MADE OF PEOPLE

ANNUAL REPORT 2019

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Translation adapted from the Portuguese original. In the event of any discrepancy the Portuguese version shall prevail.

MESSAGE FROM THE CEO
RESULTS MADE OF PEOPLE

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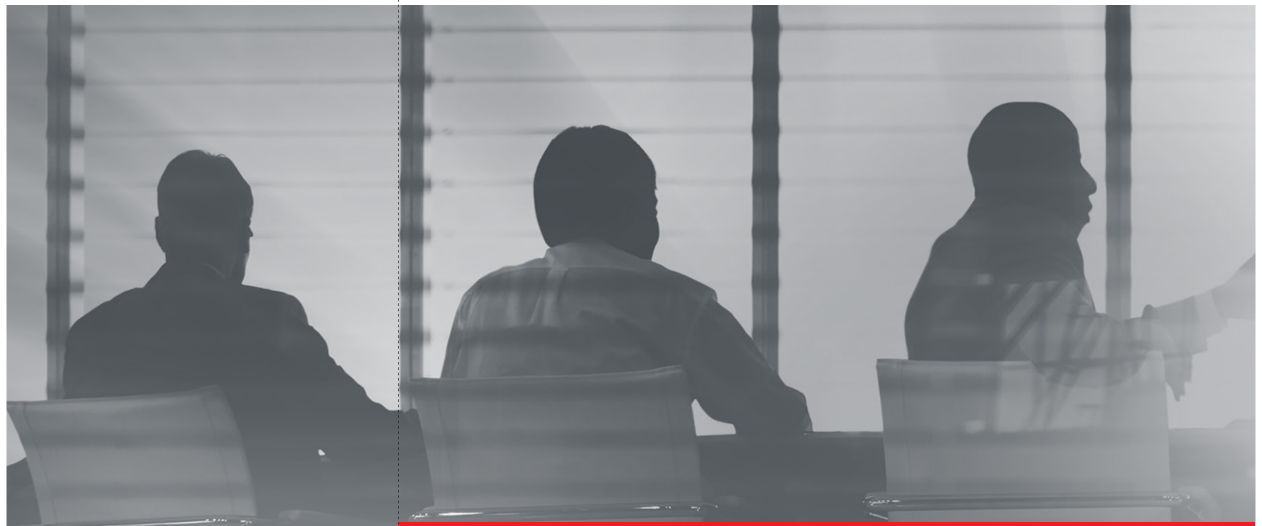

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RESULTS MADE OF PEOPLE

2019 was a hugely successful year for Sonae MC. Against a backdrop of profound transformation in the industry on a worldwide scale and growing competitiveness in the domestic market, we consolidated our solid leadership position in the Portuguese food retail market. We safeguarded the delicate balance between growth, profitability, and sustainable development.

We know that the road to success is a long one and that it does not boil down to the results and achievements attained in the past year. It is but a small stretch of the journey we have been on for over 35 years. We have repeatedly anticipated trends in the sector and aligned our business model with the expectations and concerns of our Customers while seeking to secure the future of our planet for the next generations.

In 2019, Sonae MC's turnover saw exceptional growth, the highest recorded in the last 11 years, benefiting from positive like-for-like sales performance across all banners. It also saw the implementation of our expansion plan, namely in the proximity segment, and the strategic Arenal acquisition which paved the way for us to develop our international Health, Wellness, and Beauty business activity.

In terms of operational profitability, we remain an international reference thanks to the effective management of our margin mix and disciplined effort in operational excellence. This enabled us to accommodate investments in our value proposition and implement our ambitious portfolio development plans.

It is also important to note that in the past year we strengthened our capital structure while increasing our medium-term liquidity.

These results reflect the trust placed in us by Customers who visit our stores every day. They validate the strategy outlined and highlight the extraordinary performance of our teams, and the willingness to innovate and be different, which is part of our DNA.

We assess our success factor beyond that of numbers, and in this sense 2019 was marked by essential contributions to sustainable development. Our organisation places sustainability at its core, guided by a set of demanding short, medium, and long-term targets and ambitions in line with the United Nations Sustainable Development Goals and the Principles of the UN Global Compact.

Our conduct was once again guided by respect for diversity and the demand for transparency and inclusion across all interactions within and outside of Sonae MC. The initiatives we implemented enabled us to cement genuine relationships of trust with all the interest groups with whom we interact, namely, Customers, Suppliers, authorities, the Shareholder, Employees, and society as a whole.

We are mindful of the role we play in the global fight against climate change, both when it comes to our business activities, and the relationships we have with the different stakeholders in the value chain, to achieve the goals we committed to under the Paris Pledge for Action. We are also aware of how important it is to influence the future of food, putting major trends into perspective, discussing innovative production methods, anticipating new needs, and raising awareness for healthier and more sustainable eating habits.

We remain committed to encouraging the uniqueness of our People and in implementing a culture whereby everyone feels valued and respected so that each person can work to their full potential. We believe this is the only way in which we can create a shared goal and achieve the best results.

Finally, as I write this message, Portugal and the rest of the world are facing a period of great turbulence associated to the COVID-19 pandemic. Within this environment of deep uncertainty, the outlook for 2020 is being adjusted accordingly. Notwithstanding, we can foresee that the negative impacts of this crisis on the world economy will be significant. In unprecedented times, we are prepared to protect our People, defend our businesses, and simultaneously provide the fundamental purpose of service and support to our Suppliers, partners, and the entire Portuguese population, contributing to overcome this tremendous challenge!

Tomorrow, just as today, our results will made of People. Our People.

LUÍS MOUTINHO
CEO

SONAE MC | Annual Report 2019

GREAT TEAMS GENERATE OUTSTANDING RESULTS

Sonae MC is the leading food retailer in Portugal, continuously focused on consumers. More than three decades of sustained growth have led to the development of several reference banners in the markets in which it operates.
Over 1,200 stores (including franchised) throughout Portugal and Spain, and more than 34,000 Employees ensure our circa 4 million customer families are satisfied.
We generate wealth for the country, and we do so responsibly and conscientiously, always underpinned by innovation and sustainability, which are a part of our DNA. We pursue our business in a very vast ecosystem, preferring to forge close relationships based on trust with all our stakeholders. We adopt international best practices, which sets us apart in the business areas in which we operate and enables us to offer a wide range of high-quality products and services at incredibly competitive prices. Our People are at the heart of our success, and that is why Sonae MC values its human capital, investing in the integration, development, and respect of its Employees.
Our ambition is to continue to be market leaders in the business areas in which we operate, conscious of the fact that we can always do more and better. This is our motto.

OUR BANNERS

NUMBERS THAT SET US APART

+€4,700M
TURNOVER

+34,000
EMPLOYEES

+1.200
STORES

+3.9
MILLION CUSTOMER FAMILIES

35 YEARS
EXPERIENCE IN THE RETAIL SECTOR

WE ARE RECOGNISED FOR OUR PRODUCTS AND SERVICES

We seek to offer outstanding experiences, developing trusted own brands that meet Customer demands, and are at the top of their preferences. We are incredibly proud that our efforts have been recognised.

CONSUMER CHOICE AWARD (ESCOLHA DO CONSUMIDOR) AND THE EXCELLENTIA CHOICE AWARD (ESCOLHA DO CONSUMIDOR EXCELENTIA)

TRUSTED BRAND AWARD (MARCA DE CONFIANÇA)

GREAT TASTE AND FLAVOUR OF THE YEAR AWARDS (SABOR DO ANO)

WE PROMOTE EMPLOYEE ENGAGEMENT

Employee well-being and development is a priority. We value each and every Employee. Their contribution is key to Sonae MC's success. Our high regard for meritocracy, talent management, and job creation earned us various accolades.

HUMAN RESOURCES PORTUGAL AWARD

500 LARGEST AND BEST COMPANIES AWARD (500 MAIORES E MELHORES EXAME)

EXPRESSO ECONOMY AWARD (PRÉMIOS EXPRESSO ECONOMIA)

WE CONTRIBUTE TO A MORE SUSTAINABLE WORLD

Our firm commitment to fostering the responsible use of resources, creating more sustainable long-term business models, and a more equal society is apparent in our operations. As such, Sonae MC was distinguished for its efforts in this regard.

TRUSTED BRAND - ENVIRONMENT AWARD (MARCA DE CONFIANÇA AMBIENTE)"

WBCSD LEADING WOMEN AWARD

MASTERS OF DISTRIBUTION - SUSTAINABILITY AWARD

1. 2. 3. 4. 5. 6. 7. 8.

THE LEADERSHIP COMMITTEE

1. **Miguel Páscoa Vieira Águas**
Logistics and IT

2. **João António Palmeira Pereira Afonso**
Food Trade

3. **Luís Miguel Mesquita Soares Moutinho**
CEO

4. **Isabel Sofia Bragança Simões Barros**
Human Resources and Sustainability

5. **Maria Inês Martins Valadas**
Health, Wellness & Beauty

6. **José Manuel Cardoso Fortunato**
Store Operations, Marketing and Digital

7. **David Pedro Oliveira Parente Ferreira Alves**
Non-food Trade and E-commerce

8. **Rui Manuel Teixeira Soares de Almeida**
CFO and Expansion

PEOPLE AT THE HEART OF OUR BUSINESS AND INNOVATION

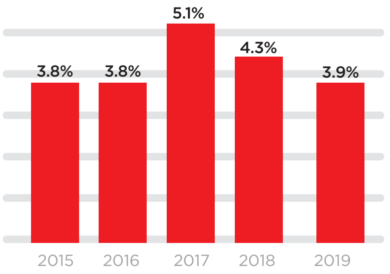
Our brands and banners meet Customer needs and preferences. Our products and services stand out as every day family favourites. We encourage all stakeholders in the value chain to continually innovate and develop a strategic vision for the future.

A DYNAMIC MARKET

ECONOMIC RECOVERY DRIVES CONSUMPTION

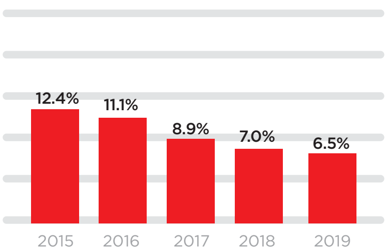
Economic activity in Portugal gained a new impetus in recent years, mainly stimulated by increased domestic demand and a continued rise in private spending, which boosted recovery and sustained GDP growth. In this context, private consumption benefitted from high levels of confidence amongst economic agents and provided for more favourable financing conditions. Improvements in labour market conditions, namely job creation, also contributed to economic growth. In general terms, the Portuguese economy performed strongly. The positive performance and the growing importance of the Tourism and Real Estate sectors are also of note.

Nominal GDP Growth
(annual change)



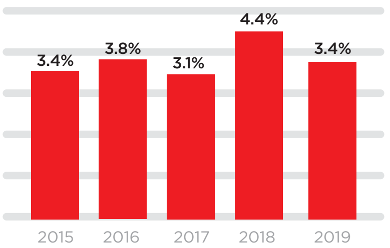
Source: INE (Statistics Portugal)

Unemployment rate
(% of active population)



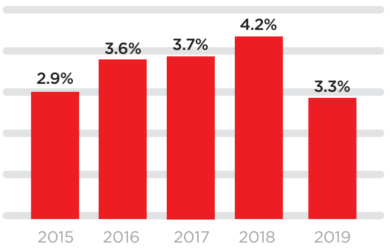
Source: INE (Statistics Portugal)

Disposable income
(annual change)



Source: INE (Statistics Portugal)

Private consumption
(annual change)



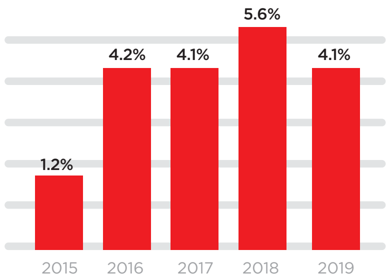
Source: INE (Statistics Portugal)

A HIGHLY COMPETITIVE FOOD RETAIL SECTOR

In the European context, the food retail market in Portugal is highly competitive. More than two-thirds of the market is held by modern distribution through domestic and foreign operators that exercise their activity supported in the formats of hypermarket, supermarket, proximity and convenience, discounter & online.

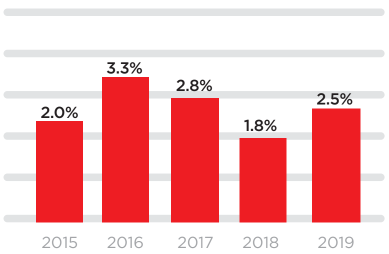
In recent years, the Portuguese market experienced a considerable intensification in competition, which is visible through the significant increase in the number of stores opened, and the corresponding gross sales area.

Retail sales
Hypermarkets and Supermarkets
(nominal annual change)



Source: Eurostat

Gross sales area
Food Retail market
(annual change)



Source: Nielsen

NEW TRENDS TRANSFORM THE SECTOR ON A DAILY BASIS

Shifting consumer behaviours: Digital savvy and increasingly connected; experience driven, demanding personalization; seeks easy access, speed, and ready-made solutions (including grab & go, home delivery, ready-to-eat).

New routes to consumer: Omnichannel characterized by increased relevance of online channel; offline channel increasingly digitized to engage Customers and drive experience and loyalty; offline presence for convenience, geared towards developing Customer relationships.

Changing economics: Structural shift in retailers operating capabilities from labor-based operation to automation; using vertical integration opportunities to explore new profit pools and horizontal integration for gains in scale and synergies.

Evolving Supplier landscape: Evolving to a larger and more fragmented Supplier base, by-passing retailers and engaging directly with consumers.

New and intensified competition: Rise of integrated platforms/converging solutions, leveraged on ease of use in shopping experience for user; new business models emerging competing for Customer “share of stomach” driven by a trend for easy, fast, ready-made meals, available in a convenient format.

Rise of digital/tech/data analytics /Artificial intelligence (AI): Increasingly personalized and predictive shopping experiences; flexible supply chain benefitting from ubiquitous AI/data analytics and new technologies to manage and predict inventory needs; robotics, drones, and automated tech.

A SUCCESS MODEL FOUNDED ON A VISION FOR FUTURE GROWTH

Our success stems from a clear vision of how our business will progress in the medium-term, founded upon an unequivocal orientation towards profitable growth.
We are focused on reinforcing our fresh, own brand and healthy nutrition offers.
We strive to maintain our price leadership and to continue developing our value perception alongside our Customers.

We endeavour to continuously develop our store portfolio, particularly in the proximity segment, in parallel to developing a differentiating omnichannel offer, leveraging renowned digital assets.
We invested in the accelerated expansion of our Health, Wellness & Beauty business as a pillar of future growth.

We believe in the importance of leadership as a critical success factor for any business. We are backed by a highly experienced management team with in-depth knowledge of the local market and the Portuguese food retail market, which is committed to implementing the best international management practices, and in creating sustainable value for all our stakeholders.

OUR VALUES

- TRUST AND INTEGRITY
- PEOPLE AT THE CENTRE OF OUR SUCCESS
- AMBITION
- INNOVATION
- CORPORATE RESPONSIBILITY
- FRUGALITY AND EFFICIENCY
- COOPERATION AND INDEPENDENCE

PILLARS OF ACTION AND STRATEGIC PRIORITIES

1
To drive in-store traffic and basket size

- Improve Customer value perception
- Optimise the fresh food product offer
- Drive the transformation of our own brand assortment
- Expand the healthy nutrition range

2
To promote best-in-class efficiency

- Increase the agility and efficiency of our operating model
- Optimise our store network, focusing on sales productivity

3
To explore major growth avenues

- Accelerate store expansion in the proximity and convenience segment
- Leverage digital and e-commerce opportunities
- Develop our Health, Wellness & Beauty business

4
To create sustainable value for all our stakeholders

A DIVERSIFIED AND INNOVATIVE PORTFOLIO

Sonae MC is the leader in the food retail sector in Portugal and is present in several business areas through a multi-format and omnichannel portfolio of banners and formats, which are complementary to each other, and are an integral part of the daily lives of millions of families.
Our value proposition centres around food retail by way of five distinct formats and is complemented by our new growth businesses, so that we can offer our Customers an all-encompassing experience.
Our network across the different business areas has already surpassed 1,200 stores throughout Portuguese territory and northern Spain.

+1,200
STORES THROUGHOUT PORTUGUESE AND SPANISH TERRITORY

FOOD RETAIL

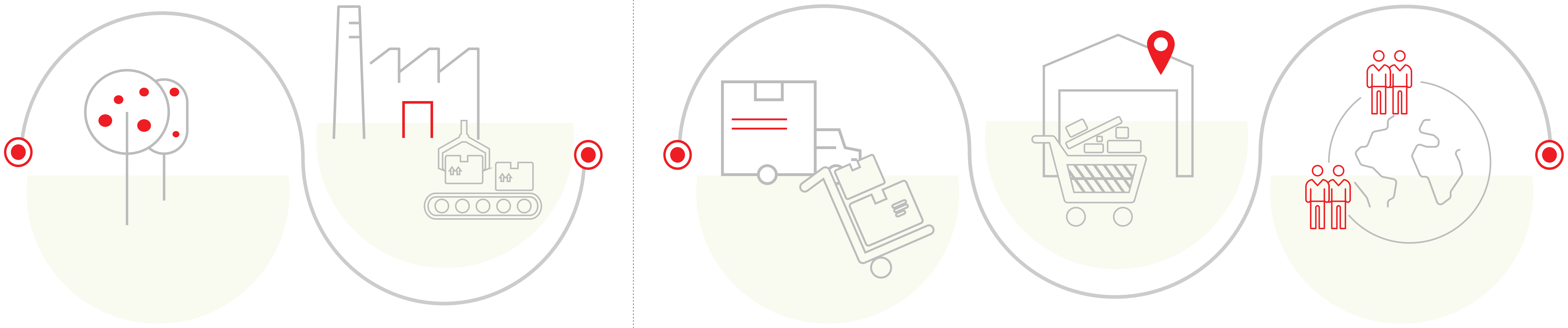
- Continente – URBAN HYPERMARKETS
- Continente Modelo – LARGE SUPERMARKETS
- Continente Bom dia – PROXIMITY SUPERMARKETS
- Continente Online – E-COMMERCE PLATFORM
- Meu Super – FRANCHISE PROXIMITY STORES

NEW GROWTH BUSINESSES

- Well's – HEALTH, WELL-BEING, COSMETICS, AND EYE-CARE
- arenal – PERFUMERY AND PARA-PHARMACIES
- Dr.Wells – DENTAL AND AESTHETIC MEDICINE
- go natural – ORGANIC SUPERMARKETS AND RESTAURANTS
- B·A·G·G·A – COFFEE SHOPS
- note! – STATIONERY, BOOKS, AND GIFTS
- ZU – PET CARE AND VETERINARY SERVICES
- Maxmat – DIY RETAIL
- WASHY – SELF-SERVICE LAUNDRIES
- home story – HOME FURNISHINGS AND ACCESSORIES

TO CREATE AN IMPACT THROUGHOUT THE VALUE CHAIN

At Sonae MC, our ambition is to create a positive and meaningful impact within the value chain with the aim of making a relevant contribution to its overall equilibrium.
We believe that enhanced sustainability and optimisation of the value chain are fundamental pillars, and in this spirit, we seek to build strong relationships with producers and other Suppliers.
We invest in improving efficiency and effectiveness throughout our distribution and logistics network.
We remain focused on continuing to guarantee memorable shopping experiences for our Customers while continuously striving to meet their needs and expectations.



PRIMARY RESOURCES

In carrying out our activities across different areas of business, we favour the use of sustainable (and, whenever possible, Portuguese) raw materials, to protect ecosystems and preserve natural resources.

PRODUCTION

We seek to contribute to the development of increasingly sustainable, innovative, and high-quality products by fostering a close relationship with our Suppliers and partners.

DISTRIBUTION AND LOGISTICS

We maintain a constant focus on increasing efficiency and effectiveness throughout our distribution network and our logistics infrastructure to mitigate negative impacts for the Planet.

RETAIL

We regularly check-in with our Customers to ascertain their preferences and concerns, and we seek to offer them unique and stand-out experiences across our different platforms and formats, in our quest to promote mutually rewarding and long-lasting relationships.

CUSTOMER AND COMMUNITY

We aim to contribute to the harmonious and sustainable development of our society, by providing quality and balanced product offerings, and by implementing initiatives which promote healthier lifestyles and conscientious consumption, inclusive systems, and social protection.

AN INTEGRATED AND SUSTAINABLE APPROACH TO VALUE CREATION

MAIN RESOURCES

ECONOMIC AND FINANCIAL

- Invested capital of €2,372m with reference return on capital employed figures
- Conservative capital structure with leverage ratios at conservative levels

KNOWLEDGE AND INTELLECTUAL CAPITAL

- 34,898 Employees performing more than 300 different functions
- Distinctive competencies in developing retail businesses
- Innovation ecosystem with centralised support and acceleration
- ~370 Employees allocated to R&D projects

NATURE

- 2,094,402 GJ in energy consumption
- 565,499 GJ in fuel consumption related to the contracted fleet and Employees vehicles
- 783,837 m^3 water consumption

RELATIONSHIPS

- Circa 85%[1] of purchases made in 2019 were sourced from Suppliers with whom we have a relationship of 5 years or more
- Circa 85% of Portuguese families are our Customers
- Member of several industry associations and/or civil society forums

DIGITAL

- The leading e-commerce business in Portugal
- Stand-out loyalty programme with ~4 million active accounts. A revamped loyalty app with over 1 million users
- A high brand awareness with ~2 million followers on Facebook
- Expertise and advanced competencies in data analytics and digital

FACILITIES AND REAL ESTATE

- A multi-format store network comprised of 1,228 stores, of which 890 are Company operated stores
- Efficient logistics infrastructure with 5 distribution centres, 3 production centres and 1 dark store

[1]Data does not include Arenal.

BUSINESS MODEL

- ASSORTMENT MANAGEMENT AND PRODUCT DEVELOPMENT
- SOURCING, PROCUREMENT AND STORAGE
- LOGISTICS AND TRANSPORT
- IN-STORE AND ONLINE OPERATIONS
- MARKETING, SALES AND CUSTOMER LOYALTY
- CUSTOMER SERVICE AND AFTER-SALES

KEY RESULTS

- Underlying EBITDA margin 10.2%
- €91m free cash-flow generation
- Total net debt / Underlying EBITDA ratio of 3.3x

- More than 889,880 training hours
- 350 new own brand FMCG SKUs launched in 2019
- Registered 10 patent requests
- ~200 R&D projects

- 4% reduction in electricity consumption por sqm of sales area
- 13% reduction of GHG emissions
- More than 4,430 tonnes of virgin plastic avoided as at end of 2019

- Increased sourcing from local Suppliers to ~80%
- Supported more than 1,000 institutions
- Received more than 100 awards

- Strong growth in online sales
- Personalised offers based on Customer loyalty data analysis
- Continente brand with 100% top of mind awareness

- More than 2,000 new Employees, as a direct result of opening 91 Company operated stores and the Arenal acquisition
- 154 collection points for online orders ("Click & Go")
- Expansion of logistics infrastructure

VALUE CREATED

SHAREHOLDER
€75m
dividends

GOVERNMENT
~€22m
income tax expense

EMPLOYEES
~€570m
Employees benefits expense

PLANET
~€7m
investment in promoting ecoefficiency

COMMUNITIES
~€9m
community support

SUPPLIERS
~€3,280m
cost of purchasing goods

A MEMORABLE YEAR

ROBUST ECONOMIC ACTIVITY

In 2019, the macroeconomic climate in Portugal remained favourable, with sustained GDP growth of 2.0%[1] and the first budget surplus in democracy (0.2%[1] of the GDP).
This positive performance benefited from a benign consumer environment, driven by high levels of consumer confidence, a continued improvement in labour market conditions (progressing to full employment), and an increase in household disposable income.
It is also worth highlighting that inflation rates stood at 0.3%[1] in 2019, falling sharply compared to the previous year.

A CONSISTENT STRATEGIC EXECUTION

In 2019, Sonae MC grew with profitability once again and created sustainable value for its stakeholders, strengthening its market share and cementing its leadership position in the Portuguese food-based retail sector.
This solid performance was the result of an assertive strategic execution, capitalising significant investment in the Company's fundamental cornerstones of the value proposition, in exploring new growth avenues and in maintaining a best-in-class efficiency profile.

CONTINENTE BOM DIA 500

An innovative concept for convenience stores characterised by a gross sales area of between 300 and 600 sqm. These stores offer a streamlined product range and an optimised operating model (100% self-service). The first unit opened in the second quarter, in the city of Porto, Portugal.

A CHALLENGING COMPETITIVE ENVIRONMENT

Taking a closer look at the food retail market in Portugal, in 2019, we witnessed a more competitive landscape, which maintained a high level of dynamism characterised by the following factors:

i. A significant increase in terms of supply, resulting from an expansion in sales area in Portugal of circa 2,5%[2], which corresponds to ~60 thousand sqm., as a consequence of an increase in sales area from incumbent operators and the entry of new competitors.
ii. A ramp-up in the convenience and proximity store format as a response to new patterns of consumer behaviour.
iii. A slight increase in promotional sales activities, which remained at high levels.
iv. Continued strong sales of own brand goods.

Notwithstanding, and despite this demanding landscape, nominal growth in terms of demand was more significant than in terms of supply. Retail sales grew nominally by 4.1%[3] benefitting, more specifically, from the positive momentum in private consumption.

Sources: [1]INE (Statistics Portugal); [2]Nielsen and [3]Eurostat

CARTÃO CONTINENTE LOYALTY APP

The loyalty APP was relaunched in 2019, offering a revamped user experience and several highly relevant services for Customers. By the end of the year, circa 1 million users had registered.
The new services include e-invoices and digital payments, which are completely integrated with the loyalty card.

During the period, Sonae MC developed a set of important initiatives and structural measures, as highlighted below:

i. The consolidation of its leadership position in terms of value thanks to increased price competitiveness complemented by greater efficiency in promotional activities.
ii. The requalification and enhancement of the fresh product offer resulting in gains in market share. The excellent results seen in the Fruits & Vegetables categories are worthy of highlight, as are the initiatives pertaining to the Meat & Fish counters.
iii. The continuous innovation in own brand goods within the FMCG and non-food categories, by developing product assortment and launching new products, thus securing an increase in market share during the period to leadership benchmark levels.
iv. The investment made in expanding the convenience and proximity store formats via the opening of 13 Continente Bom Dia stores and 3 Continente Modelo stores. Of note was the launch of the pilot store under the new ultra-close proximity store concept.
v. Enhancement of the Company's omnichannel offer, with a significant impact, felt in the growth of online sales supported by improved service levels and Customer experience, and an increase in the number of Click & Go collection points, which surpassed 150.
vi. Data exploration and the development of analytical models to aid decision-making processes.
vii. The acceleration of a digital relationship with the Customer, driven by more Customers adhering to the Company's digital offerings. Of note is the new Continente loyalty card APP.
viii. The effervescence in the Health, Wellness & Beauty segment was maintained. It resulted in sustained growth for the more mature businesses, and entry into the Spanish market via the strategic Arenal acquisition.

PEOPLE, AT THE HEART OF OUR BUSINESS AND INNOVATION
PEOPLE, AS PILLARS OF THE VISION WE ADVOCATE FOR THE FUTURE
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ARENAL

A retailer specialised in para-pharmacy and perfumery. Arenal is market leader in the north-western region of Spain and was acquired by Sonae MC at the beginning of 2019.
It is positioned as a one-stop-shop for health and beauty, enabling the Company to leverage its joint assets and combined capabilities with the Well's banner.

SOLID PROFITABLE GROWTH

In 2019, Sonae MC confirmed its capability to safeguard the delicate balance between growth and operating profitability The Company trading activities accelerated during the year, leading to record sales and an increase in volumes.
The Company outpaced the market, growing sales by +9.2% in total and 3.0% on a like-for-like basis, to an annual amount of 4,702 million Euro, demonstrating a solid performance across all formats and key categories.
Operating profitability remained at benchmark levels, benefitting from a buoyant turnover, effective margin mix management, and a continuous focus on cost discipline and improvements in productivity and effectiveness of internal operations, leveraging digitisation and automation opportunities.
In 2019, Sonae MC's underlying EBITDA totalled 480 million Euro, which corresponds to a stable margin of 10.2% over turnover. This compares positively with historical data because it represents an increase of +57 million Euro compared to the same period in 2018.
This solid performance enabled us to accommodate the impacts of added competition, invest in growing the business, and ease the pressures on operating costs, namely labour costs.
Net income from continuing operations surpassed 132 million Euro, thus reflecting the noteworthy trading activities and operating performance during the period.

A DISCIPLINED APPROACH FOR INVESTMENTS

As at the end of December 2019, Sonae MC realised investments to the sum of 309 million Euro as detailed below:

i. The fulfilment of the Company's expansion plan resulting in opening 91 Company operated stores, including 13 close proximity supermarkets. On the back of this, at the end of 2019, the store network was comprised of 1,228 stores (including franchise) and 911 thousand sqm. of gross sales area.
ii. The programmed refurbishment effort as defined for a select number of food retail units with elevated potential to generate gains in productivity and/or improved Customer experience. They included 13 substantial requalification interventions that were completed during the period, to ensure they remain as references in terms of modernisation.
iii. Fulfilment of the Arenal acquisition, endorsing the enhancement of the non-food retail portfolio and the internationalisation of the Health, Wellness & Beauty by entering into the Spanish market.
iv. Other structural investments in technology, logistics platform, and real estate to pursue business objectives.

STRENGTHENED CAPITAL STRUCTURE

As at 31 December 2019, Sonae MC's net financial debt amounted to 591 million Euro, 16 million Euro less than that posted at the end of the previous year, reflecting the Company's strong capacity for cash flow generation.
During the period, the Company strengthened its capital structure, which remained well-balanced and robust, reflected in a total net debt to underlying EBITDA ratio of 3.3x. The Company also increased its medium-term liquidity by concluding several refinancing operations to help optimise funding costs and extend medium-term debt maturity.

EIB FINANCING

In 2019, Sonae MC obtained financing from the EIB to invest in reducing the environmental impacts of its food retail activity, namely regarding the energy efficiency of its stores, and to promote the use of renewable energy.

ENHANCED SUSTAINABILITY COMMITMENTS

The sustainability initiatives continue to play a vital role in Sonae MC's business model and strategy and are structured on three fundamental cornerstones of intervention: Environment, Community, and People.
In 2019, Sonae MC strengthened its commitment to reduce its carbon footprint, and sought to cement its active role of being an accountable key player in society. The Company also promoted diversity, integration, and Employee development in fostering a favourable working environment. These initiatives are set within a framework guided by clear objectives and ambitious goals.
With regards to the Environment, the Company remained focused on reducing food waste decreasing shrinkage and driving operational optimisation, and launched new products adapted to a circular economy.
In 2019, Sonae MC reduced its carbon emissions (direct and indirect) and improved its energy efficiency, a notable feat, particularly within a backdrop of portfolio expansion.
One of the cornerstones of our efforts centred on launching a strategy for the responsible use of plastics.

RESPONSIBLE PLASTIC

Several measures were implemented for the responsible use of plastic throughout the value chain, namely pertaining to own brand products, logistics, Suppliers, innovation, and creating awareness amongst consumers. Within this context, Sonae MC was the first Portuguese retailer to act as a signatory to the New Plastics Economy Global Commitment, with ambitious objectives until 2025.

With regards to Community, 2019 was marked by significant initiatives to promote healthy nutrition namely by optimising the nutritional content in Continente own brand products.
In parallel, the Company remained committed to ensuring an ever-increasing sustainable and transparent value chain, with visible efforts regarding fisheries, namely concerning the origin and product traceability. Our continuous efforts in supporting local communities by promoting responsible behaviour and supporting projects geared towards social inclusion are also worthy of highlight.

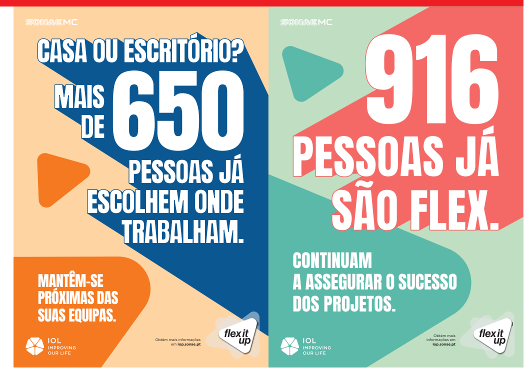
NUTRITIONAL OPTIMISATION

In 2019, the Continente banner improved the nutritional content of more than 100 own brand products by reducing salt, sugar, and/or saturated fats.
This initiative was aimed at optimising the nutritional content of Continente own brand products in a quest to address the growing concerns of consumers in matters related to health and well-being.

Regarding its People, 2019 features as a year in which the Company invested heavily in Employee development though significant investments in training, and also by way of attracting young talent, via many integrated programmes used to identify high potential candidates.
Throughout 2019, several initiatives aimed at incentivising greater integration and balance between personal and professional life were launched, namely the "Flex it Up" Programme.
Sonae MC also defined several short/medium-term measures on the back of a multi-level plan for gender equality in the Company, seeking to increasingly promote diversity and inclusion.

"FLEX IT UP"

In 2019, Sonae MC launched a programme to promote a better work-life integration for its Employees.
The main measures include working remotely, flexible hours, reduced working hours, unpaid leave, and extra vacation days.



A CONSERVATIVE OUTLOOK FOR 2020

Looking ahead towards 2020, Sonae MC forecasts a macroeconomic scenario that will require caution. Despite forecasts at the beginning of the year having signalled continued economic growth in Portugal and Spain, at the time of writing this report, the Company forecasts that (despite the high levels of uncertainty surrounding this issue, owed to the recent emergency situation) the negative effects resulting from the COVID-19 pandemic are going to significantly impact the global economy, and will likely lead to a recession in both geographies where the Company operates. In addition to this, the competitive scenario will remain challenging, and will require a very assertive strategy, and a disciplined operational execution to continue to be successful. In this sense, Sonae MC will continue to be guided by its priorities, placing the Customer at the centre of the business, and will remain focused on value added growth and highly committed to promoting sustainable development.

PEOPLE
AS PILLARS OF THE VISION WE ADVOCATE FOR THE FUTURE

We are conscious of the impact we have on family lives; those who work at Sonae MC and our Customers. It is with great pride that we embrace our role of employer and trainer. We are aware of the challenges that the planet faces, and we are committed to contributing to a truly circular economy. We know that with leadership comes responsibility. Only thus is it sustainable.

LONG-LASTING RELATIONSHIPS

We confidently welcome the responsibility of establishing dialogue channels to facilitate a reciprocal and continuous interaction with our stakeholders. We leverage success and bring out the best in those who work with us. The fundamental values of our activity are built on trust. We are competitive and know that earnestness and transparency are critical to all long-lasting and sustainable relationships. We believe that value is generated by respecting all the stakeholders throughout the value chain.

	STAKEHOLDERS	DIALOGUE CHANNELS	KEY ISSUES
CUSTOMERS	Sonae MC focuses its actions primarily on developing a relationship based on transparency and trust with its Customers, built on competitive and responsible value propositions, tailored to their needs.	• Engaging with Customers at our stores and through Continente online platform • Engaging with Customers at online order pick-up points ("Click & Go" and delivery addresses provided by Customers) • Communication campaigns and brand activation initiatives • Social media and Sonae MC website • Market studies and focus groups • Sonae Ombudsman • Customer care call centre	• Quality and safety of products and services • Transparent and authentic communication and advertising • Product sustainability, origin, and traceability • Environmental, nutritional information and product certifications • Observance and compliance with Customer personal data protection laws • Employee working environments and conditions • Product innovation and services • Customer relationship management
EMPLOYEES	Sonae MC places significant value on the professional and personal development of its Employees, fostering inclusive working environments and promoting equal opportunities, where each Employee is committed and proactive and forges relationships of mutual respect, cooperation, honesty, and clear communication.	• Meetings and recurrent interactions in a professional environment • Get-togethers and other informal events for Employees (e.g., Christmas dinner and get-togethers/off-site management gatherings) • Training courses and conferences • Internal communication • Intranet • Forums and knowledge sharing groups • Employee satisfaction surveys • Annual performance appraisals	• Anti-corruption or bribery • Diversity and inclusion • Transparent and authentic communication • Talent attraction and retention • Employee working environments and conditions • Remuneration and career progression criteria • Respect for Human Rights • Human capital development
SUPPLIERS	Sonae MC aims at building long-term partnerships and trust-based relationships with its Suppliers, acting with loyalty and good faith, and not tolerating any form of abuse, bribery, corruption, or money laundering. Sonae MC selects its Suppliers based on clear and impartial criteria, geared towards promoting sustainability and in line with principles of economic rationality.	• Partnership projects with Suppliers • Meetings and other business interactions • General supply contracts • *"Clube de Produtores Continente"* (Continente Producers Club - CPC) • Supplier performance assessments • Supplier pulse surveys • Suppliers portal • Inspections and audits	• Anti-corruption or bribery • Transparent and authentic communication • Product sustainability, origin, and traceability • Employee working environments and conditions • Supplier relationship management
SHAREHOLDER	Sonae MC aims at generating sustainable long-term value for its Shareholder, in a sustainable manner and strict compliance with its corporate values and those of our society. Sustainability is in our DNA and that is why continuously improving and expanding reporting practices on ESG (Environment, Social, and Governance) issues, is a natural step for us.	• Meetings and other interactions with the Shareholder • Meetings and other interactions with research analysts • Corporate presentations • Periodic financial communications • Shareholders' General Meeting • Meetings with Governing Bodies and committees	• Profitability and scale of the business • Anti-corruption or bribery • Responsible investment • Crisis and risk management • Reputation and brand management • Transparent and authentic communication • Product sustainability, origin, and traceability • Diversity and inclusion • Talent attraction and retention • Employee working environment and conditions • Energy consumption, renewable energies, and energy efficiency
SOCIETY	Sonae MC pursues its business with a vision to create long-term value, respecting the principles of sustainability and environmental and corporate social responsibility.	• Meetings and other interactions with public entities and policymakers • Membership of retail associations • Meetings and other interactions with financial institutions • Meetings and other interactions with communication/marketing companies and those operating in areas of social responsibility • Presentations, conferences, and other public meetings • Events and festivals for the community in general	• Anti-corruption or bribery • Transparent and authentic communication • Product sustainability, origin, and traceability • Diversity and inclusion • Talent attraction and retention • Community engagement • Employee working environment and conditions • Impact of the use of plastic on the planet • Biodiversity protection • Energy consumption, use of renewable energies, and energy efficiency

WE WANT TO INSPIRE THOSE AROUND US

Sustainability is in our DNA, and that is why Sonae MC strives to leave a positive heritage and reduce potential negative impacts resulting from the activities it carries out across the various business areas in which it operates.
We follow a sustainable business model based on an economic, environmental, and social alliance that drives relationships of trust with our Supplies, brings us closer to local communities, motivates our Employees, adds value to businesses, and strives to meet the expectations and needs of Customers.
The ambition that drives us and keeps us in a perpetual state of not feeling wholly satisfied, stimulates the continuous creation of value for our Shareholder and society as a whole. Through mindful management, we seek a balance between financial, human, and intellectual, natural, real estate, digital, social, and relational capital.
We know that true value creation is only possible through proactive and interactive dialogue with our stakeholders to identify topics that are, in fact, relevant to the various interest groups. By comparing these topics with their importance to our business, we were able to identify material aspects to Sonae MC, capable of creating value for the Company and society, in the short, medium, and long-term. This recurring analysis helps guide our process of strategic reflection, namely with regards to sustainability, and sustains the development of clear lines of action to address material aspects. It also helped us select the GRI (Global Reporting Initiative) standards disclosed in this report.
To guide and focus our interventions, we group material aspects into three key pillars with underlying value creation capabilities in the present, which influence how we behave with a view to a better and sustainable future: Environment, Community, and People.

