pinho (*)</b>							
Sonae Capital, SGPS, SA							12 650
Closely connected person (a)							8 125

	Date	Acquisitions		Sales		Position as of 31.12.2019	Balance as of 31.12.2019
		Number	Av. Price, €	Number	Av. Price, €		
<b>(1) Efanor Investimentos, SGPS, SA</b>							
Sonae Capital, SGPS, SA							88 859 200
Pareuro, BV (2)						Dominant	
<b>(2) Pareuro, BV</b>							
Sonae Capital, SGPS, SA							66 600 000
<b>(3) Migracom, SA</b>							
Sonae Capital, SGPS, SA	19 e 20.12.2019	51 826	0.77181				213 076
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
<b>(4) Linhacom, SA</b>							
Sonae Capital, SGPS, SA							43 912
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
<b>(5) Imparfin - Investimentos e Participações Financeiras, SA</b>							
Sonae Capital, SGPS, SA	30.08 e 2.09.2019	64 300	0.62209				577 460

(\*) Member of the Board of Directors of Sonae Capital, SGPS, SA;

(\*\*) Member of the Board of Directors of Efanor Investimentos, SGPS, SA (directly and indirectly dominant company);

(\*\*\*) Shares acquired in compliance with the annual and mid-term variable remuneration policy;

(a) Article 248B, no.4, paragraph b) – held by Change Partners, SCR, SA, of which is Member of the Board of Directors.



### 10.3. QUALIFIED SHAREHOLDINGS

Qualifying holdings in the capital of the Company, reflected on 31 December 2019 (shareholders that hold a stake equal to or greater than 2% of the share capital of Sonae Capital, SGPS, S.A.), in accordance with the notifications received by the Company, under the terms of the Articles 16 and 248 B, both from the Portuguese Securities Code, with the indication of the number of shares held and the percentage of corresponding voting rights, as well as the percentage of capital and attributable votes and the source and causes of imputation, calculated under the terms of Article 20 of the Portuguese Securities Code, in compliance with the Article 8(1)(b), of the Portuguese Securities Market Commission (CMVM) Regulation No. 05/2008:

Qualified Shareholdings			
Shareholder	Number of Shares	% Share Capital	% Voting Rights
<b>Efanor Investimentos, SGPS, S.A. (1)</b>			
Held Directly	88 859 200	35.544%	36.073%
Through Pareuro, BV (controlled by Efanor)	66 600 000	26.640%	27.037%
Through Maria Margarida Carvalhais Teixeira de Azevedo (Member of the Board of Directors of Efanor)	838 862	0.336%	0.341%
Through Maria Cláudia Teixeira de Azevedo (Member of the Board of Directors of Efanor and of Sonae Capital)	449 213	0.180%	0.182%
Through Linhacom, SGPS, S.A. (controlled by Maria Cláudia Teixeira de Azevedo, Member of the Board of Directors of Efanor and Sonae Capital)	43 912	0.018%	0.018%
Através da Migracom, S.A. (controlled by Duarte Paulo Teixeira de Azevedo, Member of the Board of Directors of Efanor and Sonae Capital)	213 076	0.085%	0.087%
<b>Total Attributable</b>	<b>157 004 263</b>	<b>62.802%</b>	<b>63.738%</b>
<b>Quaero Capital</b>			
<b>Total Attributable</b>	<b>12 588 400</b>	<b>5.035%</b>	<b>5.110%</b>
<b>Norges Bank</b>			
<b>Total Attributable</b>	<b>5 470 282</b>	<b>2.188%</b>	<b>2.221%</b>
<b>AZValor Asset Management, SGIIC, SA</b>			
<b>Total Attributable</b>	<b>5 011 941</b>	<b>2.005%</b>	<b>2.035%</b>

Source: last communications received from the holders of qualifying holdings addressed to the Company, as of 31 December 2019.

(1) Efanor Investimentos SGPS, SA, with effect from 29 November 2017, no longer has a controlling shareholder under the terms and for the purposes of the Articles 20 and 21 of the Portuguese Securities Code.

## METHODOLOGICAL NOTES

The consolidated financial information presented in this report is audited and has been prepared in accordance with the International Financial Reporting Standards («IAS / IFRS»), issued by the International Accounting Standards Board («IASB»), as adopted by the European Union.

## GLOSSARY

### CAPEX

Investment in Tangible and Intangible Assets

### EBITDA

Operational Profit (EBIT) + Amortization and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in Stocks (included in Costs of Goods Sold) – Reversal of Impairment Losses and Provisions (including in Other Operation Income)

### EBITDAR

EBITDA + Building Rents

### Gearing: Debt to Equity

Net Debt / Equity

### HVAC

Heating, Ventilation and Air Conditioning

### Loan to Value

Net Debt of real estate assets / Real estate assets Valuation

### Net Debt

Net Debt + IFRS 16 Impact

### Net Financial Debt

Non-Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments

### Operational Cash Flow

EBITDA - CAPEX

### PPSA

Promise Purchase and Sale Agreement

### RevPAR

Revenue per Available Room

[www.sonaecapital.pt](http://www.sonaecapital.pt)

**SONAE CAPITAL**



# GOVERNANCE REPORT

31 December  
2019

PART II



**GOVERNANCE  
REPORT**

31 December  
2019

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# 1. INFORMATION ON SHAREHOLDERS' STRUCTURE ORGANISATION AND CORPORATE GOVERNANCE

## A. SHAREHOLDERS' STRUCTURE

### I. Share Capital Structure

#### 1. Share Capital Structure

The share capital of Sonae Capital, SGPS, S.A. (hereinafter referred to as «Company» or «Sonae Capital») is 250,000,000 euros, fully subscribed and paid up, and is divided into 250,000,000 ordinary, book entered and nominative shares, each with the nominal value of 1 euro.

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

The Company's shares have no restrictions on their transferability or ownership, nor are there shareholders holding special rights. Accordingly, the shares are freely transferable according to the applicable legal rules.

#### 3. Own Shares

The Company, on 31 December 2019, held 3,670,823 own shares, representing 1.468% of the share capital, corresponding to the same percentage of voting rights.

#### 4. Impact of the change of shareholder control of the Company on significant agreements

The Company has not entered into any agreements which contain clauses intended to be defensive measures for the change of shareholder control in the case of takeover bids.

Under the same terms, the Company did not approve any statutory provision or rules or regulations in order to prevent the success of takeover bids.

#### 5. Defensive measures in the case of change of shareholder control

No defensive measures were adopted during the 2019 financial year.

The majority of the share capital of the Company is attributed to a single shareholder. There is also no statutory rule that foresees the limitation of the number of votes that may be held or exercised by a shareholder, whether individually or jointly with other shareholders.

#### 6. Shareholders' agreements

The Company has no knowledge of any shareholders' agreements involving the Company.

## II. Shareholdings and holdings of bonds

### 7. Qualified shareholdings

On 31 December 2019 and in accordance with the notices received by the Company, the shareholders who, pursuant to article 20 of the Portuguese Securities Code, have a qualified shareholding representing, at least, 2% of the share capital of Sonae Capital, are the following:

Qualified Shareholdings			
Shareholder	No. of Shares	% Share Capital	% Voting Rights
<b>Efanor Investimentos, SGPS, S.A.</b>			
Directly Owned	88 859 200	35.544%	36.073%
By Pareuro, BV (controlled by Efanor)	66 600 000	26.640%	27.037%
By Imparfin, S.A. (controlled by Efanor)	577 460	0.231%	0.234%
By Maria Margarida Carvalhais Teixeira de Azevedo (Member of the Board of Directors of Efanor)	838 862	0.336%	0.341%
By Maria Cláudia Teixeira de Azevedo (Member of the Board of Directors of Efanor)	449 213	0.180%	0.182%
By Linhacom, SGPS, S.A. (company controlled by the Member of the Board of Directors of Efanor, Maria Cláudia Teixeira de Azevedo)	43 912	0.018%	0.018%
By Migracom, S.A. (company controlled by the Member of the Board of Directors of Efanor, Duarte Paulo Teixeira de Azevedo)	213 076	0.085%	0.087%
<b>Total Attributable</b>	<b>157 581 723</b>	<b>63.033%</b>	<b>63.972%</b>
<b>Quaero Capital</b>	12 588 400	5.035%	5.110%
<b>Total Attributable</b>	<b>12 588 400</b>	<b>5.035%</b>	<b>5.110%</b>
<b>Norges Bank</b>	5 470 282	2.188%	2.221%
<b>Total Attributable</b>	<b>5 470 282</b>	<b>2.188%</b>	<b>2.221%</b>
<b>AZValor Asset Management, SGIIC, SA</b>	5 011 941	2.005%	2.035%
<b>Total Attributable</b>	<b>5 011 941</b>	<b>2.005%</b>	<b>2.035%</b>

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

The shares and bonds held by members of the management and supervisory bodies in the Company and in companies in a control or group relationship with the Company, either directly or through related parties, are disclosed in an appendix to the annual management report, as required by article 447 of the Portuguese Companies Code.

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

The powers granted by the Articles of Association to the Board of Directors of the Company to decide on share capital increase operations were withdrawn on December 2012. As from that date, such powers are exclusively held by the Shareholders' General Meeting, under the terms legally established.



### 10. Business relationships between the owners of qualified shareholdings and the Company

In relation to the commercial activities of the businesses that comprise the portfolio of Sonae Capital, there is a set of commercial relationships between the Company and its Subsidiaries and owners, or companies held by them, of qualified shareholdings.

These transactions are part of the usual business activity of each company and are carried out under current market practices and conditions. Additionally, these transactions are scrutinised and, if significant, are approved by the Board of Directors with prior opinion from the Statutory Audit Board.

During 2019, a transaction was carried out between the Company and Efanor Investimentos, S.A.. The Statutory Audit Board was informed about the proposal brought by the Executive Committee of Sonae Capital to the Board of Directors of the latter, for the reacquisition of the operation of Hotel Aqualuz Lagos, to Efanor Investimentos, S.A., for the value of one euro (the same amount at the time of the sale transaction, in 2015). Although this transaction did not require a prior opinion, the Statutory Audit Board considered that the proposal was prepared in compliance with legal requirements and in the best interests of the Company.

## B. GOVERNING BODIES AND COMMITTEES

### I. Shareholders' General Meeting

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

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

The members of the current mandate were elected, in a second mandate, by resolution of the Annual Shareholders' General Meeting of 3 May 2018, for the current mandate 2018-2020.

- Manuel Eugénio Pimentel Cavaleiro Brandão (Chairman);
- Maria da Conceição Henriques Fernandes Cabaços (Secretary).

#### b) Exercise of the Voting Rights

##### 12. Possible restrictions on voting rights

The Company's share capital is entirely made up of a single class of common shares, ordinary, in which one share equals one vote, and where there are no statutory limitations on the exercise of the voting rights.

For shareholders to participate in the Shareholders' General Meeting, the only rules that have to be complied with is applicable legislation regarding the «Registration Date» as a relevant moment for proving the quality of shareholder and for exercising the corresponding right to participate in and vote at the Shareholders' General Meeting, as well as the scheme for the participation and voting of shareholders who, on a professional basis, hold shares in their own name but on behalf of clients.

Shareholders may be represented at meetings of the Shareholders' General Meeting upon presentation of a written representation document addressed to the Chairman of the Board of the Shareholders' General Meeting and delivered at the beginning of the meeting, indicating the name and domicile of the representative and the date of the meeting. Such communication may also be done by e-mail in accordance with the instructions contained in the notice of meeting.

A shareholder may designate different representatives in respect of the shares held in different securities accounts, without prejudice to the principle of voting unity, under the terms of the article 385 of the Portuguese Companies Code, and to a voting differently allowed to shareholders on a professional basis.

The Company makes available, within the legal deadlines, adequate information - notices of meetings, voting procedures and procedures to be adopted for postal voting, voting by e-mail or through a representative, as well as a draft letter of representation, in Portuguese and English, on its website (<https://www.sonaecapital.pt/en>) in order to ensure, promote and encourage the participation of shareholders in general meetings, either directly or through representatives.

In addition to the website of the Company, this documentation is also available to shareholders for consultation at the Company headquarters during business hours, as well as in the CMVM Information Disclosure System ([www.cmvm.pt](http://www.cmvm.pt)), from the date of publication of the notice of meeting.

Shareholders may vote by post on all matters requiring approval of the Shareholders' General Meeting, and the vote may be cast electronically. The means of voting are defined in the notice convening the Shareholders' General Meeting, and a form is available at <https://www.sonaecapital.pt/en/corporate-governance/shareholders-general-meeting> to request the technical elements necessary to vote in this manner.

The Company makes also available to shareholders draft ballot forms in Portuguese and English on its website at (<https://www.sonaecapital.pt/en>), simultaneously with the publication of the Shareholders' General Meeting notice, as well as the corresponding preparatory documents relating to the various items of the Agenda, in Portuguese and English.

The Company did not adopt any mechanism which causes the gap between the right to receive dividends or the subscription of new securities and voting rights of each share.

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

There is no limitation on the number of votes that may be held or exercised by a single shareholder or group of shareholders.

### **14. Shareholder decisions which, by statutory imposition, can only be taken with a qualified majority**

Pursuant to the provisions of the Articles of Association, the decisions of the Shareholders' General Meeting shall be taken by basic majority, unless otherwise established by law.

## **II. Management and Supervision**

### **a) Composition**

#### **15. Identification of the adopted governance model**

The Company adopts a one-tier governance model (composed of Board of Directors, Statutory Audit Board and Statutory Auditor), as provided for by articles 278, paragraph 1 - a) and 413, paragraph 1- b), both part of the Portuguese Companies Code, complemented by a delegation of management powers in an Executive Committee.

The remaining two bodies have supervisory responsibility.

The Board of Directors is the body responsible for managing the Company's business, for performing all management acts related to the corporate purpose, determining the strategic orientation of the Company, configuring its business portfolio, the Company's main policies, as well as designating and supervising the performance of the Executive Committee and the specialised Committees it sets up.

The Statutory Audit Board and the Statutory Auditor have the powers and duties described in the points 32 to 38 below.

The Board of Directors considers that the adopted governance model is appropriate to the exercise of the powers of each of the governing bodies, ensuring, in a balanced manner, both its independence and the functioning of the respective interface. Moreover, the specialised Committees, restricted to matters of great relevance, maximise the quality and performance of the management body, reinforcing the quality of its decision-making process. It is also understood that this governance structure allows the regular functioning of the Company, aiming at a flow of information and an adequate transparent dialogue between the various corporate bodies as well as between the Company, its shareholders and other stakeholders.

The Company considers that the adequacy of the management and supervisory boards to the functions assigned to them is essential to ensure the interests of all its stakeholders and is facilitated through creative solutions resulting from the combination of different perspectives and backgrounds, as stated in the its Diversity Policy, included in the Code of Conduct and published on the website of the Company so that shareholders know the essentiality for the Company that, when selecting the members of those bodies, they present and approve proposals for the election of corporate bodies that are based on diversity criteria, in order for them to bring together a greater range of knowledge, skills, experiences and values. This policy lists a set of very strict criteria that mainly favor i) professional qualification in parallel with the renewal of the composition of the governing bodies in order to ensure compatibility between seniority and the need to diversify professional paths, in order to avoid a monolithic logic of group thinking; ii) gender diversity; iii) diversity of knowledge and iv) age diversity, with no restrictive vision regarding age limits for the exercise of social functions. In order to give even more visibility to these principles, the Company, in its Code of Conduct, exhorts the shareholders to properly support their proposals for election, matching the concrete characteristics of the members indicated to the Governing Bodies with the selection criteria disclosed.

The composition of the Board of Directors and the current Statutory Audit Board is fully in accordance with the Diversity Policy of the Company, exhibiting a balanced gender diversity (respecting the provisions of the Law No. 62/2017 of 1 August), origin, qualifications and professional background and its members have revealed that they own individual characteristics, namely, experience, deep knowledge of the Company's main sectors of activity, knowledge and technical skills of management and supervision that are decisive for the success of the Company, as well as human qualities, integrity and availability, for the full and thorough exercise of the functions assigned to them in a aligned manner with the interests of the Company and its Shareholders.

Additionally, the Company approved, during the year of 2019, and has in place a Plan for Gender Equality applicable for employees and members of the the Group's corporate bodies, whose full content can be consulted on <https://www.sonaecapital.pt/en/corporate-governance/regulation>.

The details of the adopted structure, the composing bodies and the corresponding functions and responsibilities are presented in the following numbers.

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

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

The members of the Board of Directors are elected, in accordance with the law and articles of association, under the terms stated in a proposal approved by the Shareholders' General Meeting. The members are elected for three-year mandates, with re-election permitted one or more times.

The articles of association envisage that a Director may be elected individually if there are proposals subscribed by shareholders who hold shares individually or jointly with other shareholders representing between ten and twenty percent

of the share capital (Director elected under the minority rule). The same shareholder may not subscribe to more than one voting list. Each proposal must contain at least the identification of two people eligible for the same position to be filled. If several proposals are tabled by different shareholders or groups of shareholders, the votes will be taken on all proposals.

The articles of association also establish that in the event of death, resignation or temporary or permanent impediment of any of its members, other than the Director elected under the minority rule, the Board of Directors shall ensure that Director's replacement by co-opting, and this appointment requires ratification by the shareholders at the first Shareholders' General Meeting held after co-optation. In the event of definitive absence of a Director elected in accordance with the rules set forth in the preceding paragraph, the election shall occur at a Shareholders' General Meeting that is convened. The Company's Articles of Association establish that a Director incurs a definitive absence when he fails to attend two consecutive or interpolated meetings, without presenting a justification that is accepted by the Board of Directors.

In the exercise of the Board of Directors' power to co-opt, the Board Nomination and Remuneration Committee is responsible for identifying potential candidates for the Director position with the appropriate profile for the exercise of the management functions, according to the criteria and values foreseen by the Company and included in its Code of Conduct and Diversity Policy.

In the elections of the governing bodies held in 2019, the shareholder who presented the proposals, supported them according to the principles established by the Board of Directors in its Diversity Policy, contained in the Code of Ethics and Conduct.

## 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, a minimum of seven and a maximum of eleven, elected in a Shareholders' General Meeting. The mandate of the Board of Directors is three years, and its members may be re-elected one or more times. The current term of office of the Board of Directors is the 2018-2020 triennium. It is the Board of Directors that, in accordance with the Articles of Association, elects its Chairman.

On 31 December 2019, the Board of Directors was composed of ten members, three Executive members and seven Non-Executive members, four of which are independent.

The current members of the Board of Directors who were elected for the 2018-2020 mandate are listed in the following table:

Name	First Appointment	End of Current Mandate
Duarte Paulo Teixeira de Azevedo	March 2015	31 December 2020
Álvaro Carmona e Costa Portela*	March 2011	31 December 2020
Maria Cláudia Teixeira de Azevedo	March 2011	31 December 2020
Francisco de La Fuente Sánchez	April 2008	31 December 2020
Paulo José Jubilado Soares de Pinho	April 2008	31 December 2020
Miguel Jorge Moreira da Cruz Gil Mata	April 2016	31 December 2020
Ivone Maria Pinho Teixeira da Silva	March 2013	31 December 2020
Isabel Maria Pereira Aníbal Vaz	April 2019	31 December 2020
Pedro Manuel Martins Bruno	April 2019	31 December 2020
Ângelo Gabriel Ribeirinho dos Santos Paupério	December 2019	31 December 2020

\* Coordinator elected among the independent Directors, pursuant to article 1 of the Regulation do Board of Directors.

### 18. Distinction between Executive and Non-Executive members

Name	Role
Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive
Álvaro Carmona e Costa Portela	Vice-Chairman – Non-Executive (Independent)
Maria Cláudia Teixeira de Azevedo	Non-Executive
Francisco de La Fuente Sánchez	Non-Executive (Independent)
Paulo José Jubilado Soares de Pinho	Non-Executive (Independent)
Miguel Jorge Moreira da Cruz Gil Mata	President of the Executive Committee
Ivone Maria Pinho Teixeira da Silva	Executive
Isabel Maria Pereira Aníbal Vaz	Non-Executive (Independent)
Pedro Manuel Martins Bruno	Executive
Ângelo Gabriel Ribeirinho dos Santos Paupério	Non-Executive

The current composition of the Board of Directors, especially with regard to the number of Non-Executive Directors (a total of 7, of which 4 are independent), as well as the fact that the Committees designated by the Board of Directors are fully constituted (Board Audit and Finance Committee) or in the majority (Board Nomination and Remuneration Committee) by independent members, ensures the degree of supervision necessary for the activities carried out by the Executive Directors and is adequate and in accordance with the recommendations of the IPCG Corporate Governance Code, taking into account the model of adopted government, the size of the Company and the respective free float. The Management Report also includes a chapter describing the activities carried out by the Non-Executive members of the Board of Directors.

The Non-Executive members of the Board of Directors, Álvaro Carmona e Costa Portela, Francisco de La Fuente Sánchez, Isabel Maria Pereira Aníbal Vaz e Paulo José Jubilado Soares de Pinho, are considered independent according to the criterion of independence established in section 18.1 of Annex I of the CMVM Regulation No. 4/2013 and the Recommendation III.4 of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG).

Independent Non-Executive Directors are under a duty to inform the Company immediately of any occurrence during their term of office that may cause incompatibilities or loss of independence, as required by law.

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

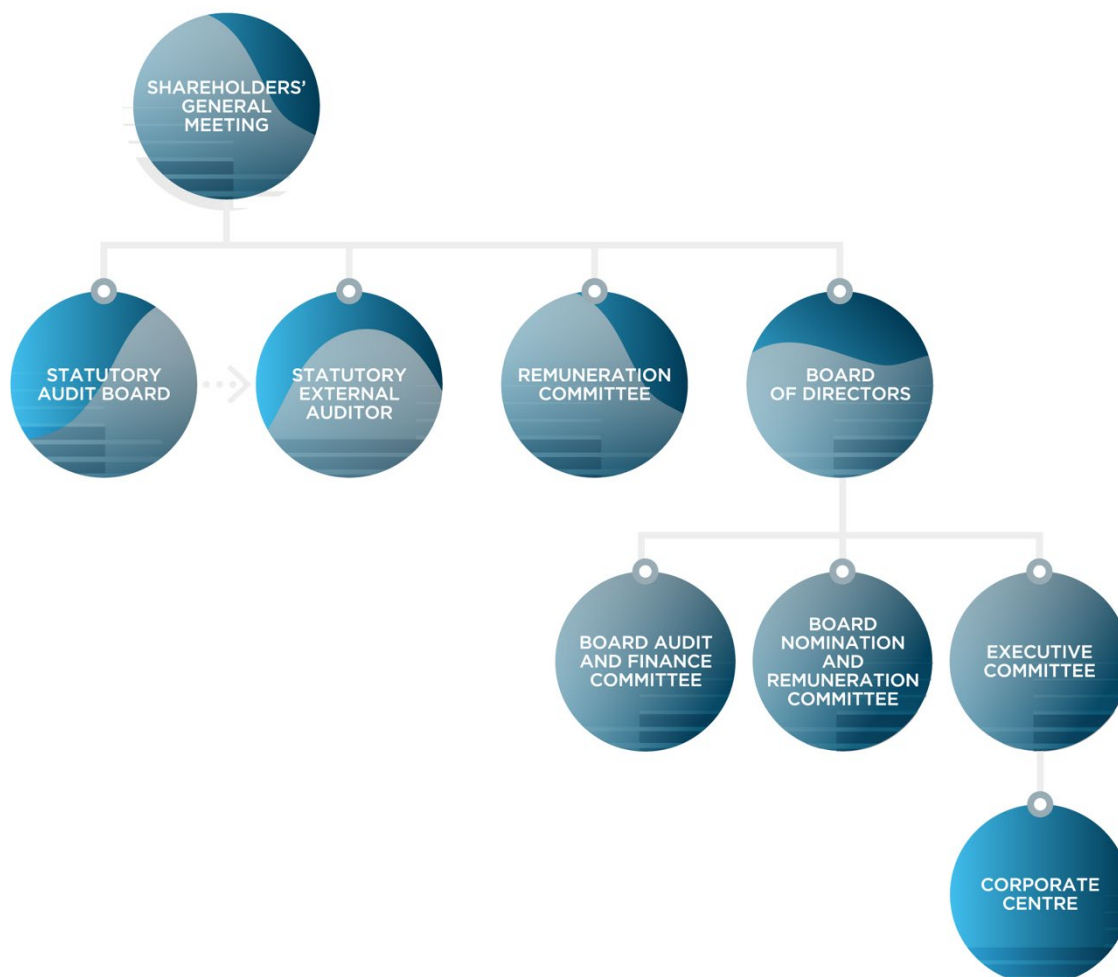
The professional qualifications and other relevant information of the curricula of the members of the Board of Directors are detailed in this report, in the Annex I.

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

The Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo and the Director Maria Cláudia Teixeira de Azevedo, are siblings and shareholders and members of the Board of Directors of Efanor Investimentos, SGPS, S.A., a legal person to which the control of the majority of the voting rights in this Company is imputed. The Non-Executive Director, Ângelo Gabriel Ribeirinho dos Santos Paupério is a member of the Board of Directors of Efanor Investimentos, SGPS, S.A..

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

21. Organisational charts or functional charts relating to the division of powers between the different governing bodies, Committees and/or departments of the Company, including information on the delegation of powers, particularly with regard to the delegation of the Company's daily management



The Board of Directors is the governing body responsible for the management of the activity of the Company and its powers are defined by law, in the Company's Articles of Association and the respective Regulation.

The members of the Board of Directors who do not perform Executive functions promote the adequate supervision and surveillance of the performance of the members of the Executive Committee.

The Board of Directors created and delegated to the Executive Committee the daily management of the Company, for the mandate corresponding to the 2018/2020 triennium, having determined the respective composition, operation and delegation of management powers.

Therefore, the Board of Directors delegated to the Executive Committee the necessary powers to develop and execute the day-to-day management of the Company. For these purposes, it is not considered day-to-day management and were not as such delegated by the Board of Directors, namely, the: i) definition of the strategy and main policies of the Company; ii) organisation and coordination of the business structure; iii) matters that should be considered strategic due to their

amount, risk or special characteristics. The Executive Committee must, however, within the scope of its powers, make proposals to the Board of Directors regarding some of these matters.

The decision-making power relating to the following matters is reserved and the exclusive competence of the Board of Directors:

- Appointment of the Chairman of the Board of Directors
- Co-optation of Directors;
- Request to convene General Meetings;
- Approval of the Annual Report and Accounts, to be submitted to the approval of the General Meeting, and also the approval of semi-annual and quarterly reports and accounts and of the results to be disclosed to the market;
- Provision of collateral and personal or real guarantees by the Company;
- Decision to change the registered office or increase the share capital;
- Decision on projects of mergers, spin-offs or transformation of the Company or involving companies of the Group, except if, in those cases, such operations consist in a mere internal restructuring operations framed in the general approved objectives and principles;
- Approval, on proposal of the Executive Committee, of the strategic configuration of the business portfolio and the resulting financial plan, including extensions or important reductions of the activity or of the internal organisation of the Company or of the Group;
- Approval, on proposal of the Executive Committee, of the business plans, budgets, investment plans and annual financial plans of the Company, and any substantial changes and with relevant impacts on the same;
- To resolve, in accordance with the legal and statutory provisions, on the issuance of bonds and commercial paper and loan contracting in the domestic and foreign financial market, by one or more times, when involving values that exceed 10 million euros per contract or issue and affect in the same amount the consolidated debt of the Company;
- Approval of the main policies of the Company;
- Definition of the human resources policies applying to senior positions (level G3 and higher) in areas that do not fall under the purview of the General Meeting or the Remuneration Committee.

The Corporate Centre plays an instrumental role in supporting the Executive Committee and the Board of Directors in the definition and control of the implementation of the defined strategies, policies and objectives. Composed of sovereign functions and shared functions, which are described below, its purpose is to provide transversal services to all Group companies:

- Group Funding & Financial Markets;
- Group Legal;
- Investor Relations;
- Group Planning and Control;
- Group Human Resources;
- Group Mergers & Acquisitions;
- Enterprise Wide Internal Audit;
- Enterprise Wide Risk Management;

- Group IT/IS;
- Group Reporting, Tax and Treasury;
- IoW (Improving our Work).

**Group Funding & Financial Markets:** defines and implement financial management strategies and policies, ensuring an integrated and transversal vision of the needs of the Group, as well as ensuring the relationship with the capital, debt and banking markets. It is also responsible for the management of the Group's financial risks for the preparation and monitoring of the Group's financial plan.

**Group Legal:** provides legal support in all areas of activity of Sonae Capital, guaranteeing the defense of the Group's interests and promoting, in an integrated and transversal way, the strategy defined by the Board of Directors, monitoring and guaranteeing, on the one hand, the legality of the activities developed, and on the other hand, ensuring relations with Euronext Lisbon and the Securities Market Commission, whenever legal matters arise. This area is also responsible for the legal management of the Corporate Governance policy to support compliance with best practices in this area. It is also responsible for the elaboration and/or analysis of contracts that allow maximising security and reducing legal risks and potential costs, litigation management, legal support in the national and international operations of the businesses of the Company, also exercising secretarial functions in a permanent monitoring of legal compliance. It also ensures the necessary coordination between the legal departments of the different business areas.

**Investor Relations:** manages the relationship between Sonae Capital and the financial community, through the continuous preparation and dissemination of relevant and updated information about the Company and ensuring permanent contact with investors, shareholders and analysts.

**Group Planning and Control:** supports the Group' strategic development and the definition of management information policies and ensure the reporting of consolidated information internally.

**Group Human Resources:** defines and implements the Group's human resources strategy and policies, as well as plans and manages the talent and careers of top managers, under the terms approved by the Board of Directors and the Remuneration Committee.

**Group Mergers & Acquisitions:** supports the Board of Directors in organic growth projects and in the management of the Group's businesses, as well as in portfolio optimisation projects, including the analysis and negotiation of investment and divestment opportunities.

**Enterprise Wide Internal Audit:** defines and executes the Internal Audit activities, systematically and independently evaluating the Group's activities with the aim of ensuring the effectiveness of the management and internal control systems and processes.

**Enterprise Wide Risk Management:** supports the Board of Directors in the identification, modeling and monitoring of the Group's risks in order to ensure their control and mitigation, as well as enabling the inclusion of the risk dimension in strategic and operational decisions.

**Group IT/IS:** ensures the alignment of Information Systems with the Group' strategy, creating value through the provision of solutions that promote the effectiveness, efficiency and innovation of processes.

**Group Reporting, Tax and Treasury:** optimizes the Group's financial flows through the efficient management of external entities, namely customers, suppliers and banks, guarantees the existence of an accounting management model, which ensures the integrity and availability of the accounting, financial and equity information of the entire organisation through an integrated system.



**IoW – Improving our Work:** promotes a common culture and practice of continuous improvement, within the scope of the IoW model, transversal to all Group companies and, on the other hand, promotes, facilitates and accelerates integrated innovation projects between different areas, with the aim of increasing the Group’s competitiveness. At the same time, it is also responsible for identifying, promoting, evaluating and exploring project financing opportunities, through incentives and subsidies, within the context of the activities developed by the different companies of the Group, in order to enhance the performance of each business.

The Shared Services include processing activities, ensuring gains of scale. The definition and implementation of processes appears as a privileged way to promote efficiency, providing services to the Business Units and the Holding, with the following functions being highlighted:

- Accounts Receivable and Accounts Payable;
- Human Resources Services & Systems;
- Paralegal;
- IT/IS Support Activities.

## b) Functioning

### 22. Existence of the Regulation of the Board of Directors and place where it can be consulted

The Regulation of the Board of Directors and its Committees is available for consultation on the website of the Company (<https://www.sonaecapital.pt/pt>) (Corporate Governance tab, Regulation section).

### 23. Number of meetings held and attendance record of each member, as applicable, at meetings of the Board of Directors, the General and Statutory Audit Board and the Executive Committee

The Articles of Association of the Company establish that the Board of Directors must meet at least once every quarter and, in addition, whenever the Chairman or two Directors call a meeting, in the legally foreseen terms. During 2019, the Board of Directors met 6 times and the attendance record, either in person or through telematic means, was as follows:

Name	Attendance
	%
Duarte Paulo Teixeira de Azevedo	100%
Álvaro Carmona e Costa Portela	100%
Maria Cláudia Teixeira de Azevedo	100%
Francisco de La Fuente Sánchez	100%
Paulo José Jubilado Soares de Pinho	100%
Miguel Jorge Moreira da Cruz Gil Mata	100%
Ivone Maria Pinho Teixeira da Silva	100%
Isabel Maria Pereira Aníbal Vaz (*)	100%
Pedro Manuel Martins Bruno (*)	100%
Ângelo Gabriel Ribeirinho dos Santos Paupério (**)	100%

(\*) Appointed on 29 April 2019.

(\*\*) Appointed on 4 December 2019.

The Secretary of the Board of Directors is responsible for the preparation and functioning of the meetings. The Secretary also keeps records of all decisions taken in the minutes of the meetings and sends the agenda of the meetings and supporting documents at least five days in advance, always with a weekend in between, before the date of the meeting.

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

The Remuneration Committee, elected at the Shareholders' General Meeting, is the body responsible for assessing the performance and approving 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 at the General Meeting.

The Board Nomination and Remuneration Committee, appointed by the Board of Directors, composed entirely of Non-Executive Directors, supports the Remuneration Committee in the performance of its competence in matters of remuneration.

For the exercise of these functions, these Committees may be assisted by international consultants of recognised competence. The independence of the consultants is guaranteed either by their autonomy before the Board of Directors, the Company and the Group, as well as by their broad experience and credibility recognized by the market, with the Board of Directors having established in the Internal Regulation that the Board Nomination and Remuneration Committee must ensure that referred entities will not be hired to provide any other services to the Company or its subsidiaries, without the express authorisation of the Committee.

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

The performance assessment of Executive Directors is based on pre-determined criteria, consisting of objective performance indicators set for each period and in line with the overall strategy of growth and positive business performance.

These indicators consist of the business, economic and financial KPIs (Key Performance Indicators), subdivided into collective, departmental and personal KPIs. The collective business KPIs consist of economic and financial indicators that are defined based on the budget, the performance of each business unit, as well as on the consolidated performance of the Company.

In turn, the departmental business KPIs are similar in nature to the previous ones, measuring the specific contribution of the Director to the performance of the areas of his direct responsibility. Personal KPIs include objective and subjective indicators and are intended to measure compliance with duties and commitments individually taken on by the Executive Director.

The predetermined criteria for assessing the performance of Executive Directors derive from the application of the Remuneration and Compensation Policy approved by the General Meeting of 29 April 2019, under proposal from the Remuneration Committee. Additional information can be found in sections 71 to 75 below.

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

The list of positions held by the Company's Directors and other relevant activities is included in the Annex I. Each of the members of the Board of Directors have consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

### c) Committees within the management or supervisory bodies and delegated Directors

#### 27. Identification of Committees established within the Board of Directors and the place where its Regulations can be consulted

The committees created by the Board of Directors are the Executive Committee, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

In the performance of their duties as members of the Board of Directors and the Committees created by the Board, they must comply with the Code of Conduct of the Company, adopted procedures concerning related party transactions and the procedures adopted on conflicts of interest.

The functioning of the various committees is established in the Regulation of the Board of Directors, available for consultation on the website of the Company: <https://www.sonaecapital.pt/en> (Corporate Governance tab, Regulation section).

#### 28. Composition of the Executive Committee

Name	Position
Miguel Jorge Moreira da Cruz Gil Mata	President of the Executive Committee since 17 July 2018
Ivone Maria Pinho Teixeira da Silva	CFO
Pedro Manuel Martins Bruno	Member of the Executive Committee since 29 April 2019

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

##### Executive Committee

The Executive Committee is empowered to deliberate on all matters that have been delegated by the Board of Directors or related to the day-to-day management of the Company, following the strategic guidelines defined by the Board of Directors and under the aforementioned delegation of powers.

Pursuant to the established policy, the members of the Executive Committee share responsibilities in more than one area, and the allocation of these responsibilities is done according to the profile and experience of each member.

The Executive Committee of the Company shall meet on a monthly basis and at any time a meeting is called in writing, at least 3 days in advance, by the Chief Executive Officer or by a majority of its members. Notwithstanding regular contact between the members of the Executive Committee in the periods between meetings, 19 meetings were held in 2019.

The Executive Committee may only take decisions if the majority of its members are attending or represented. Decisions are taken by majority of the votes cast by the members attending or represented and by those voting by post.

Employees of the Corporate Centre may attend Executive Committee meetings, at the request of one of the Executive Directors, to give support and opinions on certain matters.

The Secretary of the Executive Committee (who is also the Secretary of the Board of Directors and the Board Audit and Finance Committee) is responsible for the functioning of the Executive Committee and other logistical aspects. The Secretary is also responsible for recording the decisions in the minutes of the meetings and for providing the members of the Executive Committee with the agenda and supporting documents for the meeting, at least three business days prior to the date of the meeting. The fact that the Secretary is the same for both bodies ensures the adequate flow of information

between both bodies, allows the timely distribution of information and minimises any problems in the interpretation of requests for clarification, contributing to greater efficiency and effectiveness of the process.

During 2019, the Executive Committee sent the agenda and approved minutes of the respective meetings to the Non-Executive Directors and to the members of the Statutory Audit Board. The members of the Executive Committee shall provide, in a timely and adequate manner, any information requested by other members of the governing bodies.

### **Board Audit and Finance Committee**

The Board Audit and Finance Committee (BAFC) functions under the terms approved by the Board of Directors.

BAFC is composed of Non-Executive members selected from among the members of the Board of Directors, being the respective President appointed by the decision of the Board of Directors.

With reference to 31 December 2019, the BAFC is composed of Independent Non-Executive Directors, Francisco de La Fuente Sánchez (Chairman) and Paulo José Jubilado Soares de Pinho.

The BAFC is competent to:

- review the annual and interim financial statements and the documents for disclosure of results and report its findings to the Board of Directors, in support to the process of approval of the accounts by the Board of Directors;
- advise the Board of Directors about their reports to shareholders and the financial markets, to be included in the annual and half-yearly financial statements, as well as in the quarterly results disclosures;
- advise the Board of Directors, integrating the assessment and suggestions made by the Statutory Audit Board, about the appropriateness and quality of the information provided by the Executive Committee, and the systems and internal control standards applied by the Company;
- monitor the activity of the internal audit in line with the plans validated by the Statutory Audit Board, and formulate conclusions to be directed to the Board of Directors;
- evaluate operational procedures to ensure the monitoring of the internal control, the efficient management of risks, the timely circulation of information and the reliability of the procedure for preparation and disclosure of financial information, and formulate conclusions to be directed to the Board of Directors;
- ensure the flow of information between the members of the Board of Directors and the Statutory Audit Board and process the requests addressed by it to the Board of Directors;
- ensure the interaction with the Statutory Audit Board, including the timely exchange of information and documentation between the two bodies, namely with regard to the strategic lines and risk policy established by the Board of Directors;
- ensure the observance of corporate governance policies adopted by the Company, and for the observance of the rules and practices of financial reporting;
- monitor formal and informal key financial indicators reported about the Company, including reports published by rating agencies;
- issue opinions on transactions of significant relevance carried out by the Company with qualified shareholders and related parties, in accordance with the rules established in the referred Regulation.

The BAFC meets with the Statutory Audit Board, with the Statutory Auditor of the Company and the Internal Audit team.

Refer to Chapter III of this report for information on risk-taking and control of risks.

The BAFC must meet at least five times a year, prior to the publication of annual and quarterly results, and whenever its Chairman, the Board of Directors or the Executive Committee calls for meeting. The BAFC will always meet for analysing the annual budget of the Company and the financial plan of the Group's businesses.

BAFC's Secretary, which is the same as the Board of Directors and other Committees, with the exception of the BNRC-Board Nomination and Remuneration Committee, is responsible for distributing the agenda and supporting documents to the members of the Committee with at least five days in advance, with a weekend in between, regarding the date of the meeting, in addition to ensure the recording of resolutions taken in the minutes of meetings.

The minutes of the meetings are distributed to all members of the Board of Directors. In the year of 2019, the BAFC met 6 times.

### **Board Nomination and Remuneration Committee**

The Board Nomination and Remuneration Committee (BNRC) is composed of Non-Executive Directors: the President is the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, and the members are Álvaro Carmona e Costa Portela and Francisco de La Fuente Sánchez, the latter two independent Non-Executive Directors.

Its members were appointed for a period of three years (2018-2020).

The BNRC meets ordinarily once a year, preferably in the period prior to the annual meetings of the Remuneration Committee, and whenever its Chairman or the Board of Directors calls for meeting.

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

- identifying potential candidates with a profile for the performance of Director functions (in particular when the Board of Directors exercises its function of co-opting members), preparing general information regarding replacement plans, contingency plans and talent management, in general for the members of the Board of Directors as well as other officers, through transparent selection processes, which include effective mechanisms for identifying potential candidates taking into account the requirements of the function, merit and adequate diversity for the Company, namely gender;
- submitting, to the Board of Directors, reasoned opinion with regard to the proposal from the Executive Committee on the remuneration policy and compensation for the members of the Board of Directors of other companies of the Sonae Capital Group, to be submitted to the Board of Directors and subsequently submitted by the Management Board of Directors to the Remuneration Committee, as a proposal to be put forward by the latter, at the Annual Shareholders' General Meeting;
- receiving, analysing and presenting, in accordance with the approved internal procedure, proposals for remuneration of the members of the Board of Directors and of other governing bodies of the Company, to be approved by the Remuneration Committee. All proposals must be in accordance with the terms set forth in the remuneration and compensation policy;
- supervising the decisions taken by the Executive Committee regarding the remuneration of the senior Executives who report directly to the Executive Committee;
- advising the Board of Directors on advance appraisal and approval of the exercise made by the members of the Board of Directors of management positions or exercise of other significant functions or activities in entities outside the Group, not previously authorized by the Shareholders' General Meeting, following a communication presented by the Director in compliance with the Internal Policy of Conflict of Interests of the Company.

As it follows from the above exposed, the members of the existing Committees are also members of the Board of Directors and in each meeting shall briefly inform the remaining members of the Board on the relevant facts regarding the execution of its assignments.

The Chairman of the Board of Directors and of the existing Committees, as well as the Independent Senior Director, ensure timely and properly, the flow of information necessary for the performance of legal and statutory responsibilities of each of the remaining bodies and committees, streamlining, notably, so including but not limited to, the necessary resources to provision of notices, minutes and supporting documentation of decisions made.

### III. Audit

#### a) Composition

##### 30. Identification of the supervisory bodies

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

##### 31. Composition of the Statutory Audit Board

In accordance with the Articles of Association of the Company, the Statutory Audit Board should be composed of an even or odd number of members, with a minimum of three members and a maximum of five, being that this number is fixed by the Shareholders' General Meeting. The Statutory Audit Board will also have one or two substitute members, is composed of three or more members, respectively.

The members of the Statutory Audit Board are elected for three-year mandates, jointly with the members of the other governing bodies, being applicable to their designation, as well as to the other governing bodies, the principles and criteria contained in the Diversity Policy of the Company and in its Code of Conduct.

The Statutory Audit Board appoints its Chairman, if the Shareholders' General Meeting does not do so.

If the Chairman leaves office before the expiry of his respective mandate, the other members must elect from among themselves someone to carry out those duties until the end of the mandate. The substitute members must replace current members unable to perform their duties or who have resigned. They shall remain as a full member until the next Shareholders' General Meeting, which shall appoint new members to fill the vacant positions. In the event that there are no substitute members, the Shareholders' General Meeting shall appoint new members.

Further it should be noted that, in the appointment of the management and supervisory bodies, carried out in 2018, the Diversity Policy of the Company was applied, in full.

The Company considers that the number of members of its Statutory Audit Board, which is the standard number adopted by most comparable Portuguese companies, is adequate in relation to its size and complexity, and is still sufficient for the efficient performance of its functions, in addition taking into account both the governance model of the Company and the support given to the Statutory Audit Board by several corporate services, in particular the departments of Enterprise Wide Risk Management and Internal Audit.

##### 32. Identification of Statutory Audit Board members considered independent

The members appointed for the current mandate (triennium 2018-2020) and in office are:

Name	Position	First appointed
António Monteiro de Magalhães	Chairman	March 2015
Manuel Heleno Sismeiro	Member	April 2009
Susana Catarina Iglésias Couto Rodrigues de Jesus	Member	May 2018
Ana Isabel Príncipe dos Santos da Silva Lourenço	Substitute	May 2018

All members of the Statutory Audit Board comply with all incompatibility rules mentioned in paragraph 1 of the article 414-A of the Portuguese Companies Code. With the exception of Manuel Heleno Sismeiro, all other members of the Statutory Audit Board are independent under the terms of paragraph 5 of the article 414 of the Portuguese Companies Code. The loss of independence of Manuel Heleno Sismeiro stems from the fact that he was re-elected for more than two mandates. The Company privileged the professional qualifications and the added value of that member and believes that they justify his maintenance in office, despite the aforementioned loss of independence.

The members of the Statutory Audit Board are required to immediately inform the Company of any occurrence during their term of office that may cause incompatibilities or the loss of independence, as required by law.

The Statutory External Auditor will be discussed in sections 39 to 41 below.

### 33. Professional Qualifications

The professional qualifications and other relevant information of the curricula of the members of the Statutory Audit Board are detailed in this report in the Annex I.

## b) Functioning

### 34. Place where the Regulation can be consulted

The Regulation of the Statutory Audit Board is available for consultation on the website of the Company (<https://www.sonaecapital.pt/en>) (Corporate Governance tab, Regulation section).

### 35. Meetings of the Statutory Audit Board

The Statutory Audit Board meets at least once every quarter. In 2019, 9 formal meetings of this body were held and the respective attendance rate, in person or through representation, was as follows:

Name	Attendance
	%
António Monteiro de Magalhães	100%
Manuel Heleno Sismeiro	100%
Susana Catarina Iglésias Couto Rodrigues de Jesus	100%
Ana Isabel Príncipe dos Santos da Silva Lourenço	100%

The decisions of the Statutory Audit Board are approved by simple majority and minutes are recorded.

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

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

The information on other positions held by members of the Statutory Audit Board, their qualifications and professional experience is available in the curricula vitae included in the Annex I to this report.

### **c) Powers and duties**

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

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

At the first meeting of each financial year, the Statutory Audit Board prepares a plan and work schedule for that year which includes, among others, the coordination and supervision of the work of the Auditor. It shall include the following activities:

- Approval of the annual activity plan of the Auditor;
- Monitoring the work and discussion of the conclusions of the audit work and review the accounts;
- Supervising the Independence of the Auditor;
- Joint meeting with the Board Audit and Finance Committee to review issues related to Internal and External Auditing
- Analysis of the provision of services other than audit services in compliance with the applicable legislation in force.

In assessing the criteria that backed the contracting of additional services from the Auditor, the Statutory Audit Board verified the presence of the following safeguards:

- that the contracting of additional services did not affect the independence of the Auditor;
- that additional services, dully falling within the defined framework, were not prohibited services pursuant to the paragraph 8 of the article no. 77 of the Law no. 140/2015, of 7 September;
- that the additional services were provided with high quality and autonomy, as well as with independence from those performed within the scope of the audit process;
- that the necessary factors guaranteeing independence and impartiality are met;
- that the quality system and internal control applied by PriceWaterhouseCoopers, in accordance with the information it provides, monitored the potential risks of loss of independence or possible conflicts of interest with Sonae Capital and ensures the quality of services rendered, in compliance with the rules of ethics and independence;
- that the services provided comply with the terms established by the Law no. 140/2015 of 7 September, which approves the new Statute of the Order of Statutory Auditors.

#### **38. Other functions of the Statutory Audit Board**

In addition to the duties described in the previous section, the Statutory Audit Board is responsible for, among others:

- Supervising the management of the Company, in accordance with the best corporate governance practices and with respect for its competencies;



- Monitor compliance with the law and the Statutes;
- Checking the compliance of books, accounting records and supporting documents;
- Verifying, when it deems appropriate and in the manner deemed adequate, the extent of the cash and the stocks of any kind of assets or values belonging to the Company or received by it as guarantee, deposit or other security;
- Verifying the accuracy of the accountability documents;
- Verifying if the report regarding the corporate governance structure and practices disclosed includes the elements referred to in the article no. 245-A of the Securities Code;
- Verifying if the accounting policies and valuation criteria adopted by the Company led to a correct valuation of assets and results;
- Elaborate, annually, the report regarding the auditing activity addressed to the shareholders, including the description of the inspection activity developed, any detected constraints and give an opinion on the report, accounts and proposals presented by the Management;
- Convening the Shareholders' General Meeting, when the Chairman of the respective board does not do it, and should do so;
- Monitoring the effectiveness of the of the Risk Management system, the internal control system and the internal audit system;
- Receiving communications of irregularities presented by shareholders, employees of the Company or others;
- Contracting the services of experts to assist one or several of its members in the performance of their duties. The hiring and remuneration experts shall take into account the importance of the matters entrusted to them and the economic situation of the Company;
- Supervising the process of preparation and disclosure of financial information by the management body, namely including the adequacy of accounting policies, estimates, judgments, relevant disclosures and their consistent application between financial years, in a duly documented and communicated manner;
- Proceeding with the selection of the statutory auditor, representing the Company with the Statutory External Auditor and statutory auditor and propose to the Shareholders' General Meeting its appointment and dismissal, as well as approving its remuneration, proceeding with the evaluation of the activity performed, ensuring, within the Company, the appropriate conditions to the rendering of its services, being the interlocutor of the Company and the primary recipient of the reports of the Statutory Auditor, safeguarding the duties and powers that assist, in this matter, the management body;
- Supervising the auditing of the financial statements of the Company;
- Supervising the existence and maintenance of the independence of the Statutory External Auditor;
- Approving, previously, the provision of audit services, as well as the additional services to be provided by the Statutory External Auditor, or of any entities that are in a participation relationship or that are part of the same network, and approve the respective remuneration, ensuring that the respective provision of services is permitted by law, does not exceed reasonable limits and does not prejudice the independence of the Statutory External Auditor;
- Issuing a specific and substantiated opinion supporting the eventual decision of not to rotating the Statutory External Auditor, considering independence of the Auditor in that circumstance and the advantages and costs of its replacement;
- Supervising the activity developed by the internal audit;

- Issuing a prior opinion regarding any transaction that the Company establishes with shareholders owners of qualified shareholdings or with related entities, involving a value greater than ten million euros;
- Complying with other duties contained in the law or the Statutes.

For the performance of the duties mentioned above, the Statutory Audit Board:

- Establishes, in the first meeting of each financial year, its annual activity plan;
- Obtains from the Management, in accordance with the provisions of the following article, the necessary information for the exercise of its activity, namely regarding the strategic lines, the operational and financial evolution of the Company, changes in the composition of its portfolio, the risk policy defined by the Board of Directors, the terms of the operations carried out and the content of the decisions taken by the Board and by the respective Committees, including, in particular, the access to calls, minutes and supporting documentation to the decisions taken;
- Analyses and accompanies throughout the financial year, the activity plans of internal and external audits and issues its guidelines and recommendations, monitoring supervising actions to assess the independence of the Statutory External Auditor;
- Monitors the internal Risk Management and internal control system, issues its guidelines and recommendations, and elaborates, annually, an appraisal and recommendations report addressed to the Management, acting to ensure that the risks incurred by the Company are consistent with the objectives established by the Board of Directors;
- Receives from the Board of Directors, at least two days before the date of the meeting, the consolidated and individual financial statements and the respective reports, analysing in particular the main changes, the relevant transactions and the corresponding accounting procedures and clarifications obtained from the Management, namely through the Board Audit and Finance Committee and the Statutory External Auditor, and issues its assessments and decisions;
- Oversees and approves the disclosure of financial information of its competence, namely the sending to the Securities Market Commission and the placing on the website of the Company of the financial statements and results announcements;
- Records the communications of irregularities addressed to it, promoting, as appropriate, the necessary steps with the Management, internal and/or external audit, or with any others, and prepares its report on them and adopts the measures that understands convenient in light of their functional duties
- Notifies the Management about the assessment, supervising and procedures it has carried out and the results thereof;
- Attends the Shareholders' General Meeting, as well as the meetings of the Board of Directors for which it is convened or where the annual accounts are approved;
- Carries out, annually, a self-assessment of its activity and performance, which might include the revision of this Regulation, in view of the development and implementation of improvements on its functioning;
- Seeks to ensure, in interaction with the Board of Directors and Committees created by the latter, the actual existence of a flow of timely and appropriate information to the proper exercise of competencies and duties of each of the governing bodies;
- Develops the other supervising duties that are imposed by law or by the Corporate Governance Code adopted by the Company.

In support of the activity of the Statutory Audit Board, the Company provides the human and technical resources necessary to the organisation of meetings, preparation of agendas, minutes and supporting documentation and their timely distribution. In addition, these meetings are attended by the internal liaisons considered relevant to the issues under discussion, for presentation and explanation of the issues raised by the Statutory Audit Board. The items on the agenda of these meetings on matters related to Auditing are discussed, at the discretion of the Statutory Audit Board, without the presence of employees of the Company.

The selection process of the Statutory External Auditor is carried out in accordance with the provisions of the point f) of the paragraph 3 of article no. 3 of the Legal Framework of Auditing Supervision approved by the Law no. 148/2015 and of the article no. 16 of the Regulation (EU) no. 537/2014, through the organisation of an extended selection process, free from any external influence, and free from any contractual clause with the nature explained in paragraph 6 of the aforementioned Regulation and must comply with the following requirements:

- Audit firms of renowned national and international competence and proven experience are invited to participate;
- The eligibility criteria and their respective weighting are previously determined, namely: resources and coordination capacity, quality and availability in the field work, classification and periodicity of reports to be issued, communication tools and cost of services. The conclusions of the selection will be coupled with the result of the weighting and the analysis imposed by the paragraph 5 of article 54 of the terms of reference of the Portuguese Institute of Statutory Auditors (*Estatuto da Ordem dos Revisores Oficiais de Contas, hereinafter EOROC*), regarding the existence of the conditions of independence of the Statutory External Auditor or audit firms and the advantages and costs of their replacement in the light of those criteria.

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

The Statutory External Auditor is the supervisory body responsible for the legal certification of the financial information of the Company, having as its fundamental duties:

- Check the consistency of all the books, accounting records and supporting documents;
- Whenever it deems convenient and through such means as it deems appropriate, verify the accuracy of cash and amounts of assets or securities of any type belonging to the Company or received by the Company by way of guarantee, deposit or for any other purpose;
- Check the accuracy of the financial statements and express its opinion on them in the Legal Certification of Accounts and in the Audit Report;
- Verify that the accounting policies and valuation criteria adopted by the Company result in the correct valuation of the assets and results;
- Perform any necessary examinations and tests for the audit and legal certification of accounts and perform all procedures stipulated by law;
- Verify the effectiveness and functioning of the internal control mechanisms, reporting any deficiencies to the Statutory Audit Board, under the terms of and within the scope and limits of its legal and procedural powers;
- Verify whether the Corporate Governance Report includes the elements referred to in the article 245-A of the Securities Code.

## IV. Statutory External Auditor

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

The Statutory External Auditor of the Company for the 2018-2020 triennium is PricewaterhouseCoopers & Associados, SROC, represented by António Joaquim Brochado Correia or by Joaquim Miguel de Azevedo Barroso.

### 40. Permanence in Functions

The Statutory External Auditor is in its fourth mandate, having been re-elected for the present mandate on proposal of the Statutory Audit Board, at the Shareholders' General Meeting of 3 May 2018, under the terms explained hereafter. The Company has the same Statutory Auditor in almost all of its subsidiaries since 2011.

### 41. Other services rendered to the Company

The Statutory External Auditor also provides the Company with Audit services as described in the sections below.

## V. Auditor

### 42. Identification

The Statutory External Auditor of the Company, designated in the terms of article 8 of the Portuguese Securities Code, is PricewaterhouseCoopers & Associados, SROC, registered under the no. 9077 at the Portuguese Securities Market Commission, represented by the statutory auditor António Joaquim Brochado Correia or by Joaquim Miguel de Azevedo Barroso.

In 2019, the representative of the Statutory Audit Firm of the Company was António Joaquim Brochado Correia.

### 43. Permanence in Functions

The Statutory External Auditor was elected at the Shareholders' General Meeting on proposal of the Statutory Audit Board for the first time in 2011, for the 2011-2012 biennium, and it is in its fourth mandate.

The partner that represents it has been working with the Company since the 3 May 2018.

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

The current partner of the Statutory External Auditor of the Company - PricewaterhouseCoopers & Associados – SROC, Lda., hereinafter «PWC»- responsible for guidance or direct execution of the statutory audit of accounts was elected for the first time, in 2018, for the term 2018-2020, in compliance with the provisions concerning rotation of the Statutory Auditor Partner that represents the Statutory External Auditor in this mandate.

The article 54, paragraph no. 3 of the terms of reference of EOROC, approved by the Law no. 140/2015, of 7 September, determines that in public interest entities, the maximum period of exercise of statutory functions by the audit firm is two or three mandates, depending on mandates that are, respectively, of four or three years, without prejudice to paragraph 4 of the article 54 of the terms of reference of EOROC stipulating that the maximum period of the Statutory External Auditor in the same entity may be exceptionally extended to a maximum of 10 years, provided that such an extension is approved by the competent body – the Shareholders' General Meeting, on the substantiated proposal of the supervisory body.

The Statutory Audit Board, in compliance with the provisions of paragraph 3 – f) of the article 3 of the Legal Regime of Audit Supervision approved by Law no. 148/2015, of 9 September and article 16 of the Regulation (EU) no. 537/2014 and of its own policy, held an extended selection process, free of any outside influence, and free of any contractual clause referred to in paragraph 6 of the mentioned legal provision. The costs associated with the replacement of the Auditor of the Company were considered which, although more difficult to measure, assume a leading role in this matter, such as those associated with the integration of a new Auditor in the repository of information and in the business organisation of the Company, given the characteristics of the portfolio and its diverse and complex nature.

It was considered that delaying the replacement of the Statutory External Auditor by the additional period allowed by law, when all other requirements and selection and evaluation elements pointed to its maintenance, allow the elimination of such costs without endangering the legal purpose.

Considering all the above mentioned, in particular the fact that the Statutory Audit Board considers to be the one that will give the best answer to the needs of Company, it was proposed to the Shareholders' General Meeting the election of PwC as Auditor, for the next mandate (2018-2020). This proposal was approved by the Shareholders' General Meeting on 3 May 2018, with the above mentioned framework.

#### 45. Assessment of the Auditor

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

Additionally, the Statutory Audit Board supervises the performance of the Statutory External Auditor and the work throughout each financial year, considers and approves additional work by the auditor and annually conducts an overall assessment of the Auditor, which includes an assessment of the independence of the Auditor.

#### 46. Additional Work

Tax consultancy services and other services (mainly in the area of management consulting) were provided by technicians other than those involved in the audit process, in order to ensure the independence of the Auditor. The Board Audit and Finance Committee and the Statutory Audit Board analysed the scope of the other services and approved them, considering that they did not jeopardise the independence of the Auditors.

The percentage of these services in the total of services provided by PricewaterhouseCoopers & Asociados, SROC (PwC) to the Company amounts to 17.3% and is equivalent to 39,790 euros, which is below the proportion of 30% of the total average fees received in the last three years, by reference to the period established in paragraph 1 of the article 77 of Law no. 140/2015 of 7 September. In view of the amounts in question, within the recommended limits, and the fact that the services are provided by a team totally different from the entity that provides audit services, the independence and impartiality of the Statutory External Auditor is ensured.

The Statutory External Auditor reported to the Statutory Audit Board of the Company all the different audit services provided to the latter, without prejudice to the fact that such services are subject to the prior approval of the latter through the annual communication referred to in article 24, paragraph 6 - b) of the Law no. 148/2015 of 9 September.

Within the scope of its work, the Auditor verified the application of the remuneration policies and systems, as well as the effectiveness and functioning of the internal control mechanisms. It did not identify any material deficiencies that should be reported to the Statutory Audit Board of the Company.

#### 47. Annual remuneration

Throughout the year of 2019, the total remuneration paid to the Statutory External Auditor of the Company was 230,186 euros, corresponding to the following services:

Services	Sonae Capital SGPS	Other Group entities	Total 2019	%
Statutory Audit and Accounts Certification <sup>1)</sup>	11 475	178 911	190 386	82.7%
Other Compliance and Assurance Services <sup>2)</sup>	0	27 544	27 544	12.0%
Tax Consultancy Services <sup>2)</sup>	0	0	0	0%
Other Services <sup>2)</sup>	7 600	4 656	12 256	5.3%
<b>Total</b>	<b>19 075</b>	<b>211 111</b>	<b>230 186</b>	-

1) Fees agreed for the year;

2) Amounts billed.

## C. INTERNAL ORGANISATION

### I. Articles of Association

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

Amendments to the Company's Articles of Association follow the terms set out in the Portuguese Companies Code, requiring a majority of two thirds of the votes cast to approve this resolution.

For a Shareholders' General Meeting to be held, in the first occasion it is convened, the Company's Articles of Association require that a minimum of 50% of the issued share capital should be present or represented at the meeting.

### II. Reporting Irregularities

#### 49. Means of and Policy for Reporting Irregularities

The Company has implemented a procedure concerning the communication of irregularities in order to assure the response of the competent bodies of the Company to which such irregularities may be reported, the Policy and Procedures for Reporting Irregularities in the Company - The Whistle Blowing Policy. Within the scope of this Policy, irregularities are facts that violate or seriously jeopardise such as:

- The compliance with legal, regulatory and deontological principles by the members of the governing bodies and employees of Sonae Capital or of its affiliated companies, in the exercise of their professional positions;
- Assets of the Company and of its affiliated companies, as well as assets from clients, shareholders, suppliers and commercial partners of the Company or any of its affiliated companies, in the exercise of their professional positions;
- Good management practices and the image or reputation of the Company or of any of its affiliated companies.

The fundamental features of the policy for reporting irregularities currently in force in the Company are:

- Establishment of procedures for reporting irregularities, namely the provision of a mailbox with exclusive access for the Chairman of the Statutory Audit Board, along with the receipt by post, that guarantee all employees, shareholders or stakeholders that the report, communication or complaint of irregularities arrives inviolably to the addressee. Although there is a need for the explicit and unequivocal identification of the complainant, his identity must be kept

confidential and only known by the Chairman of the Statutory Audit Board, whenever this is requested in the report or complaint.

- After communicating or becoming aware of a potential irregularity situation, the Statutory Audit Board must ensure a rigorous and impartial investigation process, through access to all relevant documentation that should be made available by the Company for the investigation of irregularities and prevent access to the investigation process of any and all people who, even if indirectly, may have a conflict of interest with the outcome of the investigation process.
- The handling of irregularities, namely the prompt and effective handling of the referred communications, the implementation of corrective measures, when necessary, and informing the complainant of the outcome of the procedure.
- The communication by the Statutory Audit Board to the governing bodies of the Company or of its affiliated companies, whenever necessary, with a view to adopting the measures deemed necessary to remedy the investigated irregularities.
- Prevent the existence of reprisals that may arise from the report made, provided that there is no bad faith or participation in any irregularity by the complainant.

According to best corporate governance practices, the Company's Whistle Blowing Policy, the main characteristics of which are described above, is available for consultation on the website of the Company (<https://www.sonaecapital.pt/en>) and it covers the entire perimeter of the Sonae Capital Group.

During 2019, the Statutory Audit Board did not receive, through the means defined for this purpose, any reports on matters under the scope of this policy.

Also, with regard to reporting irregularities of the members of the corporate bodies and committees in the performance of their duties, in accordance with article 10 of the Regulation of the Board of Directors, the members shall, by reference to article 8 of the same Regulation, inform promptly the respective body or committee to which they belong about facts that may constitute or give cause to a conflict between their interests and the corporate interest, being that the member who declares to be conflict of interests, will not interfere in the decision-making process, without prejudice to the duty of providing information and clarification that the body, the committee or the respective members may require.

