2020

An exceptional year

Annual Report

SOGRAPE

With an exception.
Unparalleled. Unusual.

Just when it seems you have thought of, anticipated and planned everything… 2020 happens.
Exceptional in every sense. Global at all times.

A reaction is needed. But much more than this is needed as well.
One must adapt, improvise, find solutions. To survive, reborn and prosper is vital.
This is what we did.

During the greatest challenge in this century's human history, we proved what we are made of: strength of will, desire and passion to overcome and make things happen.

At a time of being locked inside and far apart, we found new possibilities and explored new ways of working to keep producing the best wines.
We developed projects and launched new products. We achieved extraordinary results and feats which, now more than ever, did justice to the reason of our existence:

to bring Friendship and Happiness to everyone we touch through our wonderful wines.

And since not all achievements are reflected in numbers,
we proved how courage and determination run in our blood, and how
RESILIENCE IS IN OUR NATURE.

Contents

In conversation with Fernando da Cunha Guedes

In your opinion, what is an exceptional year?

A year can be exceptional for many reasons, but 2020 was exceptional because the exception was the rule. The year was truly unusual, with a crisis that radically changed everything we had envisaged to do, forcing us to adapt, reinvent and adjust to a reality quite different from what we had planned. Therefore, for Sogrape, this exceptional year was synonymous with a truly demanding, but also extraordinary time. Demanding because of the constraints which affected our people and our business, but also extraordinary for everything we achieved: despite the adversities, we really outdid ourselves, and with positive results, nonetheless.

In a few short words, how would you describe 2020 for Sogrape?

2020 had several phases. The first quarter was going extraordinarily well! Sogrape was coming from a growth cycle, our brands were experiencing good market performance, and over the first months of the year we were on a path

"By safeguarding their well-being and safety, we were able to motivate teams to lessen the impacts of this whole situation on our lives and our business."

we had intended to follow for all of 2020.

But in March, with the surge of COVID-19, this path was completely changed. There was an initial period of great anxiety and uncertainty where we had to stop, take a deep breath and take care of our people. By safeguarding their well-being and safety, we were able to motivate teams to lessen the impacts of this whole situation on our lives and our business.

At this time, we embarked on a true internal movement which encouraged everyone at the company to do something new and different, in a process of reinvention which made us quite confident. We felt people's enthusiasm, their shared commitment to this undertaking, and really began to see the company react! In a very introspective, inward-looking second quarter, we prepared everything to get the machine going again. Even though we never really stopped! Sogrape is lucky to have a highly diversified business. We have diversity in our brands, markets, channels and consumers, which is why – at the peak of the pandemic – we were able to find room to grow

to better develop our business. Of course, exposure to on-trade and tourism affected us in some markets, but in truth, we were able to reallocate resources to capitalise on all of the opportunities arising in the meantime. In this way, we were able to balance our business activities. This is how we started the third quarter, from the key perspective of business reactivation. First, because the whole world was adjusting to this new situation, and consumption began to appear, but also because the internal projects we had started in the previous quarter were beginning to pay off.
As such, we embarked on the fourth quarter with a tremendous boost of confidence and motivation to wrap up the year much better than the previous months, although far from what we had achieved in 2019.
Overall, from a business standpoint, of particular note was our teams' ability to react to end 2020 with sales just slightly below the previous year. Additionally, cost containment and efficient internal processes allowed us to maintain our overall levels of profitability, even with more than three months of consolidation of our affiliate Liberty Wines, together with some gains from the disposal of non-operational assets. Sogrape thus ended the year with a higher EBITDA and net profit than in 2019, which is particularly noteworthy given the circumstances being experienced by the company, the sector, the country and the world.

During the pandemic and its ensuing instability, how easy was it for Sogrape to adapt?
We can always do more and better, of course. But at Sogrape, for lack of a better word, we have been lucky in recent years to have done lots of work on leadership. We have invested in making our company increasingly more agile and innovative, more outward-looking, more collaborative, and most of all closely aligned with the direction we must take to reach our intended destination. I was pleasantly surprised – and I say this with great pride – with the speed and intensity demonstrated by our teams to reinvent themselves and face this completely new reality.

Looking back now, what are you most proud of? What was the biggest take the shot in 2020?
I would say there was no one take the shot that outdid the others. Looking back, what really makes me proud is this ability to react, recover and outdo ourselves as a team and as a company. And the fact that we are concerned not only about the present, giving everything to hold on tight to the business, but also showing our ability and insight to prepare the company for the future in an exercise of combining knowledge of current trends in the sector with everything new brought by the COVID-19 pandemic.

Where did you look for strength and inspiration to get through this crisis? How important was the Purpose in a year as adverse as the last one?
Sogrape began in times of war and has always been propelled by a strong sense of purpose. We believe that crises give rise to opportunities, we have faith in people's ability to overcome, and we value the strength and power of dreams. This

is how we looked at 2020, inspired by continuing to contribute to something bigger than ourselves. This is what the Purpose really is! An emotional vision rooted in our very genesis which creates a sense of belonging, reveals a direction and ultimately creates value. In a year like 2020, this alignment, motivation and ambition were all critical!

2020 ended big with the unveiling of the group's new business strategy. Where do you go from here?

Inspired by our very purpose of "bringing Friendship and Happiness to everyone we touch through our wonderful wines," we have created a strategy aimed at highlighting everything we have built and have in-house, and thus leveraging even more value.

For this reason, we have stayed on a path of focus, emphasising the need to reallocate internal resources to what we believe are the biggest future opportunities.

Having said that, these new strategic guidelines in no way rule out everything happening

in today's world, and which the pandemic has accelerated. Sogrape must now read, absorb and react to respond to a wide variety of new emerging trends. These include new ways and times of consumption, new underlying concerns in consumer choices, new ways of marketing our products and many others.
We are also aware that our strategy cannot exclusively entail our products. These days, it is increasingly more important for us to be close to the markets and to our customers, building a perfect partnership with them to address the challenges we are now facing. My grandfather used to say, "first we make friends, then we do business".
In the end, we will have to create a closer relationship with our stakeholders, offering them an experience that can surpass their expectations.
Finally, thanks to the great work we have been doing in our range of fine wines, we believe it is time to get value from a path proudly travelled!
In the various wine regions where we are present, we have been investing in quality for many years, building this opportunity that finally seems to have come for Portuguese wines.
Of course, all of this takes an efficient, resilient and aligned company. The issues of innovation and agility are very important, but only a strong, courageous and ambitious team can make us keep doing what we set out to do, guaranteeing our business longevity.

"Sustainability has been an underlying principle for Sogrape at every level since day one."

In a company of wines and much more, can one talk about the future without talking about sustainability? How important is this issue to Sogrape?
Sustainability is just as important to Sogrape today as it has always been, although this topic is currently on everyone's strategic agenda.
Sustainability has been an underlying principle for Sogrape at every level since day one. We are always concerned about people, our local communities, protecting the environment and ensuring the continuity of the sector and our business. The difference now is that this entire dossier, which in our case is made by conviction, is now structured in a robust programme with specific indicators to monitor it over time. This is undoubtedly a new dynamic, but whose essence still has a highly long-term goal of making the environment we are part of even better!
Note that, since this is a long-term commitment and conviction,
I am truly excited to see the fourth generation of the Guedes family embrace this challenge personally.

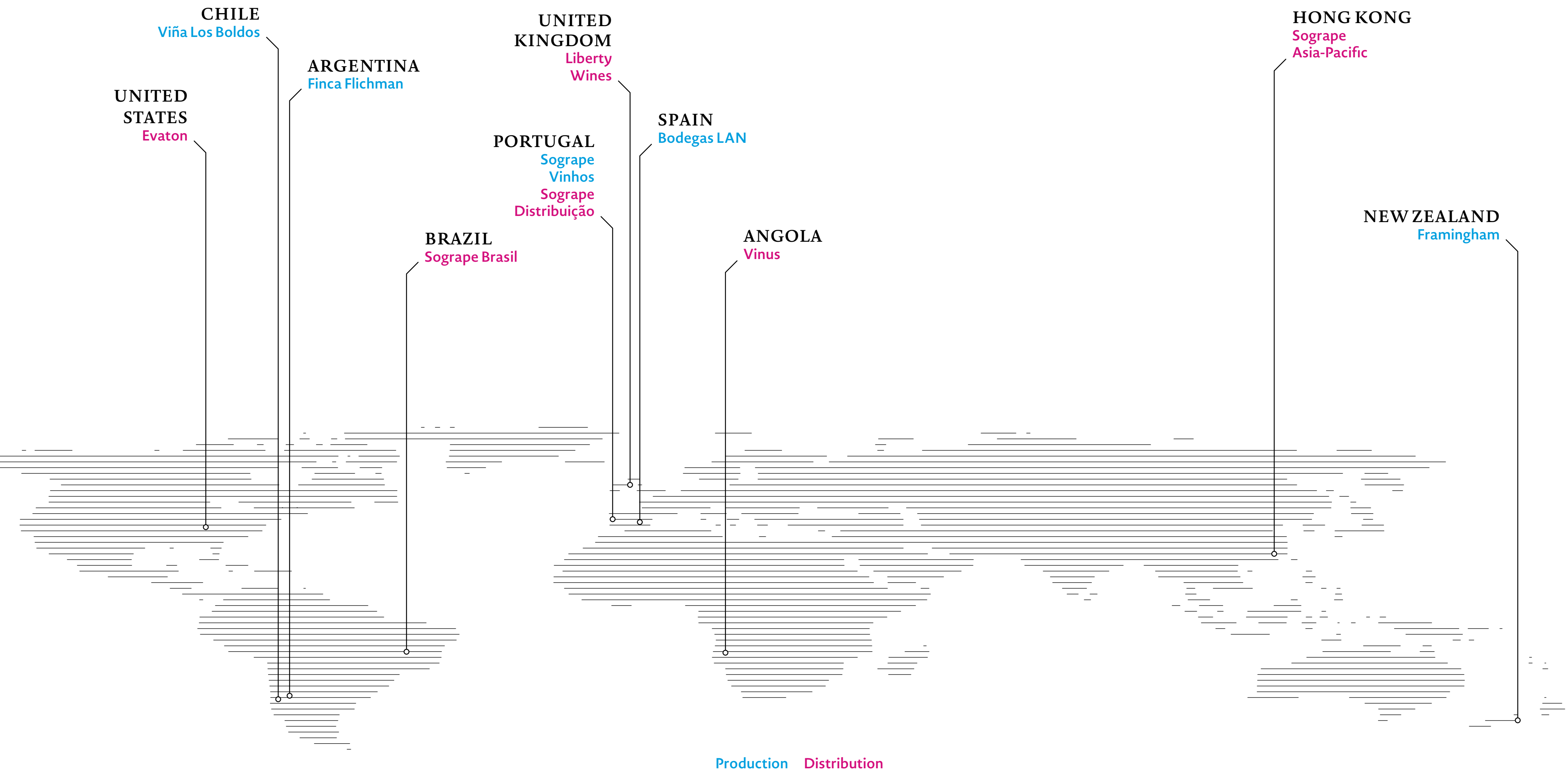
Since the company has a Purpose, a dream and a strategy, would you say that Sogrape is now at a turning point? Is it where it wanted to be?
Sogrape is on a journey towards a dream, so I can't say we are now where we wanted to be. What we do have are all of the ingredients needed to continue down this path, celebrating many victories along the way! We know where we are, where we want to go and who is along for the ride.

What are the prospects for 2021?
We began the year with some lingering uncertainty, but with hopes and expectations for the near future. The facts bear out unprecedented scientific progress. We have faith in the plans to lift lockdowns we have seen on a global scale and are optimistic about a rebound in the sector. We will continue to invest substantially in our people, brands and markets, while also aspiring to expand to support the major growth plan we have for the coming years.

As such, we hope to recover our 2019 business position in 2021, while maintaining profitability levels in line with 2020.
If I had to choose one word for 2021, it would be: ambition. And determination! We are truly committed to making this a great year!

"We will continue to invest substantially in our people, brands and markets, while also aspiring to expand to support the major growth plan we have for the coming years."

Sogrape world



Governing Bodies

Sogrape SGPS, S. A.

Francisco Valadares Souto
Fernando da Cunha Guedes
Raquel Seabra
Bernardo Brito e Faro

March 2021

Board of Directors

PRESIDENT
Fernando da Cunha Guedes

VICE-PRESIDENT
Francisco José Garcia de Valadares Souto

Bernardo José Azeredo e Noronha de Brito e Faro

Raquel Filipe Seabra de Sousa Castelo Branco

Shareholders' General Meeting

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Pedro Pessanha

SECRETARY
Cláudia Santos Dias

Company Secretary

João Manuel Lima Engrácia Antunes

Statutory Audit Committee

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Maria Luísa Coutinho Ferreira Leite de Castro Anacoreta Correia

Cristina Maria da Costa Pinto

Luís António Costa Reis Cerquinho da Fonseca

Statutory External Auditor

PriceWaterhouseCoopers & Associados – SROC, Lda.

REPRESENTED BY:
António Joaquim Brochado Correia
OR BY:
Joaquim Miguel de Azevedo Barroso

Functional organisation

PRESIDENT
Fernando da Cunha Guedes

VICE-PRESIDENT
Francisco Valadares Souto

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CHIEF PEOPLE AND TRANSFORMATION OFFICER
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Miguel Pessanha

CHIEF MARKETING & SALES OFFICER PORTUGAL
João Gomes da Silva

CEO LAN
Enrique Abiega

CHIEF OF INTERNATIONAL CLUSTER & SOGRAPE PUBLIC AFFAIRS
Raquel Seabra

FINCA FLICHMAN
Diego Levy

VIÑA LOS BOLDOS
Sebastián Phillips Montes

FRAMINGHAM
Tom Trolove

SOGRAPE DISTRIBUIÇÃO
Júlio Martins

EVATON
Stephen Brauer

LIBERTY WINES
David Gleave

SOGRAPE ASIA-PACIFIC
Luís Gândara da Silva

SOGRAPE BRASIL
Carlos Santo Gomes

VINUS
Edgar Sousa

Our value chain

VITICULTURE

Grape production in 12 wine-growing regions spread over 5 countries of origin, on around 1,600 hectares of vineyards.

OENOLOGY

19 wineries with a production capacity of more than 50.000 litres of wine.

BOTTLING

16 automatic bottling lines.

MARKETING & COMMERCIAL

A marketing and sales team for all the brands of the Group.

DISTRIBUTION

Presence in more than 120 countries and own distribution in 6 key markets.

Business strategy

Growth Branches

Where we aim to grow our business.

- Maximize portfolio potential
- Generate enthusiasm in consumers
- Strengthen the relationship with our commercial partners
- Elevate our Fine Wines

HOW TO GET THERE

Growing Sogrape's vine tree for the future, ensuring that its roots, trunk, and branches are all balanced and aligned to overcome challenges in the wine sector.

Organizational Trunk

How we will maintain cohesion as a Group.

- Empower Peak Performance
- Strive for Agility & Innovation
- Develop Resilience & Efficiency

Sustainability Roots

What we must nurture to ensure our business's longevity.

- Pave the way to a healthier planet
- Safeguard our legacy on its journey into the future
- Inspire happier and more responsible lives

OUR PURPOSE

The reason of our existence and therefore at the heart of our Strategy.

Sustainability

Building on a Global Sustainability Approach, and actively contributing to the UN Sustainable Development Goals, we are ready to re-shape how we do business to build a more sustainable and inclusive future.

Our approach to sustainability builds on our Purpose. We want to grow our business whilst being a catalyst for positive societal change and respecting the limits of the planet. This means building on our culture of Friendship and Happiness to re-shape our business in a way that preserves, respects and protects the places and communities where we do business. We want to work closely with our brands and suppliers to help them improve their environmental footprint and to empower small wine producers and employees.

Great figures 2020

Nº1
In Portugal

>1.100	Employees	Business units on 5 continents	11

Key Performance Indicators

249,5M€	Million in turnover	Relative gross margin	37%
>30	Brands	Net profit	19.9M€
>120	Markets	Financial autonomy	57%
42,2M€	EBITDA	Net debt/EBITDA ratio	1,4
9%	ROCE	Worldwide investment	14M€

Key Production Indicators

> 1.600	Hectares of vineyard
> 10.000	Tonnes of grapes produced
12	Wine-growing regions
> 50.000.000	Winemaking capacity (liters)
> 150	Bottles sold per minute

R&D, Innovation and Sustainability Indicators

33	R&D projects developed by Sogrape during 2020
131	Institutions belonging to the Sogrape R&D ecosystem
555	Difference in milliseconds in observing a label with and without an image by an everyday consumer (EYE4WINE Project)
876	Wines tasted to determine stylistic profiles (PROFILER Project)
1.574	Vine leaves analysed to compose a song (CLIMATEUROPE Project)
27.110	Pixels used in a model for the aerial detection of stressed vines (TERMOPHI Project)
2.710.400	Hectares on the Iberian Peninsula above the ideal temperature to produce Aragonez/Tempranillo from 1979-2020 (MED-GOLD Project)

Annual highlights

Launch of Mateus Dry Rosé in the USA

A new interpretation of rosé, Mateus Dry follows the brand's pioneer spirit and addresses a growing market trend. Launched only in the United States for the time being, this wine is inspired by the expressive *Provence* profile and its elegant aromas, with the seal of quality and freshness which characterise the brand.

FEB

APR

Sogrape's debut in e-commerce at Vinhoemcasa.com

In view of the extended lockdowns and closing of retail spaces, Sogrape saw an opportunity to enter the online business by launching the Vinhoemcasa.com platform in Portugal to sell wines and spirits from its portfolio in a practical, fast and secure manner, with deliveries throughout the entire country.

Finca Flichman focuses on renewable energy

Continuing Sogrape's commitment to install solar power plants throughout the world, Finca Flichman has been generating its own solar power since April at its winery in Barrancas, Mendoza. The producer now follows several economically profitable practices which respect the social sphere and the environment. This plant is the first phase of an energy efficiency project in progress at the Argentinian producer. Taken together, its 46 solar panels avoid the emission of 15 tonnes of CO_2 per year.

Evaton adds Casa Ferreirinha and Porto Ferreira

To strengthen its focus and presence on the American market, and to consolidate the Group's Portuguese wine portfolio with Evaton, Casa Ferreirinha and Porto Ferreira have been added to this subsidiary's distribution, bringing solid Douro credentials and experience to its offering.

Customer Portal: a platform for sharing

Aimed at more than 300 partners, this platform offers important marketing tools and information which can be easily consulted and shared between teams. The launch of the Customer Portal has improved working methods by providing fast, secure and efficient access to information which is continuously updated.

Support for the HORECA channel with aCarta

Sogrape's IT department developed "aCarta" to help one of the most affected sectors by the COVID-19 pandemic go back to business. This platform creates digital menus, and is available free of charge to all bars and restaurants in Portugal.

MAY

Signing of the BCSD Portugal sustainable manifesto

Sogrape signed the *Leveraging the crisis for a paradigm shift in sustainable development* manifesto sponsored by the Business Council for Sustainable Development (BCSD) Portugal. With this step, it joins another 93 entities in a commitment to build a model based on promoting sustainable and inclusive development, growth, search for efficiency and the added resilience of corporate citizenship.

JUN

Viña Los Boldos online store

Since June, the Group's wines produced in the Cachapoal Valley have been just one click away throughout Chile through the online store launched by Viña Los Boldos. The focus on e-commerce comes in the wake of restrictions imposed by the lockdown, ensuring greater consumer proximity and capitalising on new ways of doing business.

Record of 6 million bottles

Sogrape's production unit in Avintes, Vila Nova de Gaia broke its record with around 6 million bottles produced. Three fully functioning lines bottled around 140 bottles per minute throughout the month, with Mateus at the head of the race. This record was due to high demand in certain markets such as Russia, the United States, Italy, Spain and the United Kingdom, which did not slow down despite the circumstances.

JUL

Launch of LAN online store

With the pandemic, the LAN team embraced a business opportunity in the online world to achieve greater proximity with its consumers. With the launch of lanencasa.com, the Spanish producer has reinforced its digital strategy, seeking to boost brand awareness and visibility and win a portfolio of loyal customers.

New wine tourism experience at Ferreira Cellars

Benefiting from a substantial renovation and historical immersion project, the Ferreira Cellars in Vila Nova de Gaia have reopened their doors with new spaces dedicated to Dona Antónia, the Douro and Vintage Ports. Located in the emblematic Cruz Warehouse, which dates back to 1825, these new venues offer a visitor experience rooted in authenticity, history and heritage.

AUG

Finca Flichman e-commerce

As part of its strategy of prestige, innovation and consumer proximity, Finca Flichman has launched an online store to bring its wines to all of Argentina, in a step contributing towards its ambition to become one of the country's most prestigious wine companies.

SEP

Call to Action of Business for Nature

On the path it has forged towards sustainable development, Sogrape has subscribed to the *Call to Action of Business for Nature*, as the only Portuguese wine company of the more than 500 signatories to this global coalition, which calls attention to the world's governments on the need for policies to reverse natural degradation and the loss of diversity in this decade.

New Sandeman website

Focused on a better, more streamlined browsing experience, the new Sandeman website has been launched with a renewed, more dynamic and compelling design. Based on a premium look and feel, the product is shown in a more innovative and interactive way in a completely mobile-responsive channel, which also features new content, such as a section dedicated to the awards won by the brand, and The Sandeman Gallery, where one can revisit its extraordinary heritage, recalling pieces, designs, paintings and other works which are part of the collective imagination.

Solar power in Anadia

Commissioned in November, the solar power plant installed at Sogrape's winery in Anadia, Portugal is the Group's latest self-consumption production unit, on the path towards achieving carbon neutrality in the near future. Equipped with 403 solar panels covering 806 m^2, this plant will provide annual energy savings of 15% and avoid the emission of 116 tonnes of CO_2 each year.

NOV

Walk for Sograpiness: walking for mental health

To end the year on a high note, Sogrape challenged its employees to support a cause deeply affected by the COVID-19 pandemic. Giving life to the spirit of Friendship and Happiness, our employees from around the world travelled more than 4,000 km during the *Walk for Sograpiness* solidarity walk, raising more than €8,000 in donations for the World Federation for Mental Health, an international organisation which supports mental health on a worldwide scale.

DEC

Recognition

In 2020, Sogrape had more than 2,000 news items published about the company and its brands, and received more than 100 medals for its wines and 10 special awards. Here are some of the most important!

Video "It's in our nature to carry on"

Canopus Winner
Vega Digital Awards

David Gleave, Liberty Wines

Top 100 Most Influential People in Wine
Drinks Retailing

Framingham

#11 Top Wineries of New Zealand 2020
The Real Review

Viña Los Boldos

Selo Confianza Turística
Sernatur – Serviço Nacional de Turismo do Chile

Sogrape and Mateus

Industry Reputation
Global RepScore Pulse, On Strategy

Liberty Wines

On Trade Supplier of the Year
The Drinks Business Awards

CASA FERREIRINHA

92
Decanter
Casa Ferreirinha Quinta da Leda 2016

91
Wine Enthusiast
Casa Ferreirinha Vinha Grande Tinto 2018

93
Decanter
Casa Ferreirinha Quinta da Leda 2008

HERDADE do PESO

92
Wine Enthusiast

91
Wine Spectator

17
Jancis Robinson

Herdade do Peso Reserva 2017

Platinum
Decanter World Wine Awards
Herdade do Peso Trinca Bolotas Tinto 2018

93
Wine Enthusiast
Herdade do Peso Essência do Peso 2017

QUINTA DOS CARVALHAIS

92	Wine Enthusiast	Quinta dos Carvalhais Encruzado 2019
17	Jancis Robinson	Quinta dos Carvalhais Branco Especial
94	Decanter	Quinta dos Carvalhais Branco Especial
91	Wine Spectator	Quinta dos Carvalhais Único 2015
17	Jancis Robinson	Quinta dos Carvalhais Único 2015
95	Wine Enthusiast	Quinta dos Carvalhais Reserva Tinto 2017

LEGADO

98 Decanter

17 Jancis Robinson

Legado 2014

SÉRIE ÍMPAR

93 Wine Spectator

17 Jancis Robinson

Série Ímpar Sercialinho 2017

SANDEMAN

ESTº 1790

Geo. G. Sandeman and Sons Co. Ltd.

95 Wine Advocate

96 Wine Enthusiast

95 Decanter

94 Wine Spectator

Sandeman Porto Vintage 2018

17 Jancis Robinson

92 Decanter

Sandeman Porto 20 Years Old Tawny

95 Decanter

Sandeman Porto 40 Years Old Tawny

96 Decanter

Sandeman Porto 30 Years Old Tawny

OFFLEY
EST 1737
PORTO

92
Decanter

96
Wine Enthusiast

93
Wine Advocate

Offley Porto Vintage 2018

FERREIRA
ESTº 1751
PORTO

100
Wine Enthusiast

95
Wine Advocate

94
Wine Spectator

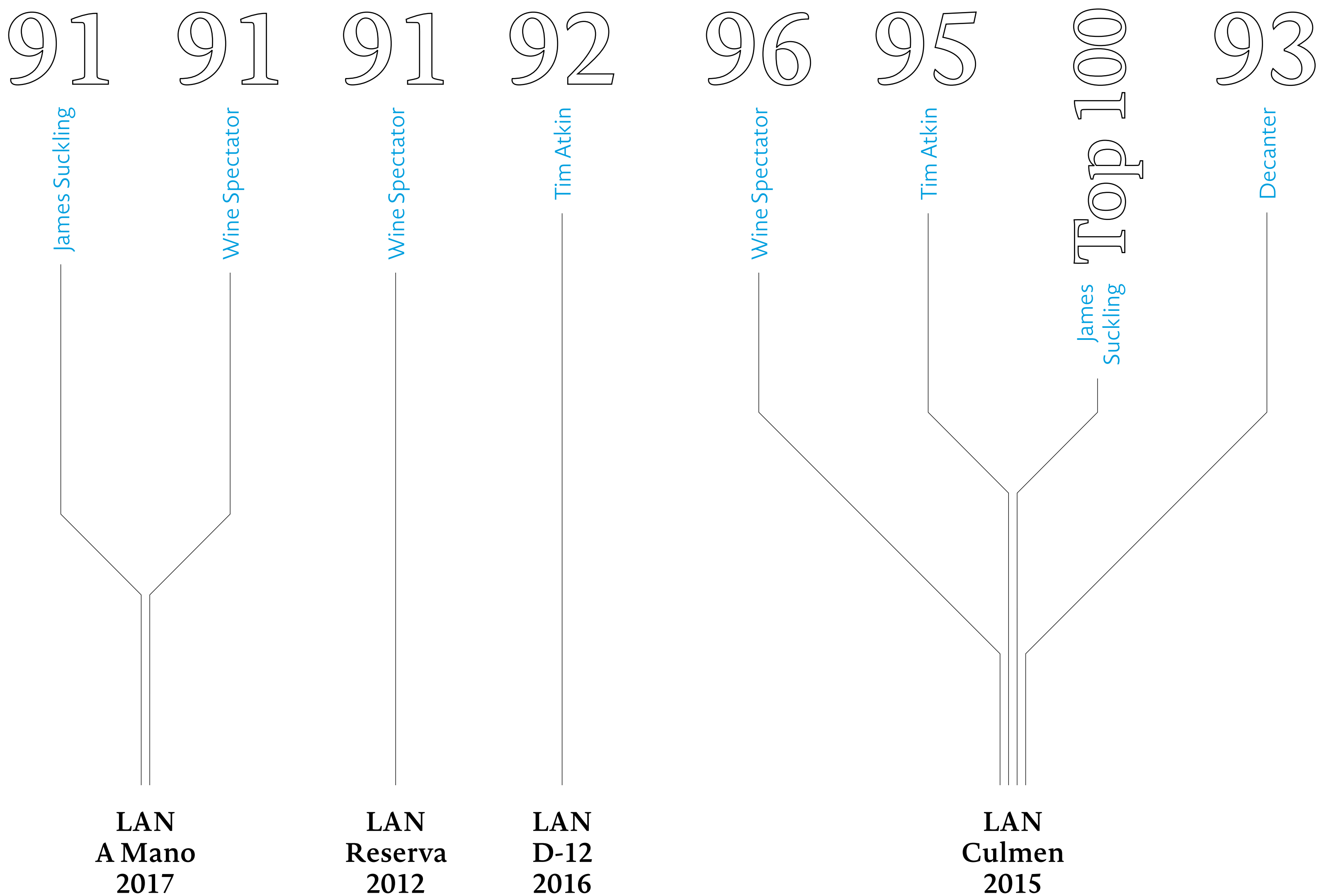
95
Decanter

Porto Ferreira Vintage 2018

Wine Trophy
International Wine & Spirit Competition

Porto Ferreira Quinta do Porto Vintage 2017

LAN
RIOJA


91
James Suckling
91
Wine Spectator
91
Wine Spectator
92
Tim Atkin
96
Wine Spectator
95
Tim Atkin
Top 100
James Suckling
93
Decanter
LAN
A Mano
2017
LAN
Reserva
2012
LAN
D-12
2016
LAN
Culmen
2015

LAN
RIOJA

LAN A Mano 2016	94	Tim Atkin
LAN Crianza 2017	91	James Suckling
LAN Xtrème 2016	92	Decanter
LAN Viña Lanciano 2015	93	Tim Atkin
LAN Viña Lanciano 2015	92	James Suckling
LAN Reserva 2015	91	James Suckling
Santiago Ruiz 2019	91	James Suckling