SUSTAINABILITY: AN INTEGRATED APPROACH

ENVIRONMENT FOR THE FUTURE OF THE PLANET

We contribute towards a global sustainable footprint by increasingly implementing efficient practices into the supply chain and across store operations, seeking to reduce the environmental impact of our business. As leaders, we endeavour to set the example by managing our activities based on commitments and ambitions goals.

- **Carbon emissions –** we pursue our activities with a view to decarbonisation.
- **Energy efficiency –** we seek to adopt eco-efficient energy practices.
- **Use and management of materials –** we encourage the responsible use of resources.
- **Food waste –** we are committed to fighting food waste.

COMMUNITY PROXIMITY AND ENGAGEMENT

We foster strong relationships with the community, aware of how important they are to sustainable development. We are committed to contributing to generating positive change in society and encouraging better choices.

- **Sustainable and local supply chain –** we promote transparent relationships with our Suppliers and partners.
- **Healthy eating and sustainable consumption –** we encourage healthy and responsible lifestyles.
- **Support to local communities –** we encourage social inclusion in our surrounding communities.

PEOPLE THE ENGINE OF OUR SUCCESS

We value human capital as the basis of our continued success. We encourage the integration of our People, invest in their training and fulfilment, and in building motivated teams that have a positive influence on the People with whom we interact.

- **Diversity and inclusion –** we promote equal opportunities.
- **Human capital development –** we invest in potential and talent.
- **Employee health, safety, and well-being –** we strive to help our People feel fulfilled, whilst never losing sight of their safety and well-being.

ALIGNMENT WITH SUSTAINABLE DEVELOPMENT GOALS

A RELEVANT CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

PILLARS OF ACTION	COMMITMENTS	METRICS	RESULTS 2019	CHANGE COMPARED TO 2018
ENVIRONMENT	Reduce energy consumption by continuously improving asset efficiency	Electricity consumption per sqm of sales area	497.3 kWh/sqm	-3.9%
	Reduce carbon footprint in the context of the energy transition to a carbon neutral economy	GHG emissions (scope 1 and 2) per sqm of sales area	202.2 kg CO_2e/sqm	-19.9%
	Stimulate a circular economy for plastics avoiding its conversion into waste	Recycled plastic in % as a total of virgin plastic mapped out	29.3%	6.5pp
COMMUNITY	Support local Suppliers seeking to strengthen ties between production and large distribution	Percentage of fresh products purchased from national Suppliers	85.3%	1.8pp
	Foster sustainability throughout the supply chain contributing to the preservation of biodiversity	Percentage of fish sourced from sustainable methods or aquaculture	62.2%	3.2pp
	Support local communities promoting solidary citizenship and social inclusion	Direct community support	€9.3m	2.2%
PEOPLE	Incentivise a gender balance strengthening representativeness of women in leadership positions	Percentage of women in leadership positions	35.4%[1]	0.6pp
	Develop a stimulating work environment which fosters Employee well-being and productivity	Absenteeism rate	5.1%	0.0pp
	Promote Employee protection, contributing towards their health and safety in the workplace	Workplace accident frequency rate	9.8[2]	-1.9

[1]Data does not include Arenal and Go Natural Restaurants
[2]Data does not include Arenal

ENVIRONMENT

FOR THE FUTURE OF THE PLANET

For Sonae MC, protecting the environment is synonymous with preserving the future, and is an intention we implement across all the business areas in which we operate. With this goal, we aim to achieve an informed and responsible conduct throughout the value chain. We want to continue growing sustainably.

CARBON EMISSIONS

CLIMATE PROTECTION IS CENTRAL TO OUR ACTIVITY

Businesses are a significant contributor to climate change from an energy consumption perspective and Greenhouse Gas (GHG) emissions. Hence, it is vital that we map out and understand the environmental impact of goods and services, so that we can do our part to fight climate change.
This diagnostic study allows us to rethink and innovate the way companies run their businesses to meet the commitments set out in the Paris Pledge for Action, which the Sonae Group subscribed to, in order to limit global temperature rise up to 1.5 degrees Celsius.

OUR APPROACH

In 2019, we defined priority action pillars in the Sonae Companies Charter of Principles for CO_2 & Climate Change to comply with the Paris Agreement, and set targets and designed roadmaps to reduce Greenhouse Gas emissions. Our decarbonization pathway is guided by the Environmental Sustainability Strategy and requires resilience and innovation from each and every one of our People.

KEY HIGHLIGHTS

-20%
GHG EMISSIONS (SCOPE 1 AND 2) PER SQM OF SALES AREA

-13%
GREENHOUSE GAS EMISSIONS (SCOPES 1, 2 AND 3)

-62pp
OF HIGH GWP GASES, R404 AND R427, COMPARED TO 2015

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

OUR ACTIVITY

FIGHTING CLIMATE CHANGE

At the end of 2018, Sonae MC decided to step up its position on this issue and, to this end, carried out an internal reflection process that culminated in the approval of our vision and corresponding long-term Environmental Sustainability Strategy.
Our Environmental Sustainability Strategy is based on five main pillars of action, which are naturally inter-connected: (1) energy and climate change, (2) circular economy, (3) responsible sourcing, (4) responsible offering, and (5) communication.
In addition to this, an internal governance model and an environmental roadmap were designed, including the respective mechanisms to monitor implementation.

Our strategy is aligned with complying to the commitments taken on by subscribing to the Paris Pledge for Action.
This encompasses all Sonae Group companies and was developed by the Sonae Sustainability Advisory Group and associated working groups whereby we are represented. We played a decisive role in this group regarding the diagnostic process to establish objectives and identify priority areas of action.
In 2019, alongside other Sonae Group companies, the Sonae Companies Charter of Principles for CO_2 & Climate Change was drawn up. Priority action pillars were defined, such as assessing business exposure to climate risks and determining mitigation measures, and increasing their resilience; promoting the efficiency and flexibility of energy consumption in our activities; decarbonization of the energy matrix, through electricity consumption, production and acquisition of electricity produced from renewable sources, the implementation of carbon offset actions developing low-carbon products and services, stimulating informed consumer decisions; and holding climate change awareness campaigns and education initiatives directed at Employees, Customers, and partners.
We also defined reduction targets of Greenhouse Gas (GHG) emissions for scopes 1 and 2 according to the Science-Based Target Initiative (SBTI) methodology. This is a business support platform to establish and validate emission reduction targets compatible with the Paris Agreement. Roadmaps were also designed to help achieve the objectives.
As a result of this analysis, we committed to reduce our scope 1 and 2 emissions by 55% (compared to 2018) in 2030.

IDENTIFYING EXPOSURE TO ENVIRONMENTAL RISKS

The Task Force on Climate-related Financial Disclosure (TCFD) develops recommendations based on voluntary financial disclosure of information related to the impacts of climate change risks.
In 2019, we initiated a process to analyse and map out the main climate risks transversal to all Sonae Group companies, with the aim of incorporating TCFD recommendations. When material risks are identified, they will be materialised in monetary terms in line with the TCFD methodology, defined by the Financial Stability Board. In this way, we believe that we can prepare ourselves to be even more resilient in light of the consequences resulting from climate change.

SCORE A- AWARDED FOR THE CARBON DISCLOSURE PROJECT

In 2019, the Sonae Group was awarded an "A-" score by the Carbon Disclosure Project (CDP). This recognition, on a global scale, positions Sonae in the group of companies that lead the fight against climate change and adopt best-known practices.
The retail sector average, both globally and in Europe, was "C". Only 30% of companies in this sector are at Sonae's performance level.

CDP
DISCLOSURE INSIGHT ACTION

CARBON DIOXIDE PERFORMANCE

In 2019, we posted total GHG emissions of 177,496 t CO_2e. This represents a 13% reduction compared to 2018 (204,521 t CO_2e), although the values are not entirely comparable, given our organic growth in Portugal in 2019, and the extension in scope of this indicator to include current activities in Spain as a result of the Arenal acquisition in 2019. The amount is broken down into 52,849 t CO_2e under scope 1 emissions (30% of the total carbon footprint), 115,809 t CO_2e under scope 2 emissions (65% of the carbon footprint), and 8,837 t CO_2e under scope 3 emissions.

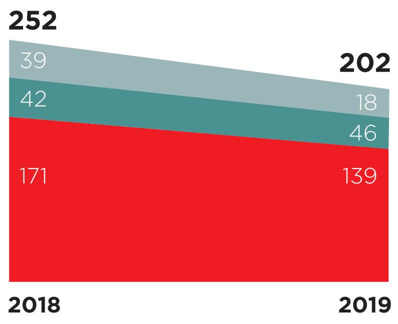
Scope 1 emissions, associated with the use of fossil fuels (CO_2, CH_4 and N_2O), and those resulting from fugitive emissions of refrigerant gases, calculated based on the purchase records of the different types gases each year, recorded a sharp decline of 17%, despite organic growth in Portugal and the Arenal acquisition and the subsequent increase in logistics activity. These were reflected in the increased fossil fuel consumption of the contracted fleet used to transport goods and of vehicles allocated to Employees. This is due to the drastic reduction in emissions from refrigerant gases leakages with high GWP (Global Warming Potential), as a result of the programme to replace fluorinated gases with natural gases and cold service systems with new equipment which run on 100% natural refrigerant gases, or in other cases by substituting gases with higher GWP for gases with lower GWP.

With regards to scope 2 emissions, mostly linked to electricity consumption and the main GHG emission source (65%), we recorded a decrease compared to 2018 (-13%), considering market-based emissions. This significant reduction is mainly associated with increased electricity consumption originating from our photovoltaic central power stations, and the reduction in the emission factor associated to the electricity acquired.

Regarding scope 3 GHG emissions, we have only reported on those associated with waste management. We aim to focus more on this type of emission in 2020. Our objective is to extend our analysis to a greater number of topics considered material aspects for our business. Thus, scope 3 emissions resulting from waste management decreased by around 0.1% in 2019 compared to 2018.

In analysing specific GHG emissions for scopes 1 and 2, based on the sales area in 2019, we note that these emissions amounted to 202.2 kg CO_2e/sqm, corresponding to a 20% decrease compared to 2018.

CARBON DIOXIDE EQUIVALENT EMISSIONS PER SQM OF SALES AREA (kg CO_2e/sqm)



Emissions related to refrigerant gas leakage (scope 1)
Emissions related to transport and other fuels (scope 1)
Emissions related to electricity consumption (scope 2)

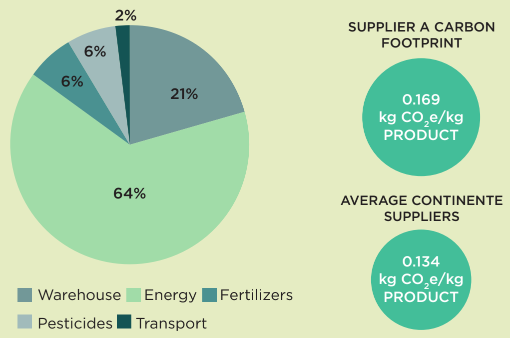
"FOOTPRINT SONAE" TOOL

In 2019, we implemented a tool to calculate the carbon and water footprints of the different types of products we sell, specifically designed for Sonae MC. This tool is called "Footprint Sonae." By the end of the year, we had completed 40 calculation models covering more than 20 fruit, vegetable, meat, dairy and egg products.

This tool also includes a portal to assist producers. It means that the large number of producers who are already part of the project have access to their footprints on a product basis, for each type of product they sell to Continente (see example below).

This tool brings added value because it enables each producer to identify areas which contribute the most to their footprint, and to invest in targeted improvement initiatives. The tool also allows producers to compare their footprint against the average Continente Suppliers for that type of product.

CARBON FOOTPRINT FOR ORANGES AS SOLD BY SUPPLIER A



REFRIGERANT GASES

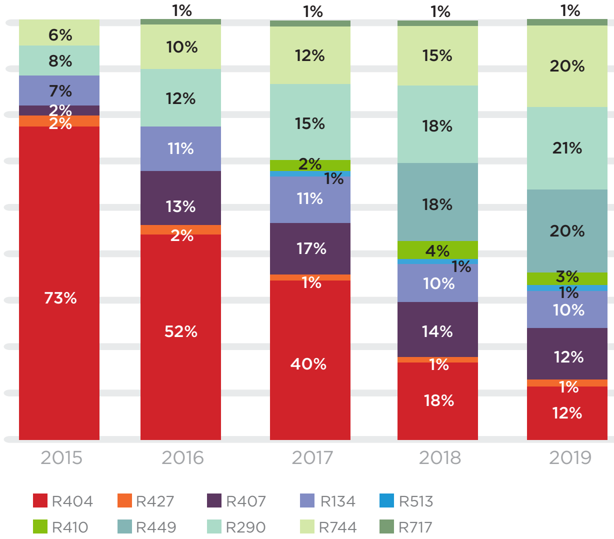
We place emphasis on improving the efficiency of our cold production facilities, without overlooking the problematic use of F-Gases. For this reason, in 2019, we remained on-track with our efforts developed in the past years to implement alternative solutions to those commonly used with regards to the use of refrigerant gases. The aim was to drastically reduce or even completely eradicate the use of GWP (Global Warming Potential) gases, such as R404 and R427 gases.

To this end, we developed several initiatives in recent years aimed at promoting the use of natural refrigerant gases, or the replacement of high GWP F-Gases for low GWP F-Gases.

The cold production systems in all our new stores run on gases with a GWP of 5 or less, such as R290, R744 (CO_2), and R717 (NH_3). Sometimes they are supplemented with other less aggressive refrigerant gases, such as R134. Regarding existing stores, we have implemented a replacement programme. We either replace fluorinated gases (substituting R404 for R407), when the refrigeration equipment still has a reasonable lifespan, or completely replace cold service systems with new equipment running on 100% natural refrigerant gases.

The gains in the use of refrigerant gases in our facilities, shown in the chart, illustrate the success achieved in the past 5 years, reflected in the significant reduction of high GWP fluorinated gases. In 2019, we achieved a reduction of 62 pp in R404 and R427 gases, compared to 2015, despite the significant increase in the number of stores over the same period. We can also note an increase in the use of natural gases R290, R744, and R717. Together, they correspond to a rise of 28 pp in 2019, compared to 2015. The use of intermediate GWP gases has stabilised. This is visible in the slight reduction in their use in the last 2 years.

EVOLUTION OF THE USE OF REFRIGERANT GASES



GEEnesis – GHG EMISSIONS CALCULATION TOOL

In 2019, Sonae MC developed its own tool – GEEnesis – to calculate GHG emissions according to the Greenhouse Gas Protocol. This standard is the most widely used in the world and recommended by the Science-Based Target Initiative (SBTI). This is a crucial step in monitoring GHG emissions more accurately, given the complexity of our operations, and to join SBTI. The tool became operational in 2019 to calculate scopes 1 and 2 for GHG emissions. We are working on adapting the tool to enable the calculation of scope 3 GHG emissions and hope to complete this in 2020. This poses an additional challenge because scope 3 emissions consider indirect emissions linked to our activities, which occur at external sources that we do not control, hence measuring it becomes a more complex and time-consuming exercise.

ENERGY EFFICIENCY

IMPROVING THE ENERGY EFFICIENCY OF OUR OPERATIONS

Given the strong correlation between fossil fuel consumption and climate change, there is great concern to minimise the environmental impacts, and be more efficient in the use of energy resources.
The wide range of resources involved in the retail value chain create unique opportunities to operate increasingly more efficiently. It also creates the responsibility to promote operations based on a competitive and resilient development model, centred on efficient consumption of natural and energy resources throughout the value chain.

OUR APPROACH

To enable the integrated promotion of energy efficiency and the use of renewable energy sources at Sonae MC, we created the "*Trevo*" (Clover) project, aimed at implementing our energy policy. The steps taken within this scope include the roll-out of measures to rationalise energy consumption, installing photovoltaic central power stations for self-consumption, and the flexibilization of energy consumption.

KEY HIGHLIGHTS

497 kWh/sqm

SPECIFIC ELECTRICITY CONSUMPTION (-4% COMPARED TO 2018)

14,150 MWh

GENERATED FROM RENEWABLE SOURCES (+21% COMPARED TO 2018)

9.9 MWp

INSTALLED (+11% COMPARED TO 2018)

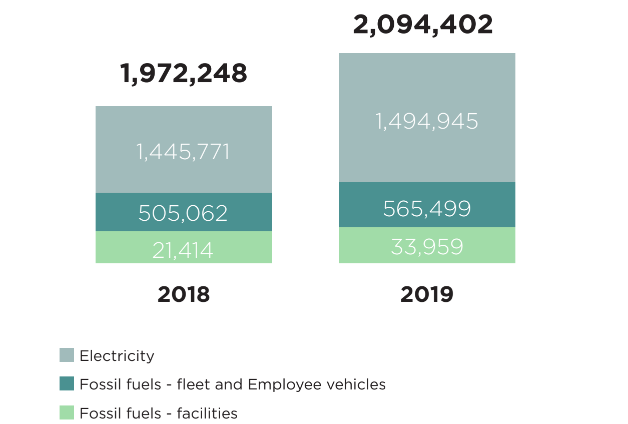
ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

OUR BUSINESS

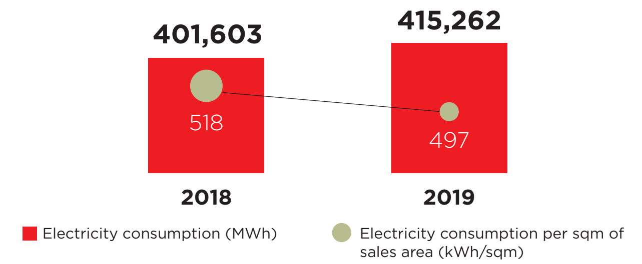
ENERGY PERFORMANCE

In 2019, Sonae MC accounted for a total of 2,094,402 GJ in energy consumption, up 9% year-on-year due to organic growth in Portugal and the extension in scope of this indicator to include current activities in Spain, as a result of the Arenal acquisition in 2019, and, as such, is not entirely comparable with 2018. This figure, considering the current perimeter, comprises 1,494,945 GJ of electricity and 599,458 GJ of fuels, corresponding to 71% and 29% of energy consumption, respectively.
Electricity consumption increased by 3% (415,262 MWh, in 2019) due to the above-mentioned reasons. Notwithstanding, specific electricity consumption stood at 497.3 kWh/sqm, corresponding to a 4% decrease compared to 2018 (517.5 kWh/sqm). This means that, despite the increase in our store network, namely in the proximity format (Continente Bom Dia stores), with greater associated specific consumption, as a result of a higher percentage occupied by the area of fresh food products in this type of convenience format, the continued investments in the energy efficiency policy are a crucial measure to improve our environmental and energy performance.
It should be noted that we continued to invest in the decarbonization of our energy matrix by generating electricity from renewable sources, and on the back of this, we achieved significant growth in the past year. This translates into the consumption of 6,605 MWh of electricity generated from renewable energy sources. Although it still represents a small portion of the energy consumed, it increased by 47% compared to the previous year. This is the result of our investment in renewable electricity generation systems, which enables us to have a higher degree of energy autonomy.

ENERGY CONSUMPTION PER TYPOLOGY (GJ)



ELECTRICITY CONSUMPTION



INVESTING IN RENEWABLE ENERGY

A total of 137 photovoltaic central power stations partially supply energy to our stores and warehouses. This represents an increase of 12 units compared to 2018. This corresponds to an installed capacity of circa 9.9 MWp.
In 2019, electricity generation reached 14,150 MWh (+21% compared to 2018). An estimated 6,651 t CO_2e were avoided in Portugal as a result of our renewable energy deployment. A total of 47% of the electricity generated was used for energy self-consumption, and the remaining was exported to the national grid.
The investments made in store refurbishments and plans for new stores in 2019 were as follows. The Continente Bom Dia store in Canedo is an excellent example of eco-efficiency, whereby solar photovoltaic panels were installed on the roof and parking lot. The electricity generated from the installed solar photovoltaic panels is 334 kW, which guarantees an electricity output of approximately 437 MWh/year. This equates to the consumption of approximately 150 families. It represents circa 45% of the total energy consumption of the store, ensuring it is self-sufficient for a period longer than 8 hours, on a day with good solar radiation. In addition to this, the store has the equipment to control and reduce water consumption, and devices to prevent that on the one hand, additional energy is consumed for cold production and on the other, that there is a heat exchange with the outside.

ENVIRONMENTAL CERTIFICATIONS

Our commitment to environmental management includes the efficient use of resources, by optimising water and energy consumption, seeking to minimise GHG emissions, whilst ensuring adequate waste management.
Continuous improvement, a key component of the environmental management system, is guaranteed through the "Environmental Certification Programme", according to the international standard NP EN ISO 14001:2015, which helps us identify and manage the environmental impact of our activities. At the end of 2019, Sonae MC had 60 units certified per ISO 14001: 54 stores (100% of Continente hypermarkets, 8 Continente Modelo supermarkets, and 5 Continente Bom Dia supermarkets), 5 warehouses in addition to the Meat Processing Centre in Santarém.
In 2019 Sonae MC coordinated the renewal of the Sonae Group Environmental Management System Certification for Retail with Lloyds Register Quality Assurance in accordance with ISO 14001:2015 standards.

Following our efforts to improve our buildings, in 2017, we were awarded the Leadership in Energy and Environmental Design (LEED) certification granted by the U.S. Green Building Council. The first hypermarket to open in Portugal, the Continente store in Matosinhos, was also the first to be certified in Portugal. In 2013, the Continente Bom Dia store in São João da Foz, in Porto, received the same certification. It was the first Platinum level LEED certification awarded to a retailer in Portugal. The certified units serve as models, enabling us to improve the other units and strengthen our fulfilment with legal obligations in terms of environmental performance, minimising our risk exposure. Audits were also carried out, and improvements were made within this scope, ensuring compliance with legal requirements and Company environmental management procedures.
In addition to the environmental certifications, for the 10th consecutive year, we were elected "Trusted Environmental Brand" by our Customers, under the Hyper/Supermarket category, in an annual study carried out by Reader's Digest.

INVESTING IN ECO-EFFICIENCY

In 2019, we made investments to the value of 7 million Euro with the aim of reducing specific electricity consumption in our facilities. Aside from installing photovoltaic central power stations for self-consumption, we also installed more efficient equipment for cold output, lighting, and air conditioning. More specifically, we installed automatic demisting systems in frozen food displays on cold storage unit doors in the butchers' section, dairy and delicatessen areas, and we installed adiabatic cooling systems.
To ensure a successful strategy, it is imperative that we create conditions to better monitor and manage consumption, developing procedures that enable us to leverage our investments, such as audits carried out across our facilities and our Environmental Information System (EIS). This tool supports the roll-out and maintenance of our environmental management systems to reduce our legal risk and guarantee continuous improvements in the environmental performance of all our units.
The EIS includes information from "Checkwatts" - a monitoring and energy consumption platform used across all Sonae MC stores. It allows for detailed consumption monitoring with information per store every 15 minutes. Data is collated from telemetry devices. The "Checkwater" is a platform to monitor water consumption, and has gradually been installed in stores, and helps to control this indicator.

PROMOTING ELECTRIC MOBILITY

Throughout 2019, we continued to install charging stations for electric vehicles, thus promoting electric mobility. We currently have 22 slow charging stations (until 22kW) in our office buildings.
In 2019, Sonae MC obtained financing from the EIB to the sum of 55 million Euro for Company investments totalling 110 million Euro to reduce the environmental impacts of its food retail activity. This financing will be used to replace existing in-store technical systems for more energy-efficient equipment, and to invest in new technology to generate electricity and for waste management. It will also contribute to developing the market for electric vehicles by installing charging stations for EV's in our store parking lots, whilst improving Customer experience. Within the scope of the pilot programme for Continente stores, by the end 2H20, we aim to have 79 charging stations for electric vehicles distributed throughout 14 stores.

MINIMISING THE ENVIRONMENTAL IMPACT OF OUR LOGISTICS DIVISION

Regarding fuel consumption, Sonae MC accounts for the consumption of 599,458 GJ (+14% compared to 2018). This figure cannot be fully compared with that from the financial year 2018 because it was influenced by several changes carried out by the business to integrate Arenal into Sonae MC, and the organic growth of our store network.
To minimise the growth impact of our logistics activities, we work alongside our Suppliers to improve the eco-efficiency levels of the vehicles they use. In 2019, 90% of the vehicles at our service were compliant with Euro 6 Standard (+6pp compared to 2018), and 5% were compliant with Euro 5 Standard. The vehicles which replenish our stores and Continente Online covered approximately 43,7 million km in 2019 (+18% compared to 2018, primarily owed to the organic growth of our store network), resulting in 29,230 t CO_2e emissions.
We also developed route optimisation initiatives by reducing the distances covered, increasing cargo capacity, and the number of deliveries per km covered, e.g. the "Backhauling" project and agreements signed with companies that supply pallets and reusable boxes.

When the pallets and reusable boxes are emptied in our stores, instead of being collected on a store-by-store basis by companies responsible for supplying them, they are returned to our warehouses in Maia and Azambuja by our replenishment logistics team. In the areas exclusive to processing materials for the transport of goods, these are duly selected and prepared to be reused by the Suppliers. This system means that Supplier companies do not have to collect on a store-by-store basis or transport between supplier warehouses and our Suppliers. The vehicles which replenish our warehouses, load up/replenish the empty pallets. In 2019, this system allowed for direct savings of 244,153 Km in transport by supplier companies.

LOW-CARBON TECHNOLOGICAL INNOVATION

To minimise the potential transportation impact, the logistics division has tested several low-carbon technological solutions, such as the use of natural gas vehicles (NGV). Aside from contributing to the reduction of noise pollution in urban centres during night-time distributions, these vehicles have a smaller carbon footprint, thus resulting in a reduction of pollutant gas emissions (with lower carbon dioxide emissions, they are free of sulphur dioxides and have a practically non-existent level of pollutant particulate emissions).
The current NGV fleet is comprised of 19 vehicles (+13 compared to 2018 when the initiative was implemented), which equates to 8% of the total fleet.

"BACKHAULING" PROJECT

To promote greater efficiency of its transportation service, the logistics division offers its Suppliers a transportation service along the routes that trucks would travel back empty, after completing their last delivery. This implies a longer return route for our vehicles because they must go to the Supplier, but it also means a saving in return trips when the Supplier delivers his goods to our warehouses. Thus, we attain a significant reduction of routes travelled with empty trucks, be it from our store replenishment vehicles (upon return after the last delivery), or our Suppliers after delivering to our warehouse. Within the scope of the "Backhauling" project, in 2019, more than 40% of journeys were completed compared to the previous year. This equates to a net savings (in kilometres) of +98% compared to 2018, from a total of 54 Suppliers, meaning a total of circa 3,000 t CO_2e were avoided.

MATERIALS USAGE AND MANAGEMENT

RETHINKING PLASTICS AND CONTRIBUTING TO A CIRCULAR ECONOMY

The issue of dependency on natural capital and the excessive consumption of natural resources, as well as the proliferation of single-use plastics, has acquired greater importance in society. Reducing resource consumption and contributing to a circular economy has become a matter of urgency.
Devising eco-friendly packaging with greater usability and recyclable potential, avoiding waste production, and optimising the recovery created from waste is crucial to realize value chain sustainability. In parallel, it is essential to improve and enhance consumer information, making tools available so that everyone can contribute to a more sustainable future.

OUR APPROACH

In tandem with our incessant quest for solutions to efficiently manage all types of materials, we decided to focus more specifically on the issue of plastics. The outcome was twofold. Sonae MC devised a "Strategy for the Responsible Use of Plastics," whereby it defined its 7 commitments, and contributed for a "Charter of Principles for Sonae Companies for the Use of Plastics", to align the Group's approach by identifying the main areas of intervention, and the objectives which must be achieved.

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

KEY HIGHLIGHTS

-4,431

TONNES OF VIRGIN PLASTIC AVOIDED BY HAVING INCORPORATED RECYCLED PLASTIC SINCE 2018

29%

OF RECYCLED PLASTIC FROM THE TOTAL QUANTITY OF VIRGIN PLASTIC MAPPED OUT (IN TERMS OF PRODUCT, PACKAGING, AND OPERATIONS)

SONAE MC SUBSCRIBED TO THE "NEW PLASTICS ECONOMY GLOBAL COMMITMENT" LED BY THE ELLEN MACARTHUR FOUNDATION

OUR ACTIVITY

STRATEGY FOR THE RESPONSIBLE USE OF PLASTICS

Within the scope of our Environmental Sustainability Strategy, and because of the nature of our business activities, throughout the value chain, we come into direct contact with producers, players, and consumers. With the aim of rethinking and redesigning our processes, products, and services for a more circular economy, we defined a "Strategy for the Responsible Use of Plastics." To put the strategy into practice, we defined 7 commitments in line with National and European strategies for plastics, to stimulate a circular economy.

- Bring forwards to 2025 our aim of **reusing 100% of the plastic packaging placed on the market** or ensure it can be recycled in an economically efficient way
- **Reduce or eliminate the use of fossil-based plastic**
- **Reduce the complexity** of fossil-based plastic
- **Increase the incorporation of secondary raw materials** into new products
- **Increase product reuse levels**
- **Improve and enhance** consumer information
- **Promote and/or support third party initiatives**

To complement the initiatives, and with the aim of aligning the Sonae Group approach to this issue, we are also part of a transversal team (across all Sonae companies), which systematised the guiding principles and the objectives to be achieved in terms of plastics. This group focuses on identifying and quantifying the plastic materials in packaging and products developed and put on the market by Sonae, as well as plastic generated in the operations. Sonae MC had already initiated this task with the aim of identifying its plastic footprint, to define concrete goals to reduce, reuse, and recycle. The "Sonae Companies Charter of Principles for Plastics" defines the following as priorities and pillars of action:

- **Self-assessment**, of the quantity and type of plastic used
- **Reduce and reuse**, strengthening the principles of a circular economy
- **Make it easier to recycle the plastic products and packaging** we are responsible for
- **Minimise the use of fossil-based plastic**
- **Only use organically sourced material** that does not compete with food production or promote waste
- **Raise awareness in communities**
- Establish **partnerships** with universities and investigation centres
- **Monitor and assess** performance

Sonae MC's ambition, and that of the other Sonae Group companies, can be translated into additional ambitious goals and objectives for 2025, in line with the National Plastics Pact, of which the Sonae Group is a signatory.

- **By 2020 identify single-use plastics considered problematic or unnecessary** and define measures to eliminate them
- **Guarantee that 70% or more of plastic packaging is effectively recycled** by increasing collection and recycling
- **Incorporate an average of 30% recycled plastic into new plastic packaging**
- **Promote awareness-raising campaigns** for Customers on the issue of the circularity of plastics

THE FIRST PORTUGUESE RETAILER TO ACT AS SIGNATORY TO THE "NEW PLASTICS ECONOMY GLOBAL COMMITMENT"

In 2019, we became the first Portuguese retailer to become part of the New Plastics Economy Global Commitment led by the Ellen MacArthur Foundation in collaboration with the United Nations. This pact sets ambitious objectives for 2025, namely, to ensure that all plastic packaging be 100% reusable, recyclable or compostable, with the aim of bringing forwards by 5 years the legislation and European objectives set for this issue.

STRATEGY IN ACTION

Since 2018, the implementation of our strategy enabled us to avoid the use of 4,431 tonnes of virgin plastic, by incorporating recycled plastic. At the end of 2019, the amount of plastic recycled already represented 29% of the total quantity of virgin plastic mapped out thus far. We remained on-track with our initiatives to reduce virgin plastic consumption and other unnecessary materials as follows:

- **Packaging:** reduced the amount of plastic in Continente own brand goods packaging and introduced recycled raw materials. Ensured packaging recyclability by eliminating non-recyclable materials, using components with compatible materials for easier recycling. Made use of easily separable packaging. The changes made to the labels on Continente yoghurt drinks led to the substitution, in annual terms, of 50 tonnes of PVC (non-recyclable plastic) for PET (recyclable plastic) in a category that represents circa 12 million units/year.
- **Product:** included recycled material (from plastic waste from our operations), in 100% recyclable own brand garbage bags. This resulted in annual savings of 740 tonnes of virgin plastic, for a product that represents 50% of Continente own brand sales in this category. Given the large volume of grocery bags used in our stores and online deliveries, we introduced polyethylene bags made from 80% recycled material which are 100% recyclable. This resulted in yearly savings of 1,295 tonnes.
- **Operation:** reduction in the thickness of the plastic film used in the logistics operation, saving 140 tonnes of virgin material on an annual basis. Elimination of plastic coffee stirrers, cutlery and plastic cups, straws, and plates at BAGGA coffee shops and Take Away. This resulted in yearly saving of more than 39 tonnes of plastic, corresponding to more than 16,5 million units.
- **Raising awareness:** launch of the "Responsible Plastic"[1] digital platform which combines informative and educational material

[1]Learn more about the "Responsible Plastic" digital platform

REDUCING OUR WATER FOOTPRINT

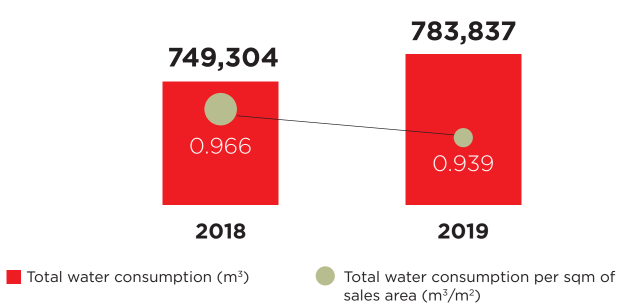
Sonae MC is committed to reducing its water footprint by increasing the efficiency of its operations, being innovative and rethinking water usage and management at its facilities, oftentimes resorting to technology.

In 2019 Sonae MC consumed 783,837 m³ of water. This represents a 5% increase owed to the expansion of the operations (increase in the number of stores via organic growth and the Arenal acquisition).

With regards to specific consumption, i.e., the total amount of water consumed over the total sales area, consumption was 0.939 m³ per sqm of sales area. Despite organic growth in the last years focusing on Continente Bom Dia stores, with higher levels of specific consumption associated to it, as a result of a more significant percentage occupied by fresh produce in this convenience store format, we noted a 3% reduction from 2018 to 2019 in specific consumption (0.966 m³/sqm). This result is related to the Arenal integration, because the stores have lower associated water consumption figures, the efficiency measures adopted throughout the years, and more recently the progressive roll-out of telemetry devices to better monitor consumption.

Throughout the year, we continued to invest in developing initiatives to reduce and restrain our water consumption. We also have several one-off examples of water reuse or recycling at Sonae MC, such as water reuse in sinks and showers to supply some sanitary facilities at the Sonae Business Centre in Maia, and the recovery and recycling of part of the wastewater at the Meat Processing Centre. This project allowed for water reuse in the refrigeration towers, sprinklers, outside washing, and replenishing fire service tanks. In 2019 the Meat Processing Centre recovered and reused 16,071 m³ of water from the refrigeration towers, which were part of the effluent originated from an industrial process after being duly treated at ETARI (Industrial Wastewater Treatment Plant).

TOTAL WATER CONSUMPTION



RESPONSIBLE WASTE MANAGEMENT

Within the scope of waste management inherent to our environmental policy, we are equally concerned by the waste we generate in our business activities and the waste our Customers drop off at our stores. In 2019, we were responsible for managing 71,335 tonnes of waste.

To promote recycling amongst our Customers, we have collection points for them to dispose of their waste in stores and in our parking lots. Thus, our Customers can exercise their environmental citizenship and contribute in a way that is convenient for them to overcome the challenges posed by this problem. In 2019, there was a 35% increase in waste dropped off by our Customers. It was used for resource recovery. Worthy of note were the following categories: used clothes (+34%), used cork stoppers (+15%), and used cooking oil (5%). It is also worth mentioning an increase of circa 33% in the amount of dangerous waste - batteries (various types), laptops, mobile phones, remote controls, etc. and lightbulbs - dropped off by our Customers compared to 2018.

In the management of non-hazardous waste, we highlight the reduction in the quantities of cardboard and plastic generated. These result from our efforts to minimise the environmental impact of the packaging from the products we sell, namely own brand goods, as previously mentioned.

We also recorded a recovery rate of 79% of the waste produced, with 56,060 tonnes to be recovered (through recycling, composting, or other energy recovery options), and 14,656 tonnes were eliminated (by being sent to landfills).

PROMOTING RECYCLING

Missão Continente developed an awareness campaign on the importance of cork recycling and forest conservation. The campaign "*Rolhas que dão folhas*" (Cork stoppers that bloom into leaves) was carried out via social media spots and in store, by distributing 500,000 small cork holders – "rolhinhas" - which Customers could use to store their cork stoppers at home and then drop off at our Continente stores. This campaign falls under the framework of the partnership between *Misssão Continente*, Quercus (National Association for Nature Conservation) and Corticeira Amorim (leader in the cork industry). Since 2008, they have promoted cork and cork recycling to finance replanting via the "*Floresta Comum*" (Common Forest) project. There are collection points in all stores, and Continente is the largest recycling partner, collecting more than 80% of the yearly total. Since 2008, more than 380 tonnes of cork stoppers have been recycled, enabling Quercus to plant more than 828 thousand native trees.

RECYCLE MORE AND BETTER

We want to help our Customers recycle more and more efficiently, hence we created a collaboration with *Sociedade Ponto Verde* (The Green Dot Society). We created new visual images and symbols for recycling, which include several instructions to explain how each product should be recycled, and states which recycling container should be used for each part of the packaging. This makes it possible to answer questions as and when, thus educating Customers on issues related to recycling.

This project also involved consumers by way of studies, helping to define what information was the most relevant to print on the packaging. On the other hand, this partnership also aims to provide the packaging with enhanced recyclable potential in terms of conception and design. The eco-design process will be implemented on all Continente own brand goods until 2021, and by 2025, all packaging will be recyclable or reusable.

FOOD WASTE

FIGHT FOOD WASTE AND RECOVER VALUE FROM IT

Global demand for food has increased, but on the other hand, the amount of food which is wasted throughout the world every day is worrying. According to the Food and Agriculture Organization of the United Nations (FAO), food waste represents circa 1/3 of all food produced every year on a global scale. It occurs at a production, retail, and consumer level, and produces significant emissions that exacerbate the challenge of climate change and the impact on food security.
Thus, fighting food loss and waste is a cause we should all embrace.

OUR APPROACH

We believe that something which may be considered shrinkage today may have added value tomorrow, and for this reason, in 2016, we created the project "*Transformar-te*" (Transform it), with several initiatives to recover shrinkage as per those implemented throughout the years. In 2019 we participated in the FreSH project (Food Reform for Sustainability and Health) within the scope of the World Business Council for Sustainable Development (WBCSD), whereby solutions were developed to drive a transformation in the food system. In parallel, we created awareness with our Customers regarding the impact of their choices and the importance of a circular economy.

KEY HIGHLIGHTS

18%
FOOD WASTE RATIO AVOIDED COMPARED TO ALL KNOWN SHRINKAGE

~€8m
IN SURPLUS FOOD DONATION

3.6
TONNES OF SURPLUS FOOD RECOVERED FROM CIRCULAR ECONOMY PRODUCTS

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

2 ZERO HUNGER
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

SIMPLE INITIATIVES TO REDUCE SHRINKAGE THAT HAVE MAJOR IMPACTS

One of our priorities is to ensure the best products for our Customers with a long shelf-life. Notwithstanding, we aim to reduce food waste when a product does not meet our high aesthetic standards or is close to its sell-by date. For example, by repackaging fruit when part of the bunch is not commercially attractive or selling the product at a price that safeguards the Customers expectations regarding its validity.
The "Single Banana" and "*Caixa ZERO% Desperdício*" (ZERO% Waste Box) projects are examples of low-investment solutions created to reduce shrinkage which can be easily implemented.
Bananas represent the highest inventory shrinkage figures, and one of the main reasons is due to spoilage. With the Single Banana project, we can incentivise our Customers to buy bananas, which for one reason or another, "fell off their hand of bananas".
The ZERO% Waste Box project is a fruit and vegetable basket comprised of products that are nearing their sell-by date but are in good condition to be eaten. In 2019 we were able to offer 10 tonnes of fresh produce a second chance, which would otherwise have gone to waste.