### III. Internal Control and Risk Management

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

Risk Management is one of the core components of the culture of Sonae Capital Group culture and a pillar of the Corporate Governance of the Company, it is present in all the management processes, being a responsibility of all Group employees, at different levels of the organisation.

Sonae Capital attaches primary importance to the implementation of internal control and Risk Management principles appropriate to the Group's activities. The visibility towards the market, the exposure and diversification of business risks and the increasing speed of information diffusion make it fundamental to adopt these principles, following a philosophy of value creation, ethical affirmation and social responsibility.

Risk Management is developed with the objective of creating shareholder value through (i) managing and controlling the opportunities and threats that may affect the objectives of Sonae Capital's portfolio and companies, (ii) preventing the occurrence of errors and irregularities and minimising their consequences; and (iii) maximising the organisation's performance and the reliability of its information, in an ongoing business perspective. Along with Environmental Management and Social Responsibility, Risk Management stands out as one of the components of the sustainable

development of companies, since, when embodied in coordinated plans and systems of management and control, it contributes to a continuous development of the business through greater knowledge of the uncertainties and threats and more effective management and control of the risks that can affect organisations.

Risk Management is inherent in all management processes and is assumed as a responsibility for all managers and employees of the Group, supported by the functions of Risk Management, Internal Audit and Group Planning & Control, both at the level of the Company and of each of its businesses, embodied in specialised teams that report hierarchically to each of the respective Boards of Directors and functionally to the mirror functions of the Corporate Center. These constitute a fundamental element of a Risk Management culture that is intended to be transversal to all activities and hierarchical levels of the Company.

The Risk Management function is to support companies in achieving their business objectives through a systematic and structured approach in identifying and managing risks and opportunities, promoting and supporting the integration of Risk Management into the planning and management control of each company.

The Internal Audit function is to identify and evaluate the effectiveness and efficiency of the management and control of the risks of business processes and information systems, reporting functionally to the Statutory Audit Board.

The Management Planning & Control function promotes and supports the integration of Risk Management (and its respective annual cycle) in the management planning and control process of each business unit and the holding (annual strategic planning cycle).

It should be noted that the risks concerning the reliability and integrity of accounting and financial information are also evaluated and reported by the External Audit activity.

## **51. Explanation, possibly by inclusion of an organisational chart, of the hierarchical and/or functional dependency relationships with other bodies or committees of the Company**

### **Bodies and Committees responsible for Risk Management and Internal Control**

- Board of Directors
- Executive Committee
- Board Audit and Finance Committee
- External Audit
- Internal Audit
- Risk Management
- Corporate Centre

The Board of Directors is the maximum body responsible for the Risk Management process. The Board of Directors is responsible for defining and approving the Group's Risk Management policies, as well as defining the risk levels considered acceptable.

It is the responsibility of the Executive Committee to permanently assess the Group's risks, approve the action measures/plans, models and mechanisms for the evaluation, control and mitigation of these risks.

The Board Audit and Finance Committee informs the Board of Directors on the adequacy of the internal information provided by the Executive Committee and of the internal control systems and principles, and on the compliance with the Corporate Governance best practices.



Furthermore, the Board Audit and Finance Committee supports the Statutory Audit Board in appointing the Auditor, as well as defining the scope and remuneration of its work and reports to the Board of Directors on the quality and independence of the Internal Auditor and should be consulted by the management regarding the appointment of the Internal Audit manager.

The External Audit evaluates and reports the risks of reliability and integrity of accounting and financial information, thus validating the effectiveness and functioning of the internal control mechanisms in accordance with an activity plan aligned with the Statutory Audit Board, to whom it also reports the drawn conclusions.

The Internal Audit, acting independently, identifies and evaluates the effectiveness and efficiency of Risk Management and control of business processes and information systems, as well as the risks of non-compliance with laws, contracts, policies and procedures of the companies. Its activity is reported to and monitored by the Board Audit and Finance Committee, and it is also reported to the Statutory Audit Board.

Concerning the interrelationship with the Statutory Audit Board, the Board Audit and Finance Committee reviews the scope of the Internal Audit work and the functioning of the internal control and Risk Management systems and its relationship with the scope of the Auditor's work and analyses with him and with the Internal Audit manager the reports on the review of the annual financial information and on the review of internal control, reporting its findings to the Board of Directors. These reports are issued for the Statutory Audit Board and for the Board Audit and Finance Committee at the same time. In turn, the Risk Management promotes the execution of procedures and the internal disclosure of best practices, being responsible for coordinating the entire Risk Management process of the Sonae Capital Group, collaborating with the risk managers of each business unit in the activities arising from the Risk Management process and continuously guaranteeing the efficiency and effectiveness of the process.

## 52. Existence of other functional areas with risk control competences

The Risk Management, integrated in the Corporate Centre, hierarchically reports to the Executive Committee, and promotes, coordinates, facilitates and supports the development of Risk Management processes, promoting the inclusion of the risk dimension in the strategic and operational decisions. This function and the Internal Audit function are coordinated by managers at the Corporate Centre level of Sonae Capital and their activities are reported and monitored by the Board Audit and Finance Committee of its Board of Directors and Statutory Audit Board.

Similarly to the Internal Audit and Risk Management functions, the financial and legal Risk Management function is also coordinated by two managers at the Corporate Centre level of Sonae Capital and its activities are reported and monitored in the Board Audit and Finance Committee, being also reported to the Statutory Audit Board.

There are Risk Management Pivots at each business segment level, coordinated by the Group's Risk Management function, who work with the owners of each risk in order to ensure the implementation of the determined action plans, and the permanent update of the risk matrix of each segment.

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

### 53.1 Cross-Cutting Risks

#### Macroeconomic Environment:

The activity developed by Sonae Capital Group is affected by the macroeconomic situation and by the profiles of the business segments in which it operates. Taking into consideration that a large part of the activity of its subsidiaries is

currently developed in Portugal, Sonae Capital is exposed to the situation of the Portuguese economy, which is, in turn, is greatly shaped by the evolution of the situation in the Euro Zone.

Sonae Capital's activity, businesses, operating results, financial position, future prospects or its ability to achieve its objectives may be potentially adversely affected by a negative development of the economic situation in Portugal or in the Euro Zone.

The Sonae Capital Group has several initiatives in place in order to mitigate this risk, whether through the businesses' internationalisation or through a strict control of costs, or by presenting innovative and differentiating solutions according to the profile of the markets where it operates.

### **Competition:**

Apart from Sonae Capital Group's development of a wide range of activities belonging to several activity sectors and, consequently, exposed to diversified economic cycles, such as the Tourism Promotion, Hospitality, Fitness, Energy, Industrial Engineering and the sale of Real Estate Assets, many of these sectors are still very competitive, given the intervention of national and international companies, wherefore Sonae Capital' subsidiaries are exposed to strong competition. The ability of Sonae Capital' subsidiaries to position themselves appropriately in the sectors and markets in which they operate may have a significant impact on Sonae Capital' businesses or on the results of its activities.

The Sonae Capital Group regularly monitors the behaviour of the markets in which it operates, constantly seeking to anticipate changes and/or new market trends, in order to provide an innovative and differentiating value proposition to its clients.

### **Financial Risks:**

Sonae Capital is exposed to a diversified set of risks of financial nature, namely interest rate risks, exchange rate risks (transaction and currency risks), raw material prices, liquidity and fluctuations in the capital and debt markets, credit (especially relevant in economic recession scenarios) and risks arising from changes in the fair value of financial instruments.

Sonae Capital's financial Risk Management policy aims to minimise the potential adverse effects arising from the volatility of financial markets and, to this end, a coherent set of systems and processes is implemented at Sonae Capital enabling the timely identification, monitoring and management by the Corporate Finance function.

The volatility of financial markets has led liquidity risk, credit risk, and capital and debt markets' fluctuations to take a central role in corporate priorities for the potential impact on business continuity and development. In fact, the business development of some Sonae Capital' subsidiaries may require the reinforcement of Sonae Capital's investment on those subsidiaries. Sonae Capital may intend to expand its business units through organic growth or eventual acquisitions and business continuity which requires the maintenance of liquidity reserves appropriate to the business requirements of the companies. The reinforcement of investment and maintenance of liquidity reserves may be done by means of equity or funds from third parties. Sonae Capital cannot ensure that such funds, if necessary, are obtained under the intended conditions, which may lead to changes or deferrals in the business development objectives or plans, restricting the success of the defined strategic objectives.

In this context, the aforementioned financial Risk Management systems and processes, centralised in the Company's Corporate Centre, are established in order to mitigate these risks by ensuring liquidity management through:

- short, medium and long-term financial planning based on predictive cash flow models;
- cashbook and working capital control instruments;

- strict customer credit management and monitoring of risk developments;
- diversification of funding sources and counterparties;
- adjustment of the debt maturity profile to the profile of cash flow generation and investment plans;
- maintenance of an adequate level of liquidity by contracting with known banks' cash support lines.

Sonae Capital does not contract derivatives or other financial instruments, except those strictly related to the hedging of risks arising from its operational activities and its financing. The Risk Management policy of the Company and the Group prevents the use of financial derivative instruments for purposes other than the strict coverage of these risks.

#### **Legal, Tax and Regulatory Risks:**

Sonae Capital and its subsidiaries are subject to extensive and often complex regulations as a result of their activities and its compliance requires an investment in terms of time and resources, having, for this purpose, legal and fiscal advice. In fact, Sonae Capital and its businesses have a permanent legal and tax function dedicated to each activity, which works jointly with other corporate and sovereign functions so as to ensure, in a preventive manner, the protection of Sonae Capital's interests in strict respect for the fulfilment of its legal duties as well as the enforcement of good practices.

The teams that are part of these advisory process have specialised training and participate in internal and external training sessions.

Legal and tax advisory is equally supported, nationally and internationally, by external professionals, selected from firms of recognised reputation and according to high criteria of competence, ethics and experience.

However, Sonae Capital and its subsidiaries may be affected by legal and tax changes in Portugal, in the European Union and in other countries in which it operates and which aim to ensure the safety and protection of consumers, workers' rights, protection of the environment and spatial planning, compliance with the regulations of the sectors in which it operates and the maintenance of an open and competitive market. Sonae Capital does not control these changes, nor changes in the interpretation of the laws by any authority. Any changes in Portuguese law, in the European Union or in the countries where Sonae Capital carries out its activities, may affect the conduct of the business in Sonae Capital or its subsidiaries and, consequently, hinder or impede the achievement of strategic objectives.

The Group's stance is one of permanent collaboration with the authorities, with due respect and observance of legal provisions. This collaboration can take the form of comments on public consultations issued by national and international authorities. The growing internationalisation of the businesses of the Group is affected by specific risks arising from the differentiated nature of the legal frameworks in each country.

#### **Information Systems Risks:**

Sonae Capital's information systems are considered as comprehensive, multifaceted and distributed. In terms of information security, several actions have been developed to mitigate the risk of compromising the confidentiality, availability and integrity of business data, namely off-site backups, implementation of high availability systems, network infrastructure redundancy, verification and control of the quality of flows between applications, access and profile management and reinforcement of data network perimeter protection mechanisms. On a recurrent basis, the Internal Audit function performs audits in several areas: applications, servers and networks, with the objective of identifying and correcting potential vulnerabilities that may have a negative impact on the business, as well as ensuring the protection of the confidentiality, availability and integrity of the information.

Following the audit of the management and governance processes within the scope of information systems, based on the framework Cobit V5, an Information Security project is in place with the goal of to addressing the recommendations of the

audit evaluation as well as outlining strategies and intervention plans to protect Sonae Capital's information and information systems. This project will culminate in the development of an Information Security Management System founded on policies, standards and procedures, based on information security Risk Management and supported by specific processes with unequivocally identified and qualified managers.

During 2019, the Company carried out several actions to raise awareness to the topic of security of the Group's Information Systems and the Protection of Personal Data strictly used in its activity, counting with the participation of employees from various levels and functions.

#### **People Risks:**

Sonae Capital's ability to successfully implement the defined strategies depends on its ability to recruit and retain the most qualified and competent employees for each function. Although Sonae Capital's human resources policy is geared towards achieving these objectives, it is not possible to guarantee that in the future there may be no limitations in this area.

#### **Public Health Risks:**

Sonae Capital acknowledges that Health is an essential cornerstone for the sustained development of its businesses, a differentiating aspect and the driving force behind all its success.

Risk assessment and the definition of measures to minimise these risks are carried out continuously, jointly with the business units, namely through staff training, close relationships with the staff in the workplaces and conducting audits.

Aware that people are its greatest asset, both employees and customers, Sonae Capital is committed to preventing the spread of diseases and improving the internal control environment for systems and equipment used to support its business activities. This is a fundamental cornerstone of motivation, sustainability and growth.

In this regard, special attention must be paid to the prevention and control procedures and plans implemented generally in the business segments to mitigate the risk of Legionnaires' disease.

#### **People Safety Risks:**

The Safety and Health of our staff is a key management feature. Every year, several Work 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 an healthy behaviour that contributes to the physical and psychological well-being of our staff.

#### **Insurable Risks:**

As regards the transfer of insurable risks (technical and operational), the Group's companies contract coverages pursuing an objective of rationalisation by the correct adjustment of the financial structure to the values of the risk capital, based on the permanent changes in the businesses encompassed. Moreover, this architecture was improved by the optimisation of the insurance programme in terms of coverage and retention, consistent with each business, internally ensuring effective insurance management.

**Tangible Assets Risks:**

In 2019, preventive and safety audits were conducted in different locations of each business unit. In the main business units, tests and simulations were made to emergency and preventive systems and plans, usually with the presence of public security authorities and services.

**Climate Risks:**

Combating climate change is a central topic on Sonae Capital's sustainable development agenda. At the same time, within the scope of its Risk Management policy, we have established that it is crucial to mitigate the impact of climate change on the operations of the various businesses that make up its portfolio. In this context, a working group was created with the aim of assessing the risk that climate change represents for the different businesses units. In 2019, the main goal of the Group was to develop a materiality analysis, business-by-business: categorizing climate risks and analysing them as regards the magnitude of their impact and the respective probability of occurrence. In 2020, Sonae Capital intends to measure the financial impact associated with climate change, reporting the information in accordance with the recommendations of the TCFD (Task force on Climate-related Financial Disclosures).

**53.2 Company Risks**

Sonae Capital, as a holding company (SGPS), directly and indirectly develops management activities over its subsidiaries, hence the fulfillment of the obligations assumed by it depends on the cash flows generated by its subsidiaries. Sonae Capital therefore depends on the dividends distribution of its subsidiaries, the payment of interest, the reimbursement of loans granted and on other cash flows generated by those companies. The ability of subsidiary companies to make available/repay funds to Sonae Capital will depend, in part, on their ability to generate positive cash flows within the scope of their operating activities, as well as on the statutory, legal and fiscal framework applicable to the distribution of dividends and other forms of payment/return of funds to its shareholders.

**53.3 Subsidiaries' Risks**

Sonae Capital's portfolio integrates a diversified set of businesses, therefore some of the main risks its subsidiaries are exposed to may be sector-specific. The main risks are identified below.

**53.3.1 Energy**

The Energy business, which operates under the brand CapWatt, promotes integrated solutions for decentralised energy production for industrial and service customers, with focus on high-efficiency cogeneration projects, as well as renewable generation. Through its activity of energy efficiency services, commercialisation of energy and CO<sub>2</sub> emission allowances, it complements its integrated offer, also assuming the role of energy manager.

Cogeneration combines the production of electric and thermal energy from the same source of primary energy, in a highly efficient process. This is a way of saving energy consumption, as it allows a more efficient use of the primary energy used - natural gas or biomass - thus reducing its consumption, compared to the production of the same quantities of electric and thermal energy, separately.

Although this type of electricity generation is a more efficient and «environmentally-friendly» alternative, it nevertheless carries with it certain specific risks that may have an impact on the companies' results. The most relevant risks are as follows:

- a) Cogeneration projects use, in most of the cases, natural gas as the primary fuel in the combined production of electric and thermal energy, so the purchase price of this raw material has significant weight on the variable cost structure.

Consequently, the volatility of the purchase price of natural gas, normally linked to the price of oil in international markets and the euro/dollar exchange rate, may be translated into a significant impact on the Company's results and margin.

It is worth noting, however, that, the tariff for the sale of electricity by cogeneration units is regulated and also indexed to the evolution of oil prices in international markets and to the euro/dollar exchange rate which, in itself, allows to reduce exposure to this risk. In particular, the electricity sale tariff defined by the Ordinance no. 58/2002, the remuneration scheme applicable to most cogeneration units, and the purchase price of natural gas are highly correlated, giving a considerable level of natural hedging as regards gross margin.

However, the Decree-law no. 23/2010 and the Ordinance no. 140/2012 established a new remuneration scheme for cogeneration in Portugal, applicable to new cogeneration units, which entailed the loss of the hitherto existing natural hedging, since the elasticity of prices to unit variations of the indexing factors is now totally different. The natural gas purchase price has significantly higher sensitivity than the electricity sales tariff, which translates into an increased risk of exposure to the volatility of the natural gas purchase price. This fact will become increasingly relevant as cogeneration facilities move to this new remuneration scheme.

At the same time, the tariff for the sale of thermal energy from cogeneration units is also indexed to the evolution of the price of natural gas, which significantly reduces exposure to this risk.

In order to mitigate this risk, and especially since the acquisition of the activity of commercialization of electric energy and natural gas (Futura Energía Inversiones), in 2019, CapWatt regularly monitors the evolution of natural gas price, assessing the attractiveness of the hedging of this risk by fixing natural gas purchase price over a set period of time, whether with the supplier or through derivative financial instruments.

- b) Additionally, cogeneration units with a nominal terminal power greater than 20MW are covered by the European Emissions Trading Scheme (EU ETS).

The reform of the EU ETS for the post 2020 period introduced a number of amendments and reforms to reduce the surplus allowances on the market and improve system resilience to future shocks, contributing to a significant rise in the price of licenses on market. The total quantity of allowances is determined at the Community level, but now subject to a linear reduction factor of 2.2% (instead of 1.74% in the current period of fulfillment). The auction continues to be the main rule for allocation of allowances, while remaining marginally the free allocation by application of benchmarks defined at the Community level. The free allocation of allowances follows a downward trend year after year, with a view to its extinction.

The cogeneration units covered by this scheme will have increasing needs to go to the market for CO<sub>2</sub> allowances, thus being exposed to fluctuations in their price.

As with natural gas, CapWatt also mitigates this risk by continuously monitoring the evolution of CO<sub>2</sub> emission allowances, assessing at all times the coverage of this risk by fixing the purchase price, through derivative financial instruments.

- c) The reduction of thermal energy consumption and default by the host as regards defined contractual clauses, such as exclusivity, take-or-pay, among others, may impact on the revenues of the business, through the reduction of the electricity tariff premium or, ultimately, the loss of legal cogenerator status.
- d) The focus and concentration of the business in the cogeneration activity instead of alternative forms of energy could increase the Company's risk to external factors and consumption profiles.

In order to minimise this risk, the Sonae Capital Group has established a growth plan for this business segment which includes investing in renewable energy, as well as the internationalisation of the business in order to diversify the portfolio both technologically and geographically.

- e) The cogeneration units have support systems that can be associated with the development of the Legionella bacteria. Of note, among them, are the cooling towers, evaporative condensers and air conditioning systems. Special attention is required in places where there is standing or stagnant water and where the water temperature can reach between 35°C and 50°C. The following preventive measures have been put in place to attenuate this risk: implementation of maintenance plans according to manufacturers' recommendations, best practices and local conditions; dispensing biocides to ensure reserves above the values deemed necessary for the non-development of bacteria colonies; checking, calibrating and adjusting water treatment dispensing equipment every month; analysis and quality control of the water every month; periodic analysis for the presence of Legionella; and periodic cleaning of the main equipment (cooling towers). In this area, CapWatt has been optimising the measures implemented in the facilities in order to improve the entire prevention and control process, seeking to minimise the risk of the presence of the Legionella bacteria.

The following specific risks are identified regarding the production of energy from renewable energy sources:

- a) The electricity generation from renewable energy sources sector is regulated in terms of tariff, so any future tariff fluctuations may translate into significant impacts on the Company's results and margin.
- b) The amount of energy produced is dependent on the availability of the resource (hours of sun and wind), therefore, a lower availability than that initially estimated may impact the regular turnover and profitability of the projects. Moreover, one of the greatest challenges in harnessing renewable resources relates to their intermittence, since climatic conditions (wind strength, solar radiation, etc.) are not always favourable when electricity is necessary due to the impossibility or high cost of storage.

In order to minimise this risk, the Sonae Capital Group promotes, under the technical due diligence procedure carried out for each of its projects, a thorough study of the resource in order to define different scenarios and the consequent evaluation of the economic feasibility of the projects.

The Energy business, regardless of the primary source used, encompasses the following risks of a more general nature:

- a) Energy generation under the special scheme in Portugal has the tariffs predefined by the Portuguese State, as a way of encouraging alternative forms of electricity production that are more efficient and environmentally clean. Consequently, the risks regarding the electricity sale price are currently reduced. Although electricity is sold at a price defined by the Portuguese State for a long period of time, the profitability of the operations depends on the stability in the short, medium and long term of regulatory policies and schemes that support the development of energy efficiency.

Any possible governmental changes to energy policy in the future may prove to be a risk to future projects and to the viability of developing the business in the long term.

- b) Energy production is subject to supervision by the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulator (ERSE), which are the entities responsible for regulating the electricity sector in Portugal, and to the compliance of the current specific legislation on this field. Any change to the broad legal framework currently applicable to the sector may entail significant risks for the activity of this segment.
- c) The occurrence of extraordinary situations, such as fires, adverse weather and/or accidents, may threaten the Company's ability to maintain operations, provide essential services or cover operational costs.

In order to minimise this risk, the Sonae Capital Group conducts regular preventive and safety audits of the facilities and equipment and periodically reviews and adapts the insurance plans for property damage, operating losses and civil liability in force.

- d) The absence or inadequate maintenance of equipment, or the lack of control of the service levels of the suppliers (equipment, maintenance and spare parts) that do not ensure adequate functionality, safety and compliance can lead to inefficient processes or cause significant damage to equipment. Furthermore, not adequately using resources, at the lowest cost and the highest yield can impact on the profitability of each project and threaten its viability.
- e) The abovementioned growth plan implies additional investments, whose conditions may be limited by the financial environment, the Group's current level of indebtedness and the evolution of its activity and its subsidiaries. Sonae Capital cannot ensure that such funds, if necessary, are obtained under the intended conditions, which may lead to changes or deferrals in the objectives or impair business growth capacity.

### 53.3.2 Industrial Engineering

Sonae Capital acquired ADIRA in 2017, is a Portuguese-based company dedicated to the development, design, manufacture, production and marketing of machine tools, with the majority of its business activity aimed at international markets.

The business activity of ADIRA comprises specific risks that may have an impact on the Company's results. The most relevant risks are as follows:

- a) Changes in the global macroeconomic environment may restrict the Company's activity or generate negative impacts on its results.

ADIRA seeks at all times to mitigate this risk by diversifying the destination markets of its exports, being present in approximately 40 markets, which represent more than 50% of its turnover. These markets have different macroeconomic, political and social profiles and, as such, are experiencing different responses to worldwide economic and financial crises.

- b) The Company's competitive position faces threats from new competitors and the actions of competitors already present in the market. The Company actively monitors technological innovation in the sector and has sought to be a differentiating element in the market, particularly with additive technology and the dematerialisation of machines, not expecting any disruptive change in the sector that could threaten its competitive position.
- c) The machine tools produced by ADIRA are mainly intended for use in the metal products manufacturing sector, in particular the metalworking and metal construction sectors. Accordingly, its operating activity is positively correlated with the cycles of the economy in general and, in particular, with developments in those referred sectors. To this extent, the business may be adversely affected by periods of economic recession, in particular, by the deterioration of the level of private investment to grow or technologically renew the productive capacity of its customers.
- d) The Company is exposed to specific regulations applicable to its activity/sector, namely the Machinery Directive/CE Certification, which aims to regulate the placing on the market and the operational start up of new machines. Changes in laws and regulations or litigation claims that result in a reduction of the Company's capacity to conduct business efficiently are not expected.

In order to minimize this risk, ADIRA has external legal advice that allows it to ensure compliance with current laws and regulations and consequently avoid sanctions, fines and penalties that could threaten the Company's reputation, business opportunities and potential for expansion.

- e) ADIRA uses steel sheet in its production process, whose price evolves according to the price of steel on international markets. The cost of acquiring this raw material has significant weight in the variable costs structure. Consequently, the volatility of the purchase price of sheet steel may translate into significant impacts on the Company's profits and margin. In order to minimise this risk, ADIRA closely monitors the evolution of steel prices in international markets and has a diversified supplier base, among which it seeks to negotiate the best price.



### 53.3.3 Fitness

The most relevant risks in the leisure sector, namely in the Fitness segment, where the Sonae Capital Group operates under the brands Solinca, Pump and ONE (health clubs), are as follows:

- a) The health clubs activity may be impacted by economic developments, namely, by a decrease in consumers' confidence and a consequent impact on households' disposable income.
- b) The entry of new competitors, opportunities for consolidation in the market, repositioning of current competitors or the actions they can take to conquer new markets or increase market share (price wars, promotional activity, introduction of new concepts, innovations) may jeopardise the market share the business aims to achieve and the business strategy. The response to increased competition may lead to price decrease or the implementation of promotional discounts, which may have an impact on the Company's results. In order to minimise this risk, the Fitness business carries out constant benchmarking of its competitors' actions and invests in new formats and products/services, or in the improvement of existing ones, in order to offer its customers an innovative proposal.
- c) Making services, equipment and infrastructures available that do not comply with quality levels and the changing needs demanded by customers may expose the Company to complaints, hinder customer attraction and loyalty, as well as negatively impact on its image and reputation. As a way of mitigating this risk, the Company conducts regular surveys of its partners to assess the level of satisfaction, while carrying out internal audit actions at service levels.
- d) Consumers frequently change their preferences and expectations, which requires continuous adaptation and optimisation of the product offer and business concepts. The difficulty or inability to foresee, understand and/or to meet the frequent variations of the needs and expectations of customers can be reflected in difficulties concerning their loyalty in the medium term.
- e) To anticipate market and consumer trends, the Fitness business regularly reviews information concerning customer behaviour, satisfaction and loyalty by conducting monthly surveys (Net Promoter Score). The introduction of new concepts, products and/or services is always tested on pilots before being generalised to all clubs. In addition, it allocates a significant portion of its annual budget to the renewal of equipment and facilities in order to ensure attractiveness and keep up with the challenges imposed by the market.
- f) Fitness business may be held liable in the event of accidents or unforeseen circumstances due to inappropriate physical activity that affect the life, health or physical integrity of people, which may have an adverse effect on its reputation and consequently on its results. In order to mitigate such risk, the Company follows the best international practices regarding physical exercise, hires duly certified professionals and has personal accident insurance contracts. The Company has also in place several initiatives, namely the obligation of customers to carry out a medical evaluation questionnaire at the time of enrolment, offering an initial physical evaluation to all customers and encouraging it, training in basic life support for all employees, as well as the existence of occupational accident, property damage and civil liability insurance policies.
- g) The Fitness business may be held liable in the event of the existence of public health risks arising from the development of its business activity, which could jeopardize the health of clients in its facilities, with an adverse effect on its reputation and, consequently, on its results. In this regard, it is important to highlight the risk of legionnaires' diseases in places aerosols can form, such as showers, jacuzzis, turkish baths and saunas. As a way of mitigating this risk, the Company carries out regular quality analyzes, while simultaneously carries out internal audit actions. Since 2012, a set of initiatives is in place in all health clubs, aimed at reducing the risk of legionnaires' disease, which include thermal and/or chemical disinfection of water and the implementation of a periodic inspection, cleaning and maintenance programme on the systems and equipment involved.

- h) Legislative changes (e.g. tax, legal, labour, competition, among others) may threaten the specific strategies defined by Fitness business in the development of its activities, if those changes involve contractual changes with the main stakeholders or dictate an increase in its economic costs.

#### 53.3.4 Hospitality

- a) This business activity depends on tourism demand, which is associated with the evolution of both the national and international economy. Any negative economic developments in Portugal or in the main tourist countries for the Portuguese market may have a negative impact on the performance of this activity due to the reduction in the number of tourists.
- b) This activity is also subject to demand fluctuations related to eventual natural disasters, as well as to social or political factors that may have an impact on the flow of tourists and, consequently, on occupancy rates.
- c) The hospitality activity is subject to the supervision of the Directorate General of Tourism and the compliance with the specific legislation on this field.
- d) The hospitality activity may depend on the competitive intensity - regional and global - of the tourist destination where it is located. Competition between tourist destinations is increasingly more aggressive as a result of the growth in demand, the massification of air transport and the emergence of new destinations. However, in addition to its location, Sonae Capital believes that the brand's reputation and the quality of its businesses, particularly in relation to the complementary activities offered (catering, golf and other leisure activities), are important competitive advantages in this sector.
- e) The possibility of public health risks in the development of catering activities that jeopardise the health of customers in the respective facilities may imply that the companies in this segment are held accountable in this field, which may have an adverse effect on their results, financial situation and reputation. The business seeks to mitigate possible risks to the catering business and others arising from situations that could pose risks to public health. Of note in this area are:
  - a) the implementation and consolidation of a food safety and quality audit plan aimed at the kitchens and outlets included in the hotel units, as well as all catering stations operated, highlighting and reporting the main findings to the Company and giving guidance on corrective actions. This audit plan aims to systematically check compliance with legal norms and internal rules on food safety. The hospitality activity uses tools such as the HACCP (Hazard Analysis and Critical Control Points) defined in the Codex Alimentarius - Annex to CAC/RCP 1-1969, Rev. 4 (2003), complying with the requirements specified therein as well as with current legislation, in particular Regulation (EC) no. 852/2004 of the European Parliament and the Council of 29 April 2004, on the hygiene of foodstuffs
  - b) the implementation, since 2015, of a set of best practices in the prevention and control of Legionnaires' disease according to the recommendations made by the Directorate General for Health to reduce the risk of this disease in hotels and tourism enterprises. The risk of development of this disease is mitigated through the careful application of a set of measures aimed at thermal and/or chemical disinfection of water and the implementation of a periodic inspection, cleaning and maintenance programme for the systems and equipments involved.

#### 53.3.5 Tróia Operations

- a) The activities developed by TROIA RESORT are subject to economic cycles and depend on the growth of tourism and real estate activity in Portugal. Hence, the operations of this business depend on tourism demand, which is associated with the evolution of both the national and international economy. Any negative economic developments in Portugal or in the main tourist countries for the Portuguese market may have a negative impact on the performance this activity, due to a reduction in the number of tourists.

- b) The activities developed by Atlantic Ferries and Tróia Marina are subject to the terms and deadlines mentioned in the concession contracts entered into: (i) Atlantic Ferries entered into an agreement with APSS (Associação dos Portos de Setúbal e Sesimbra), for a public service concession for the river transport of passengers, light, heavy and goods vehicles between Setúbal and Tróia Peninsula. The beginning of concession was in 2007 for a period of 15 years, and can be extended for successive periods of 5 years, if both parties agree to do so; (ii) Tróia Marina also signed a concession contract with APSS, in 2001, for the commercial operation of Tróia Marina, for a period of 50 years. Any breach of contractual obligations may entail significant risks to the activity and impact on the results of these companies.
- c) This business may still be subject to seasonality, whereby abnormally adverse climate conditions, mostly during the bathing season, may adversely affect the level of business activity and operating results.

### 53.3.6 Real Estate Assets

Sonae Capital Group owns a diversified real estate portfolio, whose strategic orientation is to sell, even though subject to a price considered acceptable. However, even if the current strategic orientation consists of its sale, Sonae Capital cannot guarantee its completion, nor the period in which it will occur, especially in the absence of proposals that are deemed appropriate. This real estate portfolio comprises a wide range of assets at different licensing and construction stages, including plots of land with and without construction permits, residential units, construction projects, offices, industrial buildings and commercial spaces, and with an extensive geographical dispersion. The loss of liquidity of this portfolio of assets and/or difficulties in the placement of these assets on the market may affect the ability to grow the business and the fulfilment of its strategic objectives.

Regarding the real estate assets located in Troia Resort:

- a) The marketing success of tourist enterprises depends on the economic situation of the real estate sector in Portugal and in the main countries of origin of foreign investors, on the date of placing on the market (to the extent that a significant part of the tourist offer is promoted in foreign markets), as well as the stability of the government incentives to foreign direct investment. The new rules for awarding residency visas to foreigners wishing to invest in Portugal, under the Residence Permits for Investment, also known as «golden visas», caused a slowdown of the dynamics of this market segment. Therefore, a less favourable environment than expected may impact the business, in particular as regards selling prices and deadlines.
- b) The activity developed by the Resorts, while tourism operator, is subject to the supervision of the General Directorate of Tourism and to compliance with specific legislation on this matter. A different context than expected could jeopardise the current expectations about the business, in particular as regards selling prices and deadlines for placing, with a potentially negative impact on the financial situation of this business.
- c) In the Tróia Peninsula, the promotion of tourist real estate can be affected by possible competition from other ventures, in particular of the Alentejo coastline, Algarve and southern Spain. However, Sonae Capital considers that the Troia Resort project is being developed in an area where the biodiversity and the existing heritage are considered factors of differentiation, and may be capitalized in new tourism services and products with positive impact on its development.
- d) In addition to the potential impact referred to in the preceding paragraph, the tourist real estate promotion may also be affected by any changes in territorial instruments applicable to the national territory and more specifically in the Tróia Peninsula, despite constant monitoring of these issues by Sonae Capital, through its subsidiaries, with the competent authorities.

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

As a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge, Risk Management is integrated throughout Sonae Capital's planning process, with the objective of identifying, evaluating and managing the opportunities and threats that the businesses of Sonae Capital face in pursuit of their value creation goals.

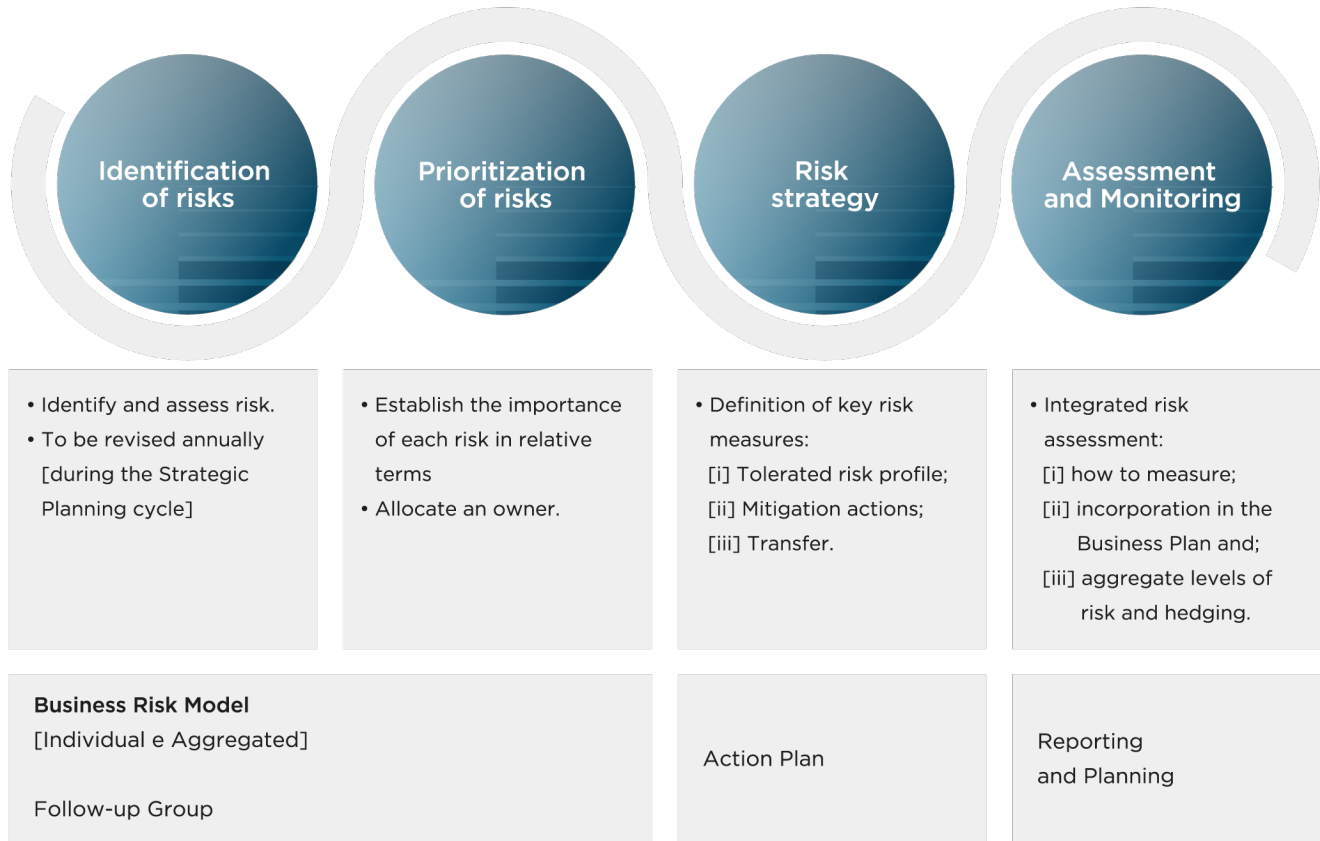
Sonae Capital's management and monitoring of its main risks is implemented through different approaches and agents, among which:

- (i) Within the scope of strategic planning, the risks of the portfolio and of each existing business unit are identified and assessed, as well as the development of new businesses and the most relevant projects, and strategies for managing those risks are defined;
- (ii) At the operational level, the risks to manage the business objectives are identified and evaluated and actions to manage those risks are planned, which are included and monitored within the scope of the business units and functional units plans;
- (iii) In risks of a more transversal nature, namely in major organisational change projects, in contingency and business continuity plans, structured risk management programs are developed with the participation of those responsible for the units and functions involved;
- (iv) With regard to the security risks of physical assets and people («technical-operational» risks), audits are carried out on the main units and preventive and corrective actions are implemented for the risks identified. Financial coverage of insurable risks is regularly reassessed;
- (v) Financial risk management is carried out and monitored within the scope of the financial functions of the Company and its businesses, centralized at the Corporate Centre whose activity is reported, coordinated and monitored by the Board Audit and Finance Committee of the Board of Directors;
- (vi) The management of legal, tax and regulatory risks is carried out and monitored within the scope of the legal and tax function at the Corporate Centre;
- (vii) The Internal Audit develops annual work plans which include audits of critical business processes, compliance audits, financial audits and information systems audits.

**The Risk Management Process**, supported by a uniform and systematic methodology, is based on the Internacional Enterprise Risk Management – Integrated Framework do COSO (The Committee of Sponsoring Organisations of the Treadway Commission) and contains, namely, the:

- Definition of the risk management focus (dictionary of risks, definition of a business risk matrix and a common language);
- Identification and systematization of risks that may affect the organisation and each segment, and the appointment of risk owners (employee with the responsibility to monitor its evolution);
- Assessment and attribution of criticality and priority to risks, depending on the impact on business objectives and probability of occurrence;
- Identification of risk causes and indicators to measure those risks;
- Assessment of risk management strategies (p. ex., accept, avoid, mitigate, transfer);
- Development and implementation of risk management action plans and its integration in the planning and management processes of the units and business functions;
- Monitoring e reporting of the progress of implementing the action plan and of the risks evolution;

Actions implemented in 2019



According to the methodologies defined and implemented in previous years, the risk management processes remain integrated with the business management planning and control processes, from the strategic reflection phase to the operational planning phase, with the risk management actions being included in the activity and resource plans of the business units and functional units, and monitored throughout the year.

In 2019, the Enterprise Wide Risk Management activities focused, mainly, on monitoring the progress in implementing the action plans and assessing their impact on risk perceptions, with the annual cycle of Enterprise Wide Risk Management having continued.

The Risk Management Department continued to support risk management in the organisation's main projects.

During 2019, we continued to implement the Group's compliance program to the standards contained in the General Data Protection Regulation, approved in May 2016 and applicable from 25 May 2018.

The Corporate Risk Management Department continued to support risk management in the main projects of the organisation, as well as in the development of crisis management plans, having developed and implemented the physical security audit programs of the facilities, as well as the development of training actions within the scope of the physical security.

Sonae Capital encourages continuous training and the adoption of the best international methodologies and practices in the areas of Risk Management and Internal Audit. As such, the Group supports the attendance of a training and updating program of knowledge that includes the international professional certification in Internal Audit promoted by IIA - The Institute of Internal Auditors - the Certified Internal Auditor (CIA). The members of the Internal Audit team obtained this professional certification.

The **External Audit** assesses and reports the risks of reliability and integrity of accounting and financial information, thus validating the internal control system established for this purpose by Sonae Capital, which materializes in the clear separation between those who prepare it and its users and in carrying out several validation procedures throughout the process of preparing and disclosing financial information.

The **Board Audit and Finance Committee** analyzes the risks of the Company, the risk control models and mechanisms adopted and the mitigation measures taken by the Executive Committee, evaluating their suitability and proposing to the Board of Directors any need to change the Company's risk management policy.

#### 55. Main elements of the internal control and risk management systems implemented in the Company with regard to the financial disclosure process

The implementation of an effective internal control environment, particularly in the financial reporting process, is a commitment taken by the Board of Directors of Sonae Capital to identify and improve the most relevant processes for preparing and disclosing financial information, in order to ensure transparency, consistency, simplicity, reliability and relevance. The internal control system is designed to ensure a reasonable guarantee regarding the preparation of the financial statements, according to the accounting principles adopted, and the quality of the financial reporting.

The reliability of the financial information is ensured by the clear separation between who prepares it and its users and the implementation of various control procedures throughout the process of preparation and disclosure of the financial information.

The internal control system for accounting, preparation and disclosure of financial information includes the following key control:

- The financial information disclosure process is formalised, the associated risks and controls are identified and the criteria for its preparation and disclosure are duly established and approved and are reviewed periodically;
- There are three main type of controls: high level controls (entity level controls), information system controls and procedural controls. These controls include a set of procedures related to the execution, supervision, monitoring and improvement of processes, with the objective of preparing the company's financial reports;
- The use of accounting principles, which are explained in the notes to the financial statements, is one of the key stepping stones to the control system;
- The plans, procedures and records of the Group companies allow for a reasonable assurance that transactions are only carried out with general or specific authorisation from management, and that these transactions shall be recorded in order to enable financial statements compliance with the generally accepted accounting principles. This also ensures that the companies keep up-to-date records of the assets and that these records are checked against the existing assets. Appropriate steps shall be taken whenever discrepancies arise;
- The financial information is examined by the business unit administrators and the representatives of the results centres on a systematic and regular basis, thus ensuring a constant monitoring and budget control;
- During the process of preparing and reviewing the financial information, a schedule is first drawn up and shared with the different areas involved and all the documents are carefully reviewed. This includes reviewing the principles used, checking the accuracy of the information generated and consistency with the principles and policies established and used in previous years;
- The Accounting, Supervision and Reporting central function is responsible for the accounting records and the preparation of the financial statements, ensuring the control over the recording of the business process transactions and the balances on assets, liabilities and equity accounts;

- The consolidated financial statements are prepared every quarter by the Accounting, Supervision and Reporting central function;
- The Management Report is prepared by the Corporate Management Planning and Control Department, with the additional contribution and review from the various support and business areas. The Statutory Auditor also reviews the content of this report and its compliance with the supporting financial information;
- The Corporate Governance Report is prepared by the Legal Department, jointly with the Group Planning and Control Department;
- As The Group's financial statements are prepared under the supervision of the Group's Executive Committee. The set of documents comprising the half-yearly and annual reports is sent to the Board of Directors of Sonae Capital for review and approval. Upon approval, the set of documents on the annual financial statements is sent to the Auditor, and the Statutory Audit Certificate and the External Audit Report are then issued;
- The Statutory External Auditor carries out an annual audit on the individual and consolidated accounts. These audits are carried out in accordance with the Technical Standards and Auditing Guidelines of the Portuguese Order of Statutory External Auditors, with the objective of achieving an acceptable level of safety as to whether the financial statements are free of relevant material misstatement. This audit includes an examination, on a sample basis, of evidence relevant to the amounts and disclosures in the financial statements. The estimates and judgements made by the Board of Directors are also evaluated. The audit also includes evaluating the appropriateness of the accounting policies used, their consistent enforcement and disclosure;
- The process of preparing the individual and consolidated financial information and the Management Report is supervised by the Statutory Audit Board and the Audit and Finance Committee of the Board of Directors. Every quarter, these bodies meet and analyse the individual and consolidated financial statements and the Management Report. The Statutory External Auditor submits directly to the Statutory Audit Board and the Board Audit and Finance Committee a summary of the key findings from the annual audit on the financial information;
- All those involved in the financial analysis of the Company are part of the list of people with access to privileged information, and are particularly aware of their obligations, as well as of the penalties arising from the misuse of inside information;
- The internal rules applicable to the disclosure of financial information aim to ensure its timely disclosure and prevent asymmetric access to information by the market.

The risk factors that could materially affect the accounting and financial reporting include the following:

- Accounting estimates – The most significant accounting estimates are described in the notes to the financial statements. The estimates were based on the best information available while the financial statements were being prepared and on the best knowledge and experience of past and/or present events;
- Balances and transactions with related parties – The most significant balances and transactions with related parties are disclosed in the notes to the consolidated financial statements. These are mainly associated with the operating activities of the Group as well as loan granting and receiving, at market prices.

More specific information on how these and other risk factors were mitigated is available in the notes to the consolidated financial statements.

## IV. Investor Support

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

The Investor Relations Office is responsible for managing the relationship between Sonae Capital and the financial community - current and potential investors, analysts and market regulatory authorities - with the goal of enhancing their knowledge and understanding of the Company by providing relevant, updated and reliable information.

In strict compliance with the legal and regulatory requirements, Sonae Capital has as a rule to immediately inform its shareholders and the market in general about the highlights of its activity, in order to avoid gaps between the occurrence and disclosure of those facts, having fulfilled this commitment over the years.

The Investor Relations Office regularly prepares presentations for the financial community, announcements on quarterly, semi-annual and annual results, as well as relevant communications to the market whenever necessary to disclose or clarify any event that can influence the price of Sonae Capital shares. In addition, and upon request, it provides information on the activities of the company, responding to questions via email or by telephone.

To further enhance effective communication with the capital market and ensure the quality of the information provided, the Investor Relations team conducts roadshows covering the most important financial centres and participates in conferences. In parallel, the Investor Relations Office promotes access for investors and analysts to Sonae Capital Executive Directors, in the form of one-to-one meetings or conference calls.

The information is made public through publication on the Portuguese Securities Commission Information Disclosure System ([www.cmvm.pt](http://www.cmvm.pt)) and on the Company's website (<https://www.sonaecapital.pt/en>).

The Investor Relations Office can be contacted by telephone (+351 22 010 79 03), fax (+351 22 010 79 35), email ([ir@sonaecapital.pt](mailto:ir@sonaecapital.pt)) or post (Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia). The Director of the Investor Relations Office is Nuno Parreiro, who can be contacted using the same above numbers and addresses.

### 57. Representative for Capital Market Relations

The representative for Capital Market Relations is Anabela Nogueira de Matos, who can be contacted by telephone (+351 22 010 79 25), fax (+351 22 010 79 35) or email ([anm@sonaecapital.pt](mailto:anm@sonaecapital.pt)).

### 58. Information on proportions and the deadline for replying to information requests received during the year or pending from previous years

In 2019, the Investor Relations Office received a normal number of requests for information, taking into account the size of the Company in the capital market.

Sonae Capital, through its Investor Relations Office, maintains permanent contact with its shareholders, potential shareholders and analysts providing information that is always up-to-date. Additionally, upon request, it provides clarifications on the relevant facts of the Company's activities, which have made available to public in accordance with the law. All information requested by investors is analyzed and answered as quickly as possible, via e-mail, postal letter, or telephone, as appropriate.



## V. Website

### 59. Address

Sonae Capital has a website where all the information about the Company is disclosed. The address is:  
<https://www.sonaecapital.pt/en>.

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

Specific information is available for consultation at the following address:  
<https://www.sonaecapital.pt/en/corporate-governance/corporate-details>.

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

Specific information is available for consultation at the following addresses:  
<https://www.sonaecapital.pt/en/corporate-governance/articles-of-association>  
<https://www.sonaecapital.pt/en/corporate-governance/regulation>

### 62. Location for the provision of information about the identity of the statutory governing bodies, the representative for market relations, the investor relations office, respective functions and contact details

Specific information is available for consultation at the following addresses:  
<https://www.sonaecapital.pt/en/corporate-governance/organs-of-government>  
<https://www.sonaecapital.pt/en/corporate-governance/meetings-held>  
<https://www.sonaecapital.pt/en/sonae-capital/contacts>

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

Specific information is available for consultation at the following addresses:  
<https://www.sonaecapital.pt/en/investors/financial-information>  
<https://www.sonaecapital.pt/en/investors/investor-calendar>

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

Specific information is available for consultation at the following address:  
<https://www.sonaecapital.pt/en/corporate-governance/shareholders-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

Specific information is available for consultation at the following address:  
<https://www.sonaecapital.pt/en/corporate-governance/shareholders-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»)**

Based on the remuneration and compensation policy approved by the Shareholders' General Meeting, the Sonae Capital Remuneration Committee is responsible for approving remuneration and other payments to the Board of Directors, the Statutory Audit Board and the members of the Shareholders' General Meeting.

Concerning the remuneration of the Executive Directors, the Board Nomination and Remuneration Committee assists the Remuneration Committee, presenting its proposals before any decisions are made.

At least one member of the Remuneration Committee is also present at the Annual Shareholders' General Meeting and in any others where the agenda includes a subject related to the remuneration of the members of the bodies and committees of the Company, being still available to attend if his presence has been required by any shareholder.

### II. Remuneration Committee

#### **67. Composition of the Remuneration Committee, including the identification of individuals or companies hired to provide support and a statement on the independence of each member and consultant**

The Board of Directors appointed the Board Nomination and Remuneration Committee (BNRC) for the 2018-2020 mandate.

The BNRC is composed of the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, the Vice-Chairman, Álvaro Carmona e Costa Portela and the Director Francisco de La Fuente Sánchez.

The Board Nomination and Remuneration Committee, which is solely composed of Non-Executive Directors, being the majority of them independent, supports the Remuneration Committee in the performance of its duties.

The members of the Remuneration Committee – Duarte Paulo Teixeira de Azevedo and José Fernando Oliveira de Almeida Corte Real, are independent from the board of directors, as explained in the paragraph below.

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors and Non-Executive member of this body, is on the Remuneration Committee, having been elected to this position by the Shareholders' General Meeting. His participation in the Remuneration Committee corresponds to the representation of the shareholder's interest, acting in that quality and not in his capacity as Chairman of the Board of Directors. To ensure these duties are carried out independently, this member abstains from discussing or deciding on matters where conflict of interest exists or may exist.

#### **68. Knowledge and experience of the members of the Remuneration Committee with regard to the remuneration policy**

The experience and professional qualifications of the members of the Board Nomination and Remuneration Committee are detailed in the curricula vitae included in the Annex I to the present document and 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.

### III. Remuneration Structure

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

##### 69.1 Principles

The remuneration policy for the Company's statutory bodies is approved in the Shareholders' General Meeting.

The Shareholders' General Meeting held on 29 April 2019, consistently continuing with the policy previously followed, approved the Remuneration and Compensation policy in force, in compliance with the provisions of article 2 of Law no. 28/2009 of 19 June, which is guided by the following general principles:

- No attribution of compensation to the administrators, or to the members of the other governing bodies, associated with the termination of mandate, whether this termination occurs at the end of the respective term, or if there is an early termination for any reason or foundation, without prejudice to the obligation of compliance by the Company of the legal provisions in force in this matter;
- No consecration of any benefit system, namely retirement, in favour of members of the management, supervisory bodies and other officers;
- Consideration, in the application of the Remuneration Policy, of the exercise of functions in companies that are in a controlling or group relationship with the Company.

The remuneration proposals for the members of the statutory bodies are decided based on:

- Overall market comparison;
- Practices of comparable companies;
- The individual responsibility and performance assessment of each Executive Director;
- Granting of exclusively fixed remuneration to members of the Shareholders' General Meeting, members of the Statutory Audit Board and Non-Executive Directors.

Thus, the remuneration policy is a formal instrument that promotes the alignment between the management team and the interests of the shareholders given that, from the set of remuneration components, the variable part is duly separated, and its value depends on both the individual performance and the overall performance of Sonae Capital. Consequently, management orientated towards the long-term interests of the Company is encouraged, as well as the adoption of risk weighting behaviors.

The remuneration policy includes, within its structure, control mechanisms which consider the link between individual and group performance, in such a way that avoids 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 the Company's statutory governing bodies is approved at the Shareholders' General Meeting. The Remuneration Committee is responsible for presenting the proposed remuneration policy and for approving the remuneration of the Board of Directors, including Executive and Non-Executive members, and other Sonae Capital bodies. The members of the Remuneration Committee are elected at the Shareholders' General Meeting, whose is responsible for setting the respective remuneration.

The Board Nomination and Remuneration Committee gives support to the Remuneration Committee in the determination of the Executive Directors' remuneration, by presenting remuneration proposals based upon the relevant information requested by the Remuneration Committee.

Within the scope of the principles that rule corporate governance, guiding principles for the remuneration policy were defined.

#### **Remuneration policy features:**

##### **Competitiveness:**

The policy is defined by comparison with the global market and practices of comparable companies, information provided by the main studies carried out in Portugal and European markets, currently serving as reference for the market studies of Mercer and HayGroup.

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 competences of the statutory governing body and of the individual member, as well as the degree of direct correlation between individual performance and business performance.

To determine the values referring to the global market, the median of the applicable market values for fixed remuneration and the third quartile for the remuneration of top executives in Europe are considered. The companies that make up the universe of peer companies for remuneration purposes are the companies that make up the universe of companies with securities admitted to trading on Euronext Lisbon.

##### **Orientation for performance:**

The policy established 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 case of failure to achieve the pre-defined objectives, measured through business and individual KPIs, it will be reduced, totally or partially.

##### **Alignment with the interests of shareholders:**

Part of the Executive Directors variable bonus is deferred for a period of 3 years and the amount depends on the share price performance. This ensures an alignment between the Director, the interests of the Shareholders and the medium term performance, aimed at business sustainability.

##### **Transparency:**

All aspects of the remuneration structure are clear and openly disclosed, internally and externally, through the publication of the documents on the Company's website. This communication process helps to promote equity and independence.

##### **Reasonableness:**

The policy aims at ensuring a balance between the interests of the Company, the market positioning, the expectations and motivation of the members of the governing bodies and the need to retain talent.

The Remuneration and Compensation Policy applicable to corporate bodies and Company officers adheres to the community guidelines, national legislation and the recommendations of the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG) released in 2018, in accordance with the Protocol established between the IPCG and the Securities and Exchange Commission (CMVM), on 13 October, which introduced a model of self-regulation of the corporate governance recommendation regime.

### 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 and the total remuneration is close to the market third quartile.

#### Our benchmark/peer companies

- At Sonae Capital the remuneration policy is determined in comparison with the overall market and the practices of comparable companies, according to information obtained from the main studies carried out in Portugal and in European markets. Currently, the market surveys conducted by Mercer and the Hay Group are used as references.
- The average value for top managers in Europe is used to determine the figures for the overall market. The companies that make up the pool of comparable companies are those included in the Portuguese stock market index, the PSI-20.

### 69.3 Risk control in relation to remunerations

A Sonae Capital reviews its remuneration policy annually as part of its risk management process in order to ensure that it is entirely consistent with its desired risk profile. During 2019, no payment practice were found that may pose 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 Capital has in place internal control procedures concerning remuneration policy, which target the identification of potential risks posed by the policy.

On the one hand, the variable remuneration structure is designed in such a way as to discourage excessive risk-taking behaviour, to the extent that remuneration is linked to the evaluation of performance. Definition of objective KPIs enables this method to work as an efficient control mechanism.

On the other hand, Sonae Capital policy does not allow for agreements aimed at minimising the essence of the Medium Term Variable Bonus to be concluded. This restriction includes transactions aimed at eliminating or minimising the risk of fluctuation in share prices.

### 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 Remuneration Committee, in accordance with the approved internal procedure.

## 70. Structure of the remuneration of Directors

### 70.1 Executive Directors

The fixed remuneration of the Executive Directors is determined according to the level of responsibility of the Board of Directors and is reviewed annually.

According to Sonae Capital's remuneration policy, in addition to the fixed remuneration, the Executive Directors also benefit from an incentive plan, also called variable bonus.

The variable bonus is awarded in the first quarter of the year following the year to which it regards and depends on the previous year performance, aiming to motivate and compensate the Executive Directors for achieving pre-defined objectives. It is divided in two parts:

- a) Short Term Variable Bonus (STVB), paid in cash, through profit sharing or not, in the first half year following the year to which it regards.
- b) Medium Term Variable Bonus (MTVB), paid after an additional 3 years deferral period and in the year following this period.

The various components of the annual remuneration are clearly shown in the following table:

Remuneration	Components	Description	Objective	Market positioning
<b>Fixed</b>	Base Salary	Annual salary (in Portugal the annual fixed salary is paid in 14 monthly amounts)	Adequacy to the status and responsibility of the Director	Median
<b>Variable</b>	Short term variable bonus (STVB)	Performance bonus paid in the first half of the following year, after the financial results for the year have been calculated	Aims to ensure the competitiveness of the remuneration package and link remuneration to the Company objectives	Third quartile
	Medium term variable bonus (MTVB)	Compensation deferred for three years, being that the amount awarded depends on the share price performance		

The cash payment of the variable premium can be made by any of the modalities of extinction of the obligation provided for in the Law and in the Articles of Association.

According to the remuneration policy approved at the Shareholders' General Meeting of 29 April 2019, there is no plan for the attribution of options for the acquisition of shares.

## 70.2 Non-Executive Directors

The remuneration of Non-executive Directors is determined by reference to market values and the following principles: (1) attribution of a fixed remuneration (2) attribution of an annual responsibility allowance. No remuneration is paid in the form of a variable bonus.

## 71. Variable component of the remuneration for Executive Directors

The variable bonus is discretionary in nature and, given that its value depends on the achievement of objectives, payment is not guaranteed. The variable bonus is calculated annually and the value of the predefined objective varies between 30% and 60% of the total annual remuneration (fixed remuneration and objective value of the variable bonus).

The variable component of the remuneration is calculated based on performance assessment of a set of performance indicators relating to the various businesses which are primarily economic and financial in nature – «Key Performance Indicators of Business Activity» (Business KPIs). The content of the performance indicators and their specific weight in

determining the effective remuneration ensure the alignment of the Executive Directors with the strategic objectives defined and the compliance with the legal regulations governing the company business.

The value of each bonus has a minimum limit of 0% and a maximum limit of 140% of the predefined target.

### 72. Deferral of payment of the variable component of the Remuneration

The payment of at least 50% of the variable component of the remuneration for the year to which it regards is deferred for a period of three years, in a total of four years, as provided for in section 70.1 (Medium Term Variable Bonus).

### 73. Criteria for awarding variable remuneration in Shares and for its maintenance

#### Features of the Medium Term Variable Bonus (MTVB)

The MTVB is one of the components of Sonae Capital's Remuneration Policy. This component differs from the others as it has a restricted and casuistic character, being subject to the eligibility rules set out for that purpose.

The MTVB allows the eligible people to share with shareholders the value that is created as a result of their direct influence on the strategy definition and management of the underlying businesses, in the proper measurement of the annual assessment of their performance.

#### MTVB Scheme

The MTVB constitutes a way of aligning the Executive Directors' interests with the organisation's objectives, reinforcing their commitment and strengthening the perception of the importance of their performance for the success of Sonae Capital, reflected in the share market capitalisation.

#### Eligibility Criteria

The Executive Directors of the Company and its subsidiaries are eligible to receive a MTVB plan, as stated in the Remuneration policy, approved at the Shareholders' General Meeting of 29 April 2019. Accordingly, employees are also eligible for the MTVB attribution, to whom, through this policy, the Plan is applicable.

Eligible Members	Reference value of the MTVB
	% of total target variable remuneration
Executive Directors of the Company	At least 50%
Executive Directors of Business Units	At least 50%
Other Employees	Terms to be defined by each Company's Board of Directors

#### Duration of the Plan

The MTVB Plan is set out on a period of four years, including the year to which it relates and a three-year deferral period.

#### Valuation of the MTVB plan

The MTVB is valued at the date of attribution at prices that are representative of the price of the share, on the stock market in Portugal, considering for this purpose the most favourable value corresponding to the closing quotation of the first business day following the Shareholders' General Meeting or the average price (considering for determining the average price the closing price in the 30 trading days prior to the date of the Shareholders' General Meeting).

Members entitled to MTVB have the right to acquire a number of shares corresponding to the division between the amount of MTVB granted and the price of the share at the date of attribution calculated under the terms of the previous paragraph.

In the event that, after the attribution of the right and before its exercise, there is a distribution of dividends, changes in the nominal value of shares, changes in the share capital of the Company or any other change in the capital structure of the Company with an impact on the economic expression of the attributed rights, the number of shares for which the acquisition right has been attributed will be adjusted to an equivalent number taking into account the effect of the referred changes.

In line with the affirmation of a policy to reinforce the alignment of Executive Directors with the Company's long-term interests, the Remuneration Committee may, at its own discretion, graduate the percentage of discount granted to Executive Directors in the acquisition of shares, determining a co-participation in the acquisition of shares to be borne by those in an amount corresponding to a percentage of the price of the shares, with a maximum limit of 5% of their price on the date of the transfer of the securities. The other employees who have been granted that right acquire the shares under the conditions established by the Board of Directors of each Company.

#### **Delivery by the Company**

At the moment of the exercise of the share acquisition right under MTVB, 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.

#### **MTVB plan vesting**

The acquisition right of the shares attributed by the MTVB become due at the end of the deferral period.

#### **Conditions of exercise of the right to acquire shares**

The right to exercise the acquisition right of shares attributed under the MTVB plan expires if the contractual link between the member and the Company ceases before the three year period subsequent to its attribution, notwithstanding situations included in the following paragraphs.

The right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member or to his/her heirs on the vesting date.

In case of retirement of the Director, the attributed right can be exercised in the respective vesting date.

#### **74. Criteria for attribution of the variable remuneration in options**

The Company did not establish any variable remuneration in options, having fully complied with the remuneration and compensation policy of the Governing Bodies and Directors, approved at the Annual Shareholders' General Meeting of 29 April 2019.

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

The main parameters and reasoning regarding the variable remuneration system are described in the remuneration policy approved by the Shareholders' General Meeting of the 29 April 2019, available at <https://www.sonaecapital.pt/en>, having been fully complied with by the Company.

#### **76. Main characteristics of the complementarity pension on early retirement schemes for the Directors and date of their approval at the General Meeting**

The Company does not have any complementary pension or early retirement schemes for Directors, as stated in the remuneration policy approved by the Shareholders' General Meeting of 29 April 2019.