FRAMINGHAM

95
Decanter
Framingham Noble Riesling 2018

92
Wine Enthusiast
Nobody's Hero Sauvignon Blanc 2019

93
Wine Enthusiast
Top 100
Wine Enthusiast
Framingham Sauvignon Blanc 2019

92
Decanter
Framingham Classic Riesling 2019

92
Wine Enthusiast
Nobody's Hero Pinot Noir 2019

91
Wine Spectator
Framingham Noble Riesling 2019

91
Decanter
F-Series Sauvignon Blanc 2017

VIÑA LOS BOLDOS
FAMILY WINE ESTATE

96	Descorchados	Château Los Boldos Grand Clos 2018
94	Descorchados	Château Los Boldos Vieilles Vignes 2019
92	Decanter	Château Los Boldos Grande Réserve 2018
92	Descorchados	Château Los Boldos Specialty Series Rosé 2020
93	Drinks Business	Château Los Boldos Grand Clos 2017
91	Tim Atkin	Amalia Grand Cru 2015
92	Descorchados	Château Los Boldos Specialty Series 2017

FINCA
FLICHMAN
EST. 1910

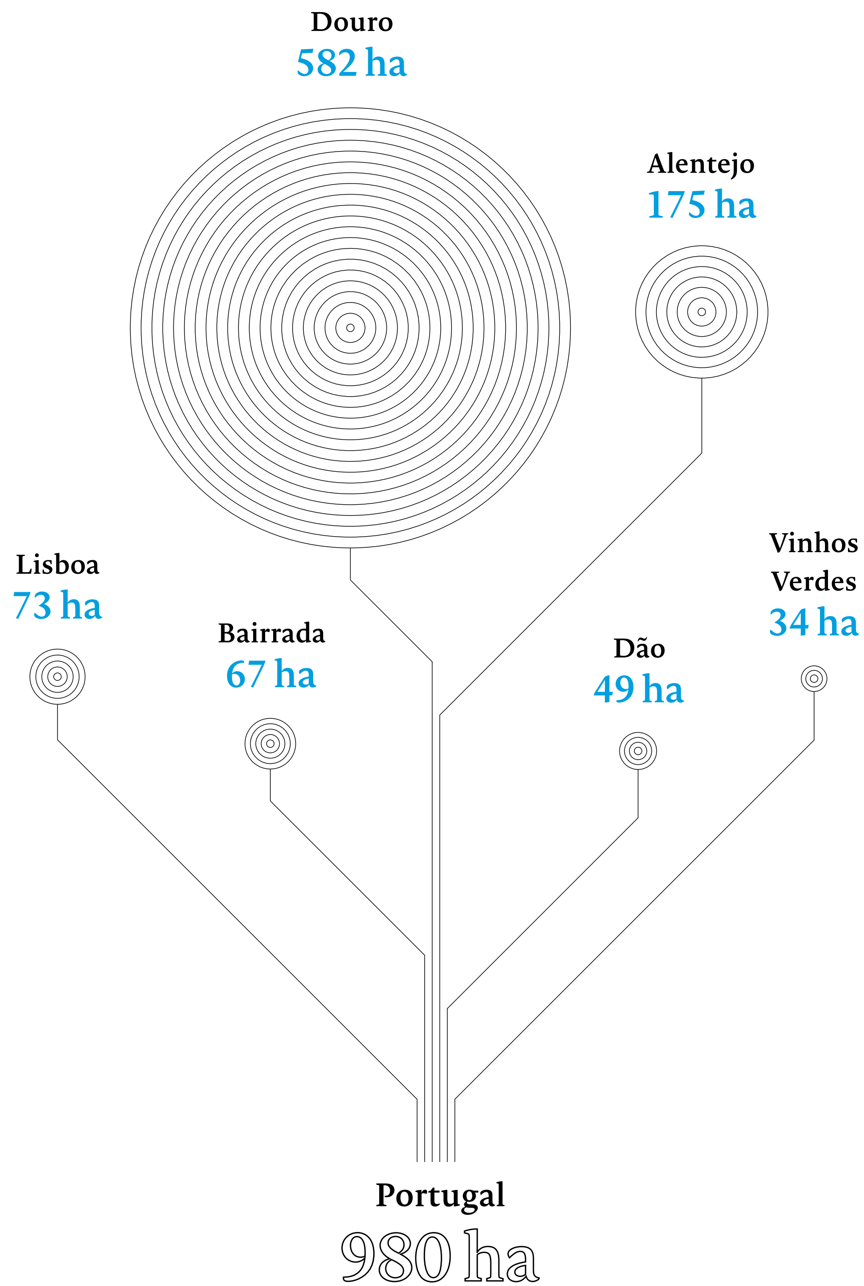
Dedicado Tupungato Chardonnay 2019	91	Tim Atkin
Dedicado Gran Malbec 2017	93	James Suckling
	92	Decanter
Dedicado Microterroir Gravel & Stone 2017	92	Tim Atkin
	93	James Suckling
Dedicado Tupungato Chardonnay 2017	92	Decanter
Dedicado Gran Corte 2017	91	Tim Atkin
	93	James Suckling
Dedicado Microterroir Sand & Silt 2017	92	Tim Atkin

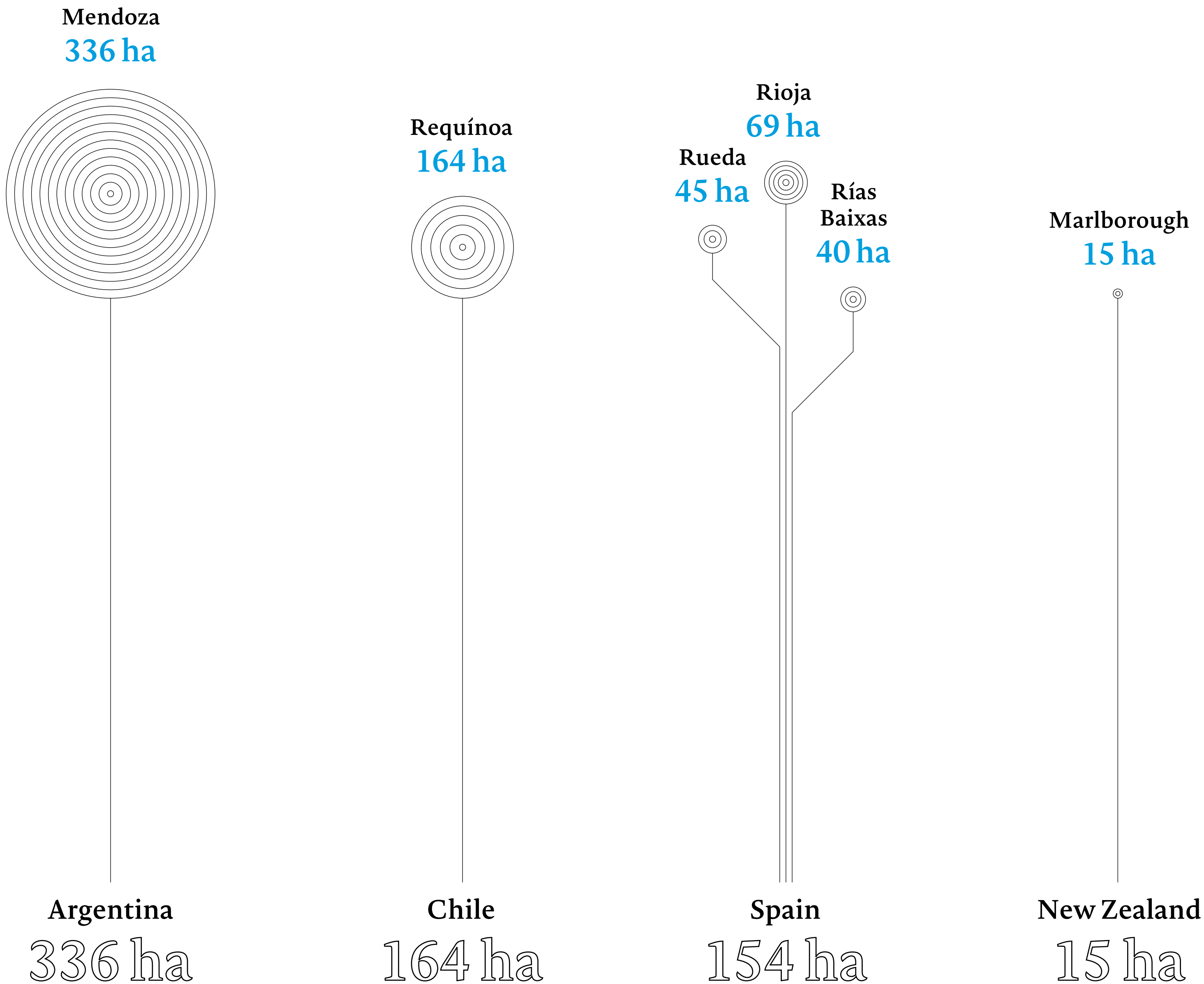
Our harvests

A very promising year

In 2020, even with the generally favourable weather conditions, world production was below average for the second year running, estimated at 258 Mhl. Production in Europe was around 159 Mhl, 5 % higher than in 2019 (152 Mhl), with major wine producing countries such as Italy, France and Spain having fluctuations compared to 2019. Southern hemisphere origins had production declines in most producing countries, with the most significant changes occurring in Argentina, Australia and Chile. New Zealand and South Africa were the exceptions.

In the origins where Sogrape is present, there is nothing better than the perspective of each winemaker on the regions under their responsibility for managing expectations!


Douro
582 ha
Alentejo
175 ha
Lisboa
73 ha
Bairrada
67 ha
Dão
49 ha
Vinhos Verdes
34 ha
Portugal
980 ha


Mendoza
336 ha
Requínoa
164 ha
Rioja
69 ha
Rueda
45 ha
Rías Baixas
40 ha
Marlborough
15 ha
Argentina
336 ha
Chile
164 ha
Spain
154 ha
New Zealand
15 ha

Portugal

"2020 was a of course a challenging year! Hot, dry and with strong early maturations, it fortunately gave rise to white wines with excellent balance and vibrant acidity, and reds with great structure and well-ripened fruit."

Luís Sottomayor
DOURO WINEMAKER

"A harvest of low production, as was the case throughout the sector in Portugal, but marked by the freshness, elegance and harmony of the wines from Quinta dos Carvalhais."

Beatriz Cabral de Almeida
DÃO WINEMAKER

"2020 was a year of outstanding balance between a firm acidity and an aromatic profile of mature fruit. It was an excellent year for whites and rosés in the Atlantic regions, from north to south. The reds show an intense profile of mature tannin."

António Braga
MATEUS, VINHOS VERDES, DÃO, BAIRRADA AND LISBOA WINEMAKER

"In Portalegre, Alto Alentejo, 2020 was an excellent year. Nature provided wines offering a balance between elegance, freshness, maturation and uncommon structure. The wines of Vidigueira, Baixo Alentejo demonstrated this sub-region's tremendous consistency in quality."

Luís Cabral de Almeida
ALENTEJO WINEMAKER




Spain

"The 2020 harvest in Rueda was marked by the global pandemic, but was undoubtedly a unique harvest in many ways, to be remembered for all time for the high quality of the CRDO Rueda wines."

Olga Tormo
RUEDA WINEMAKER

"It was a year of abundant precipitation and, as a result, great vitality. At Bodegas LAN, we harvested before the last rains to keep the grapes healthy. It was a year of very high quality, with truly balanced wines in terms of acidity and alcohol content, and with mature, silky tannins."

María Barúa
RIOJA WINEMAKER

"The 2020 harvest was marked by unusual weather in the region, with a hotter and rainier autumn than normal, a warm and dry winter, a hot spring and a tropical climate in the summertime. This resulted in a premature harvest of low quantity, but with healthy grapes, good levels of sugar and highly balanced acidity."

Luisa Freire
RÍAS BAIXAS WINEMAKER

New World

"This harvest will surely be remembered as the most challenging in history for everything that happened during the year. At the vineyard, the clusters yielded less fruit, and there was some dehydration because of the heat. Even so, the 2020 wines are very intense in colour, and stand out for their fruity over spicy aromas."

Rogelio Rabino
MENDOZA E TUPUNGATO — ARGENTINA WINEMAKER

"After a hot summer, the weather became somewhat volatile in autumn, but the grapes matured slowly, allowing us to achieve good quality. The 2020 wines have less alcohol, but are more delicate, in line with a style appreciated by more and more by connoisseurs."

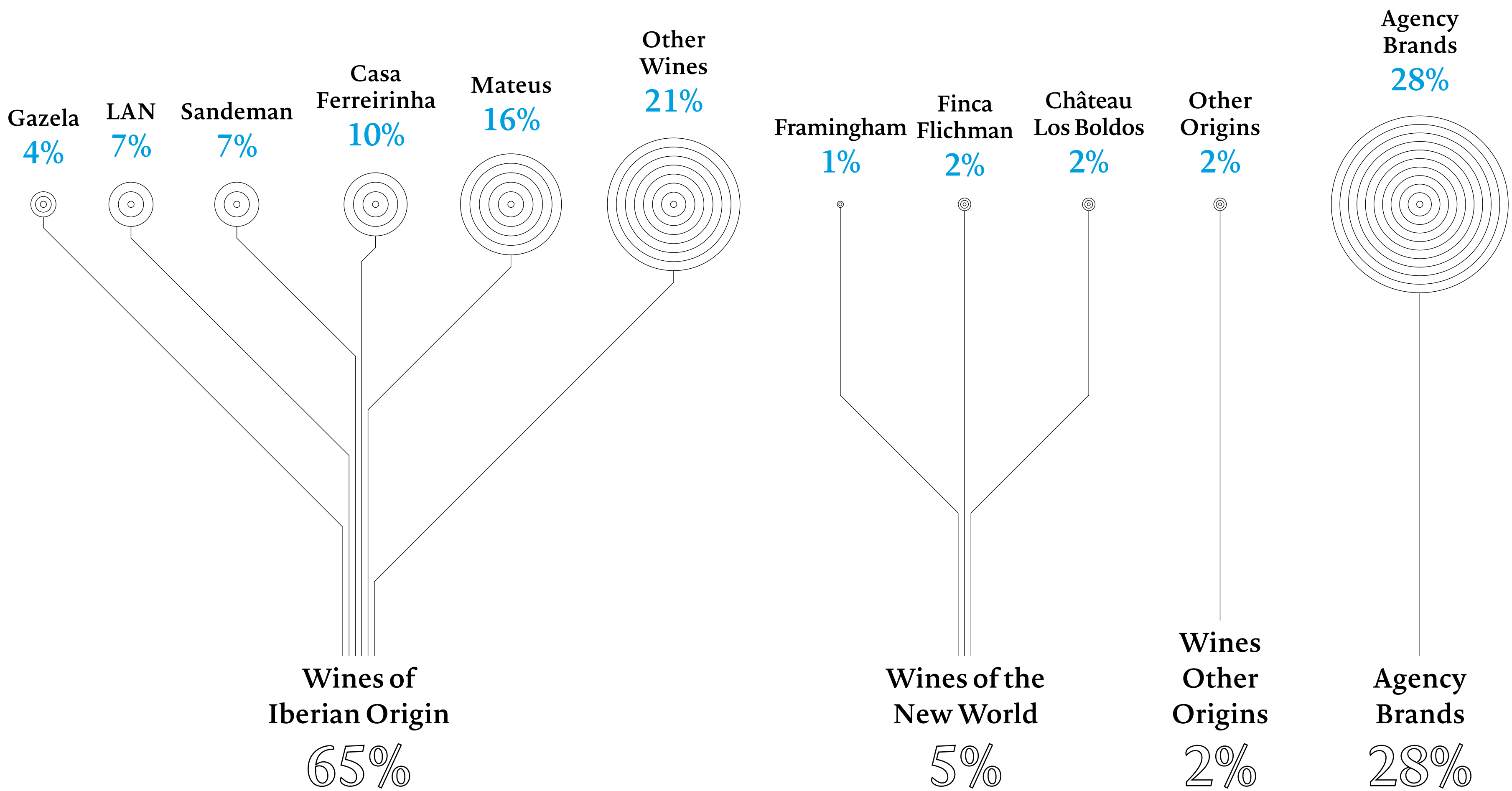
Meinard Bloem
CACHAPOAL — CHILE WINEMAKER

"Fortunately, COVID-19 did not affect the harvest in the least, and we were able to pick each block when the grapes were at their best. There was very little rain during the harvest months, which is why there were no grapevine diseases. In summary, the 2020 wines seem to offer all of the typical characteristics of a classic year in Marlborough – vibrant fruit flavours, with excellent natural acidity."

Andrew Brown
MARLBOROUGH — NEW ZEALAND WINEMAKER

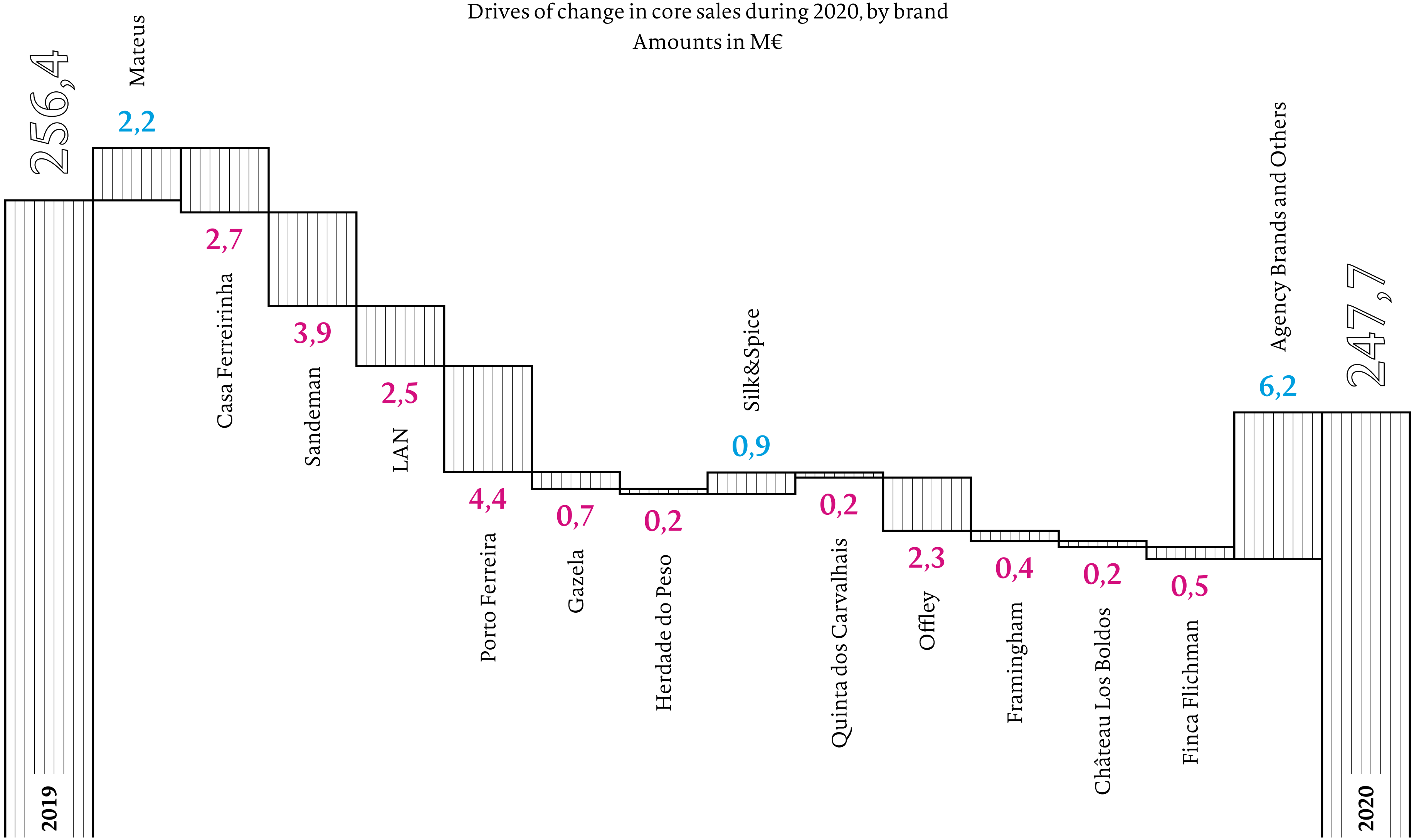
Sales in value 2020

Brands



Core sales performance

Drives of change in core sales during 2020, by brand
Amounts in M€



2020 consolidated management report

Sogrape SGPS, S.A.

Dear Shareholder,

In compliance with legal and company statutes, we now submit our Annual Report and consolidated financial statements for the year 2020 to reflect business developments in the group of companies held by Sogrape SGPS, S.A. (hereinafter "Sogrape" or "Group") involved in the production and sale of wine and other beverages.

Sogrape in 2020

When we embarked on 2020, Sogrape was coming out of a very positive year in terms of business growth as well as projects and strategic initiatives executed, namely the acquisition of a majority position in Liberty Wines, the distributor in the United Kingdom, the global relaunch of the Mateus brand, and the implementation of a new organisational structure at the Group tailored to more responsive, decentralised decision-making.

In this framework, Sogrape kicked off 2020 with an ambitious growth plan and an organisation motivated to pursue a number of structural projects in progress. With the surge of the pandemic, requirements changed, and over the year our teams experienced a constant back-and-forth between the obligation to ensure the survival of the business and the need to prosper. While the COVID-19 crisis hampered the Group's growth plans, it also strengthened the resilience and flexibility dictated by an adverse setting of great uncertainty.

Adapting, improvising and overcoming became the words of the day for our people who, each day at Sogrape or working remotely, demonstrated their dedication and commitment to bring Friendship and Happiness to everyone we touch through our wonderful wines. In fact, this is the true purpose of Sogrape. A journey which began to take shape in 2018 and which, more than ever before, became crucial in 2020. Living under a common purpose brought the alignment and determination needed to address the challenges of the pandemic, enduring, overcoming and embracing opportunities for a better future. Our Purpose was and is the Group's great strength, reminding everyone that time goes by, but Sogrape is here to stay.

On this path of success, of particular note was the extraordinary performance of the Mateus brand. Reaping the benefits of the global launch of its new bottle in 2019, our jewel in the crown had a historic year in 2020: in addition to growing for the fifth year running, it also hit a 25-year sales record during this time. Last year is, once again, proof positive of the bold and innovative character of Mateus, a brand capable of reinventing itself and setting trends since it was launched almost 80 years ago by Sogrape's founder Fernando Van Zeller Guedes.

Also of note were the results of Silk & Spice, a brand created around five years ago specifically for the United States market. Since its launch, this wine has been attracting an increasing number of consumers, with regular double-digit growth and a 35% year-over-year sales increase in 2020. This performance is the result of the excellent work done by Evaton, the Group's importer in the United States which, in a consolidated manner, has used sales to leverage consistent and regular recognition from international expert critics, as well as the efforts of Sogrape's various areas in Portugal to take this brand to other countries.

We like to think that our diversity (people, origins, markets, wines and brands) makes us unique, and 2020 has once again demonstrated the importance of this concept to the resilience of the business. In fact, while Mateus and Silk & Spice saw record performance in 2020, other brands more geared towards the restaurant business, such as Casa

"Living under a common purpose brought the alignment and determination needed to address the challenges of the pandemic, enduring, overcoming and embracing opportunities for a better future."

Ferreirinha, LAN and Porto Ferreira, were greatly affected by the restrictions imposed in the fight against COVID-19. For the same reason, markets where consumption in the on-trade channel traditionally has a significant weight on the business were naturally the most affected by the crisis. Such is the case of Portugal, whose sales volume was down 19% year-over-year, as well as Spain, whose sales volume dropped 30% compared to 2019. However, this was partially offset by sales growth in other markets such as the United Kingdom (+14%), Russia (+72%), Switzerland (+33%) and Canada (+12%).

Furthermore, in tribute to the ability to face challenges and adversities which have defined Sogrape so well since its founding in 1942, right in the middle of World War II, our teams developed and deployed five new online platforms in 2020 to sell wine in Portugal, Spain, Argentina and Chile. Sogrape thus made its debut in this segment with speed and agility, while simultaneously establishing partnerships with other online sales channels existing in the market.

Generally speaking, in a year as adverse and full of uncertainties as 2020 was for the entire sector, the 3% decrease in Sogrape's sales is seen as an extremely positive result, one that makes us proud and optimistic. This sales performance, coupled with a focus on profitability and cost control, as well as efficient asset management to achieve gains, allowed us to wrap up the year with a higher net profit compared to 2019. This was largely due to projects involving continuous improvement and a revised purchasing strategy for several goods and services which continue to be developed in 2020, in a never-ending search for improvements in operating efficiency.

In 2020, in addition to consolidating investments made in recent years with the acquisition of Quinta da Romeira (Lisbon), Quinta do Centro (Portalegre) and the majority position in Liberty Wines (United Kingdom), Sogrape invested more than €14 million in fixed assets. Of particular note in this context was the focus on the Alentejo region within the scope of projects to expand the winery and vineyard area of Herdade do Peso which, despite the pandemic, moved forward at a fast pace and without constraints.

Continuing our focus on investing in modernising and digitising processes, last year was also marked by the stabilising of the Enterprise Resource Planning (ERP) at Sogrape, essential towards developing new, more specialised solutions and for integrating existing ones. An analytics project was also developed, which will allow Sogrape to get more value from data and return it to the organisation in the form of business support insights. The WICO system, launched in 2017, received a new module in 2020 dedicated to winegrowing and fully integrated with the winemaking module, allowing control and costing for all vineyard operations as well as overall tracking of the production process. The Customer Service Portal was also created last year, a platform offering a new channel for sharing information in an agile, close and secure manner with customers, providing greater autonomy and user-friendly access to materials and documents.

Also of note in this introductory chapter are the various examples of new products launched on the market in 2020, such as the wine LAN 7 Metros, with an innovative crianza concept distinguished by the use of barrels of Spanish oak made from trees that grow to have at least seven metres of trunk without branches or knots; Offley Clink, a range of white and rosé Port Wine of the irreverent Offley brand, which challenges tradition to attract a new generation of consumers; Mateus Dry, a new interpretation of rosé wine that follows the brand's pioneer spirit to address a growing market trend, launched only in the United States for the time being; and an olive oil under the seal of Casa Ferreirinha, produced from centuries-old olive trees found on Sogrape's properties in the Douro.

At a Group committed to consistently offering top quality wines and great brands, the recognition we receive from our consumers is experienced intensely, while the tasting notes of expert critics are a constant incentive for us to do more and to do better. Last year, nearly 200 Sogrape wines scored above 90 in leading specialized media, although we are particularly proud of the 100 points given to Porto Ferreira Vintage 2018 by the American magazine Wine Enthusiast, the 98 points awarded to Legado 2014 in the English publication Decanter and the 96 points given by the also American Wine Spectator to LAN Culmen 2015.

In summary, for all of these reasons, 2020 was a year in which we proved that it is in our nature to carry on, with many victories celebrated along the way! It was a year of breakthrough which we will always remember for the courage and resilience with which we embraced one of history's greatest setbacks, and for everything we made happen in such an adverse setting!

People

Results are not measured by numbers alone, and the victories achieved in a year as exceptional as 2020 would never have been possible without the unconditional dedication and commitment of the Sogrape Family in every country where we are present. When the world slowed down, we went faster. When weariness set in, we brought hope. When social distancing was required, we found new ways of staying close.

Last year, the Sogrape Family continued to grow, welcoming 110 new employees, who now total around 1,150 people in more than 10 countries. Moreover, the Group's efforts to attract and retain talent were reflected in the rising position of Sogrape Vinhos in Universum's ranking of the 100 most attractive employers in Portugal.

Despite the major impacts of COVID-19 on human resources and the ensuing slowdown of the original plan to redefine several structural processes at Sogrape in Portugal, we continued to work on structural initiatives, while simultaneously ensuring the safety and comfort of employees who remained on the front lines and offering tools and other arrangements for those transitioning to remote work.

“Even from a distance, we always sought to bring some joy and well-being to our people through small gestures, giving life to our concept of Friendship and Happiness – Sograpiness.”

Measures to fight the pandemic curbed several planned initiatives, particularly with regard to the training program, which often required employees to be physically present, and events such as our annual meeting and Sogrape’s cherished Christmas party, which could not be held.

While COVID-19 clearly forced us to overhaul how we work and interrelate, it also changed how we communicate, first and foremost with our employees. Having met the informational goal of ensuring everyone’s safety and protection, it was then time to convey a message of tranquillity, encouragement and confidence, as well as recognise the efforts and team spirit demonstrated. Even from a distance, we always sought to bring some joy and well-being to our people through small gestures, giving life to our concept of Friendship and Happiness – Sograpiness.

In 2020, we also developed the Global Performance Model and the Individual Development Plan which will be implemented in 2021 and, in line with Sogrape’s Purpose, will motivate and empower our people to realise their full potential.

The focus on business profitability did not mean a slowdown in carrying out strategic projects underway at Sogrape or the pace of investing in our assets. To the contrary! To properly execute our business strategy and implement essential projects for Sogrape’s future, a new goal-based management model was developed using the Objectives & Key Results (OKR) model. This tool fosters greater collaboration, focus and alignment between teams using an approach geared towards critical deliveries in short decision-making cycles, allowing milestones to be achieved faster and with more focus.

Through this high-performance sense of teamwork, the Sogrape Family agreed to embark on an adventure of innovation and creativity to create a roadmap for the Group's new experiences and products over the next 5-10 years. Grapenext is the name of the project which focused on taking Sogrape's bold and defiant character to the next level, making it a more streamlined and innovative company with greater consumer proximity, and capable of creating one-of-a-kind experiences involving wine. By inspiring them to cooperate, connect, create and lead, more than 100 people were involved over three months in exploring the Group's future, generating more than 2,000 ideas and merging them into value propositions, structured into five transformation spaces over the next 10 years.

With the future in mind, a new Innovation Model was defined in 2020 to promote a culture of continuous agility and innovation at Sogrape, as well as to build on the existing roadmap for growth and innovation. With the involvement of the entire organisation, this model will encourage fast experimentation and learning, exploring opportunities for innovation and ensuring a portfolio of projects and ideas which are incremental, disruptive, and exploratory. Its implementation was marked, in the last quarter of the year, by the creation of the Take-the-Shot Studio. In the form of a physical and digital venue which may gradually include several of the Group's business units, the Take-the-Shot Studio is an entirely new, more agile way of working, collaborating, and creating, focused on the customer.