SURPLUS FOOD DONATIONS

With the double objective of finding solutions for surplus food and caring for our internal community, surplus food can be consumed by our Employees during working hours in the social areas in-store and at our warehouses (in 2019 the approximate value was 3.8 million Euro)
Additionally, we donate surplus food to social solidarity and animal support institutions, when the food cannot be recovered for sale but is in good condition to be eaten. In 2019, our daily food surplus donations from more than 300 stores and warehouses totalled circa 8 million Euro, which was split amongst more than one thousand institutions.

[1] Learn more about "Continente Food Lab" and its main products at https://foodlab.continente.pt/

RAISING CONSUMER AWARENESS

We want to contribute to raising awareness among the population so that they adopt responsible behaviours in their daily lives, which can contribute to reducing food waste. To this end, we have developed several transversal and continuous initiatives across the Company with different target audiences, ranging from initiatives in school communities via the *Missão Continente* School Programme to educational initiatives focused on fresh produce sell-by dates such as "*Saber a diferença faz a diferença*" (Knowing the difference makes all the difference) in partnership with *Associação Portuguesa de Empresas de Distribuição - APED* (The Portuguese Association of Distribution Companies).

FOOD INNOVATION AND CIRCULAR ECONOMY

To counteract this reality, we created innovative, value-added products for the circular economy. As fruit and vegetables lose their sale value but remain intact to eat, they become ingredients for chutneys, jams, or cakes, such as the Panana cake.
We recently launched the only artisan beer made from Portuguese bread, produced from surplus bread collected at our stores. It boasts an innovative project seal from our "*Continente Food Lab*"[1], which develops alternative products such as "Beyond Burger", a vegan hamburger that tastes like meat. The "*Continente Food Lab*" reflects our investment in food innovation and new global food trends. In 2019 our circular economy products resulted in redeeming more than 3.6 tonnes of food which would otherwise have been wasted.

COMMUNITY

PROXIMITY AND ENGAGEMENT

We know that our surrounding communities are key to growing our business, and that is why we seek to get to know them better, by building close relationships, challenging partners and raising Customer awareness for the importance of making the right choices. We are very much aware of the positive changes we can encourage in society.

SUSTAINABLE AND LOCAL SUPPLY CHAIN

TO STRENGTHEN LONG-LASTING AND SUCCESSFUL RELATIONSHIPS

Retail, as with the agricultural and farming sector and the food-processing industry, significantly impacts nature and biodiversity. Conscientious of our active role within the value chain, we believe it is crucial to positively influence the different partners with whom we have established relationships, thus contributing to the preservation of natural resources by reducing the impacts our activities have on ecosystems.
In our view, implementing initiatives which impact the entire value chain is the most effective way to contribute to the transitions proposed by the Food and Land Use Coalition (FOLU), to transform the way we produce food and use our land.

OUR APPROACH

Our partnerships are guided by collaborations, and we privilege proactivity in the quest for equitable solutions that drive the transition to a more regenerative mode of production. To this effect, we implement several environmental, social, and ethical best practices in the value chain. They are reflected in our Supplier Code of Conduct[1], and Sonae's Sustainable Fisheries Policy, and assumptions related to Continente Producers Club Certifications. The Sonae Group also set-up a Working Group to define a transversal Biodiversity Conservation policy.

[1]Click here for more information on the Code of Conduct for Sonae Suppliers

KEY HIGHLIGHTS

136

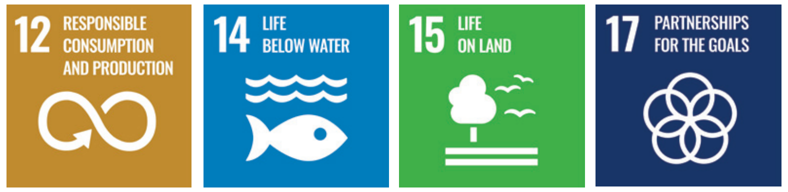
MILLION TONNES PURCHASED DIRECTLY FROM LOCAL AGRICULTURAL AND LIVESTOCK PRODUCTION

SIGNATORY TO THE "*PORTUGAL SOU EU*" (I AM PORTUGAL) PROGRAMME. AN INITIATIVE FROM THE MINISTRY OF THE ECONOMY TO SUPPORT AND STIMULATE PRODUCTS MADE IN PORTUGAL

62%

OF COMMERCIAL FISH COMES FROM AQUACULTURE OR SUSTAINABLE FISHING METHODS

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS



OUR ACTIVITY

ENDORSING HOME-GROWN PRODUCTS

The *Clube de Produtores Continente* (Continente Producers Club - CPC) was founded in 1998 with the aim of supporting Portuguese agri-food production. It is based on a strategy of knowledge sharing between Sonae MC and the producers. Today, the mission still centres on knowledge sharing, but also strengthening strategic partnerships with producers to ensure the availability of good quality, locally sourced, and increasingly more sustainable products in our Continente stores. In 2019, purchase volumes made to CPC members reached 300 million Euro, corresponding to circa 160 thousand tonnes of Portuguese produce. This represents an increase of 19% compared to 2018. It is also worth highlighting that 85% of the purchase value for fresh food products (88% of the volume) for Continente comes from local Suppliers.
Via its Scientific Board, the CPC ensures its members receive technical support and access to advanced technology, which can be integrated into more traditional farming methods. Resource optimisation, and forecasting new consumer habits, can be enhanced when we bring producers and university researchers from Portuguese and international universities closer together. The members are distinguished by a certification system, which was recently reviewed. It includes criteria such as quality and food safety but also the environment, animal well-being, and social responsibility. The implementation of these even more demanding and all-encompassing agri-food criterion is guaranteed via audits to ensure parameter compliance from farms to the production units. In 2020, these certification criteria will be adapted to the Sustainability Assessment of Food and Agriculture (SAFA) methodology to ensure an integrated sustainable approach.
In 2019, the CPC developed several initiatives and partnerships, a few of which are highlighted below:

- ***Clube de Produtores Continente Bio:*** the launch of an area focused on this segment with the aim of promoting local production for fresh organic produce.
- **2nd and 3rd editions of the Continente Producers Club Academy:** training offered to producers on topics related to the various stages of the value chain, to help make them more competitive and aware of the current retail scenario.
- **100% home-grown cereals:** in 2016, Sonae MC signed a pioneering supply contract with six cereal producing organizations in the Alentejo region. This ensured the purchase of 4,000 tonnes of wheat in 2019, produced to high quality levels, ensuring the maintenance of biodiverse ecosystems and carbon fixation. With this initiative, there is no longer a need to depend on wheat from external markets. This means that all wheat bread produced in Continente stores is 100% made in Portugal and represents a valuable incentive to relaunch cereal production

in Portugal. It was also identified by the Ministry of Agriculture as a strategic programme for the Portuguese agricultural sector

- **Sustainable livestock farming and consumption:** we developed a project in partnership with Zero (Sustainable Earth System Association), a non-governmental organisation. By creating specific certifications for CPC members, the aim is to promote sustainable livestock farming, ensuring the origin of meat products respect sustainability criteria and the efficient use of resources.

PROMOTE "*PORTUGALITY*"

Through the CPC, by communicating the benefits of consuming seasonal Portuguese fruit and vegetables (such as oranges from the Algarve), and via own brand goods, and also owed to being a signatory to the "*Portugal Sou Eu*" programme, we strengthened our commitment to valuing home-grown products. Throughout the year, we communicated the notion of "Portugality." Whenever competitor-based pricing is equal, we opt to purchase from local Suppliers.

SUSTAINABLY SOURCED PRODUCTS

An essential part of our strategy is the identification of critical raw-materials for our operations, and the roll-out of procedures to guarantee agricultural production and responsible supply management. Thus, we have been working with reputable external organizations and have defined ambitious objectives in terms of certifying the origin of raw materials used in the development of our own brand goods:

- We selected coffee, cocoa, and teas as certified programmes because they transmit to the producers the best agricultural practices and best illustrate how they can cultivate coffee, cocoa, and tea in a more professional way, with better quality, greater efficiency, and in a more sustainable manner, such as UTZ, Rainforest Alliance and Fairtrade. We launched the Continente own brand chocolate range produced with cocoa certified by the UTZ programme.

- Since 2019, we have guaranteed that 100% of Continente own brand eggs come from cage-free or free-range chickens
- We have committed to substituting palm oil in our Continente own brand goods for other fats which do not affect nutritional content. If it cannot be replaced from a technological standpoint, we guarantee that the palm oil we use comes from a sustainable source. Also, that it is certified by programs that ensure compliance with specific criteria to reduce the adverse effects its cultivation may have on the environment and communities.
- We ensure the paper we use is sourced from sustainable, certified, and origin-controlled managed forests that offer environmental, social, and economic benefits. 100% of our Continente own brand paper is certified by the Forest Stewardship Council (FSC).

FOCUS ON QUALITY AND SAFETY

Sonae MC is a Company that promotes the quality of its products, and food safety is one of the vectors which guides decision making processes daily, in a quest for continuous improvement. In this sense, quality and safety are of the utmost importance, hence we continuously invest in the certification and assessment of our processes and products.

In 2019, and per the international quality management standard NP EN ISO 9001:2015, we renewed our certification for Sonae MC's own brand development process. To ensure high-level quality and food safety, our equipment, units, and products are subjected to rigorous monitoring. The own brand goods are analysed at different stages of production, even when, for example, fresh produce is commercialized. Owed to their fragile nature, analyses are carried out via inspections, lab controls, and audits. These are performed by in-house technicians and independent and certified laboratories. In 2019, we carried out 382,458 compliance and product quality tests, 373.303 tests on food products, and 9.155 tests on non-food products. Within this universe, it is important to note that circa 31 thousand analyses are carried out in-store to assess, amongst other things, the level of hygiene on surfaces and Employee hands.

The assessment and qualification process for own brand Suppliers is the responsibility of the Quality and Investigation Department at Sonae MC. It aims to ensure that all products which are delivered to our stores meet the high levels of quality control, respecting the principles of food safety. Throughout 2019, we assessed 340 product categories and services and carried out audits in over 340 Suppliers.

The Quality and Investigation Department also ensured monitoring in-store with regards to complying with hygiene and food safety best practices.

TO DRIVE LOCAL AQUACULTURE

In 2019, we started the largest sea bream aquaculture project in Portugal. This was carried out in tandem with a local partner in the Algarve, and commercialisation will begin in early 2020. Annual sea bream production will be approximately 1,200 tonnes. The main portion will be exclusive to Continente stores. We forecast an increase in the number of species and yearly output in the coming years. This partnership includes, aside from ensuring product flow, technical support provided by CPC and universities, thus contributing to the stabilisation of over-exploitation of wild species.

SUSTAINABLE FISHERIES

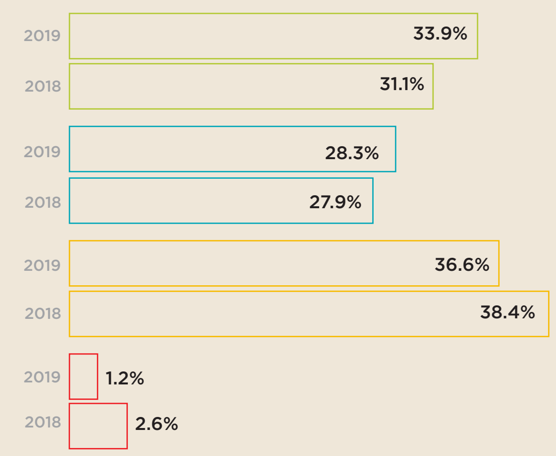
Over the years, we have implemented several initiatives to promote sustainable fishing to minimise the impacts of fishing activities on marine biodiversity. They consider a set of strict operating principles and standards, as set out in Sonae's Sustainable Fisheries Policy[1], in force since 2010:

- Fish originating from Suppliers with known practices associated with Human Rights abuse or illegal fishing methods are not accepted to be part of our portfolio.
- We do not sell endangered fish species as per consensual information regularly collected from the leading international reference NGOs - Greenpeace, WWF, and IUCN.
- We reduced our promotional activities on "vulnerable" species and have expanded our product range by an average of 20% to incentivise a more diverse consumption of fish.
- We privilege the acquisition of fish from proven sustainable fishing methods, fish farming, or stocks.
- We developed the "Traffic Light System" (TLS), a tool that enables us to evaluate purchases from fisheries according to their level of sustainability. A green, blue, yellow, or red colour-code is assigned per the potential impact on biodiversity or the marine ecosystem. Thus, we can endorse Suppliers who use fishing methods with minimal impact on species and ecosystems.

As a result of these measures, we highlight the increase in the proportion of fish originating from aquaculture or fishing methods with reduced impact on species and ecosystems (from 59% in 2018 to 62% in 2019). We also reduced the proportion of fish originating from fishing methods, which may harm other species or habitats.

[1] Learn more about Sonae's Sustainable Fisheries Policy

PURCHASE VOLUME OF FISH



COLOUR-CODE FOR THE TRAFFIC LIGHT SYSTEM

- Green: Use of methods/type of fishing gear with reduced potential impact on biodiversity or marine ecosystems
- Blue: Aquaculture production certified as per Continente quality standards
- Yellow: Use of methods/type of fishing gear with moderate potential impact on biodiversity or marine ecosystems
- Red: Use of methods/type of fishing gear with significant potential impact on biodiversity or marine ecosystems

THE FISHING TRACEABILITY PROJECT

To promote consumer awareness of the underlying problems in unsustainable fishing practices, and to increase readily available information for more sustainable purchasing decisions, we implemented a fishing traceability project. This is currently being piloted at the Continente store in Antas (Greater Porto). This pilot consists of using a tablet to access information about the fish available at the fish counter in that moment. It contains, for example, information on the fishing method, where it was caught, the country of origin, and other relevant information. This initiative is being developed within the scope of the "*ValorMar*" (ValueSea) research project headed by Sonae MC. The aim is to recognise the worth of marine resources in Portugal in a sustainable manner through cooperation with 30 entities.

ValorMar
Valorização integral dos recursos marinhos

HEALTHY EATING AND SUSTAINABLE CONSUMPTION

TO PROMOTE HEALTHY EATING HABITS AND CONSCIENTIOUS CONSUMPTION

To comply with the Climate and Sustainable Development Goals (SDGs) and the goals defined by the Paris Pledge for Action on climate change to which the Sonae Group is signatory, it is imperative to transform the global food system.
The adoption of a more sustainable diet is pivotal to this transformation. Sustainable diets have a low environmental impact and contribute to the food and nutritional security of the population and overall health. Considering this transformational challenge faced by society, companies play an increasingly more active and predominant role in implementing lifestyle changes and habits.

PORTUGAL SAUDÁVEL
um compromisso
MISSÃO CONTINENTE

OUR APPROACH

As the largest Portuguese retailer and responsible Company and aligned with the efforts carved out by The Food and Agriculture Organization of the United Nations (FAO) and the World Health Organization (WHO), we play a crucial role in promoting sustainable food choices and democratising healthy eating. Hence, we commit to driving a more significant and better food and nutrition movement and to offer our Customers healthier products.

KEY HIGHLIGHTS

100%
OF CONTINENTE OWN BRAND GOODS, WHICH COULD BE NUTRITIONALLY OPTIMISED, WERE ASSESSED

+450
TONNE REDUCTION IN SUGAR CONTENT FROM CONTINENTE OWN BRAND GOODS

31,000
STUDENTS ENROLLED IN THE *MISSÃO CONTINENTE* SCHOOL IN 2019/2020

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

OUR ACTIVITY

TO OPTIMISE NUTRITIONAL CONTENT

In 2019 we assessed the nutritional content of all Continente own brand food products, which could be nutritionally optimised. This totalled more than 1,500 products. In parallel, we defined in-house guidelines to support the development and reformulation of own brand food products. We aim to reduce salt, fat, and sugar content and to eliminate hydrogenated fat. While minimizing the impact this will have on the organoleptic characteristics of the products and avoid having to improve sensory appeal through flavour enhancers.
In 2019 we nutritionally optimised more than 100 products. This equates to a reduction of 60 tonnes of salt and 450 tonnes of sugar and 300 tonnes of saturated fat. Nutritional optimisation plans for more than 250 products are currently ongoing.

NUTRITIONAL TRAFFIC LIGHT SYSTEM

In 2008 we implemented the "*Semáforo Nutricional*" (Nutritional Traffic Light) system to simplify label-reading and to help Customers make more informed and conscientious choices. This system highlights specific nutrients, fat, saturated fat, sugar, and salt, which excessive consumption is a scientifically proven health risk. Products are assigned a three-colour code (green, yellow, and red), depending on their level of concentration (low, medium and high). We also designed conversion cards that help Customers compare foods that do or do not have the traffic light system and included a ColorADD® code on the labels for the colour-blind.

MISSÃO CONTINENTE SCHOOL

This educational programme, designed for children from year 1 to 4 (the 1st cycle of compulsory education in Portugal), helps schools raise awareness of the need for healthier eating habits and lifestyles, and for conscientious consumption.
It covers topics such as healthy diets, food waste, and the excessive use of plastic. The programme focuses on learning through educational activities, fun materials, field trips, and challenges that encourage the school community to act.
These activities are only made possible thanks to Sonae MC Employees participating voluntarily. They visit schools to teach students through interactive and on-topic classes. They also host school trips to Continente stores.
The 2019/2020 edition saw the participation of more than 300 volunteer Employees, 332 schools from all districts in Portugal, and approximately 31,000 students. This represents a 30% growth in the number of students compared to 2018.

HEALTHY PORTUGAL CONFERENCE

By hosting the "*Conferência Portugal Saudável*" (Healthy Portugal Conference) promoted by *Missão Continente*, we sought to contribute to the debate of public interest issues related to food, health, and sustainability. In April 2019, we held the 4th edition of the "*Conferência Portugal Saudável*" (Healthy Portugal Conference), under the theme "Improving Our Food System." Key individuals from different fields such as; research, food education, the restaurant industry, television, retail, and politics, discussed the future of the food system and the models capable of balancing and integrating health, the environment, and the economy.

"*À RODA DA ALIMENTAÇÃO*" PLATFORM

"*À roda da alimentação*" (food wheel) is an integrated communication platform launched in November 2018 to promote healthier eating habits and lifestyles. This multi-platform, comprised of different mediums, features more than 400 unique content materials on this topic. It includes a television programme, a blog, and content on other digital platforms in a dynamic format, demonstrating how small changes can lead to incredibly positive results.

SUPPORTING LOCAL COMMUNITIES

BUILDING A MORE BALANCED SOCIETY

Establishing a close relationship with surrounding communities is essential to sustainable development. Thus, we believe that companies play a critical role in promoting the prosperity and development of local communities. Whether through impact measurement, creating initiatives that enable us to use our skills and experiences, or sponsoring the causes dear to local communities by capacity-building social economy organisations, we can empower them to enhance the effectiveness of their mission.
We believe that by doing so, and in line with the Sustainable Development Goals, we can contribute to building stronger and more resilient communities.

OUR APPROACH

We challenge our partners and encourage our Employees to engage with the communities in which we operate, thus fostering positive changes in society. This is made possible through a 9 million Euro donation provided to more than 1,000 institutions through *Missão Continente*, under the volunteer programmes or the campaigns to support birth rate incentives. In 2019, to promote opportunities for social transformation, the Sonae Group joined the European Round Table (ERT) - Jobs, Skills, and Impact working group.

KEY HIGHLIGHTS

~€9m
DONATED TO THE COMMUNITY

+1,000
SOCIAL ECONOMY ORGANISATIONS SUPPORTED

2ND EDITION OF THE MAJOR SUSTAINABILITY SURVEY IN PORTUGAL

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

OUR ACTIVITY

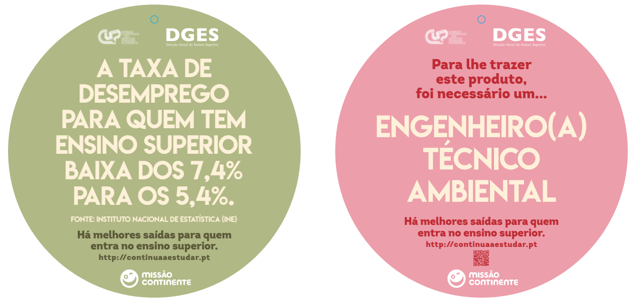
TO BUILD MORE RESILIENT COMMUNITIES

The "Sonae Activshare" programme combines the Sonae Group volunteering and social responsibility initiatives which impact the communities in which we are present, in addition to *Missão Continente* and the "Baby Well's" initiative. Our Employees participate on a voluntary basis and contribute to building more resilient and inclusive communities in partnership with social solidarity institutions who work directly with the communities daily.
We believe these initiatives offer our Employees the opportunity of encountering different realities and challenges, bringing Employees and Sonae MC closer to the communities. In 2019, the "Sonae Activshare" programme accounted for more than 1,000 volunteer hours provided for by 150 Sonae MC volunteers.
We highlight the following initiatives:

- **Reforestation in areas affected by wildfires:** we actively contributed to the reforestation of the affected areas in Oliveira do Hospital and Vouzela, some of the areas most affected by the wildfires that devastated Portugalin October 2017, by planting more than 1,400 trees, of the more than 3,500 donated trees.
- **The Junior Achievement Portugal (JAP):** through this partnership, created by the Sonae Group in 2006, we aim to inspire and offer children and young people the necessary tools to help build their success in an increasingly global world. To this end, the JAP develops programmes such as "*Braço Direito*" (Right Arm) and "Leaders for a Day". Students are given the opportunity to visit the workplaces of our volunteers and learn more about their professions and their daily lives. Additionally, our Employees participate in school programs that address topics such as citizenship and financial literacy or entrepreneurship, helping to develop the necessary competencies.

PROMOTING HIGHER EDUCATION IN PORTUGAL

The "*Há melhores saídas para quem entra no ensino superior*" (There are more opportunities for those who opt for higher education) information and awareness campaign was held in approximately 300 stores. This campaign, which is the result of a challenge launched by the Ministry of Science, Technology and Higher Education and a partnership between Sonae MC and the Portuguese Polytechnics Coordinating Council (CCISP), was designed to encourage young adults to enrol in higher education. It also helps promote a diversified selection of courses adapted to the realities of the job market. Aware of the role it plays in raising awareness of families and future generations, Sonae MC intends to help improve qualifications in Portugal. Via this campaign it aims to share data that proves the benefits of having a higher education.



A HEALTHIER AND MORE CHARITABLE CHRISTMAS WITH GO NATURAL

To promote healthier Christmas celebrations, Go Natural launched a set of Christmas baskets with organic products made in Portugal.
The proceeds from the sale of charity Christmas biscuits sold at Go Natural restaurants and supermarkets reverted in favour of *Associação Terra dos Sonhos* (Land of Dreams Association). This association helps dreams come true for hospitalized children or young people suffering from chronic diseases.

MISSÃO CONTINENTE

Our efforts to improve the lives of Portuguese families goes beyond what happens in our operations. From the outset, we are guided by the principle that there is no value creation if it is not shared. In 2015 we created *Missão Continente*, bringing together all the initiatives that Continente puts into practice as part of its social responsibility policy, as a contribution to sustainable development.
We develop activities through *Missão Continente* aimed at encouraging Employees, Customers, producers, and local communities to make more sustainable choices. Awareness raising, and mobilisation are the focus. The initiatives are grouped into three pillars:

FOOD

Promote healthy eating habits and reduce food waste and raise awareness for sustainable consumption.

PEOPLE

Look after our Employees and their families and promote the social well-being of local communities.

PLANET

Encouraging sound environmental practices and a circular economy for products and packaging, taking action to reduce the use of natural resources, and mobilising people to adopt responsible behaviours.

We highlight the following initiatives from 2019:

- **The 2nd edition the "*Grande Inquérito de Sustentabilidade em Portugal*" (Great Sustainability Survey):** *Missão Continente*, in partnership with the Institute of Social Sciences at the University of Lisbon, carried out the 2nd edition of this pioneer study which portrays the Portuguese perception on issues related to Sustainability. The aim is to contribute to the country's sustainable development by recognising the importance of access to information to acquire knowledge about the different realities, and to adjust the strategies.
- **Goods collection:** we supported fundraising campaigns to collect goods by offering up some of our physical space, providing logistical and communication support to institutions such as the Portuguese Red Cross (the equivalent of 330,000 meals were collected), the Food Bank Against Hunger (more than 1,000 tonnes of food was collected) and the Animal Welfare Bank (more than 745 tonnes of food was collected).
- ***Missão Continente* donation:** through a 240,000 Euro donation, we supported and empowered 12 social institutions who presented innovative and socially relevant projects focused on healthy eating habits, food waste, and social inclusion.
- **Local support:** to come closer together to communities, *Missão Continente* supports local projects across the country. In the past year, we supported 292 initiatives by donating more than 260,000 Euro.

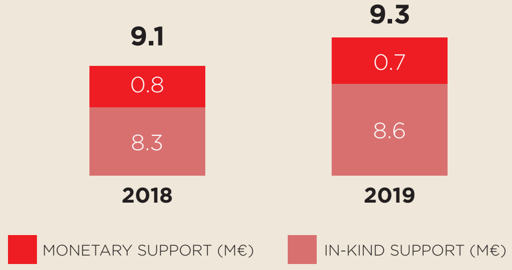
PROMOTE READING WITH NOTE!

Via the "*Livro Vadio*" (Wandering Book) programme launched in 2019, in partnership with Leya and VASP publishing houses, note! hopes to incentivise reading in a sustainable and fun way.
The idea is to invite readers to leave a book on one of the in-store "*Livro Vadio*" (Wandering Book) shelves and exchange it for a book they want to read. When they've finished reading it, they can return it to the store and exchange it for another book. For each copy registered in the note! "library", there is a page for comments, thus creating a kind of book club from each book.
This circular economy programme which promotes reading has resulted in circa 1,000 books having been exchanged.

ZU, CARING FOR ABANDONED CATS AND DOGS

Aside from caring for our Customers pets throughout the year, we also support several associations for abandoned cats and dogs. In 2019 alone, ZU donated more than 12,500 Euro (+47% compared to 2018). This corresponds to more than 25,000 donated meals. The aim of this initiative is to support pets in vulnerable situations. ZU embraces this worthy cause for animal welfare.

DIRECT COMMUNITY SUPPORT



FOR A BABY-FILLED FUTURE

Portugal has one of the lowest birth rates in Europe, and Well's, a brand that is dear to Portuguese families and plays a vital role in the lives of mothers, has taken on the birth-rate issue as the brands' primary stance. Thus, the project "*Por um futuro com mais bebés*" (For a baby-filled future) was born. This is a citizenship and social responsibility initiative which celebrates all births since 1 January 2018. It helps underprivileged families during their child's first year and helps promote the debate on this issue in Portugal. Well's has handed out more than 87,000 "Baby Well's" kits nationwide since the programme started. This means that more than 50% of babies born in this period have benefited from the initiative. It has made a difference in the lives of 100 underprivileged families, covering all needs during their child's first year. This initiative is supported by a network of more than 120 Well's Employees who actively take part in the project.

PEOPLE

THE ENGINE OF OUR SUCCESS

We are proud of our People, who are professional and proficient. Over 34 thousand Employees work every day to offer our more than 4 million customer families the best service. We have motivated teams who are perfectly integrated into a Company culture that has an increasingly positive impact on surrounding communities. We are a Company made of People for the People.

DIVERSITY AND INCLUSION

WE PROMOTE THE UNIQUENESS OF OUR PEOPLE

We believe that profile diversity is the way forwards. Diversity has been an integral part of our values from the onset. Aside from this, it is the best way to deal with a constant and ever-changing world. We know that each and every one of our 34 thousand People is key to our success.
We are the largest private employer in Portugal and play a fundamental role in job creation and promoting inclusivity. As an inclusive Company, we value individual contributions from all parties and establish relationships based on mutual trust. This is vital so that we can continue offering our Customers excellent service.

OUR APPROACH

We endeavour to create a work environment based on a diverse Employee profile, focused on uniqueness, which acts as a catalyst for personal and professional sustainable development. This positioning is strengthened by the ERT manifesto (subscribed by the Sonae Group) to Embrace Difference, and by our Code of Ethics and "Our Way" pledge. This approach covers, amongst others, gender diversity, skill set, age group, culture, sexual orientation, or beliefs.

KEY HIGHLIGHTS

35% OF LEADERSHIP POSITIONS ARE OCCUPIED BY WOMEN[1]

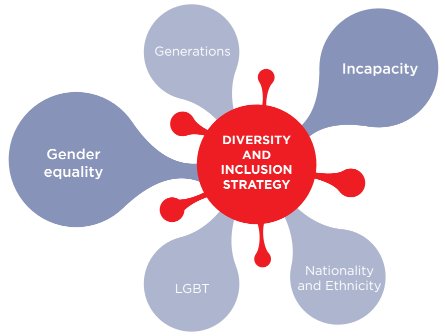
38% OF OUR EMPLOYEES ARE UNDER 30 YEARS OF AGE

ISABEL BARROS, EXECUTIVE BOARD MEMBER AT SONAE MC, DISTINGUISHED UNDER THE EXCELLENCE CATEGORY AT THE WBCSD LEADING WOMEN AWARDS

[1]Data does not include Arenal and Go Natural Restaurants

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

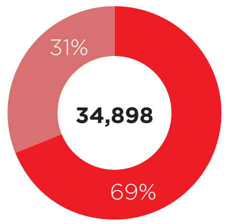
OUR ACTIVITY



OUR PEOPLE

At the end of 2019, the number of Sonae MC Employees totalled 34,898. This figure equates to the creation of 2,145 new jobs and a 6.5% net increase compared to the previous year. This increase is justified by the expansion plans across many banners and the Arenal acquisition. Of these, 69% are permanent Employees.
It is worth highlighting that in 2019, 24% of the workforce in our warehouses were non-nationals, and included a total of 20 nationalities. At the end of 2019, the new organizational structure was comprised of 69% women.

NUMBER OF EMPLOYEES PER GENDER



UNITING GENERATIONS

The "Reverse Mentoring" programme aims to bring leaders and young people together, by building bridges between generations through debate and mutual learning on topics which leverage Sonae MC's cultural transformation. As part of the programme, the younger generation takes over as mentors for a period of 6 months. During this time, they share their points of view on issues such as technology, the impact that diversity and inclusion have on decision-making processes and discuss the generational gap with their mentees. The programme was launched in February 2019, and the 1st edition was comprised of 111 participants (62 mentors and 49 mentees). The age bracket ranged from 27 to 45 years old.

FEMALE LEADERSHIP

One of the vectors of our human resources strategy is to promote a diverse and inclusive organisation. As such, we have defined and prioritised a Gender Equality Plan to be applied across multi levels. The Plan includes initiatives that are on-going plus initiatives to be rolled out in the short and medium-term. A key focus area is to boost the number of women in leadership roles. Therefore, we are committed to have 40% of women in leadership positions by 2023.

INVESTING IN THE FUTURE OF RETAIL

We promote integrated young talent programs such as "Call4Summer", "Call4Solution", "Contacto" (Contact), and "Future Leaders @ Retail", whereby we seek to identify high potential candidates.
In 2019 we held the 4th edition of "Future Leaders @ Retail". We received more than one thousand applications, from which we selected 40 promising young adults. The programme spans 9 months and the aim is to prepare future retail leaders by way of theoretical-practical training. It offers the trainees an opportunity to have direct contact with leaders from different business areas.
Sonae MC remains committed to recognising and attracting talent by investing in training to ensure the success of its trainees, and that of the future of the organisation.

WE SUPPORT OUR EMPLOYEES

We created the "*Somos Sonae*" (We are Sonae) programme to help our Employees when they are at their most vulnerable. The programme has been running for 6 years and has already supported 2,033 People, spanning Employees and their families, including circa 778 children. More than 1 million Euro has been invested in the programme. This amount is split into 3 areas of intervention: goods, services, and essential items; legal support and debt/credit renegotiation; health care and dental care assistance. We ensure the privacy and anonymity of our People and their families. The processes are led by the Portuguese Red Cross. In 2019, a total of 120 support plans were structured. This equates to helping circa 343 People (a 17% increase compared to 2018).

HUMAN CAPITAL DEVELOPMENT

WE HELP OUR PEOPLE ACHIEVE THEIR FULL POTENTIAL

Performance management and training are essential tools for the professional development of our Employees, and to the business growth. To this end, we seek to develop our training to meet the different requirements, ranging from Employees who work at an operations level to more strategic roles. We consider different generations, areas, and geographies, which characterise our social profile.
Initiatives were developed throughout the year to create professional and personal growth opportunities, to ensure Sonae MC Employees are recognised for their worth.

KEY HIGHLIGHTS

889,881
TRAINING HOURS

"OUR LEARNING NETWORK": LAUNCH OF THE KNOWLEDGE AND SHARING PLATFORM

2,000
EMPLOYEES ENROLLED IN SONAE MC'S *CENTRO QUALIFICA* (PROFESSIONAL TRAINING QUALIFICATION CENTRE)

OUR APPROACH

We promote a culture of meritocracy, where individual contribution and performance are assessed and recognised and duly supported by processes and tools. Hence, Sonae MC's management performance model - "Improving Our People" – annually promotes a reflection of the existing development performances and opportunities. Training is viewed as a crucial aspect of this development.

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

OUR ACTIVITY

CONTINUOUS AND AGILE LEARNING VIA A NETWORK

To meet the continuous learning requirements, our Employees have easily accessible training available 24/7. The training modules meet their needs in terms of topics of interest, study pace, and individual availability. The "Our Learning Network" platform is continuously curated and aims to democratise access to several training and development initiatives, thus enhancing and expanding the Sonae MC network.

MEAT CUTTING TRAINING SCHOOL

In 2019, two editions of the "*Projeto Talho*" (Butchers Project) were held and included a total of 92 participants ranging from 20 to 57 years of age. A total of circa 1,290 internal and external applications were received. 46% of the project participants were Employees who worked in other sections within the store. Having completed 300 hours of training as provided by Continente's Fresh Produce Training School, the new meat cutters went on to work at butchers' counters at our various food-retail banners.

WE DEVELOP NEW LEADERS

The "First Time Leaders Programme" is aimed at Sonae MC Employees who take on a leadership role for the first time. This programme was specially designed for our leaders and aims to equip them with the necessary team management, leadership, and business management skills. The programme relies on expertise from in-house trainers as well as external partners renowned for their know-how. It is very practical-based and focuses on real-life situations faced by those who take on leadership roles at Sonae MC at an operations level and the central business units. In 2019, the programme celebrated its 2nd year, and we carried out 23 initiatives with a total of 360 participants and circa 5,000 training hours.

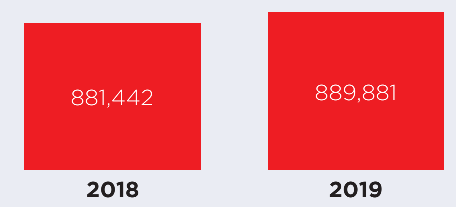
FIRE PREVENTION

In 2019, the training programme designed for Maxmat focused on behaviour and technique. It was carried out in partnership with the Professional Training Centre for the Construction Industry and Public Works in the North and South (CICCOPN and CENFIC). Training also included fire-fighting in collaboration with the fire department. Fire-fighting training was provided for 50% of the Employees who work at Maxmat stores. In Q1 2020, training will be rolled-out to all Employees.

WE CREATE DEVELOPMENT OPPORTUNITIES

By investing in training, Sonae MC values its Employees and promotes development and progression, which is key to the business growth.
In 2019 Sonae MC provided a total of 889,881 training hours. This corresponds to an additional 8,439 training hours compared to 2018. In 2019, each Employee benefitted from an average of 26 hours of training.

NUMBER OF TRAINING HOURS



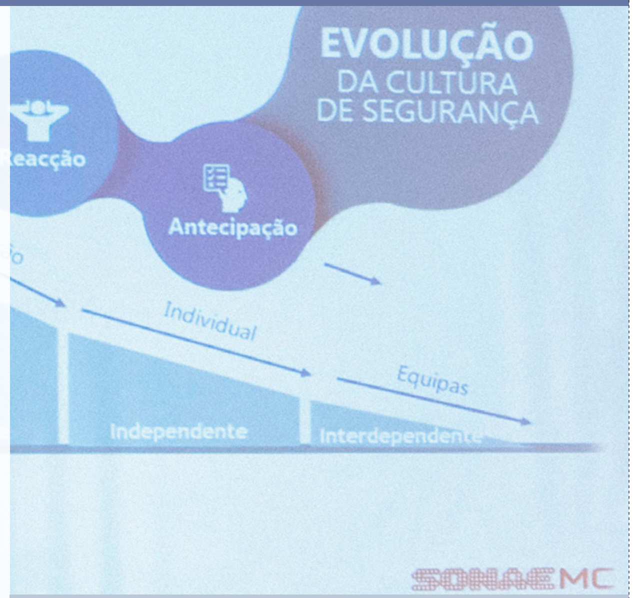
A PIONEERING CENTRE

Sonae MC is one of the only two private employers to host a pioneering *Centro Qualifica* (Professional Training Qualification Centre). It aims to promote education, training and recognise skills in adults, and contribute to increasing the level of education of the Portuguese population. At the end of 2019, two thousand Employees were enrolled in Sonae MC's *Centro Qualifica*, which has already certified 454 Employees.

CENTRO QUALIFICA

EMPLOYEE HEALTH, SAFETY AND WELL-BEING

THE IMPLEMENTATION OF PREVENTIVE AND EFFECTIVE ACTIONS



Employee health, safety, and well-being are a priority for our organisation.
To guarantee a reduction in the absenteeism rate, occupational accidents, and work-related illnesses, while simultaneously increasing productivity and achieving excellent results, it is essential that each individual Employee is valued. This can only be achieved by implementing preventive health and safety measures and following best practices that contribute to Employee work satisfaction, well-being, and professional fulfilment.

OUR APPROACH

We are focused on implementing a "zero accidents" culture and in promoting a healthy and safe work environment to ensure the physical, mental, and social well-being of our Employees. Through the "Improving Our Life" (IOL) movement, we create an environment in which our Employees can lead integrated lives, whereby the personal and professional dimensions complement each other, thus contributing to their well-being and valuing our teams.

ALIGNMENT WITH THE SUSTAINABLE DEVELOPMENT GOALS

KEY HIGHLIGHTS

37%
REDUCTION IN THE FREQUENCY INDEX IN 2019 COMPARED TO 2015

LAUNCH OF THE "FLEX IT UP" PROGRAMME FOR A BETTER WORK-LIFE INTEGRATION

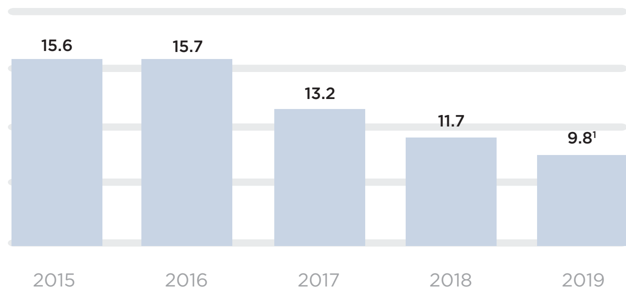
113,409
TRAINEES PARTICIPATED IN OCCUPATIONAL HEALTH AND SAFETY (OHS) TRAINING SESSIONS

OUR ACTIVITY

A SAFE AND HEALTHY WORKPLACE

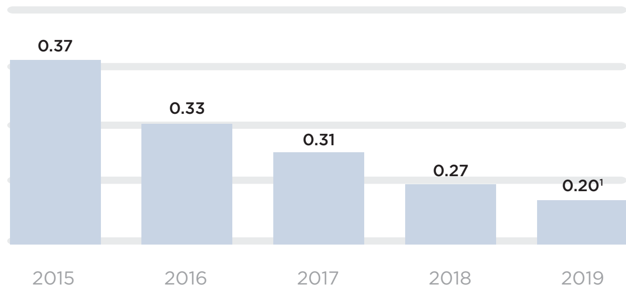
The "*Segurança, uma questão de atenção*" (Safety, it's a matter of paying attention), and "Safety Talks" programmes aim to, within a real-work context, increase awareness of unsecure behaviour which may result in accidents. In 2019, these initiatives spanned more than 2,000 people in management positions and circa 15,000 Employees. Within the scope of the "*Frescos A a Z*" (Fresh from A to Z) project, the aim of which is to equip the teams with knowledge on fresh food processes and eradicate "prohibited accidents," a "*Semáforo de Frescos*" (Fresh food Traffic Light System) was created to share information on causes and accidents and preventive measures to be implemented to prevent reoccurrence. The OHS training and awareness initiatives totalled 88,426 hours and covered a population of 113,409 trainees. Owed to this, improved OHS know-how was acquired in the daily activity of our operations. This is reflected in the very positive results achieved in 2019, whereby Sonae MC's Frequency Index decreased by 16%, and the Severity Index decreased by 26% when compared to 2018.