#### IV. DISCLOSURE OF REMUNERATION

**77. Indication, in aggregate and individual amount, of the annual remuneration earned by the members of the Company's Board of Directors, including fixed and variable remuneration, and with a reference to the different components giving rise to the variable remuneration**

During 2019, remuneration and other payments made to the members of the Board of Directors, were as follows:

Name	Fixed Remuneration	Short Term Variable Remuneration <sup>1</sup>	Deferred Performance Bonus <sup>2</sup>	Total	Fixed/Variable Remuneration Ratio
Amounts in euros					
Duarte Paulo Teixeira de Azevedo	142.300	0	0	<b>142.300</b>	[100%, 0%]
Álvaro Carmona e Costa Portela	79.300	0	0	<b>79.300</b>	[100%, 0%]
Maria Cláudia Teixeira Azevedo	37.300	0	0	<b>37.300</b>	[100%, 0%]
Francisco de La Fuente Sánchez	37.300	0	0	<b>37.300</b>	[100%, 0%]
Paulo José Jubilado Soares de Pinho	37.300	0	0	<b>37.300</b>	[100%, 0%]
Isabel Maria Pereira Aníbal Vaz	26.233	0	0	<b>26.233</b>	[100%, 0%]
Ângelo Gabriel Ribeirinho dos Santos Paupério	0	0	0	<b>0</b>	[100%, 0%]
<b>Sub-total</b>	<b>359.733</b>	<b>0</b>	<b>0</b>	<b>359.733</b>	-
Miguel Jorge Moreira da Cruz Gil Mata	168.178	81.550	81.550	<b>331.278</b>	[51%, 49%]
Ivone Maria Pinho Teixeira da Silva	150.271	66.800	66.800	<b>283.871</b>	[53%, 47%]
Pedro Manuel Martins Bruno	128.044	49.900	49.900	<b>227.844</b>	[56%, 44%]
<b>Sub-total</b>	<b>446.493</b>	<b>198.250</b>	<b>198.250</b>	<b>842.993</b>	-
<b>Total</b>	<b>806.226</b>	<b>198.250</b>	<b>198.250</b>	<b>1.202.726</b>	-

1. Amounts paid in 2020, corresponding to the performance of 2019.

2. Amounts corresponding to the performance of 2019.

#### **78. Any amounts paid by other controlled or group companies, or those under shared control**

No amounts were paid other than those described above by any controlled or group company, or any company under shared control.

#### **79. Remuneration paid in the form of profit-sharing and/or payment of bonuses and the reasons for granting those bonuses and/or profit-sharing**

The variable bonus for the Executive Directors was determined in accordance with the performance assessment and the remuneration policy approved at the Shareholders' General Meeting on 29 April 2019, as detailed in section 71 and shown in the remuneration table under section 77 above.

The bonus paid in the form of profit-sharing is included in the Short Term Variable Bonus listed in the table under section 77 above.

**80. Compensations paid or due to former Executive Directors as a result of loss of office**

No compensation is due or paid by the Company to a former Executive Director. Given that the remuneration and compensation policy maintains the principle of not contemplating the attribution of compensation to the Directors or members of the other governing bodies, associated with the termination of mandate, whether this termination occurs at the end of the respective term, or if there is an early termination for any reason or justification, without prejudice to the obligation of the Company to comply with the legal provisions in force in this matter.

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

In 2019, the members of the Statutory Audit Board of Sonae Capital, SGPS, S.A. received the following fixed remuneration (no other type of remuneration was paid):

Name	Remuneration
António Monteiro de Magalhães	10.300€
Manuel Heleno Sismeiro	8.300€
Susana Catarina Iglésias Couto Rodrigues de Jesus	8.300€

The remuneration received by the Statutory External Auditor is detailed in section 47 above.

**82. Remuneration of the Chairman of the Shareholders' General Meeting in the year under review**

During 2019, the Chairman of the Shareholders' General Meeting received, as fixed remuneration, the amount of 5.000 euros.

**V. Agreements with remuneration implications****83. Contractual limitations on compensation to be paid upon the Director's dismissal without due cause and its relation with the variable component of remuneration**

The Remuneration and Compensation Policy approved in Shareholders' General meeting maintains the principle of not attributing compensation to directors associated with the termination of mandate, without prejudice to the Company's obligation to comply with the legal provisions in force in this matter.

**84. Reference to the existence and description, stating the sums involved, of the agreements between the Company and members of the Board of Directors or persons discharging managerial responsibilities, 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 individual contracts with Directors, in order to define the methodology for calculating possible compensations, in case of dismissal, unfair dismissal or termination of the employment relationship following a change in control of the Company.

## VI. Share attribution plans or stock options

### 85. Identification of the plan and recipients

The share attribution plan, with the conditions defined in section 73, includes the variable component of the remuneration, with the recipients being the Executive Directors, as well as the employees of the Group's companies, in accordance to terms to be defined by the respective Boards of Directors.

### 86. Plan features

The attribution plan is described in the sections 71 to 73.

The remuneration and compensation policy for the governing bodies, as well as the current share attribution plan, were approved at the Shareholders' Annual General Meeting held on 29 May 2019, upon proposal presented by the Remuneration Committee, in compliance with Article 2 of Law no. 28/2009 of 19 June and the 2013 CMVM Recommendation II.3.4.

The referred resolutions taken at the Shareholders' Annual General Meeting can be found in:

<https://www.sonaecapital.pt/en/corporate-governance/shareholders-general-meeting>.

The ongoing MTVB plans for the Executive members of the Board of Directors of Sonae Capital in 2019 can be summarised as follows:

Director	Plan (Performance Year)	Award Date	Vesting Date	Amount Vested and Paid off in 2019	Share Price at Award Date	# Attributed Shares	Plans value at award date	Open Plans Value
								(31.12.19)
Miguel Jorge Moreira da Cruz Gil Mata	2015	Mar/16	Mar/19	98.928				
	2016	Mar/17	Mar/20		0,827	96.167	61.500	72.414
	2017	Mar/18	Mar/21		0,961	73.488	60.700	55.336
	2018	Mar/19	Mar/22		0,8902	81.790	66.728	61.588
Ivone Maria Pinho Teixeira da Silva	2015	Mar/16	Mar/19	108.623				
	2016	Mar/17	Mar/20		0,827	96.167	61.500	72.414
	2017	Mar/18	Mar/21		0,961	76.153	62.900	57.343
	2018	Mar/19	Mar/22		0,8902	75.039	61.221	56.504
Pedro Manuel Martins Bruno (*)	2015	Mar/16	Mar/19	43.618				
	2016	Mar/17	Mar/20		0,797	30.321	22.148	22.832
	2017	Mar/18	Mar/21		0,797	31.599	23.878	23.794
	2018	Mar/19	Mar/22		0,797	66.849	54.539	50.337

(\*) Assignment of contractual position, using the quotation of 30 November 2018 for conversion of Sonae shares into Sonae Capital shares.

**87. Option rights granted to acquire shares («stock options») where the beneficiaries are the Company employees**

During 2019, the remuneration policy approved by the Shareholders' General Meeting of 29 April 2019 did not approve any plan for the attribution of stock options.

**88. Control mechanisms included in any system of employee participation in the share capital where the voting rights are not exercised directly by the employees**

There are no mechanisms established to control employees' participation in the Company' share capital.

**E. E. TRANSACTIONS WITH RELATED PARTIES****I. Control mechanisms and procedures****89. Mechanisms implemented by the Company for monitoring transactions with related parties (reference made to the concept arising from IAS 24)**

The Company conducts transactions with related parties based on principles of rigor, transparency and strict observance of legal market rules. Such transactions are subject to specific administrative procedures that result from normative impositions, namely those related to transfer pricing rules, or the voluntary adoption of internal checks and balances systems, namely reporting or formal validation processes, depending on the value of the transaction.

Pursuant to the Regulations of the Board of Directors and the Statutory Audit Board, the Executive Committee will notify the Board Audit and Finance Committee and the Statutory Audit Board of any transaction, in an amount exceeding 10 million euros, to be executed between the Company and any of its shareholders holders of qualifying holdings or with any related party.

Together with the notification for the completion of the transaction, the Executive Committee must present to the Board Audit and Finance Committee and the Statutory Audit Board the procedures adopted to ensure that the transaction is carried out under normal market conditions and that any potential conflicts of interest are safeguarded. The Board Audit and Finance Committee and the Statutory Audit Board will have eight days (a period that can be extended if the complexity of the transaction in question requires to do so) to request additional information necessary to issue the respective opinions and, if deemed appropriate, exchange information regarding the respective conclusions.

After obtaining all the relevant information, the Statutory Audit Board will issue its opinion on the transactions submitted to it.

In addition, the Board of Directors, in the person of its Secretary, is responsible for reporting, on a half-yearly basis, to the Board Audit and Finance Committee and the Statutory Audit Board: (i) transactions carried out between the Company and shareholders with qualified holdings that exceed one million euros and (ii) transactions carried out between the Company and related parties that exceed 20 thousand euros and which are known to it. The report should include all completed transactions, above the mentioned value, even on a recurring basis, as well as those that are in the process of being concluded if, in relation to the latter, adequate information is already available.

In 2019, the Statutory Audit Board was regularly informed of transactions with related parties, and detailed information was provided whenever justified.

During the year, there was no need, according to the current regulation, to obtain any prior approvals.

**90. Transactions subject to control in the year under review**

In accordance with the foregoing in 10, during 2019, there were no commercial or other significant relationships between the holders of qualified holdings or with related parties and the Company. Businesses or transactions with holders of qualifying holdings or with non-significant companies held by them are part of the normal activity of Sonae Capital's subsidiaries and are carried out under normal market conditions.

Transactions with the Statutory External Auditor relating to services other than Audit services were approved by the Statutory Audit Board and are detailed in point 47 of this report.

Transactions with companies in a controlling or group relationship were carried out under normal market conditions and are part of the Company's normal activity. In 2019, there were no commercial or other relationships between holders of qualifying holdings and the Company.

**91. Description of the procedures and criteria applicable to the intervention of the Statutory Audit Board for the purpose of conducting a prior assessment of the transactions to be concluded between the Company and holders of qualified shareholding or entities that are in relation with them, under the terms of Article 20 of the Portuguese Securities Code**

The procedures and criteria were already mentioned in section 87 above.

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

Relevant information on transactions with related parties can be found in note 45 of the Consolidated Financial Statements' Appendix and in note 20 of the Individual Financial Statements' Appendix, available on the Company's website: <https://www.sonaecapital.pt/en> (Corporate Governance tab, Shareholder's General Meeting section).

## 2. ASSESSMENT OF CORPORATE GOVERNANCE

### 1. Identification of the adopted Corporate Governance Code

This Corporate Governance Report provides a description of the Corporate Governance structure, policies and practices followed by the Company and complies with the standards of the article 245-A of the Portuguese Securities Code and the information duties required by the Portuguese Securities Commission (CMVM) Regulation no. 4/2013 of 1 August. This Report additionally discloses, in light of the principle «comply or explain», the terms of compliance by the Company with the Portuguese Institute of Corporate Governance (IPCG) Recommendations contained in the IPCG Corporate Governance Code.

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

The requirements for the provision of information demanded by article 3 of Law no. 28/2009 of 19 June, articles 447 and 448 of the Portuguese Companies Code, article 245-A of the Portuguese Securities Code and of CMVM Regulation no. 7/2018, have also been fulfilled.

The Company adopted the Corporate Governance Code published by Portuguese Institute of Corporate Governance (IPCG).

Sonae Capital also complies with other internal rules that have been adopted, which are relevant to the structure of its Corporate Governance, namely Regulations of the Board of Directors, Committees and Statutory Audit Board, internal rules of conduct and transparency, in particular, the Code of Conduct, rules on transactions of officers, transactions with related parties and transactions with holders of qualified shareholdings.

All the rules and regulations mentioned in this Report are publicly available at [www.cmvm.pt](http://www.cmvm.pt).

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

Sonae Capital has been promoting the implementation and adoption of the Corporate Governance best practices, supporting its policy on high standards of ethics and social responsibility.

The Board of Directors aims to implement an integrated and effective management of the Group, which will allow value creation by the Company, promoting and ensuring the legitimate interests of Shareholders, employees and stakeholders, while encouraging transparency in the relationship with investors and the market.

In this context, it is worth highlighting that from the 117 sub-recommendations included in the new Corporate Governance Code of the IPCG, the Company fully adopted 110, 2 justified considering the grounds equivalent to the adoption of the sub-recommendations in question and 5 are not applicable to it, which means the full and complete adoption of the applicable recommendations.

#### I. General Provisions

##### General Principle:

**Corporate governance should promote and enhance companies and capital markets performance, as well as consolidate the confidence of investors, employees and the general public in the quality and transparency of management and supervision and in the sustainable development of the companies.**

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

### Principle:

**Companies and, in particular, their directors must treat shareholders and other investors fairly ensuring, namely, mechanisms and procedures for the appropriate treatment and disclosure of information.**

### Recommendations:

**I.1.1. The company should established 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: SECTIONS 29, 38, 51, 55, 56, 59 TO 65 OF THIS REPORT, as well as that declared by Sonae Capital in the light of the recommendations I.3.1. and I.3.2.

Under the terms of article 11 of the Regulation of the Board of Directors, the Chairman of the Board of Directors and of all the Committees, as well as the Independent Senior Director, in a timely and appropriate manner, assured the required information flow needed to the exercise of the legal and statutory duties and responsibilities of all corporate bodies and committees streamlining, namely, in a non-restrictive manner, the necessary resources to convening the calls, minutes and supporting documents to the decisions taken.

This flow of information is facilitated by the fact that the Board of Directors, the Executive Committee and the Board Audit and Finance Committee have the same Secretary, which is the person responsible for the preparation, wording and treatment of the information, as well as for its disclosure, for the purposes referred to in the preceding paragraph.

As for the Statutory Audit Board, one of its mains duties and responsibilities is to ensure, in a close cooperation with the Board of Directors and with the Committees comprised by the latter, a timely and adequate flow of information that allows for the correct exercise of competences and duties of each of the governing bodies. Also, in accordance with the Regulation of the Statutory Audit Board, this corporate body may participate in the meetings of the Board of Directors whenever convened and considered appropriate and should participate in all the meetings in which the annual accounts are analysed and may demand any necessary information. Furthermore, in accordance with the same Regulation, the Board Audit and Finance Committee shall inform the Statutory Audit Board about the reports presented to the Board of Directors regarding the efficiency of the Company's audit structure.

The Company also has an Investor Relations Office that provides regular and relevant information to the investors and the financial community, ensuring the recording of the relevant interlocations, in order to enhance the quality of its performance, providing also all the recommended information in Portuguese and in English in its website: <https://www.sonaecapital.pt/en>.

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

### Principle:

**I.2.A Companies ensure the diversity in the composition of the respective governing bodies and the adoption of criteria of individual merit in the respective designation processes, which are of the exclusive competence of shareholders.**

**I.2.B Companies must be provided with clear and transparent decision-making structures and ensure the maximum efficiency of the functioning of their bodies and commissions.**

### Recommendations:

**I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, suitable with 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: SECTIONS 15 AND 31 OF THIS REPORT

The Company prepared and approved a Code of Conduct which was disclosed in Portuguese and English on its website, which contains its Diversity Policy, including also, in accordance with article 245-A paragraph 1 - r) and paragraph 2 of the Portuguese Securities Code, a detailed description of the referred policy in the Annual Report, namely in the Sustainability chapter. This policy lists a very strict criteria which mainly focus on (i) the professional qualification which needs to be aligned with the renewal of the members of the governing bodies, in order to ensure compatibility between the seniority and the need to assure different professional paths, in order to avoid a monolithic thinking; (ii) gender diversity; (iii) the diversity of knowledge and (iv) age diversity, with no restrictive view on age limits for the exercise of corporate functions.

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

RECOMMENDATION FULLY ADOPTED: SECTIONS 22, 23, 27, 29, 34 AND 35 OF THIS REPORT

The Company's management and supervisory bodies and their internal committees have their own Regulations, in which are defined their competences, duties and functions, with the record of each meeting of these bodies being recorded in the minutes.

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

RECOMMENDATION FULLY ADOPTED: SECTION 61 OF THIS REPORT

All Regulations are available in Portuguese and English on the Company's website: <https://www.sonaecapital.pt/en>.

**I.2.4. The composition, the number of the 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: SECTION 62 OF THIS REPORT

The composition of the management, supervisory and internal committees of the Company, as well as the number of their annual meetings, is available in Portuguese and English on the Company's website: <https://www.sonaecapital.pt/en>.

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

RECOMMENDATION FULLY ADOPTED: SECTIONS 38 AND 49 OF THIS REPORT

The Regulation of the Statutory Audit Board determines its competences regarding the mechanisms of detection and prevention of irregularities, and the Company has also implemented a policy of Communication Irregularities that is available on the Company's website - <https://www.sonaecapital.pt/en> - and covers the entire perimeter of the Sonae Capital Group.



In order to permanently and proactively ensure the detection and prevention of irregularities, the Company has instituted the appropriate risk identification and prevention mechanisms, monitored by the internal audit and by each of the departments responsible for their prevention, whose configuration and monitoring is consistently made by the Company's management and supervisory bodies.

Regarding employees, the Company periodically conducts surveys in order to measure the social environment of each business and corporate and shared services, as well as approving and publishing a code of good conduct for preventing and combating harassment.

### I.3. Relationships between the company bodies

#### Principle:

**The members of the governing bodies, especially Directors, should create the conditions so that, in accordance with the responsibilities of each body, it is ensured that weighted and efficient measures are taken and, equally, so that the various bodies of the Company act in a harmonious and articulated way and with adequate information for the exercise of their respective functions.**

#### Recommendations:

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

RECOMMENDATION FULLY ADOPTED: SECTIONS 21, 29 AND 38 OF THIS REPORT

*Vide* section I.1.1 of the current chapter.

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

*Vide* section I.1.1 of the current chapter.

### I.4. Conflicts of interest

#### Principle:

**Current or potential conflicts of interest between members of governing bodies or committees and society must be prevented. It must be ensured that the conflicting member does not interfere in the decision-making process.**

#### Recommendations:

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

RECOMMENDATION FULLY ADOPTED: SECTIONS 29, 89 AND 90 OF THIS REPORT

Pursuant to Article 10 of the Regulation of the Board of Directors, members must, by reference to Article 8, promptly inform the respective body or committee about facts that may constitute or cause a conflict between their interests and the interests of the Company, as well as the members of the Statutory Audit Board must, under the terms of article 5, paragraph 2, point c) of the respective Regulation, promptly inform the respective body on time about the facts that put (or may eventually put) the member of the Statutory Audit Board in conflict of interest.

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

RECOMMENDATION FULLY ADOPTED

In accordance with article 10 of the Regulation of the Board of Directors, the members of this governing body shall, by reference to article 8, promptly inform the respective governing body or committee about facts that may constitute or cause a conflict between their own interests and the interests of the Company. The member who, in accordance with the preceding paragraph, declares to be in conflict of interest, shall not interfere in the decision-making process, without prejudice to the duty of providing information and clarifications that the governing body, the committee or its members may request.

The mechanism for preventing conflicts of interest by members of the Statutory Audit Board is described in the response to recommendation I.4.1. Simultaneously, as supervisory body its functions include the due assessment regarding incompatibility and impediment.

## I.5. Related party transactions

**Principle:**

**Due to the potential risks that it entail, transactions with related parties must be justified by the interest of the Company and carried out under market conditions, subject to the principles of transparency and adequate supervision.**

**Recommendations:**

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

RECOMMENDATION FULLY ADOPTED: SECTIONS 89 AND 90 OF THIS REPORT

The managing and supervisory bodies approved, and included in their regulations, the rules to be observed on the Company's transactions with both Shareholders with qualified holdings and with related parties, still having a formal internal procedure in place, both with a view to obtaining the opinion of the Statutory Audit Board and the Board Audit and Finance Committee, prior to approval by the Board of Directors of business with Shareholders with qualified holdings or with related parties, when such transactions involve an amount above 10 million euros.

**I.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: SECTION 89 OF THIS REPORT

The Secretary of the Board of Directors is responsible for reporting, on a biannual basis, to the Board Audit and Finance Committee and the Statutory Audit Board (i) transactions executed between the Company and shareholders owning

qualified shareholdings exceeding 1 million euros and (ii) transactions carried out between the Company and related parties that exceed 20 thousand euros, and that the Company knows of.

Still regarding the intervention of the Board of Directors in the approval of these transactions, it should be emphasised that the latter did not delegate the approval of transactions with related parties to any committee, but reinforced the procedure for guaranteeing the execution of transactions with related parties, under market conditions, with the express request of an opinion issued by its independent Directors at the Board Audit and Finance Committee.

## II. Shareholders and General Meetings

### Principles:

**II.A. The proper involvement of shareholders in corporate governance is a positive factor of corporate governance, as an instrument for the efficient functioning of the Company and for the realization of the corporate purpose.**

**II.B. The Company must promote the personal participation of the Shareholders in the Shareholders' General Meeting, as a space for the communication of the shareholders with the governing bodies and committees and for reflection on the Company.**

**II.C. The company must also allow Shareholders to participate in the Shareholders' General Meeting by telematic means, postal voting and, in particular, electronic voting, except when this proves to be disproportionate taking into account, namely, 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: SECTION 12 OF THIS REPORT

The Company encourages its Shareholders to participate in Shareholders' 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: SECTIONS 13 AND 14 OF THIS REPORT

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: SECTION 12 OF THIS REPORT

The Company makes available to the Shareholders the voting being made by post and by electronic means.

In addition, the Company makes available on its website, from the date notice of meeting for each Shareholders' General Meeting, standard documents designed to facilitate access to the information necessary for the issuance of the communications to be made by the Shareholders to ensure their presence at the meeting, as well as providing an electronic address for the clarification of all doubts and for receiving all communications of participation in the Shareholders' General Meeting.

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

RECOMMENDATION ADOPTED WITH EXPLANATION

The participation of shareholders in the Shareholders' General Meeting by telematic means is duly foreseen in the Company's Articles of Association.

However, the Company has never used these means, since it deems that the shareholders' right to participate in the Meeting is not restricted, given that shareholders have available all the other means to exercise their right to vote - by postal or by electronic means, as explained in the preceding paragraph.

Furthermore, it should be noted that even voting by electronic means has never been used by Shareholders, up to the current date, nor has any request been made to the Company to implement voting by telematic means.

The Investor Relations Office, responsible for, among other matters, managing the relationship between Sonae Capital and current and potential investors, with the purpose of improving their knowledge and understanding of the Company, remains in constant contact with potential investors and with minority Shareholders not having received, up to the current date, any feedback in order to conclude that the implementation of telematic means could constitute an increasing factor of Shareholders' inflow to the Shareholders' General Meetings.

As such, the Company believes that Shareholders prefer physical presence at the Shareholders' General Meetings, even though the cost of implementing telematic means was considered disproportionate in light of the principle described in point II.C.

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

RECOMMENDATION NOT APPLICABLE

The Articles of Association do not establish any limitation to the number of votes that may be issued 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: SECTIONS 4 AND 84 OF THIS REPORT

The Company does not unilaterally adopt policies causing any of the restrictions listed in the recommendation. The contracts signed by the Company reflect the defense of the corporate interest with a view to the long-term sustainability of the businesses in the context of market conditions.

### III. Non-Executive Management, Monitoring and Supervision

**Principles:**

**III.A. The members of governing bodies with Non-Executive and supervisory functions must exercise, in an effective and careful way, a supervisory function and challenge the Executive management for the full realization of the corporate purpose, and such action must be complemented by committees in central areas of corporate governance.**

**III.B. The composition of the supervisory body and the group of Non-Executive Directors must provide the Company with a balanced and adequate diversity of skills, knowledge and professional experiences.**

**III.C. The supervisory body must conduct a permanent supervision of the Company's management, also in a preventive perspective, following the Company's activity and, in particular, decisions of greater importance to the latter.**

**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: SECTION 17 OF THIS REPORT

The independent Directors appointed, among themselves, a coordinator to act, in accordance with the best corporate governance practices, as an interlocutor with the Chairman of the Board of Directors and with the other directors, whenever necessary, in order to ensure that they have the set of conditions and means necessary for the performance of their duties and coordinate them in the performance assessment by the management body, having been appointed for this purpose Álvaro Carmona e Costa Portela.

**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: SECTIONS 17, 18, 29, 31 AND 32 OF THIS REPORT

Regarding the Board of Directors, this body consists of a total of 10 members, of which 7 are Non-Executive. As for the Statutory Audit Board, it is made up of 3 members and for the Board Audit and Finance Committee, it is composed of 2 independent Non-Executive Directors.

The Company is of the view that the composition of the aforementioned bodies and committees is in line with the recommendation.

**III.3. In any case, the number of Non-Executive Directors should be higher than the number of Executive Directors.**

RECOMMENDATION FULLY ADOPTED: SECTION 18 OF THIS REPORT

The Board of Directors is composed by a total number of 10 members and 7 of them are Non-Executive.

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

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

- ii. Having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;
- iii. Having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;
- iv. Having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;
- v. Having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or
- vi. Having been a qualified holder or representative of a shareholder of qualifying holding.

RECOMMENDATION FULLY ADOPTED: SECTION 18 OF THIS REPORT

The Board of Directors is composed of ten members, seven of whom are Non-Executive members, with four independent Non-Executive members, in compliance with the independence criteria of this recommendation, as described in section 18 of this Report.

The maintenance of the independence conditions is checked periodically, with the independent Directors being bound to the duty of immediate notification of the occurrence of any fact that determines the loss of that quality.

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

RECOMMENDATION NOT APPLICABLE

The Company does not have any Director in such situation.

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

RECOMMENDATION FULLY ADOPTED: SECTION 21 OF THIS REPORT

Non-Executive Directors independently exercise the permanent supervision of the Executive Committee's activity, playing a relevant and influential role in the decision-making process on structural issues, namely in the definition and implementation of the strategy and main policies, structure of the portfolio and assessment of compliance with these resolutions. This participation is carried out both as members of the Board of Directors and as members of the specialised committees, whose composition they integrate, corresponding to the scope of the powers not delegated to the Executive Committee.

**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: SECTIONS 37 AND 38 OF THIS REPORT

The Board of Directors, as the body responsible for defining the Company's strategy and main policies, proactively ensures the internal control and risk management system. The Statutory Audit Board assesses the effectiveness of those systems, proposing the optimisation measures that it deems necessary and giving its opinion on them in its annual report, made available together with the other accountability documents, at <https://www.sonaecapital.pt/en/investors/financial-information>.

In addition to the description contained in this Report, these duties are reflected in the Regulations of the Board of Directors and on the one of its Internal Committees as well as in the Regulations of the Statutory Audit Board, all available at <https://www.sonaecapital.pt/en/corporate-governance/regulation>.

**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: SECTION 29 OF THIS REPORT

The Board of Directors established two specialised internal committees that continuously exercised their duties throughout 2019, with the purpose of advising and enhancing the quality of its activity: the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee, whose powers are described in point 29 of this Report and whose terms of reference are accessible through the electronic address <https://www.sonaecapital.pt/en/corporate-governance/regulation>.

**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: SECTIONS 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: SECTIONS 29 AND 38 OF THIS REPORT

The Board of Directors proactively ensures the internal control and risk management system. The Board Audit and Finance Committee evaluates the operational procedures implemented by the Company in order to guarantee the monitoring of internal control and the efficient management of risks. The Statutory Audit Board establishes with the internal audit the action plan to be developed, supervises its activity, receives periodic reports on the activity carried out, assesses the results and conclusions drawn, assesses the existence of any irregularities and issues the guidelines it deems appropriate.

The article 4 (2) of the Regulations of the Statutory Audit Board states that the Board Audit and Finance Committee will inform the Audit Committee about the reports submitted by it to the Board of Directors concerning the efficiency of the Company's audit structure, namely with regard to: i) quality and independence of the internal audit function; ii) scope of the internal audit functions and their interaction with the external auditor; iii) periodic activity reports by the external auditor and the internal auditor; iv) any facts of which it is aware and which may affect the independence of the external auditor, the Statutory Audit Board is responsible for assessing the effectiveness of the risk control and management systems, proposing the optimization measures it deems necessary and providing its opinion on them in its annual report.

**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: SECTION 38 OF THIS REPORT

The Statutory Audit Board establishes with the internal audit the action plan to be developed, supervises its activity, assessing its adequacy in terms of means and objectives, is the recipient of periodic reporting of the activity carried out, namely with regard to financial information and accountability, prevention of conflicts of interest and assessment of the existence of any irregularities, as well as evaluating the results and conclusions obtained and issuing the guidelines that it deems convenient, as described in section 38 of this Report.

## IV. Executive Management

### Principles:

**IV.A. In order to increase the efficiency and quality of the performance of the management body and the adequate flow of information to this body, the day-to-day management of the company must be conducted by Executive Directors with the qualifications, skills and experience appropriate to the role. Executive management is responsible for managing the Company, pursuing its objectives and aiming to contribute to its sustainable development.**

**IV.B. When determining the number of Executive Directors, it should be considered - apart from the costs and desirable operational agility of the Executive management -, the size of the Company, the complexity of its activity and its geographic dispersion.**

### 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: SECTION 29 OF THIS REPORT

The Board of Directors delegated the daily management of the Company to the Executive Committee, whose powers are described in this Annual Corporate Governance Report, and it approved the respective operating regulations.

The Regulation of the Board of Directors available at <https://www.sonaecapital.pt/en/corporate-governance/regulation> and the policy of conflicts of interest in force determine that the exercise, by any member of the Board of Directors, of corporate role or significant activity outside the Group that has not been authorized by the Shareholders' General Meeting, must be previously approved by the Board of Directors by means of an opinion issued by BAFC, cf. Regulation of the Board of Directors available at <https://www.sonaecapital.pt/en/corporate-governance/regulation>.

**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: SECTION 21 OF THIS REPORT

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



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

RECOMMENDATION FULLY ADOPTED: SECTIONS 21, 29, 38, 51 AND 54 OF THIS REPORT

The Board of Directors is incumbent of, under the terms of article 3 of the Regulations of this body, and, as a non-delegable competence, the approval of the main policies of the Company, including the risk policy, as well as the monitoring of significant risks and the profile of general risks of Sonae Capital, assisted by the Board Audit and Finance Committee, which reports to the Board of Directors on a regular basis the actions developed and the conclusions reached and proposes the action plans to be developed, with the goal of proactively ensuring control and the Company's risk management system, all in accordance with section 54 of the 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: SECTION 38 OF THIS REPORT

Based on the risk matrix established by the Management, it is the responsibility of the Statutory Audit Board, under the terms of its Regulation, to monitor the effectiveness of the risk management system, the internal control system and the internal audit system, following the internal system of risk management, drawing up an annual assessment and recommendations report addressed to the Management.

The Board Audit and Finance Committee also informs the Statutory Audit Board about the reports it has submitted to the Board of Directors regarding the efficiency of the Company's audit structure, namely with regard to the quality and independence of the internal audit function, the scope of the internal audit functions and its interaction with the statutory external auditor, circulating periodic activity reports from the external auditor and the internal auditor and making this body aware of any facts that it is aware and which may affect the independence of the statutory external auditor.

## V. Evaluation of Performance, Remuneration and Appointments

### V.1 Annual Evaluation of Performance

**Principle:**

**The company must promote the performance assessment of the Executive body and its members individually and also of the overall performance of the management body and the specialized Committees constituted within it.**

**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 WITH JUSTIFICATION

The performance assessment of the management body is carried out in accordance with the principles, valuations and rules established in the Remuneration and Compensation policy presented by the Remuneration Committee and approved annually in the Shareholders' General Meeting.

The Remuneration Committee, elected in the Shareholders' General Meeting, is responsible for approving the remuneration of the members of the Board of Directors and other governing bodies. The Board Nomination and Remuneration Committee

supports the Remuneration Committee in the development of its function of assessing the performance of Executive Directors.

The Board of Directors conducts a periodic assessment of its performance and the performance of the internal committees it establishes. Given that the objectives of the Board of Directors are typically fixed for the entire duration of the mandate, the Company believes that the assessment referred in this recommendation, even though it takes place, should only occur after approximately half of the mandate. Exceptionally, the assessment in question may be carried out outside the period indicated, in the event of a substantial change in the composition of the Board of Directors. In 2019, the Board of Directors promoted a Board Self-Assessment process. In addition to the aforementioned performance assessments, this process also includes assessing the contribution of the various members and their committees, as well as identifying a set of recommendations in order to optimise the functioning and the relationship between the various bodies.

**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: SECTION 38 OF THIS REPORT

The Statutory Audit Board exercised the powers that are described in section 38 of this Government Report, having accordingly supervised the Management, risk management and other responsibilities that are assigned to it, including those arising from the principles of interaction between the supervising body and the Management in order to prevent conflict of interest situations. The Statutory Audit Board did not issue any opinion or warning regarding compliance with the strategic plan and the budget, having acted in accordance with the legal rules that determine its competence, capacity and duty to intervene.

## V.2 Remuneration

### Principle:

**The remuneration policy for the members of the management and supervisory bodies should allow the Company to attract, at a cost economically justified by their situation, qualified professionals, to induce the alignment of interests with those of Shareholders - taking into account the wealth effectively created by the Company, its economic situation and that of the market - and constitute a factor in the development of a culture of professionalization and promotion of merit and transparency in 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: SECTIONS 24, 67 AND 69 TO 76 OF THIS REPORT

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

RECOMMENDATION FULLY ADOPTED: SECTION 69 OF THIS REPORT

The declaration on the Company's remuneration policy has the guidelines provided for in section 69 and is in line with this recommendation. The Remuneration Committee, elected at the Shareholders' General Meeting, is the body responsible for evaluating the performance and approving the remuneration of the members of the Board of Directors and other governing bodies, representing the Shareholders, in accordance with the statement on the remuneration policy approved by the Shareholders in the Shareholders' 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, 19 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 remuneration policy presented to the Annual Shareholders' General Meeting of 29 April 2019 includes all the elements listed in the applicable legislation.

The other information included in this Recommendation is contained in documents - Corporate Governance Report and Management Report - also submitted for approval by Shareholders.

The remuneration policy statement is available at <http://www.sonaecapital.pt/en>. It is stated that no agreements have been concluded that determine the attribution of compensation to the Directors associated with the termination of mandate, or that establish the possibility of requesting the refund of a variable remuneration, without prejudice to the obligation of the Company to comply with the legal provisions in force in this matter.

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

RECOMMENDATION NOT APPLICABLE

The Articles of Association do not provide for the payment of pensions. The approved remuneration policy does not establish any pension benefits system and entails the principle of non-payment of compensations due to the dismissal or Directors termination of office, without prejudice to the applicable legal provisions.

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

RECOMMENDATION FULLY ADOPTED: SECTION 66 OF THIS REPORT

The Remuneration Committee is in line with this recommendation and appoints the member representing it at the Shareholders' General Meeting.

**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: SECTION 24 OF THIS REPORT

The principles to which consulting services are contracted are described in section 24 of this Report. In accordance with paragraph 2 of article 5 of the Regulations of the Board of Directors and of the Committees, the Remuneration Committee must ensure that the entities that provide services are not contracted to provide any other services to the Company or its subsidiaries, without the express authorisation of the Committee.

## V.3 Directors' Remuneration

### Principle:

**Directors must receive a compensation that:**

- (i) **adequately remunerates the responsibility assumed, the availability and the competence placed at the service of the Company;**
- (ii) **ensures a performance aligned with the long-term interests of Shareholders, as well as others that they expressly define;**
- (iii) **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: SECTIONS 69 TO 75 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 29 APRIL 2019

According to the statement on the remuneration policy, the remuneration of the members of the Board of Directors who exercise Executive functions, the variable component is based on the performance of those directors, measured according to the predetermined criteria and is built in such a way that aligns its performance with the Company's sustainability and stable Shareholder interest, discouraging excessive risk-taking.

**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: SECTIONS 71, 72 AND 86 OF THIS REPORT

In accordance with the remuneration policy approved at the Annual Shareholders' General Meeting held on 29 April 2019, proposed by the Remuneration Committee, a portion of not less than fifty percent of the variable remuneration is deferred for a period of three years and paid in the year following the end of the latter, being its value dependent on the performance of the Company over that period, since it is indexed to the share price.

**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: SECTION 73 OF THIS REPORT

The approved remuneration policy does not include the attribution 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: SECTION 70.2 OF THIS REPORT AND DECLARATION ON THE REMUNERATION POLICY APPROVED ON 29 APRIL 2019

The remuneration of the Non-Executive members of the Board of Directors is made up exclusively of a fixed amount, without any connection to the performance of the Company or its value.

**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: SECTION 69.1 OF THIS REPORT

The remuneration and compensation policy approved at the Annual Shareholders' General Meeting held on 29 April 2019 incorporates the principle of not contemplating the attribution of any compensation to the Director, or to a member of the other governing bodies, associated with the termination of mandate, whether this termination occurs at the end of the respective period, whether there is an early termination for any reason or justification, without prejudice to the obligation of the Company to comply with the legal provisions in force in this matter.

## V.4. Appointments

### Principle:

**V.4. Regardless of the type of appointment, the profile, knowledge and curriculum of the members of the governing bodies and management boards, they must be adapted to the function to be performed.**

### 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: SECTIONS 15, 16, 29 AND 31 OF THIS REPORT

The Company approved the Diversity Policy in its Code of Conduct which is available for consultation at <https://www.sonaecapital.pt/en/corporate-governance/regulation>.

That policy was applied in the election of the members of the Management and Supervisory Bodies held at the Shareholders' General Electoral Meeting of 3 May 2018 and in the subsequent Shareholders' General Meetings that proceeded to the election of members of the governing bodies.

Regarding the exercise of the power of co-optation of the Board of Directors, the Board Nomination and Remuneration Committee is responsible for identifying potential candidates for the position of Director with the appropriate profile for the exercise of management functions, according to the criteria and values defined by the Company and included in its Code of Conduct and Diversity Policy.

**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: SECTIONS 27, 29 AND 67 OF THIS REPORT

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

RECOMMENDATION FULLY ADOPTED: SECTIONS 29 AND 67 OF THIS REPORT

The Board Nomination and Remuneration Committee is entirely composed of Non-Executive Directors, the majority of whom are independent.

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors, is a Non-Executive member of this body and, in order to guarantee independence in the exercise of the aforementioned functions, this member abstains from discussion or resolution in which there is, or may be, a conflict of interest. The two additional members that make up the Board Nomination and Remuneration Committee are independent.

**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: SECTION 29 OF THIS REPORT

Concerning the functions of the Board Nomination and Remuneration Committee, defined by the management body in the respective Regulation, it has the role of identifying potential candidates with a profile for the performance of Director functions (in particular when the Board of Directors exercises its function of cooptation of members), preparing general information regarding replacement plans, contingency plans and talent management, in general for the members of the Board of Directors as well as for other officers, through transparent selection processes, which include effective identification mechanisms for potential candidates taking into account the requirements of the function, merit and adequate diversity for the Company, namely gender. The Board Nomination and Remuneration Committee must also comply with the Company's Diversity Policy and the Plan for Gender Equality, under the terms approved by the Board of Directors.

## VI. Risk Management

### Principle:

**Based on the medium and long term strategy, the Company should establish a risk management and control system and internal audit that allows anticipating and minimizing the risks inherent to the activity carried out.**

### Recommendation:

**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: SECTION 51 TO 54 OF THIS REPORT

The Board of Directors determines the Company's strategic plan and risk policy, defining and monitoring the presence of risk levels considered acceptable. The Board Audit and Finance Committee reports to the Board of Directors, on a regular basis, the conducted actions and conclusions drawn, and proposes the action plans to be developed, in order to proactively ensure the internal control and risk management system of the Company's risks.

**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: SECTION 50 TO 55 OF THIS REPORT

Internal risk control systems are established by the Board of Directors with the appropriate components and referred to in the sections indicated above.

**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: SECTIONS 38 AND 54 OF THIS REPORT

The Board of Directors has instituted a system for the permanent assessment of the performance of the risk management system, which is appropriate to optimise adaptation to new circumstances or contingencies.

## VII. Financial Information

### Principles:

**VII.A. The supervisory body should, independently and diligently, ensure that the management body fulfils its responsibilities in choosing appropriate accounting policies and criteria and in establishing adequate systems for financial reporting, risk management, internal control and internal audit.**

**VII.B. The supervisory body must promote an adequate articulation between the work of the internal audit and the statutory audit.**

### 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: SECTION 38 OF THIS REPORT

The internal Regulation of the supervisory body observes the rules contained in this recommendation.

**Statutory Audit of Accounts and Supervision:**

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

- i. The criteria and the process of selection of the statutory external auditor;
- ii. The methodology of communication between the company and the statutory external auditor;
- iii. The monitoring procedures destined to ensure the independence of the statutory external auditor;
- iv. The services, besides those of accounting, which may not be provided by the statutory external auditor.

RECOMMENDATION FULLY ADOPTED: SECTIONS 37 AND 38 OF THIS REPORT

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

**VII.2.2. The supervisory body should be the main interlocutor of the statutory external 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: SECTION 38 OF THIS REPORT

It is the responsibility of the Statutory Audit Board to supervise the activity and independence of the Statutory External Auditor and Auditor, by interacting directly with them in terms of their competences and the rules of operation included in the Regulation of the Statutory Audit Board.

**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: SECTION 38 OF THIS REPORT AND THE ANNUAL REPORT OF THE STATUTORY AUDIT BOARD

The Statutory Audit Board annually assesses the Statutory External Auditor. Such assessment is included in its annual report and opinion, and is made available together with all other accounting documents at <https://www.sonaecapital.pt/en> (Corporate Governance tab, Shareholder's General Meeting section).

**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: SECTIONS 38, 51 AND 55 OF THIS REPORT

The Statutory External Auditor has commented on the activity carried out by himself in 2019 under the terms of his annual audit report subject to the appreciation of the Annual Shareholders' General Meeting and available at <https://www.sonaecapital.pt/en/corporate-governance/shareholders-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: SECTION 38 OF THIS REPORT

The Statutory Auditor declares himself in line with the content of this Recommendation.

It is the responsibility of the Statutory Audit Board to supervise the activity of the Statutory External Auditor and to primarily receive its reports, interacting directly with him in terms of its powers and the operating rules contained in the Regulation of the Statutory Audit Board.

### 3. ANNEX TO THE CORPORATE GOVERNANCE REPORT

Duarte Paulo Teixeira de Azevedo

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

Age: 54

Nationality: Portuguese

#### Education:

- Licentiate degree in Chemical Engineering - École Polytechnique Fédérale de Lausanne (1986)
- Master in Business Administration - MBA – Porto Business School (1989)

#### Offices held in companies of the Group:

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#### Offices held in other companies/entities:

- Chairman of the Board of Directors of Efanor Investimentos, SGPS, S.A.
- Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.
- Chairman of the Board of Directors of Sonae Arauco, S.A.
- Chairman of the Board of Directors of Sonae, SGPS, S.A.
- Chairman of the Board of Directors of Migracom, S.A.
- Member of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, S.A.
- Member of the Board of Directors of Efanor – Serviços de Apoio à Gestão, S.A.
- Member of the Board of Directors and of the Executive Committee of Fundação Belmiro de Azevedo
- Member of the Board of Directors of BA Glass I - Serviços de Gestão e Investimentos, S.A.
- Chairman of the Installation Committee of BIOPOLIS Project
- Member of ERT - European Round Table of Industrialists
- Member of the International Advisory Board of Allianz, SE
- Partner and Manager of OKUK, Lda

#### Other positions held previously:

- Chairman of the Board of Directors of Sonae MC, SGPS, S.A.  
(previously denominated as Sonae Investimentos, SGPS, S.A.)
- Chairman of the Board of Directors of Sonaecom, SGPS, S.A.
- Vice-Chairman of the Board of Directors of Sonae Industria, S.A.
- Chairman of the Executive Committee of Sonae SGPS, S.A.
- Chairman of the Board of Curators of Universidade do Porto
- Chairman of the Board of Directors of Sonae – Specialized Retail, SGPS, S.A.

- Member of the Board of Directors of COTEC Portugal
- Member of the Board of Curators of Fundação Belmiro de Azevedo
- Chairman of the Board of Directors of Sonae Center Serviços II, S.A. (currently Sonae MC, Serviços Partilhados, S.A.)
- Member of Consejo Iberoamericano para la Productividad y la Competividad
- Chairman of the Board of Directors and Co-CEO of Sonae SGPS, S.A.
- Since 2008 – Member of ERT - European Round Table of Industrialists
- Since 2013 – Member of the International Advisory Board of Allianz, SE
- Since May 2016 – Chairman of the Board of Directors of Sonae Arauco Portugal, S.A

#### Álvaro Carmona e Costa Portela

Vice-Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 67

Nationality: Portuguese

#### Education:

- Licentiate degree in Mechanical Engineering – FEUP (1974)
- Master in Business Administration – MBA (Universidade Nova de Lisboa – 1983)
- AMP / ISMP – Harvard Business School (1997)

#### Offices held in companies of the Group:

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#### Offices held in other companies/entities:

- Non-Executive Director of Casa Agrícola HMR, S.A.
- Non-Executive Director of COPAM – Companhia Portuguesa de Amidos, S.A.
- Director of Fundação Victor e Graça Carmona e Costa
- Manager of Portela & Portela, Lda.
- Director of Fundação Belmiro de Azevedo
- Vice-Chairman of FPAK – Federação Portuguesa de Automobilismo e Karting

#### Other positions held previously:

- Non-Executive Director of Sonae SGPS, S.A
- Non-Executive Director of SPDI – SECURE PROPERTY Development & Investment, PLC
- Member of the Investment Committee of ECE European Prime Shopping Centre Fund, Luxembourg

Maria Cláudia Teixeira de Azevedo  
 Non-Executive Director of Sonae Capital, SGPS, S.A.  
 Age: 50  
 Nationality: Portuguese

**Education:**

- Licentiate degree in Management from Universidade Católica do Porto
- MBA from INSEAD

**Offices held in companies of the Group:**

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**Offices held in other companies/entities:**

- Chairman of the Board of Directors of Imparfin, SGPS, S.A.
- Chairman of the Board of Directors of Linhacom, SGPS, S.A.
- Chairman of the Board of Directors of Praça Foz – Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of Sonae MC, SGPS, S.A.
- Member of the Board of Directors of BA – Business Angels, SGPS, S.A.
- Member of the Board of Directors of BA – Capital, SGPS, S.A.
- Member of the Board of Directors of Casa Agrícola de Ambrães, S.A.
- Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
- Member of the Board of Directors of Efanor – Serviços de Apoio à Gestão, S.A.
- Member of the Board of Directors and of the Executive Committee of Fundação Belmiro de Azevedo
- Member of the Board of Directors of Público - Comunicação Social, S.A.
- Member of the Board of Directors of Realejo - Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Setimanale - SGPS, S.A.
- Member of the Board of Directors of Sonae FS, S.A.
- Member of the Board of Directors of Sonae Holdings, S.A.
- Member of the Board of Directors of Sonae Sierra, SGPS, S.A. (Chairman of the Board of Directors since May 2019)
- Member of the Board of Directors of Sonaecom, SGPS, S.A.
- Member of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, S.A.
- Member of the Board of Directors of Vistas da Foz – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of ZOPT, SGPS, S.A.
- Member of the Board of Directors of NOS – SGPS, S.A.
- Sole Director of Sekiwi, SGPS, S.A.
- CEO of Sonae - SGPS, S.A.

**Other positions held previously:**

- Chairman of the Board of Directors of CapWatt, SGPS, S.A.
- Chairman of the Board of Directors of Race, SGPS, S.A.
- Chairman of the Board of Directors of SC, SGPS, S.A.
- Chairman of the Board of Directors of SC Hospitality, SGPS, S.A.
- Chairman of the Board of Directors of SC Industrials, SGPS, S.A.
- Chairman of the Board of Directors of Troiaresort, SGPS, S.A.
- Chairman of the Board of Directors of WeDo Consulting, Sistemas de informação, S.A.
- Chairman of the Board of Directors of Bright Development Studio, S.A.
- Chairman of the Board of Directors of Digitmarket – Sistemas de Informação, S.A.
- Chairman of the Board of Directors of GRUPO S 21 SEC GÉSTION, S.A.
- Chairman of the Board of Directors of S21SEC PORTUGAL - CYBERSECURITY SERVICES, S.A.
- Chairman of the Board of Directors of Inovretail, S.A.
- Chairman of the Board of Directors of S.A.phety Level – Trusted Services, S.A.
- Chairman of the Board of Directors of Sonaecom – Ciber Security and Intelligence Services, SGPS, S.A.
- Member of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, S.A.

Francisco de La Fuente Sánchez  
Non-Executive Director of Sonae Capital, SGPS, S.A.  
Age: 78  
Nationality: Portuguese

**Education:**

- Licentiate degree in Electrical Engineer - Instituto Superior Técnico (1965)

**Offices held in companies of the Group:**

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**Offices held in other companies/entities:**

- Co-opted Member of the General Council of Universidade de Lisboa
- Chairman of the Board of the General Meeting of APEDS – Associação Portuguesa de Engenheiros para o Desenvolvimento Social
- Chairman of the Board of the General Meeting of AAAIST – Associação de Antigos Alunos do Instituto Superior Técnico
- Honorary Chairman of Hidroeléctrica del Cantábrico, S.A.
- Member of the Remuneration Committee of Sonae SGPS, S.A. e da Sonaecom, SGPS, S.A.

- Member of the Representatives Assembly of Ordem dos Engenheiros
- Member of the Advisory Board of ATEC - Academia de Formação
- Member of the Board of Trustees of the Fundação Luso-Brasileira
- Member of the Board of Trustees of the Fundação Luso-Espanhola
- Member of the Foro Ibero América
- Member of Patronato da Fundação Hidroeléctrica del Cantábrico

**Other positions held previously:**

- Chairman of ELECPOR – Associação Portuguesa das Empresas do Sector Eléctrico
- Chairman of the Board of Directors and Executive Committee of EDP – Electricidade de Portugal, SA
- General Director of Direcção de Distribuição Tejo, EDP
- Central Commercial Director of EDP
- Director of Hidroeléctrica del Cantábrico, SA (Spain)
- Non-Executive Chairman of CERJ - Companhia de Electricidade do Rio de Janeiro, SA (Brasil)
- Non-Executive Chairman of the Board of Directors of EFACEC
- Member of the General and Supervision Council of Millennium BCP – Banco Comercial Português
- Non-Executive Chairman of the Board of Directors of ONI
- Non-Executive Director of GALP Energia
- Non-Executive Director of BVLP – Bolsa de Valores de Lisboa e Porto
- Co-opted member of the Council of the School Instituto Superior Técnico
- Chairman of the National Council of Colégio de Engenharia Electrotécnica from Ordem dos Engenheiros
- Member of the Advisory Board of Instituto Português de Corporate Governance
- Chairman of Fundação EDP
- Advisory Member of Ordem dos Engenheiros
- Member of Academia de Engenharia

Paulo José Jubilado Soares de Pinho  
Non-Executive Director of Sonae Capital, SGPS, S.A.  
Age: 57  
Nationality: Portuguese

**Education:**

- Licentiate degree in Economics - Faculdade de Economia da Universidade Nova de Lisboa (1985)
- MBA - Master in Business Administration - Faculdade de Economia da Universidade Nova de Lisboa (1989)
- PhD in Banking and Finance - City University Business School, London (1994)
- Negotiation Analysis - Amsterdam Institute of Finance (2005)
- Advanced Course - European Venture Capital and Private Equity Association (2006)
- Valuation Guidelines Masterclass - European Venture Capital and Private Equity Association (2007)
- Private Equity and Venture Capital Programme - Harvard Business School (2007)

**Offices held in companies of the Group:**

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**Offices held in other companies/entities:**

- Chairman of the General Council of Fundo de Sindicação de Capital de Risco PME-IAPMAI
- Member of the Board of Directors of Change Partners, SCR, S.A.
- Managing Partner of Finpreneur, Ltda.
- Academic Director of the Lisbon MBA (MIT – Católica – Nova)

**Other positions held previously:**

- Chairman of the Statutory Audit Board of Novabase, S.A.
- Member of the Strategic Advisory Board of the Fast Change Venture Capital Fund
- Member of the Board of Directors of Biotecnol, S.A.
- Director (representative in Portugal) of Venture Valuation, Switzerland
- Executive Director of REN – Redes Elétricas Nacionais
- Senior Consultant at New Next Moves Consultants, Portugal
- Associate Professor at the Faculty of Economics, Universidade Nova de Lisboa
- Visiting Professor at Cass Business School, London
- Visiting Professor at the University of Luxembourg

Miguel Jorge Moreira da Cruz Gil Mata  
 Chairman of the Executive Committee of Sonae Capital, SGPS, S.A.  
 Age: 45  
 Nationality: Portuguese

**Education:**

- Licentiate degree in Mechanical Engineering - Faculdade de Engenharia da Universidade do Porto (1998)
- Postgraduate degree in Industrial Maintenance - Faculdade de Engenharia da Universidade do Porto (1999)
- MBA - Porto Business School, Universidade do Porto (2003)

**Offices held in companies of the Group:**

- Chairman of the Board of Directors and Chairman of the Executive Committee of Adira – Metal Forming Solutions, S.A.
- Chairman of the Board of Directors of Agrupamento Complementar de Empresas Atelgen, Produção de Energia, ACE
- Chairman of the Board of Directors of Capwatt, S.A.
- Chairman of the Board of Directors of Agrupamento Complementar de Empresas Capwatt Hectare – Heat Power, ACE
- Chairman of the Board of Directors of Agrupamento Complementar de Empresas Companhia Térmica do Serrado, ACE.
- Chairman of the Board of Directors of Agrupamento Complementar de Empresas Soternix – Produção de Energia, ACE
- Chairman of the Board of Directors of SC Hospitality, S.A.
- Chairman of the Board of Directors of Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
- Chairman of the Board of Directors of SC Industrials, SGPS, S.A.
- Chairman of the Board of Directors of Troiaresort, SGPS, S.A.
- Chairman of the Board of Directors of Suncoutim – Solar Energy, S.A.
- Chairman of the Board of Directors of Agrupamento Complementar de Empresas Feneralt – Produção de Energia, S.A
- Chairman of the Board of Directors of SC SGPS, S.A.
- Chairman of the Board of Directors of SC Fitness, S.A.
- Chairman of the Board of Directors of Andar - Sociedade imobiliária, S.A.
- Chairman of the Board of Directors of Bloco Q – Sociedade Imobiliária,
- Chairman of the Board of Directors of Capwatt ACE, S.A.
- Chairman of the Board of Directors of Capwatt Alrota, Wind Power, S.A.
- Chairman of the Board of Directors of Capwatt Colombo – Heat Power, S.A.
- Chairman of the Board of Directors of Capwatt Decentralized Solar Power, S.A.
- Chairman of the Board of Directors of Capwatt Évora – Solar Power, S.A.
- Chairman of the Board of Directors of Capwatt Ferreira – Solar Power, S.A.
- Chairman of the Board of Directors of Capwatt Maia – Heat Power, S.A.



- Chairman of the Board of Directors of Capwatt Martim Longo – Solar Power, S.A.
- Chairman of the Board of Directors of Capwatt Services, S.A.
- Chairman of the Board of Directors of Capwatt Vale do Caima – Heat Power, S.A.
- Chairman of the Board of Directors of Capwatt Vale do Tejo – Heat Power, S.A.
- Chairman of the Board of Directors of Casa da Ribeira – Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of Centro Residencial da Maia - Urbanismo, S.A.
- Chairman of the Board of Directors of Cinclus - Imobiliária, S.A.
- Chairman of the Board of Directors of Country Club da Maia - Imobiliária, S.A.
- Chairman of the Board of Directors of Empreendimentos Imobiliários da Quinta da Azenha, S.A.
- Chairman of the Board of Directors of Engenho Novo Gás PT, S.A.
- Chairman of the Board of Directors of Imoclub - Serviços Imobiliários, S.A.
- Chairman of the Board of Directors of Imodivor - Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of Imohotel - Empreendimentos Turísticos Imobiliários, S.A.
- Chairman of the Board of Directors of Imoponte - Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of Imopeninsula - Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of Imosedas - Imobiliária e serviços, S.A.
- Chairman of the Board of Directors of Implantação - Imobiliária, S.A.
- Chairman of the Board of Directors of Imoresort - Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of Porturbe - Edifícios e Urbanizações, S.A.
- Chairman of the Board of Directors of Praedium - Serviços, S.A.
- Chairman of the Board of Directors of Praedium II - Imobiliária, S.A.
- Chairman of the Board of Directors of Predisedas - Predial das Sedas, S.A.
- Chairman of the Board of Directors of Promessa - Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of SC Assets, SGPS, S.A.
- Chairman of the Board of Directors of SC Fitness, S.A.
- Chairman of the Board of Directors of Sete e Meio Herdades - Investimentos Agrícolas e Turismo, S.A.
- Chairman of the Board of Directors of Sociedade Construções do Chile, S.A.
- Chairman of the Board of Directors of Soira - Sociedade Imobiliária de Ramalde, S.A.
- Chairman of the Board of Directors of Sotáqua - Sociedade de Empreendimentos Turísticos de Quarteira, S.A.
- Chairman of the Board of Directors of Spinveste - Gestão Imobiliária, SGII, S.A.
- Chairman of the Board of Directors of Spinveste - Promoção Imobiliária, S.A.
- Chairman of the Board of Directors of Troiaresort - Investimentos Turísticos, S.A.
- Chairman of the Board of Directors of Urbisedas - Imobiliária das Sedas, S.A.

- Chairman of the Board of Directors of Vastgoed One - Promoção Imobiliária, S.A.
- Chairman of the Board of Directors of Vastgoed Sun - Promoção Imobiliária, S.A.
- Chairman of the Board of Directors of Vistas do Freixo - Empreendimentos Turísticos e Imobiliários, S.A.
- Chairman of the Board of Directors of SC – Sociedade de Consultadoria, S.A.
- Chairman of the Management Board of Capwatt México, Sociedad de Responsabilidad Limitada de Capital Variable
- Member of the Management of Capwatt Chamusca – Bio Power, Unipessoal, Lda
- Member of the Management of Capwatt Estuário – Heat Power, Unipessoal, Lda.
- Member of the Management of Capwatt IV – Heat Power, Unipessoal, Lda.
- Member of the Management of Capwatt LouS.A.do – Heat Power Unipessoal, Lda.
- Member of the Management of Carvemagere, Manutenção e Energias Renováveis, Lda.
- Member of the Management of Companhia Térmica Tagol, Unipessoal, Lda.
- Member of the Management of Ecofutura Luz Energia, S.L.
- Member of the Management of Futura Carbono, S.L.
- Member of the Management of Futura Energia Inversiones, S.L.
- Member of the Management of Futura Energia Y Gas, SL
- Member of the Management of Green Renewable, S.L.
- Member of the Management of Guimadira – Máquinas e Ferramentas, Unipessoal, Lda.

#### Offices held in other companies/entities:

- Chairman of the Executive Committee of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial
- Chairman of the Executive Committee of COGEN Portugal - Associação Portuguesa de Cogeração e Eficiência Energética
- Member of the Board of IPES – Instituto Português de Energia Solar
- Member of the Management of Vantipal, Lda.

#### Other positions held previously:

- Chief Operating Officer da CapWatt
- Chairman of the Board of Directors of Race, SGPS, S.A.
- Chairman of the Board of Directors of Sopair, S.A.
- Chief Operating Officer of Euroresinas
- Chief Operating Officer of Impaper

Ivone Pinho Teixeira  
Executive Director and CFO of Sonae Capital, SGPS, S.A.  
Age: 47  
Nationality: Portuguese

**Education:**

- Licentiate degree in Economics – Faculdade de Economia do Porto (1995)
- Postgraduate degree in Credit Analysis – Instituto Superior de Gestão Bancária (1996)
- Postgraduate degree in International Taxation – Universidade Católica (2004)

**Offices held in companies of the Group:**

- Member of the Board of Directors of Acrobatic Title, S.A.
- Member of the Board of Directors and Member of the Executive Committee of Adira – Metal Forming Solutions, S.A.
- Member of the Board of Directors of Andar - Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Aqualuz Tróia – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Atlantic Ferries – Tráfego Local, Fluvial e Marítimo, S.A.
- Member of the Board of Directors of Bloco Q – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Capwatt, S.A.
- Member of the Board of Directors of Capwatt ACE, S.A.
- Member of the Board of Directors of Capwatt Alrota, Wind Power, S.A.
- Member of the Board of Directors of Capwatt Services, S.A.
- Member of the Board of Directors of Capwatt Colombo – Heat Power, S.A.
- Member of the Board of Directors of Capwatt Évora – Solar Power, S.A.
- Member of the Board of Directors of Capwatt Ferreira – Solar Power, S.A.
- Member of the Board of Directors of Agrupamento Complementar de Empresas Capwatt Hectare – Heat Power, ACE
- Member of the Board of Directors of Capwatt Decentralized Solar Power, S.A.
- Member of the Board of Directors of Capwatt Maia – Heat Power, S.A.
- Member of the Board of Directors of Capwatt Martim Longo – Solar Power, S.A.
- Member of the Board of Directors of Capwatt Vale do Caima – Heat Power, S.A.
- Member of the Board of Directors of Capwatt Vale do Tejo – Heat Power, S.A.
- Member of the Board of Directors of Casa da Ribeira – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Centro Residencial da Maia – Urbanismo, S.A.
- Member of the Board of Directors of Cinclus - Imobiliária, S.A.
- Member of the Board of Directors of Country Club da Maia – Imobiliária, S.A.
- Member of the Board of Directors of Empreendimentos Imobiliários Quinta da Azenha, S.A.

- Member of the Board of Directors of Engenho Novo Gás PT S.A.
- Member of the Board of Directors of Golf Time – Golfe e Investimentos Turísticos, S.A.
- Member of the Board of Directors of Imobeauty, S.A.
- Member of the Board of Directors of Imoclub – Serviços Imobiliários, S.A.
- Member of the Board of Directors of Imodivor – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imohotel – Empreendimentos Turísticos, S.A.
- Member of the Board of Directors of Imopenínsula – Imobiliária, S.A.
- Member of the Board of Directors of Imoponte – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imoresort – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imosedas – Imobiliária e Serviços, S.A.
- Member of the Board of Directors of Implantação – Imobiliária, S.A.
- Member of the Board of Directors of Inparvi, SGPS, S.A.
- Member of the Board of Directors of Marina de Tróia, S.A.
- Member of the Board of Directors of Marmagno – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Marvero – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Porto Palácio Hotel – Exploração Hoteleira, S.A.
- Member of the Board of Directors of Porturbe – Edifícios e Urbanizações, S.A.
- Member of the Board of Directors of Praedium – Serviços, S.A.
- Member of the Board of Directors of Praedium II – Imobiliária, S.A.
- Member of the Board of Directors of Predisedas – Predial das Sedas, S.A.
- Member of the Board of Directors of PromesS.A. – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of PUMP, S.A.
- Member of the Board of Directors of SC Industrials, SGPS, S.A.
- Member of the Board of Directors of SC, SGPS, S.A.
- Member of the Board of Directors of SC – Sociedade de Consultadoria, S.A.
- Member of the Board of Directors of SC Assets, SGPS, S.A.
- Member of the Board of Directors of SC Finance, BV
- Member of the Board of Directors of SC Fitness, S.A.
- Member of the Board of Directors of SC Hospitality, S.A.
- Member of the Board of Directors of S.I.I. – Soberana – Investimentos Imobiliários, S.A.
- Member of the Board of Directors of Sete e Meio Herdades – Investimentos Agrícolas e Turismo, S.A.
- Member of the Board of Directors of Sociedade Construções do Chile, S.A.
- Member of the Board of Directors of Soira – Sociedade Imobiliária de Ramalde, S.A.