The past year was extremely demanding on our people who, regardless of the hardships, proved to be true heroes by remaining strong and united when Sogrape needed them most. By inspiring everyone to do their very best, we believe our Purpose of bringing Friendship and Happiness to everyone we touch through our wonderful wines begins right here at home, which is why this was our focus.

Harvests

In worldwide terms, after a historical year in 2018 with one of the largest production volumes since 2000, at 292 million hectolitres (Mhl) of wine produced, global production was below average in 2020 for the second year running, estimated at around 258 Mhl, in line with the production of 256 Mhl in 2019. In view of the current circumstances, this is actually good news for the sector, since geopolitical tensions, climate change and the COVID-19 pandemic are igniting a high degree of volatility and uncertainty in the world's wine market.

In Europe, production was around 159 Mhl, up 5% from 2019 (152 Mhl). The situation was mixed in the major wine-producing countries, with differences of -1% in Italy, +4% in France and +11% in Spain compared to 2019.

The average production in Portugal was around 6.3 Mhl, 3% below 2019 and 2% below the average of the last five campaigns, with sharp differences between the regions where Sogrape is found. Regions with production declines compared to 2019 included the Douro (-26%), Trás-os-Montes (-22%) and the Dão (-27%). In the Vinhos Verdes region, production remained in line with 2019, with higher yield compared to 2019 in the regions of Lisbon (+24%), Alentejo (+13%) and Beira Atlântico (+8%). The average prices of grapes decreased in the Douro and Alentejo regions, while they remained stable in the Vinho Verde, Lisbon, Trás-os-Montes and Bairrada regions, and increased in the Dão region.

Qualitatively speaking, Portugal can generally classify 2020 as a year of good quality. At Sogrape's properties in the Douro, the quality of the harvest was extremely high in a year marked by variable weather conditions, with a very rainy spring and unusually hot summer. As such, of particular note were the vineyards on the river's left bank, which were more protected from the heat and from the southern and western sun. Despite a downturn in production of around 26% compared to 2019, the 2020 wines were very promising overall, with good intensity and balance. In the Alentejo, where the production volume was unexpectedly high, Herdade do Peso had a dry winter and an intensely hot summer, resulting in aromatic and expressive 2020 wines. In Portalegre, Quinta do Centro had a year of abundant meteorological events, with heavy rain, frost, hail and heat waves in July, although the vines successfully resisted to create wines of true character and outstanding natural acidity. At Quinta dos Carvalhais in the Dão, production was lower compared to 2019 due to spring frost and strong summertime heat. However, its white wines have good acidity, freshness and complexity, while its reds are highly aromatic, fresh and vibrant. In Vinho Verde, despite some outbreaks of mildew and extreme heat, Quinta de Azevedo's production was up over the previous year, resulting in a high-quality harvest. In Bucelas, a region which Sogrape entered in 2019 with the acquisition of the historic Quinta da Romeira, the harvest was substantially larger than in 2019, thanks to the intense viticultural work and the vineyard restructuring in progress since the acquisition. The growing cycle ran smoothly, with grapes gathered in excellent conditions during dry weather, resulting in firm wines of the Arinto grape variety, with good maturity and very high acidity.

In Spain, a rainy winter and spring combined with an above-average temperature span resulted in good progress in the growing cycle, together with 6% higher year-over-year production in the Rioja region, with grapes of truly exceptional quality arriving at the LAN winery. In the Rías Baixas region, which on the whole grew 6% year-over-year, a growing cycle marked by unusual weather conditions resulted in an early harvest at Santiago Ruiz, with grapes arriving at the winery in healthy condition with balanced acidity and good aromatic intensity. In Rueda, a region whose harvest was 2% lower than in 2019, the year was colder and rainier than normal in autumn and spring, followed by a hot and very dry summer, with Aura grapes in perfect health, an optimum state of maturity and balanced levels of sugar and acidity.

Southern hemisphere origins had production declines in most producing countries, with changes of -17% in Argentina, -11% in Australia and -13% in Chile in 2019. New Zealand, at +11%, and South Africa, at +7%, were the exceptions.

Finca Flichman, the Group's producer in Argentina, wrapped up its 110th harvest in 2020, once again demonstrating its consistency and ability to evolve, growing primarily in terms of quality. In a year of scarce precipitation and above normal temperatures, grapes ripened between 20 and 30 days earlier than average, resulting in a significant production decline on a national scale. Despite these difficult conditions, the yield of Finca Flichman's 357 hectares of vineyards was just slightly below average and under forecast, but with outstanding quality, resulting in white wines with good natural acidity, freshness and a pleasant finish, and red wines with a good expression of fruit, acidity and colour.

As in Argentina, our local producer in Chile, Viña Los Boldos, also had to overcome the challenges of a year of historically very low precipitation and unusually high maximum temperatures. This accelerated the ripening of grapes by 15 to 25 days which, combined with spring frosts, ultimately affected local production. The grapes arrived at the winery in excellent health.

In New Zealand's Marlborough region, where the vineyards of Sogrape's local producer Framingham are located, favourable weather conditions resulted in grapes of excellent acidity and aromatic intensity. The ensuing wines have all of the region's classic characteristics, with vibrant fruit flavours and an excellent natural acidity.

Whether in Portugal, Spain or New World countries, the 2020 harvest will always be remembered for its adverse circumstances under the COVID-19 pandemic, which forced our viticulture and winemaking teams to rethink procedures and work plans to make harvesting viable and monitor the entire production process safely. However, this high season of the winemaking year was experienced at all of Sogrape's origins without a single recorded case of COVID-19, and with the same spirit of joy of our traditional harvests!

With new plantings in recent years in the Dão, Vinhos Verdes, Alentejo and Rías Baixas regions, Sogrape owned vineyards spanning more than 1,600 hectares at the end of 2020. However, its production in litres of wine made at its wineries was down around 10% year-over-year, due to the production decline which occurred in Portugal, particularly in the Douro region.

Brands

MATEUS ROSÉ

In a highly demanding year for the entire wine industry, Mateus exceeded expectations with yet more positive performance in 2020. With year-over-year growth of 5%, 2020 will go down in memory as the brand's best in almost 30 years. Markets such as Russia, Switzerland, the Benelux, Italy, Australia and Canada contributed to this success. In the specific case of Russia, note that sales nearly doubled over the previous year, putting Mateus in the top 10 best-selling brands in this market. Also noteworthy was France, where it was announced that 2020 Mateus Rosé was the best-selling foreign wine, standing on the podium with this country's favourite premium options (still wine segment above €3.00).

Also last year, thanks to the brand's constant focus on innovation, the United States market was toasted with Mateus Dry, a new rosé whose harvest year and seal of quality and freshness are characteristic of the brand. With a dry, more elegant and complex profile, this wine brings a new interpretation of rosé to the Mateus portfolio, ready to win consumers who appreciate day-to-day festivities.

CASA FERREIRINHA

Casa Ferreirinha, the second most important brand in the Group's consolidated sales, pursued its internationalisation process in 2020, with very positive developments in the German, Canadian and Nordic markets. The restrictions imposed on the on-trade channel in Portugal to fight the pandemic penalised the brand's performance, since the decline in volume on the order of 10% compared to 2019 is primarily due to the weight of restaurants and wine cellars on Casa Ferreirinha's business in this country.

Even so, the leading brand in Douro wines strengthened its market share in Portugal last year and boosted its reputation and international recognition, particularly with the 95 points awarded to Quinta da Leda 2016 by the American magazine Wine Spectator. This performance was also due to new vintages which resonated with the most demanding connoisseurs, together with the launch of Casa Ferreirinha Touriga-Fêmea and an olive oil which, reviving a 19th-century concept and image, is made from centuries-old olive trees found on Sogrape's vineyards in the Douro. Also in the area of novelties, 2020 was marked by the unveiling of the 20th edition of Barca-Velha. After the announcement of the 2011 vintage in December 2019, the COVID-19 pandemic changed everything on the date of its unveiling to the press and the trade, originally scheduled for May 2020, but ultimately only possible in September. After this gathering of critics and connoisseurs at Quinta da Leda in tribute to Barca-Velha 2011, this wine will finally go to market in April of this year.

In the United States, 2020 was marked by the addition of Casa Ferreirinha to the portfolio of Evaton, the Group's subsidiary in this market, which will surely boost distribution and brand recognition among Americans.

Although the category of Port Wine was one of the most strongly impacted by COVID-19, Sandeman upheld its relevance by positioning itself as the third most important brand in Sogrape's consolidated sales.

The 17% decrease in volume in 2020 is directly tied to the restrictions imposed on travel and tourism in general, concentrated in the markets of travel retail and Sogrape's visitor centre businesses in Portugal, which were closed or with limited attendance for much of the year. Even so, despite this detrimental backdrop, the brand saw significant growth in key markets of the Group such as Russia, the Benelux and Nordic markets.

As usual, Sandeman set a solid pace of high scores last year from expert critics worldwide, particularly recognition from renowned magazines such as Wine Spectator, Wine Enthusiast and Decanter, which have consistently rated the brand's wines above 90 points.

In 2020, to reunite Sandeman with the world of art, the brand also established a partnership with Portuguese artist Mário Belém, resulting in a special edition of the Sandeman Founder's Reserve gift box for the United States market, together with assorted digital content. At the end of the year, to enhance the user experience, the brand launched its new website with a more dynamic and compelling design, together with a better, more streamlined browsing experience and new areas of content, including The Sandeman Gallery, totally dedicated to the arts.

In a year in which, according to data from the regulatory body Consejo Regulador DOCa Rioja, the region's sales volume fell compared to the previous year (particularly in the crianza category), LAN's performance followed this trend in the sector, registering more than 20% lower due to the downturn in sales in Spain's HORECA channel. In overseas markets, the Group's Spanish brand achieved good results in North America, particularly the United States, Canada and Puerto Rico. Excellent news for LAN also came from the United States in 2020: with 96 points awarded to the wine Culmen 2015, LAN led the tasting report of the magazine Wine Spectator dedicated to wines from Spain.

In the area of innovation, of particular note was the launch of yet another one-of-a-kind wine: LAN 7 Metros, whose crianza uses barrels of Spanish oak originating from forests located in Burgos and León, where only a few trees reach the minimum of seven metres of trunk height without branches or knots needed to transform them into barrels.

FERREIRA
ESTD 1751
PORTO

Since not all results are measured by numbers alone, 2020 will go down in history as the year in which Porto Ferreira won 100 points for Porto Ferreira Vintage 2018 in the prestigious American specialized magazine Wine Enthusiast. This is the third time that a wine from Sogrape's portfolio has received a maximum score from a renowned specialized media, while this time Porto Ferreira Vintage 2018 was also ranked 16th in the Cellar Selection of the same magazine, a selection of 100 wines dedicated to connoisseurs and collectors.

With regard to sales performance, following several years of growth, the brand's sales volume fell around 34% compared to 2019. This result reflects the overall decline which affected the Port Wine sector, together with this brand's exposure to the Portuguese market, among the most impacted by COVID-19. Even so, on a positive note, Porto Ferreira's performance was noteworthy in the United States, a demanding market where the brand is beginning to find its place, reflected in its growth of 18.5% compared to 2019.

Gazela

The dynamic sense of innovation associated with Gazela resulted in positive performance by recently launched products, such as Gazela Rosé and Gazela ON. The latter included a draught wine project focused on recruiting new consumers and strengthening brand awareness and visibility in the on-trade channel and at events, offering its well-known lightness and freshness, but with improved convenience suited to a number of different situations.

In overall terms, the year-over-year decline of just 3%, accompanied by an improved margin in relative profitability, resulted in a positive year for the brand's progress, despite the circumstances.

HERDADE do PESO

Herdade do Peso is a brand which has asserted itself more and more among the Alentejo wines with double-digit growth in recent years. In 2020, however, it witnessed a 3% year-over-year decline, primarily due to the limitations imposed on the HORECA channel in Portugal, which proved critical to the brand's sales. In this context, this is actually considered positive performance for Herdade do Peso, mainly since the brand improved its market share in the domestic market last year, including a 13% increase in sales volume for Trinca Bolotas in Portugal following the brand's consolidation with its target audience and direct entry in 11th place in the 2020 Portugal Wine Brand Power Index.

Contributing towards this position are, undoubtedly, the wines of Herdade do Peso, whose entire range has consistently resonated with the most respected Portuguese and international critics. An example of this are the 97 points awarded by Wine Spectator to Reserva Tinto 2017 and the 93 points awarded to Essência do Peso 2017 by Wine Enthusiast. These results reinforce Sogrape's confidence in the brand's assets, as demonstrated by the investment made in 2020 in planting new vineyards and expanding the winery. With 160 hectares of vineyard, including almost 10 hectares trained in goblet, the future is being made at Herdade do Peso by revisiting past traditions and exploring increasingly more sustainable winemaking methods.

SILK & SPICE

With a history that demonstrates extremely positive sales performance, the Silk & Spice brand again saw double-digit growth in 2020, up 35% over 2019. This wine, launched in 2016 and specifically geared towards American consumers, is now a benchmark in this market. With the 2018 vintage, Silk & Spice added yet another score of 90 from Wine Enthusiast in 2020, as the fifth consecutive edition of this wine to receive 90+ points from this American magazine. Seeking to leverage the success of Silk & Spice in the United States, an expansion process also began in 2020 which has been embraced quite positively, thereby contributing to the brand's progress as well. This highly positive performance has also resulted in a strong focus on promoting Silk & Spice in the media and social networks, along with exploring tasting opportunities, with 2,000 new points of sale at leading American retailers.

Generally speaking, Sogrape's remaining brands of Iberian origin – because of their dependence on domestic markets and, in particular, their exposure to the HORECA channel – had lower year-over-year performance in 2020. However, despite the past year's adversities, these brands have challenged themselves and continue to innovate!

QUINTA DOS CARVALHAIS

Of particular note in the Quinta dos Carvalhais range was the performance of Mélange à 3 and the launch of Parcela 45, a varietal of Alfrocheiro whose origin is a parcel devastated by the fires immediately following the 2017 harvest, whose only edition is from this vintage. In 2020, the quality of the wines from Quinta dos Carvalhais continued to get attention from specialized Portuguese and international critics, thus collecting positive reviews from the sector's magazines, such as the 95 points awarded by Wine Enthusiast to Quinta dos Carvalhais Reserva Tinto 2017 and the 94 points awarded by Decanter to Quinta dos Carvalhais Branco Especial. Last year was also marked by stronger digital advertising for the brand among its consumers through the launch of Quinta dos Carvalhais Instagram page.

LEGADO

Legado, a wine made from grapes from the old vines at Quinta do Caêdo, continues to assert itself as a wine of excellence for its quality and history. It is a wine with a strong sense of time and place, whose every new vintage pays yet another tribute from the man who dreamed it, Fernando Guedes, to future generations. Legado has been attracting more and more connoisseurs, journalists and specialized critics worldwide, as occurred with the 2014 vintage, which received 98 points from Decanter magazine and 17 points from the website of British wine critic Jancis Robinson.

Offley also received an important recognition, with 96 points awarded by Wine Enthusiast to Offley Vintage 2018. As proof of its irreverence and versatility, in 2020 the brand launched Offley Clink, a new range of white and rosé Port Wine conceived to encourage new times of consumption as an alternative to other mixers and wine-based beverages. In the year of its launch, despite the difficult circumstances, Offley Clink is now available at various retailers in Belgium and Portugal.

In Spain, Santiago Ruiz – a benchmark of O Rosal wines in the Rías Baixas region – not only upheld a sales volume similar to the previous year, but also saw its wines receive several scores above 90 points from some of the sector's most prestigious publications, including Guía Gourmets, Guía Peñin and James Suckling.

In view of the growing trend of white wine consumption, Sogrape continues to focus on developing and premiumising a portfolio of specialty brands in this category, such as Azevedo and Quinta da Romeira in Portugal and Aura in Spain. 2020 was the year of using the first grapes resulting from the reconversion of part of the Quinta de Azevedo vineyard in 2019, working more closely with the Alvarinho grape variety to ensure greater consistency in the wines produced there. Aura and Quinta da Romeira were able to benefit from investments made since their acquisitions in 2018 and 2019, respectively, fully capitalising on the 2020 harvest to achieve greater quality and consistency, by focusing on the desired profile.

FINCA FLICHMAN
EST. 1910

At Finca Flichman, the Group's company in Argentina, a focus on improved quality and producing wines with more added value was recognised by expert critics, with several ratings above 90 given to wines of the Dedicado range by James Suckling, Tim Atkin and the English magazine Decanter. However, because of the pandemic, Finca Flichman's sales volume was down around 18%.

VIÑA LOS BOLDOS
FAMILY WINE ESTATE

Sogrape's Chilean producer Viña Los Boldos had a 5% decline in sales volume, particularly concentrated in China and Poland, although with positive gains in Russia and Chile. The 92 points awarded to Château Los Boldos Gran Reserve 2018 by Decanter are, however, the result of the Chilean brand's more intensified focus on quality and premiumisation.

FRAMINGHAM

Framingham, Sogrape's irreverent producer in New Zealand, remained focused on quality and on offering unique wines to consumers. In terms of recognition, of particular note are the 95 points awarded to Framingham Noble Riesling 2018 by Decanter magazine, together with Framingham Sauvignon Blanc 2019's distinction of 93 points and ranking of #8 in the Top 100 of 2020 by Wine Enthusiast.

Markets

With its products now found in more than 100 countries, Sogrape boasts a strong international presence and a great diversity of markets which, in an unusual year like 2020, offset the inevitable business losses in areas such as Portugal, Spain and travel retail through positive performance in other markets. The United Kingdom, Russia, Switzerland, and Canada were all noteworthy for their more than double-digit growth over 2019.

Sogrape Distribuição, the Group's subsidiary for distribution in the Portuguese market, saw sales growth in the off-trade channel, partially offsetting the downturn in on-trade due to the closing of restaurants. The distributor lost 19% of its total sales volume in 2020.

In an example of reaction to adversity, an online sales platform, "Vinhoemcasa.com", was launched in record time in Portugal for the beverages and spirits represented by Sogrape Distribuição and has been operating since April 2020 and delivering to the entire country.

In the United States, the performance of the subsidiary Evaton was impressive, reaping the benefits of the transformation process which began in 2018. Leveraging the expertise of its sales team and its strong portfolio, this importer successfully grew its business volume by 6%, positioning itself above global trends in its category. This result was largely due to the brand Silk & Spice, together with Porto Ferreira and Casa Ferreirinha, demonstrating the success of their addition to Evaton's portfolio in 2020.

In the United Kingdom and Ireland, Sogrape continues to reap the benefits of the decision made in 2019 to acquire a majority position in Liberty Wines. In 2020, the prestigious English distributor was recognised, for the sixth time in the past seven years, as "On-Trade Supplier of the Year" by the magazine The Drinks Business. In business terms, in a year equally as complex for the sector in the United Kingdom, this subsidiary also stood out for being able to keep its sales in line with the previous year, despite its vocation towards the restaurant business, which was shut down for much of the year due to COVID-19. A focus on customer service, technology advancements, the ability to develop and retain talent and efforts to attract prestigious brands to the portfolio were all crucial in achieving this result.

Sogrape Asia-Pacific, the Group's subsidiary in China, was highly impacted by COVID-19, down more than 40% in year-over-year sales volume. However, positive steps were taken with the "Sandeman Flagship Store" project launched in 2019, together with a new partnership between Mateus and the importer Summergate, which offers good prospects for developing the brand in this market in 2021.

In Angola, in addition to the impacts of the pandemic and despite reinforcing the premium segment, the subsidiary Vinus had to face an economic crisis which hampered its business development, forcing it to end the year with a 17% decline in year-over-year sales volume. Even so, at the end of 2020, Vinus established a partnership with Pernod Ricard to distribute its spirits brands in the HORECA channel and broader retail network in Luanda, thereby strengthening the company's position in this channel, with good future prospects.

In Brazil, the subsidiary Sogrape Brasil continued to execute its growth strategy by expanding distribution. However, the difficulties of COVID-19 caused the company to lose 7% in volume.

Sustainability

Sogrape has always been guided by a respect for people, the planet and society, seeking to find ways of making the places where it is present even better.

In 2020, bearing out the importance of this topic to our sector and the world in general, Sogrape was committed to developing a Global Sustainability Programme founded on the ambition of growing its business, while simultaneously serving as a catalyst for positive social change and respecting the limits of our planet. This means transforming the business based on our culture of Friendship and Happiness to preserve, respect and protect the locations and communities where we operate. From working closely with our brands and suppliers to help them improve their ecological footprint, to supporting small wine producers and employees, Sogrape's Global Sustainability Programme has been divided into three intervention areas based on a series of commitments and targets which will guide our business planning and decision making, so that we can achieve a positive change in the important issues to the Group. Aligned with our Purpose, inspired by the vision of those who came before us and contributing towards the United Nations Sustainable Development Goals for 2030 of the United Nations, the new programme defines an ambition and long-term vision for Sogrape, and prepares the Group to overhaul how it operates to build a more sustainable and inclusive future.

In terms of specific initiatives, after associating itself with the Business Council for Sustainable Development (BCSD) in 2019, Sogrape signed the "Leveraging the crisis for a paradigm shift in sustainable development manifesto" manifesto sponsored by this association in 2020. In the same year, it also subscribed to the Call to Action from the Business for Nature, a global coalition which calls attention to the degradation of nature and loss of diversity in this decade.

In the year of COVID-19, Sogrape Group immediately bolstered its support to the community in the first months of the crisis, with initiatives aimed at helping people better cope with the pandemic, including a donation of more than 30,000 litres of hand sanitizer made out of wine spirit to various institutions and hospitals in Portugal, together with donations to outfit hospitals in the same country, and promoting and offering meals for charity in the United States. In addition, there were many other such initiatives in other regions, such as sending a basket of wine and vegetables to our partners in Spain, organising a live solidarity show on Instagram to raise funds for the Portuguese Red Cross, and a partnership between the New Zealand company Framingham and Music Helps to support the music industry in this country.

In terms of the environment, one more solar power plant was installed in 2020, this time in Anadia, with an installed capacity of 0.23GWh/year, eliminating 107.1 tonnes/year of CO_2 emissions. In Portugal, with its investment already made in a plant in Avintes, Sogrape has reduced its CO_2 emissions by more than 600 tonnes/year. Also in Argentina, steps are being taken to improve the energy efficiency of our facilities. Finca Flichman has already started to produce its own solar power, with plans for its plant to produce 20% of all energy consumed at the Mendoza winery in the coming years. In Chile, Viña Los Boldos is currently conducting a study to build a solar farm.

In addition, Sogrape has remodelled two of its wastewater treatment plants in Portugal, at Herdade do Peso and at Quinta do Centro in the Alentejo, and has installed a new one at Quinta da Romeira, in Bucelas. It also finished installing water recovery systems for its rinsers, which will save an estimated 3,700 m^3/year in water. Also in Argentina, measures were implemented in the production process which will recover 70% of the water used in the wine bottle rinser.

Also related with environment, Sogrape continued in its attempts to recover waste: using an optimised waste separation and routing system, 99.9% of its waste generated in Portugal in 2020 was recovered, including recycling. In Argentina, Finca Flichman earned its first Sustainability Certification from Bodegas de Argentina in 2020 for meeting requirements involving the handling of vines, quality, the environment, human resources, and community relations, thereby strengthening its commitment to environmental conservation and sustainable practices at the vineyard and the winery.

Regarding the working environment and safety, the adoption of standard ISO 45001 on Occupational Health and Safety is now in progress, scheduled for completion in 2021 with a certification audit of the facilities in Avintes and Vila Nova de Gaia.

Certifications in Quality (BRC/IFS) and the Environment (14001) were renewed in Portugal and Argentina. In Chile, Viña Los Boldos now has projects underway for certification in Quality (BRC) and has also obtained certification in vegan wines for its entire portfolio, awarded by Fundación Vegetarianos Hoy. In New Zealand, the Framingham vineyards have renewed their organic certification, while the producer's own vineyards and rented vineyards have all been certified in Sustainability.

In terms of research and development, note that Sogrape's R&D department currently has more than 30 projects in progress. Among those which ended in 2020, of particular note were the results of PRECIDIF and TERMOPHI. The first, supported and financed by the Portuguese government and the European Union, aims to improve the white wine production process in the Vinhos Verdes region, with the main goal of reducing uncertainty in the wine's sensory profile through a better understanding of the consequences of various choices during wine production (origin, sulfiting/desulfiting, storage time, yeasts) and more control over the fermentation process itself. The main goal of the TERMOPHI project, financed entirely by Sogrape, was to use information from high-resolution thermal imagery of vineyards to analyse hydric stress levels in vines. The findings led to the registry of the SOG-TERMOPHI method, which became the first registered intellectual property of Sogrape using the blockchain management system, thereby enabling potential commercial exploitation by third parties interested in licensing this method.

"(...) Sogrape continued in its attempts to recover waste: using an optimised waste separation and routing system, 99.9% of its waste generated in Portugal in 2020 was recovered, including recycling."

In this chapter, it should be noted that the wine industry is under great pressure and unprecedented scrutiny in its history. The COVID-19 pandemic has reinforced many of the trends from the last decade, namely climate change, the importance of health and well-being and protecting the planet, the intensification of regulations and control, and the rise in nationalism and trade tensions between various countries. Wine, despite being an agricultural product, contains alcohol, making it extremely vulnerable in this context. As such, ensuring the survival of the wine world requires preventive, proactive management of these risks.

Assuming a leadership role in the Portuguese wine industry, Sogrape is proactively engaged in promoting a social, political and economic setting which allows its sustainable development. Through associative participation in Portugal and a presence in leading European and international forums, the company's team of Institutional Representation – Sogrape Public Affairs, anticipates and discusses major business risks, and ensures representation at the main forums for influence and debate. In addition, it values wine through innovation and by creating and developing differentiated brands, while simultaneously defending the principles of free trade, social cohesion, employment, and competitiveness (in line with European integration principles) and supporting the Group's sustainability commitments.

Financial performance

Overall, 2020 was marked by an intense recession, whose relative scope has not been seen since World War II, when Sogrape was founded. The economic impact occurred as a consequence of the worldwide public health crisis caused by the COVID-19 pandemic, together with political uncertainty in Latin America, Brexit in the United Kingdom, and trade tensions between the United States, China and Europe.

According to projections of the International Monetary Fund, the decline in GDP in Portugal, Spain and United Kingdom – three of Sogrape's four main markets – will be 10% or higher. In the United States, the last of the top four markets for Sogrape's sales, although less affected, the GDP is expected to decline more than 4%.

Despite these circumstances, Sogrape wrapped up 2020 with a net profit of €20 million, the best in the last four years. This is an outcome which, given the environment of uncertainty and restrictions imposed by COVID-19, rewards the efforts and dedication of all of the Group's employees, demonstrating their ability to adapt and overcome.

The pandemic inevitably caused a decline in consolidated turnover on the order of 3% compared to 2019. Even so, consolidated turnover was still €250 million. This indicator benefited in part from the consolidation of the company Liberty Wines starting in April 2019. Without it, turnover would have been down around 10%. With regard to the item “Net profit”, the contribution of the company Liberty Wines in consolidated terms had a negative impact around €-200,000.

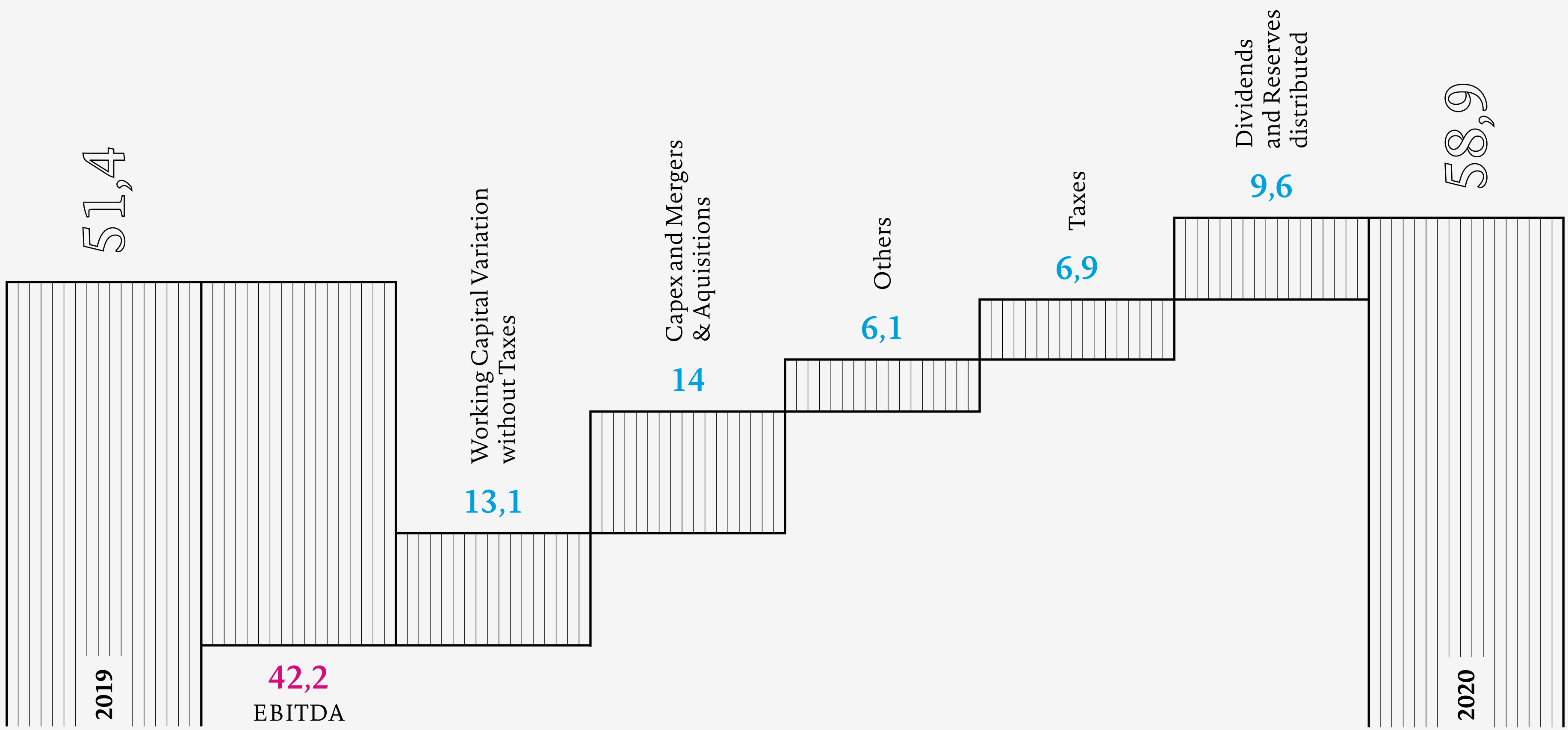
Sound management of operating expenses and fixed assets profitability resulted in an EBITDA of €42 million, up 9% year-over-year. This performance was largely due to investments from previous years in key acquisitions, the organic growth of our brands, expanded capacity, and the training and qualification of our employees. Also noteworthy was the improved operating efficiency of our warehouses, freeing up assets for sale and generating a gain of €7 million towards the results obtained. The EBITDA, even excluding these gains from the sale of assets, would have totalled €35 million.