FREQUENCY INDEX



Frequency Index = (Total number of accidents with sick leave which occurred at the workplace x 10^6) / Number of hours worked by the total number of Employees

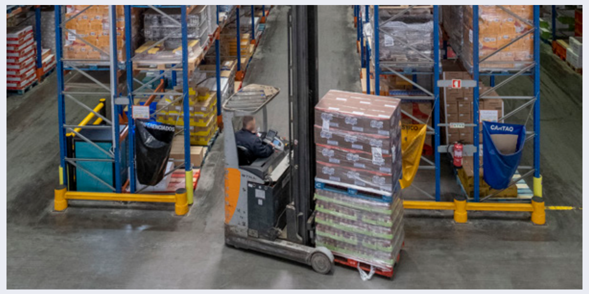
SEVERITY INDEX



Severity Index = (Total number of lost days due to accidents with sick leave in the workplace x 10^3) / Number of hours worked by the total number of Employees

IMPROVING ERGONOMICS

Aware of the importance ergonomics plays in the workplace, we made several improvements to our operations. These included the acquisition of more ergonomic equipment and machines, which also reduce physical effort and optimise body postures on the job. The most notable initiative was the wearables proof of concept (for example, sensors that detect high-risk postures or gloves with strength sensors). It was clear to see that applying innovative technology to improve ergonomics can be an asset in the future.



[1] 2019 data does not include Arenal

INCREASED SAFETY AND COMFORT

In 2019, we reviewed the existing range of Personal Protective Equipment (PPE) and were able to identify improvements, hence the PPE's were replaced. This initiative resulted in an increase in equipment usability in terms of safety levels and Employee comfort.
Within the scope of the "*Doenças do pé*" (Foot Diseases) project, we continued to strengthen our partnership with SPODOS Foot Science Centre, working together on foot diseases. We gathered information on all medical restrictions and types of injuries applied to the feet. We were able to select 17 specific security shoe types for existing conditions within the Sonae MC population. We solved more than 125 cases in 2019 alone and delivered the specific type of footwear required for each situation.

WE PROMOTE HEALTH AND WELL-BEING

Our Occupational Health Service is available to all Employees and includes 171 consulting rooms on various Company sites. The team is comprised of 93 healthcare professionals. A total of 34,200 hours of health services were provided, and 42,496 medical examinations were carried out in 2019. The medical units are equipped per recommendations issued by the Directorate-General of Health and comply with legal and environmental requirements.
We also established an action plan aimed at raising Employee awareness regarding health and well-being. For example: "*Maio - mês do coração*" (May is Heart month), "*Dia Mundial da Alimentação*" (World Food Day), the flu vaccine, and we implemented the most extensive programme in Portugal on Automated External Defibrillator (AED). This initiative is licensed by the National Institute of Medical Emergency (INEM). It has 187 units and 3,102 first responders trained according to the American Heart Association guidelines to bolster reaction capacity and offer emergency assistance in cases of cardiac arrest.

WE LOOK AFTER OUR FAMILIES

Ever since it was created in 2015, the "*Programa Logística Solidária*" (Solidarity Logistics Programme) has had an ever-increasing impact on the lives of our Employees who work in this division. We highlight the following initiatives from 2019:

- **"*Bazar Solidário*" (Solidarity Bazaar):** all proceeds from this bazaar went towards in-house solidarity initiatives. Products donated by Sonae banners for token amounts were made available to circa 2,100 Employees.
- **"*Colega mudamos-te a casa*" (Buddy, we revamped your home):** 13 rehabilitation projects were implemented in Employee homes to improve their family living conditions.
- **"*Bolsa de Manuais Escolares*" (Grant for School Books):** more than 650 book kits were given to logistics Employees whose children are enrolled in years 7 to 12 (high school).
- **"*Clube Júnior*" (Junior Club):** a week of fun and educational activities that provided entertainment during the summer holidays to 176 families with kids aged 6-12.

Aside from these initiatives, we developed others to promote the well-being of each and every one of our Employees. For example, by granting "*Mimos de Verão*" (Summer Perks) to 2,100 logistics Employees, offering prizes and recognising their weekly efforts during the summer of 2019 (high season). Also, through the work of social workers who over the course of the year offered support to circa 250 Employees from the logistics division.

BUILDING A FUTURE FOR THE YOUNGER GENERATION

Sonae MC invests in the future of its Employees' children, inspiring them to explore their skill sets and discover talent and vocation. Within this scope, two new activities were created in 2019:

- **"*Programa a tua vida e realiza o teu futuro*" (Programme your Life and Clinch your Future):** under this initiative, 28 youngsters aged between 15 and 18 spent a day working on topics such as assessment and personality traits, entrepreneurship, and digital programming.
- **"Geek Tour":** an initiative that prepared 3 youngsters to be tutors for 2D game programming. It offered training and monitoring to more than fifty children aged between 12 and 15. Sessions were held in 4 different cities from the north to the south of the county.

CELEBRATING SONAE MC BABIES

The "*Bem-vindo, bebé*" (Welcome Baby) initiative helps us share with our Employees the joy felt upon the arrival of a new family member. In 2019, we handed out 850 "Baby Well's" kits to new parents, containing essential items for their baby's first days.

A COMFORTABLE AND WELCOMING WORK ENVIRONMENT

Refurbishment interventions were carried out in our central units in Carnaxide, Matosinhos, and the Tech Hub in Maia as part of the effort to bring the workplace closer to its People.
The refurbishment interventions were guided by the following guidelines: business proximity, initiative, and proactiveness, which characterise our culture. This impacted more than 1,700 Employees, offering them new collaborative spaces where retail and technology exist as one, as does healthy eating and lifestyle.

COMBINING PROFESSIONAL AND PERSONAL LIFE

The "Flex it Up" programme was launched in March 2019. The aim is to actively contribute to an enhanced work-life integration for Sonae MC Employees. The programme is aimed at Employees whose job roles are compatible with the requisites as per each one of the five initiatives and offers flexibility in structuring Employee work activities according to individual profiles, fulfilling healthy personal and professional objectives. In 2019, 43% of the eligible population signed up to "Flex it Up", totalling more than 1,400 requests.

- **Remote work,** offering our Employees the possibility to work from home.
- **Flexiwork**, whereby Employees choose their start and end time, and what time they take a lunch break.
- **Reduction in working hours**, with proportional reduction in salary.
- **Unpaid leave**, enhancing unpaid leave within a more all-encompassing scope than that defined by law.
- **Extra days**, Employees have access to an extra 5 days off (unpaid).

GRI DISCLOSURES

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 102 – GENERAL DISCLOSURES		
	ORGANISATIONAL PROFILE	
GRI 102: GENERAL DISCLOSURES	**102-1 Name of the organisation** SONAE MC, SGPS, S.A. (hereinafter referred to as Sonae MC).	
	102-2 Activities, brands, products, and services More information available at: https://sonaemc.com/en/our-business	Page 8-9; 16-17
	102-3 Location of headquarters Sonae MC's headquarters are located at Rua João Mendonça, 529, 4464-501 Senhora da Hora, Matosinhos, Portugal.	
	102-4 Location of operations Portugal and Spain.	
	102-5 Ownership and legal form Sonae MC is a limited liability company, registered at the Porto Commercial Registry Office.	
	102-6 Markets served	Page 16-17
	102-7 Scale of the organisation	Page 8-9
	102-8 Information on Employees and other workers Vide chapter "People. The engine of our success", subchapter "Diversity and inclusion". Supplementary information pertaining to this indicator is detailed below:	Page 66-67

Total number of Employees per type of employment contract, per gender

Type of employment contract	Gender	2019
Permanent contract	Male	7,211
	Female	16,888
	Subtotal	**24,099**
Temporary contract	Male	3,700
	Female	7,099
	Subtotal	**10,799**
TOTAL		**34,898**

Total number of Employees per type of employment contract, per country

Type of employment contract	Gender	2019
Permanent contract	Portugal	23,588
	Spain	511
	Subtotal	**24,099**
Temporary contract	Portugal	10,380
	Spain	419
	Subtotal	**10,799**
TOTAL		**34,898**

Total number of Employees per typology of number of working hours, per gender

Typology of number of working hours	Gender	2019
Full-time	Male	8,469
	Female	17,148
	Subtotal	**25,617**
Part-time	Male	2,442
	Female	6,839
	Subtotal	**9,281**
TOTAL		**34,898**

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 102 – GENERAL DISCLOSURES		
GRI 102: GENERAL DISCLOSURES	**102-9 Supply Chain** Vide chapter "Community. Proximity and engagement", subchapter "Sustainable and local supply chain" and chapter "GRI Disclosures", indicators : "204-1 Proportion of spending on local Suppliers"; "304-2 Significant impacts of activities, products, and services on biodiversity"; "308-1 New Suppliers that were screened using environmental criteria"; "407-1 Operations and Suppliers in which the right to freedom of association and collective bargaining may be at risk"; "408-1 Operations and Suppliers at significant risk for incidents of child labour"; "409-1 Operations and Suppliers at significant risk for incidents of forced or compulsory labour"; "414-1 New Suppliers that were screened using social criteria".	Page 54-57
	102-10 Significant changes to the organization and its supply chain In 2019 the integration of Arenal (Tomenider) was registered in Sonae MC's scope of activity.	
	102-11 Precautionary principle or approach Vide chapter "Our approach to internal control and risk management".	Page 110-119
	102-12 External initiatives Over the years, we have subscribed to various independent policies and commitments (directly or through Sonae SGPS). We also developed internal benchmarks to support us in managing our businesses and achieving the goals we committed to, for example:	

Type	Commitments subscribed to and policies developed
External	The United Nations Global Compact Principles
	The United Nations Universal Declaration of Human Rights
	The European Round Table of Industrialists Women's Initiative
	The Paris Pledge for Action
	The Charter of Principles of the BCSD Portugal
	CEO Guide to Human Rights (WBCSD)
	The New Plastics Economy Global Commitment
	The National Pact for Plastic
Internal	Sonae MC's Code of Ethics and Conduct
	The Sonae Group Code of Conduct for Suppliers
	The Sonae Group Sustainable Fisheries Policy
	The Sonae Group Environmental Policy
	Sonae MC's Gender Equality Plan
	Sonae Companies' Charter of Principles for CO_2 & Climate Change
	Sonae Companies' Charter of Principles for Plastic
	Risk Management Policy

102-13 Membership of associations

APED (Portuguese Association of Distribution Companies); Consumer Goods Forum; APLOG (Portuguese Logistics Association); ACEPI (The Portuguese Digital Economy Association); GS1 Portugal; APAN (Portuguese Association of Advertisers) and AHRESP (The Portuguese Hotel and Restaurant Association).

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 102 – GENERAL DISCLOSURES		
	STRATEGY	
	102-14 Statement from senior decision-maker Vide chapter "Message from the CEO".	Page 6-7
	102-15 Key impacts, risks, and opportunities Vide chapter "Our approach to internal control and risk management".	Page 110-119
	ETHICS AND INTEGRITY	
GRI 102: GENERAL DISCLOSURES	**102-16 Values, principles, standards, and norms of behaviour** The Sonae Group is concerned in guaranteeing all activities are governed by and adhere to the principles of ethics and trust set forth. In this sense, we developed Sonae MC's Code of Ethics and Conduct which defines the ethical standards we abide by.	
	GOVERNANCE	
GRI 102: GENERAL DISCLOSURES	**102-18 Governance structure** Vide chapter "Our corporate governance principles ".	Page 106-107
	102-21 Consulting stakeholders on economic, environmental, and social topics Vide chapter "Our stakeholders".	Page 30-31
	102-22 Composition of the highest governance body and its committees Vide chapter "Our corporate governance principles ".	Page 106-107
	102-23 Chair of the highest governance body Vide chapter "Our corporate governance principles ".	Page 106-107
	102-24 Nominating and selecting the highest governance body Vide chapter "Our corporate governance principles ".	Page 106-107
	102-25 Conflicts of interest Vide chapter "Our corporate governance principles " and "Our approach to internal control and risk management".	Page 106-107; 110-119
	102-35 Remuneration policies Vide chapter "Our remuneration policy".	Page 108-109
	STAKEHOLDER ENGAGEMENT	
GRI 102: GENERAL DISCLOSURES	**102-40 List of stakeholder groups** The main stakeholders are: - Customers - Employees - Suppliers - Shareholder - Society Vide chapter "Our stakeholders".	Page 30-31
	102-41 Collective bargaining agreements At Sonae MC, 99% of total Employees are covered by collective bargaining agreements.	

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 102 – GENERAL DISCLOSURES		
	102-42 Identifying and selecting stakeholders Vide chapter "Our stakeholders".	Page 30-31
	102-43 Approach to stakeholder engagement Vide chapter "Our stakeholders".	Page 30-31
	102-44 Key topics and concerns raised by stakeholders Vide chapter "Our stakeholders".	Page 30-31
	REPORTING PRACTICE	
GRI 102: GENERAL DISCLOSURES	**102-45 Entities included in the consolidated financial statements** Vide chapter "Financial statements".	Page 120-238
	102-46 Defining report content and topic Boundaries Vide chapter "About this Report".	Page 254
	102-47 List of material topics Vide chapter "Our commitment to sustainability".	Page 32-33
	102-48 Restatements of information Not applicable.	
	102-49 Changes in reporting Vide chapter "About this Report".	Page 254
	102-50 Reporting period This report covers the period 1 January 2019 to 31 December 2019.	
	102-51 Date of most recent report April 2019	
	102-52 Reporting cycle Annual.	
	102-53 Contact point for questions regarding the report Vide chapter "About this Report".	Page 254
	102-54 Claims of reporting in accordance with the GRI Standards This report was prepared in accordance with the GRI Standards: Core Option.	
	102-55 GRI content index Current table.	
	102-56 External assurance Vide chapter "About this Report".	Page 254

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 200 – ECONOMIC DISCLOSURES		
	ECONOMIC PERFORMANCE	
GRI 201: ECONOMIC DISCLOSURES	**201-1 Direct economic value generated and distributed** Vide chapter "Financial statements".	Page 120-238
	201-2 Financial implications and other risks and opportunities due to climate change In 2019, a transversal working group was set-up across Sonae Group, with the aim of developing the necessary skills required to integrate the guidelines as defined by Task Force on Climate-related Financial Disclosure (TCFD). This initiative promotes the recommendations for disclosure of financial risks associated with climate change. These efforts materialise through an analysis and mapping process of the main climate risks associated with each business. The potential financial impacts of climate change will be estimated as of now, and mitigation measures will be defined for the prioritised risks, in line with the framework developed by the Financial Stability Board. In its response to the Carbon Disclosure Project (CPD), the Sonae Group made available detailed information on the financial implications and other risks and opportunities associated to climate change. The grade obtained (A-), positions the Sonae Group within the group of leading companies, on a global scale, that are fighting climate change.	
	201-3 Defined benefit plan obligations and other retirement plans Sonae MC does not have a pension fund.	
	201-4 Financial assistance received from government In 2019 Sonae MC received 26.4 million Euro This refers to the amount received within the scope of tax credits. It is worth highlighting that the Government is not part of the Company shareholder structure.	
	MARKET PRESENCE	
GRI 202: MARKET PRESENCE	**202-1 Proportion of senior management hired from the local community** 98% of Sonae MC senior managers are hired locally.	
	INDIRECT ECONOMIC IMPACTS (MATERIAL TOPIC)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to Indirect Economic Impacts (vide chapter "Environment. For the future of the planet", "Community. Proximity and engagement" and "People. The engine of our success").	Page 36-73

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 200 – ECONOMIC DISCLOSURES		
GRI 103: MANAGEMENT APPROACH	**103-3 Evaluation of the management approach** Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 203: INDIRECT ECONOMIC IMPACTS	**203-1 Infrastructure investments and services supported** Vide chapter "Community. Proximity and engagement", subchapter "Supporting local communities".	Page 60-63
	203-2 Significant indirect economic impacts Vide chapter "Environment. For the future of the planet", subchapter "Food waste", chapter "Community. Proximity and engagement", subchapters "Sustainable and local supply chain", "Supporting local communities" and chapter "People. The engine of our success", subchapter "Diversity and inclusion", "Human capital development" and "Employee health, safety and well-being".	Page 50-51; Page 54-57; Page 60-63; Page 66-73
	PROCUREMENT PRACTICES (MATERIAL TOPIC)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to Procurement. Vide chapter "Community. Proximity and engagement", subchapter "Sustainable and local supply chain" and chapter "GRI Disclosures", indicators 308-1; 407-1; 408-1; 409-1; 412-2, 412-3 and 414-1.	Page 54-57
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 204: PROCUREMENT PRACTICES	**204-1 Proportion of spending on local Suppliers**	

	2018	2019
Proportion of spending on foreign Suppliers	16%	18%
Proportion of spending on local Suppliers	84%	82%

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
	ANTI-CORRUPTION	
GRI 205: ANTI-CORRUPTION	**205-1 Operations assessed for risks related to corruption** Sonae MC's Code of Ethics and Conduct establishes a set of principles and rules related to conflict of interest, offers of inducements or rewards to its Employees. The aim is to ensure they are not unduly influenced in decision-making processes. No cases were reported.	

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 200 – ECONOMIC DISCLOSURES

GRI 205: ANTI-CORRUPTION

205-2 Communication and training about anti-corruption policies and procedures
Sonae MC's Code of Ethics and Conduct, which includes anti-corruption policies, is communicated to 100% of the Employees at their induction training. Additionally, the Sonae Group has a Suppliers Code of Ethics and Conduct which is an appendix to the general supply contracts.
Training on anti-corruption policies and procedures.

	2019
Number of Top Executives who participated in anti-corruption training	19
Number of Employees who participated in anti-corruption training	8,412

Note: includes all training participants regardless of whether they were actively employed on 31 December 2019.

205-3 Confirmed incidents of corruption and actions taken
No corruption cases were recorded in 2019.

ANTI-COMPETITIVE BEHAVIOUR

GRI 206: ANTI-COMPETITIVE BEHAVIOUR

206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
No legal actions were concluded in 2019.

MATERIALS (MATERIAL ASPECT)

GRI 103: MANAGEMENT APPROACH

103-1 Explanation of the material topic and its Boundary
Vide chapter "Our commitment to sustainability". — Page 32-33

103-2 The management approach and its components
Sonae MC has promoted several initiatives related to Materials (vide chapter "Environment. For the future of the planet", subchapter "Materials usage and management"). — Page 46-49

103-3 Evaluation of the management approach
Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 300 – ENVIRONMENTAL DISCLOSURES

GRI 301: MATERIALS

301-1 Materials used by weight or volume

	Materials used	Recycled materials used	Reclaimed products and their packaging materials
Plastic	15,159	4,431	212
Paper and cardboard	6,522	520	0
Glass	7,946	0	0
Metal, steel and aluminium	3,642	0	0
Wood	42	0	0
CPLF[1]	1,625	0	0
Others	14	0	0
Total	**34,949**	**4,951**	**200**

Note: [1] Cardboard packaging for Liquid Food.
[2] Virgin plastic material. The plastic footprint mapped out is 19,590 tonnes (virgin and recycled material)

301-2 Recycled input materials used
The answer to this indicator is in the table reported under indicator 301-1.

301-3 Reclaimed products and their packaging materials
The answer to this indicator is in the table reported under indicator 301-1.

ENERGY (MATERIAL TOPIC)

GRI 103: MANAGEMENT APPROACH

103-1 Explanation of the material topic and its Boundary
Vide chapter "Our commitment to sustainability". — Page 32-33

103-2 The management approach and its components
Sonae MC has promoted several initiatives related to Energy (vide chapter "Environment. For the future of the planet". subchapter "Energy efficiency"). — Page 42-45

103-3 Evaluation of the management approach
Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).

GRI 302: ENERGY

302-1 Energy consumption within the organization
Vide chapter "Environment. For the future of the planet", subchapter "Energy efficiency".
Supplementary information pertaining to this indicator is detailed below: — Page 42-45

Energy consumption per source (GJ)

	2018	2019
Fossil fuels - Fleet	505,062	565,499
Fossil fuels - Facilities	21,414	33,959
Electricity consumption	1,445,771	1,494,945
Total energy consumption	**1,972,248**	**2,094,402**

Note: the Arenal integration within the reporting scope, combined with the organic growth of the businesses justify the energy consumption, despite having implemented energy efficiency measures.

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 300 – ENVIRONMENTAL DISCLOSURES		
GRI 302: ENERGY	**302-2 Energy consumption outside of the organization** In 2019 at Sonae MC, there was no energy consumption outside of the organization.	
	302-3 Energy intensity	Page 42-45
	302-4 Reduction of energy consumption Vide chapter "Environment. For the future of the planet", subchapter "Energy efficiency".	Page 42-45
	302-5 Reductions in energy requirements of products and services Vide chapter "Environment. For the future of the planet", subchapter "Energy efficiency".	Page 42-45

	2018	2019
Total energy consumption (GJ)	1,972,248	2,094,402
Sales area (1,000 sqm)	776	835
Energy intensity ratio (GJ/sqm)	**2,263**	**2,454**

WATER

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 303: WATER	**303-1 Water withdrawal by source** Vide chapter "Environment. For the future of the planet", subchapter "Materials usage and management". Supplementary information pertaining to this indicator is detailed below:	Page 46-49
	303-3 Water recycled and reused Vide chapter "Environment. For the future of the planet", subchapter "Materials usage and management".	Page 46-49

	2018	2019
Underground withdrawal (m^3)	13,030	9,583
Municipal water supply (m^3)	736,274	774,254
Total water consumption (m^3)	749,304	783,837
Sales area (1,000 sqm)	776	835
Water consumption per sales area (m^3/sqm)	**0.966**	**0.939**

BIODIVERSITY (MATERIAL TOPIC)

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Biodiversity Vide chapter "Community. Proximity and engagement", subchapter "Sustainable and local supply chain".	Page 54-57
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 300 – ENVIRONMENTAL DISCLOSURES		
GRI 304: BIODIVERSITY	**304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas** Sonae MC does not hold facilities in areas classified as zones with habitats rich in biodiversity.	
	304-2 Significant impacts of activities, products, and services on biodiversity Vide chapter "Community. Proximity and engagement", subchapter "Sustainable and local supply chain".	Page 54-57
	304-3 Habitats protected or restored Vide chapter "Community. Proximity and engagement", subchapter "Sustainable and local supply chain".	Page 54-57

EMISSIONS (MATERIAL TOPIC)

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to Emissions (vide chapter "Environment. For the future of the planet", subchapter "Carbon emissions").	Page 38-41
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 305: EMISSIONS	**305-1 Direct (Scope 1) GHG emissions** Vide chapter "Environment. For the future of the planet", subchapter "Carbon emissions". See table "GHG emissions - Scope 1, 2 and 3 per source" in indicator 305-3.	Page 38-41
	305-2 Energy indirect (Scope 2) GHG emissions Vide chapter "Environment. For the future of the planet", subchapter "Carbon emissions". See table "GHG emissions - Scope 1, 2 and 3 per source" in indicator 305-3.	Page 38-41

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 300 – ENVIRONMENTAL DISCLOSURES		
GRI 305: EMISSIONS	**305-3 Other indirect (Scope 3) GHG emissions** Vide chapter "Environment. For the future of the planet", subchapter "Carbon emissions". Supplementary information pertaining to this indicator is detailed below:	Page 38-41

GHG emissions - Scope 1, 2 and 3 per source

Associated emissions (expressed as t CO_2e)		2018	2019
Scope 1	Consumption of propane	0	0
	Consumption in-stores (natural gas)	1,980	2,063
	Consumption in-stores (diesel)	0	0
	Consumption of contracted fleet (diesel)	25,139	29,230
	Consumption of contracted fleet (petrol)	0	0
	Consumption of Employee vehicles (diesel)	5,678	6,782
	Consumption of Employee vehicles (petrol)	0	16
	Consumption of supply fleet vehicles (natural gas vehicles)	0	0
	Emissions linked to the leakage of refrigerant gases	30,506	14,759
	Total direct GHG emissions (scope 1)	**63,304**	**52,849**
Scope 2	Electricity consumption - market based	132,389	115,809
	Total indirect GHG emissions (scope 2)	**132,389**	**115,809**
Scope 3	Energy recovery sources	133	119
	Organic recovery sources	241	111
	Sanitary landfill sources	8,454	8.608
	Total indirect GHG emissions (scope 3)	**8,828**	**8,837**

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 300 – ENVIRONMENTAL DISCLOSURES		
GRI 305: EMISSIONS	**Emissions factors**	

Energy	Unit	Factor 2018	Factor 2019	Sources
Natural gas	(kg CO_2/GJ)	56.1	56.4	2018: APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016 (pg. 189)
Propane	(kg CO_2/GJ)	63.1	63.1	
Diesel	(kg CO_2/GJ)	74.1	74.1	
Petrol	(kg CO_2/GJ)	69.3	69.3	
Electricity - Market Based	(kg CO_2/GJ)	104.8	77.0	2018 and 2019: Elergone Data: The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various Suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective Suppliers.
Electricity - Market Based (Maxmat)	(kg CO_2/GJ)	105.6	103.6	2018 and 2019: Elergone Data: The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various Suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective Suppliers.
Electricity - Market Based (Sonae RP)	(kg CO_2/GJ)	55.2	103.6	2018 and 2019: Elergone Data: The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various Suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective Suppliers.
Electricity - Market Based (Arenal)	(kg CO_2/GJ)	-	109.4	2019: Energy mix Endesa, Repsol, Iberdrola, Aldro Energía and DLR Energía Comercializadora.

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 300 – ENVIRONMENTAL DISCLOSURES

GRI 305: EMISSÕES

Type of treatment	Unit	Factor 2018	Factor 2019	Sources
Sanitary landfill	t CO_2/t waste	0.589	0.0214	2018: DEFRA (2018). Greenhouse gas reporting - Conversion factors 2018 2019: DEFRA (2019). Greenhouse gas reporting - Conversion factors 2019
Energy recovery	t CO_2/t waste	0.0214	0.0102	
Organic recovery	t CO_2/t waste	0.0214	0.5865	

305-4 GHG emissions intensity

	2018	2019
Total GHG emissions (t CO_2e) - market based	204,521	177,496
Sales area (1,000 sqm)	776	835
GHG emissions intensity ratio (kg CO_2e/sqm)	263.6	212.6

305-5 Reduction of GHG emissions
Vide chapter “Environment. For the future of the planet”, subchapter “Carbon emissions”. Page 38-41

305-6 Emissions of ozone-depleting substances
In 2019 there were no emissions of ozone-depleting substances.

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 300 – ENVIRONMENTAL DISCLOSURES

305-7 Nitrogen oxides (NOx), sulphur dioxides (SOx) and other significant air emissions

Expressed as t		2018	2019
NOx emissions	Consumption in-stores (diesel)	3.40	3.54
	Consumption of contracted fleet (diesel)	349.26	376.09
	Consumption of contracted fleet (petrol)	0.00	0.00
	Consumption of Employee vehicles (diesel)	83.68	71.39
	Consumption of Employee vehicles (petrol)	0.39	3.69
	Total NOx emissions	**436.73**	**454.71**
SO_2 emissions	Consumption in-stores (diesel)	0.89	0.93
	Consumption of contracted fleet (diesel)	91.68	98.72
	Consumption of contracted fleet (petrol)	0.00	0.00
	Consumprion of Employee vehicles (diesel)	21.96	18.74
	Consumption of Employee vehicles (petrol)	0.05	0.46
	Total SO_2 emissions	**114.58**	**118.85**

Energy	Unit	NOx	SO_2	Sources
Diesel	kg/GJ	0,8	0,21	IPCC 2006
Petrol	kg/GJ	0,6	0,075	IPCC 2006

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 300 – ENVIRONMENTAL DISCLOSURES		
	EFFLUENTS AND WASTE (MATERIAL TOPIC)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to effluents and waste (vide chapter "Environment. For the future of the planet", subchapter "Materials usage and management").	Page 46-49
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 306:EFFLUENTS AND WASTE	**306-1 Water discharge by quality and destination** Sonae MC does not have quantitative measurements for effluent discharge in stores. Thus, and in accordance with best Engineering practices, we operate on the basis that 80% of the water consumed ends up as wastewater. In 2019, and in accordance with the adopted methodology, wastewater totalled 627,069 m^3. Regarding disposal methods, most of the wastewater gets discharged into the public network wastewater systems, and all the effluents discharged to surface waters are subjected to pre-treatment interventions at dedicated facilities (WWTP- Wastewater Treatment Plants). The respective quality monitoring is carried out.	
	306-2 Waste by type and disposal method Vide chapter "Environment. For the future of the planet",, subchapter "Materials usage and management". Supplementary information pertaining to this indicator is detailed below:	Page 46-49

Expressed as t	2018	2019
Total waste	75,467	70,736
Recovery rate	**81%**	**79%**

	306-3 Significant spills In 2019 there were no significant spills.	

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 300 – ENVIRONMENTAL DISCLOSURES		
	EMPLOYMENT (MATERIAL TOPIC)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to Employment (vide chapter "People. The engine of our success", subchapter "Diversity and inclusion").	Page 66-67
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 401: EMPLOYMENT	**401-1 New Employee hires and Employee turnover** Vide chapter "People. The engine of our success", subchapter "Diversity and inclusion". Supplementary information pertaining to this indicator is detailed below:	Page 66-67

	Number		Rate	
	New hires	Departures	New hires	Departures
Total	18,935	17,735	54%	51%
By gender				
Male	7,170	6,737	21%	19%
Female	11,765	10,998	34%	32%
Per age group				
<30 years old	14,875	13,466	43%	39%
30-50 years old	3,693	3,742	11%	11%
≥50 years old	367	527	1%	2%

	2018	2019
Total Employees	32,489	34,898
Total new hires	17,395	18,935
New hires expressed as (%)	**54%**	**54%**
Departures	16,492	17,735
Departures expressed as (%)	**51%**	**51%**

Note: Does not include GO NATURAL Restaurants

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

GRI 401: EMPLOYMENT

401-3 Parental leave

	Gender	2019
Total number of Employees entitled to parental leave	Male	10,911
	Female	23,987
	Total	**34,898**
Total number of Employees who benefitted from parental leave	Male	493
	Female	1,292
	Total	**1,785**
Total number of Employees who returned to work after parental leave	Male	494
	Female	1,293
	Total	**1,787**
Total number of Employees who returned to work after parental leave and remained at the Company 12 months after their return	Male	406
	Female	1,127
	Total	**1,533**
Take-up rate	Male	5%
	Female	5%
	Total	**5%**
Rate of return	Male	100%
	Female	100%
	Total	**100%**
Rate of retention	Male	82%
	Female	87%
	Total	**86%**

	2018	2019
Take-up rate	5%	5%
Rate of return	96%	100%
Rate of retention	78%	86%

Note: Employees who benefitted from leave in 2018 and remained at the Company 12 months after their return are not accounted for. For this reason, the rate of retention may exceed 100%, considering the denominator refers to the take-up rate in 2019 and not 2018.

OCCUPATIONAL HEALTH AND SAFETY (MATERIAL TOPIC)

GRI 103: MANAGEMENT APPROACH

103-1 Explanation of the material topic and its Boundary
Vide chapter "Our commitment to sustainability". — Page 32-33

103-2 The management approach and its components
Sonae MC has promoted several initiatives related to Occupational Health and Safety (vide chapter "People. The engine of our success", subchapter "Employee health, safety and well-being". — Page 70-73

103-3 Evaluation of the management approach
Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

403-1 Workers representation at health and safety committees
Sonae MC does not have health and safety committees.

403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

	Gender	2019
Number of workable hours by total number of Employees	Male	19,563,338
	Female	40,743,406
	Total	**60,306,744**
Number of work-related deaths	Male	0
	Female	0
	Total	**0**
Number of accidents in the workplace	Male	340
	Female	695
	Total	**1,035**
Number of accidents during the commute home-work-home	Male	47
	Female	118
	Total	**165**
Total number of accidents	Male	387
	Female	813
	Total	**1,200**
Accident rate	Male	0.002%
	Female	0.002%
	Total	**0.002%**
Number of days of absence due to occupational accidents	Male	5,574
	Female	9,746
	Total	**15,320**
Rate of days lost due to occupational accidents	Male	0.028%
	Female	0.024%
	Total	**0.025%**
Days of absence due to work-related illnesses	Male	0
	Female	652
	Total	**652**
Rate of work-related illnesses	Male	0.000%
	Female	0.002%
	Total	**0.001%**
Total number of lost days	Male	5,574
	Female	10,398
	Total	**15,972**
Lost days rate	Male	0.028%
	Female	0.026%
	Total	**0.026%**
Number of absenteeism hours	Male	625,739
	Female	2.,447,622
	Total	**3,073,361**
Absenteeism rate	Male	3.199%
	Female	6.007%
	Total	**5.096%**

	2018	2019
Accident rate	0.02%	0.002%
Rate of days lost due to occupational accidents	0.030%	0.025%
Rate of work-related illnesses	0.001%	0.001%
Rate of lost days	0.031%	0.026%
Absenteeism rate	5.141%	5.096%

Notes:
Information pertaining to indirect Employees not available. To calculate lost days considering the days in which the victims were effectively absent from work. The count regarding lost days begins on the 1st day of absence following the day of the accident, normally from the next day. All accidents were considered (accidents that resulted in actioning insurance companies, accidents that did not require input from insurance companies, accidents without a witness and accidents with a witness).

Formulas used:
- Accident rate = (total number of accidents / number of workable hours by total number of Employees) x 100
- Rate of lost days due to occupational accidents = (number of days of absence due to occupational accidents/number of workable hours by total number of Employees) x 100
- Rate of work-related illnesses = (number of days of absence due to work-related illnesses / number of workable hours by total number of Employees) x 100
- Absenteeism rate = (number of absenteeism hours / number of workable hours by total number of Employees) x 100

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 400 – SOCIAL DISCLOSURES		
	403-3 Workers with high incidence or high risk of diseases related to their occupation None of Sonae MC Employees are involved in occupational activities with high incidence or high risk of specific/serious diseases.	
	TRAINING AND EDUCATION (MATERIAL TOPIC)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to Training and Education (vide chapter "People. The engine of our success", subchapter), subchapter "Human capital development".	Page 68-69
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 404: TRAINING AND EDUCATION	**404-1 Average hours of training per year per Employee** Vide chapter "People. The engine of our success", subchapter "Human capital development".	Page 68-69

Total number of Employees by job category and gender

Job category	Gender	2019
Top Executive	Male	38
	Female	8
	Subtotal	**46**
Management	Male	411
	Female	235
	Subtotal	**646**
Middle Management	Male	683
	Female	1,163
	Subtotal	**1,846**
Technicians/ highly specialized technicians	Male	710
	Female	1,425
	Subtotal	**2,135**
Representatives	Male	9,010
	Female	20,923
	Subtotal	**29,933**
Total	Male	10,852
	Female	23,754
	Total	**34,606**

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 400 – SOCIAL DISCLOSURES		
GRI 404: TRAINING AND EDUCATION		

Total number of training hours per job category and gender (expressed in hours)

Job category	Gender	2019
Top Executive	Male	984
	Female	119
	Subtotal	**1,103**
Management	Male	11,517
	Female	8,163
	Subtotal	**19,679**
Middle Management	Male	23,339
	Female	34,338
	Subtotal	**57,678**
Technicians/ highly specialized technicians	Male	22,136
	Female	47,243
	Subtotal	**69,379**
Representatives	Male	270,417
	Female	471,625
	Subtotal	**742,042**
Total	Male	328,394
	Female	561,487
	Total	**889,881**

Average number of training hours per year, per Employee, per job category and gender (expressed in hours/Employee)

Job category	Gender	2019
Top Executive	Male	26
	Female	15
	Subtotal	**24**
Management	Male	28
	Female	35
	Subtotal	**30**
Middle Management	Male	34
	Female	30
	Subtotal	**31**
Technicians/ highly specialized technicians	Male	31
	Female	33
	Subtotal	**32**
Representatives	Male	30
	Female	23
	Subtotal	**25**
Total	Male	30
	Female	24
	Total	**26**

	2018	2019
Total number of Employees	32,489	34,606
Total number of training hours	881,442	889,881
Average number of training hours per Employee	**27**	**26**

Note: includes all participants in training sessions, regardless of whether they were actively employed on 31 December 2019. Data in the 2018 column does not include Arenal Employees.

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

GRI 404: TRAINING AND EDUCATION

404-2 Programs for upgrading Employee skills and transition assistance programs
Vide chapter "People. The engine of our success", subchapter "Human capital development".
Supplementary information pertaining to this indicator is detailed below:

	2019	
	Total initiatives	**Total number of hours**
Conferences & Seminars	204	11,777
Schools/Academies	78,152	669,628
Management & Leadership	5,825	65,768
Continuous improvement	1,394	16,520
Occupational Health and Safety	5,760	39,647
Sustainability	66	223
Technical	2,709	36,313
Transversal	1,025	25,543
Values & People	10,231	10,391
Legal/Compliance	8,691	14,072
Total	**114,057**	**889,881**

Note: includes all participants in training sessions, regardless of whether they were actively employed on 31 December 2019.

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404-3 Percentage of Employees receiving regular performance and career development reviews
At Sonae MC, 87% of the Employees received performance and career development reviews.

DIVERSITY AND EQUAL OPPORTUNITIES (MATERIAL TOPIC)

GRI 103: MANAGEMENT APPROACH

103-1 Explanation of the material topic and its Boundary
Vide chapter "Our commitment to sustainability".

Page 32-33

103-2 The management approach and its components
Sonae MC has promoted several initiatives related to Diversity and Equal Opportunities (vide chapter "People. The engine of our success", subchapter "Human capital development").

Page 68-69

103-3 Evaluation of the management approach
Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES (MATERIAL TOPIC)

405-1 Diversity of governance bodies and Employees
Vide chapter "People. The engine of our success", subchapter "Diversity and inclusion".
Supplementary information pertaining to this indicator is detailed below:

Percentage of Employees by job category

		2019		
Job category	**Age group**	**Male**	**Female**	**Total**
Top Executive	<30 years old	0%	0%	0%
	30-50 years old	33%	11%	43%
	≥50 years old	50%	7%	57%
	Total	**83%**	**17%**	**100%**
Management	<30 years old	0%	0%	0%
	30-50 years old	44%	27%	71%
	≥50 years old	19%	9%	29%
	Total	**64%**	**36%**	**100%**
Middle Management	<30 years old	3%	7%	10%
	30-50 years old	27%	47%	74%
	≥50 years old	7%	9%	16%
	Total	**37%**	**63%**	**100%**
Technicians /highly specialized technicians	<30 years old	8%	20%	28%
	30-50 years old	22%	40%	61%
	≥50 years old	3%	7%	10%
	Total	**33%**	**67%**	**100%**
Representatives	<30 years old	15%	26%	41%
	30-50 years old	12%	34%	46%
	≥50 years old	3%	10%	13%
	Total	**30%**	**70%**	**100%**

	2018			2019		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Top Executive	83%	17%	100%	83%	17%	100%
Management	64%	36%	100%	64%	36%	100%
Middle Management	42%	58%	100%	37%	63%	100%
Technicians/ highly specialized technicians	36%	64%	100%	33%	67%	100%
Representatives	30%	70%	100%	30%	70%	100%

Note: data does not include Employees from GO NATURAL Restaurants.