- Member of the Board of Directors of Solinca – Health and Fitness, S.A.
- Member of the Board of Directors of Soltróia – Sociedade Imobiliária de Urbanização e Turismo de Tróia, S.A.
- Member of the Board of Directors of Sotáqua – Sociedade de Empreendimentos Turísticos de Quarteira, S.A.
- Member of the Board of Directors of Spinveste – Gestão Imobiliária, SGII, S.A.
- Member of the Board of Directors of Spinveste – Promoção Imobiliária, S.A.
- Member of the Board of Directors of The Artist Porto Hotel & Bistro – Actividades Hoteleiras, S.A.
- Member of the Board of Directors of The House Ribeira– Exploração Hoteleira, S.A.
- Member of the Board of Directors of Tróia Market – Supermercados, S.A.
- Member of the Board of Directors of Troiaresort – Investimentos Turísticos, S.A.
- Member of the Board of Directors of Troiaresort, SGPS, S.A.
- Member of the Board of Directors of Administração Troiamed - Sociedade de Mediação Imobiliária, S.A.
- Member of the Board of Directors of Tulipamar – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of UP Invest, SGPS, S.A.
- Member of the Management of Urbisedas – Imobiliária das Sedas, S.A.
- Member of the Board of Directors of Vastgoed One - Promoção Imobiliária, S.A.
- Member of the Board of Directors of Vastgoed Sun - Promoção Imobiliária, S.A.
- Member of the Board of Directors of Vistas do Freixo – Empreendimentos Turísticos, S.A.
- Member of the Board of Directors of 2NDROOM - Exploração Hoteleira, S.A.
- Member of the Management of Aqualuz - Turismo e Lazer, Unipessoal, Lda.
- Member of the Management of Capwatt Chamusca – Bio Power, Unipessoal, Lda.
- Member of the Management of Capwatt Estuário – Heat Power, Unipessoal, Lda.
- Member of the Management of Capwatt IV – Heat Power, Unipessoal, Lda.
- Member of the Management of Capwatt LouS.A.do – Heat Power Unipessoal, Lda.
- Member of the Management Board of Capwatt México, Sociedad de Responsabilidad Limitada de Capital Variable
- Member of the Management of Carvemagere, Manutenção e Energias Renováveis, Lda.
- Member of the Management of Companhia Térmica Tagol, Unipessoal, Lda.
- Member of the Management of Ecofutura Luz Energia, S.L.
- Member of the Management of Futura Carbono, S.L.
- Member of the Management of Futura Energia Inversiones, S.L.
- Member of the Management of Futura Energia Y Gas, S.L.
- Member of the Management of Futura Green Renewable, S.A.
- Member of the Management of Guimadira – Máquinas e Ferramentas, Unipessoal, Lda.
- Member of the Management of Urban Fit - Gestão de Health Clubs, Unipessoal, Lda.

- Member of the Management of Urban Fit Foz- Gestão de Health Clubs, Unipessoal, Lda.
- Member of the Management of Urban Fit Gaia - Gestão de Health Clubs, Unipessoal, Lda.
- Member of the Management of Urban Fit Maia - Gestão de Health Clubs, Unipessoal, Lda.

#### Offices held in other companies/entities:

–

#### Other positions held previously:

- Member of the Board of Directors of Race SGPS, S.A.
- Member of the Management Board of Race – Refrigeration & Air Conditioning Engineering, S.A.
- Member of the Board of Directors of Sopair, S.A.
- Chief Financial Officer, Sonae Capital Group
- Corporate Finance Director, Sonae Capital Group

Isabel Maria Pereira Aníbal Vaz

Member of the Board of Directors of Sonae Capital

Age: 54

Nationality: Portuguese

#### Education:

- Licentiate degree in Chemical Engineering (Processes and Industry) from Instituto Superior Técnico de Lisboa (1990)
- MBA with specialisation in Management from Universidade Nova de Lisboa (1994)

#### Offices held in companies of the Group:

–

#### Offices held in other companies/entities:

- Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Luz Saúde, S.A.
- Chairman of the Board of Directors of Hospital da Luz, S.A. (LISBOA)
- Chairman of the Board of Directors of Hospital da Luz – Centro Clínico da Amadora, S.A.
- Chairman of the Board of Directors of Hospital da Arrábida – Gaia, S.A.
- Chairman of the Board of Directors of Casas da Cidade – Residências Sénior de Carnaxide, S.A.
- Chairman of the Board of Directors of Surgicare – Unidades de Saúde, S.A.
- Chairman of the Board of Directors of Hospital da Luz - Oeiras, S.A.
- Chairman of the Board of Directors of RML – Residência Medicalizada de Loures, SGPS, S.A.
- Chairman of the Board of Directors of Vila Lusitano – Unidades de Saúde, S.A.

- Chairman of the Board of Directors of Hospital Residencial do Mar, S.A.
- Chairman of the Board of Directors of Hospor – Hospitais Portugueses, S.A.
- Chairman of the Board of Directors of Casas da Cidade – Residências Sénior, S.A.
- Chairman of the Board of Directors of SGHL – Sociedade Gestora do Hospital de Loures, S.A.
- Chairman of the Board of Directors of CRB – Clube Residencial da Boavista, S.A.
- Chairman of the Board of Directors of Luz Saúde – Serviços, A.C.E.
- Chairman of the Board of Directors of Cliria – Hospital Privado de Aveiro, S.A.
- Chairman of the Board of Directors of Luz Saúde – Unidades de Saúde e de Apoio à Terceira Idade, S.A.
- Chairman of the Board of Directors of Hospital da Luz - Coimbra S.A.
- Chairman of the Board of Directors of Hospital da Luz - Guimarães, S.A.
- Chairman of the Board of Directors of H.M.E. – Gestão Hospitalar, S.A.
- Chairman of the Board of Directors of GLSMED Learning Health, S.A.
- Director of S. C. H. - Sociedade de Clínica Hospitalar S.A.
- Director of Genomed – Diagnósticos de Medicina Molecular, S.A.
- Member of the International Advisory Board of The Lisbon MBA from Universidade Nova de Lisboa

**Other positions held previously:**

- 2009-2018 – Member of the Nova School of Business and Economics Council of Universidade Nova de Lisboa

Pedro Manuel Martins Bruno

Executive Director and Member of the Board of Directors of Sonae Capital, S.A.

Age: 52

Nationality: Portuguese

**Education:**

- Licentiate degree in Applied Mathematics from Universidade Autónoma de Lisboa (1986-1990)

**Offices held in companies of the Group:**

- Member of the Board of Directors of Acrobatic Title, S.A.
- Member of the Board of Directors of Andar – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Aqualuz Tróia – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Atlantic Ferries – Tráfego Local, Fluvial e Marítimo, S.A.
- Member of the Board of Directors of Bloco Q – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Capwatt, SGPS, S.A.
- Member of the Board of Directors of Cas. da Ribeira – Sociedade Imobiliária, S.A.

- Member of the Board of Directors of Centro Residencial da Maia – Urbanismo, S.A.
- Member of the Board of Directors of Cinclus – Imobiliária, S.A.
- Member of the Board of Directors of Country Club da Maia – Imobiliária, S.A.
- Member of the Board of Directors of Empreendimentos Imobiliários da Quinta da Azenha, S.A.
- Member of the Board of Directors of Golf Time – Golfe e Investimentos Turísticos, S.A.
- Member of the Board of Directors of Imobeauty, S.A.
- Member of the Board of Directors of Imoclub - Serviços Imobiliários, S.A.
- Member of the Board of Directors of Imodivor – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imohotel – Empreendimentos Turísticos Imobiliários, S.A.
- Member of the Board of Directors of Imopeninsula – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imoponte – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imoresort – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Imosedas – Imobiliária e Serviços, S.A.
- Member of the Board of Directors of Implantação – imobiliária, S.A.
- Member of the Board of Directors of Marina de Tróia, S.A.
- Member of the Board of Directors of Marmagno – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Marvero – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Porto Palácio Hotel – Exploração Hoteleira, S.A.
- Member of the Board of Directors of Porturbe – Edifícios e Urbanizações, S.A.
- Member of the Board of Directors of Praedium – Serviços, S.A.
- Member of the Board of Directors of Praedium II – Imobiliária, S.A.
- Member of the Board of Directors of Predisedas – Predial das Sedas, S.A.
- Member of the Board of Directors of Promessa – Sociedade Imobiliária, S.A.
- Member of the Board of Directors of PUMP, S.A.
- Member of the Board of Directors of SC – Sociedade de Consultadoria, S.A.
- Member of the Board of Directors of SC, SGPS, S.A.
- Member of the Board of Directors of SC Assets, SGPS, S.A.
- Member of the Board of Directors of SC Fitness, S.A.
- Member of the Board of Directors of SC Industrials, SGPS, S.A.
- Member of the Board of Directors of SC Hospitality, S.A.
- Member of the Board of Directors of Sete e Meio Herdades – Investimentos Agrícolas e Turismo, S.A.
- Member of the Board of Directors of S.I.I. – Soberana – Investimentos Imobiliários, S.A.
- Member of the Board of Directors of Sociedade Construções do Chile, S.A.



- Member of the Board of Directors of Soira – Sociedade Imobiliária de Ramalde, S.A.
- Member of the Board of Directors of Solinca – Health and Fitness, S.A.
- Member of the Board of Directors of Soltróia – Sociedade Imobiliária de Urbanização e Turismo de Tróia, S.A.
- Member of the Board of Directors of Sotáqua – Sociedade de Empreendimentos Turísticos de Quarteira, S.A.
- Member of the Board of Directors of Spinveste – Gestão Imobiliária, SGII, S.A.
- Member of the Board of Directors of Spinveste – Promoção Imobiliária, S.A.
- Member of the Board of Directors of The Artist Porto Hotel & Bistrô – Actividades Hoteleiras, S.A.
- Member of the Board of Directors of The House Ribeira Hotel – Exploração Hoteleira, S.A.
- Member of the Board of Directors of Tróia Market – Supermercados, S.A.
- Member of the Board of Directors of Tróia Natura, S.A.
- Member of the Board of Directors of Troiamed - Sociedade de Mediação Imobiliária, S.A.
- Member of the Board of Directors of Troiaresort – Investimentos Turísticos, S.A.
- Member of the Board of Directors of Troiaresort, SGPS, S.A.
- Member of the Board of Directors of Tulipamar – Exploração Hoteleira e Imobiliária, S.A.
- Member of the Board of Directors of Urbisedas – Imobiliária das Sedas, S.A.
- Member of the Board of Directors of UP Invest, SGPS, S.A.
- Member of the Board of Directors of Vastgoed One – Promoção Imobiliária, S.A.
- Member of the Board of Directors of Vastgoed Sun – Promoção imobiliária, S.A.
- Member of the Board of Directors of Vistas do Freixo – Empreendimentos Turísticos e Imobiliários, S.A.
- Member of the Board of Directors of 2NDROOM – Exploração Hoteleira, S.A.
- Member of the Management of Aqualuz – Turismo e Lazer, Unipessoal, Lda.
- Member of the Management of Urban Fit - Gestão de Health Clubs, Unipessoal, Lda.
- Member of the Management of Urban Fit Foz- Gestão de Health Clubs, Unipessoal, Lda.
- Member of the Management of Urban Fit Gaia - Gestão de Health Clubs, Unipessoal, Lda.
- Member of the Management of Urban Fit Maia - Gestão de Health Clubs, Unipessoal, Lda.

#### Offices held in other companies/entities:

–

#### Other positions held previously:

- Chief Operating Officer of Sonae Turismo / Sonae Capital
- Private Labels Director of Sonae MC

Ângelo Gabriel Ribeirinho dos Santos Paupério  
 Member of the Board of Directors of Sonae Capital, S.A.  
 Age: 60  
 Nationality: Portuguese

**Education:**

- Licenciature degree in Civil Engineering - FEUP (1982)
- Master in Business Administration – MBA (Porto Business School) (1988-1989)

**Offices held in companies of the Group:**

–

**Offices held in other companies/entities:**

- Executive Chairman of the Board of Directors of Sonaecom, SGPS, S.A.
- Non-Executive Chairman of the Board of Directors of Sonae Investment Management – Software and Technology, S.A.
- Non-Executive Chairman of the Board of Directors of Público - Comunicação Social, S.A.
- Member of the Board of Directors of ZOPT, SGPS, S.A.
- Non-Executive Member of the Board of Directors of NOS, SGPS, S.A.
- Member of the Board of Directors of Sonae MC, SGPS, S.A.
- Vice-Chairman of the Board of Directors of Iberian Sports Retail Group, S.L.
- Chairman of the Management Board of Sonae Holdings, S.A.
- Non-Executive Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
- Member of the Board of Directors of Sonae FS, S.A.
- Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
- Member of the Board of Directors of Love Letters - Galeria de Arte, S.A.
- Chairman of the Board of Directors of Enxomil - Consultoria e Gestão, S.A.
- Chairman of the Board of Directors of Enxomil – Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of APGEI (Associação Portuguesa de Gestão e Engenharia Industrial)
- Member of the Board of Directors of Fundação Cargaleiro

**Other positions held previously:**

- Executive Member of the Board of Directors of Sonae Investments BV
- Executive Member of the Board of Directors of Sontel BV
- Executive Vice-Chairman of Sonae - SGPS, S.A.
- Member of the Board of Directors of MDS, SGPS, S.A. (Chairman of the Board of Directors since October 2014)
- Chairman of the Board of Directors of Modelo Continente, SGPS, S.A. (Merger Sonae MC, SGPS, S.A.)

- Vice- Chairman of the Board of Directors of Sonae – Specialized Retail, SGPS, SA (Merger Sonae MC – Modelo Continente, SGPS, S.A.)
- Chairman of the Board of Directors of Sonaerp – Retail Properties, S.A.
- Chairman of the Board of Directors of MDS Auto, Mediação de Seguros, S.A.
- Member of the Higher Council of Universidade Católica Portuguesa
- Member of the Board of Directors of Sonae Center Serviços II, SA (currently Sonae MC – Serviços Partilhados, S.A.)
- Member of the Higher Council of Porto Business School
- Chairman of the Board of Directors of Sonaecom – Serviços Partilhados, S.A.
- Chairman of the Board of Directors of Sonae RE, S.A.
- Chairman of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A.
- Chairman of the Board of Directors of Sonae Financial Services, S.A. (actualmente SFS - Financial Services, IME, SA.)
- Co-CEO da Sonae - SGPS, S.A.
- Chairman of the Board of Directors of SFS, Gestão e Consultoria, S.A.
- Member of the Board of Directors of Sonae Corporate, S.A.

### António Monteiro de Magalhães

Chairman of the Statutory Audit Board of Sonae Capital, SGPS, S.A.

#### Education:

- Licentiate degree in Economics - Faculdade de Economia da Universidade do Porto (1969)

#### Offices held in companies of the Group:

–

#### Offices held in other companies/entities:

- Partner and Director of Sociedade António Magalhães & Carlos Santos – Sociedade de Revisores Oficiais de Contas (since its founding, in 1989)
- Member of the Statutory Audit Board Cin – Corporação Industrial do Norte, S.A.
- Chairman of the Board of the Representative Assembly of Ordem dos Revisores Oficiais de Contas - 2018/2020 mandate
- Member of the Representative Assembly of the Ordem dos Economistas - 2018/2020 mandate

#### Other positions held previously:

- Chairman of the Superior Council of the Ordem dos Revisores Oficiais de Contas - 2012/2014 and 2015/2017 mandates
- Member of the Statutory Audit Board of Montepio Holding, SGPS, S.A. and Montepio Investimento, S.A. - 2008/2010, 2011/2013 and 2014/2016 mandates

- Chairman of the Statutory Audit Board of Nexponor – Sociedade Especial de Investimento Imobiliário de Capital Fixo – SICAFI, S.A. - 2013/2015 mandate
- Member of the Representative Assembly of the Ordem dos Economistas - 2016/2017 mandate

Manuel Heleno Sismeiro

Member of the Statutory Audit Board of Sonae Capital, SGPS, S.A.

**Education:**

- Accountant, ICL, Lisbon (1964)
- Licentiate degree in Finance, ISCEF, Lisbon (1971)

**Offices held in companies of the Group:**

–

**Offices held in other companies:**

- Chairman of the Statutory Audit Board of Sonae Arauco Portugal, S.A.
- Chairman of the Statutory Audit Board of OCP Portugal – Produtos Farmacêuticos, S.A.
- Member of the Statutory Audit Board of Sonae, SGPS, S.A.

**Other positions held previously:**

- Since 2008 - Consultant, expert in the areas of internal audit and internal control

Susana Catarina Iglésias Couto Rodrigues de Jesus

Member of the Statutory Audit Board of Sonae Capital, SGPS, S.A.

**Education:**

- Licentiate degree in Management - Faculdade de Economia, Universidade do Porto (1998)
- Postgraduate degree in Risk Management and Derivatives, organized by Universidade Católica Portuguesa and the former Oporto Derivatives Exchange (2000)

**Offices held in companies of the Group:**

–

**Offices held in other companies/entities:**

- Chairman of the Statutory Audit Board of Flexdeal – Sociedade de Investimento Mobiliário para Fomento da Economia, S.A.
- Chairman of the Statutory Audit Board of Bright Ventures Capital, SCR, S.
- Member of the Statutory Audit Board of Banco Primus, S.A.

- Member of the Statutory Audit Board of Mota Engil, SGPS, S.A
- Member of the Statutory Audit Board, as Statutory External Auditor, of Associação Porto Digital
- Member of the Statutory Audit Board, as Statutory External Auditor, of Lusa - Agência de Notícias de Portugal, S.A.
- Sole Auditor acting as Statutory External Auditor of Comissão de Coordenação e Desenvolvimento Regional do Norte
- Sole Auditor acting as Statutory External Auditor of Imocapital, S.A
- Sole Auditor acting as Statutory External Auditor of Oftaline, S.A.
- Sole Auditor acting as Statutory External Auditor of Agência para o Investimento e Comércio Externo de Portugal, E.P.E.
- Sole Auditor acting as Statutory External Auditor of Gestão e Obras do Porto, E.M.

**Other positions held previously:**

- Since June 2007-January 2015 - Chairman of the Statutory Audit Board of Finibanco Vida - Companhia de Seguros de Vida, S.A
- 2009-2017 – Member of the Working Group of PME of Ordem dos Revisores Oficiais de Contas
- October 2012-September 2018 – Member of the Supervisory Committee acting as Statutory External Auditor, of Autoridade de Supervisão de Seguros e Fundos de Pensões
- March 2013-July 2016 – Member of the Statutory Audit Board of Nexponor – Sociedade Especial de Investimento Imobiliário de Capital Fixo – SICAFI – S.A.
- February 2013-December 2017 - Sole Auditor acting as Statutory External Auditor of Alvorada do Norte, S.A
- October 2014-July 2018 – Sole Auditor of Ambar Passion, S.A., acting as Statutory External Auditor
- October 2014-July 2018 – Sole Auditor of Ambar – Ideias no Papel, S.A., acting as Statutory External Auditor Since February 2011 – Sole Auditor of Gestão e Obras do Porto, E.M

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**SONAE CAPITAL**



# FINANCIAL STATEMENTS



31 December  
2019



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PART III



**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

31 December  
2019

## SONAE CAPITAL, SGPS, SA

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

[Amounts expressed in euro]

ASSETS	Notes	31 December 2019	31 December 2018
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	10	260 554 068	266 257 880
Assets held for use	10	66 216 081	-
Intangible assets	11	9 585 320	10 697 642
Goodwill	12	33 637 373	52 024 808
Investments in associated companies and joint ventures	6	1 667 459	1 623 907
Other investments	7	454 391	670 435
Deferred tax assets	19	20 671 070	22 997 895
Other debtors	13	9 960 667	12 200 567
<b>Total non-current assets</b>		<b>402 746 429</b>	<b>366 473 134</b>
<b>CURRENT ASSETS:</b>			
Inventories	14	49 143 560	63 263 441
Trade account receivables	15	52 643 690	25 461 559
Other debtors	16	15 988 511	18 801 075
Income tax receivable	17	3 515 743	3 165 031
Other taxes receivable	17	5 219 702	4 754 203
Other current assets	18	6 204 313	11 781 569
Financial instruments	25	15 824 463	-
Cash and cash equivalents	20	7 587 355	7 558 360
<b>Total Current Assets</b>		<b>156 127 337</b>	<b>134 785 238</b>
<b>Assets held for sale</b>	48	<b>54 941</b>	<b>668 342</b>
<b>TOTAL ASSETS</b>		<b>558 928 705</b>	<b>501 926 714</b>

EQUITY AND LIABILITIES	Notes	31 December 2019	31 December 2018
<b>EQUITY:</b>			
Share capital	21	250 000 000	250 000 000
Own Shares	21	(1 105 573)	(1 192 808)
Reserves	21	(22 857 612)	9 859 511
Retained earnings		3 781 885	3 781 885
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital	45	(14 024 708)	(3 860 952)
Equity attributable to the equity holders of Sonae Capital		<u>215 793 992</u>	<u>258 587 636</u>
Equity attributable to non-controlling interests	22	<u>2 184 277</u>	<u>9 440 091</u>
<b>TOTAL EQUITY</b>		<b>217 978 269</b>	<b>268 027 727</b>
<b>NON-CURRENT LIABILITIES:</b>			
Bank loans	23	24 641 703	32 414 510
Bonds	23	55 092 987	14 883 910
Finance lease creditors	23 & 24	-	11 981 704
Lease liabilities	33	57 738 403	-
Other loans	23	-	145 706
Other non-current liabilities	26	8 008 222	1 312 947
Deferred tax liabilities	19	12 432 090	12 984 582
Provisions	31	3 123 285	3 079 824
Total Non-Current Liabilities		<u>161 036 690</u>	<u>76 803 183</u>
<b>CURRENT LIABILITIES:</b>			
Bank Loans	23	56 567 612	21 836 060
Bonds	23	2 000 000	42 500 000
Finance lease creditors	23 & 24	-	3 527 494
Lease liabilities	33	17 697 925	-
Other loans	23	2 213 099	48 788
Financial Instruments	25	9 565 632	-
Trade creditors	28	31 993 293	27 233 514
Other creditors	29	14 898 754	18 799 992
Income tax payable	17	1 097 187	4 738 097
Other taxes payable	17	3 051 974	3 163 907
Other current liabilities	30	37 448 497	26 344 927
Provisions	31	2 907 863	3 286 698
Total Current Liabilities		<u>179 441 836</u>	<u>151 479 477</u>
Liabilities associated with assets held for sale	48	<u>471 909</u>	<u>5 616 327</u>
<b>TOTAL LIABILITIES</b>		<b>340 950 435</b>	<b>233 898 987</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>558 928 705</b>	<b>501 926 714</b>

The accompanying notes are part of these financial statements.

The Board of Directors

## SONAE CAPITAL, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	Notes	31 December 2019	31 December 2018
Sales	34	172 918 850	140 786 679
Services rendered	34	111 678 671	81 891 278
Other operating income	35	11 241 859	10 709 804
Cost of sales	14	(141 748 852)	(89 297 579)
Changes in stocks of finished goods and work in progress	36	(8 382 619)	(4 839 055)
External supplies and services	37	(54 732 937)	(65 071 606)
Staff costs	38	(44 048 751)	(41 526 342)
Depreciation and amortisation	10 & 11	(32 360 910)	(24 383 655)
Provisions and impairment losses on non-financial assets (Increases)/Decreases	31	(3 242 072)	1 826 939
Provisions and impairment losses on financial assets (Increases)/Decreases	31	1 181 488	47 368
Other operating expenses	39	(7 715 731)	(6 034 341)
<b>Operational profit/(loss)</b>		<b>4 788 995</b>	<b>4 109 489</b>
Financial Income	40	1 388 496	389 277
Financial Expenses	40	(7 859 839)	(4 212 871)
<b>Net financial income / (expenses)</b>		<b>(6 471 343)</b>	<b>(3 823 594)</b>
<b>Profit/(Loss) in associated and jointly controlled companies measured using the equity method</b>	6	<b>303 238</b>	<b>444 700</b>
<b>Investment income</b>	41	<b>(10 216 802)</b>	<b>281 075</b>
<b>Profit/(Loss) before taxation</b>		<b>(11 595 913)</b>	<b>1 011 671</b>
Taxation	42	563 476	805 629
<b>Profit/(Loss) for the year - continued operations</b>		<b>(12 159 389)</b>	<b>206 046</b>
<b>Profit/(Loss) for the year - discontinued operations</b>		<b>(139 003)</b>	<b>(3 466 883)</b>
<b>Profit/(Loss) for the year</b>	43	<b>(12 298 392)</b>	<b>(3 260 839)</b>
Attributable to:			
Equity holders of Sonae Capital		(14 024 708)	(3 860 952)
Non-controlling interests	22	1 283 289	600 113
Profit/(Loss) per share - continued operations			
Basic	45	(0,056)	(0,00159)
Diluted	45	(0,056)	(0,00159)
Profit/(Loss) per share - discontinued operations			
Basic	45	(0,0006)	(0,01397)
Diluted	45	(0,0006)	(0,01397)

The accompanying notes are part of these financial statements.

The Board of Directors

## SONAE CAPITAL, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE  
FOR THE 4<sup>TH</sup> QUARTER 2019 AND 2018

[Amounts expressed in euro]

	Notes	4 <sup>th</sup> Quarter 2019 *	4 <sup>th</sup> Quarter 2018 *
Sales		71 442 800	63 709 010
Services rendered		42 794 874	18 540 992
Other operating income		4 350 342	4 861 797
Cost of sales		(80 154 654)	(46 740 272)
Changes in stocks of finished goods and work in progress		(4 239 795)	(2 041 011)
External supplies and services		(13 653 693)	(18 849 652)
Staff costs		(10 733 627)	(10 907 048)
Depreciation and amortisation		(7 722 582)	(6 460 290)
Provisions and impairment losses (Increases)/Decreases		(2 615 600)	2 147 443
Other operating expenses		(3 118 686)	(733 507)
<b>Operational profit/(loss)</b>		<b>(3 650 620)</b>	<b>3 527 463</b>
Financial Income		487 912	336 681
Financial Expenses		(1 922 908)	(1 139 540)
<b>Net financial income / (expenses)</b>		<b>(1 434 996)</b>	<b>(802 859)</b>
<b>Profit/(Loss) in associated and jointly controlled companies measured using the equity method</b>		<b>20 782</b>	<b>147 770</b>
<b>Investment income</b>		<b>(10 580 156)</b>	<b>282 983</b>
<b>Profit/(Loss) before taxation</b>		<b>(15 644 990)</b>	<b>3 155 357</b>
Taxation		251 228	(226 345)
<b>Profit/(Loss) for the year - continued operations</b>		<b>(15 896 218)</b>	<b>3 381 702</b>
<b>Profit/(Loss) for the year - discontinued operations</b>		<b>(57 286)</b>	<b>(208 545)</b>
<b>Profit/(Loss) for the year</b>		<b>(15 953 504)</b>	<b>3 173 157</b>
Attributable to:			
Equity holders of Sonae Capital		(16 772 639)	1 141 271
Non-controlling interests		879 135	2 480 513

The accompanying notes are part of these financial statements.

\* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

## SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	31 December 2019	31 December 2018
<b>Consolidated net profit/(loss) for the period</b>	<b>(12 298 392)</b>	<b>(3 260 839)</b>
<b>Items that may be reclassified subsequently to net profit / (loss):</b>		
Changes in the currency translation differences	(213 589)	303 922
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)		
Change in the fair value of assets available for sale		
Change in the fair value of cash flow hedging derivatives		
Tax related to other comprehensive income captions		
Other comprehensive income for the period - continued operations	-	(3 490)
<b>Other comprehensive income for the period - discontinued operations</b>	<b>(213 589)</b>	<b>307 412</b>
Total comprehensive income for the period	(12 511 981)	(2 956 916)
Attributable to:		
Equity holders of Sonae Capital	(13 795 270)	(3 648 206)
Non-controlling interests	1 283 289	691 290

The accompanying notes are part of these financial statements.

The Board of Directors

## SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 4<sup>TH</sup> QUARTER 2019 AND 2018

[Amounts expressed in euro]

	4 <sup>th</sup> Quarter 2019 *	4 <sup>th</sup> Quarter 2018 *
<b>Consolidated net profit/(loss) for the period</b>	<b>(15 953 504)</b>	<b>3 173 157</b>
<b>Items that may be reclassified subsequently to net profit / (loss):</b>		
Changes in the currency translation differences	(46 585)	330 225
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)		
Change in the fair value of assets available for sale		
Change in the fair value of cash flow hedging derivatives		
Other comprehensive income for the period - continued operations	-	(3 490)
<b>Other comprehensive income for the period - discontinued operations</b>	<b>(46 585)</b>	<b>330 225</b>
<b>Total comprehensive income for the period</b>	<b>(16 000 089)</b>	<b>3 499 892</b>
Attributable to:		
Equity holders of Sonae Capital	(19 662 937)	6 308 655
Non-controlling interests	3 662 848	816 512

The accompanying notes are part of these financial statements.

\* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors



## SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	Attributable to Equity Holders of Sonae Capital										
	Share Capital	Own Shares	Demerger Reserve (Note 15)	Translation Reserves	Other Reserves	Sub-Total	Retained Earnings	Net Profit/(Loss)	Total	Non-Controlling Interests	Total Equity
<b>Balance as at 1 January 2018</b>	<b>250 000 000</b>	<b>(1 305 839)</b>	<b>132 638 253</b>	<b>146 352</b>	<b>(97 968 874)</b>	<b>34 815 731</b>	<b>3 457 708</b>	<b>(6 513 485)</b>	<b>280 454 113</b>	<b>10 915 176</b>	<b>291 369 289</b>
Total consolidated comprehensive income for the period	-	-	-	212 745	-	212 745	-	(3 860 952)	(3 648 207)	691 290	(2 956 917)
Appropriation of profit of 2017:											
Transfer to legal reserves and retained earnings	-	-	-	-	(6 513 485)	(6 513 485)	-	6 513 485	-	-	-
Dividends paid	-	-	-	-	(14 753 543)	(14 753 543)	-	-	(14 753 543)	(1 384 309)	(16 137 852)
(Acquisition)/Sales of own shares	-	113 031	-	-	-	-	-	-	113 031	-	113 031
Changes in the percentage of capital held in affiliated companies	-	-	-	-	(4 394 531)	(4 394 531)	324 177	-	(4 070 354)	(762 025)	(4 832 379)
Other changes	-	-	-	-	492 596	492 596	-	-	492 596	(20 042)	472 554
<b>Balance as at 31 December 2018</b>	<b>250 000 000</b>	<b>(1 192 808)</b>	<b>132 638 253</b>	<b>359 097</b>	<b>(123 137 837)</b>	<b>9 859 512</b>	<b>3 781 885</b>	<b>(3 860 952)</b>	<b>258 587 636</b>	<b>9 440 091</b>	<b>268 027 727</b>
<b>Balance as at 1 January 2019</b>	<b>250 000 000</b>	<b>(1 192 808)</b>	<b>132 638 253</b>	<b>359 097</b>	<b>(123 137 837)</b>	<b>9 859 512</b>	<b>3 781 885</b>	<b>(3 860 952)</b>	<b>258 587 636</b>	<b>9 440 091</b>	<b>268 027 727</b>
Application of IFRS16	-	-	-	-	(10 612 025)	(10 612 025)	-	-	(10 612 025)	(18 614)	(10 630 639)
Total consolidated comprehensive income for the period	-	-	-	(213 589)	-	(213 589)	-	(14 024 708)	(14 238 297)	1 283 289	(12 955 008)
Appropriation of profit of 2018:											
Transfer to legal reserves and retained earnings	-	-	-	-	(3 860 952)	(3 860 952)	-	3 860 952	-	-	-
Dividends paid	-	-	-	-	(18 228 359)	(18 228 359)	-	-	(18 228 359)	(854 377)	(19 082 736)
(Acquisition)/Sales of own shares	-	87 236	-	-	-	-	-	-	87 236	-	87 236
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-	-	(7 540 682)	(7 540 682)
Other changes	-	-	-	-	197 800	197 800	-	-	197 800	(125 431)	72 369
<b>Balance as at 31 December 2019</b>	<b>250 000 000</b>	<b>(1 105 572)</b>	<b>132 638 253</b>	<b>145 508</b>	<b>(155 641 373)</b>	<b>(22 857 612)</b>	<b>3 781 885</b>	<b>(14 024 708)</b>	<b>215 793 992</b>	<b>2 184 277</b>	<b>217 978 269</b>

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	Notes	31 December 2019	31 December 2018
<b>OPERATING ACTIVITIES:</b>			
Cash receipts from trade debtors		271 638 042	208 544 424
Cash paid to trade creditors		(194 486 612)	(123 497 965)
Cash paid to employees		(43 056 168)	(41 593 532)
Cash flow generated by operations		34 095 262	43 452 927
Income taxes (paid) / received		(2 637 157)	(637 296)
Other cash receipts and (payments) relating to operating activities	20	(14 770 778)	(2 840 242)
<b>Discontinued operations</b>		<b>13 581</b>	<b>(2 977 816)</b>
<b>Net cash from operating activities (1)</b>		<b>16 673 746</b>	<b>42 953 205</b>
<b>INVESTMENT ACTIVITIES:</b>			
Cash receipts arising from:			
Investments	46	17 841 166	687 167
Tangible assets	10	18 604 631	16 544 008
Intangible assets		-	828
Interest and similar income	40	1 581 191	391 548
Dividends	6	259 686	239 822
Others		6 631	1 460
Changes in consolidation perimeter (companies in)		669 170	78 339
		38 962 475	17 943 172
Cash Payments arising from:			
Investments	46	(8 583 812)	(17 781 406)
Tangible assets	10	(38 448 759)	(23 960 507)
Intangible assets		(1 677 519)	(3 209 707)
		(48 710 090)	(44 951 620)
<b>Discontinued operations</b>		<b>-</b>	<b>(41 853)</b>
<b>Net cash used in investment activities (2)</b>		<b>(9 747 615)</b>	<b>(26 966 595)</b>
<b>FINANCING ACTIVITIES:</b>			
Cash receipts arising from:			
Loans obtained	23	68 994 976	22 299 715
Capital increases, additional paid in capital and share premiums		35 944	-
Sale of own shares		87 236	190 012
		69 118 156	22 489 727
Cash payments arising from:			
Loans obtained	23	(47 954 383)	(15 041 558)
Interest and similar charges		(3 770 536)	(4 248 573)
Reimbursement of capital and paid in capital		-	-
Dividends		(23 874 859)	(16 387 343)
		(75 599 778)	(35 677 474)
<b>Discontinued operations</b>		<b>(13 581)</b>	<b>2 901 221</b>
<b>Net cash used in financing activities (3)</b>		<b>(6 468 041)</b>	<b>(16 088 968)</b>
<b>Net increase in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>458 090</b>	<b>(102 358)</b>
Effect of foreign exchange rate		1 896	(19)
Cash and cash equivalents at the beginning of the period	20	7 131 161	7 233 499
Cash and cash equivalents at the end of the period	20	7 587 355	7 131 161

The accompanying notes are part of these financial statements.

\* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

## 1. INTRODUCTION

SONAE CAPITAL, SGPS, SA («Group», «Group» or «Sonae Capital») whose head-office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, is the parent Group of a group of companies, as detailed in Notes 5 to 7 («Sonae Capital Group») and was set up on 14 December 2007 as a result of the demerger of the shareholding in SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) from Sonae, SGPS, SA, which was approved by the Board of Directors on 8 November 2007 and by the Shareholder's General Meeting held on 14 December 2007.

Reflecting the current management structure, the reporting segments were revised, addressing the strategic business areas identified in the Group:

- Troia Resort Operations
- Hospitality
- Fitness
- Energy
- Refrigeration & HVAC
- Industrial Engineering
- Real Estate
- Holding & Others

The non-strategic assets (including non-tourism real estate assets and financial shareholdings) are included in the segment «Holding & Others».

The shares of Sonae Capital are traded at Lisbon Euronext Stock Exchange.

Shareholders have the ability to change the Financial Statements after they have been approved for issue.

## 2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the consolidated financial statements are as follows. These policies were applied in a consistent manner in the comparative periods, except when resulting from the adoption of the IFRS 16.

### 2.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards («IFRS» – previously named International Accounting Standards – «IAS») adopted by the European Union, issued by the International Accounting Standards Board («IASB») and Interpretations issued by the «International Financial Reporting Interpretations Committee» («IFRIC»), previously named «Standing Interpretations Committee» («SIC»), beginning on 1 January 2018.

Interim financial statements were presented quarterly, in accordance with IAS 34 – «Interim Financial Reporting».

The consolidated financial statements have been prepared from the books and accounting records of the Group and of its subsidiaries on a going concern basis and under the historical cost convention, except for derivative financial instruments which are stated at fair value. In preparing the financial statements, the Group followed the historical cost convention modified, when applicable, by the Group. measurement at fair value of i) financial assets at fair value through profit or loss and ii) financial assets at fair value through other comprehensive income.

Additionally, for the purpose of financial reporting, the measurement of fair value is categorized at level 1, 2 and 3, in accordance with the degree that the assumptions used are observable and their significance in terms of the valuation of fair value used in the measurement of assets/liabilities or through the disclosure of the same.

### New accounting standards and their impact on the consolidated financial statements:

#### a) In force for 2019 and with no material impact on the consolidated financial statements at 31 December 2019:

Accounting Standards	Effective Date
	[Started on or after]
IFRS 16 – Leases	1 January 2019
IFRS 9 – Financial instruments	1 January 2019
IAS 19 – Employee benefits	1 January 2019
IAS 28 – Investments in associates and joint ventures	1 January 2019
Annual improvements to IFRS 2015 – 2017	1 January 2019
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019

These norms were applied for the first time by the company in 2019, the norms did not have any significant impact on the financial statements except for the norms regarding the IFRS 16. The impact of the norms regarding the IFRS16 on the financial statements is elucidated in the following.

### IFRS 16 Leases

The new norm IFRS 16 eliminated the classification of leases between operational and financial leases for the lessee, replacing the IAS 17. Instead, it introduced a single accounting model similar to the treatment that was given to the financial leases in the statements of the lessees.

This single model establishes for the lessee the recognition of:

- i) i. assets and liabilities for all leases with terms superior of 12 months (being that assets of limited value can be excluded independently of the term period of the lease) on the Balance Sheet; and
- ii) ii. depreciation of the right-of-use assets and the interests separately on the Income Statement.

### First application

During the year the Group carried out an inventory of existing leases, carried out its analysis and technical framework taking into account the provisions of the IFRS 16. The applied method of transition was the modified retrospective model where the comparatives were not reexpressed.

With regard to its earlier operating lease commitments, during the transition, the Group recognized on 1 January 2019, on its Balance Sheet, right-of-use assets in the amount of 52,035,063 euros and lease obligations of 62,478,283 euros and an adjustment in accruals and deferrals of 10,969,796 euros.

With regard to its earlier financial lease commitments, during the transition, the accounting amounts of the lease assets and liabilities at 31 December 2018 (16,902,096 and 15,509,198 euros, respectively) were taken on as lease right-of-use and obligations in accordance with the IFRS 16 at 1 January 2019.

In the measurement of the lease obligations, the Group discounted the lease payments using its incremental rate of financing at 1 January 2019. The rate applied is between 1.38% and 8.30% (WACC of 7.37%), taking into consideration the characteristics of the contracts (underlying asset and guarantees, exchange rate and term).

In the application of the IFRS 16 for the first time, the Group used the following practical expedients permitted by the norm:

- i) the use of only a single discount rate for a portfolio of leases with reasonably similar characteristics;
- ii) exemption of the recognition of operational leases with a term inferior of 12 months at the date of transition and also of lease contracts with underlying assets with limited value (< 5,000 USD);
- iii) exclusion of the direct initial costs in the measurement of the right-of-use asset at the date of the initial application;
- iv) the use of retrospective analysis in the determination of the lease term when the contract includes options to prolong or rescind the lease;
- v) the Group applied the current norm on the contracts that were previously identified as leases under the terms of the IAS 17 – “Leases” and the IFRIC 4 – “Determining Whether an Arrangement Contains a Lease”, not applying this norm to the contracts not previously identified as containing a lease under these norms.

The impact of the adoption of the new IFRS 16 norm on the opening amounts at 1 January 2019 was the following:

SONAE CAPITAL, SGPS, SA					
[Amounts expressed in euro]					
ASSETS	Notes	31 December 2018	IFRS16	1 January 2019	
<b>NON-CURRENT ASSETS:</b>					
Tangible assets	10	266 257 880		266 257 880	
Assets held for use	10	-	52 035 063	52 035 063	
Intangible assets	11	10 697 642		10 697 642	
Goodwill	12	52 024 808		52 024 808	
Investments in associated companies and joint ventures	6	1 623 907		1 623 907	
Other investments	7	670 435		670 435	
Deferred tax assets	19	22 997 895		22 997 895	
Other debtors	13	12 200 567		12 200 567	
<b>Total non-current assets</b>		<b>366 473 134</b>	<b>52 035 063</b>	<b>418 508 197</b>	
<b>CURRENT ASSETS:</b>					
Inventories	14	63 263 441		63 263 441	
Trade account receivables	15	25 461 559		25 461 559	
Other debtors	16	18 801 075		18 801 075	
Income tax receivable	17	3 165 031		3 165 031	
Other taxes receivable	17	4 754 203		4 754 203	
Other current assets	18	11 781 569	(187 419)	11 594 150	
Cash and cash equivalents	20	7 558 360		7 558 360	
<b>Total Current Assets</b>		<b>134 785 238</b>	<b>(187 419)</b>	<b>134 597 819</b>	
<b>Assets held for sale</b>		<b>668 342</b>		<b>668 342</b>	
<b>TOTAL ASSETS</b>		<b>501 926 714</b>	<b>51 847 644</b>	<b>553 435 201</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY:</b>					
Share capital	21	250 000 000		250 000 000	
Own Shares	21	(1 192 808)		(1 192 808)	
Reserves	21	9 859 511	(10 630 639)	(1 110 285)	
Retained earnings		3 781 885		3 781 885	
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital	45	(3 860 952)		(3 860 952)	
Equity attributable to the equity holders of Sonae Capital		258 587 636	(10 612 025)	247 617 840	
Equity attributable to non-controlling interests	22	9 440 091	(18 614)	9 440 091	
<b>TOTAL EQUITY</b>		<b>268 027 727</b>	<b>(10 630 639)</b>	<b>257 057 931</b>	
<b>NON-CURRENT LIABILITIES:</b>					
Bank loans	23	32 414 510		32 414 510	
Bonds	23	14 883 910		14 883 910	
Finance lease creditors	23 & 24	11 981 704	(11 981 704)	-	
Lease liabilities	33	-	74 459 987	74 459 987	
Other loans	23	145 706		145 706	
Financial Instruments		-		-	
Other non-current liabilities	26	1 312 947		1 312 947	
Deferred tax liabilities	19	12 984 582		12 984 582	
Provisions	31	3 079 824		3 079 824	
<b>Total Non-Current Liabilities</b>		<b>76 803 183</b>	<b>62 478 283</b>	<b>139 281 466</b>	

<b>CURRENT LIABILITIES:</b>				
Bank Loans	23	21 836 060		21 836 060
Bonds	23	42 500 000		42 500 000
Finance lease creditors	23 & 24	3 527 494		3 527 494
Lease liabilities	33	-		-
Other loans	23	48 788		48 788
Financial Instruments	25	-		-
Trade creditors	28	27 233 514		27 233 514
Other creditors	29	18 799 992		18 799 992
Income tax payable	17	4 738 097		4 738 097
Other taxes payable	17	3 163 907		3 163 907
Other current liabilities	30	26 344 927		26 344 927
Provisions	31	3 286 698		3 286 698
<b>Total Current Liabilities</b>		<b>151 479 477</b>	<b>-</b>	<b>151 479 477</b>
<b>Liabilities associated with assets held for sale</b>	<b>48</b>	<b>5 616 327</b>		<b>5 616 327</b>
<b>TOTAL LIABILITIES</b>		<b>233 898 987</b>	<b>62 478 283</b>	<b>296 377 270</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>501 926 714</b>	<b>51 847 644</b>	<b>553 435 201</b>

The impact of the adoption of the new IFRS 16 on the Balance Sheet, Income Statement, the Comprehensive Income Statement and the Cash Flow Statement at 31 December 2019 was the following:

	ASSETS	Notes	31 December 2019 with IFRS16	IFRS16	31 December 2019 without IFRS16
<b>NON-CURRENT ASSETS:</b>					
Tangible assets		10	260 554 068	15 044 870	275 598 938
Assets held for use		10	66 216 081	(66 216 081)	-
Intangible assets		11	9 585 320		9 585 320
Goodwill		12	33 637 373		33 637 373
Investments in associated companies and joint ventures		6	1 667 459		1 667 459
Other investments		7	454 391		454 391
Deferred tax assets		19	20 671 070		20 671 070
Other debtors		13	9 960 667		9 960 667
<b>Total non-current assets</b>			<b>402 746 429</b>	<b>(51 171 211)</b>	<b>351 575 218</b>
<b>CURRENT ASSETS:</b>					
Inventories		14	49 143 560		49 143 560
Trade account receivables		15	52 643 690		52 643 690
Other debtors		16	15 988 511		15 988 511
Income tax receivable		17	3 515 743		3 515 743
Other taxes receivable		17	5 219 702		5 219 702
Other current assets		18	6 335 663		6 335 663
Financial instruments		25	15 824 463		15 824 463
Cash and cash equivalents		20	7 456 005		7 456 005
<b>Total Current Assets</b>			<b>156 127 337</b>	<b>-</b>	<b>156 127 337</b>
<b>Assets held for sale</b>		<b>48</b>	<b>54 941</b>		<b>54 941</b>
<b>TOTAL ASSETS</b>			<b>558 928 707</b>	<b>(51 171 211)</b>	<b>507 757 496</b>

EQUITY AND LIABILITIES	Notes	31 December 2019 with IFRS16	IFRS16	31 December 2018 without IFRS16
<b>EQUITY:</b>				
Share capital	21	250 000 000		250 000 000
Own Shares	21	(1 105 573)		(1 105 573)
Reserves	21	(23 300 640)	10 612 025	(12 688 615)
Retained earnings		3 781 885		3 781 885
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital	45	(13 581 680)	1 559 891	(12 021 789)
Equity attributable to the equity holders of Sonae Capital		215 793 992	12 171 916	227 965 908
Equity attributable to non-controlling interests	22	2 184 277		2 184 277
<b>TOTAL EQUITY</b>		<b>217 978 269</b>	<b>12 171 916</b>	<b>230 150 185</b>
<b>NON-CURRENT LIABILITIES:</b>				
Bank loans	23	24 641 703		24 641 703
Bonds	23	55 092 987		55 092 987
Finance lease creditors	23 & 24		8 447 473	8 447 473
Lease liabilities	33	57 738 403	(57 738 403)	-
Other non-current liabilities	26	8 008 222		8 008 222
Deferred tax liabilities	19	12 432 090		12 432 090
Provisions	31	3 123 285		3 123 285
<b>Total Non-Current Liabilities</b>		<b>161 036 690</b>	<b>(49 290 930)</b>	<b>111 745 760</b>
<b>CURRENT LIABILITIES:</b>				
Bank Loans	23	56 567 612		56 567 612
Bonds	23	2 000 000		2 000 000
Finance lease creditors	23 & 24	3 645 728		3 645 728
Lease liabilities	33	14 052 197	(14 052 197)	-
Other loans	23	2 213 099		2 213 099
Financial Instruments	25	9 565 632		9 565 632
Trade creditors	28	31 993 293		31 993 293
Other creditors	29	14 898 754		14 898 754
Income tax payable	17	1 097 187		1 097 187
Other taxes payable	17	3 051 974		3 051 974
Other current liabilities	30	37 448 497		37 448 497
Provisions	31	2 907 863		2 907 863
<b>Total Current Liabilities</b>		<b>179 441 836</b>	<b>(14 052 197)</b>	<b>165 389 639</b>
<b>Liabilities associated with assets held for sale</b>	48	471 909		471 909
<b>TOTAL LIABILITIES</b>		<b>340 950 435</b>	<b>(63 343 127)</b>	<b>277 607 308</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>558 928 705</b>	<b>(51 171 211)</b>	<b>507 757 493</b>



	Notes	31 December 2019 with IFRS16	IFRS16	31 December 2019 without IFRS16
Sales	34	172 918 850		172 918 850
Services rendered	34	111 678 671		111 678 671
Other operating income	35	11 241 859		11 241 859
Cost of sales	14	(141 748 852)		(141 748 852)
Changes in stocks of finished goods and work in progress	36	(8 382 619)		(8 382 619)
External supplies and services	37	(54 732 937)	(13 357 444)	(68 090 381)
Staff costs	38	(44 048 751)		(44 048 751)
Depreciation and amortisation	10 & 11	(32 360 910)	7 320 785	(25 040 125)
Provisions and impairment losses on non-financial assets (Increases)/Decreases	31	(3 242 072)		(3 242 072)
Provisions and impairment losses on financial assets (Increases)/Decreases	31	1 181 488		1 181 488
Other operating expenses	39	(7 715 731)	(6 582)	(7 722 313)
<b>Operational profit/(loss)</b>		<b>4 788 996</b>	<b>(6 043 241)</b>	<b>(1 254 245)</b>
Financial Income	40	1 388 496		1 388 496
Financial Expenses	40	(7 859 839)	4 483 350	(3 376 489)
<b>Net financial income / (expenses)</b>		<b>(6 471 343)</b>	<b>4 483 350</b>	<b>(1 987 993)</b>
<b>Profit/(Loss) in associated and jointly controlled companies measured using the equity method</b>	6	303 238		303 238
<b>Investment income</b>	41	(10 216 802)		(10 216 802)
<b>Profit/(Loss) before taxation</b>		<b>(11 595 911)</b>	<b>(1 559 891)</b>	<b>(13 155 802)</b>
Taxation	42	563 476		563 476
<b>Profit/(Loss) for the year - continued operations</b>		<b>(12 159 389)</b>	<b>(1 559 891)</b>	<b>(13 719 278)</b>
<b>Profit/(Loss) for the year - discontinued operations</b>		<b>(139 003)</b>		<b>(139 003)</b>
<b>Profit/(Loss) for the year</b>		<b>(12 298 392)</b>	<b>(1 559 891)</b>	<b>(13 858 281)</b>
		31 December 2019 with IFRS 16		31 December 2019 without IFRS 16
<b>Consolidated net profit/(loss) for the period</b>		<b>(12 298 392)</b>		<b>(13 858 281)</b>
<b>Items that may be reclassified subsequently to net profit / (loss):</b>				
Changes in the currency translation differences		(213 589)		(213 589)
Other comprehensive income for the period - continued operations		-		-
<b>Other comprehensive income for the period - discontinued operations</b>		<b>(213 589)</b>		<b>(213 589)</b>
Total comprehensive income for the period		(12 511 981)		(14 071 870)

The impact on the Cash Flow Statement is the transfer of payments in the amount of 13,357,444 euros (without VAT) from operational activities for financing.

**b) In force for periods subsequent to 1 January 2020, already endorsed by the EU:**

Accounting Standards	Effective Date
	[Started on or after]
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	1 January 2020
Conceptual framework - Amendments to references to other IFRS	1 January 2020

The Group did not apply any of these standards in the financial statements for the year ended 31 December 2019 because its application is not mandatory. It is not estimated impacts on the financial statements relative to the alterations presented for the 1 January 2020.

**c) In force for periods subsequent to 1 January 2020, but not yet endorsed by the EU:**

Accounting Standards	Effective Date
	[Started on or after]
IFRS 3 – Business combinations	1 January 2020
IFRS 9, IAS 39 e IFRS 7 – Interest rate benchmark reform	1 January 2020
IFRS 17 – Insurance contracts	1 January 2021

## 2.2. CONSOLIDATION PRINCIPLES

The consolidation methods adopted by the Group are as follows:

**a) Investments in Group companies**

The Group controls an entity when it is exposed to, or has rights to, the variable returns from its involvement with the Entity, and has the ability to affect those returns through the power exercised over the Entity (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 5.

Comprehensive income and other components of equity are attributable to non-controlling interests, even if these captions show negative values.

The acquisition of subsidiaries is recorded using the purchase method. The cost of an acquisition is measured at the fair value of the delivered assets, equity instruments issued and liabilities incurred or assumed at the acquisition date. The costs directly attributable to the acquisition are recorded in the income statement when incurred.

Assets and liabilities of each Group Group are measured at their fair value at the date of acquisition and this measurement may be adjusted within 12 months from the date of acquisition. When the Group starts to have control on a subsidiary and already holds a previously acquired shareholding, the fair value of such shareholding contributes to the calculation of goodwill or bad will. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net

assets acquired is recognised as goodwill (Note 2.2.c). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value of net assets acquired. Non-controlling interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

The results of its subsidiaries companies acquired/sold during the period are included in the income statement since the date of acquisition or until the date of sale.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on consolidation. Unrealized losses are also eliminated, but are considered as an impairment indicator for the transferred asset.

Financial investments in companies excluded from consolidation are recorded at acquisition cost net of impairment losses (Note 7).

Whenever the Group has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. Such entities, when applicable, are disclosed in Note 5.

Subsequent transactions in the disposal or acquisition of shareholding to non-controlling interests, and not involving any change in control, don't generate recognition of gains, losses or goodwill. Any difference between the transaction value and the book value of the traded shareholding is recognized in Equity, in other equity instruments.

#### **b) Investments in associated and in jointly controlled companies**

The joint agreements are classified as joint operations or joint ventures in relation to the rights and contractual obligations of each investor.

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies – usually corresponding to holdings between 20% and 50% in a Group's share capital) and in jointly controlled companies are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost value, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of associated and jointly controlled companies and by dividends received.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.c), which is included in the caption Investment in associated and jointly controlled companies. Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired.

An assessment of the investment in associated and jointly controlled companies is performed when there is an indication that the asset might be impaired and any impairment loss is disclosed in the income statement whenever the shareholding includes goodwill and / or implicit loans / financing. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, this is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment, or in case it has made payments in favour of the subsidiaries, with the Group recording additional losses.

The Group's share in unrealized gains arising from transactions with associated and jointly controlled companies is eliminated. Unrealized losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated and jointly controlled companies are disclosed in Note 6.

The accounting policies of the joint ventures are amended, where necessary, to ensure that they are applied consistently with those of the Group.

### **c) Goodwill**

The excess of the cost of acquisition of investments in group companies, jointly controlled companies and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 12) or as Investments in associated and jointly controlled companies (Note 6).

The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Currency Translation Reserves.

Goodwill is not amortised, but is subject to impairment tests on an annual basis. For impairment testing purposes, Goodwill is allocated to the cash generating units to which it belongs, the latter being the smallest identifiable group of assets that generates independent cash flows among themselves. The recoverable amount is determined based on the business plans used in the management of the Group or on valuation reports prepared by independent entities.

Impairment losses identified in the period are disclosed in the income statement under Provisions and impairment losses, and may not be reversed.

Any excess of the Group's share in the fair value of identifiable assets and liabilities in Group companies over costs is recognised as income in the profit and loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets and liabilities acquired.

When the Group reorganizes its activity, implying a change in the composition of its cash-generating units to which goodwill has been allocated, a review of Goodwill's allocation to the new cash-generating units is carried out when appropriate. The reallocation is done through a relative value approach, of the new cash-generating units that are created from the reorganization.

### **d) Translation of financial statements of foreign companies**

#### **Functional and disclosure currency**

The items included in the consolidated financial statements are measured using the currency of the economic environment in which the Group operates (functional currency). The Consolidated Financial Statements of the Group and the notes thereto are presented in euros, the functional and disclosure currency of the Group, unless otherwise stated.

#### **Transactions and balances**

Exchange gains or losses resulting from the payment / receipt of transactions, as well as the translation of assets and liabilities in foreign currency at the exchange rate at the reporting date, are recognized in the income statement under Financial Expenses or Financial Income if the transactions are related with loans, and Other Income or Other Expenses for all other balances / transactions.

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to euro using exchange rates at the balance sheet date. 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. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through 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 balance sheet date.

Whenever a foreign Group is sold (in whole or in part), the share of the corresponding accumulated exchange rate differences is recorded in the income statement as a gain or loss on the disposal, in the caption Investment income.

Whenever a subsidiary in foreign currency is fully disposed of, the accumulated exchange difference is recognized in the income statement as a gain or loss on disposal. If the subsidiary is partially disposed, without loss of control, the accumulated exchange difference is derecognised in its share and transferred to non-controlling interests. If the subsidiary Group is partially disposed, with loss of control, the exchange difference is recorded in the income statement.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

	31 December 2019		31 December 2018	
	End of Period	Period Average	End of Period	Period Average
Mozambican Metical	0,014450	0,014300	0,014220	0,014060
Brazilian Real			0,225020	0,232890
Angolan Kwanza				
American Dollars	0,890150	0,893420	0,873360	0,847530
Mexican Peso	0,047120	0,046420	0,04446	0,044080

Source: Bloomberg

## 2.3. TANGIBLE ASSETS

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Tangible assets acquired after those dates are 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 condition of use. Financial costs incurred on loans obtained for the construction of tangible assets are recognized as part of the construction cost of the asset.

Depreciation is calculated on a straight line basis, once the asset is available for use, over the expected useful life for each class of assets and disclosed in «Amortisation and depreciation» in the consolidated profit and loss account.

Impairment losses in tangible assets are accounted for in the year when they are estimated, and are disclosed in Impairment losses in the consolidated profit and loss account, except for those relating to Inventories whose impairment is recorded in Cost of goods sold and materials consumed.

Impairment losses are recorded in the year in which they are estimated and booked in Provisions and impairment losses in the Consolidated Income Statement.

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 tangible assets	4 to 8

The useful lives of the assets are reviewed in each financial report so that the depreciation practiced is in accordance with the useful life of the assets. The land is not depreciated. Changes to useful lives are treated as a change in accounting estimates and are applied prospectively.

Subsequent costs incurred with renewals and major repairs resulting in an increase in the useful life or the ability to generate economic benefits from an asset, are added to the carrying amount of that asset. Maintenance and repair costs related to tangible assets are recorded directly as expenses in the year they are incurred.

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or start being used.

Gains or losses on a sale or a disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement under either «Other operational income» or «Other operational expenses».

Expenses incurred with the dismantling or removals of assets installed in third-party property are considered as part of the initial cost of the respective assets, when they constitute significant amounts.

## 2.4. INTANGIBLE ASSETS

When individually acquired, intangible assets are stated at acquisition 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 to be placed in condition of use.

After the initial accounting, the Group measures its intangible assets according to the cost model.

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 stated by IFRS 3 - Business Combinations.

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if they are identifiable, if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognised as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognised as an intangible asset if the Group 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 is probable are capitalized as intangible assets.

The Group adopted IFRIC 12 – Service Concession Arrangements from 2009 onwards whenever a Group Group enters into a service concession arrangement with a public sector entity to provide services to the public. The Troia Marina is the sole service concession arrangement to which this interpretation is applicable. In this case, costs incurred with building the infrastructure for the marina were recorded as an intangible asset which is amortised, on a straight line, over the period of the arrangement, because rights were given to this Group to charge users of the public service but has no unconditional contractual right to receive cash from the grantor and bearing the risk of demand. These Intangible Assets are added to the amounts agreed with the grantor for the construction / acquisition of assets for the commercial use of the concession, when these are translated in investments of expansion or requalification in the infrastructures.

Amortisation is calculated on a straight line basis, once the asset is available for use, over the expected useful life which normally is between 3 and 6 years, and are disclosed in Amortisation and Depreciation in the consolidated profit and loss account, except for Troia Marina assets, recorded as Intangible assets under IFRIC 12 - Service Concession Arrangements, which are amortised over the period of the arrangement (50 years).

Whenever there is evidence of impairment of intangible assets, impairment tests are performed in order to estimate the recoverable value of the asset and, when necessary, to record an impairment loss.

The useful lives of the assets are reviewed in each financial report so that the amortization practiced is in accordance with the useful life of the assets. Changes to useful lives are treated as a change in accounting estimates and are applied prospectively.

## 2.5. LEASES

### Policy beginning from 1 January 2019

The company evaluates at the beginning date of each contract if the same corresponds to a lease contract or if it consists of a lease. In order to determine if a contract attributes the right to control the use of an identified asset for a determined period of time the company evaluates if, during the period of usage of the asset, if it has cumulatively:

- The right to substantially obtain all of the economic benefits derived from the use of the identified asset; and
- The right to direct the use of the identified asset.

The IFRS 16 distinguishes leases and service contracts taking into account whether an asset is identified and controlled. The distinction between operational leases (off-balance sheet) and financial leases (included in the balance sheet) are eliminated at the lessee level and are replaced by a model in which an asset is identified with a right-of-use and a corresponding liability for all leases, except for short-term (up to 12 months) and low value contracts (< 5,000 USD).

The right-of-use is initially measured at cost and subsequently at the net cost 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 to the current date. Subsequently, the lease liability is adjusted by the financial updating of the said value, as well as the possible modifications of the lease contracts.

## Recognition

The company recognizes an right-of-use asset and a lease liability at the inception date of the contract. The right-of-use asset is initially measured at cost, which implies the initial value of the lease responsibilities adjusted by any lease payment made at or before the inception date, beyond any initial direct costs incurred, as well as an estimate of the dismantling and removal costs of the underlying asset (if applicable), less any incentive granted.

Right-of-use assets are depreciated monthly by using the straight-line method over their estimated useful life or during the lease agreement period, the estimated useful life of the right-of-use asset is adopted, when this is longer than the lease term and the management intends to exercise the purchase option. Right-of-use assets subject to impairment tests when there are signs of impairment, and any detected losses are immediately recorded in the consolidated Income Statement for the year.

Whenever the entity incurs an obligation to dismantle and remove a leased asset, restore the location in which it is located, or restore the underlying asset to the condition required by the lease terms and conditions, a provision is recognized, in accordance with the IAS 37. Expenses are included in the right-of-use asset.

The lease liability is initially recognized at the present value of the installments not yet paid on the date of entry of the lease contract, discounted at the interest rate implicit in the lease or in the event that it is not possible to determine that rate, at the incremental interest rate of the respective company. In most situations, the Group uses its incremental interest rate as the interest rate to be applied in the calculation referred to above.

The lease payments considered when measuring the lease liability include the following components:

- fixed payments, less any incentives already received;
- variable payments, which are only dependent on a certain rate or index;
- amounts that are due under a guarantee of the residual value;
- exercise price of options to buy the underlying asset, if it is reasonably certain that the lessee will exercise them; and
- payment of penalties for terminating the contract, if it is reasonably certain that the tenant will cancel the contract.

The lease liability is subsequently measured at amortized cost, using the effective interest rate method, being remeasured when: (i) changes in future payments arising from a change in the rate or index specified in the contract; (ii) a change in the Company's estimate of the amount to be paid as a residual value guarantee, or (iii) if the Company changes its assessment of the exercise of a call option, or of its extension or termination, or the lease agreement is modified and the modification does not qualify as a separate lease, the lease liability being remeasured based on the new rents and the incremental financing rate determined at the date of the modification.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or the right-of-use asset. Such payments are recognized as expenses in the period in which the event or condition giving rise to payments occurs.

When the lease liability is remeasured, the value of the right-to-use asset is adjusted by the same amount, except if the amount already recorded for the right-to-use is reduced to zero, in which case a gain or loss is recorded in consolidated income statement.

## Policy until 31 December 2018

Lease contracts were classified as: (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and if it there is registered, at the inception date, an asset and liability at the lessor between the fair value of the lease property and the present value of lease rents falling due; (ii) operating leases if the contracts were long-term rentals and the amount of rents paid in the year was recorded as a cost on the Income Statement.



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.

Where the Group acts as a lessor in operating leases, the value of assets leased is maintained in the Group's balance sheet and related rents (net of any incentives granted to the lessee) are taken to the profit and loss account on a straight line basis over the period of the lease.

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, at the lower of fair value and present value of minimum lease payments up to the end of the lease. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

## 2.6. GOVERNMENT GRANTS OR FROM OTHER PUBLIC ENTITIES

Government grants are recognised at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Investment subsidies related to the acquisition of fixed assets are recognised as deferred income under other current liabilities that are taken to the income statement, under other operating profit, on a systematic basis over the estimated useful life of the asset.

## 2.7. IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT GOODWILL

Assets are assessed for impairment at each balance sheet date 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 recognised 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.

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 in provisions and impairment losses (increases/decreases). 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.

## 2.8. BORROWING COSTS

Borrowing costs are normally recognised as an expense in the period in which they are incurred.

Borrowing costs directly or indirectly attributable to the acquisition, construction or production of tangible and real estate projects included under Inventories are capitalised as part of the cost of the qualifying asset. The capitalization of these charges begins after the start of the preparation or construction of the asset and is discontinued when those assets are available for use or when the project concerned is suspended. Borrowing costs are capitalised from the time 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 borrowing costs that qualify for capitalization.