In 2020, Sogrape continued to invest in expanding production capacity and improving its productive assets, for a total of €14 million. Investments made in the Alentejo with the expansion of the Herdade do Peso winery and the area of land occupied by vineyards confirm that, despite the impact of COVID-19, Sogrape was able to successfully execute its investment plan.

Sogrape’s consolidated asset on 31 December 2020 totalled €471 million, with equity of €269 million. The Group’s financial standing remained strong, with a net debt/EBITDA ratio holding steady at 1.4 and financial autonomy above 55%.

Net financial debt evolution

Drivers of Change in Net Debt during 2020, by item
Amounts in M€



Financial risks management

The management of financial risks in the countries in which Sogrape operates is carried out and monitored in an integrated way within the scope of the Group's financial operations and is followed closely by the Board of Directors. In this context, Sogrape monitors its exposure and adopts policies for management of risks related to credit, liquidity, interest rates, foreign exchange rates, capital, and agricultural operations. The management of these risks is described in detail in Note 3 of the annex to the consolidated financial statements.

Future prospects

When looking back at 2020, one can inevitably conclude that this was a year of true perseverance, tremendous learning, and great achievement for Sogrape. Last year, we proved our resilience and ability to reinvent ourselves in a situation of complete uncertainty with regard to the future of the business. After the severe restrictions and extended lockdowns imposed by COVID-19 in 2020, the scenario is now repeating itself all over the world at the start of 2021, revealing an unwelcome impact on the performance of certain brands and markets, particularly those most dependent on the HORECA channel. Having said this, after facing a year as adverse as 2020 with the results we have achieved, we are proud to say that we are coming from a sound financial position, with our people motivated for tomorrow. At Sogrape, we believe that the future is quite promising, that it is possible to do more and to do better. We are also determined to reclaim the growth trend of our business in recent years and improve the Group's levels of profitability.

With this positive outlook and lots of Sograpiness – Friendship and Happiness, we now kick off 2021 with a new business strategy for the Group. This reflection has resulted in a robust, dynamic, and flexible model founded on our core business: the vine. Over the long journey ahead, we will grow Sogrape's vine tree for the future, ensuring that its roots, trunk, and branches are all balanced and aligned to overcome the challenges in the wine sector, in an increasingly more volatile world in constant transformation. At the foundation of this strategy are, of course, the Sustainability roots, which represent what we must nurture to ensure our business longevity in a commitment that rests on three pillars: pave the way to a healthier planet, safeguard our legacy on its journey into the future, and inspire happier and more responsible lives. Going down the vine, the strategy unfolds through an organisational trunk, a building block which translates how we will maintain cohesion as a Group: developing resilience and efficiency, reinforcing agility and innovation, and empowering Peak Performance. Finally, our strategic reflection culminates in growth branches, showing where we aim to grow our business, strengthening the relationship with our commercial partners, maximizing portfolio potential, generating enthusiasm in consumers and elevating our Fine Wines. This is Sogrape's path to the future. And this is our commitment to give life to our Purpose of bringing Friendship and Happiness to everyone we touch through our wonderful wines.

"With this positive outlook and lots of Sograpiness – Friendship and Happiness, we now kick off 2021 with a new business strategy for the Group."

Acknowledgements

Sogrape's Board of Directors would like to thank every employee of every company within the Group, especially this year, since, despite the adversities and while working at the company or from home, they were the ones who always kept the Organisation working, producing and selling. To our consumers and customers around the world, the Board of Directors thank you for your trust and preference for our wines, and to our suppliers, banks, and other partners, for the continuous support they provide this Organisation.

A special thanks to the Chairman and Secretary of the Shareholders' General Meeting, the Statutory Audit Committee, and the Statutory External Auditor for all of their support and assistance to the company.

Vila Nova de Gaia, 19 March 2021,

The Board of Directors

Fernando da Cunha Guedes (President)
Francisco José Garcia de Valadares Souto
Bernardo José de Azeredo e Noronha de Brito e Faro
Raquel Filipe Seabra de Sousa Castelo Branco

Consolidated financial statements

Sogrape SGPS, S.A.

Statements of consolidated financial position as at 31 december 2020 and 2019

(Amounts expressed in euro)

ASSETS	Notes	31,12,20	31,12,19
NON CURRENT OPERATING ASSETS			
Tangible assets	7	123,220,956	122,203,105
Intangible assets	8	21,887,950	23,715,809
Goodwill	9	2,848,469	7,881,851
Investment property	10	3,302,239	3,364,891
Deferred tax assets	12	3,746,706	5,283,709
Other non current operating assets	6	153,333	171,055
Total non current operating assets		**155,159,653**	**162,620,420**
CURRENT OPERATING ASSETS			
Inventories	13	192,772,664	180,375,630
Biological assets	11	1,670,657	1,768,919
Trade receivables	6,14	73,515,987	83,254,720
Corporate income tax	16	732,043	403,699
State and other public entities	16	2,718,834	2,932,072
Derivatives	6,28	6,299	103,527
Receivables from Group Companies	6,40	391,487	107,734
Other current operating assets	6,15	10,462,147	5,071,757
Total current operating assets		**282,270,117**	**274,018,058**
TOTAL OPERATING ASSETS		**437,429,770**	**436,638,478**
NON CURRENT INVESTING ASSETS			
Investments in other companies	6,17	495,020	495,554
Loans in other companies	6	2,550,002	2,725,000
Other non current investing assets	6	98,306	65,085
Total non current investing assets		**3,143,328**	**3,285,639**
CURRENT INVESTING ASSETS			
Derivates	6,28	-	60,321
Loans in other companies	6	450,000	525,000
Cash and cash equivalents	6,18	29,332,349	30,213,883
Other current investing assets	6	13,231	15,386
Total current investing assets		**29,795,580**	**30,814,590**
TOTAL INVESTING ASSETS		**32,938,908**	**34,100,229**
TOTAL NON CURRENT ASSETS		**158,302,981**	**165,906,059**
TOTAL CURRENT ASSETS		**312,065,697**	**304,832,648**
ASSETS HELD FOR SALE	**39**	**633,310**	**-**
TOTAL ASSETS		**471,001,988**	**470,738,707**

The accompanying notes form an integral part of these statements of consolidated financial position.

EQUITY AND LIABILITIES	Notes	31.12.20	31.12.19
EQUITY			
Share capital	19	58,573,090	58,573,090
Share premium	20	26,082,470	26,082,470
Legal reserve	20	9,562,336	8,920,399
Other reserves	20	144,749,704	148,935,359
Consolidated net profit/(loss) for the year attributable to the shareholders of the parent company		18,891,300	16,353,559
Shareholders' funds attributable to the shareholders of the parent company		**257,858,900**	**258,864,866**
Non-controlling interests	**21**	**11,385,004**	**11,000,929**
TOTAL EQUITY		**269,243,904**	**269,865,795**
LIABILITIES			
NON CURRENT OPERATING LIABILITIES			
Provisions	22	8,108,487	7,584,494
Deferred tax liabilities	12	22,105,434	22,604,427
Government grants related with assets	24	2,196,214	2,891,115
Other non current operating liabilities	6	3,065	3,065
Total non current operating liabilities		**32,413,200**	**33,083,101**
CURRENT OPERATING LIABILITIES:			
Provisions	22	271,549	649,956
Trade payables	6,25	52,873,663	51,322,571
Corporate income tax	16	2,019,443	1,160,829
State and other public entities	16	7,930,635	8,158,045
Derivatives	6,28	43,352	120,553
Payables to Group Companies	6,40	5,886	4,306
Other current operating liabilities	6,26	17,483,878	24,425,188
Total current operating liabilities		**80,628,406**	**85,841,448**
TOTAL OPERATING LIABILITIES		**113,041,606**	**118,924,549**
NON CURRENT FINANCING LIABILITIES:			
Bank loans, commercial paper and bonds	6,27	30,697,418	69,097,834
Other non current financing liabilities	6	-	257,193
Total non current financing liabilities		**30,697,418**	**69,355,027**
CURRENT FINANCING LIABILITIES			
Bank loans, commercial paper and bonds	6,27	57,520,807	12,473,118
Other loans	6,27	38,637	75,219
Derivatives	6,28	42,814	-
Other current financing liabilities	6	31,099	45,000
Total current financing liabilities		**57,633,356**	**12,593,337**
TOTAL FINANCING LIABILITIES		**88,330,774**	**81,948,364**
TOTAL CURRENT LIABILITIES		**138,261,762**	**98,434,784**
TOTAL NON CURRENT LIABILITIES		**63,110,618**	**102,438,128**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE	**39**	**385,703**	**-**
TOTAL EQUITY AND LIABILITIES		**471,001,988**	**470,738,707**

The accompanying notes form an integral part of these statements of consolidated financial position.

Consolidated income statements
for the years ended 31 december 2020 and 2019

(Amounts expressed in euro)

	Notes	31.12.20	31.12.19
Revenue	30	249,505,094	256,787,530
Cost of sales	13	(154,146,206)	(152,138,681)
Operating expenses	31	(30,417,635)	(33,103,072)
Payroll	32	(48,515,687)	(47,261,685)
Other income and expenses	33	(2,754,067)	(13,957,333)
Provisions	22	(938,778)	(1,572,604)
Operating assets impairment	22,35	(1,563,742)	(863,533)
Amortization/ depreciation	35	(12,698,627)	(11,427,347)
Reversal of costs incurred in the production of inventories	34	28,488,685	28,270,691
Operating results		**26,959,037**	**24,733,966**
Gains and losses related with other investments	36	4,735	59,857
Financial expenses	37	(1,536,078)	(2,031,871)
Financial income	37	1,057,683	1,027,718
Financial and other non-operating results		**(473,660)**	**(944,296)**
Net income before tax		**26,485,377**	**23,789,670**
Corporate income tax	38	(6,373,536)	(6,730,890)
Consolidated net profit / (loss) from continuing operations		**20,111,841**	**17,058,780**
Consolidated net profit / (loss) from discontinuing operations	**39**	**(187,282)**	**(53,481)**
Profit for the period attributable to the equity holders of the parent company		**19,924,559**	**17,005,299**
Attributable to:			
Company's Shareholders		18,891,300	16,353,559
Non-controlling interests	21	1,033,259	651,740
Earnings per share			
From continuing operations			
Basic (euro per share)	41	1.61	1.40
Diluted (euro per share)	41	1.61	1.40

The accompanying notes form an integral part of these consolidated income statements.

Statements of consolidated comprehensive income for the years ended 31 december 2020 and 2019

(Amounts expressed in euro)

	31.12.20	31.12.19
Consolidated net profit / (loss) for the year	**19,924,559**	**17,005,299**
Items that will not be reclassificated to income for the year		
Effects of actuarial gains (losses) of defined benefit liabilities (Note 25)	(55,230)	(67,679)
Deferred taxes related to the effects of actuarial study (Note 12)	15,169	17,950
Derecognition of Goodwill (Note 9)	(4,683,793)	-
Total changes in fair value reserves (1)	**(4,723,854)**	**(49,729)**
Items that will be reclassified to income for the year		
Changes in foreign currency translation reserves	(5,246,672)	(3,173,169)
Currency exchange differences on net investments in foreign entities-Viña Los Boldos	(733,234)	-
Total changes in foreign currency translation reserves (2)	**(5,979,906)**	**(3,173,169)**
Changes in fair value of cash flow hedge derivatives	11,354	(11,354)
Deferred tax related with changes in fair value of cash flow hedge derivatives (Note 12)	(3,028)	3,028
Total change in hedging reserves (3)	**8,326**	**(8,326)**
Total of Other Comprehensive Income (1) + (2) + (3)	**(10,695,433)**	**(3,231,224)**
Consolidated comprehensive income for the year	**9,229,126**	**13,774,074**
Attributable to:		
Parent Company's Shareholders	8,195,866	13,122,334
Non-controlling interests	1,033,259	651,740

The accompanying notes form an integral part of these statements of consolidated comprehensive income.

Consolidated statements of changes in equity for the years ended 31 december 2020 and 2019

(Amounts expressed in euro)

For the year ended 31 december 2019	Opening Balance	Application previous year net profit / (loss): Transfers	Application previous year net profit / (loss): Dividends paid to shareholders	Reserves distributed	Perimeter change	Total consolidated comprehensive income for the year	Final Balance
Share capital	58,573,090	-	-	-	-	-	58,573,090
Share premium	26,082,470	-	-	-	-	-	26,082,470
Legal reserve	8,263,963	656,425	-	-	-	-	8,920,388
Foreign currency translation reserves	(13,550,517)	-	-	-	-	(3,173,169)	(16,723,685)
Hedging reserves	1	-	-	-	-	(8,326)	(8,325)
Other reserves and retained earnings	158,722,410	16,605,695	(2,111,008)	(7,500,000)	-	(49,729)	165,667,369
Other reserves	**145,171,894**	**16,605,695**	**(2,111,008)**	**(7,500,000)**	**-**	**(3,231,224)**	**148,935,359**
Consolidated net profit / (loss) for the year	17,262,120	(17,262,120)	-	-	-	16,353,559	16,353,559
Attributable to Parent Company's Shareholders	**255,353,540**	**-**	**(2,111,008)**	**(7,500,000)**	**-**	**13,122,335**	**258,864,866**
Non-controlling interests	3,069,876	-	(218,828)	-	7,498,142	651,740	11,000,929
Total Equity	**258,423,415**	**-**	**(2,329,836)**	**(7,500,000)**	**7,498,142**	**13,774,075**	**269,865,795**

For the year ended 31 december 2020	Opening Balance	Application previous year net profit / (loss): Transfers	Application previous year net profit / (loss): Dividends paid to shareholders	Reserves distributed	Perimeter change	Total consolidated comprehensive income for the year	Final Balance
Share capital	58,573,090	-	-	-	-	-	58,573,090
Share premium	26,082,470	-	-	-	-	-	26,082,470
Legal reserve	8,920,388	641,948	-	-	-	-	9,562,336
Foreign currency translation reserves	(16,723,685)	-	-	-	406,799	(5,979,906)	(22,296,792)
Hedging reserves	(8,325)	-	-	-	-	8,325	-
Other reserves and retained earnings	165,667,369	15,711,611	-	(9,608,631)	-	(4,723,853)	167,046,496
Other reserves	**148,935,359**	**15,711,611**	**-**	**(9,608,631)**	**406,799**	**(10,695,434)**	**144,749,704**
Consolidated net profit / (loss) for the year	16,353,559	(16,353,559)	-	-	-	18,891,300	18,891,300
Attributable to Parent Company's Shareholders	**258,864,866**	**-**	**-**	**(9,608,631)**	**406,799**	**8,195,867**	**257,858,900**
Non-controlling interests	11,000,929	-	(242,385)	-	(406,799)	1,033,259	11,385,004
Total Equity	**269,865,795**	**-**	**(242,385)**	**(9,608,631)**	**-**	**9,229,126**	**269,243,904**

The accompanying notes form an integral part of these consolidated statements of changes in equity.

Statements of consolidated cash flows for the years ended 31 december 2020 and 2019

(Amounts expressed in euro)

	Notes	31.12.20	31.12.19
CASH FLOWS OF OPERATIONAL ACTIVITIES:			
Customers reimbursements		295,677,812	343,852,235
Suppliers payments		(225,236,128)	(268,613,140)
Payroll payments		(43,205,536)	(41,074,677)
Cash related with operations		**27,236,148**	**34,164,419**
Payment/Receivables related with income tax		(6,940,282)	(7,120,022)
Exchange rate forwards		(8,326)	8,326
Other Payments/receivables		(1,411,437)	(3,197,762)
Cash flows from operating activities (1)		**18,876,102**	**23,854,961**
CASH FLOWS OF INVESTING ACTIVITIES :			
Payments related to:			
Tangible assets		(13,016,023)	(13,495,913)
Intangible assets		(1,318,790)	(1,244,455)
Financial Investments		-	(17,591,558)
Loans		(12,500,000)	(3,500,000)
Other assets		(6,491,510)	(2,071)
Receivables related to:			
Tangible assets		3,966,995	3,511,114
Financial Investments		283,599	78,086
Government grants related with assets		1,308,638	634,331
Loans granted		12,750,000	250,000
Interest and similar income		684,165	475,547
Dividends	36	4,926	57,647
Cash flows from investing activities (2)		**(14,328,000)**	**(30,827,272)**

The accompanying notes form an integral part of these statements of consolidated cash flows.

Statements of consolidated cash flows for the years ended 31 december 2020 and 2019

(Amounts expressed in euro)

	Notes	31.12.20	31.12.19
CASH FLOWS OF FINANCING ACTIVITIES:			
Receivables related to:			
Loans	27	489,200,796	468,715,250
Realization of capital and other equity instruments		-	127,597
Donations		-	(134)
Interest rate swaps		341	4,441
Other financing operations		52,306	(18,512)
Payments related to:			
Loans	27	(482,482,069)	(445,152,004)
Leasings		(47,147)	-
Interest and similar charges		(252,935)	(488,445)
Dividends		(242,388)	(2,329,836)
Reserves paid		(9,608,631)	(7,500,000)
Other financing operations		(45,942)	(157,958)
Cash flows from financing activities (3)		**(3,425,666)**	**13,200,399**
Changes in cash and cash equivalents (4) = (1) + (2) - (3)		1,122,436	6,228,087
Merger operation effect		(1,912,272)	(2,029,293)
Impact of exchange rate differences		-	1,928,058
Effect of changes in the consolidation perimeter		(91,698)	-
Cash and cash equivalents at the beginning of the year	**18**	**30,213,883**	**24,087,031**
Cash and cash equivalents at the end of the year	**18**	**29,332,349**	**30,213,883**

The accompanying notes form an integral part of these statements of consolidated cash flows.

Notes to the consolidated financial statements

For the year ended December 31, 2020

(Amounts expressed in euro)

1. INTRODUCTION

Sogrape is made up of Sogrape, S.G.P.S., S.A. and its Subsidiaries (Note 4) and its main activity is the production and gross sale of Port wines in Portugal and table wines and brandies in Portugal, Argentina, New Zealand, Chile, Spain and Italy. Additionally, it is responsible for the gross sale of table wines, Port wines and Jerez wines, as well as other national and foreign representations of brandies, liquors and whiskies. Its main activity also includes the distribution to United States, Angola, China, Brasilian, United Kingdom and Ireland markets, through its subsidiaries located in United States of America (Evaton Inc.), in Angola (Vinus – Distribuição de Vinho e Bebidas, Lda.), in Hong Kong (Sogrape Asia Pacific Limited), in Brazil (Sogrape Brasil – Importação e Distribuição de Bebidas, LTDA), in United Kingdom (Liberty Wines Limited) and in Ireland (Liberty Wines Ireland Limited), as well as the purchase and sale of real estate, construction and promotion of real estate and tourist developments and any construction works.

The Sogrape S.G.P.S., S.A.'s financial statements and its subsidiaries are integrated in the consolidated financial statements of the intermediate parent company Guesi – Comércio e Serviços, SA, as well as in the final parent company Fernando Guedes, S.G.P.S., SA.

The consolidated financial statements are presented in Euro, since this is the main currency used in the economic environment in which Sogrape is included.

2. MAIN ACCOUNTING POLICIES

The main accounting principles used in preparing the accompanying consolidated financial statements are as described below. These accounting principles were applied on a consistent basis consistent in the presented periods:

2.1. Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. These correspond to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union and are in force as of the consolidated financial statements issuance date.

The accompanying consolidated financial statements have been prepared from the accounting books and records of the Company and its subsidiaries, on a going concern basis and under the historical cost convention, except for derivatives, which were recorded at fair value.

The statement of financial position is structured distinguishing between current and non-current assets and liabilities, as defined in IAS 1 – Presentation of Financial Statements. Additionally, Sogrape segregates assets and liabilities between: i) operating assets and liabilities: refers to assets and liabilities related to Sogrape operating activities, and ii) investing assets: assets held by Sogrape and related to investing activities; and iii) financing liabilities: refers to liabilities used by Sogrape with the purpose of financing.

Hyperinflationary Economies

As a result of the high levels of inflation in the last three years, approaching 100% cumulative terms, the Argentinean economy has again been considered as hyperinflationary in 2020. Following that classification, IAS 29 should have been applied, according to which the financial statements of a subsidiary reporting in the currency of a hyperinflationary economy would need to be restated by the application of a general price index of the country in whose currency it reports before being transposed into the functional currency, the Euro. According to IAS 21, the results and financial position of an entity whose functional currency is a currency of a hyperinflationary economy must be translated into the group's presentation currency without restatement of the comparative information.

The restatement of the financial statements of entities whose functional currency is a currency of a hyperinflationary economy requires the application of certain procedures, such as: a) Selection of the general price index to be applied, b) Statement of financial position: i) Segregation of monetary and non-monetary items -

monetary items should not be restated - non-monetary items must be restated, except those that are measured at the net realizable value or fair value at the reporting date. ii) Restatement of non-monetary items: use of the accumulated inflation index from the initial booking date to the reporting date. iii) Restatement of equity items: at the beginning of the first period of application of IAS 29, equity items, except retained earnings and any revaluation surplus, are restated by the application of a general index since the dates in which the amounts were booked. Any revaluation surplus arising from prior periods is eliminated. Retained earnings are determined as a result from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of equity are restated by the application of a general price index from the beginning of the period or the date of its establishment if later.

However, this standard was not applied in any of the periods presented, given the distortion and difficulty of reading / comparability that such an adjustment would introduce in the financial statements.

Standards, interpretations, amendments and revisions that became effective as of the financial period

Until the approval date of the accompanying consolidated financial statements, the following standards, interpretations, amendments and revisions applicable were endorsed by the European Union and are mandatory for the first time in the year ended December 31, 2020:

Standards/interpretations	Effective for periods beginning on or after
IFRS 3 - Business Combinations	1 January 2020
IFRS 9, IAS 39 e IFRS 7 – Reference interest rate reform	1 January 2020
IAS 1 – Presentation of Financial Statements	1 January 2020
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Conceptual Framework - Amendments in reference to other IFRS	1 January 2020

The adoption of these standards did not lead to significant impacts on the financial statements.

New standards and interpretations, amended or reviewed not endorsed

Until the date of the approval of the accompanying financial statements, the following standards, interpretations, amendments and revisions were endorsed by the European Union:

Standards/interpretations	Effective for periods beginning on or after
IFRS 16 – COVID-19-Related Rent Concessions Amendment	1 June 2020
IFRS 4 – Deferral of effective date of IFRS 9	1 January 2021

These changes, although endorsed by the European Union, were not adopted by the company as at December 31, 2020, as its application is not yet mandatory. No significant impacts are expected to arise in the consolidated financial statements as a result of the adoption of these standards.

The following standards, interpretations, amendments and revisions have not yet been endorsed by the European Union:

Standards/interpretations	Effective for periods beginning on or after
IAS 1 – Presentation of Financial Statements	1 January 2023
IAS 16 - Amendments to IAS 16 Property, Plant and Equipment	1 January 2022
IAS 37 – Amendments to Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Annual improvements 2018 – 2020 to IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022
IFRS 3 – References to Conceptual Framework	1 January 2022
IFRS 9, IAS 39, IFRS 7, IFRS 4 e IFRS 16 – Reference interest rate reform – fase 2	1 January 2021
IFRS 17 – Insurance Contracts	1 January 2023

2.2. Consolidation principles

The consolidation methods adopted by Sogrape are as follows:

2.2.1. Investments in Sogrape companies

Investments in companies in which Sogrape has control have been included in the consolidated financial statements using the full consolidation method. Sogrape controls an investee if and only if Sogrape has all of the following elements:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect those returns.

The Group reassesses whether it controls an entity when any facts and circumstances indicate that there are changes to one or more of the elements of control facts.

The Group has control over an investee when, having less than a majority of the voting rights, has rights that are sufficient to give it power to unilaterally direct the investee's relevant activities. When assessing whether the Group's voting rights are sufficient to give it power, the Group considers all available facts and circumstances, including:

- the size of its holding of voting rights relative to the size and dispersion of other vote holders;
- potential voting rights held by the Group and others;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities when decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date that control ends.

Equity and net profit attributable to third parties' participation in those companies are presented separately under the caption "Non-controlling interests", in the statement of consolidated financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 4.

Assets and liabilities of each subsidiary are measured at their fair value at the acquisition date. The excess of the acquisition cost plus the fair value of non-controlling interests over the fair value of the net assets and liabilities acquired is recognized as Goodwill (Note 9).

The acquisition cost is determined as the sum of the fair value of the given assets, liabilities incurred or assumed and equity instruments issued by Sogrape in exchange for assumption of control. Costs related to the acquisition are recognized as expenses when incurred. When applicable the acquisition cost includes the fair value of contingent payments measured at the date of acquisition. Subsequent changes in the value of contingent payments are recorded in accordance with the accounting standards for the assets or liabilities in question, unless they qualify as an adjustment in the interim measurement period.

If the process of accounting business combinations is provisional at the end of the year in which the business combination occurs, Sogrape discloses that situation, and the amounts provisioned can be adjusted during the measurement period (the period between the date of acquisition and the date in which Sogrape obtains complete information about the facts and circumstances that existed at the date of acquisition and a maximum of 12 months) or there may be recognized new assets and liabilities to reflect facts and circumstances that existed at the balance sheet date and that, if known, would have affected the amounts recognized on the date of acquisition.

If the difference between the cost of acquisition plus the fair value of the shares previously acquired and the fair value of assets and liabilities acquired is negative, it is recognized as income for the period as "Other income and expenses", after the reassessment of the fair value to be allocated to identifiable assets and liabilities.

Non-controlling interests are identified in equity separately from equity attributable to shareholders of the Parent Company. Non-controlling interests can be initially measured either by their fair value or the proportion of the fair value of assets and liabilities of the subsidiary acquired. This option is made separately for each transaction. After initial recognition the carrying amount of non-controlling interests is determined as the amount initially recognized plus the proportion of changes in the subsidiary's equity. The comprehensive income of a subsidiary is allocated to non-controlling interests in the same proportion even when they are negative.

The results of subsidiaries acquired or disposed of during the period are included in the income statements from the acquisition date or up to the date of sale.

Adjustments to the financial statements of Sogrape subsidiaries are made, whenever necessary, in order to adapt their accounting policies to those used by Sogrape. Transactions, balances and dividends distributed between Sogrape companies are eliminated on consolidation.

Changes in percentage of control over subsidiaries that do not result in gain or loss of control are accounted for as equity transactions. The value of the interests of Sogrape and non-controlling interests are adjusted to reflect the percentage changes. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the price of the transaction is recognized directly in equity and attributed to the shareholders of Parent Company.

When Sogrape loses control over a subsidiary, the gain or loss on disposal is recognized as income in the year and is calculated as the difference between (i) the aggregate fair value of the sale price and the fair value of retained interests and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and non-controlling interests. Amounts previously recognized as Other comprehensive income are transferred to the income statement or transferred to retained earnings in the same way they would be if the assets or related liabilities were sold. The fair value of retained interests is the fair value on initial recognition for subsequent accounting for an investment in an associate or a joint venture.

2.2.2. Investments in associates

Investments in associates (companies where Sogrape exercises significant influence but does not have the control or joint control to participate in financial and operating decisions, presumed when Sogrape owns more than 20% of the voting rights) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at acquisition cost, adjusted by the amount corresponding to Sogrape's share in comprehensive income (including net profit) of the associate recognized in net profit for the year or other comprehensive income, respectively, and by dividends received, until the significant influence ends.

Positive differences between acquisition cost and the fair value of identifiable assets and liabilities at acquisition date is recognized as goodwill, which is included in the caption Investment in associates (Note 2.2.3). Negative differences are recognized as income in the income statement for the year, after reassessment of attributed fair value under the caption Gains and losses related with group companies and associates.

An assessment of investments in associates is made whenever there is an indication that the asset might be impaired. Any existing impairment loss is recorded as a cost in the income statement. Impairment losses recorded in previous years that do no longer exist are reversed.

When the activity of the associate is similar to the group business and a part of it in geographically, the share of profit or loss for the period is recorded under Operating Profit in the caption Gains / Losses in associated companies.

2.2.3. Goodwill

Differences between the acquisition cost of investments in subsidiaries and associates, plus the amount of non-controlling interests and the fair value of the identifiable assets and liabilities of those companies at the date of acquisition, when positive, are recorded as goodwill (Note 9) or kept in caption Investments in associates, as appropriate. Goodwill of foreign subsidiaries located abroad as well as the fair value adjustments of assets and liabilities at the date of acquisition of those subsidiaries are recorded using the functional currency of each of those subsidiaries. Translation to Sogrape's functional currency is made using the closing exchange rate at consolidated balance sheet date. Exchange rate differences arising from this translation are recorded in Foreign currency translation reserves, included in "Other reserves".