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GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 400 – SOCIAL DISCLOSURES		
	NON-DISCRIMINATION	
GRI 406: NON-DISCRIMINATION	**406-1 Incidents of discrimination and corrective actions taken** In 2019, a total of 19 discrimination cases were raised. The inquiry processes resulted in filing all cases.	
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	**407-1 Operations and Suppliers in which the right to freedom of association and collective bargaining may be at risk** At Sonae MC there are no operations involving risks within the scope of the freedom of association and collective bargaining agreements. In accordance with the audit reports carried out, all of the Suppliers adopt the criteria "Freedom of association: they can be members of institutions/associations that represent their rights" accordingly.	
	CHILD LABOUR	
GRI 408: CHILD LABOUR	**408-1 Operations and Suppliers at significant risk for incidents of child labour** At Sonae MC, as a rule, minors are not admitted. Exceptionally, minors aged between 16 and 18 years of age are admitted, and always in compliance with the law. There are no operations at risk for incidents of child labour. If a Supplier is found to be at significant risk for incidents of child labour, he is put on stand-by, and is only reaccepted after an SA8000 audit carried out by an accredited entity.	
	FORCED OR COMPULSORY LABOUR	
GRI 409: FORCED OR COMPULSORY LABOUR	**409-1 Operations and Suppliers at significant risk for incidents of forced or compulsory labour** There is no forced labour at Sonae MC. If a Supplier is found to be at significant risk for incidents of forced or compulsory labour, he is put on stand-by, and is only reaccepted after an SA8000 audit carried out by an accredited entity.	
	SECURITY PRACTICES	
GRI 410: SECURITY PRACTICES	**410-1 Security personnel trained in Human Rights policies or procedures** In both Portugal and Spain, all security staff must hold a professional license. To obtain and renew said license, security staff must carry out training which includes fundamental/constitutional rights, ethics and deontology.	
	HUMAN RIGHTS ASSESSMENT	
GRI 412: HUMAN RIGHTS ASSESSMENT	**412-1 Operations that have been subject to Human Rights reviews or impact assessments** No operations subject to Human Rights reviews and/or impact assessments were recorded in 2019.	

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
GRI 400 – SOCIAL DISCLOSURES		
	412-2 Employee training on Human Rights policies or procedures In 2019, Employees received training related to Human Rights policies and practices as per the table:	

	2018	2019
Total number of Employees that received formal training related to Human Rights policies and practices	36,359	15,502
Total number of training hours in Human Rights policies or procedures that are relevant to the operations	296,474	294,519

Note: includes all participants in training sessions, regardless of whether they were actively employed on 31 December 2019.

The reduction in figures is related a General Data Protection Regulation project launched in 2018 which is transversal to the entire Sonae Group.

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening In Sonae MC supply contracts, there is a supplier obligation clause that states "Compliance with all applicable standards and legislation pertaining to work carried out by minors, human rights and the discrimination of its Employees is prohibited, regardless of the reason".	
	LOCAL COMMUNITIES (MATERIAL TOPIC)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components onae MC has promoted several initiatives related to Local Communities (vide chapter "Community. Proximity and engagement", subchapter "Supporting local communities").	Page 60-63
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	
GRI 413: LOCAL COMMUNITIES	**413-1 Operations with local community engagement, impact assessments, and development programs** From the moment a new unit is installed, Sonae MC ensures it has the necessary conditions to cause minimal negative impact in the communities. During its operation, the Company develops several initiatives to support the local community, meeting the different needs. Oftentimes the initiatives are carried out in partnership with local entities.	
	SUPPLIER SOCIAL AND ENVIRONMENTAL ASSESSMENT (MATERIAL ASPECT)	
GRI 103: MANAGEMENT APPROACH	**103-1 Explanation of the material topic and its Boundary** Vide chapter "Our commitment to sustainability".	Page 32-33
	103-2 The management approach and its components Sonae MC has promoted several initiatives related to Supplier Social and Environmental Assessment (vide chapter "Community. Proximity and engagement", subchapter "Sustainable and local supply chain").	Page 54-57
	103-3 Evaluation of the management approach Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).	

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

GRI 414: SUPPLIER SOCIAL ASSESSMENT AND GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

414-1 e 308-1 New Suppliers that were screened using social and environmental criteria
Vide chapter"Community. Proximity and engagement", subchapter "Sustainable and local supply chain".
Supplementary information pertaining to this indicator is detailed below:

Page 54-57

Suppliers screened based on social and environmental criteria - labour practices, Human Rights, that impact society and the environment

	Categories		National	Foreigners	Total
Total number Suppliers	Fresh Products	New	6	5	11
		Total	**223**	**47**	**270**
	Food	New	10	6	16
		Total	**164**	**125**	**289**
	Non-food	New	12	18	30
		Total	**126**	**221**	**347**
	Bio & Healthy	New	8	0	8
		Total	**32**	**7**	**39**
	Maxmat	New	2	6	8
		Total	**41**	**29**	**70**
Number of qualified Suppliers	Fresh Products	New	2	5	7
		Total	**214**	**47**	**261**
	Food	New	0	1	1
		Total	**152**	**118**	**270**
	Non-food	New	1	1	2
		Total	**100**	**178**	**278**
	Bio & Healthy	New	0	0	0
		Total	**18**	**5**	**23**
	Maxmat	New	0	0	0
		Total	**9**	**8**	**17**
Percentage of qualified Suppliers	Fresh Products	New	33%	100%	64%
		Total	**96%**	**100%**	**97%**
	Food	New	0%	17%	6%
		Total	**93%**	**94%**	**93%**
	Non-food	New	8%	6%	7%
		Total	**79%**	**81%**	**80%**
	Bio & Healthy	New	0%	0%	0%
		Total	**56%**	**71%**	**59%**
	Maxmat	New	0%	0%	0%
		Total	**22%**	**28%**	**24%**

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

	Categories		National	Foreigners	Total
Total audits performed on Suppliers	Fresh Products	New	1	0	1
		Total	**58**	**2**	**60**
	Food	New	0	0	0
		Total	**43**	**6**	**49**
	Non-food	New	1	1	2
		Total	**50**	**168**	**218**
	Bio & Healthy	New	0	0	0
		Total	**2**	**0**	**2**
	Maxmat	New	0	0	0
		Total	**5**	**8**	**13**

	Categories	2018	2019
Total number of Suppliers	Fresh Products	302	270
	Food	405	289
	Non-food	299	347
	Bio & Healthy	-	39
	Maxmat	73	70
Number of qualified Suppliers	Fresh Products	271	261
	Food	379	270
	Non-food	235	278
	Bio & Healthy	-	23
	Maxmat	29	17
Percentage of qualified Suppliers	Fresh Products	90%	97%
	Food	94%	93%
	Non-food	79%	80%
	Bio & Healthy	-	59%
	Maxmat	40%	24%
Total audits performed on Suppliers	Fresh Products	81	60
	Food	78	49
	Non-food	186	218
	Bio & Healthy	-	2
	Maxmat	13	13

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

CUSTOMER HEALTH AND SAFETY

GRI 416: CUSTOMER HEALTH AND SAFETY

416-1 Assessment of the health and safety impacts of product and service categories
In 2019, a total of 8,195 analyses were carried out. Of these, 5,135 were assessed in an internal laboratory, and 3,060 in an external laboratory. Supplementary information pertaining to this indicator is detailed below:

Categories of significant products and services assessed in terms of health and safety impacts

	Categories	2019
Total number of significant product categories and services	Fresh Products	111
	Food	205
	Non-food	2
	Bio & Healthy	21
	Maxmat	1
Total number of significant product categories and services that are assessed in terms of health and safety impacts	Fresh Products	111
	Food	205
	Non-food	2
	Bio & Healthy	21
	Maxmat	1
Percentage of significant product categories and services that are assessed in terms of health and safety impacts	Fresh Products	100%
	Food	100%
	Non-food	100%
	Bio & Healthy	100%
	Maxmat	100%

Notes: we take into consideration the health and safety impacts of products at various stages of their life cycle. For example, regarding electronic products, we carry out product image development, packaging, and instructions alongside the manufacturers. The entire manufacturing process of this type of product is monitored by way of numerous inspections. Regarding food goods, we carry out product R&D, for example, by optimising nutritional content.

MARKETING AND LABELLING (MATERIAL TOPIC)

GRI 103: MANAGEMENT APPROACH

103-1 Explanation of the material topic and its Boundary
Vide chapter “Our commitment to sustainability”. — Page 32-33

103-2 The management approach and its components
Sonae MC has promoted several initiatives related to marketing and labelling (vide chapter “Community. Proximity and engagement”, subchapters “Sustainable and local supply chain” and “Healthy eating and sustainable consumption”). — Page 54-59

103-3 Evaluation of the management approach
Sonae MC measures and monitors indicators inherent to this topic and reports them in this Report (vide indicators detailed below).

GRI STANDARDS	DISCLOSURES AND APPLICATION	LOCALISATION

GRI 400 – SOCIAL DISCLOSURES

GRI 417: MARKETING AND LABELLING

417-1 Requirements for product and service information and labelling
Categories of significant products and services assessed in terms of health and safety impacts

	Categories	2019
Total number of product categories with specific labelling	Fresh Products	111
	Food	205
	Non-food	185
	Bio & Healthy	21
	Maxmat	1
Total number of product categories	Fresh Products	111
	Food	205
	Non-food	411
	Bio & Healthy	21
	Maxmat	1
Percentage of product categories with specific labelling	Fresh Products	100%
	Food	100%
	Non-food	45%
	Bio & Healthy	100%
	Maxmat	100%

CUSTOMER PRIVACY

GRI 418: CUSTOMER PRIVACY

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
In 2019 at Sonae MC, there were no substantiated complaints regarding breaches of customer privacy nor losses of customer data.

SOCIOECONOMIC AND ENVIRONMENTAL COMPLIANCE

GRI 419: SOCIOECONOMIC COMPLIANCE AND GRI 307: ENVIRONMENTAL COMPLIANCE

419-1 e 307-1 Non-compliance with laws and regulations in the social and economic area

The Sonae Group considers that a significant fine is one in which the monetary value is higher than or equal to 12,000 Euro. This figure corresponds to the minimum administrative fine for committing a serious environmental offense (Law number 114/2015, of 28 August).

	2019
Total monetary value of significant fines - Economic area (€)	0
Total number of non-monetary sanctions	0
Total monetary value of significant fines - Social area (labour) (€)	0
Total number of non-monetary sanctions (no.)	0
Total monetary value of significant fines - Environmental area (€)	0
Total number of non-monetary sanctions (no.)	0

PEOPLE
AT THE BASIS OF A STEADFAST LEADERSHIP

Our ambition is to be the leader in the business segments in which we operate, creating value for our Shareholder. Our operations are guided by steadfastness and the principles of transparency, integrity, and ethics that inspire those around us and help build a legacy of excellence for the future.

GROWTH AMBITION SUPPORTED BY A ROBUST CORPORATE GOVERNANCE MODEL

Growth is an extremely important factor for the development of any business and is particularly important in the food retail sector. Sonae MC finds itself in a favourable position to face a future replete with challenges. In order to be successful, it will have to maintain its ambition of continuous change and adapt its value propositions and operations to a market environment undergoing transformation, which is more demanding and competitive.
Good corporate governance practices at Sonae MC ensure effective decision-making processes and increase the chances of business success. The Company's robust corporate governance model is based on a clear separation of responsibilities between management and control mechanisms, rigorous internal control systems, and transparent communication practices with Shareholders and capital markets.
The Board of Directors at Sonae MC is focused on the Company's long-term growth and development, with a view to generating value for its stakeholders, supported by solid corporate social responsibility. The governing body is comprised of a balanced team, which is highly skilled and has in-depth knowledge of food retail. It has defined, with truly clear intentions and focus, its terms for operational and financial sustainable success. It has also defined its mission in the retail industry and the way in which its activities benefit Customers, Employees, and society as a whole.
The working environment at Sonae MC fosters innovation and full alignment between the multi-disciplinary teams, which makes it easier to define shared objectives and break down knowledge silos. The Company operates under a common language, which guides execution, monitors progress, and allows for corrections along the way.
A resolute control and monitoring of the various businesses is carried out via risk management and internal control systems. Sonae MC is quick to react to shifts in situations and implements the necessary changes accordingly. To this end, it is backed by a strong alignment between teams throughout all areas of the organisation. The speed with which it reacts to changes constitutes a competitive advantage compared to its competitors, enabling the Company to gain time and promote greater efficiency in resource allocation.

SONAE MC GOVERNING BODIES AND COMMITTEES

GOVERNING BODIES

Board of Directors
Maria Cláudia Azevedo (Chairman)
Ângelo Paupério
João Dolores
Álvaro Nascimento
António Soares
Ricardo Monteiro
Luís Moutinho
Rui Almeida
Isabel Barros
José Fortunato
Inês Valadas

Executive Committee
Luís Moutinho (CEO)
Rui Almeida
Isabel Barros
José Fortunato
Inês Valadas

Statutory External Auditor
PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. - SROC nº 183
Joaquim Miguel Barroso (Alternate External Statutory Auditor)

Statutory Audit Board
António Trabulo (Chair)
Maria José Fonseca (Member)
Carlos Manuel Silva (Member)

Company's Secretary
Alice Castanho Amado (Secretary)
Andreia Gouveia (Substitute)

Shareholders' General Meeting
Manuel Cavaleiro Brandão (Chair)
Maria da Conceição Cabaços (Secretary)

COMMITTEES

Shareholders Remuneration Committee
Maria Cláudia Azevedo (Chair)
José Côrte-Real

Board Audit and Finance Committee
Álvaro Nascimento (Chair)
João Dolores
António Soares
Ricardo Monteiro

Board Nomination and Remuneration Committee
Maria Cláudia Azevedo (Chair)
António Soares
Ricardo Monteiro

Leadership Committee
Luís Moutinho
Rui Almeida
David Alves
Isabel Barros
João Afonso
José Fortunato
Inês Valadas
Miguel Águas

The Sonae MC corporate governance model is aligned with the best national and international practices and has evolved by incorporating the recommendations of Corporate Governance Code published by the Portuguese Institute of Corporate Governance (IPCG).
This model aims at transparency and the total, effective functioning of Sonae MC, based on a clear separation of powers between the different governing bodies. It also seeks to establish an independent operating framework based on defining management guidelines, policies, and procedures suited to the development of the Company's businesses, with a view to minimising the inherent risks.
Sonae MC follows a one-tier governance model, where the Board of Directors oversees the management structure, and the supervisory structure comprises the Statutory Audit Board and the External Statutory Auditor.
It is incumbent upon the Board of Directors to manage the Company's businesses, perform all management acts related to its corporate purpose, set strategic guidelines, and appoint and supervise the activity of the Executive Committee and its specialised committees.
The Board of Directors believes that the corporate governance model adopted is commensurate with the duties to be performed by each of the governing bodies, thus ensuring a balance between their respective functional independence and interaction. Moreover, the specialised committees assigned to matters of great relevance optimise the Board's performance, ensuring the effectiveness of its decision-making process.

PEOPLE, AT THE HEART OF OUR BUSINESS AND INNOVATION
PEOPLE, AS PILLARS OF THE VISION WE ADVOCATE FOR THE FUTURE
PEOPLE, AT THE BASIS OF A STEADFAST LEADERSHIP
FINANCIAL STATEMENTS
APPENDIX

INITIATIVE, COMPETENCE, AND COMMITMENT BASED ON GOOD PERFORMANCE

1. PRINCIPLES OF THE REMUNERATION AND COMPENSATION POLICY FOR THE GOVERNING BODIES

The Remuneration and Compensation Policy for the governing bodies and executive directors of the Company are in line with Community guidelines, Portuguese law and the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG), published in 2018 in accordance with the agreement established between the IPCG and the Portuguese Securities Market Commission (CMVM), on 13 October 2017, which introduced a self-regulation model under the recommendations of the regulation on corporate governance, which repealed the CMVM Corporate Governance Code and promoted the implementation of a single code, drawn up by the IPCG, which is responsible for the interpretation and enforcement thereof, and conducting an annual qualitative assessment of the governance structures and practices of companies listed on the stock exchange. The Policy is based upon the premise that initiative, competence, and commitment are essential factors to perform well, and these should be in line with the medium and long-term interests of the Company, with a view to sustainability, based on the following principles:

COMPETITIVENESS

When designing the Remuneration and Compensation Policy for members of the Company's governing bodies, the primary goal is to attract high-performance talent that can make a relevant and material contribution to the sustainability of the Company's businesses. The Policy is defined by benchmarking against global markets and the practices of comparable companies, based on information provided by the key studies conducted for Portuguese and European markets, namely market studies conducted by Mercer and Korn Ferry.
Accordingly, the remuneration parameters for members of the governing bodies are determined and periodically reviewed in line with the pay practices of comparable Portuguese and international companies, aligning the potential maximum amounts to be paid to the members of the governing bodies, in both individual and aggregate terms, with market practices. When doing so, the members of the governing bodies are individually and positively differentiated explicitly taking into account, among other factors, the profile and experience of the member, the nature and description of the role and competencies of the governing body concerned and that of the particular member, and the degree of the direct correlation between individual and business performance.
To determine the amounts paid in the global market, the median of the market values applicable to the fixed remuneration and the third quartile for the variable pay of Europe's top-tier executives are considered. Companies that are considered comparable businesses for the purposes of remuneration are those whose securities are traded on the Euronext Lisbon Stock Exchange.

PERFORMANCE-ORIENTED

The Policy envisages the award of bonuses calculated based on the Company's level of success. The variable pay component is structured in a way that establishes a link between bonuses awarded and the levels of individual and collective performance. If predefined goals are not achieved, measured using individual and business KPIs, the amount of short- and medium-term incentives will be partially or totally reduced.

ALIGNED WITH SHAREHOLDER INTERESTS

A portion of the variable bonus for executive directors is deferred for a period of 3 years, and the amount depends on the performance of share prices and the extent to which medium-term goals are achieved during the deferral period. This ensures that directors align their interests with those of the Shareholder and with medium-term performance, thus ensuring business sustainability.

TRANSPARENCY

Every aspect of the remuneration structure is clear and openly disclosed both within and outside of the Company by publishing documents on the Company's website.
This communication process helps promote fairness and independence.

REASONABLENESS

The Policy aims at ensuring a balance between Sonae MC's interests, market positioning, the expectations and motivation of the members of the governing bodies, and the need to retain talent.
The Company's Remuneration and Compensation Policy upholds the principle of not paying compensation to executive directors or the members of the other governing bodies upon the termination of their duties, whether as a result of their term in office ending or early termination for any reason or on any grounds, without prejudice to the Company's obligation to comply with legal provisions in force on such matters.
The Remuneration and Compensation Policy does not include any benefit schemes, namely pension schemes, for the members of the governing bodies, supervisory bodies, or other executive directors.
When applying the Remuneration Policy, the duties performed in companies that are in a parent-subsidiary or group relationship with Sonae MC are taken into account.
To ensure the effectiveness and transparency of the principles of the Remuneration and Compensation Policy, executive directors must not enter into contracts with the Company or with third parties aimed at mitigating the risks inherent to the variability of the remuneration they receive from the Company.

GOVERNING BODIES		COMPONENTS		IN RELATION TO THE MARKET	CIRCUMSTANCES UNDER WHICH AMOUNTS ARE OWED
Board of Directors	Executive Directors	Fixed	Basic comp	Median	N/A
		Variable	Short-term variable comp	Third quartile	Subject to fulfilling objective and subjective KPI requirements
	Non-Executive Directors		Medium-term variable comp	Third quartile	Subject to fulfilling objective and subjective KPI requirements
		Fixed	Compensation	Median	N/A
Statutory Audit Board		Fixed	Compensation	Median	N/A
Statutory External Auditor		Fixed	Compensation	Mediaa	N/A

A PRUDENT AND DISCIPLINED ATTITUDE

1. DESCRIPTION OF PROCESSES FOR IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL, AND RISK MANAGEMENT

Risk Management is integrated into Sonae MC's entire planning process as a structured and disciplined approach that aligns strategy, processes, People, technologies, and knowledge. Its goal is to identify, asses and manage opportunities and threats that Sonae MC businesses face in the pursuit of their business objectives and value creation.

Management and monitoring of Sonae MC's main risks are achieved through different approaches, including:

(i) As part of strategic planning, risks of the existing business portfolio, as well as the development of new businesses and relevant projects are identified and evaluated, and strategies to manage those risks are defined;

(ii) At the operational level, business risks and planned actions to manage those risks are identified and assessed, and are included and monitored within the realm of the business units and functional unit parts;

(iii) For risks of a more transversal nature, namely, large-scale organisational changes, contingency, and business continuity plans and structured risk management programmes are developed involving all those responsible for the relevant units and functions;

(iv) As far as risks to tangible assets and People are concerned, audits are carried out at the main business units. Preventive and corrective actions are implemented for the risks identified. The financial cover of insurable risks is reassessed on a regular basis;

(v) Financial risk management is carried out and monitored as part of the Company activities and those of its businesses. The outcome is reported, coordinated with, and monitored by the Corporate Finance and Treasury Committee and the Audit and Finance Committee of the Board of Directors;

(vi) Management of legal, tax, and regulatory risks is carried out and monitored by the legal and tax departments.

The risk management process is supported by a consistent and systematic methodology, based on international standards, including the following:

(i) Defining risk management focus (risk dictionary, the definition of a business risk matrix and a common language);

(ii) Systematically identifying the risks that can potentially affect the organisation (risk sources);

(iii) Evaluating the level of importance and managing the prioritisation of risks as a function of their impact on the objectives of the business, and the likelihood of the risks occurring;

(iv) Identifying the causes for the most critical risks;

(v) Evaluating strategic risk management options (e.g., accept, avoid, mitigate, transfer);

(vi) Developing and implementing a risk management action plan to be integrated into the management and planning procedures of the units and functions of Sonae MC businesses;

(vii) Monitoring how risks evolve and reporting on the progress made in the implementation of action plans.

2. INDIVIDUALS, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDIT AND / OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

Risk Management is deeply rooted in Sonae MC's culture and is one of its key Corporate Governance practices. It forms part of all management processes and is the responsibility of all Company Employees throughout the various levels within the organisation. The main goal of Risk Management is to create value by managing and controlling opportunities and threats that can affect business objectives and the going concern of Sonae MC businesses. Risk Management, alongside Environmental Management and Social Responsibility, are Company pillars of sustainable development. They contribute to continued business development by way of greater awareness and more effective management of the risks which they are subjected.

Risk Management is the responsibility of all Sonae MC's managers and Employees and is supported by the Risk Management, Internal Audit, and Strategy, Planning and Control Departments, at all levels of the organization, and through specialized teams, which report directly to their respective Board of Directors.

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

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

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

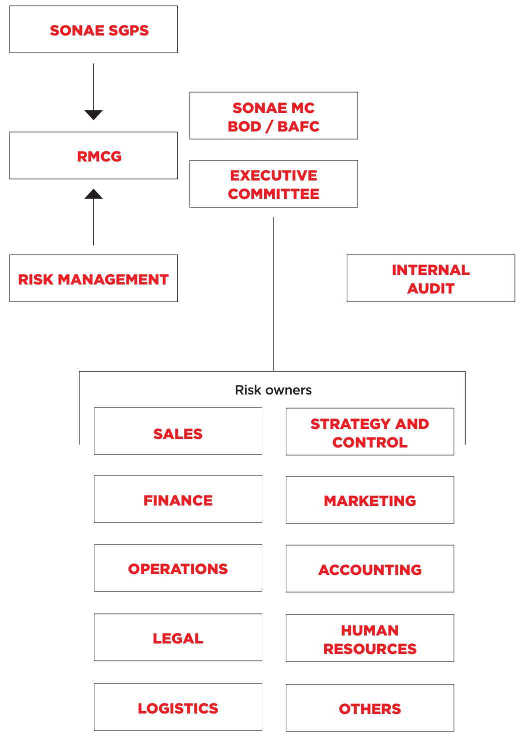
Reliability and integrity risks of financial and accounting information are also assessed and reported by the Statutory External Auditor.

3. SUBORDINATE RELATIONSHIPS HIERARCHY AND/OR FUNCTIONAL RELATIONSHIPS WITH OTHER COMPANY BODIES

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

The Statutory External Auditor verifies the effectiveness and functioning of internal control procedures in accordance with the work plan agreed upon by the Statutory Audit Board, to whom it reports its findings.

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



BOD: Board of Directors | **BAFC:** Board Audit and Finance Committee | **RMCG:** Risk Management Consulting Group

4. IDENTIFICATION AND DESCRIPTION OF THE MAIN TYPES OF RISK

EXTERNAL BUSINESS RISKS

MACRO-ECONOMIC INFLUENCES

Sonae MC's businesses are naturally exposed to the instability of the Portuguese economy, and more specifically, consumption. From a macroeconomic perspective, there has been a slowdown in economic activity amongst the main trading partners. Also, high levels of stock of public, private, and external debt, can leave the country vulnerable to external shocks. The banking system remains weak, making it difficult to finance the economy, and economic and/or political instability is likely, with subsequent increases in cost base.
Sonae MC has several initiatives underway to mitigate these risks, either through the internationalization of its businesses or through tighter cost control. Also, by establishing a strong relationship with banks and investors. The Company remains observant for acquisition and merger opportunities and adapts is value proposition to changes in consumer profiles.

COMPETITION

Risk related to the entry of new competitors, mergers and acquisition opportunities, the repositioning of current competitors, or the actions they might take to reposition themselves to win new markets and gain market share (promotional activity or store expansion). The inability to be competitive in areas such as pricing, product range, quality, and service can have considerable adverse effects on Sonae MC's financial results. To minimize this risk, Sonae continuously benchmarks the competitor's actions and invests in improved or new formats, businesses, and products/ services to consistently provide its Customers with innovative proposals.

CUSTOMERS

One of the fundamental risk factors is the propensity for consumers to change their behaviour patterns, especially because of economic and social factors. This implies a continuous adaptation and optimization of business concepts and offers.
To anticipate consumer needs and market trends, Sonae MC regularly analyses information pertaining to consumer behaviour, benefitting from data collected via the Continente Loyalty Card and carries out pulse surveys with more than 100,000 Customers every year. The introduction of new products, concepts, and technologies is always tested using pilot schemes before being rolled-out across all units. Sonae MC also allocates a significant portion of its yearly investment budget for store refurbishment, and the launch of IT-based services (including transactional sites) to ensure it retains its attractiveness and keeps abreast with technological innovation challenges.

BRAND

Sonae MC and its businesses own several high-value brands. This is one of its main assets.
The risks associated with brands originate in the negative impacts they have on the image and reputation as a result of extraordinary events. The Company periodically monitors brand value, its attributes, and visibility by systematically carrying out Customer studies, surveys hosted by specialist entities, and other market studies. Sonae MC also performs continuous follow-up of brand reputation, namely through press analysis and opinion articles plus other means of printed press or articles released in the mainstream media and social media. Sonae MC brands are regularly awarded national and international accolades that recognize excellence in specific products/services, business processes, and innovation achievements.

TANGIBLE ASSET RISKS

In 2019, preventive and safety audits were conducted in different locations of the business units (including stores, logistics warehouses, head offices and production units). In the central business units, tests and simulations were carried out against emergency and preventive systems and plans, usually in the presence of authorities and civil protection services. The development and implementation of security standards and related monitoring and self-assessment procedures (Control Risk Self-Assessment) also remained on-track.

PEOPLE SAFETY RISKS

The Health and Safety of our staff is a key management feature. Every year, several Health and Safety initiatives and actions are launched, with the aim of increasing the commitment and involvement of all our Employees in preventing and reducing professional risks, as well as promoting healthy behaviour, which may contribute to the well-being of our staff.
We are committed to the implementation of a zero-tolerance culture, and we aim to ensure that the health and safety of our Employees and Customers are never to put at risk. Sonae MC's top priority is to act strategically and in a focused manner. In 2019, Sonae MC HSS technicians maintained a strong presence in the stores and warehouses (80% of the activities carried out), to provide added value and promote a culture of safety in operations.
We continue to invest in training and coaching programs. In 2019, we developed the "*Segurança, uma questão de atenção*" (Safety, it's a matter of paying attention) programme, lectured in a real-work context, with the primary objective of increasing the level of awareness about unsafe behaviours, as well as consolidating the knowledge already acquired in previous training programmes. To support the program, a Practical Guide for Senior Managers was developed, with the mapping of good practices and useful tips so that they can exercise active and influential supervision in the reduction/ elimination of risk behaviours. "Safety Talks" were included in this program, focused on the primary safety rules for each job position, quick training, and on-the-job awareness. More than 2,000 managers and circa 15,000 Employees participated in this initiative.
Occupational risk training is a vital tool for raising awareness. In 2019, 88,426 hours of OSH training were provided, covering a population of 113,409 trainees.

Aware that Safety Animators are drivers and influencers of safe behaviours, we continue to invest in this function (created in 2004 in the operational area) to increasingly train them with skills so that with this knowledge acquisition, they become more robust, autonomous and competent mediators. In 2019 we created the Academy of Safety Animators to renew the training content, expanded training geared towards daily practice and enhanced growth (through stages of evolution) of the animators, as well as introducing innovative methodologies, advanced technologies, and stand-out solutions. In 2019, 109 Animators attended classes at the Academy.

In 2019, Sonae MC reviewed the current range of personal protective equipment to improve the level of comfort, usability, and safety. We continue to work in partnership with specialized companies to work on foot diseases. We gathered information about all medical restrictions and types of injuries applied to the feet. This study enabled us to classify diseases and to choose specific shoes for every kind of disease, for example, tailor-made shoes for diabetic feet. The "foot diseases" project classified 9 types of disease in the Sonae MC population, for which we established 17 different shoe types for various conditions. We have already solved +125 cases by delivering the specific type of footwear required for each situation.

In 2019, we continued work on the "*Frescos A a Z*" (Fresh from A to Z) project, with the primary objective of investigating the direct and indirect causes of occupational accidents, training the teams in matters related to fresh food processes, and eradicating "prohibited accidents." We created the "*Semáforo de Frescos*" (Fresh food Traffic Light System), a colour coded identification system, with the aim of sharing information on accidents that occurred in the fresh food department, their causes, and preventive measures to be implemented to prevent their reoccurrence. This information is shared monthly by e-mail and is distributed across all units. It also serves as a basis for training/awareness initiatives in the workplace. We developed a set of pilot programs across units that aim to implement operational improvements, from more ergonomic machines to equipment replacement to reduce physical effort and the acquisition of equipment to eliminate extreme and repetitive body postures.

Throughout 2019, we continued the project/partnership with Fidelidade, established in July 2017. This project aims to improve processes, develop management, and operational tools to create more agility, transparency, and control of claims through the value chain.

BUSINESS CONTINUITY RISKS

At Sonae MC, we continue to develop projects and programmes to guarantee the continuity of operations and information systems, by defining, revising and implementing procedures and processes to prepare for catastrophic crisis scenarios, namely by developing resilience, emergency, contingency and recovery plans for the businesses and information systems.

ENVIRONMENTAL RISKS

Concerning environmental risks, we obtained several environmental certifications and continued with our audits and implemented improvement initiatives as part of our Company Environmental Management processes.

In 2007 Sonae MC was granted and has maintained its Environmental Management System certification with Lloyds Register Quality Assurance per ISO 14001 standards.

Sonae MC has 60 certified units in Portugal (41 Continente hypermarkets, 8 Continente Modelo supermarkets, 5 Continente Bom Dia supermarkets, and 5 Logistics Warehouses, in addition to the Meat Processing Centre in Santarém). These certified units act as models for the implementation of best practices throughout the remaining units, within the philosophy of continuous improvements for environmental performance.

INSURABLE RISKS

Concerning the transfer of insurable risks (technical and operational), Sonae MC maintained its objective of rationalizing the financial transfer of these types of risk, be it by establishing an adequate capital structure for the capital at risk (based on the constant changes of the business) or by the intention of gaining even more critical mass in the types of risk covered. This architecture was improved because of the optimisation of the insurance programme regarding coverage and retention following the needs of each business, ensuring on an internal level, the effective insurance management on a global scale using Brokers Link, a worldwide insurance brokerage network coordinated by MDS, Sonae MC's insurance consultants.

FOOD SAFETY RISKS

Sonae MC implemented a food safety audit programme across its stores, coffee shops, restaurants, warehouses, and production centres. Of note was the creation of a report containing the main conclusions and recommendations for corrective actions.

This audit programme has the goal of systematically checking compliance with food safety regulations and internal procedures.

We carried out 2,000 food safety audits in 2019.

In 2019, the Quality and Research Department carried out more than 800 store visits. The Quality and Research Department Technical Team checks compliance of products received in Stores, and thus ensures quality management of the products. This team also monitors compliance of the products displayed in Stores in tandem with a pedagogical approach to serve as a reminder for best practices used in product display, handling, and checking that food safety and product quality processes are being complied with.

INFORMATION RISKS, PERSONAL DATA PROTECTION, AND CYBERSECURITY

Sonae MC's information systems are noted for being all-encompassing, heterogeneous, and distributed across its businesses. From an information security point of view, several risk mitigation initiatives have been developed to ensure confidentiality, availability and integrity of information, including implementing high availability systems, network infrastructure redundancy, controlling the quality of flows between applications; managing access and profiles and strengthening mechanisms for data network perimeter protection.

Throughout 2019, we continued to carry out several awareness initiatives for Personal Data Protection strictly pertaining to job function. Employees across different hierarchical levels and responsibilities participated in these initiatives. The Company also maintained its programme to comply with the standards contained in the General Data Protection Regulation, which includes a review of the Company's standards and procedures, updating its records of processing activities, reviewing its exercise of rights procedures, reviewing the duties to inform and the implementation of the GDPR compliance website.

Regarding Cybersecurity risk, several initiatives were developed as follows: the renewal of the Bitsight rating service, a protocol with the Portuguese National Centre for Cybersecurity (CNCS) in the area of Cyber Intelligence was established, awareness-raising sessions with the Portuguese Intelligence Agency (SIS) were held, training sessions particularly focused on phishing campaigns, the NIST CSF framework was adopted, and an incident management procedure was implemented.

In 2019, audits were carried out on the information systems that support Sonae MC's critical processes, with the aim of identifying and correcting potential vulnerabilities that could have a negative impact on the business and information security. Audits were also carried out on Sonae MC's IT management and governance processes using the Cobit V5 framework as a reference.

FINANCIAL RISKS

Sonae MC is exposed to a variety of financial risks that may impact on its equity value. In summary, they can be grouped as follows:

1. Interest Rate Risks
2. Exchange Rate Risks
3. Liquidity Risks
4. Credit Risks
5. Price and Market Risks
6. Equity Risks

Hypothetically, financial risk is understood to be the possibility of obtaining different results from those expected, with material impact to the businesses. Sonae MC seeks to, whenever possible, control this volatility in order to protect its equity value.
Considering the varied nature of the various Sonae MC businesses, there is not an individual policy for the management of these risks. There are general principles that arise from best management practices. However, a personalized approach adapted to the intrinsic characteristics of each business unit is preferred.
Sonae MC's approach to financial risk management is conservative and prudent. Sonae MC does not assume any speculative positions. Therefore, all operations carried out within the scope of financial risk management are solely for the purpose of controlling the risks to which Sonae MC is already exposed.
Due to the nature of its business, Sonae MC is particularly active in covering the exchange rate risk that arises principally from the international sourcing activity. These transactions are generally performed by the hiring of derivative financial instruments, with banks with whom Sonae MC has previously signed ISDA agreements with, per best international practices. Although to a lesser degree, in the management of interest rate risk, whenever coverages are made, the proceedings are the same.

A substantial part of Sonae MC's resources is collected from banks with whom there is an existing relationship, and occasionally on the capital markets and, accordingly, Sonae MC is, inevitably, exposed to its intrinsic volatility. In order to ensure that the Company has the financial capability to honour its commitments, Sonae MC follows financing policies that recommend the requirements be refinanced in advance over a period of 18 months, plus predetermined prudential buffers, thus reducing the impact of a sudden disruption of the capital markets, in its businesses activities. Additionally, Sonae MC seeks to have a diversity of counterparties to minimize the effect that any specific events at a bank or country may have on the Company's ability to access funds for the intended amounts and desirable conditions.
Coverage of its Customer risks is an area that has been gaining ground in the past years, buoyed by the growth of the sales channels across the various business units. Although this risk is relatively limited in consolidated terms, the expansion of the wholesale and franchising activities of the various businesses has forced Sonae MC to focus on its management of such risks, be it by establishing policies adapted to its characteristics and nature of the different businesses, defining clear credit risk limits, or within the realm of its own policies, the transferal of part of these risks to third parties by way of credit insurance, bank guarantees or documentary credits, among other similar instruments. Additionally, Sonae MC has created Credit Committees on a business by business basis, comprised of a multidisciplinary team so that the risk of defaults by the Customers is mitigated and monitored systematically and in a timely manner.
The objectives of capital structure management (defined as the proportion between equity and net debt) are to safeguard the Company's ability to ensure the continuity and development of its operating activities, at the same time maximise Shareholder returns and optimise financing costs.
The financial risk management policy is determined by Sonae MC´s Board of Directors.
Risk exposure is also monitored by the Corporate Finance and Treasury Committee, which in turn reviews a consolidated risk analysis and reports on a monthly basis. The risk management policy is also analysed and regularly reviewed.
The system which has been implemented ensures that, at each moment, appropriate policies to manage financial risks are adopted, and that they do not condition Sonae MC's strategic objectives.

LEGAL, TAX AND REGULATORY RISKS

Sonae MC relies on legal and tax counsel who are dedicated full-time to the respective activities and operate under management's supervision and develop their competencies by articulating with other teams and counsel to pre-emptively ensure Sonae MC and businesses interests are protected in strict compliance with its legal obligations and best corporate governance practices.
The teams which comprise these departments have specialised training and participate in in-house and external training courses to update their expertise.
Legal and tax counsel is also provided on a national and international level by outsourced resources selected from firms with established reputations in accordance with the highest levels of competence, ethics, and experience.
Sonae MC businesses are obliged to comply with national, local and sector laws and regulations for each market in which they operate, aiming to ensure: consumer safety and protection, workers' rights, environmental protection and compliance with local and country planning regulations, compliance with sector regulations and the maintenance of open and competitive markets. In this way, Sonae MC is naturally exposed to the risk of changes in regulations that may condition business as usual and consequently affect or impede the achievement of its strategic objectives.
Sonae MC acts in constant collaboration with the authorities to comply with laws and regulations. In some cases, this collaboration takes the form of comments on public consultation issued by national or international authorities. The growing international presence of Sonae MC businesses is affected by specific risks related to the different nature of legal frameworks in each country, and the specificities and complexities resulting from the Company's diverse business portfolio.