## 2.9. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if the 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 costs to sell. These assets are not depreciated since the date they were classified as available for sale, and will remain so until the sale happens or the sale is not likely to happen.

When non-current assets (or disposal groups) no longer meet the conditions to be classified as held for sale, these assets (or disposal groups) will be reclassified according to the nature of the underlying assets and will be remeasured at the lower of: i) The carrying amount before they have been classified as held for sale, adjusted for any depreciation / amortization, or revaluation amounts that have been recognized had those assets not been classified as held for sale ii) by the recoverable amounts of these assets at the date when they are reclassified according to their underlying nature. These adjustments will be recognized in the net income of the year.

## 2.10. INVENTORIES

Goods for sale and raw materials are stated at the lower of cost, net of discounts obtained or estimated, and net realisable value. Cost is determined on a weighted average basis. Goods for sale include mostly land for real estate developments.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity). Work in progress includes mostly resorts and real estate developments for sale in the normal course of business. Changes in the inventories of finished goods and work in progress during the year are stated in caption Changes in stocks of finished goods and work in progress in the income statement.

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in Inventories of finished goods and work in progress, depending on whether they refer to goods for sale and raw materials or finished goods and work in progress.

## 2.11. PROVISIONS

Provisions are recognised when, and only when, the Group 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.

Provisions are measured at the present value of estimated expense to pay the obligation, using a pre-tax interest rate, which reflects the market valuation for the discount period and the risk of the provision in question.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

### **Provision for judicial claims**

Provisions related to lawsuits in which the Group is a defendant. The Group recognizes this provision when it estimates, based on information provided by legal counsel on the progress of the process, that it is likely the Group will have to pay for an indemnity.

### **Provision for guaranteed income**

Provisions regarding the estimation of the current value of the potential charges for the total Guaranteed Income in real estate sales of Troia Resort.

## 2.12. FINANCIAL INSTRUMENTS

Financial instruments were classified in the categories presented in the consolidated balance sheet as detailed in Note 9 and in the following:

### **a) Investments**

#### **Recognition**

Purchases and sales of investments in financial assets are recorded at the date of the transaction, ie on the date the group commits itself to buy or sell the asset.

#### **Classification**

The classification of financial assets 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 to the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, which are equity instruments, which can never be reclassified to another category.

Financial assets can 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): 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 on time of 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 recognition initial designate at 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 which were not designated at fair value through other comprehensive income.

At December 31, 2019, the classification of the group's financial assets by category is disclosed in Note 9.

### Measurement

Financial assets are initially recorded at acquisition cost, which corresponds to the fair value at that date, including transaction costs, with the exception of financial assets at fair value through profit or loss. The 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 earned on assets at amortized cost" in financial income.

### Impairment losses

The Group assesses in a forward-looking manner the estimated credit losses associated with financial assets, which are debt instruments, classified at amortized cost and at fair value through other comprehensive income. The applied impairment methodology takes into account the credit risk profile of the debtors, and different approaches are applied depending on the nature of the debtors.

With regard to receivables under «Clients» and «Other receivables» and Assets from 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 its maturity, considering a matrix of historical default rates for the maturity of the balances receivable, adjusted by prospective estimates.

Regarding the balances receivable from related entities, which are not considered as part of the financial investment in these entities, the credit impairment is assessed according to the following criteria: i) if the balance receivable is immediately due; 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 payable and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero.

In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Group only evaluates the probability of a default occurring for the cash flows that mature in the next 12 months.

For all other situations and nature of accounts receivable, the Group applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there is no increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there has been an increase in credit risk, the

Group calculates an impairment corresponding to the amount equivalent to the expected loss for all contractual flows until the maturity of the asset.

#### **Derecognition of financial assets**

The Group derecognises financial assets when and only when contractual rights to cash flows have expired or have been transferred and the Entity has substantially transferred all the risks and rewards of ownership of the asset.

#### **b) Loans and accounts receivable**

Loans and accounts receivable are booked at amortised cost using the effective interest method less any impairment losses.

Financial income is calculated using the effective interest rate, except for amounts receivable within a very short time period, for which the income receivable is immaterial.

These financial investments arise when the Group supplies money, goods or services directly to a debtor without the intention to negotiate the debt involved.

Loans and accounts receivable are classified as current assets, except in cases where the maturity date is more than 12 months from the date of the balance sheet, when they are classified as non-current assets. These financial investments are included in the classes identified in Note 9.

#### **c) Customers and other third party debts**

Amounts owing from Customers and other third party debts are booked at their nominal value and are subsequently measured at amortized cost and shown in the consolidated balance sheet net of any impairment losses, recognised in the caption Losses due to impairment in receivables in order to reflect their net realisable value. These captions, when current, do not include interest, since the discount impact is considered immaterial.

The company applies the simplified approach permitted by the IFRS 9, according to which estimated credit losses are recognized from the initial recognition of balances receivable and for the entire period until maturity, based on the history of receipt of balances Group's debtors in relation to sales and services rendered in the last three years, and the actual losses incurred in that period. The historical credit losses determined are adjusted for specific factors attributable to the debtors, as well as for the macroeconomic conditions that are estimated for the future

#### **d) Classification of 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.

#### **Financial liabilities**

Financial liabilities are classified into two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Financial liabilities at amortized cost.

The "Financial liabilities at amortized cost" category includes liabilities presented under «Loans obtained», «Suppliers» and «Other creditors». These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost at the effective interest rate.

At December 31, 2019, the Group 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.

#### **e) Loans**

Loans are recorded as liabilities at their nominal value, net of commissions and other financing expenses related to the issuance of those instruments. 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 2.16. The portion of the effective interest charge relating to commissions and other financing expenses, if not paid in the period, is added to the book value of the loan.

Loans will be classified as current liabilities if the payment is due within 12 months or less, otherwise they will be classified as non-current liabilities.

#### **f) Trade accounts payable and other creditors**

These items 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 «Suppliers» will be classified as non-current liabilities.

Accounts payable and other creditors are stated at their nominal value, subsequent to their initial recognition these items are measured at amortized cost using the effective interest rate method.

#### **g) Derivatives**

The Group uses derivative instruments to manage its financial risks in order to guarantee the coverage of these risks and/or to optimize funding costs.

The derivative instruments used by the Group defined as cash flow hedging instruments mainly refer to interest rate hedging instruments obtained and price risk hedging instruments resulting from the sale of license rights. With regard to cash flow hedging instruments, the indexes, calculation conventions, interest rate fixing dates and repayment plans for interest rate hedging instruments are identical to the conditions established for the underlying contracted loans. , so they configure perfect coverage relationships. Inefficiencies, if any, are recorded in the financial results caption in the consolidated income statement.

Regarding price risk hedging instruments, they are recorded at fair value, with gains or losses being recognized in accordance with the hedge accounting model adopted by the Group.

#### **h) Fair value hedging**

Changes in the fair value of derivatives that are designated and that qualify as fair value hedging are recorded in the income statement, together with changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedge relationship no longer meets the requirements of hedge accounting, the accumulated gains or losses recognized in the valuation of the hedged risk are amortized over the remaining period until the maturity of the hedged item.

The accounting for hedging derivative instruments is discontinued as from the date when the qualification criteria are no longer met, that is, when the hedging relationship no longer meets the risk management objective; the instrument wins or is sold; or there is no longer an economic relationship between the hedged item and the hedging instrument.

In derivative instruments, although contracted with the aforementioned objectives (mainly derivatives in the form of interest rate options), in relation to which the Group did not apply hedge accounting, they are recorded at their fair value, the variations of which are calculated using tools information technology, directly affect the item Financial results in the consolidated income statement.

When derivatives are embedded in other financial instruments or other contracts, they are treated as derivatives recognized separately in situations where the risks and characteristics are not closely related to the contracts and in situations where the contracts are not presented at their fair value with unrealized gains or losses recorded in the consolidated income statement.

In specific situations, the Group may contract interest rate derivatives in order to cover fair value. In these situations, derivatives will be recorded at their fair value through the consolidated income statement. If this hedge no longer meets the criteria for hedge accounting, the changes in the fair value of the hedged instrument, for which the effective interest rate method is used, are amortized through profit or loss, over the period of maturity of the hedged instrument. covered instrument. In situations where the hedged instrument is not measured at fair value (namely, loans that are measured at amortized cost), the effective hedge portion will be adjusted to the book value of the hedged instrument, through the income statement.

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

Cash and cash equivalents include 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 current bank loans.

## 2.13. SHARE-BASED PAYMENTS

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae Capital, SGPS, SA share price and vest within a period of 3 years after being granted.

Share-based payment liabilities are measured at fair value on the date they are granted (after the Annual General Meeting) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date (adjusted for the distribution of dividends or movements in capital stock). These obligations are stated as Staff costs and other liabilities, and are recorded 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, when the Group has the choice to settle the transaction in cash to its market value at the date of its exercise.

## 2.14. CONTINGENT ASSETS AND LIABILITIES

Whenever one of the criteria for recognition of provisions is not complied with or the existence of the obligation is conditional on the occurrence (or non-occurrence) of a future event, there is a contingent liability. 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.

Contingent assets are «possible» assets generated by past events whose existence derives from the confirmation of the future occurrence of one or more uncertain events over which the Group has no control. Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

## 2.15. INCOME TAX

The tax charge for the year is determined based on the taxable income of companies included in the consolidation perimeter and considers deferred taxation. Current tax is calculated in accordance with the tax rules in force, or with the tax rules substantially considered as being in force at the balance sheet date.

Current income tax is determined based on the taxable income of the companies included in the consolidation perimeter, or optionally, in the groups of companies included in tax consolidations perimeters, in accordance with the tax rules in force in the respective country.

Deferred taxes are calculated using the balance sheet 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 in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognised 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 recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related with: i) initial recognition of the goodwill; ii) The initial recognition of assets and liabilities, that are not from a concentration of activities, and that at the date of the transaction do not affect the accounting or tax result. However, there are no taxable temporary differences related to investments in subsidiaries, since; i) the parent Group has the ability to control the reversal period of the temporary difference: ii) It is likely that the temporary difference will not reverse in the near future.

Deferred taxes 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.

Under current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except if there have been tax losses or tax benefits, or ongoing tax inspections or claims. In these cases, and depending on the circumstances, the time limits are extended or suspended. In this way the Group tax return, from the years 2016 to 2019, could still be subject to review. However, in the opinion of the Group's Board of Directors, it is not expected that any correction relating to the said financial years will be significant for the consolidated financial statements as at 31 December 2019.

In the fiscal year 2019, the Group is subject to taxation on Corporate Income Tax at the normal rate of 21%, plus municipal taxes at a maximum rate of 1.5%.

In addition, on the part of the taxable profit of more than 1,500,000 euros subject to and not exempt from Corporate Income Tax, the following state levy fees are levied: 3% over 1,500,000 euros and less than 7,500,000 euros; 5% on the upper part to 7,500,000 euros and up to 35,000,000 euros; and 7% that is levied on the part of the taxable income that exceeds 35,000,000 euros.

Under the terms of Article 88 of the Portuguese Income Tax Code, the Group is also subject to separate taxation on a set of charges at the rates provided for in the mentioned article.

The corporate income tax rate in force for 2020 is 21%.



## 2.16. REVENUE RECOGNITION

The Revenue is the fair value of the amount received or receivable earned from the sale of products and rendering of services by the Group.

In determining the value of revenue, the Group assesses for each transaction its performance obligations to 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 give rise to future results to the value of the recorded revenue, and for which the Group makes its best estimate.

**Revenue from the sale of goods** – The revenue from the sale of goods is recorded in the income statement when control of the product or service is transferred to the customer, that is, at the moment when the customer is able to manage the use of the product or service and obtain all the remaining economic benefits associated with it.

Revenue from services rendered - The income of the projects developed are recognized, in each year, according to the percentage of completion of the projects according to the performance obligation to which they relate, according to the percentage of their performance. That is, with respect to each performance obligation, the group recognizes revenue over time by measuring progress towards full compliance with such a performance obligation.

**Construction contracts** – The revenue from work in progress comprises the initial amount of revenue agreed in the contract. Any variations in the work performed are only considered after the agreement with the client. These changes are recorded as a new contract when these correspond to a new scope and the financial terms negotiated are independent of the current contract. In cases where these conditions are not met, the Group re-calculates the cumulative percentage of completion of the contract.

The penalties and incentives associated with construction contracts are recognized based on the nature of the terms traded on the basis of the most probable or expected value method, as long as it is not probable to be reversed.

The Group considers that, given the nature of the product or service that is associated with the performance obligations assumed, the transfer of control occurs mostly on a specific date, but there may be transactions in which the transfer of control occurs continuously throughout the contractual period defined.

## 2.17. ACCRUALS

Income and expenses are booked in accordance with the accrual basis of accounting, whereby they are recognized as they are earned, regardless of when the cash is received or paid. The differences between the amounts received and paid and the corresponding income and expenses, are recorded under the captions «Other current assets» and «Other current liabilities».

Dividends are recognised as income in the year they are attributed to the shareholders.

## 2.18. BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

Transactions in currencies other than the Euro are translated to Euro using the exchange rate as at the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign Group 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 Group, 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 balance sheet, 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.

## 2.19. SUBSEQUENT EVENTS

Events after the balance sheet date and before the financial statements are issued that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date and before the financial statements are issued that are non-adjusting events are disclosed in the notes when material.

## 2.20. JUDGEMENTS AND ESTIMATES

The estimates and judgments with impact on the Group's financial statements are continuously evaluated, representing 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 intrinsic nature of the estimates may mean that the actual reflection of the situations that have been estimated may, for financial reporting purposes, differ from the estimated amounts. The most significant estimates and judgments reflected in the consolidated financial statements include:

### **Judgments**

The Group grants loans to entities that qualify as associates or joint ventures of the Group under different contractual arrangements. Its classification as elements / components of financial holdings or other financial assets depends on the repayment conditions and associated remuneration, and on the Management's intention to enforce the contractual clauses agreed with the investees. As a general rule, non-remunerated financing is classified as part of the investment in the Group's subsidiaries

### **Estimates**

The estimates were determined based on the best information available at the date of preparation of the consolidated financial statements and based on the best knowledge and experience of past and/or current events. However, situations may occur in subsequent periods that, not being predictable at the time, were not considered in these estimates. Changes to these estimates, which occur after the date of the consolidated financial statements, will be corrected in profit or loss prospectively, as provided by IAS 8.

The main estimates and assumptions related to future events included in the preparation of the consolidated financial statements are described in the corresponding notes, highlighting the impairment of financial assets and recognition of contract revenue below.

The most significant accounting estimates reflected in the financial statements are as follows:

- Useful lives of tangible and intangible assets;  
The main sources of uncertainty resulting from the period in which the assets will be able to use the forecasts of cash flows, estimates of recoverable amounts, obtain market comparable growth rates, discount rates and sensitivity assumptions (Notes 10 and 11).

- Analysis of the impairment of goodwill and other tangible and intangible assets;  
The complexity and level of judgment inherent in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs) implies considering this issue as a significant accounting estimate (Notes 10, 11 and 12).
- Adjustments to the values of assets and provisions;  
Relevant estimates given the complexity and the degree of judgment inherent to the contingencies, as well as the level of uncertainty associated with the outcome of course proceedings (Note 31).
- Estimates of future income tax;  
The degree of judgment associated with the assessment of the recoverability of deferred tax assets requires the use of estimates in the projection of future taxable income and in determining the amounts required for its recovery, the event of which always presents a degree of uncertainty (Note 19).
- Percentage of completion of revenue recognition.  
The map of works that supports the recognition of revenue based on the percentage of completion of construction contracts has several assumptions, essentially as regards the overall budget for construction expenses, expenses already incurred and expenses to be incurred. The degree of uncertainty inherent in estimates of this nature, and the inherent assumptions, implies that these estimates are relevant (Note 33).
- Impairment of financial assets:  
The determination of impairment on financial assets involves significant estimates. When 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 less than their book value. The balances of «Loans granted to related entities», «Customers» and «Other third party debts» are evaluated for factors such as the history of default, current market conditions, and also prospective information estimated by reference at the end of each reporting period., as the most critical assessment elements for the purpose of analyzing estimated credit losses, as described in Note 2.12 c)
- Assumptions regarding lease agreements;  
The exemption provided for in IAS 12 in paragraph a) of paragraph 15 was considered in view of the lack of certainty about the tax and accounting treatment to be given to the subject in question. It is taken into account that when the position of the Tax Administration becomes public and/or the IASB publishes the amendment to IAS 12, there may be changes to the accounting treatment adopted in the first application of IFRS 16.  
In addition, relevant judgments are also made in determining the incremental interest rate as well as in the period to be considered for determining the lease liability and right to use.

## 2.21. SEGMENT INFORMATION

Financial information regarding business segments is included in Note 47.

### 3. FINANCIAL RISK MANAGEMENT

The ultimate purpose of financial risk management is to support Sonae Capital in the achievement of its long term strategy, reducing unwanted financial risk and volatility and mitigate any negative impacts in the income statement arising from such risks. Sonae Capital'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 Capital does not enter into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

The Corporate Finance Department of Sonae Capital is responsible for consolidating and measuring the group's financial risk exposure for reporting and monitoring purposes, being also responsible for submit proposal and implementation of hedging instruments to managing their own currency, interest rate, liquidity and refinancing risks. Exposures are recorded in a main system (Treasury Management System). Risk control and reporting is carried out both at each business level and on a consolidated.

In what concerns to customer and partner's credit risk management, the Department of Counterparty Risk, as part of the Finance Services, is responsible for assessing and monitoring the clients and partners' risk profile for all the business units as well as the implementation of instruments to mitigate such risks and reporting of exposures and credit quality.

#### 3.1. MARKET RISKS

##### a) Interest rate risk - Policy

As a result of maintaining its debt in the consolidated balance sheet at variable rates, and the resulting cash flows from interest payments, the Group is exposed to a Euro interest rate risk.

In view of the fact that:

- The volatility of Group results does not depend only on the volatility of its financial results linked to the volatility of interest rates;
- Under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;

The setting up of any form of risk cover structure has an implicit opportunity cost associated with it, the Group policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives), but rather has opted for a dynamic approach to monitoring exposure, which aligns market conditions to the real exposure of the Group, in order to avoid the possibility of exposure that could have a real impact on the consolidated results of the Group.

In view of the above, the Group policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

- Derivatives are not used for trading or speculation;
- Derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt to avoid any mismatch and hedging inefficiencies;

- The maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;
- Derivative contracts are only agreed with authorised entities of high prestige, national and international recognition and based on respective credit ratings. It is Sonae Capital policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae Capital's relationships;
- All transactions must be the object of competitive bids, involving at least two financial institutions to ensure optimum conditions;
- All transactions are entered into by using market standard contracts (ISDA - International Swaps and Derivatives Association), with schedules negotiated with each one of the Institutions;
- To determine the fair value of the hedging transactions, the Group uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;
- Any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

#### **b) Interest rate risk – Sensitivity Analysis**

Interest rate sensitivity is based on the following assumptions:

- Changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;
- Changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;
- In the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risks;
- Changes in market interest rates of financial instruments which were designated as cash flow hedging instruments to cover fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);
- Changes in market interest rates of interest rate derivatives, which are specified as being part of hedging relationships as defined in IAS 39, affect the results of the Group (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;
- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;
- The sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above mentioned assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the consolidated net profit before tax of the Group as at 31 December 2019 would have been higher/lower by 951,571 euros (as at 31 December 2018 they would have been higher/lower by 922,409 euros). The impact in equity (excluding the impact on net profit) of the interest rate sensitivity analysis as at 31 December 2019 would have been lower/higher by around 0 euro (as at 31 December 2018 the impact would have been lower/higher by around 0 euro).

	31 December 2019
Partner Borrowings	(216 645)
Bond loans	(57 500 000)
Commercial Paper	(78 200 000)
MLT Loans	(2 405 633)
Term Deposits	367 000
Other Loans	(2 963 296)
Average Bank Deposits	3 443 427
	<b>(137 475 147)</b>

### c) Exchange rate risk

The Sonae Capital Group, as an all, has an immaterial exposure to exchange rate risk.

However, the refrigeration and air conditioning business has international operations with subsidiaries operating in different jurisdictions and therefore it is exposed to the exchange rate risk.

The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in exchange rates (risk relative to the value of capital invested in subsidiaries outside the Eurozone) and Group's subsidiaries are exposed to the risk of a change in both exchange and transaction rates (risk associated with commercial transactions made in currencies other than the euro). Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. The Group's cash flows are largely denominated in the subsidiary local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural hedging, reducing the Group's transaction risk. In line with this reasoning, Group's subsidiaries only contract debt that is denominated in the respective local currency. In turn, the currency conversion risk emerges from the fact that, when preparing the Group's consolidated accounts, the financial statements of the subsidiaries denominated in currencies other than that of the consolidated accounts (euro), must be converted into euros. As exchange rates vary between accounting periods and as the value of the subsidiaries' assets do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion in different periods at different exchange rates.

As a rule, whenever it is possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency, thus mitigating foreign exchange risks. Also as a general rule, in situations where there is significant exchange rate risk resulting from operating activities involving currencies other than the local currency of each subsidiary, the foreign exchange risk should be mitigated through the use of short-term foreign exchange derivatives contracted by the subsidiary exposed to that risk. Sonae Capital's subsidiaries do not contract exchange rate derivatives for trading, profit making or speculative purposes. As policy, the translation risk as a result of conversion of equity investments in subsidiaries different from Euro is not hedged, since these investments are considered long-term. Gains and losses related to the translation at different exchange rates of Equity investments in foreign non Euro subsidiaries are accounted under the Conversion Reserve, included in Other Reserves and Accumulated Earnings, on the Consolidated Balance Sheet.

In view of the low volume of balances in foreign currency, no exchange rate sensitivity analysis was carried out.

#### d) Energy market risk

As a result of the energy sales activity, the Group has a portfolio of operations related to electricity, CO<sub>2</sub> emissions and fuels (gas). The management of this portfolio is carried out through the contracting of operations, with financial and physical settlements, in the forward energy markets. These operations aim to reduce the volatility of the economic impact arising from the positions managed and, in addition, take advantage of opportunities for arbitrage or "positioning" within the limits of trading. The financial instruments traded include swaps (electricity and gas) and price-setting futures.

The activity of selling energy is subject to a set of variables that are identified and classified according to their common characteristics of uncertainty (or risk). Of these risks, we highlight those related to the evolution of market prices (electricity and fuels) and to the variability of water production volumes (price and volume risk), as well as the credit risk of counterparties.

The monitoring of risks, both in price and volume and in credit, involves quantifying them in measures associated with exposures that can be adjusted through market operations. This quantification is performed by specific models that value positions in order to assess the maximum loss that can be incurred with a given probability and within a given time horizon.

Risk monitoring is carried out through a wide range of actions that involve the daily monitoring of the different risk indicators, the operations characterized in the systems and the prudential limits assigned by management area and risk components, as well as regular analysis exercises price variations. This monitoring allows not only to ensure the effectiveness of the implementation of the strategies followed, but also to provide elements that enable the taking of initiatives to, if necessary, correct them.

## 3.2. CREDIT RISK

Credit risks at Sonae Capital arise mainly from (i) debts from customers relating to operational activity, (ii) its relationships with financial institutions in the course of its day to day business activity, and (iii) the risk of noncompliance by business counterparts in portfolio transactions.

### Customer Credit

Sonae Capital's credit management is structured according to the particular needs of the businesses that are part of the Group, always taking in consideration:

- Customer credit risk evaluation before the transaction, as well as the rigorous determination of the credit limit adjusted to each customer profile. The analysis is based on pre-established and automatic model that guarantees the rigorous implementation of the principles;
- Automatic and daily monitoring of the customer credit risk and adoption of preventive measures when a modification occurs;
- The mitigation of the credit risk by credit insurance and additional warranties;
- Monitoring of customer accounts with focus proportional to its risk level;
- The establishment of fragmented credit concession processes, through a separation between administrative and decision procedures;
- The use of legal measures necessary to recover debts.

The implementation of all these mechanisms has allowed a strict fulfilment of the credit risk policy and also an under the average rate of clients' unfulfillment.

Sonae Capital has established a credit risk management process based on Group scoring methodology. The credit risk management policy and its classification methodology enabled Sonae Capital to obtain, in 2019, an average default rate of 0.2%, substantially lower than the average customer default rate in Portugal, which according to an Intrum Justitia study was at 2,2%. Thus, there is no risk of material non-compliance with the amounts recorded in accounts receivable as at 31 December 2019.

In the normal course of activity collection risk may arise in trade debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade debtors reflect their fair value.

Loans granted to related entities" balances are considered to have low credit risk and, therefore, impairment losses recognized during the period are limited to estimated credit losses at 12 months. These financial assets are considered to have "low credit risk" when they have a low uncollectibility risk and the borrower has a high capacity to meet its contractual cash flow liabilities in the short term.

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 «Customer» and "Other third party debt" balances. In order to measure estimated credit losses, Customer and Other Third-party Debts were aggregated based on the shared credit risk characteristics, as well as on the days of arrears.

#### **Financial institutions**

The credit risk is linked to possible noncompliance by financial institutions, to which the Group is contractually bound, in its normal operational activity, term deposits, cash balances and derivatives.

To mitigate this risk, the Group:

- Only executes transactions with counterparts with an Investment Grade minimum grading;
- Diversifies its counterparts, in order to avoid an excessive concentration of credit risk;
- Defines a restricted range of chosen instruments (aimed at not contracting complex instruments, the structure of which is not entirely known), requiring authorization from the Board of Directors to use alternative instruments;
- Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

#### **Shareholding Buy/Sale transactions**

In the course of its business, the Group is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the variability of the means used, there exists always the possibility of using normal market methods, namely carrying out due diligences, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed, requesting bank guarantees, setting up escrow accounts, obtaining collateral, among others.



Sonae Capital Group's available cash mainly includes bank deposits resulting from cash generated by operations. By geography, bank deposits and short-term investments are distributed as follows:

Deposits and short term investments:	
Portugal	87.27%
Spain	11.49%
Mexico	1.21%
Netherlands	0.02%
Mozambique	0.02%

Below the ratings are presented (ratings from the main rating agencies) of the main financial institutions in which Sonae Capital Group had deposits and other investments as at 31 December 2019:

Rating	%	Amount
A	1.68%	91,993.33
BBB	28.21%	1,547,660.10
BB	68.64%	3,765,627.21
B	1.18%	64,477.60
NR	0.30%	16,373.93
	<b>100.00%</b>	<b>5,486,132.17</b>

In accordance with established policy, Sonae Capital Group only carry out bank deposits and other short-term investments with counterparties that have a high national and international prestige based on their respective rating notations and preference should be given to financial institutions that form part of Sonae Capital's relationship banks that have a credit position equal or greater than the amount of the short term investment that Sonae Capital aims to do.

### 3.3. LIQUIDITY RISK

Sonae Capital 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.

The objective of liquidity risk management is to ensure at any given moment that the Group has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Group aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Group includes the following key aspects:

- Centralised liquidity management (cash surpluses and needs) at the holding Group level, seeking to optimise the finance function in the Group;
- Financial planning based on cash flow forecasts, both at an individual Group and consolidated levels, and for different time periods (weekly, monthly, annual and multiyear);

- Short and long term financial control systems (based on Treasury and Cash Management systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;
- Diversification of sources of financing and counterparts;
- Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;
- Contracts with relationship Banks, of committed credit lines (of at least six months) and commercial paper programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable;
- Negotiation of contract terms which reduce the possibility of early termination of loans.

A liquidity reserve in form of credit lines with its relationship banks is maintained by Sonae Capital, to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms.

Consequentially, Sonae Capital 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 or contracting new, if needed.

### 3.4. CAPITAL RISK

The management of capital is carried out within the scope of the Group's financial risk management process.

The Group's objective in relation to capital management is to safeguard the continuity of the Group, to grow sustainably in order to meet the established objectives and to maintain an optimal capital structure in order to reduce the cost of capital.

In accordance with other Groups operating in this sector, the Group controls its financing structure based on different control mechanisms and ratios.

## 4. CHANGES IN ACCOUNTING POLICIES

Changes in international accounting standards that took effect on or after 1 January 2019 (Note 2.1), had no significant impact on the financial statements at 31 December 2019, with the exception of the impact of the implementation of the IFRS 16.

## 5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of the share capital held by the Group as at 31 December 2019 and 2018, are as follows:

Company	Head Office	Percentage of capital held			
		31 December 2019		31 December 2018	
		Direct	Total	Direct	Total
Sonae Capital, SGPS, S.A.	Maia	Holding	Holding	Holding	Holding
<b>Hospitality</b>					
Porto Palácio Hotel, S.A.	a) Porto	100,00%	100,00%	100,00%	100,00%
SC Hospitality, SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
The Artist Porto Hotel & Bistrô - Actividades Hoteleiras, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
The House Ribeira Hotel – Exploração Hoteleira, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Aqualuz Tróia, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
2ndRoom - Exploração Hoteleira, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
1) Aqualuz -Turismo e Lazer, Lda.	a) Lagos	100,00%	100,00%		
<b>Tróia Resort Operations</b>					
Atlantic Ferries - Tráf. Loc. Flu. e Marít., S.A.	a) Grândola	95,77%	95,77%	95,77%	95,77%
Marina de Tróia, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Tróia Market, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Tróia Natura, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Troiareort-Investimentos Turísticos, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Troiareort, SGPS, S.A.	a) Matosinhos	100,00%	100,00%	100,00%	100,00%
Golf Time - Golfe e Invest. Turísticos, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
<b>Fitness</b>					
Acrobatic Title, S.A.	a) Lisbon	100,00%	100,00%	10,00%	10,00%
Solinca - Health & Fitness, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
SC Fitness, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Pump, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
1) Urban Fit Ermesinde - Gestão de Health Clubs, Lda.	a) Maia	100,00%	100,00%		
1) Urban Fit Foz - Gestão de Health Clubs, Lda.	a) Maia	100,00%	100,00%		
1) Urban Fit Gaia - Gestão de Health Clubs, Lda.	a) Maia	100,00%	100,00%		
1) Urban Fit Maia - Gestão de Health Clubs, Lda.	a) Maia	100,00%	100,00%		
<b>Energy</b>					
Atelgen - Produção Energia, ACE	a) Barcelos	51,00%	51,00%	51,00%	51,00%
CAPWATT – Brainpower, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
CAPWATT – ACE, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Colombo - Heat Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
4) Engenho Novo Gás PT, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
3) Engenho Novo Electricidade PT, S.A.	a) Maia	100,00%	100,00%		
Capwatt Hectare - Heat Power, ACE	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Évora – Solar Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
5) Capwatt Decentralized Solar Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%

Capwatt IV – Heat Power, Unipessoal, Lda.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Maia - Heat Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Martim Longo - Solar Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Vale do Caima - Heat Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Vale do Tejo - Heat Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Estuário – Heat Power, Unipessoal, Lda.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Lousado – Heat Power, Unipessoal, Lda.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Alrota – Wind Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Chamusca – Bio Power, Unipessoal, Lda.	a) Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Ferreira – Solar Power, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
CAPWATT – SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Carvemagere - Manutenção e Energias Renováveis, Lda.	a) Barcelos	65,00%	65,00%	65,00%	65,00%
Companhia Térmica SERRADO, ACE	a) Maia	70,00%	70,00%	70,00%	70,00%
Companhia Térmica Tagol, Lda.	a) Oeiras	100,00%	100,00%	100,00%	100,00%
Soternix - Produção de Energia, ACE	a) Barcelos	51,00%	51,00%	51,00%	51,00%
Suncoutim - Solar Energy, S.A.	a) Faro	85,00%	85,00%	85,00%	85,00%
Sociedade de Iniciativa e Aproveitamentos Florestais - Energia, S.A.	a) Mangualde	90,00%	90,00%	90,00%	90,00%
Capwatt México, S. de R. L. de C.V	a) Mexico City	100,00%	100,00%	100,00%	100,00%
1) Futura Energía Inversiones, S.L.	a) Madrid	100,00%	100,00%		
1) Futura Carbono, S.L.	a) Madrid	100,00%	100,00%		
1) Futura Energía y Gas, S.L.	a) Madrid	100,00%	100,00%		
1) Futura Green Renovables, S.L.	a) Madrid	100,00%	100,00%		
1) Ecofutura Luz Energía, S.L.	a) Madrid	100,00%	100,00%		
<b>Refrigeration e HVAC</b>					
2) RACE - Refrigeration & Air Conditioning Engineering, S.A.	a) Matosinhos	100,00%	70,00%	100,00%	70,00%
2) RACE, SGPS, S.A.	a) Matosinhos	70,00%	70,00%	70,00%	70,00%
2) Sistavac Sistemas HVAC - R do Brasil, Ltda.	a) São Paulo	100,00%	70,00%	100,00%	70,00%
6) Sopair, S.A.	a) Madrid	100,00%	70,00%	100,00%	70,00%
7) Spinarq Moçambique, Lda.	a) Maputo	70,00%	70,00%	70,00%	70,00%
<b>Real Estate</b>					
Bloco Q - Soc. Imobil, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Casa da Ribeira - Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Centro Residencial da Maia, Urban., S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Cinclus Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Contry Club da Maia - Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Empreend. Imob. Quinta da Azenha, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Fundo Esp. Inv. Imo. Fec. WTC	a) Maia	100,00%	100,00%	100,00%	100,00%
Imoclub - Serviços Imobiliários, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Imodivor - Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Imohotel - Emp. Turist. Imobiliários, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Imoponte - Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Imosedas - Imobiliária e Serviços, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Implantação – Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Porturbe - Edifícios e Urbanizações, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Praedium II - Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Predisedas - Predial das Sedas, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Promessa Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%

SC Assets, SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Sete e Meio Herdades - Inv. Agr. e Tur., S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Soira - Soc. Imobiliária de Ramalde, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Sótaqua - Soc. de Empreend. Turísticos	a) Maia	100,00%	100,00%	100,00%	100,00%
Spinveste - Promoção Imobiliária, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Spinveste - Gestão Imobiliária SGII, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Urbisedas - Imobiliária das Sedas, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Vistas do Freixo - Emp. Tur. Imobiliários, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Soltroia - Imob. de Urb. Turismo de Tróia, S.A.	a) Lisbon	100,00%	100,00%	100,00%	100,00%
SII - Soberana Invest. Imobiliários, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Tulipamar - Expl. Hoteleira Imob., S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Marmagno - Expl. Hoteleira Imob., S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Imopenínsula - Sociedade Imobiliária, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Imoresort - Sociedade Imobiliária, S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
Marvero - Expl. Hotel. Im.. S.A.	a) Grândola	100,00%	100,00%	100,00%	100,00%
3) TROIAMED – Sociedade Mediação Imob., S.A.	a) Maia	100,00%	100,00%		
<b>Industrial Engineering</b>					
SC, INDUSTRIALS, SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Adira - Industrial Engineering Forming Solutions, S.A.	a) Porto	100,00%	100,00%	100,00%	100,00%
Guimadira - Máquinas e Ferramentas, Lda.	a) V. N. Gaia	100,00%	100,00%	100,00%	100,00%
<b>Holding &amp; Others</b>					
Imobeauty, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
SC - Sociedade de Consultadoria, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
SC Finance BV	a) Amsterdam	100,00%	100,00%	100,00%	100,00%
SC For - Ser. Formação e Desenvolv. Recursos Humanos, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
UP Invest., SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
SC, SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Praedium – Serviços, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Inparvi, SGPS, S.A.	a) Maia	100,00%	100,00%	100,00%	100,00%
Société de Tranchage Isoroy, S.A.S.	a) Honfleur	100,00%	100,00%	100,00%	100,00%
Andar - Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	50,00%	50,00%
Sociedade de Construções do Chile, S.A.	a) Maia	100,00%	100,00%	50,00%	50,00%
Vastgoed One - Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	50,00%	50,00%
Vastgoed Sun - Sociedade Imobiliária, S.A.	a) Maia	100,00%	100,00%	50,00%	50,00%

- 1) Company acquired during the period in consideration;
- 2) Company alienated during the period in consideration;
- 3) Company founded during the period in consideration;
- 4) Ex - Capwatt Engenho Novo - Heat Power, S.A.;
- 5) Ex - Capwatt III - Heat Power, S.A.;
- 6) Disposal during the period in consideration;
- 7) Discontinued Operations;
- a) Majority of voting rights.

These group companies are consolidated using the full consolidation method as described in Note 2.2.a.

## 6. INVESTMENTS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Associated and jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 31 December 2019 and 2018 are as follows:

31 December 2019										
Company name	Head Office	Percentage of Capital Held		Total Assets	Total Liabilities	Total Costs	Total incomes	Shared Capital	Net income	Balance Value
		Direct	Total							
<b>Holding &amp; Others</b>										
Lidergraf - Artes Gráficas, Lda	Vila do Conde	24,50%	24,50%	17 369 362	8 468 351	21 671 826	22 694 820	8 901 011	1 022 994	1 438 114
<b>Energy</b>										
Feneralt - Produção de Energia, ACE	Barcelos	25,00%	25,00%	1 305 083	455 748	1 390 005	2 239 340	849 335	849 335	185 792
				<b>18 674 445</b>	<b>8 924 099</b>	<b>23 061 831</b>	<b>24 934 160</b>	<b>9 750 346</b>	<b>1 872 329</b>	<b>1 623 907</b>

31 December 2018										
Company name	Head Office	Percentage of Capital Held		Total Assets	Total Liabilities	Total Costs	Total incomes	Shared Capital	Net income	Balance Value
		Direct	Total							
<b>Holding &amp; Others</b>										
Lidergraf - Artes Gráficas, Lda	Vila do Conde	24,50%	24,50%	15 844 203	6 869 577	20 843 471	21 557 498	8 974 625	714 027	1 445 296
<b>Energy</b>										
Feneralt - Produção de Energia, ACE	Barcelos	25,00%	25,00%	1 119 859	104 267	1 307 226	2 322 818	1 015 593	1 015 583	222 162
				<b>16 964 062</b>	<b>6 973 844</b>	<b>22 150 697</b>	<b>23 880 316</b>	<b>9 990 218</b>	<b>1 729 610</b>	<b>1 667 459</b>

Associated and jointly controlled companies are consolidated using the equity method.

During the periods ended 31 December 2019 and 2018, movements in investments of associated and jointly controlled companies may be summarized as follows:

	31 December 2019	31 December 2018
<b>Opening balance as at 1 January</b>	<b>1 623 907</b>	<b>1 419 028</b>
Acquisitions in the period	-	-
Disposals in the period	-	-
Equity method	303 238	444 700
Dividends received	(259 686)	(239 822)
Change in the consolidation method	-	-
<b>Closing balance as at 31 December</b>	<b>1 667 459</b>	<b>1 623 907</b>
Accumulated impairment losses (Note 31)	-	-
	<b>1 667 459</b>	<b>1 623 907</b>

The use of the equity method had the following impacts: 303,238 euros recorded on share of results of associated undertakings (444,700 euros at 31 December 2018), and 0 euros in changes in reserves in 31 December 2018 and 2019.

During the year ended 31 December 2019 dividends were received totalling 260,000 euros (240,000 at 31 December 2018) paid by the companies Lidergraf-graphic arts, Lda and Feneralt-Energy Production, ACE.

There are no contingent liability commitments or significant restrictions on the ability to transfer funds in favour of Sonae Capital by associates and joint ventures.

## 7. OTHER INVESTMENTS

The head offices, percentage of share capital held and book value of Other Investments as at 31 December 2019 and 2018 are made up as follows:

		Percentage of capital held				Book value	
		31 December 2019		31 December 2018		31 December 2019	31 December 2018
Company		Direct	Total	Direct	Total		
<b>Troia Resort Operations</b>							
Infratróia - Infraestruras de Tróia, E.M.	Grândola	25,90%	25,90%	25,90%	25,90%	64 747	64 747
<b>Holding &amp; Others</b>							
Fundo de Investimento Imobiliário Imosonae Dois	Maia	-	-	-	-	-	-
Net, SA	Lisbon	0,98%	0,98%	0,98%	0,98%	23 034	23 034
Fundo de Capital de Risco F-HITEC	Lisbon	-	-	6,48%	6,48%	-	250 950
Other Investments						366 610	331 704
<b>Total</b>						<b>454 391</b>	<b>670 435</b>

As at 31 December 2019 and 2018, movements in investments were as follows:

	31 December 2019		31 December 2018	
	Non-current	Current	Non-current	Current
<b>Investments at acquisition cost</b>				
Opening balance as at 1 January	962 273	-	870 268	-
Acquisitions in the period	93 796	-	155 162	-
Disposals in the period	(294 278)	-	(72 816)	-
Merger	-	-	10 687	-
Changes in consolidation perimeter	(15 562)	-	(1 029)	-
<b>Closing balance as at 31 December</b>	<b>746 229</b>	<b>-</b>	<b>962 273</b>	<b>-</b>
Accumulated impairment losses (Note 31)	(291 838)	-	(291 838)	-
	<b>454 391</b>	<b>-</b>	<b>670 435</b>	<b>-</b>
<b>Other Investments</b>	<b>454 391</b>	<b>-</b>	<b>670 435</b>	<b>-</b>

## 8. CHANGES TO THE CONSOLIDATION PERIMETER

During the period ended 31 December 2019 the following companies were acquired:

Company	Head Office	Percentage of capital held at the date of disposal	
		Direct	Total
Aqualuz - Turismo e Lazer, Lda.	Lagos	100%	100%
Urban Fit Ermesinde - Gestão de Health Clubs, Lda.	Maia	100%	100%
Urban Fit Foz - Gestão de Health Clubs, Lda.	Maia	100%	100%
Urban Fit Gaia - Gestão de Health Clubs, Lda.	Maia	100%	100%
Urban Fit Maia - Gestão de Health Clubs, Lda.	Maia	100%	100%
TROIAMED – Sociedade Mediação Imob., S.A.	Maia	100%	100%
Futura Energía Inversiones, S.L.	Madrid	100%	100%
Futura Carbono, S.L.	Madrid	100%	100%
Futura Energía y Gas, S.L.	Madrid	100%	100%
Futura Green Renovables, S.L.	Madrid	100%	100%
Ecofutura Luz Energía, S.L.	Madrid	100%	100%
Engenho Novo Electricidade PT, S.A.	Maia	100%	100%

At the beginning of 2019, we successfully integrated the acquisition of the total capital and voting rights of Aqualuz – Turismo e Lazer, Lda. That operates the hotel Aqualuz Lagos, in Algarve.

In the second quarter of 2019, 4 fitness centers of the Urban Fit group were acquired. The centers are located in the North of Portugal and the companies were integrated in the Fitness segment. In this quarter the realtor, TROIAMED and the energy company Engenho Novo Electricidade PT, S.A. were constituted.

In the third quarter, Sonae Capital acquired the Futura group through the acquisition of the entity Futura Energía Inversiones, S.L. The Futura group is composed of 4 subsidiaries: Futura Energía y Gas, Ecofutura Luz Energía, Futura Carbono e Futura Green Renovables.



Impacts in the consolidated financial statements at the inclusion date were as follows:

	Acquisition date	31 December 2019
<b>Net assets acquired</b>		
Tangible and intangible assets (Notes 10 and 11)	2 666 586	4 626 284
Financial investments	908 079	15 694
Holding & Others	62 216 212	127 109 842
Cash and cash equivalents	880 831	644 938
Other liabilities	(63 236 512)	(128 549 690)
	<b>3 435 196</b>	<b>3 847 070</b>
<b>Total equity</b>	<b>3 435 196</b>	<b>3 847 070</b>
<b>Income statements from the acquired companies</b>		
Cost of sales	102 723 370	88 139 029
Changes in stocks of finished goods and work in progress	-	-
External supplies and services	4 468 838	4 085 168
Staff costs	1 457 842	1 612 185
Depreciation and amortisation	291 543	455 983
Provisions and impairment losses	104 330	(109 474)
Other operating expenses	122 894	151 602
<b>Operational expenses</b>	<b>109 168 818</b>	<b>94 334 492</b>
Sales	103 982 887	89 302 921
Services rendered	5 303 416	5 396 724
Other operating income	36 322	34 756
Operational income	109 322 625	94 734 401
<b>Operational profit/(loss)</b>	<b>153 807</b>	<b>399 909</b>
Financial income	29 116	2 530
Financial expenses	106 319	213 505
<b>Net financial income / (expenses)</b>	<b>(77 203)</b>	<b>(210 975)</b>
Investment income	-	-
<b>Investment income</b>	<b>-</b>	<b>-</b>
<b>Profit/(Loss) before taxation</b>	<b>76 604</b>	<b>198 937</b>
Taxation	(24 764)	(291 577)
<b>Profit/(Loss) for the year</b>	<b>51 840</b>	<b>(92 640)</b>
Gain/(Loss) on acquisition (Note 41)	9 607 184	
Acquisition price	12 436 433	
Payments made	8 486 522	
<b>Net cash flow from the acquisition</b>		
Payments made	1	
Cash and equivalents acquired	212 488	
	<b>212 489</b>	

## 9. FINANCIAL INSTRUMENTS

As at 31 December 2019 Financial Instruments, in accordance with the policies described in Note 2.1, were classified as follows:

Financial Instruments							
Financial Assets	Note	Assets / Liabilities at Amortized Cost	Assets at fair cost from other comprehensive income	Assets / Liabilities from results	Subtotal	Other non-financial Assets / Liabilities	Total
<b>As at 31 December 2019</b>							
<b>Financial Assets</b>							
Clients and other accounts receivable	7, 13, 15 & 16	79 047 259	-	-	79 047 259	-	79 047 259
Cash and cash equivalents	20	7 587 355	-	-	7 587 355	-	7 587 355
Financial Instruments	25	-	-	15 824 463	15 824 463	-	15 824 463
		<b>86 634 614</b>	<b>-</b>	<b>15 824 463</b>	<b>102 459 077</b>	<b>-</b>	<b>102 459 077</b>
<b>Financial Liabilities</b>							
Loans received	20, 23 & 24	152 608 602	-	-	152 608 602	-	152 608 602
Lease liabilities	32	63 343 127	-	-	63 343 127	-	63 343 127
Financial Instruments	25	-	-	9 565 632	9 565 632	-	9 565 632
Trade and other accounts receivable	26, 28 & 29	50 480 195	-	-	50 480 195	-	50 480 195
		<b>266 431 924</b>	<b>-</b>	<b>9 565 632</b>	<b>275 997 556</b>	<b>-</b>	<b>275 997 556</b>

As at 31 December 2018 Financial Instruments, in accordance with the policies described in Note 2.1, were classified as follows:

Financial Instruments							
Financial Assets	Note	Assets / Liabilities at Amortized Cost	Assets at fair cost from other comprehensive income	Assets / Liabilities from results	Subtotal	Other non-financial Assets / Liabilities	Total
<b>As at 31 December 2018</b>							
<b>Financial Assets</b>							
Clients and other accounts receivable	7, 13, 15 & 16	57 133 638	-	-	57 133 638	-	57 133 638
Cash and cash equivalents		7 558 361	-	-	7 558 361	-	7 558 361
		<b>64 691 999</b>	<b>-</b>	<b>-</b>	<b>64 691 999</b>	<b>-</b>	<b>64 691 999</b>
<b>Financial Liabilities</b>							
Loans received	20, 23 & 24	127 338 171	-	-	127 338 171	-	127 338 171
Lease liabilities	25	-	-	-	-	-	-
Trade and other accounts receivable	26, 28 & 29	41 030 571	-	-	41 030 571	-	41 030 571
		<b>168 368 742</b>	<b>-</b>	<b>-</b>	<b>168 368 742</b>	<b>-</b>	<b>168 368 742</b>

## 10. TANGIBLE ASSETS

During the periods ended 31 December 2019 and 2018, movements in tangible assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Tangible Assets							Total Tangible Assets
	Land and Natural Resources	Buildings and Other Constructions	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible Assets in progress	
<b>Gross Cost:</b>								
<b>Opening balance as at 1 January 2018</b>	<b>49 859 173</b>	<b>155 688 594</b>	<b>285 701 504</b>	<b>1 244 106</b>	<b>4 055 065</b>	<b>4 795 794</b>	<b>6 548 830</b>	<b>507 893 066</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	5 299 212	1 380 771	77 390	270 461	61 567	48 505	7 137 906
Changes in consolidation perimeter (companies out) (Note 8)	-	-	(23 482)	-	(21 645)	(36 125)	-	(81 252)
Discontinued Operations	-	-	-	-	-	-	-	-
Capital expenditure	737 856	1 066 856	2 080 365	-	-	81 659	22 898 593	26 865 329
Disposals	(3 735 005)	(4 459 817)	(11 106 617)	(195 076)	(46 654)	(81 843)	(149 642)	(19 774 654)
Exchange rate effect	-	-	(1 440)	29	(2 829)	(3 096)	-	(7 336)
Transfers	32 392	127 851	12 962 886	(322 436)	391 678	(1 695 542)	(10 784 196)	712 633
<b>Opening balance as at 1 January 2019</b>	<b>46 894 417</b>	<b>157 722 696</b>	<b>290 993 985</b>	<b>804 015</b>	<b>4 646 076</b>	<b>3 122 412</b>	<b>18 562 090</b>	<b>522 745 691</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	2 132 485	3 503 303	27 388	457 256	83 001	11 278	6 214 711
Changes in consolidation perimeter (companies out) (Note 8)	-	(824)	(479 319)	(59 513)	(589 854)	(427 517)	(44 136)	(1 601 163)
Transfer of financial leases	-	-	(36 166 400)	-	-	-	-	(36 166 400)
Capital expenditure	469 698	581 093	519 156	41 714	427	69 802	35 800 143	37 482 033
Disposals	(2 329 570)	(6 028 807)	(3 929 878)	(185 400)	(75 730)	(8 955)	(85 091)	(12 643 431)
Exchange rate effect	-	-	-	168	9	-	725	902
Transfers	93 116	1 203 467	6 535 555	(168)	297 581	291 016	(6 357 349)	2 063 218
<b>Closing balance as at 31 December 2019</b>	<b>45 127 661</b>	<b>155 610 110</b>	<b>260 976 402</b>	<b>628 204</b>	<b>4 735 765</b>	<b>3 129 759</b>	<b>47 887 660</b>	<b>518 095 561</b>
<b>Accumulated depreciation</b>								
<b>Opening balance as at 1 January 2018</b>	-	<b>43 580 974</b>	<b>157 597 180</b>	<b>1 070 248</b>	<b>3 303 301</b>	<b>2 274 540</b>	-	<b>207 826 243</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	1 309 434	429 468	11 869	135 484	18 624	-	1 904 879
Changes in consolidation perimeter (companies out) (Note 8)	-	-	(19 245)	-	(19 101)	(33 759)	-	(72 105)
Discontinued Operations	-	-	-	-	-	-	-	-
Charges for the period	-	3 188 619	19 444 181	42 066	306 289	113 141	-	23 094 295
Disposals	-	(1 121 200)	(6 235 740)	(131 201)	(39 832)	(84 945)	-	(7 612 918)
Exchange rate effect	-	-	(1 174)	38	(2 743)	(2 733)	-	(6 612)
Transfers	-	49 459	306 469	(276 764)	1 942	136 612	-	217 719
<b>Opening balance as at 1 January 2019</b>	-	<b>47 007 288</b>	<b>171 521 141</b>	<b>716 256</b>	<b>3 685 341</b>	<b>2 421 478</b>	-	<b>225 351 503</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	550 430	2 618 209	11 364	403 561	72 820	-	3 656 384
Changes in consolidation perimeter (companies out) (Note 8)	-	(824)	(361 586)	(59 513)	(580 419)	(352 453)	-	(1 354 795)
Transfer of financial leases	-	-	(19 264 304)	-	-	-	-	(19 264 304)
Charges for the period	-	3 256 479	18 199 705	17 241	364 493	149 809	-	21 987 727
Disposals	-	(2 029 861)	(1 630 444)	(148 050)	(77 032)	(7 716)	-	(3 893 103)
Exchange rate effect	-	-	-	168	7	-	-	175
Transfers	-	-	-	(976)	(49)	7	-	(1 018)
<b>Closing balance as at 31 December 2019</b>	-	<b>48 783 512</b>	<b>171 082 721</b>	<b>536 490</b>	<b>3 795 902</b>	<b>2 283 945</b>	-	<b>226 482 570</b>
<b>Accumulated impairment losses</b>								
<b>Opening balance as at 1 January 2018</b>	<b>6 000 391</b>	<b>23 414 767</b>	<b>5 219 689</b>	-	-	-	-	<b>34 634 847</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	-	-	-	-	-	-	-
Changes in consolidation perimeter (companies out) (Note 8)	-	-	-	-	-	-	-	-
Charges for the period	1 124 463	753 893	427 223	-	-	-	-	2 305 579
Reversals for the period	(2 911 334)	(2 724 274)	(168 508)	-	-	-	-	(5 804 117)
Exchange rate effect	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
<b>Opening balance as at 1 January 2019</b>	<b>4 213 519</b>	<b>21 444 385</b>	<b>5 478 404</b>	-	-	-	-	<b>31 136 308</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	-	-	-	-	-	-	-
Changes in consolidation perimeter (companies out) (Note 8)	-	-	-	-	-	-	-	-
Charges for the period	16 011	12 662	523	-	-	-	-	29 196
Reversals for the period	(26 366)	(79 693)	(523)	-	-	-	-	(106 582)
Exchange rate effect	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
<b>Closing balance as at 31 December 2019</b>	<b>4 203 164</b>	<b>21 377 354</b>	<b>5 478 404</b>	-	-	-	-	<b>31 058 922</b>
<b>Carrying amount</b>								
<b>As at 31 December 2018</b>	<b>42 680 898</b>	<b>89 271 023</b>	<b>113 994 440</b>	<b>87 759</b>	<b>960 735</b>	<b>700 934</b>	<b>18 562 090</b>	<b>266 257 880</b>
<b>As at 31 December 2019</b>	<b>40 924 497</b>	<b>85 449 244</b>	<b>84 415 277</b>	<b>91 714</b>	<b>939 863</b>	<b>845 814</b>	<b>47 887 660</b>	<b>260 554 068</b>

The main acquisitions carried out during 2019 and 2018 are essentially associated with the Energy segment with the reconstructing and remodelling of the factories and management projects and with the Fitness segment with the opening of new fitness centers and remodelling of existing ones.

The main disposals carried out in 2019 are related to the disposals of fractions pertaining to Troiaresort.

Impairment losses and reversals of impairment losses for the year 2019 and 2018 are calculated from the assessments of the property assets of Sonae Capital Group, carried out by «Cushman & Wakefield – Consultoria Imobiliária, Unipessoal, Lda.». The valuation was performed according to the Professional Standards contained in the RICS Valuation January 2014, published by The Royal Institution of Chartered Surveyors.

The assessments were intended to determine the fair value of the assets concerned, in accordance with the following rules:

- 1) Market Value (most likely amount for which a property may be traded) for part of the portfolio;
- 2) Opinion of Value (when normal valuation criteria is not available and as a result the value arrived at cannot be considered as Market Value) for the remaining portfolio.

The simulation of the valuation, for the year 2019, taking into account a variation in the Market Value of +/- 10% and +/- 15% for the Opinion of Value is as follows:

VALUATION BY C&W	31 Dec. 2019	31 Dec. 2018 (MV)	31 Dec. 2019 Book Value
<b>Tróia</b>	<b>61 128 295</b>	<b>61 128 295</b>	<b>43 708 160</b>
Residential	23 947 260	23 947 260	13 819 408
Projects	21 161 685	21 161 685	16 845 402
Others	16 019 350	16 019 350	13 043 351
<b>Hospitality</b>	<b>76 879 777</b>	<b>76 879 777</b>	<b>59 602 079</b>
Hospitality	76 879 777	76 879 777	59 602 079
<b>Other Assets</b>	<b>9 908 139</b>	<b>9 908 139</b>	<b>8 494 111</b>
>2M€	9 908 139	9 908 139	8 494 111
<b>Total</b>	<b>147 916 210</b>	<b>147 916 210</b>	<b>111 804 350</b>
<b>Valuation Simulation</b>			
Market Value	+/- 10%	14 791 621	
<b>Total Variation</b>		<b>14 791 621</b>	

In 2018, the valuations comprised a total of 78 properties held by the Group, of which 47 are included in Tangible Assets. The rest are included within Inventories as elucidated in Note 14.

The acquisition cost of Tangible Assets held by the Group under finance lease contracts amounted as at 31 December 2019 to 36,174,449 euros (36,166,400 euros at 31 December 2018) and their net book value as of those dates amounted to 15,004,870 euros and 16,902,096 euros, respectively (Note 24).

Major amounts included in the caption Tangible Assets in progress, refer to the following projects:

	31 December 2019	31 December 2018
Troiareort	1 864 554	1 859 128
Refurbishment of Factories and Management Projects	42 909 497	14 165 316
Refurbishment of Health Clubs	1 341 787	469 797
Refurbishment / Maintenance of Marmagno + Aqualuz de Tróia	315 110	268 290
Refurbishment / Maintenance of Troia Resort Operações Segment	241 898	203 347
Industrial Engineering	977 315	1 415 505
Others	237 499	180 707
	<b>47 887 660</b>	<b>18 562 090</b>

The amounts within Refurbishment of Factories and Management Projects include the project of the cogeneration central that is under development within the Energy segment.

The value of the right-of-use assets at 31 December 2019 via the adoption of the IFRS 16 was the following:

	Buildings and Other Constructions	Plant and Machinery	Vehicles	Total Tangible Assets
<b>Gross Cost:</b>				
<b>Opening balance as at 1 January 2019</b>				
Changes in consolidation perimeter (companies in) (Note 8)	50 087 064	18 278	1 929 721	52 035 063
Changes in consolidation perimeter (companies in) (Note 8)	142 817	-	11 923	154 740
Changes in consolidation perimeter (companies out) (Note 8)	(204 723)	-	(924 173)	(1 128 896)
Transfer of financial leases	-	36 166 400	-	36 166 400
Capital expenditure	6 115 544	-	1 249 562	7 365 106
Disposals	-	-	(425 757)	(425 757)
Exchange rate effect	-	-	-	-
Transfers	-	-	-	-
<b>Closing balance as at 31 December 2019</b>	<b>56 140 702</b>	<b>36 184 678</b>	<b>1 841 276</b>	<b>94 166 656</b>
<b>Accumulated depreciation</b>				
<b>Opening balance as at 1 January 2019</b>				
Changes in consolidation perimeter (companies in) (Note 8)	48 445	-	2 878	51 323
Changes in consolidation perimeter (companies out) (Note 8)	(51 357)	-	(437 644)	(489 001)
Transfer of financial leases	-	19 264 304	-	19 264 304
Charges for the period	6 380 187	1 868 770	930 513	9 179 470
Disposals	-	-	(55 521)	(55 521)
Exchange rate effect	-	-	-	-
Transfers	-	-	-	-
<b>Closing balance as at 31 December 2019</b>	<b>6 377 275</b>	<b>21 133 074</b>	<b>440 226</b>	<b>27 950 575</b>
<b>Carrying amount</b>				
<b>As at 31 December 2018</b>	-	-	-	-
<b>As at 31 December 2019</b>	<b>49 763 427</b>	<b>15 051 604</b>	<b>1 401 050</b>	<b>66 216 081</b>

## 11. INTANGIBLE ASSETS

During the periods ended 31 December 2019 and 2018, movements in intangible assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Intangible Assets				
	Patents and Other Similar Rights	Software	Other Intangible Assets	Intangible Assets in Progress	Total Intangible Assets
<b>Gross Cost:</b>					
<b>Opening balance as at 1 January 2018</b>	<b>9 336 173</b>	<b>4 819 212</b>	<b>4 004 091</b>	<b>1 519 684</b>	<b>19 679 160</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	-	19 790	-	19 790
Changes in consolidation perimeter (companies out) (Note 8)	-	-	-	-	-
Capital expenditure	-	-	2 237 713	1 113 301	3 351 014
Disposals	(162 029)	(19 641)	-	-	(181 670)
Exchange rate effect	-	(1 587)	-	-	(1 587)
Transfers	34 721	548 797	(1 144 731)	(478 516)	(1 039 729)
<b>Opening balance as at 1 January 2019</b>	<b>9 208 866</b>	<b>5 346 783</b>	<b>5 116 864</b>	<b>2 154 467</b>	<b>21 826 981</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	73 544	-	-	73 544
Changes in consolidation perimeter (companies out) (Note 8)	-	(735 159)	-	(21 782)	(756 941)
Capital expenditure	31 792	58 589	281 890	1 363 709	1 735 980
Disposals	-	(117)	(1 155 653)	(3 325)	(1 159 095)
Exchange rate effect	-	-	-	-	-
Transfers	278 267	392 022	810 540	(1 841 253)	(360 424)
<b>Closing balance as at 31 December 2019</b>	<b>9 518 925</b>	<b>5 135 662</b>	<b>5 053 641</b>	<b>1 651 816</b>	<b>21 360 044</b>
<b>Accumulated amortization</b>					
<b>Opening balance as at 1 January 2018</b>	<b>2 656 362</b>	<b>3 681 793</b>	<b>2 828 951</b>	-	<b>9 167 105</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	-	6 596	-	6 596
Changes in consolidation perimeter (companies out) (Note 8)	-	-	-	-	-
Charges for the period	401 150	665 549	222 661	-	1 289 360
Disposals	(55 237)	(18 813)	-	-	(74 050)
Exchange rate effect	-	(1 429)	-	-	(1 429)
Transfers	11 765	19 593	20 863	-	52 221
<b>Opening balance as at 1 January 2019</b>	<b>3 014 039</b>	<b>4 346 694</b>	<b>3 079 070</b>	-	<b>10 439 803</b>
Changes in consolidation perimeter (companies in) (Note 8)	-	68 721	-	-	68 721
Changes in consolidation perimeter (companies out) (Note 8)	-	(674 599)	-	-	(674 599)
Charges for the period	417 417	680 882	153 412	-	1 251 711
Disposals	-	(447)	-	-	(447)
Exchange rate effect	-	-	-	-	-
Transfers	-	-	-	-	-
<b>Closing balance as at 31 December 2019</b>	<b>3 431 456</b>	<b>4 421 251</b>	<b>3 232 482</b>	-	<b>11 085 189</b>
<b>Accumulated amortization</b>					
<b>Opening balance as at 1 January 2018</b>	<b>89 536</b>	-	<b>600 000</b>	-	<b>689 536</b>
<b>Opening balance as at 1 January 2019</b>	<b>89 536</b>	-	<b>600 000</b>	-	<b>689 536</b>
<b>Closing balance as at 31 December 2019</b>	<b>89 536</b>	-	<b>600 000</b>	-	<b>689 536</b>
<b>Carrying amount</b>					
<b>As at 31 December 2018</b>	<b>6 105 291</b>	<b>1 000 089</b>	<b>1 437 794</b>	<b>2 154 467</b>	<b>10 697 642</b>
<b>As at 31 December 2019</b>	<b>5 997 933</b>	<b>714 411</b>	<b>1 221 159</b>	<b>1 651 816</b>	<b>9 585 320</b>

At 31 December 2019 and 2018, there are no impairment losses relating to Intangible Assets.

As at December 2019 net assets of Marina de Troia amount to 5,323,748 euros (5,166,004 euros at December 2018) recorded in «Industrial property and other rights».

«APSS – Administração dos Portos de Setubal e Sesimbra, SA» (APSS) signed in 2007 with an Group Group a service concession arrangement to build and operate, in the public interest, a marina and support services in Troia, during a period of 50 years from the date of entry into operation. This period may be extended a maximum of 10 years if agreed between the parties. At the end of the service concession arrangement the concession will revert to APSS at no consideration, with some exceptions in the arrangement.

The Group has the right to charge fees for services to be provided under the concession. Maximum fee limits must be approved by the grantor based on a proposal submitted by the Group.

During the concession period the Group has a contractual obligation to maintain the infrastructure in a specific level of serviceability and pays the grantor a fixed fee and a variable fee, the latter based on revenues charged for the service provided.

The grantor may cancel the service concession arrangement whenever public interest is affected, provided that at least the contractual period is over and with at least 1 year notice, in which case the Group is entitled to compensation equal to the net book value of the infrastructure plus lost revenue calculated in accordance with the terms of the contract.