Goodwill is not depreciated, but it is subject to impairment tests on an annual basis. Net recoverable amount is determined based on business plans used by Sogrape management or on valuation reports issued by independent entities. Impairment losses recognized in the period are recorded in the income statement under the caption "Impairment losses".

Impairment losses related with goodwill cannot be reversed.

Goodwill from acquisitions prior to the date of transition to IFRS (1 January 2009) was maintained by the figures given in accordance with generally accepted accounting principles in Portugal, and subject to impairment tests. The impacts resulting from translation adjustments were recorded in Retained earnings, according to IFRS 1.

2.2.4. Translation of financial statements of foreign companies

Assets and liabilities in the financial statements of foreign companies are translated to Euro using exchange rates effective at the date of the statement of financial position. Income and expenses as well as cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2009 are recorded as equity under foreign currency translation reserves in "Other Reserves". Exchange rate differences that were originated prior to 1 January 2009 (date of transition to IFRS) were written-off through "Retained earnings".

Whenever a foreign company is sold, any accumulated exchange rate difference recorded in foreign currency translation reserves in equity is written-off and is recognized in the income statement as a gain or loss on the disposal.

Exchange rates used on translation to Euro of foreign group companies and associates' financial statements are listed below:

	31.12.2020		31.12.2019	
	End of period	Average in period	End of period	Average in period
American dollar	1.2271	1.1470	1.1234	1.1195
Argentinean peso	103.30	82.37	67.04	54.92
New Zealand dollar	1.6984	1.7586	1.6653	1.6962
Hong Kong dollar	9.5142	8.8966	8.7473	8.7692
Chilean peso	873.30	907.16	839.58	791.38
Angolan kwanza	798.43	660.51	540.82	425.05
British pound	0.8990	0.8893	0.8508	0.8759
Brazilian real	6.3735	5.9988	4.5157	4.4175

2.3. Tangible assets

Tangible assets are measured at acquisition cost, net of accumulated depreciation and impairment losses.

The acquisition cost includes:

a) the purchase price, including import duties and purchase taxes nonrefundable, after deducting trade discounts and rebates;

b) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended

Depreciation begins when assets are available for use, by the straight-line method over the estimated useful life for each class of assets, and recorded against the consolidated income statement caption depreciation.

Impairment losses detected the recoverable amount of tangible assets are recorded in the year when they are estimated against the consolidated income statement caption Operating assets impairment.

The depreciation rates used correspond to the following estimated useful lives for each class of assets:

	Years
Buildings and Other Constructions	10-50
Vineyard Infrastructures	7-40
Vines	20
Machinery and equipment	3-20
Vehicles	4-13
Office equipment	3-13
Tools	4-14
Containers and Recipients	1-25
Casks	1-15
Other Tangible Assets	8-14

Maintenance and repair costs that do not increase the useful lives of tangible assets are recorded directly as expenses in the period in which they occur.

Tangible assets in progress, which represent fixed assets still under construction and are stated at acquisition cost net of any impairment losses. These assets are depreciated from the date they are completed or become ready for use.

Gains or losses on sale or disposal of 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 consolidated income statement under other operational income and expenses.

2.4. Intangible Assets

Intangible assets are measured at acquisition or production cost, net of depreciation and accumulated impairment losses. Intangible assets are recognized only if it is probable that future economic benefits will flow to Sogrape, are controlled by Sogrape and their value can be reliably measured.

The cost includes:

a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

b) any directly attributable cost of preparing the asset for its intended use.

Research expenditure with new technical knowledge is recognized in the consolidated income statement when incurred.

Development expenditure, for which Sogrape demonstrates ability to complete its development and begin marketing and / or use and for which it is probable that the asset created will generate future economic benefits, are capitalized. Development expenditures that do not match these criteria are recorded as expenses in the period in which they are incurred.

Amortization is calculated on a straight line basis, as from the date the asset is ready for use, over the expected useful period, which corresponds to an estimated period of three years.

Brands acquired within Business Combinations and patents with defined useful lives are recorded at their acquisition cost and are depreciated on straight line basis during the estimated useful life. Brands and patents with undefined useful lives are not depreciated, but are subject to impairment tests on an annual basis or whenever impairment indicators exist, if these are more frequent.

Vine planting rights in Portugal are recorded as intangible assets. Such planting rights are being recorded according its acquisition cost and are being depreciated on a straight line bases.

Water rights in Chile are recorded as intangible assets, and are not being amortized since they do not have defined useful life. Its value is subject to impairment tests on an annual basis or whenever impairment indicators exist, if these are more frequent.

2.5. Investment property

Investment property include, mainly, real estate held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are recorded at acquisition cost, less depreciations and accumulated impairment losses, similar to tangible assets.

The depreciation rates used correspond to the estimated useful lives of 50 years.

2.6. Leases

The right to use an asset and a lease liability is recognized on the beginning date of the lease.

IFRS 16 distinguishes lease services based on whether or not there is control over the use of an identifiable asset by the customer. Control is considered to exist if the customer cumulatively has: i) the right to obtain substantially all the economic benefits from the use of a specific identified asset and; ii) the right to direct the use of that specific asset.

The right to use the asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of the costs of dismantling and removal of the underlying asset (if applicable), less any incentives granted.

The liability for the lease is initially recognized at the present value of the rent not yet paid at the date of the lease, discounting the interest implicit in the lease, or in the event that it is not possible to determine this rate easily, using the Company's incremental interest rate. .

Lease payments included in the measurement of the lease liability include fixed payments, less any incentives already received.

Liability for leases is measured at amortized cost, using the effective interest method, and is remeasured when there are changes in future payments resulting from a change in the rate or index, as well as possible changes in the lease agreements.

2.7. Biological assets

The Biological assets caption includes the costs incurred in the annual cycle of production until the harvest date, when the agricultural produce (grape) is valued according to its fair value and is incorporated in inventories. Impairment losses are recognized when the estimated production value, measured according to the fair value of the grapes, is lower than the production costs already incurred and to be incurred. Such impairment charge is estimated based on historical loss at each location.

Biological assets are not measured at fair value, less costs to sell since there is no active market for vineyards, once the items traded within the market are not homogeneous and prices are not available to the public.

2.8. Government grants or public entities

Government grants are recorded at fair value when there is reasonable assurance that they will be received. Grants are recognized as income in the same period as the relevant expenses.

Grants related to the acquisition of tangible assets are disclosed as Other non current liabilities – Government grants related to assets and are recognized in the income statement, proportionally to the depreciation of the underlying assets, when there is reasonable assurance that they will be received.

Government grants related with taxes, namely investments tax credits are recorded according to the standard of Income tax (Note 2.17).

2.9. Impairment of non current assets

Impairment tests are made whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, except in the case of intangible assets with indefinite useful life and Goodwill (Note 2.2.3) which impairment losses are annually tested.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated income statement under Operating assets impairment.

The recoverable amount is the higher value between the asset's fair value less costs of selling and its value in use. Fair value less selling costs 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 recognized in prior years, except for the previously recognized Goodwill, is only recorded when one concludes that the impairment losses recognized for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognized has been reversed. Reversal of impairment losses is recorded in the consolidated income statement in the same caption as impairment losses. However, reversal of an impairment loss is recognized to the extent the increased carrying amount of an asset does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2.10. Borrowing costs

Borrowing costs are usually recognized as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, namely fixed assets, are capitalized as part of the cost of the asset. Borrowing costs are capitalized from the beginning of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalization.

Borrowing costs related to inventories, using the exception in IAS 23 - Borrowing costs, are recorded as expense in the period since the inventories majority, except the real estate assets, are produced on a current basis and in large quantities.

2.11. Inventories

Merchandise and raw, subsidiary and consumable materials are valued at average purchase cost, including transport costs and import duties, where applicable.

Grapes produced by Sogrape are valued, for the purposes of incorporation in the value of goods and work in progress, according to their market value at the harvest date.

Products and work in progress are valued at the production cost incurred until the statement of financial position date and include all bulk wine stock.

Table bulk wine is valued at the average purchase price or production cost, including direct production and winemaking costs, plus expenses associated with the winemaking activity.

Finished, semi-finished and intermediate products are valued at production cost. Production cost includes the cost of incorporated raw materials, direct labour and general production expenses, fixed and variable, which are incurred in converting materials into finished and semi-finished products. The allocation of fixed production overheads is based on the normal capacity of production facilities.

Inventories with extended production cycles are valued at their acquisition or production cost increased by storage expenses, whenever they are needed in the production process before starting a new phase of production. Such inventories are classified as current even though part of them will only be sold after the aging process which is, under certain circumstances, over one year. Borrowing costs are not considered in the valuation of inventories with production cycle lengthy, since such inventories are produced on a current basis and in large quantities.

Adjustments are recorded for items considered obsolete or with low turnover to reflect the difference between the cost amount of inventories and their net realizable value, when this is less than cost at the statement of financial position date.

Differences between costs and net realizable value of inventories, if this is less than the cost, they are recorded as operating costs in Cost of sales.

Promotional materials are recognized as expenses when the goods are available to Sogrape.

2.12. Provisions

Provisions are recognized when, and only when, Sogrape 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 each statement of financial position date to reflect the best estimate as of that date.

Restructuring provisions are recorded by Sogrape whenever a formal and detailed restructuring plan exists and has been communicated to the parties involved.

Provisions related to legal proceedings which are mainly related to contractual disagreements with third parties are recognized when it is estimated that it is likely that for Sogrape there will be an outflow of resources. The probability and the amount of this outflow of resources are estimated based on information provided by the legal advisors on the process evolution.

2.13. Financial instruments

The Company classifies financial instruments into categories and according to the criteria established by IFRS 9 (Note 6).

2.13.1. Financial asset

i. Recognition

Purchases and sales of investments in financial assets are recorded on the date of the transaction, that is, on the date on which the group commits to buy or sell the asset.

ii. 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 changes in fair value) and the contractual terms of 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 constitute equity instruments, which can never be reclassified to another category. Os ativos financeiros podem ser classificados nas seguintes categorias de mensuração:

(i) **Financial assets at amortized cost:** includes financial assets and liabilities that corresponds 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 and liabilities that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments:

- debt instruments: this category includes financial assets that corresponds to the payment of nominal value and interest, for which the business model followed by the management is the receipt of contractual cash flows. The fair value through other comprehensive income classification is mandatory unless the option to Fair Value Through Profit and Loss is taken. Interests (calculated using interest effective rate method), the exchange differences and the impairment charges and reversals are recognized directly in equity, and recognized to profit and loss on derecognition;
- 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 the initial recognition to designate at fair value through other comprehensive income, as such, the classification

in this category is an option. In this category, only dividend income is recognized is profit and loss with all other gains and losses recognized in equity and there is no reclassification on derecognition

(iii) **Financial assets at fair value through profit or loss:** includes assets and liabilities that do not meet the classification criteria as financial assets or liabilities at amortized cost nor at fair value through other comprehensive income, whether referring to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

iii. Measurement

The group initially measures financial assets at fair value, plus transaction costs directly attributable to the acquisition of financial assets, for financial assets that are not measured 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 revenue from assets at amortized cost" in financial income.

Financial assets at fair value through other comprehensive income that are equity instruments are measured at fair value on initial recognition and subsequently, fair value changes are recorded directly in the other comprehensive income, in Equity. Future reclassification is not permitted even after derecognition of the investment.

iv. Impairment losses

The Company evaluates prospectively the estimated credit losses associated with financial assets, which are debt instruments, classified at amortized cost or at fair value through other comprehensive income. The applied impairment methodology considers the credit risk profile of the debtors, and different approaches are applied depending on the nature of the debtors.

Regarding receivables under "Trade Receivables", the Company applies the simplified approach allowed by IFRS 9, according to which estimated credit losses are recognized from the initial recognition of the receivable balance and for the entire period to maturity, considering a matrix of historical default rates for the maturity of the balances receivable, adjusted by prospective estimates.

Regarding the receivables from related entities, which have no commercial nature nor are 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 maturity 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 no impairment is considered. In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Company only 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 receivables, the Company applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there is no increase in credit risk, the Company calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there has been an increase in credit risk, the Company calculates an impairment corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

v. 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 transferred substantially all the risks and rewards of the ownership of the asset.

vi. Trade receivables

Trade receivables are recorded at their nominal value and presented in the consolidated statement of financial position net of any impairment losses recognized each period in caption Operating assets impairment, in order to reflect their estimated net realizable value subsequently reversed through results. The amounts recorded as trade receivables, when classified as current, do not include interests since the impact of discounting would be immaterial.

Impairment losses are recognized accordingly to Note 2.13.

The present value of estimated future cash flows considers, when applicable, the existence of credit insurance for trade receivables under analysis.

vii. Cash and cash equivalents

The amounts included in the caption cash and cash equivalents correspond to cash, bank deposits, time deposits and other treasury applications, maturing in less than three months, and which can be immediately mobilized with an insignificant risk of change in value.

2.13.2. Finantial 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 category "Financial liabilities at amortized cost" includes liabilities presented in the item Bank loans, commercial paper and bonds. These liabilities are initially recognized at the fair value net of transaction costs and are subsequently measured at amortized cost in accordance with the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, canceled or expired.

i. Loans

Loans are recorded as liabilities at their fair value, net of up-front fees and commissions incurred related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the consolidated income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.19.

ii. Trade payables and other accounts payable

These financial liabilities are initially recognized at fair value. Subsequent to its initial recognition, the liabilities presented under "Trade Paybales" are measured at amortized cost using the effective interest method. Debts to suppliers and other debts to third parties are recorded at their nominal value, since interest does not accrue and the discount effect is considered immaterial.

iii. Derivatives

The Company uses derivative instruments in the management of its financial risks as a way of guaranteeing the coverage of these risks, namely the risk of changes in interest rates and the risk of changes in exchange rates.

The derivative instruments used by the Company, defined as cash flow hedging instruments, mainly refer to interest rate hedging instruments obtained as well as to foreign exchange derivatives in order to reduce the effect of exchange rate volatility in the income statement in relation to sales of goods made in foreign currency.

Coverage inefficiencies, if any, are recorded under the Financial Costs and Income items in the income statement.

The criteria used by the Company to classify derivative instruments as cash flow hedging instruments are as follows:

- Hedging is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be measured reliably;
- There is adequate documentation on the transaction to be covered at the beginning of the coverage;
- The hedged transaction is highly probable.

Interest rate and exchange rate hedging instruments are initially recorded at their fair value and subsequently revalued at their fair value at the date of the statement of financial position. Changes in the fair value of these instruments are recognized in equity under the caption Reserves caption, included in the caption Other reserves in the statement of financial position, being transferred to the captions in the statement of income of costs or financial income in the case of hedging instruments interest rate and Other operating costs and income in the case of exchange rate hedging instruments in the same period in which the hedged instrument affects results.

The hedge accounting for derivative instruments is discontinued when the instrument matures or is sold. In situations where the derivative instrument is no longer qualified as a hedging instrument, accumulated and deferred fair value differences in equity are transferred to the income statement for the year, or added to the carrying amount of the asset that the hedged transactions gave rise to., and subsequent revaluations are recorded directly in the income statement items.

In derivative instruments, although contracted with the aforementioned objectives, in relation to which the Company did not apply the hedge accounting criteria, they are initially recorded at their fair value, if any, and subsequently revalued at their fair value, being that the variations directly affect the items Financial Costs and Income or Other Operating Income and Costs, in the income statement, depending on whether they are interest rate or exchange rate hedging instruments, respectively.

2.14. Treasury shares

Treasury shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of treasury shares are recorded in directly in reserves.

2.15. Non- current assets held for sale

Non current assets (or disposal group of assets and related liabilities to alienate) are recorded as held for sale if it is expected that the book value will be recovered mainly through the sale and not through the use in the operations. This condition is achieved only if the sale is highly probable and the asset (or disposal group of assets and related liabilities to alienate) is available for the immediate sale in the current conditions. Additionally, actions must be in progress that should allow concluding the sale will be made within 12 months counting from the classification´s date in this caption. The non-current assets (or disposal group of assets and related liabilities to alienate) recorded as held for sale are measured at the lower amount of the carrying amount or the fair value deducted from sale costs, and are not depreciated from the moment of their classification as held for sale.

2.16. Contingent assets and liabilities

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 not recorded in the consolidated financial statements, but disclosed when future economic benefits are probable.

2.17. Corporate income tax

The current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation of each Sogrape company.

All national companies of Sogrape Group are taxed under the Special Taxation Scheme for Groups of Companies ("Regime Especial de Tributação de Grupos de Sociedades" – "RETGS"), consequently current income tax is calculated based on the taxable income of the national companies considering the applicable tax legislation, however the tax payment to the state is made by the leader company of the taxable group.

Accordingly, the estimate for income tax for the year reported in the consolidated financial statements is based on the estimates for the national companies included or not in the RETGS as well as the estimates for foreign companies, which are taxed according to the taxation rules in force in the country in which they are located.

In addition, Sogrape calculates and records deferred taxes in its consolidated financial statements. Deferred taxes reflect 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, as well as deferred tax assets relating to tax losses and tax credits arising from the applicable law.

Deferred tax assets and liabilities are calculated and annually re-measured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply when the temporary differences (deductible or taxable) are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used. At each statement of financial position date a review is made of the temporary differences underlying deferred tax assets recognized, in order to recognize deferred tax assets not previously recorded or to reduce the amount of deferred tax assets recorded according to the current expectation of their future recoverability.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

Additionally, the Group records taxes credits related with investments ("SIFIDE" and other contractual tax credits) in the caption "Corporate income tax", which are recognized in the income statement according to similar criteria to deferred assets and when there is reasonable assurance of it will be receivable, according to IAS 12 – Income tax.

2.18. Revenue recognition

IFRS 15 is based on the principle that revenue is recognized on the date of transfer of control to the customer, the transaction value being allocated to the different performance obligations assumed to the client and subject to adjustment in the measurement whenever the consideration is variable or subject to a significant financial effect.

Sales are recognized net of taxes, discounts and other costs related to their realization, at the fair value of the amount received or receivable.

Revenue is recorded in the income statement when the control over the product or service is transferred to the customer, that is, at the moment when the customer becomes able to manage the use of the product or service and obtain all the benefits economic conditions associated with it.

The Company considers that, given the nature of the product or service that is associated with the assumed performance obligations, the transfer of control occurs mostly on a specific date, but there may be transactions in which the transfer of control occurs continuously over the contractual period defined.

2.19. Accrual-based accounting

Sogrape registers its costs and gains according to the accrual principle, which requires to record it in the year to which they relate, independently of the corresponding payment or receipt date. Income and expenses for which the amount is not known are estimated and recorded in caption "Other current assets and other current liabilities".

2.20. Balances and transactions expressed in foreign currencies

Transactions in currencies other than 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 (different from the subsidiary functional currency) in each company's financial statements are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the statement of consolidated financial position date, are recorded as income or expenses of the period. The classification in the consolidated income statement depends on the nature of the asset or liability underlying. Usually exchange differences are recorded as operating results unless they are related to investing assets or financing liabilities.

2.21. Subsequent events

Events after the statement of consolidated financial position date that provide additional information about conditions that existed at its date, are reflected in the consolidated financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.22. Judgments and estimates

The most significant accounting estimates reflected in the consolidated financial statements include:

- Useful lives of tangible, intangible and biological assets;
- Impairment analysis of goodwill and of tangible and intangible assets;
- Recognition and mensuration of impairment on assets;
- Recognition and mensuration of provisions;
- Determining the fair value of agricultural assets;
- Assessment of deferred tax assets recovery.

Estimates used are based on the best information available during the preparation of consolidated financial statements and are based on best knowledge of past and present events. However, future events that are neither foreseeable nor controlled by Sogrape could occur and have impact on the estimates. Changes to the estimates used by the management that occur after the date of these consolidated financial statements, will be recognized in income prospectively, in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors.

The criteria used for defining the main estimates and the assumptions in relation to future events included in the preparation of consolidated financial statements are disclosed in the corresponding notes.

2.23. Employee benefits

2.23.1. Defined contribution pension plans

Sogrape contributions for defined contribution pension plans are recorded as expenses in the period to which they relate, which is when the employees covered by the plan provide services that give them the right to the contribution of Sogrape.

2.23.2. Defined benefit pension plans

Sogrape has a defined benefit plan, in Sogrape Vinhos, in the form of complementary retirement benefits, regarding former Directors and employees, retired before 2004. The responsibilities of Sogrape related to this plan are determined by the method of projected unit credit and the respective actuarial calculations performed on an annual basis at each reporting date.

The effect of the measurement of responsabilities related to defined benefits plans including actuarial gains and losses and the return of plan´s assets (when applicable) net of interests is recognized imediatelly in the Comprehensive Income Statement (in Equity in Retain Earnings), with no impact in the Income Statement. This item will not be reclassified subsequently to profit and loss statement.

Net interest is recognized in the Income Statement and corresponds to the product of the discount rate of the liability for the responsibility value.

Past service expenses are already fully recognized in the Consolidated Financial Statements since employees have been retired, consequently in the Income Statement there is only the effect of net interest.

The liability associated with granted benefits recognized in the statement of consolidated financial position represents the present value of the corresponding obligation and there is no fund or assets allocated to such liability.

2.24. Reserves

Legal reserve:

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in the case of liquidation of the Company, but it may be used to absorb losses, after all the other reserves are used, or to increase the share capital.

Hedging reserve:

The Hedging reserves reflect the changes in fair value of cash flow hedging derivatives that are considered effective and it is neither distributable nor liable to use to cover losses.

Foreign currency translation reserve:

The foreign currency translation reserves correspond to exchange differences relating to the translation of financial statements of companies which functional currency is different than Euro as described in **Note 2.2.4**.

Fair value reserve:

This reserve derives from the classification of financial assets and the application of hedging accounting in accordance with **Note 2.13**. Those reserves are not distributable according to applicable legislation until they become realizable, which might occur when the cash flows from the financial instruments expire or are disposed of.

3. FINANCIAL RISK MANAGEMENT

3.1. Introduction

Sogrape is exposed to a variety of financial risks, mainly credit risk, liquidity risk, market risk, interest rate and exchange rate risk, capital management and financial risk related to agricultural exploration.

Sogrape risk management policies intend to reduce the impact of volatility underlying financial markets through the transaction of derivatives and monitoring of Sogrape's exposure to non-market risks such as credit risk and liquidity risk.

Occasionally Sogrape contracts derivatives for hedging purposes which do not fully comply with the accounting criteria to be recorded as hedge accounting. Sogrape does not enter into derivatives for speculative purposes.

3.2. Credit risk

Credit risk is defined as the probability of a counterparty defaulting on its contractual obligations resulting in a financial loss.

Credit risk is mainly associated with the accounts receivable related to current operating activities of the subsidiaries included in consolidation. The purpose of credit risk management is to guarantee that the amounts owed by debtors of each subsidiary are effectively collected within the agreed terms without impacting its financial balance. Therefore, Sogrape performs regular monitoring of customer balances and monitors potential customers and existing customers by verifying the creditworthiness of counterparties. In addition, in larger companies Sogrape uses credit rating agencies and has specific departments responsible for credit control, collections and management of litigation, which all contribute to mitigate credit risk. Additionally, Sogrape has credit insurance policies that ensure a significant coverage of the risk of uncollectible amounts from its clients.

Regarding the amounts invested in financial institutions, the Sogrape Group makes a careful risk assessment for each entity. The financial investments are mainly concentrated in Portugal, Angola, Spain and United Kingdom.

3.3. Liquidity risk

Liquidity risk is the risk that for several reasons Sogrape might be confronted to cash requests above its resources that might lead to Sogrape being unable to meet its funding obligations.

Sogrape has the regular need to raise external funds to finance its current activities and investments made. In order to fulfil these objectives Sogrape holds long term and short term financing operations.

The purpose of liquidity risk management is to ensure that at any time Sogrape has the financial ability to fulfil their financial commitments at the dates required and to carry on its business activities and investments strategies; this goal is achieved considering the following:

- Financing planning
- Diversification of financing sources and counterparties;
- Maintenance of different periods and terms, namely using long term debt contracts reducing the amount of disbursements on the near periods.
- Management appropriate short-term applications, given the seasonality of Sogrape's business and including a margin to hedge forecasting deviations.

Sogrape maintains liquidity reserve credit lines obtained on the usually used banks, to ensure the ability to meet its commitments with no need to refinance agreements with unfavourable terms.

The maturity of each major caption of financial liabilities is presented in the corresponding notes, if relevant, based on the undiscounted cash flows of financial liabilities and assuming the earliest date on which Sogrape may be required to pay ("worst case scenario").

3.4. Interest rate risk

Sogrape's exposure to interest rate risk relates primarily to the its debt obligations with interest payable based on floating interest rates, which impact on the consolidated income statement is minimized through the use of derivative instruments on interest rate.

The main related principles are as follows:

- The derivatives agreements have no speculative purposes;
- Perfect matching between interest rates used as base in the derivative and the rate used in the covered instrument;
- The ability to establish, since the beginning of the transaction, the maximum of losses amount;
- Use of a single derivative for hedging operations related with a specific operation;
- Consistence, for each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans and the settlement dates of the hedging instruments to minimize hedging inefficiencies.

The sensitivity analysis to interest rate changes was performed considering:

- changes in interest rates that affect interest receivable or payable on financial instruments indexed to variable rates (interest payments associated with financial instruments not designated as hedged instruments under interest rate risk cash flow hedges).
- changes in market interest rates only affect expenses and income in relation to financial instruments with fixed interest rates if they are recognized at their fair value. As such, all financial instruments with fixed interest rates recorded at amortized cost are not subject to interest rate risk, as defined in IFRS 7.
- This analysis assumes that all other variables remain constant.

Based on the contracted bank debt, after the effect of the respective derivative financial instruments used to hedge interest rate risk, an increase of 50 basis points in the interest rates of financial instruments denominated in Euros, the consolidated net income before taxes of the Group, on December 31, 2020, would be around 250 thousand Euros.

3.5. Exchange rate risk

Sogrape operates at international markets, with multi-jurisdictional subsidiaries, with functional currencies which differ from Euro, which exposes Sogrape to foreign exchange rate risk. Since each subsidiary operates in a different market and in different economic environments, there is no standard policy for all Sogrape subsidiaries.

Sogrape's exposure to exchange rate risk exists at two levels:

- Transaction exposure, namely foreign exchange exposure related with foreign denominated sales, which relates to the exchange rate risk on cash flows and value of derivatives recorded in the statement of consolidated financial position, where changes in exchange rates have an impact on earnings and cash flows.
- Exchange exposure related with the impact of changes in the foreign exchange rate in the amount of capital invested in foreign subsidiaries.

Whenever acceptable, Sogrape uses natural hedges to manage exposure, by offsetting assets and liabilities expressed in the same currency or by derivatives financial hedging instruments agreements.

Regarding the exposure to foreign exchange risk, for financial assets and liabilities denominated in foreign currency, a sensitivity analysis was made to the variation in exchange rates for the main currencies in which the group has outstanding balances and whose exchange differences are not included in the foreign currency reserve in equity. For these currencies, the maximum and minimum exchange rates in the time horizon of the last 5 years were identified and applied to the balances in foreign currency identified in Note 44, with two scenarios:

- Scenario 1- maximum valuation of other currencies (GBP and Euro) against the euro.
- Scenario 2- average valuation of the currencies in the last five years.

As at 31 December 2020, the major foreign currencies used by the group were in devaluation against the Euro currency in the last 5 years, that scenario is not presented.

	Estimated Impact	USD	GBP
TOTAL ASSETS CONSIDERED		6,745,783	2,032,711
TOTAL LIABILITIES CONSIDERED		(309,057)	1,899,229
Total assets / liabilities in Euro		7,054,840	133,482
Total assets/liabilities in Local Currency		8,656,994	120,004
Exchange rate (scenario 1)		**1.05**	**0.85**
Exchange rate (scenario 2)		**1.15**	**0.88**
Impact Scenario 1	**1,165,414**	**1,157,848**	**7,567**
Impact Scenario 2	**477,687**	**474,421**	**3,267**

As noted in the first scenario the Sogrape Group's net results would be increased by 1.165 thousand Euros, while the impact of the second scenario would be higher net results by 477 thousand Euros. It should be noted that the sensitivity analysis above only considers the exposure effect at the end of the year for the monetary assets expressed in the main transaction currencies, due to the high complexity associated with the exchange rate variability between the date of the transaction (sale, purchase, service rendered, etc.) and the date when the respective receipt and payment occurs.

3.6. Capital management

When managing the level of equity, Sogrape's objective is to ensure that the entity continues to maintain the needed reserves of financing funds in order to respond to financing needs as well as to maintain an appropriate capital structure considering its business activity, namely through the use of ratios such as financial autonomy ratio and Debt to Equity.

The referred ratios are as follows:

Ratio	Formula		2020		2019	
Financial Autonomy	Total Equity / Total Assets	× 100	269,243,904 / 471,001,988	**= 57.16%**	269,865,795 / 470,738,707	**= 57.33%**
Debt to Equity	Total Liabilities / Total Equity	× 100	201,372,380 / 269,243,904	**= 74.79%**	200,872,913 / 269,865,795	**= 74.43%**
Interest Coverage ratio	Operating result / Net financial interests		26,959,037 / 34,561	**= 780**	24,733,966 / 107,674	**= 230**
Net debt over EBITDA ratio	Net debt / EBITDA*		58,885,876 / 42,160,184	**= 1.40**	51,432,288 / 38,597,450	**= 1.33**

** The amount of EBITDA presented corresponds to the sum of operating results with amortizations for the year, impairment of operating assets for the year, changes in fair value for the year and provisions for the year.