HUMAN RESOURCES RISKS

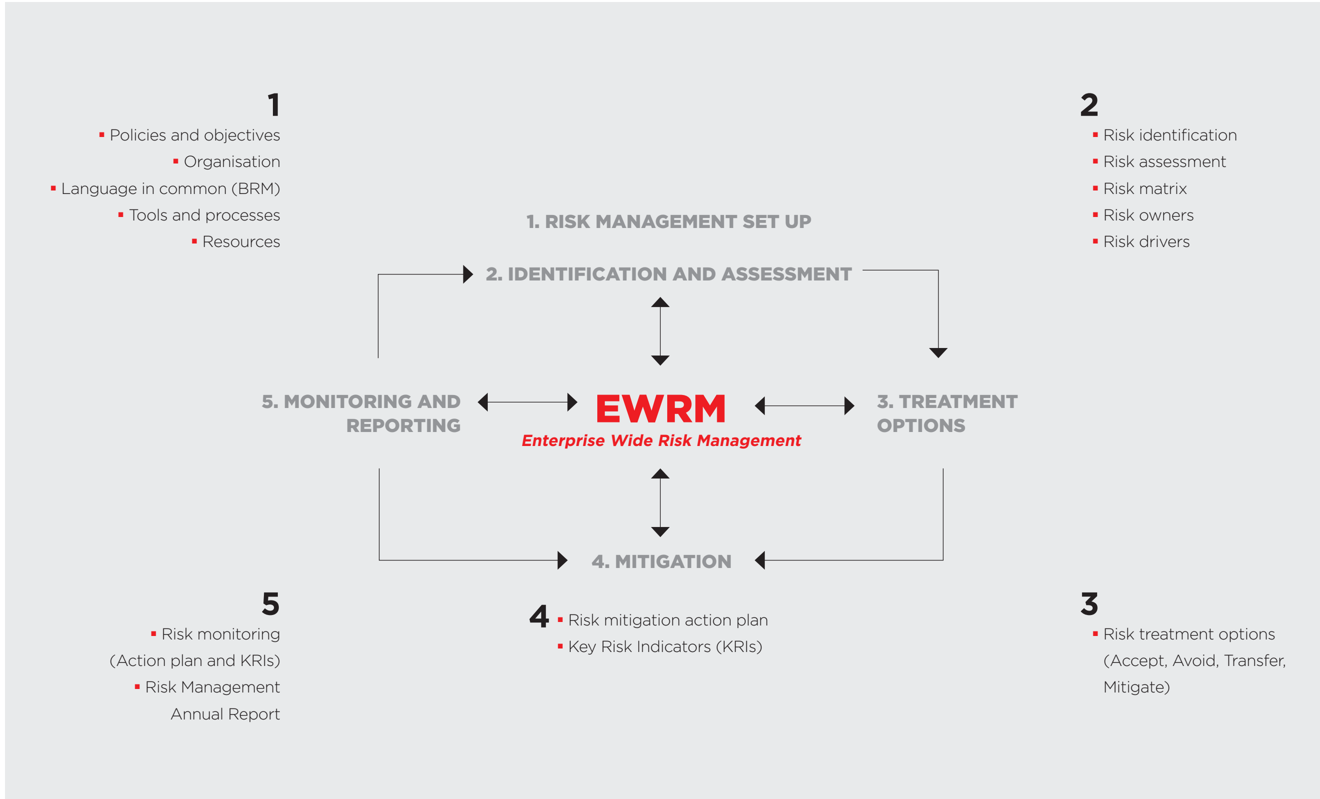
In 2019, Sonae MC and its businesses in Portugal experienced a situation of full employment, associated with a highly competitive labour market. This put additional pressure on Sonae MC's capacity to recruit and retain high potential Employees. As a way to manage this risk, several initiatives were developed, of which we highlight the following: flexible working hours ("Flex it Up"), the review of remuneration policies, the roll-out of programs aimed at young Employees ("*Contacto*", "Future Leaders @ Retail"), the management and improvement of Employee performance and potential ("Improving Our People"), and the development of career accelerators for high potential Employees.
The Sonae MC's business heterogeneity, size, and stage of development can contribute to the existence of complex

and inflexible organizational structures, which impact timely decision-making processes and consequent loss of opportunities. Aware of this risk, Sonae MC has developed several initiatives to promote projects with mixed and multidisciplinary teams, as well as developing collaborative IT solutions, the digitization of human resources processes, the reduction of organizational silos and the implementation of KaiZen methodologies, and the "Sonae MC Academy" (a training centre for Employees) with its "Sonae Management & Leadership" programme geared towards promoting young talent.

5. INITIATIVES DEVELOPED IN 2019

2019 was mainly focused on the implementation and operationalization of an Enterprise-Wide Risk Management exercise, coordinated by Sonae's corporate risk department, which ensured the alignment of risk management methodologies, practices, and calendar across all Sonae companies.
In the first quarter of the year, Sonae MC's risks were identified, and a new dictionary and risk taxonomy were developed. During this period, a questionnaire was prepared to support the risk assessment.
During the second quarter, risk assessment was carried out. This is the responsibility of Sonae MC's Executive Committee. After the individual assessment, a calibration session was held, which resulted in Sonae MC's risk matrix being approved, the identification of critical risks, and the appointment of the respective owners being assigned.

In the third and fourth quarters, a joint effort was carried out with each risk owner where mitigation actions were identified and implemented, and risk indicators were monitored. Across all levels of Sonae MC businesses, these activities were supported by an application tool that was developed internally and is based on the international COSO standard.
The Risk Management Department continued to provide support to risk management across the main projects within the organization, as well as in developing crisis management and business continuity plans.



6. SUBSEQUENT EVENTS

COVID-19 PANDEMIC

The Board of Directors is closely monitoring with grave concern all developments related to the Covid-19 pandemic. Sonae MC is keeping a close eye on guidelines and statements issued by recognised international agencies, namely the World Health Organisation, the European Centre for Disease Prevention and Control, and the Portuguese Directorate-General of Health (DGS).
Within this framework, and still in the phase when the outbreak was limited to China, a Crisis Committee was set-up, and prevention/contingency plans defined for similar situations have been implemented. These are based upon concrete and concerted measures, and span the organisation as a whole, ranging from our operations to the Group's core structures.
At this stage, attempting to quantify the magnitude of the impacts if the risk level should worsen is an incredibly complex task. The Company has implemented several initiatives it considers adequate to minimise potential adverse effects in line with recommendations issued by competent entities while considering the stakeholders' best interests.

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)
(Amounts expressed in euro)

					Unaudited amounts	
ASSETS	Notes	31 Dec 2019	31 Dec 2018 Restated	01 Jan 2018 Restated	31 Dec 2019 Pro Forma	31 Dec 2018 Pro Forma
NON-CURRENT ASSETS:						
Property, plant and equipment	7	1,346,281,271	1,293,140,018	1,647,932,405	1,346,281,271	1,293,140,018
Intangible assets	8	261,231,849	211,150,982	342,916,302	261,231,849	211,150,982
Right-of-use assets	9	898,438,645	780,101,393	860,046,399	898,438,645	780,101,393
Goodwill	10	469,424,119	446,613,429	553,339,386	469,424,119	446,613,429
Investments in joint ventures and associates	11	4,437,916	4,084,814	41,442,483	4,437,916	4,084,814
Other investments	6 and 12	17,247,851	16,589,032	12,323,384	17,247,851	16,589,032
Deferred tax assets	20	256,228,882	224,280,905	269,793,843	256,228,882	224,280,905
Income tax assets	18	4,489,601	4,527,309	6,181,878	4,489,601	4,527,309
Other non-current assets	6 and 13	10,763,959	4,818,467	13,026,695	10,763,959	4,818,467
Total Non-Current Assets		3,268,544,093	2,985,306,349	3,747,002,775	3,268,544,093	2,985,306,349
CURRENT ASSETS:						
Inventories	14	407,431,039	396,767,259	713,020,919	407,431,039	396,767,259
Trade receivables	6 and 15	98,402,123	123,073,991	85,264,416	43,058,975	51,302,580
Other receivables	6 and 16	77,059,454	50,360,094	61,201,495	77,059,454	50,360,094
Income tax assets	18	43,121,953	43,820,498	32,179,395	43,121,953	43,820,498
Other tax assets	17	25,346,830	21,839,668	39,932,718	25,346,830	21,839,668
Other current assets	19	30,704,431	25,046,251	46,473,653	30,704,431	31,978,582
Other investments	6 and 12	394,309	1,231,414	179,881	117,866	1,231,414
Cash and bank balances	21	77,339,624	78,235,498	162,378,843	89,050,845	98,818,948
Total Current Assets		759,799,763	740,374,673	1,140,631,320	715,891,393	696,119,043
Assets classified as held for sale	7	27,500,462	-	782,540	27,500,462	-
TOTAL ASSETS		4,055,844,318	3,725,681,022	4,888,416,635	4,011,935,948	3,681,425,392
EQUITY AND LIABILITIES						
EQUITY:						
Share capital	22	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Own shares	22	-	-	(320,000,000)	-	-
Legal reserve		177,949,491	174,887,958	174,845,768	177,949,491	174,887,958
Reserves and retained earnings		(590,179,221)	(1,152,934,100)	(225,926,029)	(590,179,221)	(1,148,934,100)
Profit/(Loss) for the period attributable to the equity holders of the Parent		132,300,259	641,999,525	-	132,300,259	641,999,525
Equity attributable to the equity holders of the Parent Company		720,070,529	663,953,383	628,919,739	720,070,529	667,953,383
Non-controlling interests	23	54,735,349	29,008,359	89,262,617	54,735,349	29,008,359
TOTAL EQUITY		774,805,878	692,961,742	718,182,356	774,805,878	696,961,742
LIABILITIES:						
NON-CURRENT LIABILITIES:						
Loans	6 and 24	407,666,667	403,000,000	337,457,361	407,666,667	403,000,000
Bonds	6 and 24	252,163,176	254,870,409	282,306,545	252,163,176	254,870,409
Other loans, leases and derivatives	6, 24 and 25	956	11,569	720,507	956	11,569
Lease liabilities	6 and 9	930,393,296	806,331,265	869,557,356	930,393,296	806,331,265
Other non-current liabilities	26	22,719,068	23,143,388	414,696,058	22,719,068	22,874,677
Deferred tax liabilities	20	330,530,672	271,082,478	317,864,195	330,482,265	271,023,872
Provisions	31	9,418,605	9,570,442	14,659,973	9,418,605	9,570,442
Total Non-Current Liabilities		1,952,892,440	1,768,009,551	2,237,261,995	1,952,844,033	1,767,682,234
CURRENT LIABILITIES:						
Loans	6 and 24	16,847,781	45,579,391	121,452,497	16,847,781	45,579,391
Bonds	6 and 24	2,996,380	2,996,380	57,970,806	2,996,380	2,865,144
Other loans, leases and derivatives	6, 24 and 25	430,711	265,457	1,814,832	146,386	265,457
Lease liabilities	6 and 9	75,998,767	52,581,242	69,228,755	75,998,767	52,581,242
Trade payables	6 and 28	870,957,571	832,109,114	1,177,460,245	828,570,918	783,057,489
Other payables	6 and 29	76,568,322	83,417,341	117,838,339	76,568,322	82,299,253
Income tax liabilities	18	50,200,397	36,842,217	31,153,884	50,200,397	36,842,217
Other tax liabilities	17	73,346,098	65,407,359	80,980,619	73,340,631	65,343,090
Other current liabilities	30	160,238,232	144,602,827	269,461,924	159,054,715	147,039,732
Provisions	31	561,741	908,401	5,610,383	561,741	908,401
Total Current Liabilities		1,328,146,000	1,264,709,729	1,932,972,284	1,284,286,038	1,216,781,416
TOTAL LIABILITIES		3,281,038,440	3,032,719,280	4,170,234,279	3,237,130,070	2,984,463,650
TOTAL EQUITY AND LIABILITIES		4,055,844,318	3,725,681,022	4,888,416,635	4,011,935,948	3,681,425,392

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated	Unaudited amounts 31 Dec 2018 Pro Forma
Sales	35	4,573,923,275	4,191,168,639	4,191,168,639
Services rendered	35	128,090,850	116,335,901	116,335,901
Gains and losses on investments	36	93,503	1,942,721	1,942,721
Other income	38	86,472,011	102,959,760	102,959,760
Cost of goods sold and materials consumed	14	(3,288,062,137)	(3,003,067,240)	(3,003,067,240)
External supplies and services	39	(399,530,587)	(383,872,415)	(383,872,415)
Employee benefits expense	40	(570,821,703)	(522,970,216)	(522,970,216)
Other expenses	41	(49,603,888)	(44,605,836)	(44,605,836)
Depreciation and amortisation expenses	7, 8 and 9	(243,764,969)	(212,470,949)	(212,470,949)
Impairment losses	31	(3,563,918)	(12,057,424)	(12,057,424)
Provisions	31	17,269	(1,175,554)	(1,175,554)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax		233,249,706	232,187,387	232,187,387
Dividends received during the year	36	100,450	100,450	100,450
Share of profit or loss of joint ventures and associates	11.3	502,548	(446,603)	(446,603)
Financial income	37	4,798,602	3,776,300	2,748,573
Financial expense	37	(79,089,148)	(124,956,112)	(67,968,741)
Profit from continuing operations before tax		159,562,158	110,661,422	166,621,066
Income tax expense	42	(22,174,612)	(9,069,721)	(21,063,588)
Profit from continuing operations for the period		137,387,546	101,591,701	145,557,478
Profit/(Loss) from descontinued operations after taxation	5	504,843	542,395,735	498,429,958
Consolidated profit/(Loss) for the period		137,892,389	643,987,436	643,987,436
Attributable to owners of the Company:				
Continuing operations		131,795,416	99,094,410	143,060,187
Discontinued operations		504,843	542,905,115	498,939,338
		132,300,259	641,999,525	641,999,525
Attributable to non-controlling interests:				
Continuing operations		5,592,130	2,497,291	2,497,293
Discontinued operations		-	(509,380)	(509,380)
		5,592,130	1,987,911	1,987,911
Profit/(Loss) per share				
From continuing operations				
Basic	44	0.131795	0.107129	0.154660
Diluted	44	0.131795	0.107129	0.154660
From descontinued operations				
Basic	44	0.000505	0.586924	0.539394
Diluted	44	0.000505	0.586924	0.539394

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated
Net Profit / (Loss) for the period		137,892,389	643,987,436
Items that maybe reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		776,207	3,879,991
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	11.3	4,730	6,076,188
Changes in hedge and fair value reserves		(575,833)	(163,384)
Deferred taxes related with other components of comprehensive income		80,199	8,310
Others		71,895	(343,778)
Other comprehensive income for the period		357,198	9,457,327
Items that were reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations related to discontinued operations		-	(74,790)
		-	(74,790)
Total other comprehensive income for the period		357,198	9,382,537
Total comprehensive income for the period		138,249,587	653,369,973
Attributable to:			
Equity holders of parent company		132,747,518	651,598,031
Non controlling interests		5,502,069	1,771,942

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Share Capital	Own Shares	Reserves and Retained Earnings: Legal Reserve	Currency translation Reserve	Hedging Reserve	Legal Reserves in accordance with article 342º CSC	Other Reserves and Retained Earnings	Total of reserves and retained earnings	Net Profit/ (Loss)	Total	Non controlling Contolling Interests (Note 23)	Total Equity
	Attributable to Equity Holders of Parent Company											
Balance as at 1 January 2018 Published	1,000,000,000	(320,000,000)	174,845,768	2,703,308	167,896	320,000,000	(511,803,554)	(188,932,350)	27,632,093	693,545,511	92,016,336	785,561,847
Impact of applying IFRS 16	-	-	-	-	-	-	(64,625,772)	(64,625,772)	-	(64,625,772)	(2,753,719)	(67,379,491)
Balance as at 1 January 2018 Restated	1,000,000,000	(320,000,000)	174,845,768	2,703,308	167,896	320,000,000	(576,429,326)	(253,558,122)	27,632,093	628,919,739	89,262,617	718,182,356
Total compreensive income for the period	-	-	-	3,791,634	(57,734)	-	5,864,606	9,598,506	641,999,525	651,598,031	1,771,942	653,369,973
Appropriation of profit of 2017												
Transfer to legal reserves and retained earnings	-	-	42,190	-	-	-	27,589,903	27,589,903	(27,632,093)	-	-	-
Dividends distributed	-	-	-	-	-	-	(473,360,297)	(473,360,297)	-	(473,360,297)	(1,393,908)	(474,754,205)
Income distribution	-	-	-	-	-	-	-	-	-	-	(1,738,459)	(1,738,459)
Return of capital inflows	-	-	-	-	-	-	(372,000,000)	(372,000,000)	-	(372,000,000)	-	(372,000,000)
Disposal of own shares	-	320,000,000	-	-	-	-	(96,889,000)	(96,889,000)	-	223,111,000	-	223,111,000
Release of reserves under Art. 324 of the CSC	-	-	-	-	-	(320,000,000)	320,000,000	-	-	-	-	-
Creation of affiliated companies	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Disposal of affiliated companies	-	-	-	-	-	-	-	-	-	-	(58,907,371)	(58,907,371)
Change in consolidation method	-	-	-	-	-	-	-	-	-	-	(1,211,038)	(1,211,038)
Others	-	-	-	-	-	-	5,684,910	5,684,910	-	5,684,910	1,344,576	7,029,486
Balance as at 31 December 2018 Restated	1,000,000,000	-	174,887,958	6,494,942	110,162	-	(1,159,539,204)	(1,152,934,100)	641,999,525	663,953,383	29,008,359	692,961,742
Balance as at 1 January 2019 Published	1,000,000,000	-	174,887,958	6,494,942	110,162	-	(1,100,598,341)	(1,093,993,237)	648,954,594	729,849,315	31,145,956	760,995,271
Impact of applying IFRS 16	-	-	-	-	-	-	(58,940,863)	(58,940,863)	(6,955,069)	(65,895,932)	(2,137,597)	(68,033,529)
Balance as at 1 January 2019 Restated	1,000,000,000	-	174,887,958	6,494,942	110,162	-	(1,159,539,204)	(1,152,934,100)	641,999,525	663,953,383	29,008,359	692,961,742
Total comprehensive income for the period	-	-	-	776,207	(425,789)	-	96,841	447,259	132,300,259	132,747,518	5,502,069	138,249,587
Appropriation of profit of 2018												
Transfer to legal reserves and retained earnings	-	-	3,061,533	-	-	-	638,937,992	638,937,992	(641,999,525)	-	-	-
Dividends distributed (Note 23)	-	-	-	-	-	-	(75,000,000)	(75,000,000)	-	(75,000,000)	(2,027,573)	(77,027,573)
Income distribution	-	-	-	-	-	-	-	-	-	-	(236,205)	(236,205)
Aquisitions of affiliated companies (Note 4)	-	-	-	-	-	-	-	-	-	-	20,442,727	20,442,727
Capital increase	-	-	-	-	-	-	-	-	-	-	127,506	127,506
Others	-	-	-	-	-	-	(1,630,372)	(1,630,372)	-	(1,630,372)	1,918,466	288,094
Balance as at 31 December 2019	1,000,000,000	-	177,949,491	7,271,149	(315,627)	-	(597,134,743)	(590,179,221)	132,300,259	720,070,529	54,735,349	774,805,878

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated
OPERATING ACTIVITIES			
Cash receipts from trade debtors		4,725,804,273	4,312,720,607
Cash paid to trade creditors		(3,629,311,728)	(3,301,897,700)
Cash paid to employees		(560,885,046)	(516,977,292)
Cash flow generated by operations		535,607,499	493,845,615
Income taxes (paid) / received		2,492,870	(24,642,535)
Other cash receipts and (payments) relating to operating activities		(18,410,075)	5,359,223
Net cash flow from operating activities (1)		519,690,295	474,562,304
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	45	819,547	29,275,821
Property, plant and equipment		29,368,863	93,858,560
Intangible assets		4,211,695	642,276
Interests and similar income		1,638,422	2,894,607
Dividends	36	1,204,625	642,744
		37,243,152	127,314,008
Cash Payments arising from:			
Investments	45	(59,851,932)	(28,120,703)
Property, plant and equipment		(212,752,665)	(189,802,057)
Intangible assets		(24,049,166)	(33,726,302)
		(296,653,763)	(251,649,062)
Net cash used in investment activities (2)		(259,410,611)	(124,335,054)
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		5,168,237,000	5,567,269,577
Capital increases, additional paid in capital and share premiums		3,956,767	-
		5,172,193,767	5,567,269,577
Cash Payments arising from:			
Lease agreements		(128,094,863)	(103,190,825)
Loans obtained		(5,214,529,877)	(5,597,763,674)
Shareholders owns		-	(400,000,000)
Interests and similar charges		(13,471,965)	(70,533,154)
Reimbursement of capital and paid in capital		-	(372,000,000)
Dividends		(77,263,778)	(472,405,352)
Discontinued Activity Flows		(5,433,360,483)	(7,015,893,005)
Net cash used in financing activities (3)		(261,166,716)	(1,448,623,428)
Receipts from discontinued operations		-	2,768,391,717
Payments to discontinued operations		-	(1,682,731,135)
		-	1,085,660,582
Net increase in cash and cash equivalents (5) = (1) + (2) + (3)+ (4)		(887,032)	(12,735,596)
Effect of foreign exchange rate		(343)	39,238
Effect of discontinued operations		-	(68,576,014)
Cash and cash equivalents at the beginning of the period	21	78,212,357	159,563,205
Cash and cash equivalents at the end of the period	21	77,325,668	78,212,357

The accompanying notes are part of these consolidated financial statements.

SONAE MC, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts stated in euro)

1 INTRODUCTION

Sonae MC, SGPS, S.A., formerly referred to as Sonae Investimentos, SGPS, S.A., has its head-office at Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Portugal, and is the parent company of a group of companies, as detailed in Notes 11, 12 and 48 as Sonae MC Group ("Sonae MC").

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are described below. These policies have been consistently applied in comparative periods.

2.1 BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable to economic periods beginning on 1 January 2019, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as at the consolidated financial statements issuance date.

The accompanying condensed consolidated financial statements have been prepared from the books and accounting records of the company and subsidiaries, joint ventures and associates companies, adjusted in the consolidation process, on a going concern basis. In preparing the consolidated financial statements, the Group used the historical cost adjusted, when applicable, to measure the fair value of i) financial assets at fair value through profit or loss, ii) financial assets at fair value through other comprehensive income and iii) investment properties measured at fair value.

The preparation of the consolidated financial statements according to IFRS requires the use of estimates, assumptions and critical judgments in the process of determining the accounting policies to be adopted by the Entity, with a significant impact on the book value of assets and liabilities, as well as income and expenses of the period.

Although these estimates are based on the best experience of the Board of Directors and their best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas that involve a greater degree of judgment or complexity, or areas where assumptions and estimates are significant are presented in Note 2.21.

Additionally, for financial reporting purposes, fair value measurement is categorized in Level 1, 2 and 3, according to the level in which the used assumptions are observable and its significance for estimating the fair value, used in the measurement of assets/liabilities or for disclosure purposes.

Level 1 – Fair value is determined based on active market prices for identical assets/liabilities;

Level 2 – Fair value is determined based on other data other than market prices identified in Level 1, but they are possible to be observable; and

Level 3 – Fair value measurements derived from valuation techniques, whose main inputs are not based on observable market data.

New accounting standards and their impact in these consolidated financial statements:

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions some of which become mandatory during the year 2019:

With mandatory application during the year 2019:		Effective date (for financial years beginning on or after)
IFRS 16	Leases (New definition of lease, recognition and measurement principles; New accounting of lease contracts for tenants. There are no changes to the accounting of leases by lessors.)	01 Jan 2019
IFRS 9 (amendment)	Financial Instruments (Exemption from the classification of financial assets at amortized cost for financial assets with prepayment features with negative compensation).	01 Jan 2019
IAS 19 (amendment)	Employee benefits (Obliges to use updated assumptions for the calculation of remaining liabilities after updating, benefit cut or settlement, with an impact on the income statement, except for the decrease of any excess within the asset ceiling)	01 Jan 2019
IAS 28 (amendament)	Investments in associates and joint ventures (Clarification regarding long-term investments in associates and joint ventures that are not being measured using the equity method)	01 Jan 2019
IFRIC 23	Uncertainly over income tax treatments (Clarification regarding the application of the recognition and measurement principles of IAS 12 when there is uncertainty about the tax treatment of an income tax transaction)	01 Jan 2019
	Improvements to standards 2015 - 2017. This cycle of improvements affects the following standards: IAS 23, IAS 12, IFRS 3 and IFRS 11.	01 Jan 2019

These standards were applied by the Group in 2019. The Group carried out an analysis of the changes introduced and their impact on the financial statements and concluded that the application of those standards part from of IFRS16, did not produce material effects in the financial statements.

IFRS 16 adoption impact

Sonae MC adopted IFRS 16 using the full retrospective approach, therefore, the information from the financial statements of 2018 were restated, as if this standard had been applied since the beginning of the lease contracts.

The Group opted to make the " grandfather " of the leases, that is, it only considered in the transition the contracts that were already considered operating leases in the light of IAS 17, having excluded the contracts with a duration of 12 months and those of reduced value.

Recognition

Sonae MC recognize a right of use of an asset and a lease liability on the start date of the lease. The right of use of the asset is initially measured at the cost, comprising the initial value of the lease liability adjusted for any lease payments made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of the dismantling costs and removal of the underlying asset (if applicable), deducted from any incentive granted.

The lease responsibility is initially recognized by the present value of the rents to be paid at the date of the lease, discounting the implied interest rate in the lease, or in the event that it is not possible to easily determine this rate, using the Group's incremental interest rate.

In general, Sonae MC uses its incremental interest rate as the discount rate to be applied. Lease payments included in the measurement of lease liabilities include fixed payments, deducted from any incentives already received.

The lease liability is measured at amortized cost, using the effective interest method, being remeasured when changes in future payments derived from a change in the rate or index are verified, as well as the possible modifications of lease agreements.

When the liability is remeasured, the value of the right of use is also adjusted, or if the carrying amount of the asset of the right of use was already reduced to zero, a profit or loss is recorded in the income statement.

Sonae MC presents the rights of use of assets and responsibilities for leases in duly segregated captions in the statement of the financial position.

Depreciation

The right of use of the asset is depreciated using the linear depreciation method, based on the lease term.

The quantitative impacts of the application of this standard are detailed in Note 5.

The following standards, interpretations, amendments and revisions have been endorsed by the European Union and are binding for future economic years:

With mandatory application after 2020		Effective date (for financial years beginning on or after)
IAS 1 E IAS 8 (amendment)	Presentation of financial statements and accounting policies, changes in accounting estimates and errors (Updating the material definition when applying the standards to the financial statements as a whole)	01 jan 2020
	Concetual structure - Changes in reference to other IFRS (Amendment to some IFRS regarding cross references and clarifications on the application of the new definitions of assets / liabilities and expenses / income)	01 Jan 2020

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2019 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

The following standards, interpretations, amendments and revisions were not at to the date of approval of these consolidated financial statements endorsed by the European Union:

With mandatory application after 2020		Effective date (for financial years beginning on or after)
IFRS 3 (amendment)	Business combinations (clarifies what a business activity is)	01 Jan 2020
IFRS 9, IAS 39 and IFRS7 (amendment)	Interest rate benchmark reform	01 Jan 2020
IFRS 17	(Insurance contracts)	01 Jan 2021

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2019 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

2.2 CONSOLIDATION PRINCIPLE

The consolidation methods adopted by Sonae MC are as follows:

a) Investments in controlled companies

Investments in companies in which Sonae MC owns, directly or indirectly, control are included in the consolidated financial statements using the full consolidation method.

Sonae has control of the subsidiary when the company fulfils the following conditions cumulatively: i) has power over the subsidiary; ii) is exposed to, or has rights, to variable results from its involvement with the subsidiary; and iii) the ability to use its power to affect its returns.

When the Group has less than a majority of a subsidiary voting rights, it has power over the investee when the voting rights are sufficient to decide unilaterally on the relevant activities of its subsidiary. The Group considers all the facts and circumstances relevant to assess whether the voting rights in the subsidiary are sufficient to give it power.

Sonae MC reassesses both whether it controls an entity or not if facts and circumstances indicate that there are changes to one or more of the control conditions listed above.

Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated statement of financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 48.

The comprehensive income of an associated is attributable to the Group owners and non-controlling interests, even if the situation results in a deficit balance at the level of non-controlling interests.

Assets and liabilities of each Sonae subsidiary are measured at their fair value at the acquisition date or control assumption, such measurement can be completed within twelve months after the date of acquisition. The excess of the consideration transferred plus the fair value of any previously held interests and non-controlling interests over the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.c)). If the difference between the acquisition price plus the fair value of any interests previously held and the value of non-controlling interests and the fair value of identifiable net assets and liabilities acquired is negative, it is recognized as income for the year under "Other Income "after reconfirmation of the fair value attributed to the net assets acquired. The Sonae Group will choose on transaction-by-transaction basis, the fair measurement of non-controlling interests, (i) according to the non-controlling interests share assets, liabilities and contingent liabilities of the acquired, or (ii) according to their fair value.

Subsequent transactions in the disposal or acquisition of interests in non-controlling interests that do not imply a change in control do not result in the recognition of gains, losses or goodwill. Any difference between the transaction and book value of the traded interest is recognized in Equity, in other equity instruments.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of gain of control or up to the effective date of loss of control, as appropriate.

Adjustments to the financial statements of Sonae companies are performed, whenever necessary, in order to adapt accounting policies to those used by Sonae MC. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on the consolidation process. Unrealized losses are also eliminated if they do not show an impairment of the transferred asset.

b) Investments in the joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement instead of rights to the assets and obligations for the liabilities of the joint arrangement. Joint control is obtained by contractual provision and exists only when the associated decisions must be taken unanimously by the parties who share control.

In situations where the investment or financial interest and the contract concluded between the parties allows the entity holds joint control directly on the active or detention rights obligations inherent liabilities related to this agreement, it is considered that such joint agreement does not correspond to a joint venture but rather a jointly controlled operation. As at 31 December 2019 and 2018 the Group did not hold jointly controlled operations.

Financial investments in associates are investments where Sonae has significant influence, but in which it does not have control or joint control. Significant influence (presumed when contributions are above 20%) is the power to participate in the financial and operating decisions of the entity, without, however, holding control or joint control over those decisions.

Investments in joint ventures and associates are recorded under the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to Sonae MC in comprehensive income (including net profit for the period) of jointly controlled entities and associates, against the Group's comprehensive income or gains or losses for the year as applicable, and dividends received.

The excess of cost of acquisition over the fair value of identifiable assets and liabilities of each joint venture and associate at the acquisition date is recognized as goodwill and is kept under which is included in the caption Investment in joint ventures and associates companies (Note 2.2.c)). Any excess of Sonae's share in the fair value of the identifiable net assets acquired over cost are recognized as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired under the caption "Share of results of joint ventures and associates".

An assessment of investments in jointly controlled and associated companies is performed when there is an indication that the asset might be impaired being any impairment loss recorded in the income statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the proportion of Sonae MC in the accumulated losses of the associate and joint ventures exceeds the value by which the investment is registered, the investment is reported at zero value, except when Sonae has entered into commitments with the investee.

Sonae MC's share in not performed gains, not related to business activities arising from transactions with jointly controlled and associated companies are eliminated in proportion to Sonae´s interest in the above-mentioned entities against the investment on the same entity. Unrealized losses are as well eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

When the not performed gains or losses on transactions correspond to business activities and taking into consideration the inconsistency existing between currently the requirements of IFRS 10 and IAS 28, Sonae MC, taking into account the defined in amendment to IFRS 10 and IAS 28 proceeds to full gain/loss recognition in situations where there is loss of control of that business activity as a result of a transaction with a joint venture.

If the financial holding in a joint venture or an associate is reduced, maintaining significant influence, only a proportionate amount of the amounts previously recognized in other comprehensive income is reclassified to the income statement.

The accounting policies of joint ventures and associates are amended, where necessary, to ensure that they are consistently applied by all Group companies.

Investments in jointly controlled and associates are disclosed in Note 11.

c) Goodwill

The excess of consideration transferred in the acquisition of investments in subsidiaries of Sonae MC, jointly controlled and associated companies plus the amount of any non-controlling interests (in the case of affiliated companies) over Sonae's share in the fair value of the identifiable assets, liabilities and contingent liabilities of those companies at the date of acquisition, when positive, is shown as goodwill (Note 10) or as Investments in jointly controlled and associated entities (Note 11). The excess of the consideration transferred in the acquisition of investments in foreign companies the amounts of any non-controlling interests (in the case of affiliated companies) over the fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Sonae MC's functional currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are recorded and disclosed in "Currency translation reserves".

Future contingent consideration is recognized as a liability, at the acquisition-date, according to its fair value, and any changes to its value are recorded as a change in the goodwill, but only as long as they occur during the measurement period (until 12 months after the acquisition-date) and as long as they relate to facts and circumstances prior to that existed at the acquisition date, otherwise these changes must be recognized in profit or loss on the income statement.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders' funds captions, and without giving rise to any additional goodwill and without any gain or loss recognised.

When a disposal transaction generates a loss of control, assets and liabilities of the entity are derecognised, any interest retained in the entity sold is be remeasured at fair value and any gain or loss calculated on the sale is recorded in results.

Goodwill is not amortised, but it is subject to impairment tests on an annual basis or whenever there are indications of impairment to check for impairment losses to be recognized. The analysis of the impairment losses is made based on the valuation of the accounting value of the cash generating unit ("UGC") to which the goodwill was allocated, which is compared to its recoverable value, i.e., the highest between fair value deducted from estimated costs of sale and the value of use of the UGC. Net recoverable amount is determined based on business plans used by Sonae management or on valuation reports issued by independent entities namely for real estate operations and related assets. Goodwill impairment losses recognized in the period are recorded in the income statement under the caption "Provisions and impairment losses".

When the Group reorganizes its activities, implying a change in the composition of its cash generating units, implying a to which goodwill has been imputed, a review of goodwill's allocation to the new cash-generating units is carried out, whenever there is a rational. The reallocation is done through a relative value approach, of the new cash-generating units that result from the reorganization.

Impairment losses relating to Goodwill recognized with the acquisition of subsidiaries business cannot be reversed, unlike Goodwill recognized with the acquisition of jointly controlled companies and associated companies.

The goodwill, if negative is recognized as income in the profit or loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

d) Translation of financial statments of foreign companies

Assets and liabilities denominated in foreign currencies in the financial statements of foreign companies are translated to euro using exchange rates at date of the statement of financial position. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under "Currency Translation Reserves" in "Other Reserves and Retained Earnings". Exchange rate differences that were originated prior to 1 January 2004 (date of transition to IFRS) were written-off through "Reserves and Retained Earnings".

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Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the statement of financial position date.

Whenever a foreign company is sold (totally or partially), accumulated exchange rate differences are recorded in the income statement as a gain or loss on the disposal, in the caption Investment income, when there is a control loss; in the case where there is no control loss, it is transferred to non-controlling interests.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

	31 Dec 2019		31 Dec 2018	
	End of exercice	Average of exercise	End of exercice	Average of exercise
US Dollar	0.89015	0.89342	0.87336	0.84753
British Pound	1.17536	1.14051	1.11791	1.13038
Turquish Lira	0.1496	0.15734	0.22502	0.23289
Mozambican Metical	0.01445	0.0143	0.01422	0.01406
Brazilian Real	0.22145	0.22676	0.22502	0.23289
Mexican Peso	0.04712	0.04642	0.04446	0.04408
Polish Zloty	0.23492	0.23275	0.23248	0.23472

2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition or production cost, or revalued acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Property, plant and equipment acquired after that date is recorded at acquisition cost, net of depreciation and accumulated impairment losses.

The acquisition cost includes the purchase price of the asset, the expenses directly attributable to its acquisition and the costs incurred with the preparation of the asset so that it is placed in its condition of use. Qualified financial costs incurred on loans obtained for the construction of Property, plant and equipment assets are recognized as part of the construction cost of the asset.

Subsequent costs incurred with renewals and major repairs resulting in an increase in the useful life or the ability to generate economic benefits from the assets are recognized in the cost of the asset.

Depreciation is calculated on a straight line basis, according to the estimated life cycle for each group of goods, starting from the date the asset is available for use in the necessary conditions to operate as intended by the management, and recorded against the consolidated income statement caption "Depreciation and amortisation expenses" in the consolidated income statements.

Impairment losses identified in the recoverable amounts of property, plant and equipment are recorded in the year in which they arise, by a corresponding charge against, the caption "Provisions and impairment losses" in the profit and loss statement.

The depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	10 to 50
Plants and machinery	10 a 20
Vehicles	4 to 5
Tools	4 to 8
Fixture and fittings	3 to 10
Other property, plants and equipment	4 to 8

The useful lives of the assets are reviewed in each financial report so that the depreciations practiced are following the consumption patterns of the assets. Land is not depreciated. Changes in useful lives are treated as a change in accounting estimates and are applied prospectively.

Maintenance and repair costs are recorded directly as expenses in the year they are incurred.

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

Gains or losses on sale or disposal of property plant and equipment are computed as the difference between the selling price and the carrying amount of the asset at the date of its sale-disposal. Gains and losses are recorded in the consolidated income statement under either "Other income" or "Other expenses".

2.4 INTANGIBLE ASSETS

Intangible assets are stated at acquisition or production cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is probable that future economic benefits will flow from them, if they are controlled by Sonae MC and if their cost can be reasonably measured.

When individually purchased, intangible assets are recognized at cost, which comprises: (i) the purchase price, including intellectual property costs and fees after deduction of any discounts; and ii) any costs directly attributable to the preparation of the asset for its intended use.

When acquired within the scope of a business combination, separable from goodwill, intangible assets are initially valued at fair value determined in the application of the purchase method, as provided by IFRS 3 – Business Combinations.

Research expenditure associated with new technical knowledge are recognized the income statement when incurred.

Expenditure on development is recognized as an intangible asset if Sonae MC demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits, are capitalized. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software is recorded as an expense in the period in which they are incurred, except in the situation where these expenses are directly associated with projects for which future economic benefits are likely to be generated for Sonae mc. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by mean of "Own work capitalized" (Note 38).

The expenses incurred with the acquisition of client portfolio's (attributed value relating to the allocation of the purchasing price in business activity concentration) are stated as intangible assets and amortized on straight-line bases, during the average estimated period of portfolio's client retention.

Brands and patents are recorded at their acquisition cost and are amortized on a straight-line basis over their respective estimated useful life. In the case of brands and patents with indefinite useful lives, no amortisation is calculated, and their value is tested for impairment on an annual basis, or whenever there are impairment signs.

Amortization is calculated on a straight-line basis, as from the date the asset is first used, over the expected useful life which usually is between 3 to 12 years and recorded in the caption of " Depreciations and Amortizations expenses", in the income statement.

The useful lives of the assets are reviewed in each financial report, so that the amortizations practiced are following the consumption patterns of the assets. Changes in useful lives are treated as a change in accounting estimates and are applied prospectively.

2.5 RIGHTS OF USE AND LEASE LIABILITIES

A lease is defined as a contract, or part of a contract, that transfers the right to use an asset (the underlying asset), for a period, in exchange for a value. At the start of each contract, it is evaluated and identified whether it is or contains a lease. This assessment involves an exercise of judgment on whether each contract depends on a specific asset, whether the Sonae Group companies, as lessees, obtain substantially all the economic benefits from the use of that asset and whether they have the right to control the use of the asset.

All contracts constituting a lease are accounted for by the lessee based on a single model for recognition in the statement of financial position.

At the starting date of the lease, the Group recognises the liability related to the lease payments (i.e. the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e. the right of use - "right-of-use" or "RoU"). The interest cost on the lease liability and the depreciation of the RoU are recognized separately.

The lease liability is remeasured when certain events occur (such as the change of lease period), a change in future payments resulting from a change in the reference index or rate used to determine those payments). This remeasurement of the lease liability is recognised as an adjustment to the RoU.

a) Rights of use of assets

The Group recognizes the right to use the assets at the starting date of the lease (i.e. the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, net of accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the right to use the assets includes the initial value of the lease liability, any direct costs initially incurred, and payments already made before the date of commencement of the lease, deducted from any incentives received and plus restoration costs, if they exist.