The Group carried out a sensitivity analysis of the recoverable value of the assets of «Marina de Tróia».

The use of a five-year period for projecting cash flows has taken into consideration the extension and intensity of economic cycles to which the Group's activity is subject to. Calculation of recoverable amounts consisted in projecting operating cash flows over a five year period, thereafter extrapolated using perpetuity and discounted to 31 December 2019. Weighted Average Cost of Capital, before tax, calculated using CAPM (Capital Asset Pricing Model) methodology for this cash generating unit, was used as discount rate. These rates include specific market features and include different risk factors as well as the risk-free interest rate for ten-year bonds.

The use of a five-year period for projecting cash flows takes into account the extension and intensity of economic cycles to which «Marina de Tróia» activity is subject to.

Projected cash flows are based on the Group's business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.

The impairment tests did not show any impairment loss to be recognized under Intangible Assets at 31 December 2019.

## 12. GOODWILL

During the periods ended 31 December 2019 and 2018, movements in goodwill, as well as in corresponding impairment losses, are as follows

	31 December 2019	31 December 2018
<b>Gross amount:</b>		
<b>Opening balance</b>	<b>77 503 717</b>	<b>72 080 082</b>
Acquisitions with increase in percentage ownership	-	-
Increases - acquisition of affiliated companies	9 020 352	5 423 635
Decreases - disposals of affiliated companies	23 665 678	-
Write-off	-	-
<b>Closing balance</b>	<b>62 858 391</b>	<b>77 503 717</b>
<b>Accumulated impairment losses (Note 31):</b>		
<b>Opening balance</b>	<b>25 478 909</b>	<b>24 703 711</b>
Increases	3 742 109	775 198
Transfers	-	-
Decreases	-	-
<b>Closing balance</b>	<b>29 221 018</b>	<b>25 478 909</b>
<b>Total</b>	<b>33 637 373</b>	<b>52 024 808</b>

The gross amount verified is related to the companies included in the consolidation period from 2019 as per Note 6.

The increase in impairment losses in 2019 is associated with the valuation of real estate assets, as Goodwill generated in the acquisition of the Group that owns the properties, is no longer supported by the positive differential of the fair value of these properties in relation to their book value.

The Impairment tests to Goodwill were calculated by projecting operating cash flows over a five-year period, thereafter extrapolated using perpetuity and discounted to 31 December 2019. The RACE business plan reports an average growth rate of 3,7% with a rate of 19.3% for increase in sales and EBITDA (it is assumed a growth in industrial refrigeration - a strategic focus - on building efficiency and after-sales services). The average growth rate for uFCF is -1.0%, achieved by economies of scale and focus in the business segments with better profitability. The discount rates used are the average rates of the Weighted Average Cost of Capital (WACC).

The WACC rates used were calculated on the specific nature of each business and its respective target capital structures, as follows:

Real Estate	7.35%
Operational Troia Resort Operações	7.48%
Energy	[6.58% – 7.58%]
Fitness	8.54%
Refrigeration & HVAC – Portugal	9.63%
Hospitality	8.56%
Industrial Engineering Portugal	8.56%



The Goodwill remains without impairment in the sensitivity tests performed, through assessments by discounted cash flow, with variations in WACC of 1 p.p.

As at 31 December 2019 and 2018, Goodwill may be split as follows:

	31 December 2019	31 December 2018
Troia Resort Operações	1 223 235	1 223 235
Hospitality	-	-
Fitness	8 828 704	4 714 787
Energy	7 981 850	3 075 415
Refrigeration & HVAC	-	9 619 730
Industrial Engineering	8 075 960	-
Holding & Others	7 527 625	25 315 682
	<b>33 637 373</b>	<b>52 024 808</b>

## 13. OTHER NON-CURRENT DEBTORS

As at 31 December 2019 and 2018, other non-current assets are detailed as follows:

	31 December 2019	31 December 2018
<b>Loans granted to related parties</b>		
Others	34 916	34 916
	<b>34 916</b>	<b>34 916</b>
Impairment losses (Note 31)	(34 916)	(34 916)
	-	-
<b>Trade accounts receivable and other debtors</b>		
Sale of financial investments	8 803 506	10 505 000
Others	1 117 903	1 614 353
Impairment losses (Note 31)	-	-
	<b>9 921 409</b>	<b>12 119 353</b>
<b>Other financial assets</b>	39 258	-
<b>Deferred costs</b>		
Financing charges	-	81 214
	-	<b>81 214</b>
<b>Total financial instruments</b>	<b>9 960 667</b>	<b>12 200 567</b>
<b>Other non-current debtors</b>	<b>9 960 667</b>	<b>12 200 567</b>

At 31 December 2019 and 2018 the ageing of Other non-current debtors can be analysed as follows:

Trade accounts receivable and other debtors		
	31 December 2019	31 December 2018
<b>Not due</b>	<b>9 921 409</b>	<b>11 001 450</b>
Due but not impaired		
< 6 months	-	-
6 - 12 months	-	-
> 1 year	-	1 117 903
	<b>9 921 409</b>	<b>1 117 903</b>
Due and impaired		
> 1 year	-	-
	<b>9 921 409</b>	<b>12 119 353</b>

Generally, values included in Other Non-Current Debtors bear interest at market rates, and it is estimated that their fair value does not significantly differ from amounts in the balance sheet.

At 31 December 2019 and 2018 the amounts within the caption Trade Accounts Receivable and Other Debtors, Sale of Financial Investments included (i) amounts to receive from the alienation of UPK - GESTÃO DE FACILIDADES E MANUTENÇÃO, S.A. and (ii) amounts to receive from the alienation of the Group Prédios Privados – Imobiliária, S.A. (Note 16).

The amounts considered in 2019 and 2018 in Others, Trade accounts receivable and Other Debtors, are essentially related to payments to the State originating from a benefit from a 2002 tax amnesty (803,000 euros) and others.

At 31 December 2019 and 2018 the caption Clients and Other Debtors includes loans granted to related parties and do not have a defined maturity, and therefore are not due. These loans bear interests.

The Group applies the simplified approach to calculate and record the estimated credit losses required by the IFRS 9, which allows the use of estimated impairment losses for all other debtors' balances. In order to measure the estimated credit losses, the balances were aggregated based on the shared credit risk characteristics, as well as on the days of arrears. Impairment losses as of December 31, 2019 are determined as follows: estimated credit losses incorporate information from prospective estimates.

31 December 2019	
<b>Gross book value</b>	<b>9 921 409</b>
0 - 90 dias	8 803 506
+ 90 dias	1 117 903
<b>Accumulated impairment losses</b>	
0 - 90 dias	-
+ 90 dias	-
<b>Estimated loss rate</b>	
0 - 90 dias	0%
+ 90 dias	0%

## 14. INVENTORIES

Inventories as at 31 December 2019 and 2018 can be detailed as follows, highlighting the value attributable to real estate developments:

	31 December 2019		31 December 2018	
	Total	of which Real Estate Developments	Total	of which Real Estate Developments
Goods for sale	11 333 334	10 036 775	14 393 602	13 282 113
Goods for resale held by third parties	-	-	2 069	-
Raw materials, by-products and consumables	3 168 424	-	6 318 496	-
Finished goods	7 980 772	6 434 958	12 124 200	12 613 221
Sub-products, waste, residues and scrap	-	-	-	-
Work in progress	31 085 000	30 612 987	36 577 949	62 728 774
Payments on account	-	-	-	-
	<b>53 567 530</b>	<b>47 084 720</b>	<b>69 416 316</b>	<b>88 624 108</b>
Accumulated impairment losses on stocks (Note 31)	(4 423 970)	(2 850 218)	(6 152 875)	(5 240 945)
<b>Total Operations</b>	<b>49 143 560</b>	<b>44 234 502</b>	<b>63 263 441</b>	<b>83 383 163</b>

Cost of goods sold as at 31 December 2019 and 2018 amounted to 141,748,852 and 89,297,579 euros, respectively, and may be detailed as follows:

	31 December 2019	31 December 2018
Opening Stocks	20 714 166	19 445 466
Exchange rate effect	65	(1 443)
Changes in consolidation perimeter	(1 479 593)	(117 106)
Purchases	138 935 637	63 530 499
Adjustments	(203 828)	26 797 531
Closing Stocks	14 501 758	20 714 166
	<b>143 464 689</b>	<b>88 940 781</b>
Impairment losses increases (Note 31)	1 127 765	1 085 793
Impairment losses decreases (Note 31)	(2 843 602)	(728 994)
<b>Continued Operations</b>	<b>141 748 852</b>	<b>89 297 579</b>
<b>Discontinued Operations</b>	-	<b>161 024</b>
<b>Total Operations</b>	<b>141 748 852</b>	<b>89 458 603</b>

Impairment losses and reversals of impairment losses for the year 2019 and 2018 are calculated from the assessments of the property assets of Sonae Capital Group, carried out by «Cushman & Wakefield – Consultoria Imobiliária, Unipessoal, Lda.» (Note 10). The valuation was performed according to the Professional Standards contained in the RICS Valuation January 2014, published by The Royal Institution of Chartered Surveyors.

The assessments were intended to determine the fair value of the assets concerned, in accordance with the following rules:

- 1) Market Value (most likely amount for which a property may be traded) for part of the portfolio;
- 2) Opinion of Value (when normal valuation criteria is not available and as a result the value arrived at cannot be considered as Market Value) for the remaining portfolio.

The simulation of the valuation, for the year 2019, taking into account a variation in the Market Value of +/- 10% is as follows:

VALUATION BY C&W	31 Dec. 2019	31 Dec. 2018 (MV)	31 Dec. 2019 Book Value
<b>Tróia</b>	<b>54 500 956</b>	<b>54 500 956</b>	<b>20 809 800</b>
Residential	39 118 456	39 118 456	14 750 305
Projects	15 382 500	15 382 500	6 059 495
Others	0	0	0
<b>Hospitality</b>	<b>18 851 310</b>	<b>18 851 310</b>	<b>2 987 601</b>
Hospitality	18 851 310	18 851 310	2 987 601
<b>Other Assets</b>	<b>31 022 350</b>	<b>31 022 350</b>	<b>22 117 789</b>
>2M€	31 022 350	31 022 350	22 117 789
<b>Total</b>	<b>104 374 616</b>	<b>104 374 616</b>	<b>45 915 190</b>
<b>Valuation Simulation</b>			
Market Value	+/- 10%	9 773 511	
<b>Total Variation</b>		<b>9 773 511</b>	

## 15. CLIENTS

As at 31 December 2019 and 2018, trade accounts receivable and other current assets are detailed as follows:

	31 December 2019	31 December 2018
<b>Trade accounts receivable</b>		
Troia Resort Operações	1 973 039	2 031 875
Hospitality	1 271 586	986 998
Fitness	403 295	158 635
Energy	47 092 340	7 800 964
Refrigeration & HVAC	-	14 270 446
Real Estate	287 957	220 307
Holding & Others	1 336 380	86 047
Industrial Engineering	1 033 699	3 039 838
	<b>53 398 296</b>	<b>28 595 111</b>
Trade Debtors, bills receivable	-	74 410
Doubtful debtors	2 476 256	3 022 339
	<b>55 874 551</b>	<b>31 691 859</b>
Accumulated impairment losses on Trade Debtors (Note 31)	(3 230 862)	(6 230 300)
<b>Total Operations</b>	<b>52 643 690</b>	<b>25 461 559</b>
<b>Discontinued Operations</b>	-	-
<b>Total Operations</b>	<b>52 643 690</b>	<b>25 461 559</b>

In the normal course of activity collection risk may arise in Trade Debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade debtors reflect their fair value.

As at 31 December 2019 we do not have any reason to believe that normal collection times regarding trade accounts receivable not due for which there are no impairment losses will not be met.

As at 31 December 2019 and 2018, the ageing of Trade Accounts Receivables can be detailed as follows:

	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Holding and Others	Industrial Engineering	Total
<b>31 December 2019</b>								
<b>Not Due</b>	<b>589 356</b>	<b>318 990</b>	<b>42 562</b>	<b>47 161 393</b>	-	<b>270 622</b>	<b>968 926</b>	<b>49 358 256</b>
Due but not impaired								
0 - 30 days	45 900	212 934	177 000	685 772	-	155 712	-	1 337 385
30 - 90 days	166 827	118 484	7 784	22 610	-	25 691	128 060	469 456
+ 90 days	398 356	156 793	80 888	321 596	-	153 941	161 471	1 353 100
<b>Total</b>	<b>611 083</b>	<b>488 211</b>	<b>265 672</b>	<b>1 029 978</b>	-	<b>335 344</b>	<b>289 532</b>	<b>3 159 942</b>
Due and impaired								
0 - 90 days	-	-	6 642	39 738	-	-	-	46 380
90 - 180 days	16 716	10 054	4 000	-	-	-	-	30 770
180 - 360 days	23 683	8 141	12 458	-	-	-	4 495	48 777
+ 360 days	755 291	398 215	44 241	-	-	118 771	1 840 599	3 230 430
<b>Total</b>	<b>795 690</b>	<b>416 410</b>	<b>67 341</b>	<b>39 738</b>	-	<b>118 771</b>	<b>1 845 094</b>	<b>3 356 357</b>
<b>Total accumulated before impairments</b>	<b>1 996 129</b>	<b>1 223 611</b>	<b>375 575</b>	<b>48 231 109</b>	-	<b>724 737</b>	<b>3 103 552</b>	<b>55 874 551</b>

	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Holding and Others	Industrial Engineering	Total
<b>31 December 2018</b>								
<b>Not Due</b>	<b>522 161</b>	<b>321 219</b>	<b>54 748</b>	<b>6 395 233</b>	<b>8 739 530</b>	<b>54 958</b>	<b>652 487</b>	<b>16 816 129</b>
Due but not impaired								
0 - 30 days	30 512	119 058	22 762	762 758	1 542 503	169	1 018 568	3 508 356
30 - 90 days	134 128	150 203	8 895	384 475	857 831	-	883 322	2 418 854
+ 90 days	608 528	133 692	16 167	257 686	1 465 577	2 163	203 351	2 710 037
<b>Total</b>	<b>773 169</b>	<b>402 953</b>	<b>47 824</b>	<b>1 404 919</b>	<b>3 865 911</b>	<b>2 332</b>	<b>2 105 241</b>	<b>8 637 248</b>
Due and impaired								
0 - 90 days	25 049	4 841	-	-	34 851	-	-	64 741
90 - 180 days	9 470	1 794	-	-	151 883	-	-	165 661
180 - 360 days	9 800	9 406	42	-	79 050	-	41 294	139 592
+ 360 days	817 005	399 083	56 021	812	1 811 720	127 483	2 385 076	5 868 492
<b>Total</b>	<b>861 324</b>	<b>415 124</b>	<b>56 063</b>	<b>812</b>	<b>2 077 504</b>	<b>127 483</b>	<b>2 426 370</b>	<b>6 238 486</b>
<b>Total accumulated before impairments</b>	<b>2 156 653</b>	<b>1 139 296</b>	<b>160 636</b>	<b>7 800 964</b>	<b>14 682 945</b>	<b>184 773</b>	<b>5 184 099</b>	<b>31 691 859</b>

To determine the recoverability of Trade accounts receivable, the Group reviews all changes to the credit quality of its counterparties since the date of the credit to the date of reporting consolidated financial statements. Credit risk is not concentrated because of the significant number of trade debtors. The Group thus believes that credit risk does not exceed recorded impairment losses for trade accounts receivable doubtful accounts.

The Group applies the simplified approach to calculate and record the estimated credit losses required by the IFRS 9, which allows the use of estimated impairment losses for all customer balances. In order to measure the estimated credit losses, the balances were aggregated based on the shared credit risk characteristics, as well as on the days of arrears. Impairment losses at December 31, 2019 are determined as follows: estimated credit losses incorporate information from forward estimates.

2019	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Real Estate	Holding and Others	Industrial Engineering	Total
<b>Gross book value</b>	<b>1 996 129</b>	<b>1 223 611</b>	<b>375 575</b>	<b>48 231 109</b>	-	<b>219 842</b>	<b>724 737</b>	<b>3 103 551</b>	<b>55 874 554</b>
0 - 90 days	802 083	650 408	233 988	47 909 513	-	66 474	452 025	1 096 986	51 211 477
+ 90 days	1 194 046	573 203	141 587	321 596	-	153 368	272 712	2 006 565	4 663 077
	-	-	-	-	-	-	-	-	-
<b>Accumulated impairment losses</b>	<b>795 690</b>	<b>416 410</b>	<b>67 341</b>	<b>39 738</b>	-	<b>73 313</b>	<b>118 771</b>	<b>1 845 094</b>	<b>3 356 357</b>
0 - 90 days	-	-	6 642	39 738	-	-	-	-	46 380
+ 90 days	795 690	416 410	60 699	-	-	73 313	118 771	1 845 094	3 309 977
	-	-	-	-	-	-	-	-	-
<b>Estimated loss ratio</b>	-	-	-	-	-	-	-	-	-
0 - 90 days	0,00%	0,00%	2,84%	0,08%	0,00%	0,00%	0,00%	0,00%	0,09%
+ 90 days	66,64%	72,65%	42,87%	0,00%	0,00%	47,80%	43,55%	91,95%	70,98%

The abovementioned gross book value of the balances reflects the maximum credit risk of the Group relating to these items.

## 16. OTHER DEBTORS

As at 31 December 2019 and 2018, Other Debtors are made up as follows:

	31 December 2019	31 December 2018
<b>Loans granted to and other amounts to be received from related parties</b>		
Suppliers with a debtor balance	848 039	70 758
	<b>848 039</b>	<b>70 758</b>
<b>Other current assets</b>		
Suppliers with a debtor balance	869 776	796 119
Accounts receivable from the sale of tangible assets	5	3 226 160
Accounts receivable from the sale of financial investments	11 449 407	12 214 412
Other debtors	4 490 477	4 342 209
	<b>16 809 665</b>	<b>20 578 900</b>
Other debtors	17 657 704	20 649 658
Accumulated impairment losses on other current assets (Note 22)	(1 669 193)	(1 848 583)
<b>Other debtors</b>	<b>15 988 511</b>	<b>18 801 075</b>

Loans granted to related parties bear interest at market rates.

At December 2018, the amounts included in Other Debtors – Tangible Assets are related to the amount receivable related to the sale of real estate executed last year.

At December 2019 the sale of financial Investments includes (i) balance receivable from the sale of «UPK – Gestão de Facilities e Manutenção S.A.» and «BoxLines Navegação S.A.» and (ii) amounts to receive from the alienation of the Group Prédios Privados – Imobiliária, S.A. (10,000,000 euros).

The caption «Others» is made up of the balances receivable from the WTC fund (237,000 euros), taxes recoverable overseas (2,098,000 euros), amount to be received from Prédios Privados relating to the sale of lots of land (496,000 euros), among others.

As at 31 December 2019 and 2018, ageing of Other Debtors can be summarised as follows:

	Other Debtors	
	31 December 2019	31 December 2018
<b>Not Due</b>	<b>11 090 435</b>	<b>16 512 110</b>
Due but not impaired		
0 - 30 days	978 154	677 645
30 - 90 days	1 713 448	142 095
+ 90 days	1 357 135	1 397 750
<b>Total</b>	<b>4 048 737</b>	<b>2 217 490</b>
Due and impaired		
0 - 90 days	-	-
90 - 180 days	-	-
180 - 360 days	-	-
+ 360 days	1 670 493	1 849 300
<b>Total</b>	<b>1 670 493</b>	<b>1 849 300</b>
<b>Total accumulated before impairments</b>	<b>16 809 665</b>	<b>20 578 900</b>

As at 31 December 2019, we do not have any reason to believe that normal collection times regarding other debtors not due, and for which there are no impairment losses, will not be met.

Values included in Other Debtors are close to their fair value.



## 17. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2019 and 2018, taxes recoverable, taxes, and contributions payable are made up as follows:

	31 December 2019	31 December 2018
<b>Tax recoverable</b>		
<b>Income tax receivable</b>		
Amounts withheld	743 300	817 130
Payments on account	2 728 870	2 300 734
Income taxation	43 573	47 167
	<b>3 515 743</b>	<b>3 165 031</b>
<b>Other taxes receivable</b>		
VAT	2 590 657	1 964 271
Other taxes	2 629 045	2 789 933
	<b>5 219 702</b>	<b>4 754 203</b>
<b>Total Operations</b>	<b>8 735 445</b>	<b>7 919 234</b>
<b>Taxes and contributions payable</b>		
<b>Income tax payable</b>		
Income taxation	1 097 187	4 738 097
	<b>1 097 187</b>	<b>4 738 097</b>
<b>Other taxes payable</b>		
VAT	1 831 121	1 664 212
Income taxation - amounts withheld	512 431	754 802
Social security contributions	630 691	744 581
Other taxes	77 732	311
	<b>3 051 974</b>	<b>3 163 907</b>
<b>Total Operations</b>	<b>4 149 161</b>	<b>7 902 002</b>

The amount in Other taxes receivable respects additional payments of taxes, appeals and complaints to the Portuguese Tax Services.

The variation within the caption Income Taxation under the Income tax payable results mainly from 2018 from the sales deed of the UNOP lots 7, 8 and 9, whose gain was recognized in 2016, as well as the respective deferred tax (Note 19), in 2019 this did not occur.

## 18. OTHER CURRENT ASSETS

As at 31 December 2019 and 2018, Other Current Assets are made up as follows:

	31 December 2019	31 December 2018
Interest receivable	8	35
Invoicing to be issued for services rendered	856 153	609 273
Other income accruals	2 626 363	3 192 919
Deferred costs - External supplies and services	1 411 130	1 541 589
Deferred costs - Rents	294 159	793 225
Deferred costs - Financial charges	114 397	228 020
Other current assets (Note 34)	902 103	5 416 508
<b>Total Accumulated</b>	<b>6 204 313</b>	<b>11 781 569</b>

At 31 December 2019 the caption Other income accruals included (i) income accruals related to work in progress at the end of the year (1,672,278 euros).

At 31 December 2018 the caption Other income accruals included (i) income accruals related to work in progress at the end of the year (1,211,463 euros) and (ii) amounts to receive related to insurance claims (1,191,197 euros).

The other current assets from the year ended 31 December 2019 includes (i) amounts to receive from Spinarq Moçambique (288,741€), and (ii) amounts related to indemnity of a rented fitness center (288,932€).

The other current assets for the year ended December 31 2018 and 2019 include amounts receivable from Sistavac - Sistemas HVAC-R do Brasil, Ltda. and Spinarq Moçambique - entities considered as assets (Note 43). The international operations (Mozambique and Brazil) of the Refrigeration & HVAC segment are now considered assets held for sale and therefore their contribution to the consolidated results are discontinued operations.

## 19. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2019 and 2018 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Amortisation and Depreciation harmonisation adjustments	362 168	252 488	4 196 711	4 527 729
Provisions and impairment losses of non-tax deductible	5 047 662	4 630 120	-	-
Write off of tangible and intangible assets	71 250	71 250	-	-
Revaluation of tangible assets	-	-	245 870	245 870
Tax losses carried forward	14 371 852	16 751 852	-	-
Write off of stocks	-	-	265 944	393 997
Taxable temporary differences arising from the fair value of non-current liabilities	-	-	6 456 560	6 544 704
Others	818 138	1 292 185	1 267 005	1 272 283
	<b>20 671 070</b>	<b>22 997 895</b>	<b>12 432 090</b>	<b>12 984 582</b>

During the periods ended 31 December 2019 and 2018, movements in deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Opening balance</b>	<b>22 997 895</b>	<b>27 774 060</b>	<b>12 984 582</b>	<b>21 638 984</b>
<b>Effect in results (Note 42):</b>	-	-	-	-
Amortisation and Depreciation harmonisation adjustments	(16 894)	(14 783)	(331 018)	(90 408)
Provisions and impairment losses of non-tax deductible	-	-	-	-
Write off of tangible and intangible assets	-	-	-	-
Write off of accruals	-	-	-	-
Revaluation of tangible assets	-	-	-	-
Tax losses carried forward	(2 380 000)	(3 958 986)	-	-
Impairment of Assets	(59 158)	(607 997)	-	-
Financial Instruments	-	-	-	-
Changes in tax rates	-	-	-	-
Others	2 653	(194 399)	(221 475)	(8 564 319)
	<b>(2 453 399)</b>	<b>(4 776 165)</b>	<b>(552 493)</b>	<b>(8 654 727)</b>
<b>Effect in reserves:</b>				
Financial Instruments	-	-	-	-
Others	-	-	-	326
	-	-	-	<b>326</b>
<b>Changes in consolidation perimeter (Note 8)</b>	<b>126 575</b>	-	-	-
<b>Others</b>	-	-	-	-
<b>Closing balance</b>	<b>20 671 070</b>	<b>22 997 895</b>	<b>12 432 090</b>	<b>12 984 582</b>

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2019 and 2018, and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	31 December 2019			31 December 2018		
	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 2014	13 046 930	2 739 855	2026	13 193 576	2 770 651	2026
Generated in 2015	43 839 192	9 206 230	2027	43 854 221	9 209 386	2027
Generated in 2016	11 551 269	2 425 767	2028	12 439 172	2 612 226	2028
Generated in 2017	-	-	2022	10 283 755	2 159 589	2022
Generated in 2018	-	-	2023	-	-	2023
Generated in 2019	-	-	2024	-	-	-
	<b>68 437 391</b>	<b>14 371 852</b>		<b>79 770 725</b>	<b>16 751 853</b>	
With a time limit different from the above mentioned	-	-		-	-	
	<b>68 437 391</b>	<b>14 371 852</b>		<b>79 770 725</b>	<b>16 751 853</b>	

An analysis was made on the relevance of the recognition of deferred taxes, taking into account the possibility of them to be recovered in accordance with the medium and long term prospects of the Group.

Deferred tax assets and liabilities are calculated and annually evaluated using the tax rates in effect, at the date of reversal of the temporary differences.

Deferred tax assets arising from tax losses have been recorded only when it is likely to occur taxable income in the future.

Deferred tax assets were reassessed against each Group's business plans, which are regularly updated.

Since fiscal year 2014, most of the Group's subsidiaries based in Portugal belong to the perimeter of the group of companies that are taxed in accordance with the special taxation regime for Group groups («RETGS»), being Sonae Capital, SGPS, S.A. the dominant Group.

Of the analysis made at 31 December 2019, it is concluded that there is a reasonable expectation on the recovery of the recorded deferred tax assets before their limited time use expires.

As at 31 December 2019, tax losses carried forward amounting to 30,133,980 euros (19,157,846 euros as at 31 December 2018) have for prudential reasons not originated deferred tax assets and are detailed as follows:

	31 December 2019			31 December 2018		
	Tax losses carried forward	Tax Credit	Time limit	Tax losses carried forward	Tax Credit	Time limit
<b>With limited time use</b>						
Generated in 2014	1 064 865	223 622	2026	963 693	202 376	2026
Generated in 2015	1 912 800	401 688	2027	1 190 501	250 005	2027
Generated in 2016	1 375 530	288 861	2028	1 081 029	227 016	2028
Generated in 2017	21 131 360	4 437 586	2022	12 534 812	2 632 311	2022
Generated in 2018	3 220 254	676 253	2023	2 927 156	614 703	2023
Generated in 2019	921 377	193 489	2024	-	-	
	<b>29 626 186</b>	<b>6 221 499</b>		<b>18 697 191</b>	<b>3 926 411</b>	
Without limited time use	-	-		-	-	
With a time limit different from the above mentioned	507 794	112 797		460 654	102 897	
	<b>507 794</b>	<b>112 797</b>		<b>460 654</b>	<b>102 896</b>	
	<b>30 133 980</b>	<b>6 334 296</b>		<b>19 157 845</b>	<b>4 029 308</b>	

## 20. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 2018, cash and cash equivalents can be detailed as follows:

	31 December 2019	31 December 2018
Cash at hand	364 406	236 410
Bank deposits	7 218 230	7 311 232
Treasury applications	4 719	10 719
<b>Cash and cash equivalents on the balance sheet</b>	<b>7 587 355</b>	<b>7 558 361</b>
Bank overdrafts (Note 23)	-	(427 200)
Guarantee deposit	-	-
<b>Cash and cash equivalents in the statement of cash-flows</b>	<b>7 587 355</b>	<b>7 131 161</b>

Bank overdrafts include creditor balances of current accounts in financial institutions, and are disclosed in the balance sheet under current bank loans (Note 23).

The caption of other receipts / payments in the Cash Flow Statement includes mainly payments and receipts from other taxes, and settlements and receipts of other operating expenses or income. The amount is related to commissions paid from hotels and property sales in the amount of 5 million euros (Note 37), other taxes in the amount of 2.5 million euros and VAT in the amount of 5.6 million euros (Note 39).

Credit risk analysis is in accordance with Note 3.2.

## 21. EQUITY

The share capital of Sonae Capital SGPS, S.A. is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

As at 31 December 2019, Sonae Capital SGPS, S.A. owns 3,670,823 own shares (4,107,623 own shares at 31 December 2018) booked at 1,105,573 euros (1,192,808 euros at 31 December 2019).

Other reserves includes amounts equal to the value of own shares held by the Group's parent Group. This reserve should be unavailable while these shares are kept by the Group.

The Reserves and retained earnings of Sonae Capital Group in the periods ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Demerger reserve	132 638 253	132 638 253
Translation reserves	(213 589)	359 097
Fair value reserves	-	-
Hedging reserves	-	-
Others	(151 500 391)	(119 355 954)
	-	-
<b>Other reserves and retained earnings</b>	<b>(19 075 727)</b>	<b>13 641 396</b>

### Demerger reserve

The demerger originated a reserve in the amount of 132,638,253 euros, which has a treatment similar to that of a Legal Reserve. According to Group Law, it cannot be distributed to shareholders, unless the Group is liquidated, but can be used to make good prior year losses, once other reserves have been used fully, or for capital increases.

### Translation reserves

These reserves are comprised by the conversion into euro of the financial statements of the subsidiaries that have other functional currency and will be presented as results when the subsidiaries are liquidated or sold off.

In the item Others are registered 10,612,025 euros resulting from the adoption of the IFRS 16.

Changes in Equity are detailed in the Consolidated Statements of Changes in Equity.

## 22. NON-CONTROLLING INTERESTS

Movements in non-controlling interests in the periods ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
<b>Opening balance as at 1 January</b>	<b>9 440 091</b>	<b>10 915 176</b>
Changes in percentage by acquisition / increase capital	-	-
Changes in hedging reserves	-	-
Changes in the percentage of capital held in affiliated companies	(7 540 682)	(762 025)
Changes resulting from currency translation	(160 038)	91 177
Dividends paid	(854 377)	(1 384 309)
Others	15 993	(20 042)
Profit for the period attributable to minority interests	1 283 289	600 113
<b>Closing balance</b>	<b>2 184 277</b>	<b>9 440 091</b>

The Non-Controlling Interests are primarily from companies in the Energy segment. The variation year-on-year results from the sale of the Group RACE.

## 23. BORROWINGS

As at 31 December 2019 and 2018, Borrowings are made up as follows:

	31 December 2019		31 December 2018	
	Outstanding amount		Outstanding amount	
	Current	Non-Current	Current	Non-Current
Bank loans				
Sonae Capital SGPS - commercial paper <sup>a)</sup>	8 900 000	-	-	-
Sonae Capital SGPS - commercial paper <sup>b)</sup>	-	17 500 000	-	13 000 000
Sonae Capital SGPS - commercial paper <sup>c)</sup>	10 000 000	-	10 000 000	-
Sonae Capital SGPS - commercial paper <sup>d)</sup>	2 000 000	6 000 000	2 000 000	8 000 000
Sonae Capital SGPS - commercial paper <sup>e)</sup>	33 800 000	-	7 650 000	-
Sonae Capital SGPS - commercial paper <sup>f)</sup>	-	-	-	10 000 000
Up-front fees	-	(16 545)	-	(60 070)
Others	1 867 612	1 158 248	1 758 860	1 474 580
	<b>56 567 612</b>	<b>24 641 703</b>	<b>21 408 860</b>	<b>32 414 510</b>
Bank overdrafts (Note 14)	-	-	427 200	-
<b>Bank loans</b>	<b>56 567 612</b>	<b>24 641 703</b>	<b>21 836 060</b>	<b>32 414 510</b>
Bond Loans				
Sonae Capital 2016/2021 Bonds <sup>a)</sup>	-	15 000 000	-	15 000 000
Sonae Capital 2014/2019 Bonds <sup>b)</sup>	-	-	42 500 000	-
Sonae Capital 2019/2024 Bonds <sup>i)</sup>	-	15 000 000	-	-
Sonae Capital 2019/2026 Bonds <sup>j)</sup>	2 000 000	13 000 000	-	-
Sonae Capital 2019/2024 II Bonds <sup>k)</sup>	-	12 500 000	-	-
Up-front fees	-	(407 013)	-	(116 090)
<b>Bond Loans</b>	<b>2 000 000</b>	<b>55 092 987</b>	<b>42 500 000</b>	<b>14 883 910</b>
Other loans	2 213 099	-	48 788	145 706
Derivatives (Note 25)	-	-	-	-
Obligations under finance leases	-	-	3 527 494	12 028 586
Up-front fees on finance leases	-	(35 171)	-	(46 882)
	<b>60 780 712</b>	<b>79 699 519</b>	<b>67 912 342</b>	<b>59 425 830</b>

- a) Commercial paper programme, with subscription guarantee, issued on 4 January 2017, with automatic annual renewals, unless denounced by either party;
- b) Commercial paper programme, with subscription guarantee, issued on 29 September 2017 and valid until September 2021;
- c) Commercial paper programme, with subscription guarantee, issued on 30 June 2017, with automatic annual renewals, unless denounced by either party;
- d) Commercial paper programme, with subscription guarantee, issued on 24 February 2017 and valid until February 2023, with semi-annual payments beginning from 2019;
- e) Commercial paper programme, with subscription guarantee, issued on 20 December 2017, with automatic annual renewals. Placed with institutional investors;
- f) Commercial paper programme, with subscription guarantee, issued on 23 June 2016 and valid up to five years, with annual payments and grace period for one year. Ended in June 2019 by mutual agreement between the involved parties;

- g) *Sonae Capital SGPS - 2016/2021 bond loan in the amount of 15,000,000 euros, with a 5 year maturity, and a sole reimbursement on 29 July 2021, unless the issuer requests a full or partial refund (call option). This bond loan bears interest every six months.*
- h) *Sonae Capital SGPS, SA, 2014/2019 bond loan in the amount of 42,500,000 euros, completely reimbursed in a single installment on 28 May 2019.*
- i) *Sonae Capital SGPS - 2019/2024 bond loan in the amount of 15,000,000 euros, with a 5 year maturity, and with reimbursements on the 8th and 10th coupon, with maturity on 26 June 2024. This bond loan bears interest every six months.*
- j) *Sonae Capital SGPS - 2019/2026 bond loan in the amount of 15,000,000 euros, with a 7 year maturity, and with reimbursements in annual installments beginning from the 2nd coupon, inclusive, with maturity on 28 June 2026. This bond loan bears interest every six months.*
- k) *Sonae Capital SGPS - 2019/2024 II bond loan in the amount of 12,500,000 euros, with a 5 year maturity, and with reimbursement via a single installment on 8 August 2024. This bond loan bears interest every six months.*

The interest rate on bonds and bank loans in force on 31 December 2019 was on average 1.10% (1.90% in 31 December 2018).

Bank loans pay interest rates that are indexed to the Euribor market rates of the period, and its fair value is considered close to its book value.

In the case that any bank or investor do not renovate a commercial paper programme, at the given maturity dates, the Group has credit facilities available to cover this gap.

The repayment schedule of the nominal value of borrowings may be summarised as follows:

	31 December 2019		31 December 2018	
	Nominal value	Interest	Nominal value	Interest
N+1	60 605 334	1 442 393	67 912 342	1 529 573
N+2	37 219 562	1 172 157	6 563 075	573 365
N+3	4 223 385	729 481	43 588 344	482 699
N+4	8 983 422	526 589	5 707 975	70 782
N+5	24 448 528	363 507	3 063 402	23 954
After N+5	5 000 000	69 375	726 075	6 200
	<b>140 480 231</b>	<b>4 303 502</b>	<b>127 561 214</b>	<b>2 686 573</b>
Discontinued Operations	-	-	-	-
<b>Total</b>	<b>140 480 231</b>	<b>4 303 502</b>	<b>127 561 214</b>	<b>2 686 573</b>

As at 31 December 2019 and 2018, the credit lines available and the amount of contracted lines, can be summarized as follows:



	31 December 2019		31 December 2018	
	Commitments < 1 year	Commitments > 1 year	Commitments < 1 year	Commitments > 1 year
Value of available lines	15 350 000	36 750 000	56 750 000	18 250 000
Value of contracted lines	36 250 000	60 250 000	68 750 000	49 250 000

As at 31 December 2019 the reconciliation of the liabilities whose flows affect the financing activities are detailed as follows:

	31 December 2018	Cash		Non-Cash			31 December 2019
		Receipts	Payments	Transfers	Up front fees	Changes in consolidation perimeter	
Non Current Loans (Note 23 & 26)	59 656 677	45 000 000	(10 000 000)	(10 473 505)	(235 687)	4 451 323	88 398 808
Current Loans (Nota 23 & 29)	67 912 342	23 994 976	(37 954 383)	10 473 505	-	-	64 426 440
	<b>127 569 019</b>	<b>68 994 976</b>	<b>(47 954 383)</b>	-	<b>(235 687)</b>	<b>4 451 323</b>	<b>152 825 248</b>

## 24. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2019 and 2018, Obligations under finance leases are made up as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Amounts under finances leases:				
N+1	-	3 791 859	-	3 527 494
N+2	-	3 814 116	-	3 623 053
N+3	-	3 143 242	-	3 022 617
N+4	-	3 657 431	-	3 590 594
N+5	-	1 096 424	-	1 066 246
After N+5	-	733 385	-	726 075
	-	<b>16 236 458</b>	-	<b>15 556 080</b>
Future Interest	-	(680 377)	-	-
	-	<b>15 556 080</b>	-	-
Up-front fees	-	-	-	(46 882)
Current obligations under finance leases	-	-	-	3 527 494
<b>Obligations under finance leases - net of current obligations</b>	-	-	-	<b>11 981 704</b>

The finance leases are contracted at market interest rates, have defined useful lives and include an option for the acquisition of the related assets. The interest rate of these contracts as at 31 December 2018 was on average 1.88%.

As at 31 December 2018, the fair value of finance leases is close to their book value.

Obligations under finance leases are guaranteed by the reservation of ownership of the leased assets.

In 2019 the amounts related to finance leases were reclassified to lease liabilities in accordance with the IFRS 16.

As at 31 December 2019 and 2018, the book value of assets acquired under finance leases can be detailed as follows:

	31 December 2019	31 December 2018
<b>Assets acquired under finance leases</b>		
Land and Buildings	-	-
Plant and machinery	-	16 900 518
Vehicles	-	-
Tools	-	-
Fixtures and Fittings	-	1 577
Holding & Outros fixos tangíveis	-	-
Activos fixos tangíveis em curso	-	-
<b>Total tangible assets</b>	-	<b>16 902 096</b>

## 25. DERIVATIVES

The company holds derivatives at fair value based on market prices for energy, gas, electricity and CO<sub>2</sub> licenses. The variation compared to last year in which the value was null is due to the acquisition of the Futura group.

	Assets	Liabilities	Due Date
<b>Fair Value Hedging</b>	<b>15 824 464</b>	<b>9 565 633</b>	
Raw material Swaps	<b>9 949 068</b>	<b>5 608 388</b>	
Electricity	9 553 992	5 418 121	2020
Electricity	264 202	142 087	2021
Electricity	130 874	48 180	2022
Raw material futures	<b>5 875 395</b>	<b>3 957 244</b>	
Natural Gas	2 572 151	1 648 635	2020
CO <sub>2</sub> Licenses	3 303 244	628 017	2020
CO <sub>2</sub> Licenses		1 680 592	

The valuation of derivatives is based on quotations indicated by external entities, which are compared on each reporting date with market quotations available on financial information platforms, so in accordance with the requirements of the IFRS 13, the fair value of derivatives is classified as level 2 with no changes between levels in the period. These entities use market information and generally accepted discount techniques for future cash flows.

All financial instruments contracted are to hedge the price. These instruments do not bear interest.

## 26. OTHER NON-CURRENT CREDITORS

As at 31 December 2019 and 2018 other non-current creditors liabilities can be detailed as follows:

	31 December 2019	31 December 2018
<b>Loans and other amounts payable to related parties</b>		
Others	216 645	230 847
	<b>216 645</b>	<b>230 847</b>
<b>Other creditors</b>		
Creditors in the restructuring process of Torralta	853 007	768 471
Others	6 551 628	-
	<b>7 404 635</b>	<b>768 471</b>
<b>Deferred income</b>		
Obligations by share-based payments (Note 27)	386 943	313 629
	<b>386 943</b>	<b>313 629</b>
<b>Pension fund responsibilities</b>	-	-
<b>Other non-current creditors</b>	<b>8 008 222</b>	<b>1 312 947</b>
<b>Discontinued Operations</b>	-	-
<b>Other non current liabilities</b>	<b>8 008 222</b>	<b>1 312 947</b>

The amount registered in other creditors is related to the amounts owed via the acquisitions of the participations of the period.

As at 31 December 2019 and 2018, other creditor's balances maturity can be detailed as follows:

31 December 2019	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other non current creditors	1 844 677	947 350	659 350	659 350	3 293 908	7 404 635
<b>Total</b>	<b>1 844 677</b>	<b>947 350</b>	<b>659 350</b>	<b>659 350</b>	<b>3 293 908</b>	<b>7 404 635</b>

31 December 2018	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other non current creditors	-	-	-	-	768 471	768 471
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>768 471</b>	<b>768 471</b>

## 27. SHARE-BASED PAYMENTS

In 2012 and in previous years, the Sonae Capital Group granted deferred performance bonuses to employees, based on shares of Sonae Capital SGPS, SA to be acquired at nil cost, three years after they were attributed to the employee. In any case, the acquisition can be exercised during the period commencing on the third year of the grant date and the end of that year. The Group has the choice to settle in cash instead of shares. The option can only be exercised if the employee still works for the Sonae Capital Group on the vesting date.

As at 31 December 2019 and 2018, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

Year of Grant	Vesting year	Number of participants	Fair Value	
			31 December 2019	31 December 2018
Shares				
2016	2019	1	114 344	428 993
2017	2020	14	469 633	426 115
2018	2021	16	401 908	365 340
2019	2022	15	391 351	-
<b>Total</b>			<b>1 377 236</b>	<b>1 220 448</b>

As at 31 December 2019 and 2018, the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which have not yet vested:

Shares	31 December 2019	
	31 December 2019	31 December 2019
Other non-current creditors (Note 26)	392 748	492 540
Other current creditors (Note 29)	659 361	426 115
Reserves	(670 544)	(416 815)
<b>Staff Costs (Note 38)</b>	<b>381 564</b>	<b>501 840</b>

## 28. TRADE ACCOUNTS PAYABLE

As at 31 December 2019 and 2018 trade accounts payable can be detailed as follows:

	Payable			
	31 December 2019	Less than 90 days	90 to 180 days	More than 180 days
<b>Trade creditors current account</b>				
Troia Resort Operações	1 628 144	1 468 489	41 450	118 205
Hospitality	566 443	462 990	67 518	35 935
Fitness	1 098 832	1 062 067	30 183	6 582
Energy	23 333 146	23 109 966	67 125	156 055
Refrigeration & HVAC	-	-	-	-
Real Estate	160 791	157 520	666	2 605
Holding & Others	921 336	561 117	67 044	293 175
Industrial Engineering	1 913 379	1 652 925	236 570	23 884
	<b>29 622 071</b>	<b>28 475 074</b>	<b>510 556</b>	<b>636 441</b>
Trade creditors - Invoices Accruals	2 371 222	2 042 978	296 840	31 404
<b>Total Operations</b>	<b>31 993 293</b>	<b>30 518 052</b>	<b>807 396</b>	<b>667 845</b>
<b>Discontinued Operations</b>	-			
<b>Total Operations</b>	<b>31 993 293</b>			

	Payable			
	31 December 2018	Less than 90 days	90 to 180 days	More than 180 days
<b>Trade creditors current account</b>				
Troia Resort Operações	1 375 701	882 100	75 067	418 534
Hospitality	836 467	717 799	49 988	68 680
Fitness	1 519 837	1 441 368	(5 851)	84 320
Energy	4 347 932	4 341 534	3 394	3 004
Refrigeration & HVAC	11 411 409	6 177 952	100 440	5 133 017
Holding & Others	405 460	398 068	24	7 369
Real Estate	727 538	611 719	48 159	67 660
Industrial Engineering	2 927 068	1 007 806	1 821 116	98 146
	<b>23 551 412</b>	<b>15 578 346</b>	<b>2 092 337</b>	<b>5 880 730</b>
Trade creditors - Invoices Accruals	3 682 102	3 131 435	91 325	459 343
<b>Total Operations</b>	<b>27 233 513</b>	<b>18 709 781</b>	<b>2 183 662</b>	<b>6 340 073</b>
<b>Discontinued Operations</b>	-			
<b>Total Operations</b>	<b>27 233 514</b>			

## 29. OTHER CREDITORS

As at 31 December 2019 and 2018 other creditors can be detailed as follows:

	Payable			
	31 December 2019	Less than 90 days	90 to 180 days	More than 180 days
<b>Other creditors</b>				
Fixed assets suppliers	2 978 336	1 547 727	1 288 081	142 527
Others	7 887 286	2 641 204	2 092 000	3 154 083
	<b>10 865 622</b>	<b>4 188 931</b>	<b>3 380 081</b>	<b>3 296 610</b>
Advances from customers and down payments	3 300 637			
	<b>14 166 259</b>			
Related parties	732 495			
<b>Total</b>	<b>14 898 754</b>			

	Payable			
	31 December 2018	Less than 90 days	90 to 180 days	More than 180 days
<b>Other creditors</b>				
Fixed assets suppliers	3 711 817	3 428 541	69 666	213 612
Others	9 085 920	2 077 800	4 886 540	2 121 580
	<b>12 797 737</b>	<b>5 506 341</b>	<b>4 956 206</b>	<b>2 335 192</b>
Advances from customers and down payments	5 613 462			
	<b>18 411 199</b>			
Related parties	388 791			
<b>Total</b>	<b>18 799 992</b>			

As at 31 December 2019 and 2018, this caption includes balances payable to other creditors and fixed assets suppliers that do not include interest. The caption includes also advances from customers on promissory sales of Inventories and tangible assets.

The balance of others includes the debt of the purchase of a financial participation for 735,000 euros (Note 45).

The item of others also includes the amount of approximately 1,800,000 euros related to the purchase of CO<sub>2</sub> licences, in the Energy segment.

The Board of Directors believes that the fair market value of these payables is approximately their book value, and that effects of discounting these balances are immaterial.

## 30. OTHER CURRENT LIABILITIES

As at 31 December 2019 and 2018 other current liabilities can be detailed as follows:

	31 December 2019	31 December 2018
Staff Costs	7 824 249	8 472 932
Amounts invoiced for works not yet completed	4 982 050	4 982 050
Accruals of Purchases expenses - Energy segment	-	-
Income to be recognized from services rendered	18 344 148	-
Interest payable	268 048	340 666
Expenses with construction contracts	-	-
Investment aid	-	36 739
Others	9 760 641	12 512 540
<b>Total Operations</b>	<b>37 448 497</b>	<b>26 344 927</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>-</b>
<b>Total Operations</b>	<b>37 448 497</b>	<b>26 344 927</b>

At 31 December 2019, Industrial Engineering is the segment with the most significant contribution to works not yet completed.

The amount included under Others respects to amounts relating to creditors for accrued expenses and income to be recognized.

The Energy segment is the segment that contributed the most in terms of income to be recognized from services rendered, approximately 17.5 million euros at 31 December 2019.

## 31. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses over the period ended 31 December 2019 and 2018 were as follows:

Captions	Balance as at 1 January 2019	Increases	Decreases	Utilisations	Transfers	Balance as at 31 December 2019
<b>Accumulated impairment losses on:</b>						
Tangible Assets (Note 10)	31 136 308	29 196	(106 582)	-	-	31 058 922
Intangible Assets (Note 11)	689 536	-	-	-	-	689 536
Goodwill (Note 12 and 41)	25 478 909	3 742 109	-	-	-	29 221 018
Other Investments (Notes 5, 6 and 41)	291 838	-	-	-	-	291 838
Other non-current assets (Note 13)	34 916	-	-	-	-	34 916
Trade accounts receivable (Note 15)	6 230 300	442 589	(1 562 563)	(8 306)	(1 871 158)	3 230 862
Other current assets (Note 16)	1 848 583	246 233	(425 623)	-	-	1 669 193
Stocks (Note 14)	6 152 875	1 127 700	(2 856 605)	-	-	4 423 970
<b>Non-current provisions</b>	<b>3 079 824</b>	<b>43 461</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 123 285</b>
<b>Current provisions</b>	<b>3 286 698</b>	<b>485 881</b>	<b>(504 071)</b>	<b>(360 646)</b>	<b>-</b>	<b>2 907 863</b>
<b>Total</b>	<b>78 229 787</b>	<b>6 117 169</b>	<b>(5 455 444)</b>	<b>(368 952)</b>	<b>(1 871 158)</b>	<b>76 651 402</b>

Captions	Balance as at 1 January 2018	Increases	Decreases	Utilisations	Transfers	Balance as at 31 December 2018
<b>Accumulated impairment losses on:</b>						
Tangible Assets (Note 10)	34 634 847	2 851 780	(5 368 409)	(981 908)	-	31 136 308
Intangible Assets (Note 11)	689 536	-	-	-	-	689 536
Goodwill (Note 12 and 41)	24 703 711	775 198	-	-	-	25 478 909
Other Investments (Notes 5, 6 and 41)	291 838	-	-	-	-	291 838
Other non-current assets (Note 13)	34 916	-	-	-	-	34 916
Trade accounts receivable (Note 15)	6 208 847	939 542	(918 090)	-	-	6 230 300
Other current assets (Note 16)	1 995 925	-	(147 342)	-	-	1 848 583
Stocks (Note 14)	5 702 697	1 218 358	(768 180)	-	-	6 152 875
<b>Non-current provisions</b>	<b>3 079 824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 079 824</b>
<b>Current provisions</b>	<b>4 403 401</b>	<b>509 785</b>	<b>(389 181)</b>	<b>(1 237 307)</b>	<b>-</b>	<b>3 286 698</b>
<b>Total</b>	<b>81 745 545</b>	<b>6 294 663</b>	<b>(7 591 202)</b>	<b>(2 219 215)</b>	<b>-</b>	<b>78 229 787</b>

On December 2019 and 2018, the amounts recorded in provisions and impairment losses were recognized for prudence; it is not possible to predict when these provisions and impairment charges will result in future cash flows.



As at 31 December 2019 and 2018 increases in provisions and impairment losses can be detailed as follows:

	31 December 2019	31 December 2018
Provisions and impairment losses (Increases / Decreases)	4 584 522	4 563 882
Provisions and impairment losses recorded in cost of goods sold (Note 14) and changes in inventories (Note 36)	1 127 765	1 218 358
Impairment in Investment Income (Note 41)	-	-
Godwill Impairment	-	775 198
Changes in consolidation perimeter	444 518	-
others increase	(39 636)	(262 775)
<b>Balance Increases</b>	<b>6 117 169</b>	<b>6 294 663</b>
Provisions and impairment losses (Decreases)	2 523 938	6 438 189
Decreases in Provisions and impairment losses recorded in cost of goods sold (Note 14 & 36)	2 856 670	1 074 491
Decreases in investments (Note 41)	-	-
Other reversals of impairment losses and provisions to the income statement	-	-
Changes in consolidation perimeter	1 969 187	78 521
Other decreases	(1 894 351)	-
<b>Balance Decreases</b>	<b>5 455 444</b>	<b>7 591 202</b>

Impairment losses are deducted from the book value of the corresponding asset.

As at 31 December 2019 and 2018 detail of other provisions was as follows:

	31 December 2019	31 December 2018
Judicial claims	1 657 060	1 831 101
Provision for secured income	632 625	861 036
Others	3 741 464	3 674 386
	<b>6 031 148</b>	<b>6 366 522</b>

The amount considered in Provision for secured income is calculated estimating the difference between the amount to be charged through the properties leased in Tróia and the secured income to be paid to property owners. The amount to be charged through the marketing of real estate is estimated based on the average of the values obtained in previous years. It is expected that the provision for secured income, totalling 229.220 euros, will generate a cash outflow for the year 2020.

The judicial claims in progress relate essentially to litigation / damages in companies Inparvi SGPS, S.A. and Societe de Tranchage Isoroy SAS.

In Others, the provisions refer to dismantling of assets.

## 32. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2019 and 2018 the most important contingent liabilities referred to guarantees given and were made up as follows:

	31 December 2019	31 December 2018
<b>Guarantees given:</b>		
on VAT reimbursements	5 199 346	5 199 346
on tax claims	16 244 854	17 587 976
on judicial claims	-	-
on municipal claims	556 599	577 795
on loans	20 489 349	25 192 891
Others	24 499 690	39 524 891

Others include the following guarantees:

- 10,752,959 euros as at 31 December 2019 (9,207,045 euros as at 31 December 2018) of guarantees given concerning building permits in the Resorts segments.

The Group has not registered provisions for the events/disagreements for which these guarantees were given since the Group believes that the above mentioned events will not result in a loss for the Group.

## 33. LEASE LIABILITIES

The changes to international financial reporting standards that came into effect on or after 1 January 2019, regarding the IFRS 16 - Leases, have the following impacts on the Financial Statements:

	Notes	31 December 2019
Depreciation Expenses	10	9 179 470
Interest Rate Expenses	40	4 483 350
Short-term Lease Expenses		1 556 157
Expenses related to low value leases		1 572 708
Expenses related to variable costs		187 815
Payments made		13 357 444
Net Right-of-Use Assets at the end of the period	10	66 176 081
Obligations related to Lease liabilities - Current Liabilities		17 697 925
Obligations related to Lease liabilities - Non-Current Liabilities		57 738 403

The financial leasing commitments present in Liabilities have the following maturities:

		31 December 2019
	N+1	17 873 303
	N+2	8 460 971
	N+3	10 020 853
	N+4	6 799 908
	N+5	5 807 403
	After N+5	26 473 890
		<b>75 436 328</b>

## 34. TURNOVER

Turnover for the year ended 31 December 2019 and 2018 was as follows:

	31 December 2019	31 December 2018
Sale of goods	151 455 217	122 050 415
Sale of products	21 463 633	18 736 264
	<b>172 918 850</b>	<b>140 786 679</b>
Services Rendered	111 678 671	81 891 278
<b>Continued Operations</b>	<b>284 597 521</b>	<b>222 677 957</b>
<b>Discontinued Operations</b>	<b>(1 602)</b>	<b>435 574</b>
<b>Total</b>	<b>284 595 919</b>	<b>223 113 531</b>

The Sale of Products includes amounts from the sale of real estate assets totalling 11 million euros as at 31 December 2019 (33.9 million euros at 31 December 2018).

The detail of the revenue per type of contract is as follows:

	31 December 2019	31 December 2018
<b>Sales of goods and products</b>		
Energy	143 579 365	52 208 591
Real Estate	16 108 200	36 971 734
Goods and Products - Industrial Eng.	9 147 602	11 717 078
Goods and Products - Refrig. & HVAC	1 617 022	37 933 599
Others	2 466 661	1 955 677
	<b>172 918 850</b>	<b>140 786 679</b>
<b>Services Rendered</b>		
Hospitality and related services	28 329 480	21 543 948
Fitness	40 980 355	34 830 757
Resorts Operations	7 735 254	12 694 357
Contracts with clients - Industrial Eng.	634 210	647 439
Contracts with clients - Refrig. & HVAC.	32 137 743	9 501 846
Others	1 861 629	2 672 930
	<b>111 678 671</b>	<b>81 891 278</b>

## 35. OTHER OPERATIONAL INCOME

Other operational income for the year ended 31 December 2019 and 2018 was as follows:

	31 December 2019	31 December 2018
Own work capitalised	2 305 226	1 199 303
Gains on sales of assets	7 476 862	4 133 082
Supplementary income	504 668	597 525
Others	955 103	4 779 894
<b>Continued Operations</b>	<b>11 241 859</b>	<b>10 709 804</b>
<b>Discontinued Operations</b>	<b>5 409 780</b>	<b>5 706</b>
<b>Total</b>	<b>16 651 639</b>	<b>10 715 510</b>

The caption Others includes in the year ended in 2018, (i) insurance claims (1,884,930 euros), (ii) foreign exchange gains (694,335 euros), (iii) reversals of impairments related to assets (998,531 euros), other non-recurring gains related to the sale of assets (633,062 euros), with compensations received (331,176 euros) and corrections of previous years (106,234 euros).

The caption «Gains on sales of assets» in 2019 includes the gain obtained in the sale of real estate assets located in Tróia.

## 36. CHANGES IN INVENTORIES

Changes in Inventories for the years ended 31 December 2019 and 2018 was as follows:

	31 December 2019	31 December 2018
Finished goods	(4 445 672)	(1 691 175)
Work in progress	(3 950 015)	(3 360 812)
	<b>(8 395 687)</b>	<b>(5 051 987)</b>
impairment losses (note 31)	13 068	212 932
<b>Continued Operations</b>	<b>(8 382 619)</b>	<b>(4 839 055)</b>
<b>Discontinued Operations</b>	-	<b>(17 808)</b>
<b>Total</b>	<b>(8 382 619)</b>	<b>(4 856 863)</b>

Changes in Inventories were calculated as follows:

	31 December 2017	31 December 2016
Opening inventories	48 702 150	80 653 864
Exchange rate effect	-	-
Changes in perimeter	(1 544 500)	(27 396 793)
Inventories adjustments	303 809	497 065
Closing inventories (Note 14)	39 065 772	48 702 149
	<b>(8 395 688)</b>	<b>(5 051 987)</b>
Impairment losses (Note 31)	-	(132 565)
Reversion of impairment losses	13 068	345 497
<b>Continued Operations</b>	<b>(8 382 619)</b>	<b>(4 839 055)</b>
<b>Discontinued Operations</b>	-	<b>(17 808)</b>
<b>Total</b>	<b>(8 382 619)</b>	<b>(4 856 863)</b>

## 37. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2019 and 2018, external supplies and services were made up as follows:

	31 December 2019	31 December 2018
Subcontracts	6 104 984	7 838 402
Services	8 817 708	9 037 636
Rents	4 616 511	13 293 702
Fees	2 046 378	1 968 610
Maintenance	6 494 114	6 418 747
Cleaning, health and safety	4 519 355	4 227 580
Electricity	4 499 355	4 268 888
Travelling expenses	1 296 033	1 373 228
Publicity	1 467 889	1 688 026
Fuel	799 598	863 066
Security	624 120	628 541
Communication	1 476 934	1 305 105
Comissions	4 059 512	3 823 002
Other fluids	1 546 623	1 489 641
Insurance	977 565	931 627
Others	5 386 258	5 915 805
<b>Continued Operations</b>	<b>54 732 937</b>	<b>65 071 606</b>
<b>Discontinued Operations</b>	<b>154 524</b>	<b>959 842</b>
<b>Total</b>	<b>54 887 461</b>	<b>66 031 448</b>

The caption Services includes consultancy services, fees and subcontracting of labour. Compared to the previous year the differences in the amounts are from the increase of fees with consultancy services with ongoing projects in the Energy and Industrial Engineering segments, as well the increase in the subcontracting of labour by the Fitness segment.

The decrease in the item Rents is mainly due to the impact of the IFRS 16 (Note 2.1 c).

In Fees are included fees with lawyers, musicians and external staff (mainly personal trainers hired to the Fitness segment).

In Commissions are included the amounts with services provided by real state agencies and paid by the segments Hospitality, Troia Resort Operations and Holding & Others.

The variation of the heading Travelling expenses resulted in the prospect of new business and follow-up of other existing ones.

Maintenance includes repair and maintenance services primarily for Energy, Industrial Engineering and Fitness equipment.

In the caption Others are included, among others, bank services, water consumptions and costs with transports of goods.

## 38. STAFF COSTS

As at 31 December 2019 and 2018, staff costs were made up as follows:

	31 December 2019	31 December 2018
Salaries	34 187 703	32 213 649
Social security contributions	7 057 864	6 637 063
Insurance	954 029	764 852
Welfare	127 157	121 212
Other staff costs	1 721 998	1 789 566
<b>Continued Operations</b>	<b>44 048 751</b>	<b>41 526 342</b>
<b>Discontinued Operations</b>	<b>-</b>	<b>738 627</b>
<b>Total</b>	<b>44 048 751</b>	<b>42 264 969</b>

Sonae Capital's average headcount can be detailed as follows:

	31 December 2019	31 December 2018
Troia Resort Operations	133	128
Hospitality	257	256
Fitness	625	548
Energy	88	76
Refrigeration & HVAC	-	297
Industrial Engineering	135	135
Holding & Others	106	124
	<b>1 344</b>	<b>1 564</b>

The caption «Staff costs» includes 381,564 euros at 31 December 2019 (501,839 euros in 31 December 2018) with liabilities for payments in shares (Note 26).

## 39. OTHER OPERATIONAL EXPENSES

As at 31 December 2019 and 2018, other operational expenses were made up as follows:

	31 December 2019	31 December 2018
Losses on sales of assets	312 835	938 341
Other taxes	1 459 244	963 225
Property tax	1 053 845	1 144 857
CO2 Emissions	1 581 061	1 394 474
Doubtful debts written-off	1 602 263	517 337
Others	1 706 483	1 076 107
<b>Continued Operations</b>	<b>7 715 731</b>	<b>6 034 341</b>
<b>Discontinued Operations</b>	<b>5 087 199</b>	<b>1 186 309</b>
<b>Total</b>	<b>12 802 930</b>	<b>7 220 650</b>

Within the caption Losses on sales of assets there was registered losses related to the sales of assets from Troia, namely, the Copper Factory and the suspended capital losses related to the Tarik development.

The accrual registered within the caption CO<sub>2</sub> Emissions is mainly associated with the increase in price/tonne of the consumptions in the companies from the Energy segment.

The amount of Doubtful debts written-off refers, essentially, to the debts within the segments of Refrigeration & HVAC and Troia Resort Operations considered uncollectible in the future.



## 40. NET FINANCIAL EXPENSES

As at 31 December 2019 and 2018, net financial expenses were made up as follows:

	31 December 2019	31 December 2018
<b>Expenses:</b>		
Interest payable		
Related with bank loans and overdrafts	630 756	511 876
Related with bank non convertible bonds	1 291 113	1 949 453
Related with finance leases	263 991	308 857
Related with hedge accounting derivatives	-	-
Others	(11 753)	69 276
	<b>2 174 107</b>	<b>2 839 462</b>
Exchange Losses	3 654	959
Payment discounts given	-	38
Up front fees	105 632	140 740
Lease Liabilities	4 483 350	-
Other financial expenses	1 093 096	1 231 672
	<b>7 859 839</b>	<b>4 212 871</b>
<b>Income:</b>		
Interest receivable	158 958	334 514
Exchange gains	4 660	12 446
Payment discounts received	-	-
Gains on fair value of hedge derivatives	-	-
Other financial income	1 224 878	42 317
	<b>1 388 496</b>	<b>389 277</b>
<b>Continued Operations</b>	<b>(6 471 343)</b>	<b>(3 823 594)</b>
<b>Discontinued Operations</b>	<b>(628 726)</b>	<b>(685 533)</b>
<b>Total</b>	<b>(6 659 662)</b>	<b>(4 509 127)</b>

At 31 December 2018, the caption Other financial expenses mainly includes expenses with bank commissions.

In 2019 there has been an increase in the interest paid in the amount of 4.5 million euros related to lease liabilities with the adoption of the IFRS 16.