3.7. Management Risk Associated to Agriculture

Considering Sogrape's business, Sogrape is exposed to financial risks in respect of agricultural activities. The primary risk is caused by the time lag between the moment when the cash is expended on the purchase or planting and maintenance of grape vines and the moment of harvesting grapes and wine production. Sogrape takes reasonable measures to ensure that the current year's harvest is not affected by disease or other climate effects that may have a negative effect upon yield and quality. These measures include involvement of viticulture technicians, development of climate conditions measurement mechanisms and a continuous focus on development of every plantation.

4. GROUP SUBSIDIARIES INCLUDED IN THE CONSOLIDATION

Companies included

Subsidiaries included in the consolidation, their head offices and percentage of share capital held as of December 31, 2020 and December 31, 2019 are as follows:

Company	Headquarters	31.12.2020 Direct	31.12.2020 Total	31.12.2019 Direct	31.12.2019 Total	Note
Sogrape, S.G.P.S, S.A.	V. N. Gaia	Parent	Parent	Parent	Parent	
Alpha Zeta SRL	Villafranca di Verona (Italy)	-	76.62%	-	76.62%	a)
Bodegas LAN, S.A.	Fuenmayor (Spain)	-	99.96%	-	99.96%	
Evaton Inc	Connecticut (EUA)	-	100.00%	-	100.00%	
Finca Flichman, S.A.	Buenos Aires (Argentina)	-	100.00%	-	100.00%	
Framingham Wines Limited	Marlborough (New Zealand)	-	100.00%	-	100.00%	
Geo G Sandeman & Sons	Luton (United Kingdom)	-	70.00%	-	70.00%	
Iberian Vintners, S.A.	Jerez de la Frontera (Spain)	-	100.00%	-	100.00%	
IW Investments, S.A.	Luxembourg	100.00%	100.00%	100.00%	100.00%	
Liberty Wines, Ltd	London (United Kingdom)	-	76.62%	-	76.62%	a)
Liberty Wines Ireland Ltd	Dublin (Republic of Irelanda)	-	76.62%	-	76.62%	a)
Sandeman & Cia, S.A.	V. N. Gaia	11.68%	83.87%	11.68%	83.87%	
Sandeman Jerez, S.L.	Jerez de la Frontera (Spain)	-	100.00%	-	100.00%	
Santiago Ruiz, S.A.U.	Pontevedra (Spain)	-	99.96%	-	99.96%	
Sogrape Asia Pacific Limited	Hong Kong (China)	-	100.00%	-	100.00%	
Sogrape Brasil, Import. e Distrib. de Bebidas, Ltda.	São Paulo (Brazil)	66.72%	100.00%	66.72%	100.00%	
Sogrape Distribuição, S.A.	V. N. Gaia	100.00%	100.00%	100.00%	100.00%	
Sogrape España – Vinos Premium, S.L.	Pontevedra (Spain)	-	100.00%	-	100.00%	
Sogrape Vinhos, S.A.	V. N. Gaia	100.00%	100.00%	100.00%	100.00%	
Terre Dei Templari SRL	San Quirino (Italy)	-	76.62%	-	76.62%	a)
Tinpot Hut Wines Ltd	Marlborough (New Zealand)	-	38.31%	-	38.31%	a)
Tierras y Viñas, S.A.U.	Fuenmayor (Spain)	-	99.96%	-	99.96%	
Viña Los Boldos Limitada	Requinoa (Chile)	-	100.00%	-	100.00%	
Vinus, Distribuição de Vinhos e Bebidas, Lda.	Luanda (Angola)	95.00%	100.00%	95.00%	100.00%	
Willunga Hundred Pty Ltd	Willunga (Australia)	-	57.46%	-	57.46%	a)

Note a) The percentages shown correspond to the proportion of the capital held (% of interest), with the percentage of control in all cases exceeding 50%, which is why all interests are considered in the consolidation by global integration.

As at December 31, 2020 and 2019, the financial information of consolidated subsidiaries included in the consolidation is as follows:

Valores em Euros	31.12.2020				31.12.2019			
Company	**Assets**	**Equity**	**Revenue**	**Net Income**	**Assets**	**Equity**	**Revenue**	**Net Income**
Sogrape S.G.P.S., S.A.	178,817,802	161,484,255	483,165	8,762,056	179,163,243	162,330,830	413,001	12,838,964
Bodegas LAN, S.A. (consolidated accounts) *	71,613,559	63,307,761	20,954,888	1,858,574	73,238,822	62,729,499	25,382,423	2,535,658
Evaton Inc	8,550,367	2,392,078	25,954,077	1,086,256	9,250,480	1,503,813	24,081,439	(83,109)
Finca Flichman, S.A.	5,458,103	1,725,322	4,996,801	(558,252)	7,845,300	3,344,452	5,857,493	(695,343)
Framingham Wines Ltd	7,833,507	5,254,970	2,532,108	(327,600)	7,644,166	5,705,370	3,231,357	(198,447)
Iberian Vintners, S.A.	92,186,236	62,467,228	1,009,499	(1,374,754)	95,127,539	63,841,982	1,132,093	(696,024)
IW Investments, S.A.	53,957,361	52,800,566	-	(228,877)	54,284,881	53,029,444	-	784,927
Geo G. Sandeman & Sons	704,929	488,461	-	217,573	762,367	495,388	-	224,501
Sandeman & Cª, S.A.	24,595,996	22,227,898	2,634,455	5,107,318	22,963,176	18,202,470	2,826,311	1,159,221
Sandeman Jerez, S.L.	12,415,625	11,688,400	2,521,386	99,133	12,656,992	11,759,761	2,865,688	174,996
Sogrape Distribuição, S.A.	33,924,307	16,077,903	48,314,370	1,560,386	36,627,919	14,517,516	61,245,090	3,154,832
Sogrape España – Vinos Premium, S.L.	123,640	(60,080)	445,239	(115,028)	551,654	54,948	543,660	51,948
Sogrape Vinhos, S.A.	292,010,138	176,624,683	126,346,288	12,065,585	282,331,057	173,943,108	136,493,200	12,016,303
Sogrape Asia Pacific Limited	1,252,800	216,037	1,696,627	(400,785)	2,235,900	642,602	3,092,305	989
Sogrape Brasil, Importação e Distribuição de Bebidas, Ltda	1,974,047	87,709	1,946,423	(239,799)	1,908,036	442,349	2,061,393	(15,527)
Viña Los Boldos Limitada	18,847,340	15,263,793	3,548,199	(1,445,514)	20,136,101	17,438,697	3,941,457	(1,445,928)
Vinus, Distribuição de Vinhos e Bebidas, Lda.	3,585,610	2,612,238	3,102,678	455,799	4,627,026	3,499,663	3,915,864	961,786
Liberty Wines Ltd. (consolidated accounts) **	57,357,027	24,938,812	74,634,451	1,935,578	52,230,380	24,177,354	61,462,663	2,475,255

* Financial data refers to the consolidated figures of Bodegas LAN, S.A., Tierras y Viñas, S.A.U. and Santiago Ruiz, S.A.U.

**The data presented refer to the consolidated accounts of the companies Liberty Wines, Ltd, Liberty Wines Ireland Ltd, Terre Dei Templari SRL, Tinpot Hut Wines Ltd, Alpha Zeta SRL and Willunga Hundred Pty Ltd. In 2019, data of these entities relate to aperiod of 9 months between the purchase date and 31 December 2019. As of December 31, 2020, the subsidiary Willunga Hundred Pty Ltd. is presented as a discontinued operation (Note 39).

The financial information presented in the table above is based on the entities' statutory accounts, harmonized in accordance with the Group accounting policies adopted for consolidated financial statements, differing in the case of the subsidiaries LAN, Liberty Wines and Finca Flichman from the accounts presented for statutory purposes.

5. CHANGES IN CONSOLIDATION PERIMETER

During 2020, there were no changes in the consolidation perimeter of the Sogrape Group. During the year of 2019, the Group's consolidation perimeter changed due to the liquidation of the subsidiary Sogrape UK Ltd and to the reinforcement of the control in the interest held in Liberty Wines (and its subsidiaries) which led to its fully integration since 31 March 2019.

6. CLASSES OF FINANCIAL INSTRUMENTS

Financial instruments, according to the policies disclosed in Note 2.13, were classified as follows:

	Note	Assets at amortized cost	Assets at fair value through profit or loss (note 17)	Other non-financial assets	Total
As of December 2020					
Non current operating assets					
Other non current operating assets		153,333		-	153,333
		153,333	**-**	**-**	**153,333**
Non current investing assets					-
Investments in other companies	17	-	495,020	-	495,020
Loans in other companies		2,550,002	-	-	2,550,002
Other non current investing assets		98,306	-	-	98,306
		2,648,308	**495,020**	**-**	**3,143,328**
Current operating assets					-
Trade receivables	14	73,515,987	-	-	73,515,987
Derivatives	28	-	6,299	-	6,299
Receivables from Group Companies	40	391,487	-	-	391,487
Other current operating assets	15	6,684,795	-	3,777,351	10,462,146
		80,592,269	**6,299**	**3,777,351**	**84,375,918**
Current investing assets					-
Loans in other companies		450000	-	-	450,000
Cash and cash equivalents	18	29,332,349	-	-	29,332,349
Other current investing assets		-	-	13,231	13,231
		29,782,349	**-**	**13,231**	**29,795,580**

	Note	Assets at amortized cost	Assets at fair value through profit or loss (note 17)	Other non-financial assets	Total
As of December 2019					-
Non current operating assets					-
Other non current operating assets		171,055	-	-	171,055
		171,055	**-**	**-**	**171,055**
Non current investing assets					-
Investments in other companies	17	-	495,554	-	495,554
Loans in other companies		2,725,000	-	-	2,725,000
Other non current investing assets		65,085	-	-	65,085
		2,790,085	**495,554**	**-**	**3,285,639**
Current operating assets					-
Trade receivables	14	83,254,720	-	-	83,254,720
Derivatives	28	-	103,527	-	103,527
Receivables from Group Companies	40	107,734	-	-	107,734
Other current operating assets	15	383,051	-	4,688,706	5,071,757
		83,745,505	**103,527**	**4,688,706**	**88,537,738**
Current investing assets					
Derivatives		-	60,321	-	60,321
Loans in other companies		525000	-	-	525,000
Cash and cash equivalents	20	30,213,883	-	-	30,213,883
Other current investing assets		-	-	15,386	15,386
		30,738,883	**60,321**	**15,386**	**30,814,590**

	Note	Liabilities at amortized cost	Liabilities at fair value through profit and loss	Other non-financial liabilities	Total
As of December 2020					
Non current operating liabilities					
Other non current operating liabilities		3,065	-	-	3,065
		3,065	**-**	**-**	**3,065**
Non current financing liabilities					-
Bank loans, commercial paper and bonds	27	30,697,418	-	-	30,697,418
		30,697,418	**-**	**-**	**30,697,418**
Current operating liabilities					-
Trade payables	25	52,873,663	-	-	52,873,663
Derivatives	28	-	43,352	-	43,352
Payables to Group Companies	40	5,886	-	-	5,886
Other current operating liabilities	26	10,588,423	-	6,895,455	17,483,878
		63,467,972	**43,352**	**6,653,806**	**70,406,779**
Current financing liabilities					-
Bank loans, commercial paper and bonds	27	57,520,807	-	-	57,520,807
Other loans	27	38,637	-	-	38,637
Derivatives	28	-	42,814	-	43,352
Other current financing liabilities		30,000	-	1,098	31,098
		57,589,444	**42,814**	**1,098**	**57,633,356**

	Note	Liabilities at amortized cost	Liabilities at fair value through profit and loss	Other non-financial liabilities	Total
As of December 2019					
Non current operating liabilities					
Other non current operating liabilities		3,065	-	-	3,065
		3,065	**-**	**-**	**3,065**
Non current financing liabilities					**-**
Bank loans, commercial paper and bonds	27	69,097,834	-	-	69,097,834
Other non current financing liabilities		257,193	-	-	257,193
		69,355,027	**-**	**-**	**69,355,027**
Current operating liabilities					**-**
Trade payables	25	51,322,571	-	-	51,322,571
Derivatives	28	-	120,553	-	120,553
Payables to Group Companies	40	4,306	-	-	4,306
Other current operating liabilities	26	12,881,155	-	11,544,033	24,425,188
		64,208,032	**120,553**	**11,544,033**	**75,872,618**
Current financing liabilities					**-**
Bank loans, commercial paper and bonds	27	12,473,118	-	-	12,473,118
Other loans	27	75,219	-	-	75,219
Other current financing liabilities		45,000	-	-	45,000
		12,593,337	**-**	**-**	**12,593,337**

7. TANGIBLE ASSETS

During the years ended as of December 31, 2020 and 2019 movements in tangible assets as well as depreciation and accumulated impairment losses are as follows:

Gross assets

	Land	Buildings and other constructions	Vineyards and plants infrastruc-tures	Machinery and equipment	Vehicles	Office equipment	Containers and recipients	Casks	Tangible assets in progress	Other tangible assets	Total of tangible fixed assets
Opening balance at 1 January 2019	**29,810,671**	**121,095,765**	**34,251,309**	**81,269,596**	**3,834,317**	**8,880,090**	**18,180,852**	**12,197,346**	**1,423,995**	**3,331,170**	**314,275,111**
Investment	3,088,566	2,505,616	4,459,119	2,717,473	634,395	559,994	1,012,283	1,379,699	4,660,662	181,701	21,199,509
Acquisition of affiliates	1,838,881	5,113,957	-	1,207,677	77,652	639,556	-	-	-	-	8,877,722
Disposals and de-sinvestments	-	-	-	(639,475)	(248,009)	(1,687)	(142,756)	(776,892)	-	(14,441)	(1,823,260)
Exchange rate effects	(76,159)	(113,989)	(347,202)	(487,222)	(85,085)	(121,479)	(222,367)	(130,850)	(48,046)	(7,772)	(1,640,172)
Write-offs	-	-	-	(225,605)	(44,374)	(19,532)	(5,309)	(3,084)	(4,725)	-	(302,629)
Transfers	-	688,588	(7,159)	90,500	-	7,200	-	65,320	(885,024)	33,415	(7,160)
Opening balance at 1 January 2020	**34,661,959**	**129,289,938**	**38,356,068**	**83,932,943**	**4,168,895**	**9,944,142**	**18,822,701**	**12,731,538**	**5,146,862**	**3,524,074**	**340,579,120**
Investment	21,160	3,915,805	565,042	2,050,541	357,513	354,934	1,156,868	1,040,126	2,957,383	301,862	12,721,235
Discontinued acti-vities (Note 39)	-	(9,738)	-	-	-	-	-	-	-	-	(9,738)
Disposals and de-sinvestments	(160,856)	(434,539)	(123,188)	(867,982)	(233,543)	(4,410)	(204,863)	(646,366)	(15,711)	(86,537)	(2,777,994)
Exchange rate effects	(270,113)	(568,703)	(286,450)	(577,089)	(106,050)	(183,252)	(153,745)	(113,394)	(37,248)	(11,671)	(2,307,715)
Write-offs	-	(6,706)	(295,179)	(102,804)	-	(40,911)	-	-	-	(10,986)	(456,586)
Transfers	-	355,369	637,458	401,491	72,860	4,581	23,835	147,719	(1,659,914)	16,601	()
Closing balance at 31 December 2020	**34,252,150**	**132,541,426**	**38,853,751**	**84,837,100**	**4,259,675**	**10,075,084**	**19,644,797**	**13,159,623**	**6,391,372**	**3,733,343**	**347,748,321**

	Land	Buildings and other constructions	Vineyards and plants infrastructures	Machinery and equipment	Vehicles	Office equipment	Containers and recipients	Casks	Tangible assets in progress	Other tangible assets	Total of tangible fixed assets
Accumulated depreciation											
Opening balance at 1 January 2019	**(53,568)**	**(86,603,253)**	**(21,385,672)**	**(67,818,284)**	**(2,914,612)**	**(6,603,552)**	**(15,559,118)**	**(7,225,619)**	**-**	**(2,194,372)**	**(210,358,049)**
Depreciation	-	(2,747,278)	(1,937,062)	(2,552,374)	(361,459)	(407,281)	(398,702)	(1,274,061)	-	(151,418)	(9,829,635)
Acquisition of affiliates	-	(55,868)	-	(757,321)	(52,442)	(408,355)	-	-	-	-	(1,273,987)
Disposals and desinvestments	-	-	-	635,038	244,966	1,687	142,756	776,892	-	14,441	1,815,781
Exchange rate effects	(1)	170,120	131,527	241,070	44,906	73,293	197,001	107,132	-	11,518	976,566
Write-offs and Transfers	-	-	7,158	213,990	44,375	19,392	5,309	3,084	-	-	293,308
Opening balance at 1 January 2020	**(53,569)**	**(89,236,280)**	**(23,184,049)**	**(70,037,881)**	**(2,994,266)**	**(7,324,814)**	**(15,612,753)**	**(7,612,572)**	**-**	**(2,319,831)**	**(218,376,015)**
Depreciation	-	(2,774,443)	(2,026,926)	(2,502,950)	(372,031)	(453,164)	(405,529)	(1,291,505)	-	(226,572)	(10,053,119)
Depreciation for continued operations (Note 39)	-	(3,332)	-	-	-	-	-	-	-	-	(3,332)
Disposals and desinvestments	-	434,539	73,508	878,682	187,295	4,410	199,162	644,027	-	46,329	2,467,952
Exchange rate effects	-	132,641	158,329	305,243	62,207	120,738	142,412	90,816	-	3,775	1,016,159
Write-offs and Transfers	-	3,688	202,111	98,047	-	43,167	-	65,237	-	8,739	420,989
Closing balance at 31 December 2020	**(53,569)**	**(91,443,186)**	**(24,777,027)**	**(71,258,859)**	**(3,116,796)**	**(7,609,664)**	**(15,676,709)**	**(8,103,998)**	**-**	**(2,487,560)**	**(224,527,366)**
Net assets											
As at 31 December 2019	**34,608,391**	**40,053,659**	**15,172,019**	**13,895,062**	**1,174,629**	**2,619,328**	**3,209,948**	**5,118,966**	**5,146,862**	**1,204,243**	**122,203,105**
As at 31 December 2020	**34,198,581**	**41,098,241**	**14,076,725**	**13,578,240**	**1,142,880**	**2,465,420**	**3,968,088**	**5,055,625**	**6,391,372**	**1,245,784**	**123,220,955**

The year of 2020 was characterized by the continuous investment in strengthening the productive capacity of the Iberian branches, which includes the construction of a new winemaking and storage area at Herdade do Peso alongside the ongoing technological renewal in all production units and investments in the environmental and sustainability areas.

'Vineyards and plants infrastructure' s caption include vineyards in operation with a total area of 1,586 hectares (1,558 hectares as of December 31, 2019). During 2020, 70 hectares of vineyards were planted in Portugal, of which 42 at Herdade do Peso and 28 at Quinta dos Carvalhais, in addition to another 8 hectares in Spain and 7 hectares in Chile.

Furthermore, in 2020, the sale of a property located in Portugal as well as several associated equipment generated a gain of approximately 7.3 million Euros (Note 33).

In 2019, the tangible fixed assets increased by 7,603,736 Euros corresponding to the net value of the assets incorporated on the date of the takeover by Sogrape of the subsidiary Liberty Wines Ltd..

8. INTANGIBLE ASSETS

During the years ended as of December 31, 2020 and 2019 movements in intangible assets as well as amortization and accumulated impairment losses are made up as follows:

Gross amount

	Development expenses	Industrial property and other rights	Software	Other intangible assets	Intangible assets in progress	Total of intangible assets
Opening balance as of 1 January 2019	**218,926**	**10,095,332**	**2,554,397**	**1,952,003**	**149,331**	**14,969,989**
Aquisitions	-	750,355	207,564	-	1,020,619	1,978,538
Investments in associates (note 5)	-	-	980,924	11,665,330	-	12,646,254
Disposals	-	-	(6,398)	-	-	(6,398)
Exchange rate effects	(11,831)	(20,680)	(1,819)	484,350	-	450,019
Transfers	-	-	88,700	(475,705)	(88,700)	(475,705)
Opening balance as of 1 January 2020	**207,095**	**10,825,007**	**3,823,367**	**13,625,977**	**1,081,250**	**29,562,697**
Aquisitions	-	850,114	467,930	-	(2,799)	1,315,245
Write-offs	-	-	(114,664)	-	-	(114,664)
Exchange rate effects	(7,517)	(15,242)	(109,910)	(681,239)	-	(813,909)
Transfers	-	-	910,767	-	(910,767)	-
Closing balance as of 31 December 2020	**199,578**	**11,659,878**	**4,977,490**	**12,944,738**	**167,684**	**29,949,369**

	Development expenses	Industrial property and other rights	Software	Other intangible assets	Intangible assets in progress	Total of intangible assets
Accumulated depreciation						
Opening balance as of 1 January 2019	**(218,926)**	**(419,116)**	**(2,204,396)**	**(1,179,625)**	**-**	**(4,022,064)**
Depreciation	-	(78,949)	(306,160)	(1,152,732)	-	(1,537,842)
Investments in associates (note 5)	-	-	(585,304)	-	-	(585,304)
Disposals and Write-offs	-	-	(111)	-	-	(111)
Exchange rate effects	11,831	(643)	11,542	-	-	22,730
Transfers	-	-	-	475,705	-	-
Opening balance as of 1 January 2020	**(207,095)**	**(498,707)**	**(3,084,429)**	**(1,856,652)**	**-**	**(5,646,885)**
Depreciation	-	(395,623)	(727,944)	(1,461,117)	-	(2,584,684)
Exchange rate effects	7,517	456	85,175	77,003	-	170,152
Closing balance as of 31 December 2020	**(199,578)**	**(893,875)**	**(3,727,198)**	**(3,240,766)**	**-**	**(8,061,418)**
Accumulated depreciation						
Opening balance as of 1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**
Estimated value losses in the year	-	(200,000)	-	-	-	(200,000)
Opening balance as of 1 January 2020	**-**	**(200,000)**	**-**	**-**	**-**	**(200,000)**
Estimated value losses in the year		200,000				200,000
Closing balance as of 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**
Net assets						
As of 31 December 2019	**-**	**10,126,299**	**738,938**	**11,769,323**	**1,081,250**	**23,715,809**
As of 31 December 2020	**-**	**10,766,003**	**1,250,291**	**9,703,972**	**167,683**	**21,887,950**

i) As of 31 December 2020, Industrial property and other rights include:

- the acquisition cost attributed to a set of brands, of the subsidiary Viña Los Boldos Limitada, with no defined useful life in the amount of 339.479 Euros (366,804 Euros in 2019);
- the cost of Quinta da Romeira brands acquired in 2019 by the subsidiary Sogrape Vinhos SA by 750,000 Euros, with a useful life of 10 years;
- the acquisition cost attributed to the rights associated with the Aura brand in 2018 (incorporated in Bodegas LAN, SA) by an amount of 919,321 Euros, with a useful life of 10 years;
- the costs incurred in 2020 with the acquisition of the rights of Palácio Mateus' image, by an amount of 850,114 Euros, with a useful life of 10 years;
- effect of the allocation of the fair value of the brands of Bodegas LAN, SA and its subsidiaries in 2012, following its acquisition, namely 1,045,274 Euros allocated to the Santiago Ruiz brand and 7,328,506 Euros allocated to the LAN brand, both with no useful life defined;

Sogrape performs annual impairment tests on brands with no defined useful life or whenever there are signs of impairment.

The impairment analysis of the brands was carried out based on the discounted royalties method, obtained from the 5-year business plan of these brands prepared annually.

The main assumptions considered in the test were:

	2020	2019	2018	2017	2016
Revenue growth of turnover of the brand LAN	6%- 10%	4 %- 5%	4 %- 5%	4 %- 5%	4 %- 7%
Revenue growth of turnover of the brand SANTIAGO RUIZ	1% – 7%	4% – 7%	1% – 4%	1% – 4%	3% – 4%
Growth rate in perpetuity	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate	5.77%	5.15%	5.50%	5.37%	4.64%

ii) The caption Other intangible fixed assets include as of 31 December 2020:

- the amount of 654.567 Euros (707,254 Euros in 2019) related to water rights in Chile, which have no defined useful life.
- the amount of 9.012.221 Euros corresponding to the value attributed to the customer portfolio of the subsidiary Liberty Wines Ltd, with an estimated useful life of 8 years. This asset, originally expressed in pounds sterling, corresponds to 11,665,330 Euros on the date of the takeover (Note 5).

iii) During 2020, system ERP SAP4Hana was transferred from Intangible assets in progress to Software, following the finalisation of its implementation in the Portuguese subsidiaries.

9. GOODWILL

As of December 31, 2020, and 2019, Goodwill includes the excess of the cost of business combinations over the acquirer's interest in the net fair value of identifiable assets, liabilities and contingent liabilities.

Sogrape performs annual impairment tests on Goodwill and whenever there are indications that it may be impaired.

As of December 31, 2020, and 2019, the caption "Goodwill" was as follows:

	31.12.2020	31.12.2019
Viña Los Boldos Limitada	-	4,871,902
Liberty Wines Ltd. (Note 5)	2,810,741	2,970,082
Other	37,728	39,867
	2,848,469	**7,881,851**

During the periods ended December 31, 2020 and 2019, movements in goodwill, as well as in the corresponding impairment losses, were as follows:

	31.12.2020	31.12.2019
GROSS AMOUNT		
Opening balance	**7,881,851**	**5,146,715**
Exchange rate effects	(349,589)	(274,813)
Acquisitions of subsidiaries (Note 5)	-	3,009,949
Derecognition	(4,683,793)	-
Closing balance	**2,848,469**	**7,881,851**

The impairment analysis for the Goodwill generated on the acquisition of the subsidiary Liberty Wines was carried out based on the discounted cash flow method, obtained through the best estimate for the next 5 years, considering the uncertainty associated with the pandemic.

The main assumptions considered in the test were:

	2020
Revenue growth	5%- 14%
Growth rate in perpetuity	2%
Discount rate	6.36%

In 2020, an impairment charge related to the Goodwill in the subsidiary, Viña Los Boldos, amounting to 4,683,793 Euros was recognized directly in Equity, in the caption of Other Reserves and Retained earnings.

10. INVESTMENT PROPERTY

During the period ended December 31, 2020 and 2019, movement in investment property, as well as in the corresponding depreciations and accumulated impairment losses, were as follows:

			Gross amount
	Land	Buildings	Total
Opening balance as of 1 January 2019	**2,615,487**	**2,857,475**	**5,472,962**
Investment	-	4,009	4,009
Closing balance as of 31 December 2019	**2,615,487**	**2,861,484**	**5,476,971**
Investment		-	-
Closing balance as of 31 December 2020	**2,615,487**	**2,861,484**	**5,476,971**

			Accumulated depreciation
	Land	Buildings	Total
Opening balance as of 1 January 2019	**-**	**(2,052,208)**	**(2,052,208)**
Depreciation (Note 39)	-	(59,871)	(59,871)
Closing balance as of 31 December 2019	**-**	**(2,112,079)**	**(2,112,079)**
Depreciation (Note 39)	-	(60,824)	(60,824)
Corrections from previous years	-	(1,829)	(1,829)
Closing balance as of 31 December 2020	**-**	**(2,174,732)**	**(2,174,732)**

			Net amount
	Land	Buildings	Total
As of 31 December 2019	**2,615,487**	**749,404**	**3,364,891**
As of 31 December 2020	**2,615,487**	**686,752**	**3,302,239**

Investment properties generated revenue in 2020 in the amount of 12,000 Euros (12,000 Euros in 2019). In addition, costs were incurred in the amount of 60,824 Euros (59,871 Euros in 2019) related to depreciation.

11. BIOLOGICAL ASSETS

This caption related to the amount of biological assets since the beginning of its annual production cycle until the closure of the period:

	31.12.2020	31.12.2019
Grape in progress	1,998,748	1,943,847
Estimated loss for biological assets in progress	(328,091)	(174,928)
Closing balance	**1,670,657**	**1,768,919**

During the annual cycle of production, expenses related to agricultural activities with the annual production are recorded under the caption Biological Assets. At the harvest date, agricultural produce (grapes harvested) is valued considering the average market price paid for grapes with similar characteristics produced in the region, adjusted where applicable, for quality factors estimated by the group department of enology.

Whenever it is expected that the value of agricultural production, at market price, is lower than the costs incurred in the annual cycle of production, impairment losses related to those assets are recorded (328.091 Euros as at December 31, 2020 from Sogrape Vinhos and Framingham.

As at December 31, 2020 and 2019, movements in biological assets, referring to the annual cycle of production until the harvest date, were as follows:

	Agricultural produce for the year	
	2020	2019
Opening balance	**1,768,919**	**1,805,538**
Period capitalizations	9,510,058	8,942,381
Estimated value losses recognized	(350,098)	(174,928)
Grape sales	(113,797)	(64,167)
Net value of biological asset at the harvest date (I)	(9,083,376)	(8,708,470)
Value losses recognized in prior years	174,928	221,379
Exchange rate effects	(235,977)	(252,814)
Closing balance	**1,670,657**	**1,768,919**
Market value of agricultural produce for the year (II)	6,916,924	7,652,254
Gain / (Loss) recognized at the time of harvest (II-I) (Note 34)	**(2,166,453)**	**(1,056,216)**

During the year, 10.929 tons of grapes were produced (11.622 tons in 2019).