Whenever the Group incurs an obligation to dismantle and remove a leased asset, restore it to its original location, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised in accordance with IAS 37. The expenses are included in the respective right of use.

Lease incentives (e.g. lease grace periods) are recognized as elements of the measurement of the right to use and lease liabilities. Variable rents that are not dependent on an index or rate are recognized as expenses in the year in which they are ascertained, or payment occurs.

The rights of use are depreciated over the lease term on a straight-line basis or over the estimated useful life of the asset under the right of use, when this is longer than the lease term and management intends to exercise the purchase option.

Unless it is reasonably certain that the Group will obtain ownership of the leased asset at the end of the lease term, the right to use the assets recognized is depreciated on a straight-line basis over the lease term.

The impairment of rights of use is tested in accordance with IAS-36 in substitution of the recognition of provisions for onerous lease contracts.

The Group does not recognize the right to use assets or responsibility under lease leases, recognizing the expenses associated with these leases as expenses during the life of the contracts.

Lease-outs can contain rental and non-location components. However, the expedient rule of not separating the service components from the rental components by accounting for them as a single rental component has been considered.

b) Lease liabilities

At the starting date of the lease, the Group recognizes liabilities measured at the present value of future payments to be made until the end of the lease contract.

Lease payments include fixed payments (including fixed payments in substance), deducted from any incentives to receive, variable payments, dependent on an index or a rate, and expected values to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option, if it is reasonably certain that the Group will exercise the option, and payments of penalties for termination of the contract, if it is reasonably certain that the Group will terminate the contract.

Payments for non-lease components are not recognised as lease liabilities. Variable payments that are not dependent on an index or a rate are recognised as an expense in the year in which the event giving rise to them occurs.

In calculating the present value of lease payments, the Group uses the incremental loan rate at the starting date of the lease if the implicit interest rate is not easily determinable.

Extension and termination options are provided for in various lease agreements and their application is based on operational maximization. In determining the term of the lease, the Board of Directors considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Most of the extension options were not included in the lease liability and, when exercised, are by the Group and not by the lessor.

The deadline is reviewed only if a significant event or a significant change in circumstances occurs that affects this assessment and is under the control of the tenant.

After the rental start date, the value of the rental liability increases to reflect the accrued interest and reduces by the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, in the fixed payments or in the decision to purchase the underlying asset.

c) The accounting treatment of Sale and Leaseback operations

The accounting treatment of Sale and Leaseback operations depends on the substance of the transaction by applying the principles explained in the revenue recognition (Note 2.16). According to IFRS 16, if the transfer of the asset complies with the requirements of IFRS 15, then it shall be accounted for as a sale of an asset, and the seller-lessee shall measure the right of use (RoU) of the asset as a proportion of the previous book value of the asset that is related to the right of use, recognizing as gain and loss only that which relates to the rights transferred to the purchaser-leaser, i.e. those which run beyond the lease period.

In accordance with IFRS 16 the value of the right of use to be recognised (RoU) is lower than it would be if the lease contract was entered into without the previous sale transaction. In effect, the value of the RoU is calculated as the proportion of the value retained over the value of the asset sold.

In situations where the Group receives a price higher than its fair value as compensation for expenses to be incurred that are traditionally the responsibility of the owner, such amounts are deferred for the period of the lease.

2.6 LEASES FROM THE PERSPECTIVE OF THE LESSOR

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

The leases where Sonae MC acts as lessor under operating leases, the values of the allocated assets are maintained in the statement of financial position of Sonae and income is recognised on a straight-line basis over the period of the lease contract.

2.7 NON-CURRENT ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The non-current assets and liabilities classified as held for sale if it is expected that the book value will be recovered through the sale and not through the use in the operations. This condition is achieved only if the sale is highly probable and the asset is available for immediate sale in the actual conditions. In addition, there must be in progress actions that should allow conclude that is expectable that will be effective the sale within 12 months counting from the classification´s date in this caption. The non-current assets and liabilities recorded as held for sale are booked at the lower amount of the historical cost of sell or the fair value deducted from costs, not being subject to depreciation or amortisation after being classified as held for sale.

With regard to the classification of financial holdings as held for sale:

i) in the case of subsidiaries they continue to be consolidated until the date of their disposal, but all their assets and liabilities must be classified as held for sale and recorded at the lowest between the book value and the fair value minus costs of selling, terminating the recording of depreciation/amortization;

ii) in the case of joint ventures and associates measured by the equity method, they are measured at the lower of book value and fair value less costs to sell, and the application of the equity method is terminated.

When, due to changes in the Group's circumstances, non-current assets, and/or Disposal Groups fail to comply with the conditions to be classified as held for sale, these assets and/or Groups for disposal shall be reclassified according to the underlying nature of the assets and shall be remeasured by the minor between (i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization expenses, or revaluation amounts that have been recognized, if those assets had not been classified as held for sale, and (ii) the recoverable values of the items on the date on which they are reclassified according to their underlying nature. These adjustments will be recognized in the results of the financial year.

2.8 GOVERNMENT GRANTS AND OTHER PUBLIC ENTITIES

Government grants are recorded at fair value when there is reasonable assurance that they will be received, and that Sonae MC will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

Investment grants related to the acquisition of fixed assets are included in "Other non-current liabilities" and are credited to the income statement on a straight-line basis over the estimated useful lives of the assets acquired.

2.9 IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT FOR GOODWILL

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement under "Provisions and impairment losses".

The recoverable amount is the higher of an asset's fair value deducted from costs to sell and its value in use. Fair value deducted from costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction deducted from the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

In situations where the use of the asset will be expectedly discontinued (stores to be closed or on the remodelling processes) the Group performs a review of the asset´s useful life after considering its impact on the value of use of that asset far terms of impairment analysis, particularly on the net book value of the assets to derecognise.

Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement as Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.10 FINANCIAL EXPENSES RELATING TO LOANS OBTAINED

Financial expenses related to loans obtained directly attributable to the acquisition, construction or production of property, plant and equipment and intangible assets, are capitalized as part of the cost of the qualifying asset. Financial expenses related to loans obtained are capitalized from the beginning of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the financial expenses that qualify for capitalization. Other borrowing costs are recognized as an expense in the period in which they are incurred.

2.11 INVENTORIES

The goods are recorded at acquisition cost deducted from the value of the respective quantity discounts granted by the suppliers and net realizable value of the two lowest, using as costing method the average cost.

Differences between cost and net realizable value, if negative, are shown as expenses under the caption "Cost of goods sold and materials consumed", as well as impairment reversals. Inventories is derecognised when it is considered obsolete by the Group, and its book value is derecognised by counterpart of "Other expenses".

2.12 PROVISIONS

Provisions are recognised when, and only when, Sonae MC has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

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

2.13 FINANCIAL INSTRUMENTS

Sonae MC classifies the financial instruments in the categories presented and conciliated with the combined statement of financial position disclosed in Note 6.

a) Financial assets

Recognition

All purchases and sales of investments in financial assets are recognized on the trade date, the date when the Group commits to buy or sell the asset.

The classification of the financial assets depends on the business model followed by the Group in managing the financial assets (receipt of cash flows or appropriation of changes in fair value) and the contractual terms of the cash flows to be received.

Changes in the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, which are equity instruments, which can never be reclassified to another category.

Financial assets may be classified in the following measurement categories:

(i) *Financial assets at amortized cost:* includes financial assets that correspond only to the payment of nominal value and interest and whose business model followed by the management is the receipt of contractual cash flows;

(ii) *Financial assets at fair value* through other comprehensive income: this category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity); a) the case of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, for which the business model followed by the management is the receipt of contractual cash flows or punctually their sale; b) in the case of equity instruments, this category includes the percentage of interest held in entities over which the group does not exercise control, joint control or significant influence, and that the group has irrevocably chosen, on the date of initial recognition, to designate the fair value through other comprehensive income;

(iii) *Financial assets at fair value through profit or loss*: includes assets that do not meet the criteria for classification as financial assets at amortized cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

Measurement

The group initially measures financial assets at fair value, added to the transaction costs directly attributable to the acquisition of the financial asset, for financial assets that are not measured at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are recorded in the income statement when incurred.

Financial assets at amortized cost are subsequently measured in accordance with the effective interest rate method and deducted from impairment losses. Interest income on these financial assets is included in "Interest income" on financial income.

Financial assets at fair value through other comprehensive income that constitute equity instruments, are measured at fair value on the date of initial registration and subsequently, and fair value changes are recorded directly in the other comprehensive income, in Equity, and there is no future reclassification even after derecognition of the investment.

Impairment losses

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

With regard to the balances receivable under "Trade receivables" and "Other receivables" and Assets of customer contracts, the Group applies the simplified approach allowed by IFRS 9, according to which estimated credit losses are recognized from the initial recognition of the balances receivable and for the entire period up to their maturity, considering an matrix of historical default rates for the maturity of the balances receivable, adjusted by prospective estimates.

Regarding to accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed against the following criteria: i) if the receivable balance is immediately due ("on demand"); ii) if the balance receivable is low risk; or (iii) if it has a term of less than 12 months.

In cases where the amount receivable is immediately due and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero. In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Group only assesses the probability of a default occurring for the cash flows that mature in the next 12 months.

For all other situations and nature of receivables, Sonae MC applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there was no increase in credit risk, the Group calculates an impairment corresponding to the amount expected to be expected within 12 months. If there has been an increase in credit risk, an impairment is calculated corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

Derecognition of financial assets

Sonae MC derecognize financial assets when, and only when, the contractual rights to the cash flows have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of property of the asset.

b) Loans granted

Loans granted and non-current accounts receivables are measured at amortised cost using the effective interest method, deducted from any impairment losses and are recorded under IFRS 9 - Financial assets at amortized cost.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when Sonae MC provides money, goods or services directly to a debtor with no intention of trading the receivable.

Balances are classified as current assets when collection is estimated within 12 months. The balances are classified as non-current if the estimated charge occurs more than 12 months after the reporting date. These financial assets are included in the caption presented in Note 6.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in Note 2.13.a).

c) Trade receivables and Other receivables

These captions mainly include the balances of customers resulting from services provided under the Group's activity and other balances related to operating activities.

"Trade receivables" and "Other receivables" captions are initially recognized at fair value and are subsequently measured at amortized cost, net of impairment adjustments.

Impairment losses of trade receivables and other receivables are recorded in accordance with the principles described in Note 2.13.a).

d) Cash and bank balance

Amounts included under the caption "Cash and bank balance" correspond to cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption "Other loans", in the consolidated statement of financial position.

All the amounts included in this caption can be reimbursed at demand as there are no pledges or guarantees over these assets.

e) Classification as equity or liabilities

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

Equity instruments are contracts that evidence a residual interest in the assets of Sonae after deducting all its liabilities. Equity instruments issued by Sonae MC are recorded at the proceeds received, net of direct issue costs.

f) Financial liabilities

Financial liabilities are classified into two categories: i) Financial liabilities at fair value through profit or loss; and ii) Financial liabilities at amortized cost.

The "Financial liabilities at amortized cost" category includes liabilities presented under "Loans", "Bonds", "Other loans", "Other non-current liabilities", "Trade payables" and "Other payable". These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost at the effective interest rate.

As at 31 December 2019, Sonae MC has only recognized liabilities classified as "Financial liabilities at amortized cost".

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are cancelled or expire.

g) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in caption "Financial income" and "Financial expenses" in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.17. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

Funding on the form of commercial paper are classified as non-current, when they have guarantees of placing for a period exceeding one year and it is the intention of the group to maintain the use of this form of financing for a period exceeding one year.

h) Trade payables and Others payables

Trade payables and other payables generally include balances of suppliers of goods and services that the group acquired, in the normal course of its activity. The items that compose it will be classified as current liabilities if the payment is due within 12 months or less, otherwise the accounts of "Trade payables" will be classified as non-current liabilities.

These financial liabilities are initially recognized at fair value. Subsequent to its initial recognition, the liabilities presented under "Trade payables" are measured at amortized cost using the effective interest method. Accounts payable are stated at their nominal value, as they do not bear interests and the effect of discounting is considered immaterial.

i) Confirming

Some subsidiaries within the retail business maintain agreements with financial institutions in order to enable its suppliers to an advantageous tool for managing its working capital by the confirmation by these subsidiaries of the validity of invoices and credits that these suppliers hold over these companies.

Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these subsidiaries.

These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to "Suppliers" until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry , and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument. In some situations, such subsidiaries receive a commission from the financial institutions.

In the due date of such invoice, the amount is paid by the subsidiaries to the financial institution regardless whether or not it anticipated those amounts to the suppliers.

j) Derivatives

Sonae MC uses derivatives in the management of its financial risks to hedge such risks and-or to optimize the "funding costs", not being used with speculative purposes.

Derivative financial instruments are initially recorded at the fair value of the transaction date and subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of derivative financial instruments as trading or hedging instruments.

The criteria for classifying a derivative instrument as a cash flow hedge instrument is met when:

i) there is an economic relationship between the hedged item and the hedging instrument, the value of the hedged item and the hedging instrument move in opposite directions;

ii) changes in fair value do not result mainly from credit risk; and

iii) the hedge ratio designated by Sonae, in each transaction is the amount of the hedged item and the amount of the hedging instrument that the entity effectively uses to cover that amount of the hedged item.

Derivatives classified as cash flow hedging instruments are used by Sonae MC mainly to hedge interest risks on loans obtained and exchange rate. Conditions established for these cash flow hedging instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The inefficiencies, if any, are accounted under "Financial income" or "Financial expenses" in the consolidated income statement.

Sonae MC also uses financial instruments with the purpose of cash flow hedging, that essentially refer to exchange rate hedging ("forwards") of loans and commercial operations. If they configure a perfect hedging relation, hedge accounting is used. In certain situations, such as loans and other commercial operations, they do not configure perfect hedging relations, and so do not receive hedge accounting treatment, although they allow in a very significant way, the reduction of the loan and receivable-payable exchange volatility, nominated in foreign currency.

In specific situations, Sonae MC may enter into derivatives on exchange rates in order to hedge the risk of fluctuations in future cash flows caused by changes in those exchange rates, which may not qualify as hedging instruments in accordance with IFRS 9, being the effect of revaluation at fair value of such derivatives recorded in the income statement.

Derivatives, although contracted for the purposes mentioned above (mainly foreign exchange forwards and derivatives in the form of or including interest rate options), for which the company has not applied hedge accounting, are initially recorded at cost, which corresponds to their fair value, if any, and subsequently revaluated at fair value, the changes in which, calculated using specific IT tools, directly affect the "Financial income " and "Financial expenses " items in the consolidated income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics of the host contract, and these are not stated at fair value, gains and losses which are not realizable are recorded in the Income Statement.

Sonae MC may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss when the hedge instrument is not measured at fair value (namely loans recorded at amortised cost) the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, through profit or loss.

k) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in "Other reserves", included in "Others reserves and retained earnings".

2.14 CONTINGENT ASSETS AND LIABILITIES

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

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

2.15 INCOME TAX AND OTHER TAX

The tax charge for the year is determined based on the taxable income of companies included on consolidation and considers l a deferred taxation

Sonae MC is covered by the Special Taxation Regime for Groups of Companies (RETGS), of which Sonae, SGPS, SA is dominant society since 1 January 2014. The calculated balances of tax receivable or payable are included in the caption in the statement of financial position "Income tax".

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation.

Deferred taxes are calculated using the statement of financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each statement of financial position date, a review is made of the deferred tax assets recognized, being reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction do not affect the accounting or tax result.

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

The value of taxes recognised in the financial statements correspond to the understanding of Sonae on the tax treatment of specific transactions being recognised liabilities relating to income taxes or other taxes based on interpretation that is performed and what is meant to be the most appropriate.

In situations where such positions will be challenged by the tax authorities as part of their skills by their interpretation is distinct from Sonae MC, such a situation is the subject of review. If such a review, reconfirm the positioning of the Group concluded that the probability of loss of certain tax process is less than 50% Sonae treats the situation as a contingent liability, i.e. is not recognized any amount of tax since the decision more likely is that there will be no place for the payment of any tax. In situations where the probability of loss is greater than 50% is recognized a provision, or if the payment has been made, it is recognized the cost associated.

In situations in which payments were made to Tax Authorities under special schemes of regularization of debts, in which the related tax is Income Tax, and that cumulatively keep the respective lawsuits in progress and the likelihood of success of such lawsuits is greater than 50%, such payments are recognized as assets, as these amounts correspond to determined amounts, which will be reimbursed to the entity, (usually with interests) or which may be used to offset the payment of taxes that will be due by the group, in which case the obligation in question is determined as a present obligation. In situations where payments correspond to other taxes, such amounts are recorded as expenses, although the Group's understanding is that they will be reimbursed plus interest.

2.16 REVENUE

Revenue corresponds to the fair value of the amount received or receivable from transactions with customers in the normal course of the Group's activity. Revenue is recorded net of any taxes, commercial discounts and other costs inherent to its realization, at the fair value of the amount received or receivable.

In determining the value of revenue, Sonae MC evaluates for each transaction its performance obligations to the customers, the price of the transaction to be affected by each performance obligation identified in the transaction, and the existence of variable price conditions that may lead to future success to the value of the recorded revenue, and for which the group makes its best estimate.

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

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

Deferral of revenue associated with customer loyalty programs through the allocation of discounts on future purchases by the Food retail segment is quantified taking into account the probability of their exercise and are deducted from the revenue at the time they are generated, being corresponding liability in the caption "Other payables".

2.17 ACCRUAL BASIS

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

"Other current assets" and "Other current liabilities" include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognized in the income statement.

2.18 COMMERCIAL REVENUE

Commercial revenues, which includes amounts relating to supplier's agreements that have the objective of carrying out an in-store service (flyers, product placement, in store advertising, etc. ...) or contribution in promotional campaigns for partner´s products, they are recorded as a deduction in the cost of goods sold, caption "Cost of goods sold and materials consumed". Commercial revenues are to be formally agreed, with the identification of the dates of the service or for the promotional campaign and value agreement with the partner. These amounts are accounted as other operating income considering in particular the dates of execution of the campaigns, except when directly related to sales of specific products. Commercial revenue agreements lead to the issuance of financial document(s) to suppliers, which are discounted in future invoice payments or through direct collection to partners. The amounts that have not yet been invoiced to the supplier are recorded under "Other current assets".

2.19 BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

Transactions are recorded in the separate financial statements of the subsidiaries in the functional currency of the subsidiary, using the rates in force on the date of the transaction.

At each statement of financial position date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the statement of financial position, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

When Sonae MC wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.13.j)).

2.20 SUBSEQUENT EVENTS

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

2.21 JUDGEMENTS AND ESTIMATE

The estimates and judgments with impact on the Group's financial statements are continuously evaluated, representing at each reporting date the Management's best estimate, taking into account historical performance, accumulated experience and expectations about future events that, under the circumstances, if they believe they are reasonable.

The nature of the estimates may lead to the actual reflection of the situations that had been estimated, for the purposes of financial reporting, would differ from the estimated amounts. The most significant accounting estimates reflected in the financial statements include:

a) Useful lives of the property, plant and equipment and intangible assets;

b) Impairment analysis of goodwill in investments in associated companies and jointly controlled entities and of property, plant and equipment and intangible assets;

c) Recognition of adjustments on assets, provisions and contingent liabilities;

d) Determining the fair value of derivative financial instruments;

e) Recoverability of deferred tax assets;

f) Valuation at fair value of assets, liabilities and contingent liabilities in business combination transactions;

g) Impairment of financial assets;

h) Recognition of contract revenue;

i) Investments at fair value through other comprehensive income or results;

j) Incremental interest rate on lease contracts.

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

2.22 LEGAL RESERVES, OTHER RESERVES AND RETAINED EARNINGS

Legal reserves

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

Cash flow hedging reserve

The Hedging reserve reflects the changes in fair value of "cash flow" hedging derivatives that are considered as effective (Note 2.13.j)) and is not distributable or used to cover losses.

Currency translation reserve

The currency translation reserve corresponds to exchange differences relating to the translation from the functional currencies of the Sonae's foreign subsidiaries and joint ventures into Euro, in accordance with the accounting policy described in Note 2.2.d).

3 FINANCIAL RISK MANAGEMENT

3.1 INTRODUCTION

The ultimate purpose of financial risk management is to support Sonae MC in the achievement of its strategy, reducing unwanted financial risk and volatility and mitigate any negative impacts in the income statement arising from such risks. Sonae MC's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae MC does not apply into derivatives or other financial instruments that are unrelated to its operating business or 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. It is shown in two major ways:

3.2.1 Credit risk arising from Financial Instruments

The credit risk management related to the Financial Instruments (investments and deposits in banks and other financial institutions or resulting from derivative financial instruments entered during the normal hedging activities) or loans to subsidiaries and associates, there are principles for all Sonae MC companies:

- In order to reduce the probability of counterparties defaulting on their payment contractual obligations, Sonae MC companies only enter into transactions (short term investments and derivatives) with counterparties that present a high degree of prestige and national and international recognition and are based on their rating notations, taking into consideration the nature, maturity and size of the transactions;

- No financial instruments shall be contracted unless they have been authorised in advance. The definition of instruments eligible for both excess and derivatives has been defined on a conservative basis (mainly short-term money market instruments for treasury applications, and instruments which can be broken down into their integral parts and duly valued, with a maximum loss identifiable in the case of derivatives);

- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by existing relationships banks in order to reduce exposure on a net basis, and ii) may only be applied in pre-approved instruments;

- Any departure from the above-mentioned policies needs to be pre-approved by the respective Executive Committee/Board of Directors.

Regarding to the policies and minimum credit rating, Sonae MC does not expect any material failure in contractual obligation from its external counterparties nevertheless exposure to each counterparty resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Sub-holding Finance Department and any departure is promptly reported to the respective Executive Committee/Board of Directors and to the Sonae Finance Committee.

"Loans granted to related entities" balances are considered to have low credit risk and, therefore, impairment losses recognized during the period were limited to estimated credit losses at 12 months. These financial assets are considered to have "low credit risk" when they have a low impairment risk and the borrower has a high capacity to meet its contractual cash flow liabilities in the short term.

3.2.2 Credit risk in operational and commercial activities of each business

Credit risk is very low, considering that most transactions are made in cash. In the remaining, in the relationship with customers is controlled through a system of collecting quantitative and qualitative information, provided by high prestige and liable entities that provide information on risks by obtaining suitable guarantees, aimed at reducing the risk of granting credit. Credit risk arises in the relationship with suppliers as a result of advances or debits for discounts and is mitigated by the expectation to maintain the business relationship.

The group applies the simplified approach to calculate and record the estimated credit losses required by IFRS 9, which allows the use of estimated impairment losses for all "Trade receivables" and "Other receivables" balances. In order to measure estimated credit losses, the balances of "Customers" and "Other receivables" were aggregated on the basis of shared credit risk characteristics, as well as on days of delay. The amount related to customers and other debtors represents maximum Sonae MC exposure to credit risk of the assets included in these captions.

3.3 LIQUIDITY RISK

Sonae MC has the need, regularly, to raise external funds to finance its activities and investing plans. It holds a long-term diversified portfolio, essentially made of, loan´s and structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2019, the total gross debt (excluding shareholders loans and lease liabilities) was 680.1 million euro (on 31 December 2018 was 706.7 million euro).

The purpose of liquidity risk management is to ensure, at all times, that Sonae MC has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy. Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining with its relationship banks, a combination of short and medium term committed credit facilities, with sufficiently comfortable previous notice cancellation periods with a range that goes (up to 360 days);

- Maintenance of commercial paper programs with different periods and terms, that allow, in some cases, to place the debt directly in institutional investors;

- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;

- Diversification of financing sources and counterparties;

- Ensuring an adequate average debt maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. In 2019, Sonae MC´s average debt maturity was approximately 4.3 years (2018: 3.5 years);

- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early

termination;

- Where possible, by pre-financing forecasted liquidity needs, through transactions with an adequate maturity;

- Management procedures of short-term applications, assuring that the maturity of the applications will match with foreseen liquidity needs (or with a liquidity that allows to cover unprogrammed disbursements, concerning investments in assets), including a margin to hedge forecasting deviations. The margin of error needed in the treasury department prediction, will depend on the confidence degree and it will be determined by the business. The reliably of the treasury forecasts is an important variable to determinate the amounts and the periods of the market applications-borrowings.

The maturity of each major class of financial liabilities is disclosed in Notes 24, 28, and 29, based on the undiscounted cash flows of financial liabilities based on the earliest date on which Sonae can be required to pay ("worst case scenario").

Sonae maintains a liquidity reserve in the form of credit lines together with the banks with which there are activities. This is to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms. In 31 December 2019, the consolidated loan amount maturing in 2020 is of 20.3 million euro (48.8 million euro maturing in 2018) and in 31 December 2019 Sonae MC had 124 million euro available in consolidated credit lines (94 million euro in 2018) with commitment less than or equal to one year and 284 million euro (202 million euro in 2018) with a commitment greater than one year.

Additionally, Sonae MC held, as at 31 December 2019, cash and cash equivalents and current investments amounting to 77.3 million euro (78.2 million euro as at 31 December 2018).

Consequentially, although current liabilities are higher than current assets, a natural situation due to the fact that its main business has negative working capital requirements, Sonae MC expects to meet all its obligations by means of its operating cash flows and its financial assets as well as from drawing existing available credit lines, if needed.

3.4 INTEREST RATE RISK

Business exposure to interest rates arises mainly from long term loans which bear interests at Euribor.

The interest rate sensitivity analysis is based on the following assumption:

- Sonae hedging activities do not constitute a profit-making activity and derivatives are entered into without any speculation purpose;

- For each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be consistent with the settlement dates of the hedging instruments to avoid any mismatch and hedging inefficiencies;

- For each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be a perfect match between the base rate: the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction;

- Since the beginning of the transaction, the maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);

- The counterparties of hedging instruments are limited to institutions of high prestige, national and international recognition and based on respective credit ratings, as described in 3.2. above. It is Sonae MC policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae MC's relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;

- In determining the fair value of hedging operations Sonae uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the statement of financial position date. Comparative financial institution quotes for specific or similar instruments are used as benchmark for the valuation;

- All transactions have to be documented under ISDA's Agreements (International Swaps and Derivatives Association);

- All transactions which do not follow the rules mentioned above have to be individually approved by the respective Executive Committee Board of Directors, and reported to Finance Committee, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

Business exposure to interest rates arises mainly from long term loans which bear interests at Euribor.

The purpose of these holdings is to limit cash-flows volatility and results, considering the profile of its operational activity, by using an appropriate mix of fixed and variable interest rate debt. Sonae MC policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but does not allow for trading purpose.

3.4.1 Sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest rate financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, these instruments are included in the calculation of income-related sensitivities;

- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7;

- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity;

- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense (gain/loss in change of the derivatives fair value) therefore it has taken into consideration in the sensitivity calculations for changes in interest rate;

- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;

- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if euro interest rate of denominated financial instruments had been 75 basis points higher, the consolidated net profit before tax of Sonae for the period ended as at 31 December 2019 would decrease by approximately 5.4 million euro (6 million euro decrease as at 31 December 2018).

3.5 EXCHANGE RISK

3.5.1 Policies

Sonae MC's currency exposures are divided into two levels: transaction exposures (foreign exchange exposures relating to contracted cash flows and statement of financial position items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (equity in foreign subsidiaries).

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the transactions are denominated in euro. Sonae MC is mainly exposed to exchange rate risk through transactions relating to acquisitions of goods in international markets, which are mainly in US Dollars.

The exchange risk management purpose is to provide a stable decision platform when deciding and negotiating the purchases of inventories establishing fixed exchange rates. The hedging accompanies all the purchase process, since procurement up to the formal agreement of purchase.

The exchange risk exposure is monitored through the purchase of forwards with the goal of minimizing the negative impacts of volatility in exposure level as a consequence of changes of the amounts of imports denominated in other currencies rather than euro.

3.5.2. Exposição e Análise de Sensibilidade

As at 31 December 2019 and 2018 Sonae MC amounts of assets and liabilities (in euro) denominated in a currency different from the subsidiary functional currency were the following:

	Assets		Liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
British Pound	18,655	6,488	162,607	1,936
US Dollar	4,055,543	2,871,337	19,293,058	21,775,557
Other Currencies	6,271	2,952	-	2,546

The amounts presented above, only include assets and liabilities expressed in different currency than the functional currency used by the affiliated or jointly controlled company. Therefore, it does not represent any risk of financial statements translation. Due to the short-term character of the majority of monetary assets and liabilities and the magnitude of its net value, the exposure to currency risk is immaterial and therefore a sensitivity analysis to changes in the exchange rate isn't disclosed.

3.6 CAPITAL RISK

The capital structure of Sonae MC, determined by the proportion of equity and net debt is managed in order to ensure continuity and development of its operations, maximize the return on shareholders and optimize financing costs.

Sonae MC periodically monitors its capital structure, identifying risks, opportunities and the necessary adjustment measures for the achievement of these objectives.

4 CHANGES IN THE CONSOLIDATION SCOPE

In the year ended at 31 Decembe 2019, the following subsidiaries were acquired:

COMPANY	Head Office	Direct	Total
Arenal Perfumarias, S.L.U.	Lugo (Spain)	100.00%	60.00%
Chão Verde - Sociedade de Gestão Imobiliária, S.A.	Maia (Portugal)	100.00%	100.00%
MCCARE - Serviços de Saude, S.A.	Matosinhos (Portugal)	100.00%	100.00%
Tomenider, S.L.	Lugo (Spain)	60.00%	60.00%
SK - Skin Health Cosmetics	Oeiras (Portugal)	100.00%	100.00%

On 28 September 2018, Sonae SGPS, SA reported that its subsidiary Modelo Continente Hipermercados SA sucursal en España, concluded an agreement with Corpfin Capital in order to acquire 60% of the capital of Tomenider SL ("society"), which holds 100% of the Arenal Perfumeries SLU ("Arenal"). The Arenal is a retail company of pharmacies and perfumeries with a network of 41 stores in the north of Spain.

On 11 December 2018, this transaction was approved by the competent competition authorities. The operation was completed in January 2019 and will allow Sonae MC to significantly enhance the combined assets and competences of Well's and Arenal, reinforcing its position in the Health & Wellness segment, one of its main development strategies pillars.

On 2 January 2019, Sonae MC through its subsidiaries Pharmacontinente – Saúde e Higiene, S.A. and Sonaerp- Retail Properties, S.A., acquired 100% of MCCARE- Serviços de Saúde SA, SK – Skin health Cosmetics, SA and Chão Verde – Sociedade de Gestão Imobiliária, S.A., respectively.

The effects of these acquisitions on the consolidated financial statements can be analysed as follows:

Amounts in euro	Arenal – On the date of acquisition – Financial Position before aquisition	Arenal – On the date of acquisition – Adjustments to fair value	Arenal – On the date of acquisition – Fair value	Arenal – 31 Dec 2019	Others – Financial Position before aquisition	Others – 31 Dec 2019
Net assets						
Property, plant and equipment and intagible assets (Notes 7 and 8)	19,258,447	58,400,000	77,658,447	82,706,838	10,621,558	15,161,810
Rights-of-use assets (Note 9)	43,149,710	-	43,149,710	54,900,827	2,869,504	1,910,211
Inventories (Note 14)	23,861,179	-	23,861,179	31,062,411	964,427	220,236
Other assets	10,054,933	-	10,054,933	25,123,866	3,318,357	6,802,962
Cash and cash equivalents	1,982,432	-	1,982,432	4,585,525	204,054	68,849
Bank loans short term	(67,601,107)	-	(67,601,107)	(56,338,077)	(6,933,440)	(1,992,564)
Deferred tax liabilities (Note 20)	-	(14,600,000)	(14,600,000)	-	-	-
Trade payables and other current liabilities	(19,850,347)	-	(19,850,347)	(28,478,548)	(1,656,207)	(1,209,140)
Other liabilities	(3,630,799)	-	(3,630,799)	(33,345,200)	(3,187,685)	(3,868,092)
Total net assets acquired	7,224,448	43,800,000	51,024,448	80,217,642	6,200,568	17,094,272
Goodwill (Note 10)	44,720,000	(25,280,000)	19,440,000		3,370,690	
Badwill	-	-	-		(16,258)	
Non- controlling interests (Note 23)	(2,922,727)	(17,520,000)	(20,442,727)		-	
Acquisition cost	49,021,721	1,000,000	50,021,721		9,555,000	
Net cash flow arising from acquisition						
Cash payment	49,021,721	-	49,021,721		9,555,000	
Cash and bank balances acquired	1,982,432	-	1,982,432		204,054	
	47,039,289	-	47,039,289		9,350,946	

Amounts in euro	Arenal – From the date of acquisition	Arenal – 12 months	Others – From the date of acquisition	Others – 12 months
Sales and services	129,156,555	129,156,555	8,672,207	9,776,977
Other income	2,978,005	2,978,005	133,733	130,418
Cost of sales	(93,213,978)	(93,213,978)	(1,154,847)	(1,366,278)
Supplies and external services	(6,513,082)	(6,513,082)	(7,583,473)	(10,166,993)
Employee benefits expense	(14,586,996)	(14,586,996)	(3,051,959)	(3,080,065)
Depreciation and amortization	(7,875,897)	(7,875,897)	(1,369,586)	(1,664,916)
Others	(241,399)	(241,399)	(160,701)	(178,059)
Net financial income	(3,754,667)	(3,754,667)	(268,925)	(419,456)
Results for associated companies	15,920	15,920	-	-
Profit/loss before taxation	5,964,461	5,964,461	(4,783,551)	(6,968,372)
Income tax expense	(1,272,310)	(1,631,622)	1,613,191	1,615,841
Profit/(Loss) for the period	4,692,151	4,332,839	(3,170,360)	(5,352,531)

Following the Arenal acquisition, the Group carried out an assessment of the fair value of the assets acquired and liabilities assumed, resulting in an increase in net assets of 43.8 million euros, which results from the recognition of the Arenal brand (58.4 million euros) valued using the methodology of royalties released, using discount rates based on the weighted average cost of capital of the segment in which the companies operate (10%) and a 4% royalty rate, and for which no defined life was identified, and the recording of the respective deferred tax liabilities in the amount of Euro 14.6 million. The acquisition cost was increased by 1 million euro for the contingent amount payable dependent on the company's performance.

As usually happens in business combinations, also in the case of the acquisition of this subsidiary, it was not possible to attribute, in accounting terms, to the fair value of identified assets and assumed liabilities, a part of the acquisition cost, being recognized as Goodwill. Goodwill will be related to elements, which cannot be isolated or quantified in a reliable manner.

5 RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

The restatement of the consolidated financial statements for the years ended 31 December 2018 results of application of IFRS 16 Leases as referred to in Note 2.5;

The impacts on the consolidated financial statements as at 1 January 2018 and 31 December 2019 are as follows:

Amounts in euro	01 Jan 2018 Restated – Before the restatement	01 Jan 2018 Restated – IFRS 16 Adjustments	01 Jan 2018 Restated – After the restatement
Assets			
Property, plant and equipment and intagible assets	1,990,848,707	-	1,990,848,707
Right-of-use assets (Note 9)	-	860,046,399	860,046,399
Goodwill	553,339,386	-	553,339,386
Investments	53,765,866	1	53,765,867
Deferred tax assets (Note 20)	56,857,992	212,935,851	269,793,843
Income tax assets	6,181,878	-	6,181,878
Other non-current assets	13,971,020	(944,325)	13,026,695
Non-current assets	2,674,964,849	1,072,037,926	3,747,002,775
Inventories	713,020,919	-	713,020,919
Trade receivables	85,264,416	-	85,264,416
Other current assets	187,565,573	(7,778,312)	179,787,261
Other Investments	179,881	-	179,881
Cash and bank balances	162,378,843	-	162,378,843
Current assets	1,148,409,632	(7,778,312)	1,140,631,320
Assets classified as held for sale	782,540	-	782,540
Total assets	3,824,157,021	1,064,259,614	4,888,416,635
Liabilities			
Loans	620,484,413	-	620,484,413
Lease liabilities (Note 9)	-	869,557,356	869,557,356
Other non-current liabilities	415,789,765	(1,093,707)	414,696,058
Deferred tax liabilities (Note 20)	122,806,483	195,057,712	317,864,195
Provisions	14,659,973	-	14,659,973
Non current liabilities	1,173,740,634	1,063,521,361	2,237,261,995
Loans	181,238,135	-	181,238,135
Lease liabilities (Note 9)	-	69,228,755	69,228,755
Trade payables	1,177,803,571	(343,326)	1,177,460,245
Other current liabilities	505,812,834	(767,685)	505,045,149
Current liabilities	1,864,854,540	68,117,744	1,932,972,284
Total liabilities	3,038,595,174	1,131,639,105	4,170,234,279
Shareholders' funds excluding non-controlling interests	693,545,511	(64,625,772)	628,919,739
Non-controlling interests	92,016,336	(2,753,719)	89,262,617
Total shareholders' funds	785,561,847	(67,379,491)	718,182,356
	-	-	-
Total shareholders' funds and liabilities	3,824,157,021	1,064,259,614	4,888,416,635

Amounts in euro	31 Dec 2018 Restated Before the restatement	IFRS 16 Adjustments	After the restatement
Assets			
Property, plant and equipment and intagible assets	1,504,291,000	-	1,504,291,000
Right-of-use assets (Note 9)	-	780,101,393	780,101,393
Goodwill	446,613,429	-	446,613,429
Investments	20,673,846	-	20,673,846
Deferred tax assets (Note 20)	31,025,591	193,255,314	224,280,905
Income tax assets	4,527,309	-	4,527,309
Other non-current assets	4,818,467	-	4,818,467
Non-current assets	2,011,949,642	973,356,707	2,985,306,349
Inventories	396,767,259	-	396,767,259
Trade receivables	123,073,991	-	123,073,991
Other current assets	148,021,425	(6,954,914)	141,066,512
Other investments	1,231,414	-	1,231,414
Cash and bank balances	78,235,498	-	78,235,498
Current assets	747,329,587	(6,954,914)	740,374,673
Total assets	2,759,279,229	966,401,793	3,725,681,022
Liabilities			
Loans	657,881,978	-	657,881,978
Lease liabilities (Note 9)	-	806,331,265	806,331,265
Other non-current liabilities	23,143,388	-	23,143,388
Deferred tax liabilities (Note 20)	95,559,665	175,522,813	271,082,478
Provisions	9,570,442	-	9,570,442
Non current liabilities	786,155,473	981,854,078	1,768,009,551
Loans	48,841,228	-	48,841,228
Lease liabilities (Note 9)	-	52,581,242	52,581,242
Trade payables	832,109,114	-	832,109,114
Other current liabilities	331,178,143	2	331,178,145
Current liabilities	1,212,128,485	52,581,244	1,264,709,729
Total liabilities	1,998,283,958	1,034,435,322	3,032,719,280
Shareholders' funds excluding non-controlling interests	729,849,315	(65,895,932)	663,953,383
Non-controlling interests	31,145,956	(2,137,597)	29,008,359
Total shareholders' funds	760,995,271	(68,033,529)	692,961,742
Total shareholders' funds and liabilities	2,759,279,229	966,401,793	3,725,681,022

Amounts in euro	31 Dec 2018 Restated Before the restatement	IFRS16	After the restatement
Sales	4,191,168,639	-	4,191,168,639
Services rendered	116,335,901	-	116,335,901
Income or expenses related to investments	1,942,721	-	1,942,721
Other income	102,549,139	410,621	102,959,760
Cost of good sold and materials consumed	(3,003,067,240)	-	(3,003,067,240)
External supplies and service	(488,382,505)	104,510,090	(383,872,415)
Employee benefits expense	(522,970,216)	-	(522,970,216)
Other expenses	(44,565,613)	(40,223)	(44,605,836)
Depreciation and amortisation expenses	(146,210,542)	(66,260,407)	(212,470,949)
Provisions and impairment losses	(13,232,978)	-	(13,232,978)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax	193,567,306	38,620,081	232,187,387
Dividends received during the year	100,450	-	100,450
Gains or losses related to joint ventures and associated undertaking	(446,603)	-	(446,603)
Other income and financial income	3,776,300	-	3,776,300
Financial expenses	(72,717,552)	(52,238,560)	(124,956,112)
Profit from continuing operations before tax	124,279,901	(13,618,479)	110,661,422
Income tax expense	(13,065,287)	3,995,566	(9,069,721)
Profit from continuing operations for the period	111,214,614	(9,622,913)	101,591,701
Profit/(Loss) from discountinuing operations, after tax	540,456,346	1,939,389	542,395,735
Consolidated profit /(loss) for the period	651,670,960	(7,683,524)	643,987,436

As at 31 December 2019 and 2018, discontinued activities include:

- Modelo Continente International Trade, SA and Sonae MC– Serviços Partilhados, SA, have economic activities related to businesses not related to food retail, so these activities were considered to be discontinued in the consolidated income statement for the period ended at 31 December 2019 and 2018.