## 41. INVESTMENT INCOME

As at 31 December 2019 and 2018, Investment income was made up as follows:

	31 December 2019		31 December 2018	
<b>Dividends</b>		-		-
Adjustment to the selling price of «Box Lines Navegação»	7 327		19 314	
Others	(342 978)		1 045 292	
Losses on sales of group companies	(10 465 985)		19 717	
Gains in the acquisition of group companies (Note 8)	584 834		-	
<b>Gains of investments in group companies</b>		<b>(10 216 802)</b>		<b>1 084 323</b>
Equity settlement in other investments (Note 6)	-		-	
Impairment losses (Note 31)	-		(803 248)	
<b>Gains/(Losses) on sale of other investments</b>		-		<b>(803 248)</b>
<b>Others</b>		-		-
<b>Investment Income</b>	-	<b>(10 216 802)</b>	-	<b>281 075</b>
<b>Discontinued Operations</b>		-		-
<b>Total Operations</b>	-	<b>(10 216 802)</b>	-	<b>281 075</b>

The value of 10 million presented in losses on sales of group companies corresponds to the Race group that distributed during the year before the sale of the group.

## 42. TAXATION

As at 31 December 2019 and 2018, Taxation was made up as follows:

	31 December 2019		31 December 2018	
Current tax	(1 342 114)		4 684 191	
Deferred tax	1 905 590		(3 878 562)	
<b>Taxation</b>		<b>563 476</b>		<b>805 629</b>
<b>Discontinued Operations</b>		-		-
<b>Continued Operations</b>		<b>563 476</b>		<b>805 629</b>

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2019 and 2018 may be summarised as follows:

	31 December 2019		31 December 2018	
	Basis of incidence	Tax amount	Basis of incidence	Tax amount
<b>Profit before income tax (1)</b>	<b>(11 595 911)</b>	-	<b>1 011 673</b>	-
Income tax rate in Portugal	21%		21%	
Theoretical Income tax	-	(2 435 141)	-	212 451
Increases / (Reductions) to the taxable amount:				
Difference between accounting and tax treatment of capital gains/(losses)	(1 697 583)	(356 492)	14 251 800	2 992 878
Share of results of associated companies	10 216 802	2 145 528	(1 501 399)	(315 294)
Provisions and impairment losses not accepted for tax purposes	(53 340)	(11 201)	(2 128 593)	(447 005)
Other permanent differences	2 405 529	505 161	3 418 092	717 799
Adoption of the IFRS 16	(2 098 236)	(440 630)	-	-
Use of tax losses carried forward	-	-	(2 519 881)	(529 175)
Recognition of tax losses that have not originated deferred tax assets	2 774 086	582 558	30 530 518	6 411 409
		-	-	-
Effect of different income tax rates in other countries	-	268 650	-	14 666
Effect of increases or decreases in deferred taxes				
Effect of increases or decreases in deferred taxes from previous years	-	-	-	-
Effect of increases or decreases in deferred taxes from current year				
Municipality tax	-	384 360	-	1 815 586
Under / (over) taxation estimates	-	(2 233 450)	-	(6 922 434)
Autonomous taxes and tax benefits	-	248 543	-	733 309
Others	-	-	-	-
<b>Taxation (2)</b>	<b>(48 652)</b>	<b>563 476</b>	<b>43 062 211</b>	<b>805 628</b>

## 43. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 31 December 2019 and 2018, the reconciliation of consolidated net profit can be analysed as follows:

	31 December 2019	31 December 2018
Aggregate net profit - continued operations	41 943 960	1 510 210
Aggregate net profit - discontinued operations	(138 245)	(3 500 707)
Harmonisation adjustments	(2 112 312)	550 812
Elimination of intragroup dividends	(53 895 251)	(64 737 953)
Share of gains/(losses) of associated undertakings	303 238	444 700
Elimination of intragroup capital gains/(losses)	-	123 018 501
Elimination of intragroup impairment	62 099	(82 725 405)
Adjustments of gains/(losses) of financial shareholdings sale	1 605 774	22 176 177
Others	(67 655)	2 815
<b>Consolidated net profit for the year - continued operations</b>	<b>(12 159 389)</b>	<b>206 044</b>
<b>Consolidated net profit for the year - discontinued operations</b>	<b>(139 003)</b>	<b>(3 466 883)</b>
<b>Consolidated net profit for the year</b>	<b>(12 298 392)</b>	<b>(3 260 839)</b>

## 44. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2019 and 2018 with related parties are detailed as follows:

Transactions	31 December 2019		31 December 2018	
	Sales and services rendered	Purchases and services obtained	Sales and services rendered	Purchases and services obtained
<b>Parent company</b>				
<b>Associated companies</b>	<b>24 922</b>	<b>11 325</b>	<b>24 353</b>	<b>7 217</b>
Feneralt - Produção de Energia, ACE	16 054	(26 411)	15 746	(20 654)
Lidergraf - Artes Gráficas, Lda	8 868	37 736	8 607	27 871
<b>Entidades parceiras, accionistas e participadas</b>	<b>27 196 005</b>	<b>3 523 750</b>	<b>44 536 510</b>	<b>12 594 579</b>
8ª Avenida - Centro Comercial, SA	-	-	4 798	-
Águas Furtadas - Soc. Agrícola, SA	-	-	2 590	-
Algarveshopping- Centro Comercial, S.A.	816	-	(4 443)	-
Alpêssego - Sociedade Agrícola, SA	-	-	17 304	327
Casa Agrícola de Ambrães, S.A.	-	-	1 724	350
Aqualuz - Turismo e Lazer, Lda	-	(819)	1 660 534	(88)
Arrábidasshopping- Centro Comercial, S.A.	1 712	(445)	1 867	445
BB Food Service, SA	110 833	(24 509)	203 960	23 555
BOM MOMENTO - Comércio Retalista, SA	44 321	(8 632)	267 415	7 432
Bloco Q-Soc.Imobil.S.A.	-	(131)	-	-
Prod. Agric.Biológica, S.A.	175 050	(1 691)	117 745	-
Cascaishopping- Centro Comercial, S.A.	3 204	16 851	97 730	(3 789)
Coimbrashopping- Centro Comercial, S.A.	-	2 136	-	(2 136)
Centro Colombo- Centro Comercial, S.A.	804 881	870 950	814 831	1 639 992
Continente Hipermercados, S.A.	6 892 358	(384 414)	11 503 172	155 714
Contimobe-Imobil.Castelo Paiva,SA	-	2 985	-	6 393
Companhia Térmica Tagol, Lda.	-	(155 520)	-	-
Digitmarket-Sistemas de Informação,SA	-	313 540	69	329 624
Efanor Investimentos, SGPS, S.A.	2 601	(1 210)	1 574	-
Efanor Serviços de Apoio à Gestão, S.A.	70 394	-	68 859	-
Capwatt Lousado - Heat Power, Unipessoal, Lda.	-	(146 170)	-	-
Euroresinas-Indústrias Químicas,SA	-	10 141	-	147
Fashion Division, S.A.	5 254	(2 107)	12 462	-
Gaiashopping I- Centro Comercial, S.A.	-	(133)	-	133
Gaiashopping II- Centro Comercial, S.A.	-	68	-	(68)
Sonae Arauco Deutschland AG	778	-	436	-
Go Well, S.A.	-	(9 000)	-	-
Guimarãesshopping- Centro Comercial, S.A.	8 627	-	4 092	-
Iberosegur - Sociedade Ibérica de Mediação de Seguros, Lda	1 902	-	1 902	-
Fundo de Invest. Imobiliário Imosede	137 345	489 817	151 669	575 890
Imosistema-Sociedade Imobiliária,SA	-	(1 572)	-	1 572
Fundo Invest. Imobiliário Imosonae Dois	108 199	-	-	-
Inovretail, S.A.	475	990	1 357	-
Insco Insular de Hipermercados, S.A.	246 612	(103 570)	513 397	42 484
CAPWATT SERVICES, S.A.	-	(2 088)	-	-
Capwatt Martim Longo - Solar Power, S.A.	-	20 055	-	-
S21SEC Portug-Cyber Security Services,S.A.	-	2 312	-	-
LCC LeiriaShopping Centro Comercial SA	(1 750)	(629)	1 890	-
Loureshopping-Centro Comercial, S.A.	-	(27)	-	1 564
NOS Lusomundo Audiovisuais, S.A.	-	-	116	-
Madeirashopping- Centro Comercial, S.A.	-	(63)	-	63
Maiashopping- Centro Comercial, S.A.	-	-	402	-
NOS Sistemas S.A.	-	(24 453)	-	93 080
Modelo - Dist.de Mat. de Construção,S.A.	16 675	-	54 892	-

Modelo Continente Hipermercados,SA	11 785 425	(2 272 311)	19 177 491	4 123 196
Modelo Continente Hipermercados, Suc.	101	-	53	12 625
Modelo Hipermercados Trading, S.A.	-	-	1 726	-
MDS Corretor de Seguros, SA	442 713	(14 722)	385 485	(18 786)
MDS RE-Mediador de Resseguros, S.G.P.S., S.A.	164	-	85	-
MDS Africa SGPS, S.A.	733	-	714	-
MDS Auto - Mediação de Seguros, SA	2 537	-	2 082	-
RCG - Risk Consulting Group, S.A.	11 341	3 576	12 394	2 439
MDS, SGPS, SA	365	-	1 434	-
Modalfa-Comércio e Serviços,SA	2 861	(588)	2 009	570
MODALLOOP - Vestuário e Calçado, SA	-	112	224	(112)
Modelo Hiper Imobiliária,SA	35 551	-	(42)	-
Movelpartes-Comp.para Ind.Mobiliária,SA	665	-	197	-
Norteshopping-Centro Comercial, S.A.	-	196 534	4 017 255	445 890
NOS Comunicações, S.A.	138 975	2 534 542	-	-
Parklake Shopping, S.A.	5 262	(14 065)	145 170	13 990
PHARMACONTINENTE - Saúde e Higiene, S.A.	175	7 009	30	-
Prosa - Produtos e Serviços Agrícolas,S.A.	28 240	(3 858)	63 691	3 637
Público-Comunicação Social,SA	431	4 198	1 095	3 882
Saphety Level - Trusted Services S.A.	-	124 399	-	146 582
Grupo Salsa	2 376	-	-	-
SONAESR - Serviços e logística, S.A.	18 687	(6 396)	32 954	6 396
RACE, SGPS, S.A.	-	-	-	(6 107)
SFS - Financial Services, IME, S.A.	110	-	-	378
Sondis Imobiliária,SA	-	-	22 378	-
Sonae Indústria-SGPS,SA	2 437	-	4 027	-
Sonae Indústria - Management Services, S.A.	1 509	-	-	-
Sonae Arauco Portugal, S.A.	3 738 974	2 186 909	3 219 421	3 214 928
Sonae Industria de Revestimentos,SA	486 064	422 432	474 722	424 950
SIRS-Soc.Ind.Radiodifusão Sonora,SA	999	18 093	505	25 639
Sierra Management Portugal-Gest. CC,S.A.	3 151	116 184	364 894	132 462
Sohi Meat Solut-Distr. Carnes	63 079	57 282	275 069	50 824
Porto Palácio Hotel - Exploração Hoteleira, S.A.	-	(632)	-	-
Solinca - Health & Fitness, S.A.	-	(747)	-	-
Sonae MC - Serviços Partilhados, SA	115 269	500 221	37 047	563 635
Sonae.com,SGPS,SA	-	-	-	8 250
Sonae Investment Management-S.T.,SGPS,S.A.	-	-	13	-
Sonae com - Serviços Partilhados, S.A	-	-	122 818	(136 844)
SFS - Gestão de Fundos, SGFI, S.A.	-	225 021	-	226 705
Modelo Continente, SGPS, S.A.	-	(815)	-	815
Sonaerp - Retail Properties, SA	1 486 209	127 814	470 476	131 311
Sonae SGPS, SA	13 817	47 984	14 875	61 500
Sonae Arauco France SAS	1 640	-	1 477	-
SFS, Gestão e Consultoria, S.A.	-	31 158	-	933
Sport Zone-Comércio Art.Desporto,SA	38 649	44 978	14 119	36 996
Sonae Arauco, S.A.	602	-	(71)	-
Textil do Marco,SA	109 981	-	111 385	-
Tableros Tradema,S.L.	8 085	-	3 373	-
Troia Market S.A.	-	6	-	-
Aqualuz Tróia - Exploração Hoteleira e Imobiliária, S.A.	-	(6 015)	-	-
Centro Vasco da Gama-Centro Comercial,SA	-	4 878	-	5 854
We Do Consulting-SI,SA	-	-	31 678	71 939
We Do Technologies Mexico,S	-	18 129	-	111 555
Worten-Equipamento para o Lar,SA	14 945	(10 465)	15 028	16 512
Sonae Corporate, S.A.	3 449	84 752	947	39 272
ZIPPY - Comércio e Distribuição, SA	147	(60)	5 938	79
	<b>27 220 927</b>	<b>3 535 075</b>	<b>44 560 863</b>	<b>12 601 796</b>

Transactions	31 December 2019		31 December 2018	
	Interest income	Interest expenses	Interest income	Interest expenses
Parent company				
Associated companies	-	-	-	-
Other partners and Group companies	-	-	-	32 728
Plaza Mayor Parque de Ocio, SA	-	-	-	32 728
	-	-	-	32 728

Balances	31 December 2019		31 December 2018	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Parent company				
Associated companies	8 871	1 980	7 870	3 881
Andar-Sociedade Imobiliária,SA	-	-	-	-
Feneralt - Produção de Energia, ACE	8 837	-	6 716	-
Lidergraf - Artes Gráficas, Lda	34	1 980	1 154	3 881
Other partners and Group companies	1 488 884	3 398 831	10 434 743	2 958 929
8ª Avenida - Centro Comercial, SA	-	-	3 655	-
Águas Furtadas - Soc. Agrícola, SA	279	(1 002)	296	(1 002)
Algarveshopping- Centro Comercial, S.A.	-	-	16 479	-
Alpêssego - Sociedade Agrícola, SA	266	-	21 063	-
Arrábidasshopping- Centro Comercial, S.A.	-	-	191	-
Asprela - Sociedade Imobiliária, S.A.	-	-	(1 513)	-
Aqualuz - Turismo e Lazer, Lda	-	-	86 255	57 536
BB Food Service, SA	-	-	46 934	(670)
BOM MOMENTO - Comércio Retalista, SA	-	-	174 087	-
Bright Brands SportsGoods, S.A.	(28 688)	-	-	-
Prod. Agric.Biológica, S.A.	-	-	300	-
Casa Agrícola de Ambrães, S.A.	186	-	550	-
Cascaishopping- Centro Comercial, S.A.	416	-	59 471	-
Centro Colombo- Centro Comercial, S.A.	54 384	109 832	164 360	226 297
Contimobe-Imobil.Castelo Paiva,SA	-	-	408	1 004
Continente Hipermercados, S.A.	144 366	12 965	2 429 864	5 939
Digitmarket-Sistemas de Informação,SA	164 531	100 577	132 082	14 171
Efanor Investimentos, SGPS, S.A.	15 136	8 168	60	-
Efanor Serviços de Apoio à Gestão, S.A.	3 311	10 487	3 292	5 575
Sonaerp - Retail Properties, SA	-	17 758	18 960	87 330
Fashion Division, S.A.	-	-	6 662	-
SISTAVAC-Sistemas HVAC-R do Brasil, Ltda	-	-	1 747 852	-
Gaiashopping II- Centro Comercial, S.A.	-	-	(163)	(163)
Go Well, S.A.	1 845	-	-	3
Guimarãeshopping- Centro Comercial, S.A.	-	-	3 207	-
Sonae Arauco Deutschland AG	231	-	-	-
Fundo de Invest. Imobiliário Imosede	24 244	131 398	17 159	39 955
Infocfield-Informática,SA	-	-	1 683	-
Inovretail, S.A.	-	107 716	-	123 000
Inscó Insular de Hipermercados, S.A.	2 237	-	19 752	-
S21SEC Portug-Cyber Security Services,S.A.	14 335	-	-	-
LCC LeiriaShopping Centro Comercial SA	-	-	2 153	-
Loureshopping-Centro Comercial, S.A.	-	-	-	122
Maiashopping- Centro Comercial, S.A.	-	-	494	-
MDS Africa SGPS, S.A.	89	4	109	4
MDS Auto - Mediação de Seguros, SA	-	-	-	-
RCG - Risk Consulting Group, S.A.	-	922	364	1 292
MDS Corretor de Seguros, SA	62 695	95 954	110 202	304 474

MDS RE-Mediador de Resseguros, S.G.P.S., S.A.	(838)	4	(838)	-
Modalfa-Comércio e Serviços,SA	46	-	1 345	-
MODALLOOP - Vestuário e Calçado, SA	-	-	6 235	6 235
Modelo - Dist.de Mat. de Construção,S.A.	-	-	4 641	-
Modelo Continente Hipermercados, Suc.	-	-	220	2 500
Modelo Continente Hipermercados,SA	494 032	1 197 088	3 761 482	207 522
Modelo Hipermercados Trading, S.A.	150	-	405	-
Norteshopping-Centro Comercial, S.A.	15 846	108 739	22 041	228 177
NOS Sistemas S.A.	-	70 561	-	95 014
NOS Comunicações, S.A.	(1 545)	258 763	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	-	15 593	2	-
Prosa - Produtos e Serviços Agrícolas,S.A.	-	2 716	41 957	2 552
Público-Comunicação Social,SA	237	-	90	-
Raso, SGPS, SA	-	-	592	-
Rio Sul - Centro Comercial, SA	-	-	5 270	-
Grupo Salsa	(966)	-	-	-
Saphety Level - Trusted Services S.A.	-	-	-	18 370
SFS, Gestão e Consultoria, S.A.	36	116 589	16	106 785
SFS - Financial Services, IME, S.A.	404	350	-	-
Sierra Management Portugal-Gest. CC,S.A.	29 729	12 653	472 609	34 346
SIRS-Soc.Ind.Radiodifusão Sonora,SA	4 889	9 282	-	10 035
Sonae Indústria - Management Services, S.A.	-	2	-	-
Sohi Meat Solut-Distr. Carnes	-	4 832	(3 673)	(25 151)
Sonae Arauco Portugal, S.A.	331 486	358 930	783 517	830 740
Sonae MC - Serviços Partilhados, SA	47 828	417 934	20 525	170 589
Sonae Indústria de Revestimentos,SA	92 624	137 700	106 230	71 041
Sonae Indústria-SGPS,SA	765	14	807	16
Sonae Investment Management-S.T.,SGPS,S.A.	-	-	15	-
Sonae SGPS, SA	2 887	50 044	5 856	50 054
Sonae.com,SGPS,SA	-	216	-	216
Sonae Holdings, SA	-	13 219	-	-
Sonaecom - Serviços Partilhados, S.A	-	-	25 460	4 883
SONAESR - Serviços e logística, S.A.	-	3 262	12 031	-
SFS - Gestão de Fundos, SGFI, S.A.	-	17 113	441	19 356
Sondis Imobiliária,SA	-	-	-	60
Sonae Arauco South Africa (Pty) Ltd.	17	-	17	-
Sonae Arauco France SAS	395	10	-	-
Sport Zone-Comércio Art.Desporto,SA	422	-	17 279	13 562
Tableros Tradema,S.L.	130	-	1 030	14
Sonae Arauco, S.A.	812	8	404	-
Textil do Marco,SA	9 067	-	9 133	119
We Do Consulting-SI,SA	-	-	70 000	62 209
We Do Technologies Mexico,S	-	-	-	122 223
Worten-Equipamento para o Lar,SA	-	8 430	3 297	9 624
ZIPPY - Comércio e Distribuição, SA	-	-	23	-
Sonae Corporate, S.A.	568	-	16	52 971
	<b>1 497 755</b>	<b>3 400 811</b>	<b>10 442 613</b>	<b>2 962 810</b>

The remunerations attributed in 2019 to members of the Board of Directors of Sonae Capital, SGPS, S.A. amounted to 1,166,735 euros (1,273,218 euros in 2018) of which 824,362 euros (670,450 euros in 2018) are fixed remunerations and 342,373 euros (602,768 euro in 2018) are performance-based bonuses.

## 45. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2019 and 2018 were calculated taking into consideration the following amounts:

	31 December 2019	31 December 2018
<b>Net profit</b>		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(14 024 708)	(3 860 952)
Net profit taken into consideration to calculate diluted earnings per share	(14 024 708)	(3 860 952)
<b>Number of shares</b>		
Weighted average number of shares used to calculated basic earnings per share	246 222 292	248 085 190
Weighted average number of shares used to calculated diluted earnings per share	246 222 292	248 085 190
<b>Earnings per share (basic and diluted) - Continued operations</b>	<b>(0,056)</b>	<b>(0,00159)</b>
<b>Earnings per share (basic and diluted) - Discontinued operations</b>	<b>(0,0006)</b>	<b>(0,01397)</b>
<b>Earnings per share (basic and diluted)</b>	<b>(0,0552)</b>	<b>(0,0156)</b>

There are no convertible instruments based on shares in Sonae Capital, SGPS, S.A., hence there is no dilutive effect in earnings.

## 46. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

As at 31 December 2019 and 2018, cash receipts and cash payments related to investments can be analysed as follows:

	31 December 2019		31 December 2018	
	Amount received	Amount paid	Amount received	Amount paid
Acquisition of Ventos da Serra, S.A.	-	-	-	9 000 000
Acquisition of Urbanfit	-	3 850 000	-	-
Acquisition of Futura group	-	4 636 521	-	-
Acquisition of Siaf Energia, S.A.	-	-	-	-
Acquisition of Pump Group	-	-	-	8 324 197
Acquisition of Acrobatic, S.A.	-	-	-	145 292
Sale of Interlog	-	-	-	222 308
Adjustment price of UPK - Gestão Facilitie Manutenção, SA	165 000	-	72 371	-
Sale of Prédios Privados (2018)	10 000 000	-	-	-
Sale of RACE group	7 000 000	-	-	-
Sale of Hiteck fund	15 511	-	-	-
Acquisition of Suncoutim - Solar Energy, S.A.	-	-	-	-
Acquisition of Acrobatic, S.A.	-	-	-	-
Adjustment to the selling price of "Box Lines Navegação"	600 000	-	600 000	-
Others	60 655	97 291	14 796	89 609
<b>Total Operations</b>	<b>17 841 166</b>	<b>8 583 812</b>	<b>687 167</b>	<b>17 781 406</b>



## 47. SEGMENT INFORMATION

In 31 December 2019 and 2018, the following were identified as segments:

- Troia Resort Operations
- Hospitality
- Fitness
- Energy
- Refrigeration & HVAC
- Industrial Engineering
- Holding & Others

The contribution of the business segments to the Income Statement of the periods ended 31 December 2019 and 31 December 2018 can be detailed as follows:

31 December 2019										
Profit and Loss Account	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Turnover	10 568 921	27 896 726	41 245 787	144 022 857	33 754 765	9 781 811	24 423 556	5 787 644	(12 884 546)	284 597 521
Other operational income	645 857	325 748	872 456	441 629	(3 441)	1 127 399	8 329 366	9 355	(506 510)	11 241 859
Total operational income	11 214 778	28 222 474	42 118 243	144 464 486	33 751 324	10 909 210	32 752 922	5 796 999	(13 391 056)	295 839 380
Operational cash-flow (EBITDA)	1 964 027	6 576 304	12 693 026	15 780 525	1 933 560	(5 043 217)	10 340 739	(1 907 586)	(5 187 473)	37 149 905

31 December 2018										
Profit and Loss Account	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Turnover	11 221 694	23 836 920	36 119 397	52 552 810	47 695 281	11 914 395	46 702 266	6 695 002	(14 059 808)	222 677 957
Other operational income	563 839	949 119	607 855	3 098 953	181 155	1 371 045	4 894 647	113 570	(1 070 379)	10 709 804
Total operational income	11 785 533	24 786 039	36 727 252	55 651 762	47 876 436	13 285 441	51 596 913	6 808 572	(15 130 187)	233 387 761
Operational cash-flow (EBITDA)	(972 690)	66 101	4 207 484	15 569 964	1 705 750	(2 135 038)	10 901 612	(2 503 303)	1 653 267	28 493 147

Contribution of the main business segments to the Balance Sheet Statement for the periods ended 31 December 2019 and 2018 can be detailed as follows:

31 December 2019										
Balance Sheet	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	58 241 210	42 082 180	97 016 681	100 872 650	-	16 846 311	126 389 345	(825 642)	(70 629 894)	369 992 842
Investments	157 934 939	10 742 460	78 920	265 234	-	60 305	11 194 759	251 617 462	(429 772 229)	2 121 850
Other Assets	68 217 032	5 415 018	3 236 793	70 893 966	54 941	8 057 780	57 915 897	436 370 769	(463 348 180)	186 814 016
Total Assets	284 393 181	58 239 658	100 332 394	172 031 850	54 941	24 964 396	195 500 001	687 162 589	(963 750 303)	558 928 708
Total Liabilities	188 275 483	51 249 819	83 594 319	151 000 311	471 909	33 514 537	169 460 572	148 954 371	(485 570 886)	340 950 435
Technical investment	3 303 298	1 605 016	2 731 095	28 675 288	-	939 449	1 898 864	397 930	(320 627)	39 230 313
Gross Debt	7 966 002	29 955 604	55 744 730	11 591 379	-	1 635 758	35 970	135 648 109	(26 625 823)	215 951 729
Net Debt	7 757 521	29 689 032	55 381 285	10 540 325	-	1 410 854	(4 995 729)	135 206 909	(26 625 823)	208 364 374

31 December 2018										
Balance Sheet	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	61 377 694	12 871 687	48 649 716	75 261 525	9 842 318	-	-	778 508	(36 160 357)	328 980 330
Investments	166 337 698	10 940 646	54 547	219 623	23 307	-	-	440 410 634	(400 698 931)	2 294 342
Other Assets	72 784 184	5 148 469	2 923 830	12 435 012	47 159 923	-	-	446 962 955	(509 986 265)	170 652 042
<b>Total Assets</b>	<b>293 069 550</b>	<b>28 960 802</b>	<b>51 628 093</b>	<b>87 916 160</b>	<b>57 025 548</b>	<b>-</b>	<b>-</b>	<b>674 325 569</b>	<b>(946 845 553)</b>	<b>501 926 714</b>
<b>Total Liabilities</b>	<b>173 146 589</b>	<b>24 754 618</b>	<b>50 350 219</b>	<b>80 168 663</b>	<b>26 139 714</b>	<b>-</b>	<b>-</b>	<b>143 321 116</b>	<b>(503 462 445)</b>	<b>233 898 993</b>
Technical investment	2 143 866	1 379 556	4 198 527	19 737 157	169 511	-	-	227 538	(201 250)	30 216 343
Gross Debt	8 200 138	-	1 958 763	6 476 558	-	-	-	107 982 365	-	127 338 173
Net Debt	8 085 124	(192 878)	1 786 923	6 323 798	(978 122)	-	-	107 053 363	-	119 779 813

Contribution of the main business segments to the Cash-Flow Statement for the periods ended 31 December 2019 and 2018 can be analyzed as follows:

31 December 2019									
Balance Sheet	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Industrial Engineering	Real Estate	Consolidated	
Operating activities	4 524 463	6 782 693	4 469 935	17 626 726	2 714 849	(3 648 273)	6 167 477	29 409 416	
Investment activities	8 518 842	(1 479 574)	(5 626 456)	(43 428 539)	49 144	(518 664)	14 891 238	(20 250 020)	
Financing activities	99 813	-	1 639 155	(934 689)	(2 903 555)	-	-	(2 103 049)	
<b>Net increase in cash and cash equivalents</b>	<b>199 231</b>	<b>260 560</b>	<b>363 445</b>	<b>695 200</b>	<b>121 338</b>	<b>224 905</b>	<b>5 040 948</b>	<b>7 352 839</b>	

31 December 2018									
Balance Sheet	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration & HVAC	Industrial Engineering	Holding & Others	Consolidated	
Operating activities	152 939	5 469 432	6 887 142	19 648 799	6 080 886	(2 860 344)	7 501 122	42 879 976	
Investment activities	9 636 491	(1 173 352)	(13 361 950)	(25 832 334)	224 772	(1 177 333)	4 790 339	(26 893 367)	
Financing activities	(1 835 314)	(219)	228 631	(3 659 647)	(3 243 834)	(1 627 565)	(5 951 021)	(16 088 969)	
<b>Net increase in cash and cash equivalents</b>	<b>(502 244)</b>	<b>(141 624)</b>	<b>(301 783)</b>	<b>(56 142)</b>	<b>(1 619 679)</b>	<b>(71 638)</b>	<b>2 590 752</b>	<b>(102 358)</b>	

## 48. ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	31 December 2019	31 December 2018
Tangible assets	158	191
Intangible assets	-	-
Other non-current assets	-	93 782
Inventories	4 061	3 997
Trade account receivables	37 200	73 920
Other debtors	-	85 290
Income tax receivable	9 483	327 643
Other current assets	1 149	20 166
Cash and cash equivalents	2 890	<b>63 353</b>
<b>Assets held for sale</b>	<b>54 941</b>	<b>668 342</b>
Loans	158 296	238 477
Trade creditors	743	95 267
Income tax payable	616	25 572
Other creditors	-	16 703
	-	86 520
Other current liabilities	312 254	5 153 787
<b>Liabilities associated with assets held for sale</b>	<b>471 909</b>	<b>5 616 327</b>

The discontinued units correspond to Spinarq Moçambique.

## 49. FAIR VALUE

Fair value was only considered for the purpose of evaluating the Group's tangible fixed assets, intangible assets and inventories, which, despite being recorded at cost, were evaluated in order to test their impairment. The valuations of the Group's real estate assets were made by the Group Cushman & Wakefield-Consultoria Imobiliária, Unipessoal, Lda. According to the "RICS Valuation January 2014 - Professional Standards" published by «The Royal Institution of Chartered Surveyors».

### Regarding the fair value hierarchy used:

Level 1 - nothing to mention.

Level 2 - real estate valuations of tangible fixed assets and inventories (Note 14), considered in the respective tables in column (MV). In fact, these properties have been valued at their market value, which is defined as the estimated amount for the transaction of an asset or liability at the valuation date between a willing buyer and seller without any relationship, after an appropriate period of trading, and in which the parties have acted consciously, prudently and without coercion. For the purpose of valuations at market value, market comparisons were used essentially.

Level 3 - real estate valuations of tangible fixed assets and inventories (Note 14), considered in the respective tables in column (OV). It is defined as value opinion when the normal valuation parameters are not met and as such, the reported amount cannot be considered as the market value.

## 50. COMPLIANCE WITH LEGAL REQUIREMENTS

### Decree Law Nr. 185/09 Article 11

During the years ended 31 December 2019 and 2018, the following amounts have been paid to the Group's external auditor:

	31 December 2019		31 December 2018	
Audit and Statutory Audit <sup>1</sup>	190 386	82,71%	139 888	96,27%
Other Assurance <sup>2</sup>	27 544	11,97%	4 044	2,78%
Tax Consultancy <sup>2</sup>	-	0,00%	-	0,00%
Other Services <sup>2</sup>	12 256	5,32%	1 380	0,95%
<b>Total</b>	<b>230 186</b>	<b>100%</b>	<b>145 312</b>	<b>100%</b>

The amount in Other Services is related to the provision of work services of reasonable assurance of reliability on the document of accountability regarding the Real Rights of Housing and the Services of Tourist Use, to be prepared by the Administrative Entity of the Employee for the purpose of presentation to the holders of the Real Rights of Periodic Housing and to the joint owners.

The amount of Other services refers to Training provided to Sonae Capital employees in open enrolment for the entire market and support in the elaboration of the sustainability report.

## 51. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 31 December 2019.

## 52. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 21 February 2020.

**Certified Accountant**

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Rui Manuel Machado Morais

**The Board of Directors**

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Duarte Paulo Teixeira de Azevedo

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Álvaro Carmona e Costa Portela

---

Francisco de La Fuente Sanchez

---

Maria Cláudia Teixeira de Azevedo

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Paulo José Jubilado Soares de Pinho

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Miguel Jorge Moreira da Cruz Gil Mata

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Ivone Pinho Teixeira

PART III



**SEPARATED  
FINANCIAL  
STATEMENTS**

31 December  
2019

## SONAE CAPITAL, SGPS, SA

## INDIVIDUAL BALANCE SHEET AS AT 31 DECEMBER 2019 AND 31 DECEMBER 2018

[Amounts expressed in euro]

	Notes	31 December 2019	31 December 2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Tangible assets		97 580	26 475
Investments	4	236 108 359	246 447 204
Investments in associated companies and joint ventures	4	1 125 301	1 125 301
Other investments	4	24 394	275 184
Deferred tax assets	7	14 371 852	16 751 852
Other non-current debtors	5	398 798 247	364 233 301
<b>Total non-current assets</b>		<b>650 525 733</b>	<b>628 859 318</b>
<b>CURRENT ASSETS:</b>			
Trade account receivables		141 688	-
Other debtors	6	14 068 628	45 587 454
Income tax receivable	6	1 487 561	-
Other taxes receivable	6	98 224	-
Other current assets	6	3 913 225	5 132 310
Cash and cash equivalents	8	386 696	888 068
<b>Total Current Assets</b>		<b>20 096 022</b>	<b>51 607 832</b>
<b>TOTAL ASSETS</b>		<b>670 621 755</b>	<b>680 467 150</b>
<b>EQUITY:</b>			
Share capital	9	250 000 000	250 000 000
Own Shares	9	(1 105 573)	(1 192 808)
Reserves	10	280 340 993	292 980 837
Profit/(Loss) for the year	21	2 278 295	5 294 899
<b>TOTAL EQUITY</b>		<b>531 513 716</b>	<b>547 082 928</b>
<b>NON-CURRENT LIABILITIES:</b>			
Bank Loans	11	23 483 637	30 948 456
Bonds	11	55 092 987	14 883 910
Obligation under finance leases	11	42 648	-
Other non-current liabilities	13	158 790	138 580
<b>Total Non-Current Liabilities</b>		<b>78 778 062</b>	<b>45 970 946</b>
<b>CURRENT LIABILITIES:</b>			
Bank Loans	11	54 700 000	19 650 000
Bonds	11	2 000 000	42 500 000
Obligation under finance leases	11	28 911	-
Trade creditors	13	166 515	111 994
Other creditors	12	2 196 727	21 590 424
Income tax payable	13	-	2 299 149
Other taxes payable	13	69 475	48 995
Other current liabilities	13	1 168 350	1 212 714
<b>Total Current Liabilities</b>		<b>60 329 978</b>	<b>87 413 276</b>
<b>TOTAL LIABILITIES</b>		<b>139 108 039</b>	<b>133 384 222</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>670 621 755</b>	<b>680 467 150</b>

The accompanying notes are part of these financial statements

## SONAE CAPITAL, SGPS, SA

INDIVIDUAL INCOME STATEMENTS BY NATURE  
FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	Notes	31 December 2019	31 December 2018
Other operating income	19	51 825	122 913
External supplies and services	14	(1 361 096)	(1 480 932)
Staff costs	16	(1 363 086)	(1 415 813)
Depreciation and amortisation		(28 658)	(1 246)
Other operating expenses	19	(49 777)	(45 284)
<b>Operational profit/(loss)</b>		<b>(2 750 792)</b>	<b>(2 820 362)</b>
Financial Income	17	9 269 993	9 594 252
Financial Expenses	17	(2 722 675)	(3 565 498)
<b>Net financial income / (expenses)</b>		<b>6 547 317</b>	<b>6 028 754</b>
<b>Investment income</b>	18	<b>(4 471 460)</b>	<b>(3 206 422)</b>
<b>Profit/(Loss) before taxation</b>		<b>(674 935)</b>	<b>1 970</b>
Taxation	20	2 953 230	5 292 929
<b>Profit/(Loss) for the year</b>		<b>2 278 295</b>	<b>5 294 899</b>
Profit/(Loss) per share			
Basic	21	0.0093	0.0213
Diluted	21	0.0093	0.0213

The accompanying notes are part of these financial statements.



## SONAE CAPITAL, SGPS, SA

INDIVIDUAL INCOME STATEMENTS BY NATURE  
FOR THE 4TH QUARTER OF 2018 AND 2018

(Amounts expressed in euro)

	Notes	4th Quarter 2019 (Unaudited) *	4th Quarter 2018 (Unaudited) *
Other operating income		12 943	34 058
External supplies and services		(369 269)	(365 652)
Staff costs		(349 352)	(626 621)
Depreciation and amortisation		(7 165)	(104)
Other operating expenses		(27 328)	(8 792)
<b>Operational profit/(loss)</b>		<b>(740 171)</b>	<b>(967 112)</b>
Financial Income		1 943 235	2 496 322
Financial Expenses		(565 014)	(879 776)
<b>Net financial income / (expenses)</b>		<b>1 378 221</b>	<b>1 616 546</b>
<b>Investment income</b>		<b>(29 961 395)</b>	<b>(42 228 639)</b>
<b>Profit/(Loss) before taxation</b>		<b>(29 323 345)</b>	<b>(41 579 206)</b>
Taxation		1 062 239	4 346 167
<b>Profit/(Loss) for the year</b>		<b>(28 261 105)</b>	<b>(37 233 039)</b>
Attributable to:			
Equity holders of Sonae Capital		-	-
Non-controlling interests		-	-
Profit/(Loss) per share - continued operations			
Basic		(0.1148)	(0.1505)
Diluted		(0.1148)	(0.1505)
Profit/(Loss) per share		-	-
Basic		(0.1148)	(0.1505)
Diluted		(0.1148)	(0.1505)

The accompanying notes are part of these financial statements.

\* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

SONAE CAPITAL, SGPS, SA  
 INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	31 December 2019	31 December 2018
Net profit/(loss) for the period	2 278 295	5 294 899
<b>Total comprehensive income for the period</b>	<b>2 278 295</b>	<b>5 294 899</b>

The accompanying notes are part of these financial statements.

SONAE CAPITAL, SGPS, SA  
 INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE 4TH QUARTER OF 2019 AND 2018

[Amounts expressed in euro]

	4th Quarter 2019 (Unaudited) *	4th Quarter 2018 (Unaudited) *
Net profit/(loss) for the period	(28 261 105)	(37 233 038)
<b>Total comprehensive income for the period</b>	<b>(28 261 105)</b>	<b>(37 233 038)</b>
Attributable to:		
Equity holders of Sonae Capital	434 623	(16 593 997)
Non-controlling interests	(979 145)	(675 739)

The accompanying notes are part of these financial statements.

\* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

SONAE CAPITAL, SGPS, SA  
 INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY  
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	Attributable to Equity Holders of Sonae Capital						Net Profit/(Loss)	Total Equity
	Share Capital (Note 9)	Own Shares (Note 9)	Legal Reserves (Note 10)	Other Reserves (Note 10)	Retained Earnings	Subtotal		
<b>Balance as at 1 January 2018</b>	<b>250 000 000</b>	<b>(1 305 839)</b>	<b>10 510 080</b>	<b>291 120 837</b>	-	<b>301 630 917</b>	<b>5 589 342</b>	<b>555 914 420</b>
Total comprehensive income for the period	-	-	-	-	-	-	5 294 899	5 294 899
Appropriation of profit of 2017:								
Transfer to legal reserves and retained earnings	-	-	279 467	-	5 309 875	5 589 342	(5 589 342)	-
Dividends paid	-	-	-	(9 443 668)	(5 309 875)	(14 753 543)	-	(14 753 543)
(Acquisition)/Sales of own shares	-	113 031	-	514 121	-	514 121	-	627 152
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>250 000 000</b>	<b>(1 192 808)</b>	<b>10 789 547</b>	<b>282 191 290</b>	-	<b>292 980 837</b>	<b>5 294 899</b>	<b>547 082 928</b>
<b>Balance as at 1 January 2019</b>	<b>250 000 000</b>	<b>(1 192 808)</b>	<b>10 789 547</b>	<b>282 191 290</b>	-	<b>292 980 837</b>	<b>5 294 899</b>	<b>547 082 929</b>
Total comprehensive income for the period	-	-	-	-	-	-	2 278 295	2 278 295
Appropriation of profit of 2018:								
Transfer to legal reserves and retained earnings	-	-	264 745	-	5 030 154	5 294 899	(5 294 899)	-
Dividends paid	-	-	-	(13 198 205)	(5 030 154)	(18 228 359)	-	(18 228 359)
(Acquisition)/Sales of own shares	-	87 236	-	-	-	-	-	87 236
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-
Other changes	-	-	-	292 270	-	292 270	-	292 270
Adoption of IFRS 16	-	-	-	1 347	-	1 347	-	1 347
<b>Balance as at 31 December 2019</b>	<b>250 000 000</b>	<b>(1 105 573)</b>	<b>11 054 292</b>	<b>269 286 702</b>	-	<b>280 340 993</b>	<b>2 278 295</b>	<b>531 513 716</b>

The accompanying notes are part of these financial statements.

SONAE CAPITAL, SGPS, SA  
 INDIVIDUAL STATEMENTS OF CASH FLOWS  
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	Notes	31 December 2019	31 December 2018	4th Quarter 2019 (Unaudited) *	4th Quarter 2018 (Unaudited) *
<b>OPERATING ACTIVITIES:</b>					
Cash receipts from trade debtors		-	-	-	-
Cash paid to trade creditors		(1 481 984)	(1 513 002)	(287 410)	(354 753)
Cash paid to employees		(1 026 382)	(1 083 025)	(313 838)	(206 096)
Cash flow generated by operations		(2 508 366)	(2 596 027)	(601 248)	(560 849)
Income taxes (paid) / received		7 936 168	1 525 811	92 298	(59 956)
Other cash receipts and (payments) relating to operating activities		(1 274 658)	404 216	(1 579 690)	21 800
<b>Net cash from operating activities (1)</b>		<b>4 153 144</b>	<b>(666 000)</b>	<b>(2 088 640)</b>	<b>(599 005)</b>
<b>INVESTMENT ACTIVITIES:</b>					
Cash receipts arising from:					
Investments	23	7 622 838	50 215 645	7 000 000	3 630
Interest and similar income		10 338 341	8 803 042	398 484	804 847
Loans granted	6	26 322 573	41 526 103	26 322 573	19 745 916
Dividends	18	37 076 131	25 433 333	12 147 100	-
Others		1 869 451	1 668 600	1 080 436	409 821
		83 229 334	127 646 723	46 948 593	20 964 214
Cash Payments arising from:					
Investments	23	(55 961 839)	(22 694 100)	(16 500 000)	(21 251 528)
Loans granted	23	(18 538 061)	(72 258 274)	(11 528 258)	14 816 126
		(74 499 900)	(94 952 374)	(28 028 258)	(6 435 402)
<b>Net cash used in investment activities (2)</b>		<b>8 729 434</b>	<b>32 694 349</b>	<b>18 920 335</b>	<b>14 528 812</b>
<b>FINANCING ACTIVITIES:</b>					
Cash receipts arising from:					
Loans obtained	11	82 050 000	21 650 000	(38 300 000)	(14 350 000)
Sale of own shares		87 236	190 012	-	-
		82 137 236	21 840 012	(38 300 000)	(14 350 000)
Cash Payments arising from:					
Loans obtained	11	(74 255 500)	(34 915 500)	21 982 350	2 215 240
Interest and similar charges		(3 041 828)	(3 486 748)	(483 126)	(1 244 006)
Dividends		(18 223 858)	(14 749 893)	-	-
		(95 521 186)	(53 152 141)	21 499 224	971 234
<b>Net cash used in financing activities (3)</b>		<b>(5 589 450)</b>	<b>(31 312 129)</b>	<b>(16 800 776)</b>	<b>(13 378 767)</b>
<b>Net increase in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>7 293 128</b>	<b>716 220</b>	<b>7 825 419</b>	<b>551 040</b>
Cash and cash equivalents at the beginning of the period	8	888 068	171 848	-	337 028
Cash and cash equivalents at the end of the period	8	386 696	888 068	386 696	888 068

The accompanying notes are part of these financial statements.

\* Prepared in accordance with IAS 34 - Interim Financial Reporting

## 1. INTRODUCTION

Sonae Capital, SGPS, SA («the Company» or «Sonae Capital») whose registered office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, was set up on 14 December 2007 by public deed, following the demerger from Sonae, SGPS, SA of the whole of the shareholding in the company formerly named Sonae Capital, SGPS, SA, now named SC, SGPS, SA, in compliance with paragraph a) of article 118 of the Commercial Companies Code.

The Company's financial statements are presented as required by the Commercial Companies Code. According to Decree-Law 158/2009 of 13 July of 2009, the Company's financial statements have been prepared in accordance with International Financial Reporting Standards

The functional and presentation currency is the euro.

## 2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the consolidated financial statements are as follows. These policies were applied in a consistent manner in the comparative periods, except when resulting from the adoption of the IFRS 16.

### 2.1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards («IFRS» – previously named International Accounting Standards – «IAS») adopted by the European Union, issued by the International Accounting Standards Board («IASB») and Interpretations issued by the «International Financial Reporting Interpretations Committee» («IFRIC»), previously named «Standing Interpretations Committee» («SIC»), beginning on 1 January 2019.

Interim financial statements were presented quarterly, in accordance with IAS 34 – «Interim Financial Reporting».

The consolidated financial statements have been prepared from the books and accounting records of the Group and of its subsidiaries on a going concern basis and under the historical cost convention, except for derivative financial instruments which are stated at fair value. In preparing the financial statements, the Group followed the historical cost convention modified, when applicable, by the Group measurement at fair value of i) financial assets at fair value through profit or loss and ii) financial assets at fair value through other comprehensive income.

Additionally, for the purpose of financial reporting, the measurement of fair value is categorized at level 1, 2 and 3, in accordance with the degree that the assumptions used are observable and their significance in terms of the valuation of fair value used in the measurement of assets/liabilities or through the disclosure of the same.

## New accounting standards and their impact on the consolidated financial statements:

### a) In force for 2019 and with no material impact on the consolidated financial statements at 31 December 2019:

Accounting Standards	Effective Date
	[Started on or after]
IFRS 16 – Leases	1 January 2019
IFRS 9 – Financial instruments	1 January 2019
IAS 19 – Employee benefits	1 January 2019
IAS 28 – Investments in associates and joint ventures	1 January 2019
Annual improvements to IFRS 2015 – 2017	1 January 2019
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019

These norms were applied for the first time by the company in 2019, the norms did not have any significant impact on the financial statements except for the norms regarding the IFRS 16. The impact of the norms regarding the IFRS16 on the financial statements is elucidated in the following.

#### IFRS 16 Leases

The new norm IFRS 16 eliminated the classification of leases between operational and financial leases for the lessee, replacing the IAS 17. Instead, it introduced a single accounting model similar to the treatment that was given to the financial leases in the statements of the lessees.

This single model establishes for the lessee the recognition of:

- i) assets and liabilities for all leases with terms superior of 12 months (being that assets of limited value can be excluded independently of the term period of the lease) on the Balance Sheet; and
- ii) depreciation of the right-of-use assets and the interests separately on the Income Statement.

#### First application

During the year the Group carried out an inventory of existing leases, carried out its analysis and technical framework taking into account the provisions of the IFRS 16. The applied method of transition was the modified retrospective model where the comparatives were not reexpressed.

As regards previous commitments to operating leases in the transition, the Company recognised on 1 January 2019, in its Balance Sheet, assets under rights of use in the amount of EUR 99,763, liabilities per lease of EUR 101,110 and a adjustment in accruals and deferrals of EUR 1,347.

There were no previous commitments to leases.

In measuring rental liabilities, the Company discounted lease payments using its incremental financing rate on January 1, 2019. The average weighted rate applied is 2.71%, given the characteristics of contracts (underlying asset and guarantees, currency and term).

In the application of IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- i) the use of only one discount rate for a portfolio of rentals with reasonably similar characteristics;
- ii) exemption from recognition of operating leases with a period of less than 12 months on the date of transition and non-recognition of lease agreements in which the underlying asset has little value;
- iii) exclusion of initial direct costs in the measurement of the asset under right of use on the initial date of application;
- iv) the use of retrospective analysis in determining the lease period when the contract includes options for the extension or termination of the lease;
- v) the Company applied this standard to contracts that were previously identified as leases pursuant to IAS 17 - Leases and IFRIC 4 - Determine whether an Agreement contains a Lease, having not applied this standard to contracts which were not previously identified as containing a lease under those standards.

The impact of the adoption of the new IFRS 16 norm on the opening amounts at 1 January 2019 was the following:

SONAE CAPITAL, SGPS, SA			
[Amounts expressed in euro]			
	31 December 2018	IFRS16	1 January 2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	26 475	99 763	126 238
Goodwill	246 447 204		246 447 204
Investments in associated companies and joint ventures	1 125 301		1 125 301
Other investments	275 184		275 184
Deferred tax assets	16 751 852		16 751 852
Other debtors	364 233 301		364 233 301
<b>Total non-current assets</b>	<b>628 859 318</b>	<b>99 763</b>	<b>628 959 080</b>
<b>CURRENT ASSETS</b>			
Other debtors	45 587 454		45 587 454
Other current assets	5 132 310		5 132 310
Cash and cash equivalents	888 068		888 068
<b>Total Current Assets</b>	<b>51 607 832</b>		<b>51 607 832</b>
<b>TOTAL ASSETS</b>	<b>680 467 150</b>	<b>99 763</b>	<b>680 566 912</b>
<b>EQUITY:</b>			
Share capital	250 000 000		250 000 000
Own Shares	(1 192 808)		(1 192 808)
Reserves	292 980 837	(1 347)	292 979 490
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital	5 294 899		5 294 899
<b>TOTAL EQUITY</b>	<b>547 082 928</b>	<b>(1 347)</b>	<b>547 081 581</b>

<b>NON-CURRENT LIABILITIES:</b>			
Bank loans	30 948 456		30 948 456
Bonds	14 883 910		14 883 910
Lease liabilities		73 024	73 024
Other non-current liabilities	138 580		138 580
<b>TOTAL NON-CURRENT LIABILITIES:</b>	<b>45 970 946</b>	<b>73 024</b>	<b>46 043 970</b>
<b>CURRENT LIABILITIES</b>			
Bank Loans	19 650 000		19 650 000
Bonds	42 500 000		42 500 000
Finance lease creditors		28 086	28 086
Trade creditors	111 994		111 994
Income tax payable	2 299 149		2 299 149
Other taxes payable	48 995		48 995
Other current liabilities	1 212 714		1 212 714
<b>Total Current Liabilities</b>	<b>87 413 276</b>	<b>28 086</b>	<b>87 441 362</b>
<b>Total liabilities</b>	<b>133 384 222</b>	<b>101 110</b>	<b>133 485 331</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>680 467 150</b>	<b>99 763</b>	<b>680 566 912</b>



## SONAE CAPITAL, SGPS, SA

[Amounts expressed in euro]

ASSETS	31 December 2019 with IFRS16	IFRS16	31 December 2019 without IFRS16
<b>NON-CURRENT ASSETS:</b>			
Tangible assets	97 580	(71 105)	26 475
Goodwill	236 108 359		236 108 359
Investments in associated companies and joint ventures	1 125 301		1 125 301
Other investments	24 394		24 394
Deferred tax assets	14 371 852		14 371 852
Other debtors	398 798 247		398 798 247
<b>Total non-current assets</b>	<b>650 525 733</b>	<b>(71 105)</b>	<b>650 454 628</b>
<b>CURRENT ASSETS</b>			
Trade account receivables	141 688		141 688
Other debtors	14 068 628		14 068 628
Income tax receivable	1 487 561		1 487 561
Other taxes receivable	98 224		98 224
Other current assets	3 913 225		3 913 225
Cash and cash equivalents	386 696		386 696
<b>Total Current Assets</b>	<b>20 096 022</b>		<b>20 096 022</b>
<b>TOTAL ASSETS</b>	<b>670 621 755</b>	<b>(71 105)</b>	<b>670 550 651</b>
<b>EQUITY:</b>			
Share capital	250 000 000		250 000 000
Reserves	(1 105 573)		(1 105 573)
Own Shares	280 340 993	1 347	280 342 340
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital	2 278 295	(893)	2 277 402
Equity attributable to the equity holders of Sonae Capital	<b>531 513 716</b>	<b>454</b>	<b>531 514 169</b>
Equity attributable to non-controlling interests			
<b>TOTAL EQUITY</b>	<b>531 513 716</b>	<b>454</b>	<b>531 514 169</b>
<b>NON-CURRENT LIABILITIES:</b>			
Bank loans	23 483 637		23 483 637
Bonds	55 092 987		55 092 987
Lease liabilities	42 648	(42 648)	-
Other loans	-		-
Other non-current liabilities	158 790		158 790
<b>Total Non-Current Liabilities</b>	<b>78 778 062</b>	<b>(42 648)</b>	<b>78 735 414</b>
<b>CURRENT LIABILITIES</b>			
Bank Loans	54 700 000		54 700 000
Bonds	2 000 000		2 000 000
Finance lease creditors	28 911	(28 911)	-
Other loans	-		-
Trade creditors	166 515		166 515
Other creditors	2 196 727		2 196 727
Income tax payable	-		-
Other taxes payable	69 475		69 475
Other current liabilities	1 168 350		1 168 350
<b>Total Current Liabilities</b>	<b>60 329 978</b>	<b>(28 911)</b>	<b>60 301 067</b>
<b>TOTAL LIABILITIES</b>	<b>139 108 039</b>	<b>(71 558)</b>	<b>139 036 481</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>670 621 755</b>	<b>(71 105)</b>	<b>670 550 650</b>

## SONAE CAPITAL, SGPS, SA

	31 December 2019 with IFRS16	IFRS16	31 December 2019 without IFRS16
Other operating income	51 825		51 825
External supplies and services	(1 361 096)	(31842)	(1 392 938)
Staff costs	(1 363 086)		(1 363 086)
Depreciation and amortisation	(28 658)	28 658	-
Other operating expenses	(49 777)		(49 777)
<b>Operational profit/(loss)</b>	<b>(2 750 792)</b>	<b>(3 184)</b>	<b>(2 753 976)</b>
Financial Income	9 269 993		9 269 993
Financial Expenses	(2 722 675)	2 291	(2 720 385)
<b>Net financial income / (expenses)</b>	<b>6 547 317</b>	<b>2 291</b>	<b>6 549 608</b>
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	-		-
<b>Investment income</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(Loss) before taxation</b>	<b>3 796 525</b>	<b>(893)</b>	<b>3 795 632</b>
Taxation	2 953 230		2 953 230
<b>Profit/(Loss) for the year</b>	<b>6 749 755</b>	<b>(893)</b>	<b>6 748 862</b>

SONAE CAPITAL, SGPS, SA  
 INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2019 AND 2018

[Amounts expressed in euro]

	31 December 2019 with IFRS16	IFRS16	31 December 2019 without IFRS16
Net profit/(loss) for the period	2 278 295	(893)	2 277 402
<b>Total comprehensive income for the period</b>	<b>2 278 295</b>	<b>(893)</b>	<b>2 277 402</b>

The impact on the Cash Flow Statement is the transfer of payments in the amount of 39.166 euros (without VAT) from operational activities for financing.

**b) In force for periods subsequent to 1 January 2020, already endorsed by the EU:**

Accounting Standards	Effective Date
	[Started on or after]
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	1 January 2020
Conceptual framework - Amendments to references to other IFRS	1 January 2020

The Group did not apply any of these standards in the financial statements for the year ended 31 December 2019 because its application is not mandatory. It is not estimated impacts on the financial statements relative to the alterations presented for.

**c) In force for periods subsequent to 1 January 2020, but not yet endorsed by the EU:**

Accounting Standards	Effective Date
	[Started on or after]
IFRS 3 – Business combinations	1 January 2020
IFRS 9, IAS 39 e IFRS 7 – Interest rate benchmark reform	1 January 2020
IFRS 17 – Insurance contracts	1 January 2021

## 2.2. LEASES

### Policy beginning from 1 January 2019

The company evaluates at the beginning date of each contract if the same corresponds to a lease contract or if it consists of a lease. In order to determine if a contract attributes the right to control the use of an identified asset for a determined period of time the company evaluates if, during the period of usage of the asset, if it has cumulatively:

- The right to substantially obtain all of the economic benefits derived from the use of the identified asset; and
- The right to direct the use of the identified asset.

The IFRS 16 distinguishes leases and service contracts taking into account whether an asset is identified and controlled. The distinction between operational leases (off-balance sheet) and financial leases (included in the balance sheet) are eliminated at the lessee level and are replaced by a model in which an asset is identified with a right-of-use and a corresponding liability for all leases, except for short-term (up to 12 months) and low value contracts (< 5,000 USD).

The right-of-use is initially measured at cost and subsequently at the net cost 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 to the current date. Subsequently, the lease liability is adjusted by the financial updating of the said value, as well as the possible modifications of the lease contracts.

### Recognition

The company recognizes an right-of-use asset and a lease liability at the inception date of the contract. The right-of-use asset is initially measured at cost, which implies the initial value of the lease responsibilities adjusted by any lease payment made at or before the inception date, beyond any initial direct costs incurred, as well as an estimate of the dismantling and removal costs of the underlying asset (if applicable), less any incentive granted.

Right-of-use assets are depreciated monthly by using the straight-line method over their estimated useful life or during the lease agreement period, the estimated useful life of the right-of-use asset is adopted, when this is longer than the lease term and the management intends to exercise the purchase option. Right-of-use assets subject to impairment tests when there are signs of impairment, and any detected losses are immediately recorded in the consolidated Income Statement for the year.

Whenever the entity incurs an obligation to dismantle and remove a leased asset, restore the location in which it is located, or restore the underlying asset to the condition required by the lease terms and conditions, a provision is recognized, in accordance with the IAS 37. Expenses are included in the right-of-use asset.

The lease liability is initially recognized at the present value of the installments not yet paid on the date of entry of the lease contract, discounted at the interest rate implicit in the lease or in the event that it is not possible to determine that rate, at the incremental interest rate of the respective company. In most situations, the Group uses its incremental interest rate as the interest rate to be applied in the calculation referred to above.

The lease payments considered when measuring the lease liability include the following components:

- fixed payments, less any incentives already received;
- variable payments, which are only dependent on a certain rate or index;
- amounts that are due under a guarantee of the residual value;
- exercise price of options to buy the underlying asset, if it is reasonably certain that the lessee will exercise them; and
- payment of penalties for terminating the contract, if it is reasonably certain that the tenant will cancel the contract.

The lease liability is subsequently measured at amortized cost, using the effective interest rate method, being remeasured when: (i) changes in future payments arising from a change in the rate or index specified in the contract; (ii) a change in the Company's estimate of the amount to be paid as a residual value guarantee, or (iii) if the Company changes its assessment of the exercise of a call option, or of its extension or termination, or the lease agreement is modified and the modification does not qualify as a separate lease, the lease liability being remeasured based on the new rents and the incremental financing rate determined at the date of the modification.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability or the right-of-use asset. Such payments are recognized as expenses in the period in which the event or condition giving rise to payments occurs.

When the lease liability is remeasured, the value of the right-to-use asset is adjusted by the same amount, except if the amount already recorded for the right-to-use is reduced to zero, in which case a gain or loss is recorded in consolidated income statement.

#### **Policy until 31 December 2018**

Lease contracts were classified as: (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and if it there is registered, at the inception date, an asset and liability at the lessor between the fair value of the lease property and the present value of lease rents falling due; (ii) operating leases if the contracts were long-term rentals and the amount of rents paid in the year was recorded as a cost on the Income Statement.

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.

Where the Group acts as a lessor in operating leases, the value of assets leased is maintained in the Group's balance sheet and related rents (net of any incentives granted to the lessee) are taken to the profit and loss account on a straight line basis over the period of the lease.

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, at the lower of fair value and present value of minimum lease payments up to the end of the lease. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

## 2.3. FINANCIAL INSTRUMENTS

Financial instruments were classified in the categories presented in the consolidated balance sheet as detailed in Note 9 and in the following:

### a) Investments

#### Recognition

Purchases and sales of investments in financial assets are recorded at the date of the transaction, ie on the date the group commits itself to buy or sell the asset.

#### Classification

The classification of financial assets 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 to the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, which are equity instruments, which can never be reclassified to another category.

Financial assets can 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): 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 on time of 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 recognition initial designate at 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 which were not designated at fair value through other comprehensive income.

#### Measurement

Financial assets are initially recorded at acquisition cost, which corresponds to the fair value at that date, including transaction costs, with the exception of financial assets at fair value through profit or loss. The 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 earned on assets at amortized cost" in financial income.

### Impairment losses

The Group assesses in a forward-looking manner the estimated credit losses associated with financial assets, which are debt instruments, classified at amortized cost and at fair value through other comprehensive income. The applied impairment methodology takes into account the credit risk profile of the debtors, and different approaches are applied depending on the nature of the debtors.

With regard to receivables under "Clients" and "Other receivables" and Assets from 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 its maturity, considering a matrix of historical default rates for the maturity of the balances receivable, adjusted by prospective estimates.

Regarding the balances receivable from related entities, which are not considered as part of the financial investment in these entities, the credit impairment is assessed according to the following criteria: i) if the balance receivable is immediately due; 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 payable and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero.

In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Group only evaluates the probability of a default occurring for the cash flows that mature in the next 12 months.

For all other situations and nature of accounts receivable, the Group applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there is no increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there has been an increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to the expected loss for all contractual flows until the maturity of the asset.

### Derecognition of financial assets

The Group derecognises financial assets when and only when contractual rights to cash flows have expired or have been transferred and the Entity has substantially transferred all the risks and rewards of ownership of the asset.

### b) Classification of 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.

### Financial liabilities

Financial liabilities are classified into two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Financial liabilities at amortized cost.

The «Financial liabilities at amortized cost» category includes liabilities presented under «Loans obtained», «Suppliers» and «Other creditors». These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost at the effective interest rate.

At December 31, 2019, the Group 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.

#### c) Loans

Loans are recorded as liabilities at their nominal value, net of commissions and other financing expenses related to the issuance of those instruments. 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 2.16. The portion of the effective interest charge relating to commissions and other financing expenses, if not paid in the period, is added to the book value of the loan.

Loans will be classified as current liabilities if the payment is due within 12 months or less, otherwise they will be classified as non-current liabilities.

#### d) Trade accounts payable and other creditors

These items 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 "Suppliers" will be classified as non-current liabilities.

Accounts payable and other creditors are stated at their nominal value, subsequent to their initial recognition these items are measured at amortized cost using the effective interest rate method.

#### e) Derivatives

The Group uses derivative instruments to manage its financial risks in order to guarantee the coverage of these risks and/or to optimize funding costs.

The derivative instruments used by the Group defined as cash flow hedging instruments mainly refer to interest rate hedging instruments obtained and price risk hedging instruments resulting from the sale of license rights. With regard to cash flow hedging instruments, the indexes, calculation conventions, interest rate fixing dates and repayment plans for interest rate hedging instruments are identical to the conditions established for the underlying contracted loans. , so they configure perfect coverage relationships. Inefficiencies, if any, are recorded in the financial results caption in the consolidated income statement.

Regarding price risk hedging instruments, they are recorded at fair value, with gains or losses being recognized in accordance with the hedge accounting model adopted by the Group.

#### Fair value hedging

Changes in the fair value of derivatives that are designated and that qualify as fair value hedging are recorded in the income statement, together with changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedge relationship no longer meets the requirements of hedge accounting, the accumulated gains or losses recognized in the valuation of the hedged risk are amortized over the remaining period until the maturity of the hedged item.

The accounting for hedging derivative instruments is discontinued as from the date when the qualification criteria are no longer met, that is, when the hedging relationship no longer meets the risk management objective; the instrument wins or is sold; or there is no longer an economic relationship between the hedged item and the hedging instrument.

In derivative instruments, although contracted with the aforementioned objectives (mainly derivatives in the form of interest rate options), in relation to which the Group did not apply hedge accounting, they are recorded at their fair value,

the variations of which are calculated using tools information technology, directly affect the item Financial results in the consolidated income statement.