12. DEFERRED TAXES

Deferred tax assets and liabilities as of December 31, 2020 and 2019 according to temporary differences that generated them are as follows:

Deferred tax assets

	31.12.19	Transfers	Exchange rate effects	Result effect	Effect on reserves	31.12.20
Valuation of Goodwill for tax purposes	900,928	-	(35,817)	(26,583)	-	838,527
Tax losses carried forward	1,536,961	-	(122,856)	(1,115,213)	-	298,893
Other tax credits	137,841	-	-	(20,035)	-	117,807
Intercompany margins contained in inventories	1,031,778	601	-	(28,770)	-	1,003,609
Non tax deductible provisions	745,818	-	(36,480)	(113,505)	-	595,833
Non tax deductible impairment losses	827,750	-	(27,039)	73,370	-	874,080
Non tax deductible depreciation	40,195	-	(6,622)	(24,835)	-	8,738
Derivatives - hedging	3,028	-	-	-	(3,028)	()
Other	59,410	(42,737)	-	(7,453)	-	9,219
	5,283,709	**(42,136)**	**(228,814)**	**(1,263,025)**	**(3,028)**	**3,746,706**

Deferred tax liabilities

	31.12.19	Transfers	Exchange rate effects	Result effect	Effect on reserves	31.12.20
Different valuation criteria on inventories	15,248,045		(7,500)	93,032	-	15,333,577
Different valuation criteria on tangible assets	350,715		(7,105)	(7,614)	-	335,996
Revaluation of tangible assets at fair value	4,508,419		(38,002)	(22,614)	-	4,447,803
Fair value allocation on the date of business concentration (Note 5)	2,098,892		(109,616)	(276,954)		1,712,322
Actuarial update of defined benefit liabilities	248,872		-	-	(15,170)	233,702
Other	149,483	(42,136)	(1,784)	(63,530)	-	42,033
	22,604,427	**(42,136)**	**(164,008)**	**(277,679)**	**(15,170)**	**22,105,434**

The deferred taxes referred to above were determined considering an estimated average tax rate applicable in the jurisdiction where the subsidiaries are registered and to the years wherein the temporary differences will be reverted (local applicable income tax rate ranged from 19% to 34%).

The deferred tax related to the difference between the carrying amount of the inventory and the tax value derives from the subsidiary Sogrape Vinhos, SA, given that the Port Wine inventories are valued at the special criterion of the Basic Adjusted Stock,through which the valuation of the exits are made according to the inverse chronological criterion. As a result, exits are valued at the most recent costs, with inventories being valued at the oldest costs.

As of December 31, 2020, and 2019, deferred tax assets related to tax losses carried forward were re-assessed. In cases where deferred tax assets were recorded, these were only recorded to the extent that it is probable that taxable profits arise in the future and can be used to recover tax losses or deductible tax differences. This assessment was based on the business plans approved by Sogrape for each of the subsidiaries, and as a result of this, losses in the amount of 1.115.213 Euros were recognized in 2020, associated with the reduction of deferred tax assets recognized in previous years (1.045.186 Euros in 2019). Of this amount 911,791 Euros correspond to reportable tax losses of the subsidiary Viña Los Boldos and 203,423 correspond to tax losses of the subsidiary Finca Flichman since, for the former and despite not having a deadline for their use, there are uncertainties regarding their recovery through of taxable profits over a 10-year period, for the second, the term for its use of 24,740 Euros ended in 2020 and for the remainder it would end in 2021, with uncertainties as to its use at the time.

As of December 31, 2020, and 2019, in accordance with the tax statements presented by the companies that record deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward were as follows:

		31.12.2020		31.12.2019	
	Time limit	Tax losses	Deferred tax assets	Tax losses	Deferred tax assets
Argentina	2020	-	-	101,322	30,396
Argentina	2022	-	-	878,150	219,537
With limited time use		**-**	**-**	**979,472**	**249,933**
Spain		601,242	150,311	601,242	150,311
Chile		-	-	3,982,277	985,182
New Zealand		530,644	148,582	541,191	151,534
No use date limit		**1,131,886**	**298,893**	**5,124,710**	**1,287,027**
		1,131,886	**298,893**	**6,104,182**	**1,536,960**

On December 31, 2020 there were other tax losses to be carried forward amounting to 30.082.308 Euros, which do not generate deferred tax assets since the conditions for recognition referred were not met.

		31.12.2020				31.12.2019			
	Time limit	Tax losses in local currency	Tax credit in local currency	Tax losses in Euros	Tax credit in Euros	Tax losses in local currency	Tax credit in local currency	Tax losses in Euros	Tax credit in local currency
Chile		18,319,652,031	4,946,306,048	20,977,501	5,663,925	14,014,126,562	3,466,978,497	16,691,830	4,129,420
Brazil		9,745,988	3,313,636	1,529,142	519,908	8,307,483	2,824,544	1,839,689	625,494
New Zealand		984,297	275,603	579,544	162,272	674,417	188,837	404,982	113,395
Luxemburg		3,259,179	812,839	3,259,179	812,839	3,029,302	755,508	3,029,302	755,508
Spain		564,422	141,106	564,422	141,106	570,736	142,684	570,736	142,684
No use date limit				**26,909,789**	**7,300,051**			**22,536,540**	**5,766,501**
Argentina	2022	58,870,837	14,717,709	569,892	142,473	-	-	-	-
Argentina	2023	26,827,688	6,706,922	259,702	64,926	26,827,688	6,706,922	400,176	100,044
Argentina	2024	72,252,867	18,063,217	699,435	174,859	43,385,119	10,846,280	647,156	161,789
Argentina	2025	31,833,969	7,958,492	308,165	77,041	-	-	-	-
United States	2037	711,817	149,482	580,081	121,817	711,817	149,482	633,627	133,062
United States	2038	859,490	180,493	700,424	147,089	859,490	180,493	765,080	160,667
United States	2039	67,270	14,127	54,820	11,512	67,270	14,127	59,880	12,575
With limited time use				**3,172,519**	**739,717**			**2,505,920**	**568,137**
				30,082,308	**8,039,768**			**25,042,460**	**6,334,638**

13. INVENTORIES

As of 31 December 2020, and 2019, inventories are detailed as follows:

	31.12.2020	31.12.2019
Trade goods	22,476,900	20,024,496
Finished, Intermediate and in aging goods	19,624,644	15,468,645
Work in progress		
Bulk Table Wine	60,896,616	58,174,059
Bulk Porto Wine	76,872,981	75,283,387
Bulk Spirits	3,238,825	3,854,466
Work in progress goods in the possession of others	4,767,713	3,248,591
Others	134,387	223,305
Raw materials	6,092,069	4,975,050
Advances on account of the purchase of inventories	687,733	786,652
Adjustments to realization value (Note 22)	(2,019,204)	(1,663,021)
	192,772,664	**180,375,630**

The caption "Advances on the account of the purchase of inventories" mainly refer to advances for bulk wine by the subsidiary, Sogrape Vinhos.

As of December 31, 2020, Sogrape had assumed commitments for the purchase of wine in bulk in the global amount of 6.539.724 Euros (8,616,549 Euros on 31 December 2019), and grape's purchase in the amount of 1.913.459 Euros. Euros (1,548,971 Euros as of December 31, 2019), which are not reflected in the statement of consolidated financial position at that date. The subsidiaries LAN and Framinghan have commitments for the purchase of grapes for winemaking in the amount of 1,657,571 Euros and 255,888 Euros respectively.

Finished, intermediate and aging products include costs incurred to date with aging products, most of which are not expected to be realized within one year, although they are recorded in current assets considering Sogrape's activity.

As of December 31, 2020, and 2019, gross amount of goods in bottles ageing process can be detailed as follows:

	31.12.2020	31.12.2019
Goods in ageing process		
Port wine	1,714,147	1,385,159
Table wine	10,159,898	8,487,964
Other goods	21,162	23,514
Adjustment to realizable value	(10,015)	(52,058)
	11,885,192	**9,844,579**

The Cost of sales as of December 31, 2020 and 2019 amounted to 154.146.206 Euros and to 152,138,681 Euros, respectively, and was calculated as follows:

	31.12.2020	31.12.2019
Production cost of goods sold	(153,200,592)	(151,160,143)
Gains and losses on inventories	(675,602)	(930,739)
	(153,876,194)	**(152,090,882)**
Impairment losses (Note 22)	(361,980)	(240,524)
Reversal of impairment losses (Note 22)	91,968	192,724
	(154,146,206)	**(152,138,681)**

During the year, production costs are recorded in the respective captions when incurred and then transferred to inventories by recognition of a profit under the caption Reversal of costs with the production of inventories (Note 34).

14. TRADE RECEIVABLES

As of December 31, 2020, and 2019, trade receivables are detailed as follows:

	31.12.2020	31.12.2019
Customers current accounts	74,850,019	83,821,017
Customers checks receivables	-	66,024
Customers doubtful debts	2,917,463	2,327,416
Impairment losses (Note 22)	(4,251,495)	(2,959,737)
	73,515,987	**83,254,720**

Trade receivables are usually collected within 30 to 120 days and do not bear any interests. Considering the short-expected time of collection, no discount effect is considered due to Sogrape's understanding that carrying amounts of accounts receivable, net of impairment losses, are close to their fair value.

The amounts presented on the face of the statement of financial position are net of impairment losses for doubtful accounts, which were estimated based on Sogrape's past experience and on its assessment of present economic conditions. As of December 31, 2020, there is no indication that the debtors of trade receivable not overdue will not fulfil their obligations on established deadlines.

Sogrape's exposure to credit risk is attributed to accounts receivable relating to its operating activity and there is no significant concentration of credit risk due to the large number of customers. Sogrape considers that the maximum exposure to credit risk is the amount presented in the statement of consolidated financial position.

Sogrape group applies the simplified approach to calculate and register expected credit losses, in accordance with the standard IFRS 9.

In order to determine the estimated impairment losses, customer balances were grouped according to their credit risk characteristics and collection periods, with a credit risk matrix based on which they are estimated, for each company in the group. impairment losses arising from credit risk.

The impairment rates were determined based on the collection profile on sales, considering a period of 48 months (prior to December 31, 2020), as well as the uncollectibility losses recorded within that period. These historical impairment rates are adjusted to reflect expected changes in a prospective manner. For the purpose of determining the risk profile, debts overdue for more than 365 days were considered uncollectible.

The impairment rates resulting from December 31, 2020, for the various companies of the group vary within the following ranges:

	Undue	0 to 30 days	30 to 90 days	90 to 180 days	180 to 365 days	More than 365 days
Minimum	0.01%	0.02%	0.07%	0.33%	0.74%	100%
Maximum	2.31%	2.77%	9.58%	16.50%	27.04%	100%
Weighted average	0.18%	0.37%	1.65%	3.56%	11.12%	100%

15. OTHER CURRENT OPERATING ASSETS

As of December 31, 2020, and 2019, other current operating assets are made up as follows:

	31.12.2020	31.12.2019
OTHER CURRENT OPERATING ASSETS		
Other acccounts receivables:		
Advances to suppliers	120,532	138,358
Other debtors related to excise dutues	266,602	339,150
Advances to personnel	232,235	245,962
Other operating receivables	6,435,302	43,901
Impairment losses (Note 22)	(17,109)	-
	7,037,562	**767,371**
Accrued income:		
Rappel and other discounts	1,236,006	1,611,729
Royalties	221,961	311,821
Other operating income	390,936	455,417
	1,848,903	**2,378,967**
Deferred costs		
Insurances	330,086	325,261
Retirement benefits (Note 23)	1,296	29,238
Commercial, marketing and distribution	396,719	461,732
Other operating expenses	847,581	1,109,188
	1,575,682	**1,925,419**
	10,462,147	**5,071,757**

As of December 31, 2020, the balance of the caption Other operating receivables includes €6,132,500 paid as a collateral provided by the entity, Sandeman & Cª in the context of a legal proceeding initiated by itself, against third parties, still ongoing.

The balance of the caption Other debtors related to excise duties corresponds to amounts of Special Tax on Consumption related to alcoholic beverages already paid to the Portuguese State in relation to goods still in the possession of Sogrape, which will be passed on to customers at the date of sale.

As of December 31, 2020, Sogrape has no indication that the normal receipt periods will not be met for the amounts included in other operating debtors and for which there is no impairment recorded.

16. CORPORATE INCOME TAX AND STATE AND OTHER PUBLIC ENTITIES

As of December 31, 2020, and 2019, Corporate income tax and State and other public entities are detailed as follows:

	31.12.2020	31.12.2019
Corporate income tax		
Corporate income tax paid in advance	12,497	14,315
Income taxes withheld	106,449	73,793
Income tax receivable	613,097	315,591
	732,043	**403,699**
State and other public entities		
Deductible Value added tax	1,786,326	2,045,917
Value added tax recoverable - reimbursements requested	42,246	98,033
Grants receivable from the state	931,061	843,232
Impairment losses (Note 22)	(40,800)	(55,110)
	2,718,833	**2,932,072**
Debit Balances (Assets)	**3,450,875**	**3,335,770**
Corporate income tax		
Corporate income tax (Note 38)	2,019,443	1,160,829
	2,019,443	**1,160,829**
State and other public entities		
Personal income tax	523,458	537,770
Value added tax assessed	5,372,487	5,386,103
Special taxation on excise duties	1,333,967	1,471,626
Social security contributions	660,795	707,936
Other taxes payable	39,928	54,610
	7,930,635	**8,158,045**
Credit Balances (Liabilities)	**9,950,078**	**9,318,874**

The heading Income Tax in 2020 includes the estimate for income tax for the year in the amount of 6,378,554 Euros (Note 38), deducted from the advances made by the companies integrated in the Fiscal Group, amounting to 4,576,067 Euros.

In both periods the impairment loss recorded corresponds to the amount receivable by the Argentine subsidiary related to the "Ingresos Brutos" tax, whose recovery is uncertain.

17. FINANCIAL ASSETS MEASURED AT FAIR VALUE

The amount of the statement of consolidated financial position as of December 31, 2020 and 2019, related to Other non-current investing assets is detailed as follows:

	Fair Value	
Financial assets	**31.12.2020**	**31.12.2019**
Banco de Investimento Global, S.A.	408,086	408,086
Terrapieno	21,145	22,379
Others	65,789	65,089
	495,020	**495,554**

As of December 31, 2020, and 2019, movements in the caption Other Investments can be detailed as follows:

	Fair Value	
	31.12.2020	**31.12.2019**
Other investiments - fair value		
Opening balance 1 January	**495,554**	**456,673**
Acquisition during the year	2,421	45,753
Changes in fair value	(193)	(185)
Exchange changes	(2,762)	(2,191)
Disposals during the period	-	(4,496)
Closing balance 31 December	**495,020**	**495,554**

18. CASH AND CASH EQUIVALENTS

As of December 31, 2020, and 2019, Cash and cash equivalents are as follows:

	31.12.2020	31.12.2019
Cash in hand	70,980	233,791
Bank deposits	27,772,352	18,856,453
Financial applications	1,489,017	11,123,639
Cash and Cash equivalents	**29,332,349**	**30,213,883**

As of December 31, 2020, commercial paper issued by national entities of the Sogrape Group, that are outside the consolidation perimeter, are not included in financial applications (in 2019, such applications amounted to 9,450,000 Euros).

19. SHARE CAPITAL

Share capital of Sogrape is made up of 11,714,618 nominative shares, each share has a nominal value of 5 Euros and is held 100% by Guesi – Comércio e Serviços, S.A. as it was as at December 31, 2019.

20. OTHERS EQUITY CAPTIONS ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS

As of December 31, 2020 and 2019, Other equity captions are made up as follows:

	31.12.2020	31.12.2019
Share premium	26,082,470	26,082,470
Legal reserve	9,562,336	8,920,388
	35,644,806	**35,002,858**
Other reserves		
Foreign currency translation reserves	(22,296,792)	(16,723,684)
Hedging reserves	-	(8,326)
Other reserves and Retained earnings	167,046,496	165,667,370
	144,749,704	**148,935,359**
	180,394,510	**183,938,217**

21. NON-CONTROLLING INTERESTS

As at December 31, 2020 and 2019, non controlling interests details are as follows:

Company	% Non-controlling interests 31.12.2020	Non-controlling interests - Balance Sheet 31.12.2020	Non-controlling interests - Results 31.12.2020	% Non-controlling interests 31.12.2019	Non-controlling interests - Balance Sheet 31.12.2019	Non-controlling interests - Results 31.12.2019
Geo G Sandeman & Sons	30.00%	194,383	43,436	30.00%	218,298	69,656
Bodegas LAN, S.A.	0.0428%	29,482	795	0.0428%	29,236	1,084
Sandeman & Cia, S.A.	16.128%	3,510,436	823,708	16.128%	2,861,215	186,960
Liberty Wines Ldt *	23.380%	7,503,210	179,911	23.380%	7,721,050	382,025
Liberty Wines subsidiaries **	50% / 25%	147,494	(14,592)	50% / 25%	171,130	12,014
		11,385,004	**1,033,259**		**11,000,929**	**651,740**

* Corresponds to non controlling interests in the consolidated accounts of the entity, Liberty Wines, Ltd and its subsidiaries arisen from the integration in Sogrape SGPS' consolidation
** Corresponds to non controlling interests generated in the integration of Liberty Wines Ltd's subsidiaries in that company's consolidation

Movements in non-controlling interests during the years ending December 31, 2020 and 2019 were as follows:

	2020	2019
Opening balance 1 January	**11,000,929**	**3,069,876**
Dividends distributed	(242,385)	(218,828)
Acquisition of affiliates	-	7,498,142
Exchange changes	(406,798)	-
Profit for the year attributable to non-controlling interests	1,033,259	651,740
Closing balance 31 December	**11,385,005**	**11,000,929**

22. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

As of December 31, 2020, and 2019, the detail of the provisions can be detailed as follows:

	31.12.2020			31.12.2019		
	Non Current	Current	Total	Non Current	Current	Total
Operating						
Provisions for pensions (Note 23)	471,471	64,438	535,909	506,599	75,766	582,365
Provisions for labour litigations		207,111	207,111	-	417,067	417,067
Other provisions	7,637,016		7,637,016	7,077,895	157,123	7,235,018
	8,108,487	**271,549**	**8,380,036**	**7,584,494**	**649,956**	**8,234,449**

The movements in provisions and accumulated impairment losses during the year ended December 31, 2020 are as follows:

	Balance as of 31.12.2019	Effect in Reserves	Exchange rate effect on translation of financial statements	Use	Increase	Decrease	Reclassifi-cations	Balance as of 31.12.2020
Accumulated impairment losses:								
On investments (Note 17)	25,026	-	-	-	-	-	(25,026)	-
On other non-current assests	484,804	-		-	-	(200,000)	-	284,804
Inventories write-down (Note 13)	1,663,021	-	(11,035)	97,206	361,980	(91,968)	-	2,019,204
On receivables (Note 14)	2,959,737	-	(139,972)	(307,560)	1,949,417	(208,459)	(1,669)	4,251,495
On other current assets (Notes 15)	-		639	-	16,470			17,109
On state (Nota 16)	55,110	-	(20,625)	-	6,315	-	-	40,800
	5,187,698	**-**	**(170,993)**	**(210,354)**	**2,334,182**	**(500,427)**	**(26,695)**	**6,613,412**
Provisions								
Provisions for pensions (Note 23)	582,365	55,230	-			(101,686)	-	535,909
Provisions for labour risks	417,067	-	(131,424)	(305,493)	226,962		-	7,811,685
Other non current provisions	7,235,018	(27)	(27,582)	(383,896)	1,803,735	(990,232)	-	32,442
	8,234,450	**55,203**	**(159,006)**	**(689,389)**	**2,030,696**	**(1,091,918)**	**-**	**8,380,036**
	13,422,148	**55,203**	**(329,999)**	**(899,743)**	**4,364,879**	**(1,592,345)**	**(26,695)**	**14,993,448**

Impairment losses are deducted from the corresponding book value assets and provisions are recorded as liabilities at the Statement of Consolidated Financial Position at December 31, 2020.

Movements in provisions and impairment losses affected the consolidated income statement as follows:

	Increase	Decrease	Net Total
Cost of goods sold (Note 13)	361,980	(91,968)	270,012
Adjustments to realization value	**361,980**	**(91,968)**	**270,012**
Impairment losses on operational assets (Note 35)	1,972,201	(408,459)	1,563,742
Impairment in accounts receivable	**1,972,201**	**(408,459)**	**1,563,742**
Provisions for pension benefits	-	(101,686)	(101,686)
Other non-current provisions	1,803,735	(990,232)	813,503
Current operating provisions	226,962	-	226,962
Total Provisions	**2,030,696**	**(1,091,918)**	**938,778**
	4,364,878	**(1,592,345)**	**2,772,532**

23. EMPLOYEE BENEFITS

Defined Contribution pension plan

On 1st January 2004 and in accordance with the project approved by the Portuguese Insurance Institute, the funds of all the national companies of the group Sogrape were merged into a single fund managed by an independent entity, and part of its assets were allocated to cover the responsibilities for services provided, assessed on this same date.

The pension plan, in force for employees of the national companies of Sogrape, is a Defined Contribution plan, by which the Companies guarantee their employees the payment of a basic contribution and a supplementary additional contribution (depending on the option chosen by the employee), as follows:

i. Basic contribution - equivalent to 2% of the employees' salaries;

ii. Additional contribution - additional contribution to be made by the Portuguese companies whenever the employee opts to make contributions himself to the fund. In this case the Companies also make an additional contribution identical to the percentage contributed by the employee, up to a maximum of 2,5% of the employee's salary.

In the years ended as of December 31, 2020 and 2019, contributions made can be detailed as follows:

	Contribution	
	31.12.2020	31.12.2019
Year contribution	573,054	571,015
	573,054	**571,015**

As of December 31, 2020 and 2019 and in accordance with the report issued by the independent and specialized entity that manages the pension fund of Sogrape's national companies, the movements in the above mentioned reserve account were as follows:

	2020	2019
Balance of the "Reserve Account" as of 1 January	**29,238**	**7,868**
Return of the fund (Reserve Account)	(27,942)	21,370
Balance of the "Reserve Account" as of 31 December (Note 15)	**1,296**	**29,238**

The amount of the "Reserve account" is recorded as an asset since in substance it corresponds to amounts paid in advance to the Fund, which will be deducted from future contributions.

Defined benefit pension plan

In previous years to 2004, Sogrape assumed with some employees, now retired, the right of affording a supplementary retirement of a fixed amount. The liability from that decision is fully recognized (there is no settled plan asset) and was estimated by using the assumptions indicated in the following tables. Additionally, movements in provisions for pensions, which correspond to past service estimate and are fully recognized, are detailed as follows:

	31.12.2020			31.12.2019		
	Ex Directors	Ex Employees	Total	Ex Directors	Ex Employees	Total
Changes in responsibilities						
Early Responsibilities	506,599	75,766	582,365	537,202	79,898	617,100
Net interest	368	56	424	2,357	358	2,715
Actuarial (Gains) / Losses	55,400	(1,120)	54,280	51,472	4,464	55,936
Expected benefits	(92,295)	(10,577)	(102,872)	(92,295)	(10,789)	(103,084)
Changes in assumptions	1,398	314	1,712	7,863	1,835	9,698
Liabilities at the end of the period	**471,470**	**64,439**	**535,909**	**506,599**	**75,766**	**582,365**
Changes in Fund						
Company contributions (including direct payments)	(91,836)	(9,850)	(101,686)	(91,836)	(10,578)	(102,414)
Benefits paid	91,836	9,850	101,686	91,836	10,578	102,414
Fund assets at end of period	-	-	-	-	-	-
Amounts recognized in the statement of financial position						
Liabilities	471,470	64,438	535,908	506,599	75,766	582,365
Net Liabilities	**471,470**	**64,438**	**535,908**	**506,599**	**75,766**	**582,365**
Pension costs						
Net interest cost	368	56	424	2,357	358	2,715
Net Liabilities	**368**	**56**	**424**	**2,357**	**358**	**2,715**
Immediate recognition of gains and losses in the statement of financial position						
Actuarial (Gains) / Losses	56,798	(806)	55,992	59,335	6,299	65,634
Benefits (Gains) / Losses	(459)	(728)	(1,187)	(459)	(211)	(670)
(Gains)/Losses	**56,339**	**(1,534)**	**54,805**	**58,876**	**6,088**	**64,964**
Impact on comprehensive income	**56,707**	**(1,478)**	**55,229**	**61,233**	**6,446**	**67,679**

The main assumptions applied were:

	31.12.2020		31.12.2019	
	Ex Directors	Ex Employees	Ex Directors	Ex Employees
Determining responsibilities				
Discount rate	0.00%	0.00%	0.08%	0.08%
Wage growth rate	0.00%	0.00%	0.00%	0.00%
Pension growth rate	0.50%	0.50%	0.50%	0.50%
Determining the costs				
Discount rate	0.08%	0.08%	0.48%	0.48%
Wage growth rate	0.00%	0.00%	0.00%	0.00%
Pension growth rate	0.50%	0.50%	0.50%	0.50%
Historical (Gains)/Losses				
Differences between expected and actual responsibilities	56,798	(806)	59,355	6,299
As a percentage of liabilities	12.00%	12.00%	11.70%	8.30%

24. GOVERNMENT GRANDS RELATED WITH ASSETS, GOVERNMENT SUPPORT AND INVESTMENT TAX CREDIT

Movements in government grants related with assets during the years ended as of December 31, 2020 and 2019 are as follows:

	Government grants	
	31.12.2020	31.12.2019
Opening balance 1 January	**2,891,115**	**2,746,690**
Grants received in the year	71,086	632,329
Reclassification to Operating Subsidies	(330,734)	-
Revenue for the period (Note 33)	(435,253)	(487,904)
Closing balance 31 December	**2,196,214**	**2,891,115**

25. TRADE PAYABLES

As of December 31, 2020, and 2019, Trade payables were detailed as follows:

	31.12.2020	31.12.2019
Suppliers current accounts	48,731,133	46,199,520
Suppliers invoices pending approval	4,142,530	5,123,051
Total payables	**52,873,663**	**51,322,571**

As at December 31, 2020 and 2019, this caption includes amounts payable to suppliers resulting from the acquisition of goods and services, which do not bear interest. The impact of financial discount was not considered material since these accounts usually mature in less than one year. The company believes that the fair value of such balances is not significantly different from their carrying amount.

The maturities of accounts payable are as follows:

	>0 to <60 days	>60 to <180 days	>180 days	On demand	Total
Payables					
As of 31 December 2020	37,496,352	14,136,359	72,183	1,168,769	**52,873,663**
As of 31 December 2019	33,593,818	13,838,749	268,606	3,621,398	**51,322,571**

26. OTHER CURRENT OPERATING LIABILITIES

As of December 31, 2020 and 2019, Other current operating liabilities are as follows:

	31.12.2020	31.12.2019
Other operating payables		
Advances received on account of sales	155,319	3,583,837
Suppliers of fixed assets	779,873	1,597,491
Consultants, solicitors and other service providers	2,715	145,605
Personnel	581,631	646,664
Other operating creditors	690,964	1,029,551
	2,210,503	**7,003,149**
Accrued costs		
Holidays and holiday pay	6,158,505	7,313,532
Insurances	71,327	136,269
Commercial, marketing and distribution costs	2,660,283	3,051,954
Other operating expenses	5,101,559	6,844,932
	13,991,673	**17,346,685**
Deferred income		
Other deferred income	1,281,703	75,354
	1,281,703	**75,354**
	17,483,878	**24,425,188**

In 2019, the caption Advance on account of sales included 3.5 million Euros related to an advance received related to the sale of an asset completed in 2020.

The amount recorded in the Suppliers of fixed assets item mainly concerns amounts payable resulting from acquisitions of tangible assets made by the subsidiary Sogrape Vinhos, S.A ..

The caption Other Operating Expenses include 1.6 million Euros related to the purchase of grapes from the 2020 harvest, of which 1.3 million Euros relate to the subsidiary LAN. In this subsidiary, the final value of the purchase of grapes for the 2020 harvest will be defined after the end of the grape qualification process by the Rioja Regulatory Council, which will take place at the beginning of 2021.

The increase in the Other Deferred Income item corresponds to the deferral of several subsidies by the subsidiary Sogrape Vinhos, S.A.

27. LOANS

As of December 31, 2020, and 2019, loans are made up as follows:

						Amount used
			31.12.2020			31.12.2019
	Current	Non current	Total	Current	Non current	Total
Commercial Paper						
Value taken	51,591,803	26,058,197	77,650,000	11,411,426	46,488,525	57,899,951
Interests	13,742	-	13,742	7,110	-	7,110
Costs associated to emission	(51,285)	-	(51,285)	(26,367)	-	(26,367)
	51,554,260	26,058,197	77,612,457	11,392,169	46,488,525	57,880,694
Bank loans						
Chile	227,640	355,754	583,394	-	-	-
Spain	5,270,512	3,606,820	8,877,332	583,155	21,807,440	22,390,595
United Kingdom	76,896	676,647	753,543	169,172	801,869	971,041
New Zealand	391,500	-	391,500	328,622	-	328,622
	5,966,547	**4,639,221**	**10,605,769**	**1,080,949**	**22,609,309**	**23,690,259**
	57,520,807	**30,697,418**	**88,218,226**	**12,473,118**	**69,097,834**	**81,570,952**
Other loans						
Finance lease	38,637	-	38,637	75,219	-	75,219
	38,637	**-**	**38,637**	**75,219**	**-**	**75,219**
Total	**57,559,445**	**30,697,418**	**88,256,863**	**12,548,337**	**69,097,834**	**81,646,171**

These loans bear interests at normal market interest rates. As a result, the fair value of these bank loans is estimated not to differ significantly from their market value.

The nominal value of the loans has the following maturities:

	2020	2019
2020	-	12,548,339
2021	57,559,445	6,518,277
2022	10,382,128	32,131,373
2023	9,844,615	30,448,184
After 2023	10,470,675	-
	88,256,863	**81,646,173**

Sogrape classifies the amounts of Commercial Paper as non-current in situations where it has the capacity to renew the use of the lines of commercial paper programs available and intends to do so.

As of December 31, 2020, Sogrape maintains the following commercial paper programs that are in use:

(i) a Commercial Paper Program, currently used by some of the Portuguese subsidiaries of the Sogrape Group whose initial total amount was 55,000,000 Euros, for a period of 9 years, with full subscription guarantee by the credit institution that acts as an agent, which matures on December 2, 2023. As at December 31, 2020, the maximum program amounts to 24,400,000 Euros, being reduced each semester by approximately 4,000,000 Euros. The Group has taken the amount of 20,600,000 Euros, with 7,091,803 Euros being classified as current and 13,508,196 Euros as non-current.