When derivatives are embedded in other financial instruments or other contracts, they are treated as derivatives recognized separately in situations where the risks and characteristics are not closely related to the contracts and in situations where the contracts are not presented at their fair value with unrealized gains or losses recorded in the consolidated income statement.

In specific situations, the Group may contract interest rate derivatives in order to cover fair value. In these situations, derivatives will be recorded at their fair value through the consolidated income statement. If this hedge no longer meets the criteria for hedge accounting, the changes in the fair value of the hedged instrument, for which the effective interest rate method is used, are amortized through profit or loss, over the period of maturity of the hedged instrument. covered instrument. In situations where the hedged instrument is not measured at fair value (namely, loans that are measured at amortized cost), the effective hedge portion will be adjusted to the book value of the hedged instrument, through the income statement.

#### **f) Cash and cash equivalents**

Cash and cash equivalents include 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 current bank loans.

## 2.4. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in subsidiaries and associates are recorded at the cost of added purchase costs or, in the case of loans granted to interconnected companies, at the nominal value.

In the sale of financial holdings, the criterion of rumour by lots is respected. Disrecognition only occurs when substantially all risks and benefits of the assets have been transferred or the company does not maintain control of assets. Annual impairment losses are recorded in the income statement.

## 2.5. REVENUE RECOGNITION AND ACCRUAL BASICS

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 recognised in the income statement.



## 2.6. SUBSEQUENT EVENTS

Events after the balance sheet date and before the financial statements are issued that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date and before the financial statements are issued that are non-adjusting events are disclosed in the notes when material.

## 2.7. JUDGEMENTS AND ESTIMATES

The estimates and judgments with impact on the Group's financial statements are continuously evaluated, representing 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 intrinsic nature of the estimates may mean that the actual reflection of the situations that have been estimated may, for financial reporting purposes, differ from the estimated amounts. The most significant estimates and judgments reflected in the consolidated financial statements include:

### Judgments

The Group grants loans to entities that qualify as associates or joint ventures of the Group under different contractual arrangements. Its classification as elements / components of financial holdings or other financial assets depends on the repayment conditions and associated remuneration, and on the Management's intention to enforce the contractual clauses agreed with the investees. As a general rule, non-remunerated financing is classified as part of the investment in the Group's subsidiaries

### Estimates

The estimates were determined based on the best information available at the date of preparation of the consolidated financial statements and based on the best knowledge and experience of past and/or current events. However, situations may occur in subsequent periods that, not being predictable at the time, were not considered in these estimates. Changes to these estimates, which occur after the date of the consolidated financial statements, will be corrected in profit or loss prospectively, as provided by IAS 8.

The main estimates and assumptions related to future events included in the preparation of the consolidated financial statements are described in the corresponding notes, highlighting the impairment of financial assets and recognition of contract revenue below.

The most significant accounting estimates reflected in the financial statements are as follows:

- a) Analysis of the impairment of goodwill and other tangible and intangible assets;
- b) Estimates of future income tax;
- c) Fair value valuation of assets, liabilities and contingent liabilities in business concentration operations;
- d) Impairment of financial assets;
- e) Assumptions regarding lease agreements;

### Assumptions regarding lease agreements

Considering the exemption provided for in IAS 12 in paragraph a) of paragraph 15 due to the lack of certainty about the tax and accounting treatment to be given to the subject in question. It is taken into account that when the position of the Tax Administration becomes public and / or the IASB publishes the amendment to IAS 12, there may be changes to the accounting treatment adopted in the first application of IFRS 16.

In addition, relevant judgments are also made in determining the incremental interest rate as well as in the period to be considered for determining the lease liability and right to use.

### Impairment of financial assets

The determination of impairment on financial assets involves significant estimates. When 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 less than their book value. The balances of “Loans granted to related entities”, “Customers” and “Other debtors” are evaluated for factors such as the history of default, current market conditions, and also prospective information estimated by reference at the end of each reporting period, while most critical assessment elements for the purpose of analyzing estimated credit losses.

### Impairment of investments in subsidiaries and associates

An evaluation of investments in associates is carried out when there are indications that the asset may be impaired, with impairment losses that are shown to exist being recorded as a cost, whenever the financial participation includes goodwill and / or implicit loans / financing. When impairment losses recognized in previous periods cease to exist, they are reversed.

## 2.8. PROVISIONS

Provisions are recognised when, and only when, the Group 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.

Provisions are measured at the present value of estimated expense to pay the obligation, using a pre-tax interest rate, which reflects the market valuation for the discount period and the risk of the provision in question.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

The subjectivity inherent in determining the probability and amount of domestic resources required to pay the obligations may lead to significant adjustments, either by varying the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities.

## 2.9. INCOME TAX

Current income tax is determined in accordance with tax rules in force in Portugal, considering the profit for the period.

The Company is subject to a special fiscal regime applicable to Group companies, according article 69 and next of the IRC code (RETGS), being part of a fiscal perimeter whose mother company is Sonae Capital SGPS, SA. Companies being part of

the perimeter of the Group of companies subject to this regime calculate and account for Tax Income as on a stand-alone basis. The tax savings attributed to the RETGS is accounted for at the mother company.

Deferred taxes are calculated based on the liability method of the balance sheet and reflect the temporary differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes. Deferred tax assets and liabilities are calculated and annually assessed at the current or announced tax rates to be effective at the expected date of reversal of the temporary differences.

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 that do not result from a concentration of activities and that at the date of the transaction do not affect the accounting or fiscal result. However, as regards temporary taxable differences related to investments in subsidiaries, these are not recognized to the extent that: (i) the parent company has the ability to control the period of reversal of the temporary difference; and (ii) it is likely that the temporary difference will not reverse in the near future.

At the end of each fiscal year, these deferred taxes are reviewed and reduced whenever their future use is no longer probable.

Deferred taxes are recorded in the applicable situations according to the balance sheet method, and deferred tax assets are only recognized in the situations in which their recovery is probable.

### 3. FINANCIAL RISK MANAGEMENT

The main objective of financial risk management is to support the Company in the pursuit of long-term strategy of Sonae Capital, reducing unwanted financial risk, volatility associated and mitigate any negative impacts on the Group's results of such risks. The attitude of Sonae Capital in relation to financial risk management is conservative and prudent, and when used derivative instruments to hedge certain risks related to operating activities of Sonae Capital, does not contract, by policy, derivatives or other financial instruments for speculative purposes or they are not related to the Company's operations.

#### 3.1. MARKET RISK

##### a) Interest rate risk - POLICY

As a result of maintaining its debt in the balance sheet at variable rates, and the resulting cash flows from interest payments, the Company is exposed to a Euro interest rate risk.

In view of the fact that:

- The volatility of Company results does not depend only on the volatility of its financial results linked to the volatility of interest rates;
- Under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;
- The setting up of any form of risk cover structure has an implicit opportunity cost associated with it, the Group policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives), but rather has opted for a dynamic approach to

monitoring exposure, which aligns market conditions to the real exposure of the Company, in order to avoid the possibility of exposure that could have a real impact on the results of the Company.

In view of the above, the Company policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

- i) Derivatives are not used for trading or speculation;
- ii) Derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt;
- iii) The maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;
- iv) Derivative contracts are only agreed with authorised entities, specifically Financial Institutions with a minimum Investment Grade rating, giving preference to Banking Relationship Institutions of the Company;
- v) All transactions must be the object of competitive bids, involving at least two financial institutions;
- vi) All transactions are entered into by using market standard contracts (ISDA - International Swaps and Derivatives Association), with schedules negotiated with each one of the Institutions;
- vii) To determine the fair value of the hedging transactions, the Group uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;
- viii) Any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

#### **b) Interest rate risk – Sensitivity Analysis**

Interest rate sensitivity is based on the following assumptions:

- i) Changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;
- ii) Changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;
- iii) In the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risks;
- iv) Changes in market interest rates of financial instruments which were designated as cash flow hedging instruments to cover fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);

- v) Changes in market interest rates of interest rate derivatives, which are specified as being part of hedging relationships as defined in IAS 39, affect the results of the company (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;
- vi) Changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;
- vii) The sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above mentioned assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the net profit before tax of the Company as at 31 December 2019 would have been higher/lower by 2.366.683 euro (as at 31 December 2018 they would have been higher/lower by 2 326 485 euro).

Below are the balances exposed to interest rate risk:

	31 December 2019
Partner Borrowings	398 218 592
Bond loans	(57 500 000)
Commercial Paper	(78 200 000)
Term Deposits	325 000
Other Loans	8 516 100
Average Bank Deposits	394 978
	<b>271 754 670</b>

#### c) Exchange rate risk

Sonae Capital is not exposed to an exchange risk.

#### d) Other price risks

The Company is exposed to risks arising from the value of investments made in financial shareholdings. However, these investments are in general made with strategic objectives in mind and not for current trading.

## 3.2. CREDIT RISK

Credit risk is defined as the probability of a financial loss resulting from failure to meet contractual payment obligations of a counterparty. Sonae is a holding company and has no commercial activity in addition to the normal activities of a portfolio manager participation and providing services to its subsidiaries. As such a regular basis, the Company is only exposed to credit risk arising from financial instruments (investments and deposits in banks and other financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) or loans to subsidiaries.

Credit risks at Sonae Capital arises mainly from (i) its relationships with financial institutions in the course of its day to day business activity, and (ii) the risk of non compliance by business counterparts in portfolio transactions.

Financial Institutions: The credit risk is linked to possible non compliance by Financial Institutions, from which the Company, in its normal operational activity, contracted term deposits, cash balances and derivatives.

To mitigate this risk, the Company:

- a) Only executes transactions with counterparts with Investment Grade minimum rating and/or financial institutions with high credit quality, giving preference to banking institutions with which the Company already works;
- b) Diversifies its counterparts, in order to avoid an excessive concentration of credit risk;
- c) Defines a limited range of eligible instruments (aimed at not contracting complex instruments, whose structure is not entirely known), requiring proper authorization from the Board of Directors for use of other alternative instruments;
- d) Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

The ratings (S & P rating) of the main institutions of credit where Sonae Capital had deposits and other investments at 31 December 2019 can be detailed as follows:

Rating 2019	%	Amount
A	0,01%	9,22
B	0,78%	482,56
BB	24,82%	15.310,47
BBB	74,00%	45.656,36
NR	0,38%	236,93
	<b>100,00%</b>	<b>61.695,54</b>

In compliance with the established policy, Sonae Capital only constitutes deposits and other short-term financial investments and with prestigious financial institutions and national and / or international recognition, based on the respective ratings, being that the institutions of banking relationship of the Group with a creditor position equal to or greater than the intended application.

- i) Shareholding Buy/Sale transactions: In the course of its business, the Company is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the wide range of means used, there exists always the possibility of using normal market methods, namely carrying out due diligence, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed.

In view of the above, as well as the fact that the balances receivable are mainly from group companies, credit risk appears to be very low.

### 3.3. LIQUIDITY RISK

Sonae Capital 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.

The objective of liquidity risk management is to ensure at any given moment that the Group has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Group aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Group includes the following key aspects:

- Centralised liquidity management (cash surpluses and needs) at the holding Group level, seeking to optimise the finance function in the Group;
- Financial planning based on cash flow forecasts, both at an individual Group and consolidated levels, and for different time periods (weekly, monthly, annual and multiyear);
- Short and long term financial control systems (based on Treasury and Cash Management systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;
- Diversification of sources of financing and counterparts;
- Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;
- Contracts with relationship Banks, of committed credit lines (of at least six months) and commercial paper programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable;
- Negotiation of contract terms which reduce the possibility of early termination of loans.

A liquidity reserve in form of credit lines with its relationship banks is maintained by Sonae Capital, to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms.

Consequentially, Sonae Capital 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 or contracting new, if needed.

Although the Working Capital Fund is negative, the liquidity risk is low since the main balances receivable and payable are with group companies, so the payment obligation will be appropriate to the availability of Sonae Capital to which the credit lines are added. unused available credit lines described in note 11.

## 4. FINANCIAL INVESTMENTS

As at 31 December 2019 and 31 December 2018 Investments are detailed as follows:

	31 December 2019	31 December 2018
Investments in affiliated and associated undertakings	358 030 635	334 564 887
Investments in other companies:		
Sonae RE - (0,04%)	1 360	1 200
Matadouro Alto Alentejo, S.A. - (0,89%)	-	-
NET Novas Tecnologias, S.A. - (0,98%)	23 034	23 034
Fundo F HITEC - (6,48%)	-	250 950
	<u>358 055 029</u>	<u>334 840 071</u>
Impairment	(120 796 975)	(86 992 382)
	<u>237 258 054</u>	<u>247 847 689</u>

## 4.1. INVESTMENTS IN AFFILIATED AND ASSOCIATED UNDERTAKINGS

As at 31 December 2019 and 31 December 2018, the detail of Investments in Affiliated and Associated Companies is as shown in the table below:

31 December 2019				
	% Held	Book value	Equity	Profit/Loss f or the period
CAPWATT, S.G.P.S., S.A.	100%	19 225 000	23 143 689	3 354 495
Fundo Esp de Invest. Imob Fechado WTC	60%	52 823 047	73 343 535	4 663 599
Troiareort, SGPS, S.A.	100%	167 132 793	79 126 048	(742 710)
Lidergraf - Artes Gráficas, SA.	25%	1 125 301	8 974 625	714 027
SC Assets S.G.P.S., SA	100%	38 603 728	4 092 004	351 321
SC Hospitality, S.G.P.S., S.A.	100%	5 857 175	5 180 808	3 852 794
SC Finance B.V.	100%	10 963 698	5 525 674	(95 327)
SC-Industrials, S.G.P.S., S.A.	100%	35 353 624	885 999	(314 001)
Race, SGPS, S.A.	70%	-	25 179 941	1 445 336
SC Fitness, S.A.	100%	26 946 268	26 067 630	(465 830)
		<b>358 030 635</b>		

Impairment	
SC Assets S.G.P.S., SA	38 603 728
Troiareort, SGPS, S.A.	48 317 116
SC Finance BV	2 022 507
SC, Industrials, SGPS, S.A.	31 853 624
	<b>120 796 975</b>

31 December 2018				
	% Held	Book value	Equity	Profit/Loss f or the period
CAPWATT, S.G.P.S., S.A.	100%	2 725 000	6 891 529	3 791 932
Fundo Esp de Invest. Imob Fechado WTC	60%	52 823 047	71 179 936	1 619 123
Troiareort, SGPS, S.A.	100%	167 132 793	101 121 898	22 371 727
Lidergraf - Artes Gráficas, SA.	25%	1 125 301	8 901 011	1 022 994
SC Assets S.G.P.S., SA	100%	25 577 659	(9 285 387)	(22 792 766)
SC Hospitality, S.G.P.S., S.A.	100%	5 857 175	1 328 014	(4 944 253)
SC Finance B.V.	100%	10 963 698	5 683 100	(202 815)
SC-Industrials, S.G.P.S., S.A.	100%	34 575 100	421 476	(778 524)
Race, SGPS, S.A.	70%	32 492 436	41 087 606	184 522
SC Fitness, S.A.	100%	1 292 678	880 067	(412 611)
		<b>334 564 887</b>		



	Impairment
SC Assets S.G.P.S., SA	25 577 659
Troiareort, SGPS, S.A.	21 817 116
SC Finance BV	5 022 507
SC, Industrials, SGPS, S.A.	34 575 100
	<b>86 992 382</b>

The variation in investments is due to capital increases in the companies Capwat, SA, SC Assets, SGPS, SA, SC Hospitality SGPS, SA, SC Fitness and sale of Race SGPS, SA

Investments recorded at acquisition cost correspond to investments not traded in regulated markets and for which the fair value is not reliably estimated.

In 2019, financial investments were subject to impairment tests in order to measure their fair value, the calculation of which took into account external valuations obtained from the real estate assets of the subsidiaries, or valuations from the perspective of Discounted Cash Flows (DCF).

These assessments use discount rates that correspond to the weighted average rates of the cost of capital (WACC), calculated on the basis of the business type in which they operate and its target capital structures, and are in the range [6,68%- 9,63%]. 5 years projections were considered and growth rates in perpetuity were considered void.

As a result of this impairment tests as at 31 December 2019 and 31 December 2018, the detail of Impairments on Investments in Affiliated and Associated Companies is as shown in the table below.

	31 December 2019	31 December 2018	Variation
Troiareort, SGPS, S.A.	(48 317 116)	(21 817 116)	(26 500 000)
SC Assets, SGPS, S.A.	(38 603 728)	(25 577 659)	(13 026 069)
SC Finance BV	(2 022 507)	(5 022 507)	3 000 000
SC, Industrials, SGPS, S.A.	(31 853 624)	(34 575 100)	2 721 476
	<b>(120 796 975)</b>	<b>(86 992 382)</b>	<b>(33 804 593)</b>

## 5. OTHER NON-CURRENT ASSETS

As at 31 December 2019 and 2018, other non-current assets are detailed as follows:

	31 December 2019	31 December 2018
Loans granted		
CAPWATT, SGPS, S.A.	68 725 000	40 000 000
SC Assets, SGPS, S.A.	123 596 826	155 568 400
SC Finance BV	6 458 900	6 458 900
SC Fitness, S.A.	12 041 300	28 615 500
SC Hospitality, SGPS, S.A.	6 418 072	6 155 000
SC Industrials, SGPS, S.A.	25 301 000	12 588 000
Solinca - Health & Fitness, S.A.	-	-
Troiaresort, SGPS, S.A.	155 677 495	130 294 732
	<b>398 218 592</b>	<b>379 680 531</b>
Impairment		
SC Assets, SGPS, S.A.	(6 995 093)	(13 521 162)
SC-Industrials, S.G.P.S., S.A.	(1 228 759)	-
SC Finance BV	-	(2 007 282)
	<b>(8 223 852)</b>	<b>(15 528 444)</b>
Up-front fees not yet charged to income statement	-	81 214
	<b>389 994 741</b>	<b>364 233 301</b>
Other debtors	8 803 506	-
	<b>8 803 506</b>	<b>-</b>
	<b>398 798 247</b>	<b>364 233 301</b>

The balance recorded under the heading Other debtors refers to the amount receivable for the sale of Race SGPS, SA

As at 31 December 2019, loans granted matured as follows:

	2020	2021	2022	2023	2024	Total
	199 764 800	9 489 072	3 811 000	50 190 200	134 963 520	398 218 592

These assets were not due or impaired as at 31 December 2019. The fair value of loans granted to Group companies is basically the same as their book value.

Loans to group companies interest at market rates and are repayable within a period exceeding one year. The interest rate as at 31 December 2019 stood, in average, at approximately de 1.82% (2018: 2.38%).

## 6. OTHER CURRENT ASSETS AND INCOME TAX

As at 31 December 2019 and 2018, other current assets and Income tax are made up as follows:

The balance registered at Shareholding, other Operations is related to the values transferred from subsidiaries under the IRC regime (RETGS).

As at 31 December 2019 and 2018, the item Loans Granted is related to financial operations with the following subsidiaries:

	31 December 2019	31 December 2018
Other debtors - Group	2 951 006	9 240 365
Loans granted	9 394 101	35 716 674
Other debtors	1 723 521	630 414
	<b>14 068 628</b>	<b>45 587 454</b>
Accrued income	3 749 519	4 885 576
Deferred costs	163 707	246 735
	<b>3 913 225</b>	<b>5 132 310</b>
Income tax		
Income tax withheld	1 487 561	-
Other debtors - Group	98 224	-
	<b>19 567 639</b>	<b>50 719 764</b>

	31 December 2019	31 December 2018
Loans granted:		
CAPWATT, SGPS, S.A.	2 149 000	14 545 000
SC Assets, SGPS, S.A.	225 500	19 000
SC Fitness, S.A.	3 303 500	8 004 100
SC Hospitality, SGPS, S.A.	912 000	1 156 502
SC Industrials, SGPS, S.A.	640 500	7 473 500
SC SGPS, S.A.	663 900	361 300
Troiaresort, SGPS, S.A.	1 499 700	4 157 271
	<b>9 394 101</b>	<b>35 716 674</b>

Loans to group companies interest at market rates and are repayable within a period inferior to one year. The interest rate as at 31 December 2019 stood, in average, at approximately de 0.99% (2018: 1.26%).

The item Other Debtors includes as at 31 December 2019 includes the amount of 1.568.022 euro related to credits acquired from Race, SA.

As at 31 December 2018, this item includes includes the amount of 600.000 euro related to the Via Maritima credit acquired from the subsidiary Spred SGPS.

The amount recorded in the accrued income includes 3.703.178 euro relating to interest on loans granted to subsidiaries (2018: 3.980.318 euro) as well as 46.341 euro relating to commissions of guarantees given to subsidiaries (2018: 113.986 euro) (Nota 22).

Deferred costs include 100.682 euro relating to bank charges, which are deferred over the loan period (2018: 200.231 euro).

### Income Tax

Under current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except if there have been tax losses or tax benefits, or ongoing tax inspections or claims. In these cases, and depending on the circumstances, the time limits are extended or suspended. In this way the Company tax return, from the years 2016 to 2019, could still be subject to review. However, in the opinion of the Company's Board of Directors, it is not expected that any correction relating to the said financial years will be significant for the financial statements as at 31 December 2019. As mentioned in 2.9 note the Company is subject to the special regime for the taxation of groups of companies (RETGS) provided for in Article 69 and following of the IRC Code, integrating the taxation group, which is the mother company.

In the fiscal year 2019, the Company is subject to taxation on Corporate Income Tax at the normal rate of 21%, plus municipal taxes at a maximum rate of 1.5%.

In addition, on the part of the taxable profit of more than 1.500.000 euro subject to and not exempt from Corporate Income Tax, the following state levy fees are levied: 3% over 1.500.000 euros and less than 7.500.000 euro; 5% on the upper part to 7.500.000 euro and up to 35.000.000 euro; and 7% that is levied on the part of the taxable income that exceeds 35.000.000 euro.

Under the terms of Article 88 of the Portuguese Income Tax Code, the company is also subject to autonomous taxation on a set of charges at the rates provided for in the mentioned article.

The Corporate income tax rate in force for 2019 is 21%.

As at 31 December 2019 and 2018, the item Income tax is made up as follows:

	31 December 2019	31 December 2018
Income tax withheld	742 860	-
Income tax (advanced payment)	1 335 797	-
Income tax	(591 096)	-
	<b>1 487 561</b>	-
Others	98 224	-
	<b>98 224</b>	-

## 7. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2019 and 2018 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Tax losses carried forward	14 371 852	16 751 852	-	-

During the periods ended 31 December 2019 and 2018, movements in deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Opening balance	16 751 852	16 764 699	-	-
Effect in results				
Tax losses carried forward	(2 380 000)	(12 847)	-	-
Effect in reserves	-	-	-	-
<b>Closing balance</b>	<b>14 371 852</b>	<b>16 751 852</b>	<b>-</b>	<b>-</b>

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2019 and 2018, tax losses carried forward can be summarized as follows:

	31 December 2019			31 December 2018		
	Tax loss	Deferred tax assets	To be used until	Tax loss	Deferred tax assets	To be used until
Generated in 2014	13 046 930	2 739 855	2026	13 536 168	2 842 595	2026
Generated in 2015	43 839 192	9 206 230	2027	45 035 288	9 457 411	2027
Generated in 2016	11 551 269	2 425 766	2028	12 025 566	2 525 369	2028
Generated in 2017	-	-	2022	9 173 702	1 926 477	2022
	<b>68 437 391</b>	<b>14 371 852</b>		<b>79 831 899</b>	<b>16 764 699</b>	

The constitution of deferred tax assets was based on the analysis of the relevance of its recognition, notably as regards the possibility of their recovered, given the prospects for medium and long term of the company.

The deferred tax assets recognized resulting from fiscal losses are recorded to the extent that it is probable that taxable profit will occur in the future.

The valuation of deferred tax assets is based on the business plans of the Group companies, periodically reviewed and updated.

Since fiscal year 2014, most of the Group's subsidiaries, based in Portugal, are part of the perimeter of the taxed Corporate Group in accordance with the Special Taxation Regime for Company Groups (RETGS), whose parent company is the Sonae Capital, SGPS, SA. Gains generated by the application of this tax regime are allocated to Sonae Capital SGPS.

The analysis carried out on 31 December 2019, resulted that there is reasonable expectation of recovery of deferred tax assets recorded before their date of expiry.

## 8. CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 2018, cash and cash equivalents can be detailed as follows:

	31 December 2019	31 December 2018
Cash	-	-
Bank deposits	386 696	888 068
Cash and cash equivalents in the balance sheet	<b>386 696</b>	<b>888 068</b>

## 9. EQUITY

The share capital of Sonae Capital SGPS, S.A. is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

As at 31 December 2019, Sonae Capital SGPS, S.A. owns 3,670,823 own shares (4,107,623 own shares at 31 December 2018) booked at 1,105,573 euros (1,192,808 euros at 31 December 2018).

## 10. RESERVES

As at 31 December 2018, and 31 December 2017 this caption can be detailed as follows:

	31 December 2019	31 December 2018
Legal reserves	11 054 292	10 789 547
Free reserves	135 544 223	148 360 229
Demerger reserve	132 636 906	132 638 253
Reserve - own shares	1 105 573	1 192 808
	<b>280 340 993</b>	<b>292 980 837</b>

**Free Reserves:** These reserves result from the transfer of the positive results obtained in retained exercises and can be distributed to shareholders provided they are not required to cover losses.

The overall value of the demerger reserve (Note 1), representing the difference between the book value of the stake in SC, SGPS, SA (382.638.253 euro) which was highlighted Sonae, SGPS, SA for the Company and the amount of capital social Society (250.000.000 euros) which is comparable to the legal Reserve, according to the Companies Code, may not be distributed to the shareholders except in the event of liquidation of the Company, but may be used to absorb accumulated losses, after other reserves are exhausted, or can be incorporated into capital.

**Legal Reserve:** Under the law, at least 5% of annual net profit is positive, should be allocated to the legal reserve until it represents 20% of the share capital. This reserve is not distributable except in the event of liquidation of the company, but can be used to absorb losses after the other reserves, or increase capital.

As at 31 December of 2019 this item amounts to 11.054.292 euros (December 2018: 10.789.547 euros).

Reserve own shares: This reserve, established in accordance with article 342 of the CSC, is the same amount of the own shares value held by the company. This reserve is unavailable while the own shares are in possession of the company.

## 11. BORROWINGS

As at 31 December 2019 and 2018, Borrowings are made up as follows:

	31 December 2019		31 December 2018	
	Current	Non-current	Current	Non-current
Bank loans				
Sonae Capital SGPS - commercial paper a)	8 900 000	-	-	-
Sonae Capital SGPS - commercial paper b)	-	17 500 000	-	13 000 000
Sonae Capital SGPS - commercial paper c)	10 000 000	-	10 000 000	-
Sonae Capital SGPS - commercial paper d)	2 000 000	6 000 000	2 000 000	8 000 000
Sonae Capital SGPS - commercial paper e)	33 800 000	-	7 650 000	-
Sonae Capital SGPS - commercial paper f)	-	-	-	10 000 000
Up-front fees not yet charged to income statement	-	(16 363)	-	(51 544)
	<b>54 700 000</b>	<b>23 483 637</b>	<b>19 650 000</b>	<b>30 948 456</b>
Bank overdrafts (Note 8)	-	-	-	-
	<b>54 700 000</b>	<b>23 483 637</b>	<b>19 650 000</b>	<b>30 948 456</b>
Bond Loans				
Sonae Capital 2016/2021 g)	-	15 000 000	-	15 000 000
Sonae Capital 2014/2019 h)	-	-	42 500 000	-
Sonae Capital 2014/2019 i)	-	15 000 000	-	-
Sonae Capital 2019/2024 j)	2 000 000	13 000 000	-	-
Sonae Capital 2019/2024 k)	-	12 500 000	-	-
Up-front fees not yet charged to income statement	-	(407 013)	-	(116 090)
	<b>2 000 000</b>	<b>55 092 987</b>	<b>42 500 000</b>	<b>14 883 910</b>
	<b>56 700 000</b>	<b>78 576 624</b>	<b>62 150 000</b>	<b>45 832 366</b>

- a) Commercial paper programme, with subscription guarantee, issued on 4 January 2017, with automatic annual renewals, unless denounced by either party.
- b) Commercial paper programme, with subscription guarantee, issued on 29 September 2017 and valid to October 2021.
- c) Commercial paper programme, with subscription guarantee, issued on 30 June 2017 with annual payments, unless denounced by either party.
- d) Commercial paper programme, with subscription guarantee, issued on 24 February 2017 and valid until February 2023, with semi-annual payments starting in 2019.
- e) Commercial paper programme, without subscription guarantee, issued on 20 December 2017 with annual payments, issued to investors.
- f) Commercial paper programme, with subscription guarantee, issued on 23 June 2016 and valid up to five years, with annual payments and grace period for one year.

- g) Sonae Capital SGPS - 2016/2021 bond loan in the amount of 15.000.000 euro, with a 5 year maturity, and a sole reimbursement on 29 July 2021, unless the issuer requests a full or partial refund (call option). This bond loan bears interest every six months.
- h) Sonae Capital SGPS, SA, 2014/2019 bond loan, with a five years maturity, and a sole reimbursement on 28 May 2019. This bond loan bears interest every six months.
- i) Sonae Capital SGPS - 2019/2024 bond loan in the amount of 15.000.000 euros, with a 5 year maturity, and with reimbursements on the 8th and 10th coupon, with maturity on 26 June 2024. This bond loan bears interest every six months.
- j) Sonae Capital SGPS - 2019/2026 bond loan in the amount of 15.000.000 euros, with a 7 year maturity, and with reimbursements in annual installments beginning from the 2nd coupon, inclusive, with maturity on 28 June 2026. This bond loan bears interest every six months.
- k) Sonae Capital SGPS - 2019/2024 II bond loan in the amount of 12.500.000 euros, with a 5 year maturity, and with reimbursement via a single installment on 8 August 2024. This bond loan bears interest every six months.

The interest rate on bonds and bank loans in force on 31 December 2019 was on average 1.02%.

Bank loans pay interest rates that are indexed to the Euribor market rates of the period, and its fair value is considered close to its book value.

In case of any Bank institution or commercial paper investor do not renew, at the maturity date, its respective loans, the Company has credit lines available to overcome such renewables

The repayment schedule of the nominal value of borrowings may be summarised as follows:

The nominal value of the loans have the following maturity dates:

	31 December 2019		31 December 2018	
	Capital	Interests	Capital	Interests
N+1	56 700 000	(1 167 322)	62 150 000	(1 239 416)
N+2	36 500 000	(1 033 958)	2 000 000	(393 125)
N+3	4 000 000	(576 424)	40 000 000	(377 188)
N+4	9 000 000	(495 174)	2 000 000	(20 000)
N+5	24 500 000	(355 764)	2 000 000	(1 250)
After N+5	5 000 000	(69 375)	-	-
	<b>135 700 000</b>	<b>(3 698 017)</b>	<b>108 150 000</b>	<b>(2 030 978)</b>

As at 31 December 2019 and 31 December 2018, available credit lines may be summarised as follows:

	31 December 2019		31 December 2018	
	Commitments		Commitments	
	Less than 1Y	Over 1Y	Less than 1Y	Over 1Y
Value of available lines	(14 250 000)	(29 250 000)	(56 750 000)	(18 250 000)
Value of contracted lines	(36 250 000)	(60 250 000)	(68 750 000)	(49 250 000)



As at 31 December 2019 the reconciliation of the liabilities whose flows affect the financing activities are detailed as follows:

	31 December 2018	Cash		Non-Cash		31 December 2019
		Receipts	Payments	Transfers	Up front fees	
Non Current Loans	45 832 366	45 000 000	(10 000 000)	2 511 484	255 742	78 576 624
Current Loans (Nota11 & 12)	82 783 500	37 050 000	(64 255 500)	2 000 000	-	57 578 000
	<b>128 615 866</b>	<b>82 050 000</b>	<b>(74 255 500)</b>	<b>(511 484)</b>	<b>255 742</b>	<b>136 154 624</b>

The maturity of the lease liabilities is as follows:

Lease Liabilities	
N+1	28.842,71
N+2	29.620,22
N+3	13.095,50
N+4	-
N+5	-
After N+5	-
	<b>71.558,43</b>

## 12. OTHER CREDITORS

As at 31 December 2019 and 2018 other creditors can be detailed as follows:

	31 December 2019	31 December 2018
Other creditors		
Group companies – Short term loans	878 000	20 633 500
Other Creditors	1 318 727	956 924
	<b>2 196 727</b>	<b>21 590 424</b>

As at 31 December 2019 and 2018 the caption loans granted is relative to financial operations granted to the following subsidiaries:

	31 December 2019	31 December 2018
Interlog, SGPS, S.A.	-	-
SC Industrials, SGPS, S.A.	-	-
SC For - Serv. de For. e Des. de Rec. Hum., Unip., Lda.	-	-
Race. SGPS, SA	-	19 720 500
Inparvi, SGPS, S.A.	878 000	913 000
Solinca - Health & Fitness, S.A.	-	-
	<b>878 000</b>	<b>20 633 500</b>

Loans obtained from group companies bear interest at market rates and are repayable within one year. The interest rate as at 31 December 2019 was, in average, approximately 0.050%.

The item Other Creditors, there are included 1.300.845 euros regarding transfers from subsidiaries of tax estimates under the special regime RETGS. (Note 22)

### 13. SUPLIERS, TAXES, OTHER NON CURRENT AND CURRENT LIABILITIES

As at 31 December 2019 and 2018 these items were as follows:

	31 December 2019		31 December 2018	
	Current	Non-Current	Current	Non-Current
Trade creditors	166 515	-	111 994	-
Taxes payable - income tax	-	-	2 299 149	-
Taxes payable - other taxes	69 475	-	48 995	-
Other current liabilities				
Accruals:				
Staff costs	825 350	158 790	820 702	138 580
Interest payable	237 780	-	301 451	-
Other accruals	88 010	-	83 191	-
Deferred income	17 210	-	7 370	-
	<b>1 168 350</b>	<b>158 790</b>	<b>1 212 714</b>	<b>138 580</b>

At 31 December 2019, the items Suppliers, Other Accruals and Staff costs include balances with related entities amounting to 101.032 euro, and 50.023 euro respectively (Note 22).

The amount of staff cost (Non-current) refers to deferred compensation payable in periods exceeding one year.

As at 31 December 2019 and 2018 interest payable can be detailed as follows:

	31 December 2019	31 December 2018
	Interest payable:	
Bank loans	237 757	300 766
Group companies loans	24	685

As at 31 December 2019 and 2018 the Income tax and Other taxes can be detailed as follows:

	31 December 2019	31 December 2018
Taxes payable - income taxes		
Income tax (advanced payment)	-	(587 888)
Income tax withheld	-	(766 042)
Income tax	-	(267 636)
Income tax (provision)	-	3 920 714
	<b>-</b>	<b>2 299 149</b>
Taxes payable - other taxes		
Income taxation - amounts withheld	31 611	26 787
VAT	9 269	69
Social security contributions	28 595	22 138
Others	-	-
	<b>69 475</b>	<b>48 995</b>

## 14. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2019 and 2018 External Supplies and services can be detailed as follows:

	31 December 2019	31 December 2018
Operational rents	(6 844)	(42 099)
Insurance costs	(45 668)	(42 343)
Travelling expenses	(22 123)	(28 905)
Services obtained	(1 217 654)	(1 305 069)
Other services	(68 808)	(62 517)
Operational rents	<b>(1 361 096)</b>	<b>(1 480 932)</b>

The variation observed in the item «Services obtained» is mainly due to the increase in the item «Holding cost» in 2019 is approximately 759 thousand euros (796 thousand euros in 2018), which was debited by the subsidiary SC Sociedade de Consultadoria, SA. and Specialized Works - Others category which in 2019 has a value of 227 thousand euros (271 thousand euros in 2018).

As at 31 December 2019, External Supplies and Services included transactions with related entities amounting to 1.110.540 euro (2018: 1.193.029 euro) - Note 22.

## 15. OPERATIONAL LEASES

As at 31 December 2019 the Company had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2019	31 December 2018
N+1	-	38 921
N+2	-	38 921
N+3	-	38 921
N+4	-	18 522
N+5	-	-
	-	<b>135 285</b>

## 16. STAFF COSTS

As at 31 December 2019 and 31 December 2018, staff costs can be detailed as follows:

	31 December 2019	31 December 2018
Governing bodies' remunerations	(1 111 332)	(1 057 176)
Staff and other sectors remunerations	(46 379)	(171 114)
Social security contributions	(178 409)	(166 030)
Other staff costs	(26 964)	(21 493)
	<b>(1 363 086)</b>	<b>(1 415 813)</b>

## 17. NET FINANCIAL EXPENSES AND INCOME

As at 31 December 2019 and 31 December 2018, Net Financial Expenses and Income can be detailed as follows:

Interest payable and similar expenses	31 December 2019	31 December 2018
Interest arising from:		
Bank loans	(495 289)	(415 170)
Bonds	(1 291 113)	(1 949 453)
Other	(8 785)	(12 619)
Other financial expenses	(927 488)	(1 188 257)
	<b>(2 722 675)</b>	<b>(3 565 498)</b>
Interest receivable and similar income		
Interest income	9 269 993	9 594 252
	<b>9 269 993</b>	<b>9 594 252</b>
<b>Net financial expenses</b>	<b>6 547 317</b>	<b>6 028 754</b>

As at 31 December 2019, the amount mentioned in «Interest arising from other» includes only interest on current loans obtained from group companies (Note 22).

As at 31 December 2019, the amount mentioned in «interest receivable and similar income» includes interest on loans granted to group companies (Note 22).

As at 31 December 2018, the amount mentioned in «Other financial expenses» refers to commissions incurred with the assembly and management of bank loans and bonds.

## 18. NET INVESTMENT EXPENSES AND INCOME

As at 31 December 2019 and 31 December 2018, Net Investment Expenses and Income can be detailed as follows:

	31 December 2019	31 December 2018
Reversal of /and Impairment losses (Note 4.1)	(26 500 000)	(42 642 090)
Dividends received	37 076 131	25 433 333
Losses on financial investments	(16 924 370)	-
Other income	1 876 778	14 002 335
<b>Investment income</b>	<b>(4 471 460)</b>	<b>(3 206 422)</b>

As at 31 December 2019, the amount recorded under «Other income» relates essentially to income obtained from the WTC Fund (1.869.450 euro) and gains from sale of investments (7.327 euro)

As at 31 December 2019 and 31 December 2018, the amount of dividends received from affiliated companies was as follows: (Note 22).

	31 December 2019	31 December 2018
Lidergraf, SA	73 556	120 883
SC Industrials SGPS, SA	12 147 100	23 279 801
Troiareort SGPS SA	21 253 140	
Capwatt, SA	3 602 335	2 032 649
	<b>37 076 131</b>	<b>25.433.333</b>

## 19. OTHER OPERATIONAL PROFIT AND OTHER OPERATIONAL EXPENSES

As at 31 December 2019 and 2018 these items were as follows:

	31 December 2019	31 December 2018
Other operating income		
Other supplementary income - Comissions	50 925	118 598
Other	900	4 314
	<b>51 825</b>	<b>122 913</b>
Other operating expenses		
Taxes	(22 277)	(44 499)
Other	(27 500)	(785)
	<b>(49 777)</b>	<b>(45 284)</b>

## 20. TAXATION

As at 31 December 2019 and 2018, Taxation was made up as follows:

	31 December 2019	31 December 2018
Current tax (Nota 6)	5 333 230	5 305 776
Deferred tax (Nota 7)	(2 380 000)	(12 847)
	<b>2 953 230</b>	<b>5 292 929</b>

## 20.1. RECONCILIATION OF THE EFFECTIVE INCOME TAX

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2019 and 2018 may be summarised as follows:

	31 December 2019		31 December 2018	
	Basis of incidence	Tax amount	Basis of incidence	Tax amount
Profit before income tax (1)	(674 935)		1 970	
tax charge	21%		21%	
Tax charged		141 736		(414)
Increases or (decreases) in taxable profit				
Reversal of impairment losses (Note 18)	(6 500 000)	1 365 000	42 642 090	(8 954 839)
Dividends received (Note 18)	(37 076 131)	7 785 988	(25 433 333)	5 341 000
Payment base on shares	(258 433)	54 271	-	-
Impairment losses (Note 18)	33 000 000	(6 930 000)	-	-
Gain/loss on financial investments	16 688 930	(3 504 675)	(12 287 350)	2 580 344
Others	1 682	(353)	2 023	(425)
Deduction of tax losses	573	(120)	-	-
Tax savings (RETGS)		6 615 969		6 523 767
Municipality and state tax		(188 213)		(176 643)
Autonomous taxes		(6 372)		(7 014)
Effect of increases or decreases in deferred taxes		(2 380 000)		(12 847)
Taxation		<b>2 953 230</b>		<b>5 292 929</b>

As stated in Note 2.9, the Company is taxable according to the RETGS.

## 21. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2019 and 2018 were calculated taking into consideration the following amounts:

	31 December 2019	31 December 2018
<b>Net profit</b>		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	2 278 295	5 294 899
Effect of dilutive potential shares	-	-
Net profit taken into consideration to calculate diluted earnings per share	<b>2 278 295</b>	<b>5 294 899</b>
<b>Number of shares</b>		
Weighted average number of shares used to calculate basic earnings per share	246 222 292	248 085 190
<b>Earnings per share (basic and diluted)</b>	<b>0.009253</b>	<b>0.021343</b>

## 22. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2019 and 2018 with related parties are detailed as follows:

Transactions	Expenses		Income	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Parent company	-	-	-	-
Group and associated companies	1 119 327	1 205 648	9 320 918	35 146 183
	<b>1 119 327</b>	<b>1 205 648</b>	<b>9 320 918</b>	<b>35 146 183</b>

Balances	Accounts payable		Accounts receivable	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Parent company	-	-	-	-
Group and associated companies	1 451 901	1 080 992	7 077 272	6 700 525
	<b>1 451 901</b>	<b>1 080 992</b>	<b>7 077 272</b>	<b>6 700 525</b>

Balances	Loans obtained		Loans guaranteed	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Parent company	-	-	-	-
Group and associated companies	878 000	20 633 500	405 888 842	415 397 206
	<b>878 000</b>	<b>20 633 500</b>	<b>405 888 842</b>	<b>415 397 206</b>

In 2019, the income include dividends received from group companies in the amount of 37.076.131 euro (note 18).

It should also be noted that the Board of Directors was identified as a related party of Sonae Capital.

## 23. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

Cash receipts and payments related to investments during the periods ended 31 December 2019 and 2018 are detailed as follows:

	31 December 2019		31 December 2018	
	Receipts	Payments	Receipts	Payments
Interlog SGPS, SA	-	-	21 685 281	-
Fundo Esp de Invest. Imob WTC	-	-	-	10 551 528
Solinca - Health & Fitness, S.A.	-	-	27 947 912	144 725
SC Assets, S.G.P.S., S.A.	-	13 026 069	-	-
Capwatt; SA	-	16 500 000	-	-
SC Industrials, S.G.P.S., S.A.	-	778 524	-	-
SC Fitness, SA	-	25 653 590	-	1 292 678
SC Finance BV	-	-	-	10 700 000
Terceiros	7 622 838	3 656	582 452	5 170
	<b>7 622 838</b>	<b>55 961 839</b>	<b>50 215 645</b>	<b>22 694 100</b>



## 24. COMPLIANCE WITH LEGAL REQUIREMENTS

Art 5 nr 4 of Decree-Law nr 495/88 of 30 December changed by art 1 of Decree-Law nr 318/94 of 24 December.

In the period ended 31 December 2019 shareholders' loan contracts were entered into with the companies Capwatt SGPS, SA, SC Assets SGPS, SA, SC Finance BV, SC Fitness, SA e SC Industrials SGPS, SA.

In the period ended 31 December 2019 short-term loan contracts were entered with the companies:

Acrobatic Tittle, SA.	Golf Time-Golfe e Invest. Turísticos, SA	Soc.Inic.Aprov.Florest.-Energias,SA
Adira - Metal Forming Solutions, S.A.	Guimadira - Máquinas e Ferramentas, Lda.	SII - Soberana Invest. Imob., SA
Aqualuz Tróia-Expl.Hoteleira e Imob., SA	Imobeauty, SA	Soira-Soc.Imob. de Ramalde,SA
Atelgen-Produção Energia, ACE	Imodivor - Sociedade Imobiliária, SA	Solinca - Health & Fitness, SA
Atlantic Ferries-Tráf.Loc,Flu.e Marít,SA	Imohotel-Emp.Turísticos Imob.,SA	Soltroia-Imob.de Urb.Tur. de Tróia,SA
Bloco Q-Sociedade Imobiliária,SA	Imopenínsula - Soc. Imob., SA	Sotáqua-Soc. de Empreend. Tur., SA
CAPWATT, SGPS, S.A.	Imoponte - Soc. Imob., SA	Soternix-Produção de Energia, ACE
Capwatt ACE, S.A.	Imoresort - Soc. Imob., SA	Spinveste - Promoção Imob., SA
Capwatt Alrota - Wind Power, SA	Imosedas - Imob. e Serviços, SA	Spinveste-Gestão Imob. SGII,SA
Capwatt Chamusca - Bio Power, Unip., SA	Implantação - Imob., S.A.	Suncoutim - Solar Energy, S.A.
Capwatt Colombo - Heat Power, S.A.	Marina de Tróia S.A.	Companhia Térmica Tagol, Lda.
Capwatt Évora - Solar Power , S.A.	Marmagno-Expl.Hotel. Imob.,SA	The House Ribeira Hotel - Expl. Hot., SA
Capwatt Estuário-Heat Power, Unip., Lda	Marvero-Expl.Hotel. Imob.,SA	Tróia Market, SA
Capwatt Ferreira - Solar Power, SA	Porto Palácio Hotel, SA	Troia Natura, S.A.
Capwatt Lousado - Heat Power, Unip., Lda	Porturbe-Edifícios e Urban.,SA	Troiaresort-Invest. Turísticos, SA
Capwatt Maia - Heat Power, S.A.	Praedium - Serviços, SA	Tulipamar-Expl.Hoteleira Imob.,SA
Capwatt Martim Longo - Solar Power, S.A.	Praedium II - Imobiliária, SA	Urban Fit Maia - Gestão de Health Clubs, Lda
Capwatt Vale do Caima - Heat Power, S.A.	Predisedas - Predial das Sedas, SA	Urban Fit Foz - Gestão de Health Clubs, Lda
Carvemagere-Manut.e Energ. Renov., Lda	Promessa Soc. Imobiliária, S.A.	Urban Fit Gaia - Gestão de Health Clubs, Lda
Casa da Ribeira-Soc. Imobiliária,SA	PUMP, S.A.	Urban Fit - Gestão de Health Clubs, Lda
Centro Residencial da Maia,Urban.,SA	RACE-Refrig. & Air Condit.Eng.SA	Urbisedas-Imob. das Sedas,SA
Cinclus Imobiliária,SA	SC Fitness, SA	Vistas do Freixo-Emp.Tur.Imob.,SA
Country Club da Maia-Imob.,SA	Sete e Meio Herd.-Inv. Agr. e Tur.,SA	

As at 31 December 2019 amounts due by affiliated companies can be summarized as follows:

### Loans and short term granted

Companies	Closing Balance
CAPWATT, SGPS, S.A.	70 874 000
SC Assets, SGPS, S.A.	123 822 326
SC Finance BV	6 458 900
SC Fitness, S.A.	15 344 800
SC Hospitality, SGPS, S.A.	7 330 072
SC Industrials, SGPS, S.A.	25 941 500
SC SGPS, S.A.	663 900
Troiaresort, SGPS, S.A.	157 177 195
	<b>407 612 692</b>

As at 31 December 2019 amounts due to affiliated companies can be summarized as follows:

#### Short term loans obtained

Companies	Final balance
Inparvi, SGPS,S.A.	878 000
	<b>878 000</b>

## 25. SUBSEQUENT EVENTS

No significant events, requiring further disclosure have occurred after 31 December 2019.

## 26. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 21 February 2020.

#### Certified Accountant

\_\_\_\_\_  
Rui Manuel Machado Morais

#### The Board of Directors

\_\_\_\_\_  
Duarte Paulo Teixeira de Azevedo

\_\_\_\_\_  
Álvaro Carmona e Costa Portela

\_\_\_\_\_  
Francisco de La Fuente Sanchez

\_\_\_\_\_  
Maria Cláudia Teixeira de Azevedo

\_\_\_\_\_  
Paulo José Jubilado Soares de Pinho

\_\_\_\_\_  
Miguel Jorge Moreira da Cruz Gil Mata

\_\_\_\_\_  
Ivone Pinho Teixeira

## REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(Translation of a report originally issued in Portuguese)

To the Shareholders of  
Sonae Capital, S.G.P.S., S.A.

In accordance with applicable legislation and the mandate given to the Statutory Audit Board, we hereby submit our Report and Opinion, which covers the Management Report and the Consolidated and Individual Financial statements of Sonae Capital, S.G.P.S., SA for the year ended 31 December 2019, which are under the responsibility of Sonae Capital Board of Directors.

### Supervisory activities

During the year, the Statutory Audit Board has monitored the management of the Company, the development of its operations and of its main affiliates, and held meetings whenever considered necessary and with the appropriate scope. In face of the subject under review, these meetings were attended by key staff of the finance department, the internal audit and risk management department and the planning and control department. It has also followed up closely the work of the Statutory Auditor and External Auditor of the Company, who kept it informed of the scope and conclusions of the audit work performed. In performing these tasks, the Statutory Audit Board has obtained from the Board of Directors, Company staff and affiliated companies' staff and from the Statutory Auditor, all the necessary information and explanations, for a proper understanding and assessment of business developments, financial performance and position, as well as of risk management and internal control systems.

The Statutory Audit Board has also reviewed the preparation and disclosure of financial information, as well as the statutory audit performed on the individual and consolidated accounts of the Company, having obtained from the Statutory Auditor all the information and explanations requested. Additionally, within the scope of the mandate given to the Statutory Audit Board, it has examined the individual and consolidated balance sheets as of 31 December 2019, the individual and consolidated statements of profit and loss by nature, cash flow statements, statements of comprehensive income and statements of changes in equity for the year ended on that date and related notes.

The Statutory Audit Board verified the effectiveness of the risk management and internal control systems, analysed the planning and results of the internal and external auditors' activity, accompanied the system involving the reception and follow-up of irregularities, approved previously the rendering of non-audit services by the Statutory and External Auditor permitted under the terms of the law, having also exercised its powers regarding the assessment of the independence of the Statutory Auditor and External Auditor, as well as the supervision of the determination of their remuneration.

The Statutory Audit Board has complied with recommendation I.5 of the IPCG Corporate Governance Code, in accordance with the criteria established in the numbers 3 to 5 of article 4 of its Regulation, in order to characterise the relevant level of transactions concluded with qualified shareholders or entities with them in any of the relationships stipulated in the number 1 of article 20 of the Portuguese Securities Code, neither having identified relevant transactions that complied with that criteria, nor identified the presence of any conflicts of interest.

The Statutory Audit Board complied with Recommendations of the IPCG Corporate Governance Code I.2.2, I.2.3, I.2.4, I.3.1, I.3.2, I.5.1, I.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 and VII.2.3.

Being a body predominantly composed by independent members, in accordance with the legal criteria, and professionally qualified to perform their duties, the Statutory Audit Board has developed its competences and interrelations with other governing bodies and Company's services in accordance



with the principles and conduct recommended in the terms of legal and recommendatory provisions, having not received any report relating to irregularities or difficulties in the exercise of its duties.

The Statutory Audit Board has also reviewed the Management Report and the Corporate Governance Report for the year 2019, both issued by the Board of Directors, and the Statutory Auditor's Report issued by the External Auditor of the Company, whose content it agrees with.

Considering the above, the Statutory Audit Board is of the opinion that the consolidated and individual financial statements referred to above were prepared in accordance with applicable accounting, legal and statutory standards and give a true and fair view of the assets and liabilities, financial position and results of Sonae Capital, SGPS, SA and of its main affiliates, and that the report of the Board of Directors faithfully describes business developments, performance and financial position of the Company and of its affiliates and the main risks and uncertainties they face. It also informs that the Corporate Governance report issued complies with article 245-A of the Portuguese Securities Code.

The Statutory Audit Board would like to express its gratitude to the Company's Board of Directors and staff for their cooperation.

### **Opinion**

In face of the above mentioned, we are of the opinion that the Shareholders' General Meeting can approve:

- a) The Management Report, the individual and consolidated Balance Sheets as of 31 December 2019, the individual and consolidated Financial Statements of Profit and Loss by nature, of cash flows, of comprehensive income and of changes in equity for the year ended on that date and related notes;
- b) The profit appropriation proposal of the Board of Directors.

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

Under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code, the members of the Statutory Audit Board hereby declare that, to their knowledge, the information disclosed in the Management Report and other accounting documents, was prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and results of the Company and of its affiliates.

Moreover, the members of the Statutory Audit Board consider that the Report of the Board of Directors faithfully describes business developments, the performance and the position of the Company and of its affiliates and the main risks and uncertainties they face.

Maia, 21 February 2020

The Statutory Audit Board,

António Monteiro de Magalhães

Manuel Heleno Sismeiro

Susana Catarina Iglésias Couto Rodrigues de Jesus



## ***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 Capital S.G.P.S., S.A. (the Group), which comprise the consolidated balance sheet as at 31 December 2019 (which shows total assets of Euro 558.928.705 and total shareholders' equity of Euro 217.978.269 including a consolidated net loss of Euro 12.298.392), 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 Capital S.G.P.S., S.A. as at 31 December 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union

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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**Key Audit Matter****Summary of the Audit Approach**

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**Recovery of Fixed Assets and Inventory – Real Estate Assets**

As disclosed in Notes 10 and 14 of the notes to the consolidated financial statements, the balance sheet presents real estate assets recorded under Property, Plant and Equipment and under Inventory (in a total of Euro 111.804 thousand and Euro 45.915 thousand, respectively).

The relevance of the amounts in question and the degree of judgment associated with the assessment of the recoverability of these assets justify that it has been considered a key audit matter.

The evaluation of the recoverability of this type of asset requires the use of assumptions that always involve some uncertainty, namely cash flow forecasts, estimates of recoverable amounts, obtain market comparable, growth rates, discount rates and sensitivity assumptions.

To evaluate the recovery of real estate assets recorded under Property, Plant and Equipment and under Inventory, we considered the real estate appraisals prepared by independent entities in the previous year and the audit procedures then executed.

Namely, critical analysis to them, in particular the reasonableness of the main assumptions used, and discussed them with the group services whenever deemed necessary. We have used our internal experts in the process of validating the assumptions and methodologies used in these real estate appraisals. We verified if those real estate valuations are still current considering the evolution of real estate market indicators in Portugal and we compared the real estate transactions carried out during 2019 with the value of those valuations

We have verified the adequacy of the disclosures in the consolidated financial statements with respect to these assets.

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**Goodwill Recovery**

The balance sheet presents a Goodwill value of Euro 33.637 thousand.

Considering the relevance of the amount and the complexity and level of judgment inherent in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs), this issue was a key audit matter.

Disclosures are presented in note 2.2 c) about the accounting policy applicable to the Goodwill and in note 12 of the consolidated financial statements.

In order to evaluate the recoverability of these assets, we obtained and analyzed the impairment tests prepared by the Group. Considering the identification and aggregation of CGUs, we have analyzed the reasonableness of the assumptions used in the forecasts, the market conditions and the historical accuracy of the Group in the preparation of forecasts and budgets. We also analyzed the reasonableness of the discount rates used, as well as the perpetuity growth rates, using market comparable and other information in the market, and we reexecuted the model calculations.

We have verified the adequacy of the disclosures in the consolidated financial statements.

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**Deferred tax-assets recovery**

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**Key Audit Matter**

The balance sheet presents Deferred tax-assets value of Euro 20.671 thousand.

The relevance of the amounts in question and the degree of judgment associated with the assessment of the recoverability of deferred tax assets, which requires the use of estimates in the projection of future taxable income and the determination of the taxes required for their recovery, justify that it has been considered a key audit matter.

Disclosures are presented in notes 19 and 2.15 - policies.

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**Summary of the Audit Approach**

In order to evaluate the Group's ability to recover these assets, we have analyzed the budgeting models and Management's assumptions and estimates in relation to the Group's probability of generating sufficient future taxable profits to support the estimated recovery of deferred tax assets. We also evaluate the Group's historical accuracy in the preparation of forecasts and budgets, namely by comparing the tax results obtained with those previously forecast. We have reexecuted the calculations of budgeting models.

We have verified the adequacy of the disclosures in the consolidated financial statements.

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**Contingent liabilities**

As disclosed in Note 32 of the notes to the consolidated financial statements, there are tax contingencies for which no provisions have been recorded, since Management understands that these events will not result in losses for the Group.

The complexity and the degree of judgment inherent in the tax matters in question, as well as the level of uncertainty associated with the outcome, justify that it was a key audit matter.

Disclosures are presented in notes 32 and 2.14 - policies.

The audit procedures we have carried out in this area included understanding of tax and legal contingency assessment procedures; getting and analysis of disputes affecting the Group; analysis of communications with external experts; obtaining and analysis of the answers obtained to the requests for confirmation of the processes carried out by external lawyers; inquiry to the management and to the legal and tax responsible over the estimates and judgments; obtaining and analyzing the opinion of internal specialists; verification of the assumptions used by Management for non-provisioning. We discussed with the Management and with the legal and tax responsible about the estimates, judgments and decisions taken in order to assess the reasonableness of the probability of outcome for each proceeding in accordance with IAS 37, supporting the disclosures made and the non-provisioning.

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**IFRS 16 Adoption - Leases**

As disclosed in note 2.1 of the Financial Statements, the Group adopted IFRS 16 - Leases, through the modified retrospective model, without restating the comparative information.

We obtained the calculation of the impacts of the adoption of IFRS 16 prepared by Management, in order to assess the conformity of the methodology and the assumptions used, with the Accounting Standards.

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**Key Audit Matter**

On January 1, 2019, the impact of the adoption of IFRS 16 resulted in the recognition of assets under right of use in the amount of 51,848 thousand euros, lease liabilities in the amount of 62,478 thousand euros and the corresponding negative change in consolidated equity in the amount of 10,631 thousand euros.

Considering the expression of the amounts in question, as well as the degree of judgment inherent in the set of assumptions and estimates used under IFRS 16, this topic was a relevant matter for the purposes of our audit.

The disclosures are presented in Notes 2.1 and 2.5 - (policies) and Notes 10 and 33 to the consolidated Financial Statements.

**Summary of the Audit Approach**

We have developed procedures to ensure the inclusion of all rental contracts in the analysis process of the impacts of the adoption.

We obtained and analyzed the lease agreements considered relevant and evaluated their proper registration under IFRS 16, considering the contractual terms and clauses, the amounts and future charges to be spent, as well as the lease term.

We analyzed the reasonableness of the incremental interest rate considered, based on the specific characteristics of each lease.

We recalculated the amount of assets under right of use and lease liabilities on the transition date and on December 31, 2019, as well as the respective impacts on the consolidated net result.

We also verified the adequacy of the disclosures presented in the financial statements, based on the statement in the applicable accounting standards and what was considered relevant.

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**Derivative financial instruments**

As mentioned in the consolidated financial statements as referred to in Notes 2.12 - (policies) and 25 of the consolidated Financial Statements, the Sonae Capital Group is exposed to financial risks, essentially in the variability of commodity prices, resulting in market price risks whose management is carried out through the use of financial derivative instruments.

As of December 31, 2019, the balance sheet balances of derivative financial instruments amount to 15,824 thousand euros in assets and 9,566 thousand euros in liabilities.

The valuation of derivative financial instruments is carried out based on observable market data and using valuation models based on cash flow discount techniques, which involve a high degree

The adequacy of the assumptions and data used in the valuation of financial instruments was assessed. Observable data were compared with market information collected from external and independent sources and we analyzed the contractual information.

External confirmations were obtained from the counterparties to the contracts, in order to validate the open positions on December 31, 2019.

The appropriate accounting treatment of the analyzed cases was verified.

We also verified the adequacy of the disclosures presented in the consolidated financial statements, based on the applicable accounting standards.



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**Key Audit Matter****Summary of the Audit Approach**

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of management judgment in defining the assumptions to be used.

The relevance of this topic in the context of the consolidated financial statements, the degree of judgment associated with the valuation and the complexity associated with the accounting treatment, justify that the derivative financial instruments have been a relevant matter for the purposes of our audit.

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**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 and 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. 508-G of the Portuguese Company Law***

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity stated in its Directors' report that it will prepare a separate report of the Directors' report that will include the non-financial information set forth in article No. 508-G of the Portuguese Company Law, which should be published on its website until the legal deadline.

#### ***Corporate governance report***

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

#### ***Additional information required in article No. 10 of the Regulation (EU) 537/2014***

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Entity in the Shareholders' General Meeting of 31 March 2011 for the period from 2011 to 2012, having remained in functions until the current period.

Our last appointment was in the Shareholders' General Meeting of 3 May 2019 for the period from 2019 to 2020.

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 at the same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

21 February 2020

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Joaquim Miguel de Azevedo Barroso, 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 Capital S.G.P.S., S.A. (the Entity), which comprise the balance sheet as at 31 December 2019 (which shows total assets of Euro 670.621.755 and total shareholders' equity of Euro 531.513.716 including a net profit of Euro 2.278.295), 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 Capital S.G.P.S., S.A. as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***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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**Recovery of financial investments**

As disclosed in the individual financial statements, at 31 December 2019, Sonae Capital, S.G.P.S., S.A. holds financial investments on group companies in the amount of Euro 236 million, which are measured at cost. The valuation of financial investment is considered a key audit matter, because changes caused by events or circumstances that adversely affect the performance of the investees may lead to non-recoverability of the book value of these assets. Impairment tests are performed on the financial investments whenever an event or change in circumstances is identified that indicates that the asset may not be recovered. The valuation model used is the discounted cash flow model. To build this model, management incorporates judgments based on assumptions about cash flow projections, real estate fair value differentials, perpetuity growth rates and discount rate to be applied.

Disclosures are presented in notes 2.4 and 4.1 - policies.

In order to validate the assumptions and judgments made by management in the valuation of financial investments, we perform the following procedures:

- a) assessment of whether or not there is evidence of impairment in financial investments; and
- b) obtaining and analyzing the impairment tests of the financial investments, in the applicable cases.

The analysis of impairment tests, based on discounted cash flow models, involved the following procedures:

- a) evaluate the reasonableness of the projections of future cash flows, comparing with historical performance; and
- b) appreciation of the estimates and judgments made by the management body, underlying the relevant assumptions that support the model.

The analysis of impairment tests, based on the fair value of real estate, involved the following procedures:

- a) verify if the real estate valuations performed by independent entities obtained in previous years are still current
- b) analysis of the evolution of real estate market indicators in Portugal
- c) comparison of real estate transactions carried out during 2019 with the value of the valuations obtained in previous years

We compare the recoverable amount obtained in the valuations with the book value of the financial investments and appreciate the reasonableness of the impairments recorded by the Entity.

We have verified the adequacy of the disclosures in the consolidated financial statements.

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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; and
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law 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 financial statements and, taking into account the knowledge and assessment about the Entity, 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 stated in its Directors' report that it will prepare a separate report of the Directors' report



that will include the non-financial information set forth in article No. 66-B of the Portuguese Company Law, which should be published on its website until the legal deadline.

### ***Corporate governance report***

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

### ***Additional information required in article No. 10 of the Regulation (EU) 537/2014***

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of the Entity in the Shareholders' General Meeting of 31 March 2011 for the period from 2011 to 2012, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 3 May 2019 for the period from 2019 to 2020.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud,
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board at the same date.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

21 February 2020

PricewaterhouseCoopers & Associados  
- Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Joaquim Miguel de Azevedo Barroso, R.O.C.

[www.sonaecapital.pt](http://www.sonaecapital.pt)

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