(ii) a Commercial Paper Program, in the total amount of 20,000,000 Euros, for a 3-year term, with full subscription guaranteed by the credit institution that acts as an agent, which matures on 2 July 2023 The Group has taken the amount of 2,550,000 Euros classified as non-current.

(iii) a Commercial Paper Program, currently used by some of the national companies of the Sogrape Group, the total amount of which is 20,000,000 Euros, with guarantee of full subscription by the credit institution that acts as an agent, which matures in April 23, 2024. As at December 31, 2020, the Group has taken the amount of 10,000,000 Euros, being fully classified as non-current.

(iv) a Commercial Paper Program, in the total amount of 50,000,000 Euros, for a period of 5 years, with no guarantee of full subscription by the credit institution that acts as an agent, which matures on February 21, 2024 The Group has taken the amount of 32,500,000 Euros classified as current.

(v) a Commercial Paper Program, in the total amount of 12,500,000 Euros, for a period of 5 years, renewed annually. The Group has taken the amount of 12,000,000 Euros classified as current.

In addition to the Commercial Paper Programs mentioned above, Spanish subsidiaries are using the following credit lines:

(i) 2,979,597 Euros from a credit line in the global amount of 25,000,000 Euros, maturing in November 2022 and classified as non-current.

(ii) 5,000,000 Euros from a credit facility in the global amount of 5,000,000 Euros, maturing in November 2021 and classified as current.

(iii) 876,035 Euros of financing with a 4-year term, with the amount of € 248,813 being classified as current and € 627,223 being classified as non-current

The existing debt in the United Kingdom corresponds to a monthly amortizable loan due on September 24, 2032 from subsidiary Liberty Wines Ltd.

As of December 31, 2020, Sogrape has approved but not used credit lines in the global amount of approximately 139.350.000 Euros (114,000,000 Euros on 31 December 2019) which consist of credit facilities negotiated for all companies of Sogrape and that can be used for future operational, investment activities or to satisfy any other financial commitments that may be assumed, with no restrictions on the availability of these facilities.

Financial liabilities (nominal value) derived from financing activities are as follows:

Statements of Consolidated Financial Position	Opening balance	Increase	Decrease	Exchange rate variation	Others	Final balance
Bank loans, commercial paper and bonds	81,570,952	489,200,796	482,482,069	(53,215)	(18,238)	88,218,225
Other loans - leasing	75,219	-	47,147	(3,807)	14,373	38,638
Total	**81,646,171**	**489,200,796**	**482,529,216**	**(57,022)**	**(3,865)**	**88,256,863**

Statements of Consolidates Cash Flows	Receipts	Payments
Financing activities:		
Loans	489,200,796	482,482,069
Other loans - leasing	-	47,147
Total	**489,200,796**	**482,529,216**

28. DERIVATIVES

Sogrape uses derivatives, essentially to hedge future cash flows either related to interest rates or highly probable sales expressed in foreign currency.

Exchange rate derivatives

Sogrape entered into several exchange rate forwards in order to manage its exchange rate exposure either due to assets and liabilities expressed in foreign currency or due to highly probable future transactions.

The fair value of the derivatives corresponds to their market value, when available, and in its absence it is determined by external entities based on valuation techniques accepted by the market.

Considering the features and the purpose of those derivatives, their fair value is included operating assets or liabilities' captions as of the statement.

Fair value of derivative financial instruments

The fair value of derivative instruments is recorded as follows:

	Assets		Liabilities		Net Position	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Operating derivatives						
Hedging derivatives exchange rate	6,299	103,527	(43,352)	(120,553)	(37,053)	(17,026)
	6,299	**103,527**	**(43,352)**	**(120,553)**	**(37,053)**	**(17,026)**
Operating derivatives						
Hedging derivatives exchange rate	-	60,321	(42,814)	-	(42,814)	60,321
	-	**60,321**	**(42,814)**	**-**	**(42,814)**	**60,321**
	6,299	**163,848**	**(86,166)**	**(120,553)**	**(79,866)**	**43,295**

The main features of the derivatives in force at the statement of financial position date described above are as follows:

	31.12.2020				31.12.2019			
	Average exchange rate	Notional in foreign currency	Notional in Euro	Fair Value	Average exchange rate	Notional in foreign currency	Notional in Euro	Fair Value
Currency: Euro								
Sale of U.S. Dollars (USD)								
Less than 3 months	-	-	-	-	1.1	3,000,000	2,720,595	57,808
Sale of Canadian Dollars (CAD)								
Less than 3 months	-	-	-	-	1.5	1,000,000	674,718	(7,294)
Between 3 months and 6 months	-	-	-	-	1.5	900,000	613,413	1,015
Up to 12 months	-	-	-	-	1.5	1,500,000	1,009,761	(7,007)
Sale of Australian Dollars (AUD)								
Less than 3 months	1.6	150,000	92,155	(2,283)	1.6	100,000	61,353	(1,019)
Between 3 months and 6 months	-	-	-	-	1.6	100,000	60,849	(1,366)
Up to 12 months	-	-	-	-	1.6	250,000	152,644	(2,560)
Sale of British Pounds (GBP)								
Less than 3 months	0.9	750,000	838,457	3,964	0.9	900,000	1,009,082	(46,370)
Between 3 months and 6 months	0.9	250,000	280,206	2,335	0.9	800,000	894,855	(43,232)
Up to 12 months					0.9	600,000	689,101	(11,705)
Currency: new zealand dollar								
Sale of British Pounds (GBP)								
Between 3 months and 6 months	-	-	-	-	0.5	85,160	100,094	2,465
Sale of U.S. Dollars (USD)								
Between 3 months and 6 months	-	-	-	-	0.7	106,471	94,776	3,442

	31.12.2020				31.12.2019			
	Average exchange rate	Notional in foreign currency	Notional in Euro	Fair Value	Average exchange rate	Notional in foreign currency	Notional in Euro	Fair Value
Currency: GBP								
Sale of Euro								
Less than 3 months	1.1	2,000,000	2,224,620	(26,483)	1.2	2,000,000	2,350,729	5,019
Between 3 months and 6 months	-	-	-	-	1.1	7,450,000	8,756,465	(108,660)
Up to 12 months	-	-	-	-	1.2	4,750,000	5,582,981	137,328
Sale of U.S. Dollars (USD)								
Between 3 months and 6 months	1.3	250,000	278,077	(9,720)	1.3	250,000	222,539	6,373
Up to 12 months	1.3	125,000	139,039	(4,865)	0.0	n,a	n,a	n,a
Sale of Australian Dollars (AUD)								
Less than 3 months	-	-	-	-	1.9	250,000	156,299	2,795
Between 3 months and 6 months	-	-	-	-	1.9	400,000	250,078	2,126
Sale of New Zealand Dollars (NZD)								
Less than 3 months	-	-	-	-	2.0	350,000	210,172	(5,661)
Between 3 months and 6 months	-	-	-	-	2.0	850,000	510,419	(523)
				(37,053)				**(17,026)**

29. CONTINGENT ASSETS AND LIABILITIES AND GUARANTEES PROVIDED

As of 31 December 2020, and 2019, the main contingent liabilities are a result of guarantees provided and can be detailed as follows:

	31.12.2020	31.12.2019
For tax claims		
Finance Partition - Portugal	11,720	11,720
For judicial claims	**-**	**459,900**
For subsidies obtained		
Ministry of Agriculture La Rioja	371,761	-
Other entities	42,189	27,887
Others		
General Directorate of Customs - Pledge	848,963	848,963
Freixieiro Customs	90,000	90,000
HSBC bank	753,543	971,041
Others	176,941	19,880
	2,295,117	**2,429,391**

For tax or judicial proceedings associated to a potential probable loss, a provision is recorded. For the remaining situations no provisions have been recorded, as the Board of Directors considers that no losses will result to Sogrape.

In May 2017, the subsidiary, Sogrape Distribuição, SA, was subject to search and seizure documents by the Competition Authority (AdC), as part of an investigation publicly reported by AdC as involving around 3 dozen active companies in Portugal, mainly in the distribution sector, for eventual anti-competition practices.

In June 2020, the subsidiary Sogrape Distribuição, SA formally received a note of illegality. It should, however, be noted that a note of illegality does not represent the final result of the investigation, but rather a provisional phase that is still subject to defense.

In October 2020, the subsidiary Sogrape Distribuição, SA sent to AdC its statement of defence and is expecting a final decision from AdC during 2021, notwithstanding the suspension of procedural deadlines caused by the pandemic might cause inevitable uncertainty in this regard. At this date, no response was obtained from AdC and various procedural solutions for the ongoing administrative offense proceeding are still legally valid.

30. REVENUE

As of 31 December 2020, and 2019, Revenue can be detailed as follows:

	31.12.2020	31.12.2019
Sales of trade and finished goods	246,426,511	255,213,785
Other Sales	2,103,237	622,611
	248,529,748	**255,836,396**
Other services rendered	975,346	951,134
	975,346	**951,134**
Revenue	**249,505,094**	**256,787,530**

Sales are net of excise duty on alcoholic beverages amounting of approximately 14,800,000 Euros as of 31 December 2020 (17,600,000 Euros as of 31 December 2019).

Income arising from the provision of services essentially results from revenues obtained from the operation of visiting centers owned by Sogrape Vinhos. In 2019, it also included the provision of winemaking services to third parties.

31. OPERATING EXPENSES

During the years ended as of December 31, 2020 and 2019, the main operating expenses accounts are as follows:

	31.12.2020	31.12.2019
Professional Fees	(5,477,063)	(5,552,190)
Repair & Maintenance	(2,312,216)	(2,996,232)
Travel expenses	(1,674,387)	(3,885,284)
Materials	(3,783,336)	(3,651,039)
Rents and operating leases	(2,504,210)	(2,415,791)
Taxes and Levies	(1,042,311)	(1,171,916)
Electricity	(1,338,327)	(1,621,353)
Fuel and other fluids	(878,187)	(1,187,381)
Subcontracts	(2,701,730)	(2,430,532)
Surveillance and Security	(918,341)	(873,716)
Transport of goods	(956,793)	(837,550)
Insurances	(864,029)	(761,956)
Water	(548,284)	(494,593)
Communication	(473,709)	(505,437)
Other operational costs	(4,944,712)	(4,718,105)
Total operating expenses	**(30,417,635)**	**(33,103,072)**

32. PAYROLL EXPENSES

During the years ended as of December 31, 2020 and 2019, Payroll expenses are as follows:

	31.12.2020	31.12.2019
Salaries	(37,963,370)	(36,708,663)
Social security contributions	(5,725,687)	(5,567,790)
Insurances	(1,148,839)	(1,217,846)
Welfare	(938,471)	(1,142,384)
Other payroll expenses	(2,739,320)	(2,625,001)
Total payroll	**(48,515,687)**	**(47,261,685)**

As of December 31, 2020, the number of employees was 1,169 (1,152 to December 31, 2019).

33. OTHER INCOME AND EXPENSES

In the years ended as of December 31, 2020 and 2019, Other income and expenses are as follows:

	31.12.2020	31.12.2019
Government grants (Note 24)	435,253	487,904
Operational Government Grants	2,129,483	570,613
Distribution Costs	(4,242,716)	(4,819,073)
Marketing Expenses	(9,268,816)	(13,636,729)
Exchange rate differences		
Operational exchange rate gains	2,973,415	3,729,985
Operational exchange rate losses	(2,711,286)	(1,934,789)
Gains/(Losses) on disposal of Fixed Assets	7,371,591	403,494
Other Operating Gains/ (Losses)	559,009	1,241,262
	(2,754,067)	**(13,957,333)**

As at 31 December 2020, the heading Operational Government Grants includes the amount of 1.4 million Euros received by subsidiaries as a governement compensation for the impacts of the pandemic.

The net value of exchange differences in 2020 corresponds to a profit of 262,128 Euros (profit of 1,795,196 Euros in 2019). The volatility of USD and the devaluation of the Real comparing to Euro are the main contributors for the reduction of foreign exchange gains in 2020.

34. REVERSAL OF COSTS WITH THE PRODUCTION OF INVENTORIES

The caption, Reversal of costs with the production of inventories corresponds to the amount of industrial expenses incurred during the production process, which were added to the cost value of inventories, as well as the impact of fair value measurement of biological assets and the costs incurred with the annual cycle of production of such assets.

	31.12.2020	31.12.2019
Costs incurred in grape production (Note 11)	9,510,058	8,942,381
Estimated value losses of the year (Note 11)	(350,098)	(174,928)
Estimated value losses in the prior years (Note 11)	174,928	221,379
Fair value impact at harvest (Note 11)	(2,166,453)	(1,056,216)
Biological Assets	**7,168,435**	**7,932,616**
Fixed Tangible Assets	**97,133**	**176,831**
Inventory	**21,223,117**	**20,161,244**
	28,488,684	**28,270,691**

35. AMORTIZATION/DEPRECIATION AND OPERATING ASSETS IMPAIRMENT

Amortization and Depreciation for the year is made up as follows:

	31.12.2020	31.12.2019
Tangible assets (Note 7)	(10,053,119)	(9,829,635)
Intangible assets (Note 8)	(2,584,684)	(1,537,842)
Investment property (Note 10)	(60,824)	(59,871)
	(12,698,627)	**(11,427,348)**

The division of impairment losses on operating assets for the years ended as of December 31, 2020 and 2019 is as follows:

	31.12.2020	31.12.2019
Accounts receivable impairment (Note 22)	(1,740,958)	(648,955)
Other assets impairment (Note 22)	177,216	(214,577)
	(1,563,742)	**(863,533)**

36. GAINS AND LOSSES RELATED WITH OTHER INVESTMENTS

As of December 31, 2020, and 2019, Gains and losses related with other investments are as follows:

	31.12.2020	31.12.2019
Dividends received	4,928	57,648
Other changes (Note 22)	(193)	2,209
	4,735	**59,857**

37. FINANCIAL EXPENSES AND INCOME

As of December 31, 2020, and 2019, financial expenses and income can be detailed as follows:

	31.12.2020	31.12.2019
Debt interest charges		
related to bank loans and overdrafts	(363,947)	(479,087)
others	(9,757)	(58,440)
Losses on derivative financial instruments	(103,135)	-
Bank services	(58,518)	(67,087)
Stamp tax - bank operations	(49,256)	(75,258)
Net exchange losses	(951,464)	(1,351,999)
	(1,536,077)	**(2,031,871)**
Interest revenue from assets at amortized cost		
related to financial applications	39,845	25,276
related to bank deposits	155,352	260,648
others	143,945	143,929
Gains on derivative financial instruments	-	65,940
Net exchange gains	430,470	355,324
Other financial income	288,071	176,602
	1,057,683	**1,027,718**
Financial results	**(478,394)**	**(1,004,154)**

Foreign exchange losses and gains are mainly due to the effect of foreign exchange variations on loans obtained in a currency other than the functional currency, by the subsidiaries located in Argentina and Brazil.

The variation in interest earned accompanies the reduction in time deposits by the subsidiary Vinus as a result of the normalization of the flow of foreign currency from Angola to abroad.

38. CORPORATE INCOME TAX

As of December 31, 2020, and 2019, corporate income tax is as follows:

	31.12.2020	31.12.2019
Current tax for the period	(6,317,226)	(6,905,604)
Deferred tax for the period	(985,346)	(1,142,014)
Current tax	**(7,302,572)**	**(8,047,619)**
(Insufficiency) / Overestimate of previous period	591,271	1,075,821
"SIFIDE" - previous years	337,764	240,907
	(6,373,536)	**(6,730,890)**

The reconciliation between profit before Income tax and the tax charge for the year ended December 31, 2020 can be detailed as follows:

	31.12.2020		31.12.2019	
Profit before income tax	**26,485,377**		**23,789,670**	
Theoretical tax calculated at the applicable tax rate in Portugal	**(5,959,210)**	**22.50%**	**(5,352,676)**	**22.50%**
Tax rate difference applicable in other countries	**81,382**		**(24,922)**	
Fiscal Effects from:				
Permanent differences	**(129,238)**		**(176,936)**	
Untaxed or non-recoverable results	659,086		95,432	
Non-deductible expenses	(788,324)		(272,367)	
Tax benefits	**879,823**		**321,922**	
Tax benefits generated in the period	844,124		308,331	
Tax benefits generated in previous periods	35,699		13,592	
Changes in the recoverable base of tax losses	(896,617)		(1,046,553)	
Non-recoverable tax losses for the period	(382,856)		(297,052)	
Results subject to autonomous taxation and other taxes	(725,049)		(890,594)	
Others	(170,808)		(580,809)	
Corporate income tax and effective tax rate	**(7,302,572)**	**27.57%**	**(8,047,618)**	**33.83%**

39. DISCONTINUED OPERATIONS

In the year ended 31 December 2020, the net result of discontinued operations in the consolidated income statement relates to the Australian subsidiary Willunga 100, whose sale will occur in the beginning of 2021.

In 2019, this caption relates to the subsidiary, Sogrape UK, whose liquidation process was finalized in 2020.

This caption can be detailed as follows:

	31.12.2020	31.12.2019
Revenue	517,365	-
Cost of sales	(355,934)	-
Operating expenses	(111,447)	-
Payroll	(153,202)	-
Other income and expenses	(45,584)	(88,577)
Operating assets impairment	1,669	(42,717)
Amortization/ depreciation	(3,332)	-
Operating results	**(150,465)**	**(131,294)**
Gains and losses related with group companies and associates	-	77,813
Financial expenses	(36,817)	-
Financial and other non-operating results	**(36,817)**	**77,813**
Net income before tax	**(187,282)**	**(53,481)**
Corporate income tax	-	-
Consolidated net profit / (loss) from descontinuing operations	**(187,282)**	**(53,481)**

The balance sheet position of the Australian subsidiary Willunga 100, shown separately as an asset held for sale is as follows:

	31.12.2020	31.12.2019
Property, plant & equipment	9,738	-
Inventory	342,154	-
Accounts receivable	173,865	-
Other operating liabilities	15,855	-
Cash and cash equivalents	91,698	-
Assets held for sale	**633,310**	**-**
Accounts payable	53,432	-
State and other public entities	8,399	-
Other operating liabilities	64,715	-
Other financing liabilities	259,157	-
Liabilities associated with assets held for sale	**385,703**	**-**
Net assets held for sale	**247,607**	**-**

40. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation process and are therefore not disclosed in this note. The details of the remaining balances and transactions can be presented as follows:

(i) Transactions

	31.12.2020	31.12.2019
Sales of Finished Product and Goods		
Grape Ideas - Turismo, Comércio e Serviços, S.A.	518,455	1,815,645
	518,455	**1,815,645**
Services rendered		
Grape Ideas - Turismo, Comércio e Serviços, S.A.	539,594	494,460
GUESI - Comércio & Serviços, S.A.	9,000	9,000
Fernando Guedes, SGPS, S.A.	1,500	1,500
	527,534	**504,960**
Revenue	**1,045,989**	**2,320,605**
Operating expenses		
Grape Ideas – Turismo, Comércio e Serviços, S.A.	(47,575)	(35,000)
	(47,575)	**(35,000)**
Interest expense		
Grape Ideas – Turismo, Comércio e Serviços, S.A.	-	**(1,427)**
Interest income		
GUESI – Comércio & Serviços, S.A.	30,320	**-**
Financial results	**30,320**	**(1,427)**

(ii) Balances

	31.12.2020	31.12.2019
Accounts Receivables		
Grape Ideas – Turismo, Comércio e Serviços, S.A.	-	71,037
	-	**71,037**
Accounts Receivables group companies		
Grape Ideas – Turismo, Comércio e Serviços, S.A.	387,787	104,809
GUESI – Comércio & Serviços, S.A.	2,768	2,925
Fernando Guedes, SGPS, S.A.	933	-
	391,487	**107,734**
Accounts Receivables group companies - State		
Fernando Guedes, SGPS, S.A.	3,948,408	4,879,295
GUESI – Comércio & Serviços, S.A.	405,384	405,384
	4,353,792	**5,284,679**
Accounts Payables		
Grape Ideas – Turismo, Comércio e Serviços, S.A.	(5,886)	(4,306)
	(5,886)	**(4,306)**

(iii) Remuneration of members of the Board of Directors or employees with management responsibilities

The direct and indirect remuneration of the members of the corporate bodies of Sogrape SGPS, SA and its subsidiaries, excluding social charges, premiums and fringe benefits, for the years ended 31 December 2020 and 2019, was 4,713,423 and 4,808,357 Euros , respectively.

41. EARNINGS PER SHARE

Earnings per share for the years ended December 31, 2020 and 2019 were calculated considering the following amounts:

	31.12.2020	31.12.2019
Net profit		
Net profit from continuing activities	19,078,582	16,407,040
Net profit from discontinuing activities	(187,282)	(53,481)
Net profit considered for purposes of calculation	**18,891,300**	**16,353,559**
Number of shares (Note 21)	11,714,618	11,714,618
Earnings per share from continuing activities - basic	**1.61**	**1.40**

There are no earnings per share dilution effects.

42. ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The table below shows the details of financial assets and liabilities in foreign currency for December 31, 2020 and 2019.

	31.12.2020	EUR	USD	GBP	ARS	AKZ	CLP	NZD	BRL	HKD	AUD	CAD	Other Currency
Non current operating assets													
Other non current operating assets	153,333	8,993	-	-	87,211	-	-	45,426	4,050	7,653	-	-	-
Current operating assets													
Trade receivables	73,733,928	44,524,151	11,035,025	11,300,367	499,430	404,288	1,409,138	589,656	428,292	26,296	1,482,145	2,023,175	11,963
Derivatives	6,299	6,299	-	-	-	-	-	-	-	-	-	-	-
Trade receivables to Group Companies	173,546	173,546	-	-	-	-	-	-	-	-	-	-	-
Other current operating assets	10,462,146	8,338,535	82,286	1,852,087	28,349	61,919	10,063	62,566	13,706	12,636	-	-	-
Non current investing assets													
Investments in other associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in other companies	495,019	441,821	-	44,519	-	-	8,679	-	-	-	-	-	-
Loans to other companies	2,550,002	2,550,002	-	-	-	-	-	-	-	-	-	-	-
Other non current investing assets	98,306	98,306	-	-	-	-	-	-	-	-	-	-	-
Current investing assets													
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to other companies	450,000	450,000	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	29,332,349	12,530,260	565,701	12,499,520	661,032	2,118,456	175,623	158,256	199,065	424,436	-	-	-
Other current investing assets	13,231	13,231	-	-	-	-	-	-	-	-	-	-	-

	31.12.2020	EUR	USD	GBP	ARS	AKZ	CLP	NZD	BRL	HKD	AUD	CAD	Other Currency
Non current operating liabilities													
Other non current operating liabilities	3,065	3,065	-	-	-	-	-	-	-	-	-	-	-
Current operating liabilities													
Trade payables	52,874,761	46,155,099	1,987,429	2,176,390	210,387	171,740	359,455	486,546	165,608	-	459,396	647,463	55,247
Derivatives	43,352	2,283	-	41,069	-	-	-	-	-	-	-	-	-
Payables to Group Companies	3,962	3,962	-	-	-	-	-	-	-	-	-	-	-
Other current operating liabilities	17,483,878	12,966,806	1,670,527	1,665,264	359,306	131,478	179,214	202,057	62,741	123,978	41,044	95,231	(13,768)
Non current financing liabilities													
Bank loans, commercial paper and bonds	30,697,418	29,705,247	-	636,417	-	-	355,754	-	-	-	-	-	-
Other non-current financing liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Current financing liabilities													
Bank loans, commercial paper and bonds	57,520,807	56,784,541	-	117,126	-	-	227,640	391,500	-	-	-	-	-
Other loans	38,637	-	-	-	-	-	3,169	35,468	-	-	-	-	-
Derivatives	42,814	42,814	-	-	-	-	-	-	-	-	-	-	-
Other current financing liabilities	31,098	31,098	-	-	-	-	-	-	-	-	-	-	-

	31.12.2019	EUR	USD	GBP	ARS	AKZ	CLP	NZD	BRL	HKD	AUD	CAD	Other Currency
Non current operating assets													
Other non current operating assets	171,055	10,523	-	-	134,384	-	10,568	1,540	5,716	8,323	-	-	-
Current operating assets													
Trade receivables	83,254,720	49,962,497	9,760,257	18,560,654	152,471	751,985	793,843	384,779	530,218	-	819,454	1,380,170	158,389
Derivatives	58,822	58,822	-	-	-	-	-	-	-	-	-	-	-
Trade receivables to Group Companies	5,392,255	4,982,319	-	340,741	-	45,681	-		-	23,515	-	-	
Other current operating assets	5,071,757	2,947,017	331,677	1,452,585	59,567	77,960	28,031	150,719	18,064	6,138	-	-	-
Non current investing assets													
Investments in other associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments in other companies	495,554	442,015	-	45,753	-	-	7,779	-	-	-	-	-	-
Loans to other companies	2,750,000	2,750,000	-	-	-	-	-	-	-				
Other non current investing assets	65,085	11,305	-	-	-	-	53,780	-	-	-	-	-	-
Current investing assets													
Derivatives	60,321	60,321	-										
Loans to other companies	525,000	-	-										
Cash and cash equivalents	30,213,237	18,864,941	1,156,620	6,089,930	641,377	2,370,428	41,454	71,222	173,125	804,140	-	-	-
Other current investing assets	15,386	15,386	-	-	-	-	-	-	-	-	-	-	-

	31.12.2019	EUR	USD	GBP	ARS	AKZ	CLP	NZD	BRL	HKD	AUD	CAD	Other Currency
Non current operating liabilities													
Other non current operating liabilities	3,065	3,065	-	-	-	-	-	-	-	-	-	-	-
Current operating liabilities													
Trade payables	51,322,571	45,093,104	385,483	3,340,564	459,954	-	394,445	572,784	22,391	-	212,065	679,953	161,829
Derivatives	75,848	120,553	-		(38,798)	-	-	(5,907)	-	-			
Payables to Group Companies	4,306	4,306	-	-	-	-	-	-	-	-	-	-	-
Other current operating liabilities	24,425,188	14,950,620	3,064,419	2,411,379	439,617	160,655	325,554	102,099	70,421	199,047	180,891	1,228,314	1,292,175
Non current financing liabilities													
Bank loans, commercial paper and bonds	69,196,996	69,196,996	-	-	-	-	-	-	-	-	-	-	-
Other non-current financing liabilities	257,193	257,193	-	-	-	-	-	-	-	-	-	-	-
Current financing liabilities													
Bank loans, commercial paper and bonds	12,373,309	9,389,583	-	-	980,942	-	1,912,264	90,520	-	-	-	-	-
Other loans	75,219	-	-	-	-	-	22,121	53,098	-	-	-	-	-
Other current financing liabilities	45,000	45,000	-	-	-	-	-	-	-	-	-	-	-

43. COMPLIANCE WITH LEGAL DIPLOMAS

In compliance with the disclosure required in Article 66º A of the Commercial Companies Code, it is reported that the total fees billed by the Statutory Auditor, in the years ended on December 31, 2020 and 2019 (including in the case of the statutory audit of accounts services rendered by the Statutory Auditor to foreign subsidiaries) amounted to 315.388 Euros and 341.197 Euros, respectively, being detailed as follows:

	31.12.2020	31.12.2019
Statutory Audit	194,883	207,495
Tax compliance	113,131	104,758
Other non-audit services	7,874	28,944
	315,888	**341,197**

44. SUBSEQUENT EVENTS

No subsequent events with a significant impact on the Financial Statements as of December 31, 2020 are known to date.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors on 19 March 2021 subjected to approval at the Shareholders Annual General Meeting.

46. TRANSLATION

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

Vila Nova de Gaia, 19 March 2021
Sogrape SGPS, SA

The Accountant,

Alfredo Joaquim da Conceição Franco

The Board of Directors,

President
Fernando da Cunha Guedes
Vice-President
Francisco José Garcia de Valadares Souto
Member
Bernardo José de Azeredo e Noronha de Brito e Faro
Member
Raquel Filipe Seabra de Sousa Castelo Branco

Statements and Certification

Sogrape SGPS, S.A.

Report and opinion of the statutory audit committee Consolidated accounts

To the Shareholders of
Sogrape S.G.P.S., S.A.

In order to fulfill the mandate which was given to us by you and in accordance with the legal and statutory regulations applicable, we herewith present the report on the activity developed throughout the year of 2020 as well as our opinion on the documents related to the consolidated accounts, including the Management Report and the consolidated Financial Statements of the financial year that were presented by the Board of Directors.

We have accompanied the activity of the Company with the regularity and extension which we found adequate, considering, namely, the Covid-19 Pandemic. We have developed our activity mainly through contacts with the Board of Directors and the main Department Heads, from whom we received the necessary information and clarification.

We have accompanied the activity of the Statutory External Auditor that has given us useful information for the development of our supervisory activity.

We have analysed the documents related to the consolidated accounts and the Report of the Statutory External Auditor and also evaluated the proposals of the Board of Directors which are worth our agreement.

On this basis, and taking into account the information obtained from the Board of Directors and the content of the Report of the Statutory External Auditor we are of the opinion that:

a. the Management Report be approved;

b. the consolidated financial statements be approved.

Vila Nova de Gaia, 22nd March 2021

The Statutory Audit Committee

Maria Luísa C. F. L. C. Anacoreta Correia

Luís António Costa Reis Cerquinho da Fonseca

Cristina Maria da Costa Pinto

Statutory audit 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 Sogrape SGPS, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 (which shows total assets of Euros 471,001,988 and total shareholders' equity of Euros 269,243,904 including a profit for the period attributable to the shareholders of the parent company of Euros 18,891,300), 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 Sogrape SGPS, S.A as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 consolidated financial position, the consolidated 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 consolidated Directors' 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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; and

g) communicate with those charged with governance 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.

Our responsibility also includes verifying that the information included in the consolidated Directors' report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the consolidated Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the consolidated 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.

22 March 2021

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

represented by:
António Joaquim Brochado Correia, R.O.C.

SOGRAPE