- In 2018, were sold to related parties the businesses Worten, Sonae Sports & Fashion, Sonae FS, Tlantic Group, properties not assigned to the food retail activity and participation in the MDS SGPS, SA.

These transactions and some operations that are in the process of liquidation, were already considered discontinued operations in 2018.

As provided for in IFRS 5, changes were made to the consolidated statements of income by nature for the periods ended on 31 December 2019 and 2018 to reflect in a single item (Consolidated net income for the period from discontinued operations), on the face of the statement of income. results, profit or loss after tax from discontinued activities mentioned above.

The discontinued activities can be analyzed as follows:

Amounts in euro	31 Dec 2019
Sales	172,032,345
Other income	12,202,555
Cost of good sold and materials consumed	(169,462,941)
External supplies and services	(10,326)
Other expenses	(12,687,552)
Profit before interests, dividends, share of profit or loss of joint ventures and associates and tax	2,074,081
Financial expenses	(1,284,761)
Profit from before tax	789,320
Income tax expense	(284,477)
Profit from discontinuing operations for the period	504,843

6 FINANCIAL INSTRUMENTS BY CLASS

As at 31 December 2019 and 2018, the categories and fair value of the financial instruments were classified a

Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2019						
Non-current assets						
Other investments	12	-	-	17,247,851	-	17,247,851
Other non-current assets	13	10,763,959	-	-	-	10,763,959
		10,763,959	-	17,247,851	-	28,011,810
Current assets						
Trade receivables	15	98,402,123	-	-	-	98,402,123
Other receivables	16	77,059,454	-	-	-	77,059,454
Investments	12	-	394,309	-	-	394,309
Cash and bank balances	21	77,339,624	-	-	-	77,339,624
		252,801,201	394,309	-	-	253,195,510
		263,565,160	394,309	17,247,851	-	281,207,320

Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2018						
Non-current assets						
Other investments	12	-	-	16,589,032	-	16,589,032
Other non-current assets	13	4,818,467	-	-	-	4,818,467
		4,818,467	-	16,589,032	-	21,407,499
Current assets						
Trade receivables	15	123,073,991	-	-	-	123,073,991
Other receivables	16	50,360,094	-	-	-	50,360,094
Investments	12	-	1,231,414	-	-	1,231,414
Cash and bank balances	21	78,235,498	-	-	-	78,235,498
		251,669,583	1,231,414	-	-	252,900,997
		256,488,050	1,231,414	16,589,032	-	274,308,496

Financial liabilities	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2019						
Non-current liabilities						
Bank loans	24	407,666,667	-	-	-	407,666,667
Bonds	24	252,163,176	-	-	-	252,163,176
Other loans	24	-	-	-	-	-
Lease liability	9	930,393,296	-	-	-	930,393,296
Other non-current liabilities	26	1,823,388	-	-	20,895,680	22,719,068
		1,592,047,483	-	-	20,895,680	1,612,943,163
Current liabilities						
Bank loans	24	16,847,781	-	-	-	16,847,781
Bonds	24	2,996,380	-	-	-	2,996,380
Other loans	24	10,613	420,098	-	-	430,711
Lease liability	9	75,998,767	-	-	-	75,998,767
Trade payables	28	870,957,571	-	-	-	870,957,571
Other payables	29	76,568,322	-	-	-	76,568,322
		1,043,379,434	420,098	-	-	1,043,799,532
		2,635,426,917	420,098	-	20,895,680	2,656,742,695

Financial liabilities	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2018						
Non-current liabilities						
Bank loans	24	403,000,000	-	403,000,000	-	403,000,000
Bonds	24	254,870,409	-	254,870,409	-	254,870,409
Other loans	24	-	-	-	-	-
Lease liability	9	806,331,265	-	806,331,265	-	806,331,265
Other non-current liabilities	26	833,587	-	833,587	22,309,801	23,143,388
		1,465,046,830	-	1,465,046,830	22,309,801	1,487,356,631
Current liabilities						
Bank loans	24	45,579,391	-	45,579,391	-	45,579,391
Bonds	24	2,996,380	-	2,996,380	-	2,996,380
Other loans	24	83,752	181,705	265,457	-	265,457
Lease liability	9	52,581,242	-	52,581,242	-	52,581,242
Trade payables	28	832,109,114	-	832,109,114	-	832,109,114
Other payables	29	83,417,341	-	83,417,341	-	83,417,341
		1,016,767,220	181,705	1,016,948,925	-	1,016,948,925
		2,481,814,050	181,705	2,481,995,755	22,309,801	2,504,305,556

Financial Instruments recognized at fair value

In accordance with the requirements of IFRS 13, the fair value of financial assets and liabilities measured at fair value correspond to the following fair value hierarchy levels (see Note 2.1)):

	31 Dec 2019			31 Dec 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Investments (Note 12)	-	-	17,247,851	-	-	16,589,032
Derivatives (Note 12 and 25)	-	394,309	-	-	1,231,414	-
	-	394,309	17,247,851	-	1,231,414	16,589,032
Financial liabilities measured at fair value						
Derivatives (Note 25)	-	420,098	-	-	181,705	-
	-	420,098	-	-	181,705	-

7 PROPERTY, PLANT AND EQUIPMENT

During the periods ended as at 31 December 2019 and 2018, the movements in Property, plant and equipment as well accumulated depreciation and impairment losses are made up as follows:

Property, plant and equipment	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Gross assets:							
Opening balance as at 1 January 2018	1,367,477,468	1,510,838,547	26,811,031	140,437,244	47,113,325	39,722,737	3,132,400,352
Discontinued operations	(255,685,471)	(430,544,251)	(5,224,786)	(39,100,364)	(9,800,505)	(11,547,541)	(751,902,918)
Investment	24,664,513	5,421,932	268,576	515,164	353,534	209,519,011	240,742,730
Acquisitions of subsidiaries	77,979	155,399	18,450	50,776	84,692	-	387,296
Disposals	(61,720,398)	(48,681,372)	(1,227,340)	(5,615,509)	(2,975,569)	(6,920,226)	(127,140,414)
Exchange rate effect	(6,271)	1,189	(4,326)	(91,932)	(3,956)	-	(105,296)
Transfers	12,749,473	165,680,482	2,152,996	14,072,929	3,935,780	(202,144,666)	(3,553,006)
Opening balance as at 1 January 2019	1,087,557,293	1,202,871,926	22,794,601	110,268,308	38,707,301	28,629,315	2,490,828,744
Investment	10,377,739	8,288,321	90,036	4,300,907	801,034	182,927,738	206,785,775
Acquisitions of subsidiaries (Note 4)	5,740,925	20,906,921	568,225	15,839,145	4,032,337	1,868,398	48,955,951
Disposals	(22,131,483)	(51,518,401)	(909,679)	(11,068,401)	(2,389,444)	(2,798,229)	(90,815,637)
Exchange rate effect	-	-	-	(10,878)	-	-	(10,878)
Assets available for sale	(6,648,041)	(27,413,094)	(961,788)	-	-	-	(35,022,923)
Transfers	(248,390)	163,562,157	3,177,141	11,539,175	3,241,852	(185,324,860)	(4,052,925)
Closing balance as at 31 December 2019	1,074,648,043	1,316,697,830	24,758,536	130,868,256	44,393,080	25,302,362	2,616,668,107
Accumulated depreciation and impairment losses							
Opening balance as at 1 January 2018	413,694,318	910,392,706	19,665,961	102,100,696	38,481,278	132,988	1,484,467,947
Discontinued operations	(67,420,152)	(257,245,574)	(3,701,449)	(26,503,408)	(7,374,844)	(177,319)	(362,422,746)
Depreciation of period	21,557,515	106,233,077	1,667,968	12,249,216	3,525,169	-	145,232,945
Impairment losses of the period (Note 31)	12,985,845	632,289	-	242,270	-	44,331	13,904,735
Reversals of impairment losses (Note 31)	(7,385,495)	(18,857)	-	(25)	-	-	(7,404,377)
Acquisitions of subsidiaries	9,928	45,430	5,439	16,365	10,048	-	87,210
Disposals	(22,872,942)	(42,850,057)	(1,197,740)	(5,339,853)	(2,938,021)	-	(75,198,613)
Exchange rate effect	(3,906)	42	(1,834)	(72,719)	(3,317)	-	(81,734)
Transfers	(143,309)	(351,281)	(612)	(381,883)	(19,556)	-	(896,641)
Opening balance as at 1 January 2019	350,421,802	716,837,775	16,437,733	82,310,659	31,680,757	-	1,197,688,726
Depreciation	16,697,958	91,665,615	1,528,501	11,449,637	3,318,514	-	124,660,225
Impairment losses of the period (Note 31)	2,283,025	967,954	6,052	4,115	4,648	-	3,265,794
Acquisitions of subsidiaries (Note 4)	-	8,327,153	396,916	9,288,901	2,025,410	-	20,038,380
Disposals	(8,168,330)	(44,422,314)	(869,658)	(10,725,849)	(2,363,434)	-	(66,549,585)
Exchange rate effect	-	-	-	(8,943)	-	-	(8,943)
Depreciation of assets available for sale	(6,875,669)	(646,792)	-	-	-	-	(7,522,461)
Transfers	-	(826,729)	(12,148)	(319,484)	(26,939)	-	(1,185,300)
Closing balance as at 31 December 2019	354,358,786	771,902,662	17,487,396	91,999,036	34,638,956	-	1,270,386,836
Carrying amount							
As at 31 December 2018	737,135,491	486,034,151	6,356,868	27,957,649	7,026,544	28,629,315	1,293,140,018
As at 31 December 2019	720,289,257	544,795,168	7,271,140	38,869,220	9,754,124	25,302,362	1,346,281,271

The investment includes the acquisition of assets of approximately 183 million euro (209 million euro in 2018), associated with the opening and remodelling of stores.

As at 31 December 2018, the caption "Depreciation for the year" of Property, plant and equipment and intangible assets includes 35.9 million euro transferred to discontinued operations.

Disposals in the years 2019 and 2018 can be analysed as follow:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Gross assets:							
Disposals	(3,666,645)	(50,752,555)	(909,679)	(11,068,401)	(2,389,444)	(2,798,229)	(71,584,953)
Sale and Leaseback	(18,464,838)	(765,846)	-	-	-	-	(19,230,684)
Closing balance as at 31 December 2019	(22,131,483)	(51,518,401)	(909,679)	(11,068,401)	(2,389,444)	(2,798,229)	(90,815,637)
Accumulated depreciation and impairment losses:							
Disposals	(1,628,027)	(43,968,415)	(869,658)	(10,725,849)	(2,363,434)	-	(59,555,384)
Sale and Leaseback	(6,540,303)	(453,899)	-	-	-	-	(6,994,201)
Closing balance as at 31 December 2019	(8,168,330)	(44,422,314)	(869,658)	(10,725,849)	(2,363,434)	-	(66,549,585)
Carrying amount							
Disposals	(2,038,618)	(6,784,139)	(40,021)	(342,552)	(26,010)	(2,798,229)	(12,029,569)
Sale and Leaseback	(11,924,535)	(311,948)	-	-	-	-	(12,236,483)

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Gross assets:							
Disposals	(9,272,912)	(46,653,801)	(1,227,340)	(5,601,297)	(2,975,569)	(6,914,128)	(72,645,047)
Sale and Leaseback	(52,447,486)	(2,027,571)	-	(14,212)	-	(6,098)	(54,495,367)
Closing balance as at 31 December 2018	(61,720,398)	(48,681,372)	(1,227,340)	(5,615,509)	(2,975,569)	(6,920,226)	(127,140,414)
Accumulated depreciation and impairment losses:							
Disposals	(6,276,522)	(41,528,368)	(1,197,740)	(5,326,860)	(2,938,021)	-	(57,267,511)
Sale and Leaseback	(16,596,420)	(1,321,689)	-	(12,993)	-	-	(17,931,102)
Closing balance as at 31 December 2018	(22,872,942)	(42,850,057)	(1,197,740)	(5,339,853)	(2,938,021)	-	(75,198,613)
Carrying amount							
Disposals	(2,996,390)	(5,125,433)	(29,600)	(274,437)	(37,548)	(6,914,128)	(15,377,536)
Sale and Leaseback	(35,851,066)	(705,882)	-	(1,219)	-	(6,098)	(36,564,265)

During the period ended at 31 December 2019 and 31 December 2018, several sale and leaseback transactions were accounted by the Group. The accounting values of the disposed assets, approximately, 12.2 million euro (36.6 million euro as at 31 December 2018), corresponds to 2 real estate food retail assets located in Portugal (6 real estate food retail assets located in Portugal in 2018). These operations resulted in a cash inflow of 24.4 million euro (82.8 million euro as at 31 December 2018) and generated a net capital gain of approximately, 3.2 million euro (37.4 million euro as at 31 December 2018) (Note 38) and a right to use of 8.5 million euro.

As described in note 2.5,c), with the adoption of IFRS 16 and if the transfer of the asset complies with the requirements of IFRS 15, the sale of the asset in a sale and leaseback transaction should be recognized and the asset "Rights of use", which must be measured by the proportion of the transferred asset. The gains or losses on these transactions should also be recognized only in proportion to the transferred Rights.

These assets have an initial period of 20 years, and the lease term can be extended, with market conditions, by four additional periods of 10 years, and it was considered by the Board of Directors that only the initial which is less than the remaining useful life of the assets subject to the transaction. It was also considered that there is no type of obligation to repurchase the assets subject to leasing, and the Group's current call options are exercisable based on market prices, as well as the present value of the minimum lease payments location.

The caption "Non-current assets held for sale" includes the net value of 27.5 million euro relating to 5 retail properties located in Portugal, whose sale is estimated to occur in 2020.

Most real estate assets from Sonae MC, as at 31 December 2019 and 2018, which are recorded at acquisition cost deducted of amortization and impairment charges, were evaluated by independent appraisers (Jones Lang LaSalle). These evaluations were performed using the income method, using yields between 6.75% and 9.00 % (6.75% and 9.00% in 2018), where the fair value of the property is in "Level 3" hierarchy - according to the classification given by IFRS 13. Such assessments support the value of the assets as at 31 December 2019.

The most significant values under the caption "Property, plant and equipment in progress" refer to the following projects:

	31 Dec 2019	31 Dec 2018
Refurbishment and expansion of stores in Portugal	21,618,856	21,492,707
Projects "Continente" stores for which advance payments were made	717,548	1,996,471
Others	2,965,958	5,140,137
	25,302,362	28,629,315

The caption "Impairment losses for Property, plant and equipment" can be detailed as follows:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Impairment losses							
Opening balance as at 1 January 2018	90,926,822	23,302,445	21,582	280,129	151,637	132,989	114,815,604
Discontinued operations	(360,735)	(16,930,569)	(20,701)	(163,744)	(41,266)	(177,320)	(17,694,335)
Impairment losses of the period	12,985,845	632,289	-	242,270	-	44,331	13,904,735
Disposals (Note 31)	(24,806,126)	(1,498,873)	(116)	(41,600)	(88,532)	-	(26,435,247)
Opening balance as at 1 January 2019	78,745,806	5,505,292	765	317,055	21,839	-	84,590,757
Impairment losses of the period (Note 31)	2,283,025	967,954	6,052	4,115	4,648	-	3,265,794
Disposals (Note 32)	(578,822)	(570,018)	-	(17,183)	(1,909)	-	(1,167,932)
Closing balance as at 31 December 2018 (Note 31)	80,450,009	5,903,228	6,817	303,987	24,578	-	86,688,619

8 Intangible Assets

In the years ended at 31 December 2019 and 2018, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

Intangible Assets	Industrial property	Software	Premium paid for property occupation	Others intangible assets	Intangible assets in progress	Total Intangible Assets
Gross cost						
Opening balance as at 1 January 2018	166,782,696	352,796,442	14,087,325	50,100,665	27,599,820	611,366,948
Discontinued operations	(73,140,332)	(41,586,098)	(6,530,601)	(49,265,318)	(5,377,410)	(175,899,759)
Investment	46,240	227,165	534,079	-	42,300,372	43,107,856
Acquisitions of subsidiaries	-	31,511	-	11,930	-	43,441
Disposals	(87,391)	(8,756,072)	-	-	(1,097,729)	(9,941,192)
Exchange rate effect	(70,750)	(60,401)	-	(19,355)	-	(150,506)
Transfers	148,086	35,349,502	-	-	(37,609,481)	(2,111,893)
Opening balance as at 1 January 2019	93,678,549	338,002,049	8,090,803	827,922	25,815,572	466,414,895
Investment	204,000	494,912	-	-	25,515,766	26,214,678
Acquisitions of subsidiaries (Note 4)	50,903	2,681,526	157,485	-	42,482	2,932,396
Fair value of acquired assets (Note 4)	58,400,000	-	-	-	-	58,400,000
Disposals	(8,544)	(9,705,055)	(22,693)	-	(6,931,517)	(16,667,809)
Exchange rate effect	(9,917)	(8)	-	(2,943)	-	(12,868)
Transfers	(91,500)	23,769,808	-	(50,899)	(23,458,363)	169,046
Closing balance as at 31 December 2019	152,223,491	355,243,232	8,225,595	774,080	20,983,940	537,450,338
Accumulated depreciation and impairment losses						
Opening balance as at 1 January 2018	29,998,545	218,997,615	13,631,606	5,822,880	-	268,450,646
Discontinued operations	(13,121,187)	(21,437,739)	(6,330,901)	(8,232,904)	-	(49,122,731)
Depreciation of the period	1,475,464	32,603,539	3,375	2,811,768	-	36,894,146
Impairment losses	-	5,401,878	-	-	-	5,401,878
Acquisitions of subsidiaries	-	19,540	-	-	-	19,540
Disposals	(87,274)	(5,922,005)	-	-	-	(6,009,279)
Exchange rate effect	(59,978)	(53,675)	-	(17,920)	-	(131,573)
Transfers	-	(244,138)	-	5,424	-	(238,714)
Opening balance as at 1 January 2019	18,205,570	229,365,015	7,304,080	389,248	-	255,263,913
Depreciation of the period	240,427	27,456,808	579	142,776	-	27,840,590
Impairment losses of the period (Note 31)	-	171,142	-	-	-	171,142
Acquisitions of subsidiaries (Note 4)	39,868	1,928,113	1,981	-	-	1,969,962
Disposals	(8,544)	(8,778,282)	-	-	-	(8,786,826)
Exchange rate effect	(8,813)	(7)	-	(2,742)	-	(11,562)
Transfers	(179,842)	(2,103)	-	(46,785)	-	(228,730)
Closing balance as at 31 December 2019	18,288,666	250,140,686	7,306,640	482,497	-	276,218,489
Carrying amount						
As at 31 December 2018	75,472,979	108,637,034	786,723	438,674	25,815,572	211,150,982
As at 31 December 2019	133,934,825	105,102,546	918,955	291,583	20,983,940	261,231,849

As at 31 December 2019 the Investment related to intangible assets in progress includes 26 million euro related to IT projects and development software (42 million euro at 31 December 2018). Within that amount it is included 11 million euro of capitalizations of personnel costs related to own work (about 9 million euro in 31 December 2018) (Note 38).

Additionally, the caption "Patents and other similar rights" include the acquisition cost of a group of brands with indefinite useful lives among which the "Continente" brand, acquired in previous years, amounting to 75 million euro and Arenal brand amounting to 58.4 million euro, the latter valued in the acquisition process.

Sonae performs annual impairment tests over the brands and obtained for this purpose an independent assessment of Continente brand made by independent appraisers (Interbrand). As at 31 December 2019, the external evaluation performed at the beginning of 2016 was internally updated and the value more than supports the accounting value of the asset as at 31 December 2019, and no impairment was recorded in the year.

9 RIGHT OF USE ASSETS

During the years ended on 31 December 2019 and 2018, the detail and the movement in the value of the rights of use, as well as in the respective depreciations, was as follows:

	Land and Buildings	Vehicles	Others tangible assets	Total tangible assets
Cost				
Opening balance as at 1 January 2018 (Note 5)	1,130,223,175	21,983,477	502,888	1,152,709,540
Acquistion of subsidiaries	709,730	-	-	709,730
Additions	194,630,418	7,110,855	12,635	201,753,908
Discontinued Operations	(229,375,128)	(5,047,555)	-	(234,422,683)
Write-offs and decreases	(25,390,137)	(6,052,364)	-	(31,442,502)
Closing balance as at 31 December 2018	1,070,798,058	17,994,413	515,523	1,089,307,993
Acquistion of subsidiaries (Note 4)	46,019,214	-	-	46,019,214
Additions	103,473,063	69,395,813	99,243	172,968,119
Write-offs and decreases	(11,839,761)	(2,010,186)	(3,590)	(13,853,537)
Closing balance as at 31 December 2019	1,208,450,574	85,380,039	611,176	1,294,441,789
Accumulated depreciation and impairment				
Opening balance as at 1 January 2018 (Note 5)	283,956,971	8,489,400	216,770	292,663,141
Depreciation of the period	90,602,898	5,844,092	95,858	96,542,848
Discontinued Operations	(53,175,637)	(1,949,390)	-	(55,125,027)
Write-offs and tranfers	(19,721,273)	(5,153,088)	-	(24,874,362)
Closing balance as at 31 December 2018	301,662,959	7,231,014	312,628	309,206,601
Depreciation of the period	70,387,955	20,776,876	99,322	91,264,154
Write-offs and tranfers	(3,384,098)	(1,083,513)	-	(4,467,611)
Closing balance as at 31 December 2019	368,666,816	26,924,377	411,950	396,003,144
Carrying amount				
As at 31 December 2018	769,135,099	10,763,399	202,895	780,101,393
As at 31 December 2019	839,783,758	58,455,662	199,225	898,438,645

In the consolidated income statement, 91.3 million euro were recognized for depreciation of the period (66.3 million euro in 2018) and 61.2 million of euros of interest relating to the adjusted debt (52.2 million euro in 2018) (Note 37).

The responsibilities related to Right of use were recorded under the caption Non-Current and current Lease Liabilities, in the amount respectively of 930 million euro and 76 million euro (806 million and 53 million euro in 31 December 2018).

The repayment plan for lease liabilities, as at 31 December 2019 and 2018, can be analysed as follows:

	31 Dec 2019			31 Dec 2018 Restated		
	Capital	Interests	Updated liabilities	Capital	Interests	Updated liabilities
N+1	137,961,696	61,962,929	75,998,767	107,534,707	54,953,465	52,581,242
N+2	132,670,795	58,199,665	74,471,130	100,195,805	51,940,728	48,255,077
N+3	127,877,027	54,382,109	73,494,917	92,038,897	49,148,105	42,890,791
N+4	106,764,683	50,677,904	56,086,779	88,854,337	46,386,502	42,467,835
N+5	98,082,867	47,260,627	50,822,240	85,960,979	43,601,379	42,359,599
After N+5	954,130,387	278,612,157	675,518,231	904,343,370	273,985,408	630,357,962
	1,557,487,455	551,095,392	1,006,392,063	1,378,928,095	520,015,588	858,912,507

10 GOODWILL

Goodwill is allocated to each of the homogeneous groups of cash generating units, namely to each of the insignia of the segment distributed by country and each of the properties.

As at 31 December 2019 and 2018, the caption "Goodwill" was made up as follows by country:

	31 Dec 2019	31 Dec 2018 Restated
Portugal	449,984,119	446,613,429
Spain	19,440,000	-
	469,424,119	446,613,429

During the year ended in 31 December 2019 and 2018, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Gross value:		
Opening balance	453,816,647	560,981,054
Discontinued operations	-	(106,904,658)
Goodwill generated in the period (Note 4)	22,810,690	668,055
Decreases	-	(546,373)
Others variations	-	(381,431)
Closing balance	476,627,337	453,816,647
Accumulated impairment		
Opening balance	7,203,218	7,641,668
Discontinued activity	-	(438,450)
Closing balance	7,203,218	7,203,218
	-	-
Net value	469,424,119	446,613,429

The evaluation of the existence, or not, of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis prepared with cash flow projections for periods of five years and ten years, unless there is evidence of impairment, in which case the analysis is done in shorter periods of time.

During the years ended as at 31 December 2019 and 2018, Sonae MC carried out the Goodwill impairment analysis, having not, as a result of this analysis, recognized impairment losses in 2019 and 2018.

For this purpose, the Sonae MC use internal valuation of its business concepts, using annual planning methodologies, supported in business plans that consider cash flow projections for each unit which depend on detailed and properly supported assumptions. These plans take into consideration the impact of the main actions that will be carried out by each business concept as well as a study of the resource's allocation of the company.

The recoverable value of cash generating units is determined based on its value in use, which is calculated taking into consideration the last approved business plans which are prepared using cash flow projections for periods of 5 years and 10 years.

The case scenarios are elaborated with a weighted average cost of capital and with a growth rate of cash-flows in perpetuity that can be detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Recoverable amount basis	value in use	value in use
Weighted average cost of capital	9% to 10%	9% to 10%
Growth rates in perpetuity	<=2%	<=2%
Composite rate of sales growth	-0,3% to 2,1%	0.1% to 2.17%

The analyses of the impairment indicators and the review of the impairment projections and tests of Sonae MC have not lead to the account of impairment charges, during the year ended at 31 December 2019. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoverable value, and therefore no additional material impairment charge would result.

11 JOINT VENTURES AND ASSOCIATED COMPANIES

11.1 DETAIL OF BOOK VALUE OF INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Joint ventures and associates, their head offices, proportion of capital held and value in the statement of financial position as at 31 December 2019 and 2018 are as follows:

		Percentage of capital held				Statment of financial position	
		31 Dec 2019		31 Dec 2018			
Company	Head Office	Direct*	Total*	Direct*	Total*	31 Dec 2019	31 Dec 2018 Restated
Sohi Meat Solutions - Distribuição de Carnes,	Santarém	50.00%	50.00%	50.00%	50.00%	3,356,985	3,006,331
Maremor Beauty & Fragances, S.L.	Madrid	50.00%	30.00%	-	-	120,649	-
Investments in joint ventures						3,477,634	3,006,331
1) S2 Mozambique, SA	Maputo	-	-	30.00%	30.00%	-	-
Sempre a Postos - Produtos Alimentares e	Lisbon	25.00%	25.00%	25.00%	25.00%	960,282	1,078,483
2) Ulabox, S.L.	Barcelona	-	-	36.00%	36.00%	-	-
Investment in associates companies						960,282	1,078,483
Total						4,437,916	4,084,814

* the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

1) Associate in liquidation process;

2) Associated sold during the year.

Jointly controlled companies and associated companies were included in the consolidated financial statements by the equity method.

11.2 FINANCIAL INDICATORS OF PARTICIPATIONS

Joint ventures

As at 31 December 2019 and 2018, summary financial information of joint ventures of the group can be analysed as follows:

	31 Dec 2019	
Joint Ventures	Sohi Meat	Maremor
Assets		
Tangible assets	18,832,996	3,740
Intangible assets	476,543	154
Right of use	2,708,727	-
Other non-current assets	656,974	3,326
Non-current assets	22,675,240	7,220
Cash and cash equivalents	175,853	196,701
Other current assets	44,284,537	104,059
Current assets	44,460,390	300,760
Total assets	67,135,630	307,980
Liabilities		
Other non-current liabilities	1,921,427	-
Non-current liabilities	1,921,427	-
Other current liabilities	59,331,987	66,681
Total current liabilities	59,331,987	66,681
Total liabilities	61,253,414	66,681
Shareholders' funds excluding non-controlling interests	5,882,216	241,299
Non-controlling interests	-	-
Total shareholders' funds	5,882,216	241,299
Total shareholders' funds and liabilities	67,135,630	307,980

	31 Dec 2018 Restated
Joint Ventures	Sohi Meat
Assets	
Tangible assets	19,454,900
Intangible assets	789,101
Other non-current assets	41,994
Non-current assets	20,285,995
Cash and cash equivalents	408,471
Other current assets	49,723,048
Current assets	50,131,519
Total assets	70,417,514
Other current liabilities	65,021,799
Total liabilities	65,021,799
Shareholders' funds excluding non-controlling interests	5,395,715
Non-controlling interests	-
Total shareholders' funds	5,395,715
Total shareholders' funds and liabilities	70,417,514

	31 Dec 2019	
Joint Ventures	Sohi Meat	Maremor
Total revenue	267,877,312	566,000
Other income	823,108	-
	268,700,420	566,000
Cost of goods sold and materials consumed	(241,235,444)	-
External supplies and services	(12,067,094)	-
Depreciation and amortisation	(5,113,810)	(1,599)
Other operating costs	(8,262,688)	(521,934)
	(266,679,036)	(523,533)
Financial results	(403,453)	-
Income taxation	(361,182)	(10,625)
Consolidated net income/(loss) for the year	1,256,749	31,842

	31 Dec 2018 Restated
Joint Ventures	Sohi Meat
Total revenue	272,777,578
Other income	23,465,026
	296,242,604
Cost of goods sold and materials consumed	(263,028,955)
External supplies and services	(14,282,149)
Depreciation and amortisation	(3,791,345)
Other operating costs	(13,287,174)
	(294,389,623)
Financial results	(238,814)
Income taxation	(323,595)
Consolidated net income/(loss) for the year	1,290,571

The reconciliation of financial information with the joint ventures carrying amount can be analysed as follows:

	31 Dec 2019		31 Dec 2018 Restated
Joint ventures	Sohimeat, SA	Maremor	Sohimeat, SA
Equity	5,882,216	241,299	5,395,715
Percentage of share capital held	50%	30%	50%
Share of the net assets	2,941,108	72,390	2,697,858
Goodwill recognized in financial investments	-	-	-
Other effects	415,877	48,259	308,474
Financial investment	3,356,985	120,649	3,006,331

Associates

As at 31 December 2019 and 2018, summary financial information of associated companies can be analysed as follows:

	31 Dec 2019	31 Dec 2018 Restated			
Associated Companies	Sempre a Postos	Sempre a Postos	S2 Mozambique	Ulabox	Others
% participation	25%	25%	30%	36%	
Assets	11,273,483	10,221,252	8,103,157	3,001,232	1,186,554
Liabilities	7,432,356	5,907,317	5,589,119	2,467,268	33,741
Equity	3,841,127	4,313,935	2,514,038	533,964	1,152,813
Revenues	64,336,898	61,193,913	4,799,919	10,667,002	179,594
Operational results	3,507,675	3,005,152	(2,590,650)	(4,031,417)	(97,422)
Profit/(Loss)	2,644,012	2,279,937	(2,892,046)	(4,031,417)	(97,465)

The reconciliation of financial information with the associates carrying amount can be analysed as follows:

	31 Dec 2019	31 Dec 2018 Restated			
Associates	Sempre a Postos	Sempre a Postos	S2 Mozambique	Ulabox	APOR
Equity	3,841,127	4,313,935	2,514,038	533,964	1,152,813
Percentage of share capital held	25.00%	25.00%	30.00%	36.00%	22.75%
Share of the net assets	960,282	1,078,483	754,211	192,227	262,265
Other effects	-	-	(754,211)	(192,227)	-
Financial investment	960,282	1,078,483	-	-	-

11.3 MOVEMENTS OCCURED IN THE PERIOD

During the year ended at 31 December 2019 and 2018, movements in investments in joint ventures and associates are as follows:

	31 Dec 2019			31 Dec 2018 Restated		
	Propotion on equity	Goodwill	Total investment	Propotion on equity	Goodwill	Total investment
Investments in joint ventures						
Initial balance as at 1 January	3,006,331	-	3,006,331	17,301,187	17,160,451	34,461,638
Acquisitions during the period	100,000	-	100,000	-	-	-
Discontinued operations	-	-	-	(13,874,082)	(17,160,451)	(31,034,533)
Equity method:						
Effect in gain or losses in joint controlled and	691,544	-	691,544	645,286	-	645,286
Distributed dividends	(324,970)	-	(324,970)	-	-	-
Effect in equity capital	4,730	-	4,730	6,203,340	-	6,203,340
Results of Discontinued operations	-	-	-	(7,269,400)	-	(7,269,400)
	3,477,635	-	3,477,635	3,006,331	-	3,006,331
Investments in associates companies						
Initial balance as at 1 January	1,078,483	-	1,078,483	5,431,437	1,549,408	6,980,845
Capital increase	-	-	-	118,745	-	118,745
Equity method:	-	-	-	-	-	-
Effect in gain/losses in associated companies	661,003	-	661,003	(1,091,889)	-	(1,091,889)
Distributed dividends	(779,205)	-	(779,205)	(542,293)	-	(542,293)
Effect in equity capital	-	-	-	(127,152)	-	(127,152)
Results of Discontinued operations	-	-	-	(858,339)	-	(858,339)
Impairment in associated companies (Note 31 and 36)	-	-	-	(1,852,026)	(1,549,408)	(3,401,434)
	960,281	-	960,281	1,078,483	-	1,078,483
Total	4,437,916	-	4,437,916	4,084,814	-	4,084,814

The caption "Share of results of joint ventures and associates" in the income statement includes includes about 850 negative thousands of euros related to the sale of the interest held in the associate sold.

In 2018, the "Equity effect" on Investments in joint ventures includes 7 million euro related to recycling due to exchange conversion reserves that existed in discontinued operations.

The caption "Discontinued operations" in Investments in joint ventures in 2018 refers to the sale of the MDS as a result of the corporate reorganization that occurred in that year.

12 OTHER INVESTMENTS

Other non-current investments, their head offices, percentage of share capital held and book value as at 31 December 2019 and 2018, are as follows:

		Percentage of capital held				Statment of financial position	
		31 Dec 2019		31 Dec 2018			
Company	Head Office	Direct	Total	Direct	Total	31 Dec 2019	31 Dec 2018
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	14.28%	14.28%	9,976	9,976
Insco - Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	5,345,040	5,252,372
Other investments						11,892,835	11,326,684
						17,247,851	16,589,032

As at 31 December 2019 the caption "Other investments" includes, among others, 9,823,569 euro (9,872,897 euro in 31 December 2018) related to deposited amounts on an Escrow Account which is applied in investment funds with superior rating, which is a guarantee for contractual liabilities assumed in the disposal of a Brazil Retail business and for which provisions were recorded in the applicable situations (Note 31 and 33).

As at 31 December 2019, with the exception of Escrow Account, these amounts represent financial investments of immaterial value in unlisted companies and in which the Group does not hold significant influence.

Under IFRS 9, these investments are classified as "Financial assets at fair value through profit or loss" as explained in note 2.13.a) iii) and classified at level 3 of the fair value hierarchy defined in IFRS 13-Fair Value.

As at 31 December 2019 and 2018, the movements in "Other investments" made up as follows:

	31 Dec 2019		31 Dec 2018 Restated	
	Non Current	Current	Non Current	Current
Other investments:				
Opening balance as at 1 January	16,589,032	-	12,323,384	-
Acquisitions in the period	1,215,982	-	1,144,576	-
Disposals in the period	(569,259)	-	(667,493)	-
Increase/(Decrease) in fair value	-	-	4,327,176	-
Others	12,096	-	(538,611)	-
Closing balance as at 31 December	17,247,851	-	16,589,032	-
Derivative financial instruments				
Fair value as at 1 January	-	1,231,414	-	179,881
Acquisitions in the period	-	-	-	18,244
Changes in perimeter	-	-	-	(241,220)
Increase/(Decrease) in fair value	-	(837,105)	-	1,274,509
Fair value as at 31 December (Note 25)	-	394,309	-	1,231,414
Total of Other Investments (Note 6)	17,247,851	394,309	16,589,032	1,231,414

13 OTHER NON-CURRENT ASSETS

As at 31 December 2019 and 2018, "Other non-current assets" are detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Trade accounts receivable and other debtors		
Cautions	1,395,743	66,189
Sublease receivables	5,171,605	-
Legal deposits	3,446,508	3,502,069
Amount receivable for selling subsidiary companies	400,000	900,000
Others	350,103	350,209
	10,763,959	4,818,467
Accumulated impairment losses in other debtors	-	-
Total trade accounts receivable and other debtors	10,763,959	4,818,467
Total financial instruments (Note 6)	10,763,959	4,818,467
Other non-current assets	-	-
	10,763,959	4,818,467

The amounts related to judicial deposits made by a Brazilian subsidiary, for which the corresponding liabilities are recorded under the heading "Other debts to third parties" (Note 29), these values do not have a defined maturity;

14 INVENTORIES

As at 31 December 2019 and 2018, this caption was made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Raw materials and consumables	462,203	288,621
Goods for resale	421,598,557	412,886,114
	422,060,760	413,174,735
Accumulated adjustments in inventories	(14,629,721)	(16,407,476)
	407,431,039	396,767,259

Cost of goods sold as at 31 December 2019 and 2018 amounted to 3,288,062,137 euro and 3,003,067,240 euro, respectively, and may be detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Opening balance	413,174,736	734,777,518
Exchange rate effect	(127)	6,518
Discontinued operations	-	(333,163,893)
Acquisitions of subsidiaries (Note 4)	24,825,606	134,878
Purchases	3,283,724,184	3,019,147,843
Adjustments	(9,479,952)	(4,355,023)
Closing balance	422,060,759	413,174,736
	3,290,183,688	3,003,373,105
Adjustments in inventories	(2,121,551)	(305,865)
	3,288,062,137	3,003,067,240

As at 31 December 2019 and 2018, the caption Adjustments refers essentially to regularizations resulting from offers to social solidarity institutions.

15 TRADE RECEIVABLES

As at 31 December 2019 and 2018, "Trade receivables" are detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Trade accounts receivable	98,407,591	123,097,010
Doubtful receivables	3,151,821	2,930,900
	101,559,412	126,027,910
Accumulated impairment losses on Trade accounts receivable (Note 31)	(3,157,289)	(2,953,919)
	98,402,123	123,073,991

The caption Current customers includes 69,762,725 euro (9,241,546 euro as at 31 December 2018), on wholesale sales to related companies. The variation is due to the business companies Worten, Sonae Fashion and Sonae FS sold in 2018 and now classified as "other related parties" (Note 43).

At 31 December 2019, impairment losses are calculated based on the expected credit loss, the calculation of which results from the application of expected losses based on receipts from sales and services rendered and from historical credit losses. We also consider that there are amounts for which there is no credit risk and as such the expected credit loss is null, namely balances with letters of credit, sureties, credit insurance and balances with related entities.

16 OTHER RECEIVABLES

As at 31 December 2019 and 2018, Other debtors are detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Granted loans and other receivables to related companies	13,564	6,425
Other debtors		
Trade creditors - debtor balances	38,064,859	25,071,018
Vouchers and gift cards	10,009,887	4,496,588
Accounts receivable resulting from promotional campaigns developed with partnerships	7,147,774	7,685,381
VAT recoverable on real estate assets and vouchers discounts	5,160,490	2,516,735
Disposal of intangible assets	6,987,272	3,945,809
Advances to suppliers of property, plant and equipment	4,844,843	321,751
Disposal of financial investments	500,000	300,000
Disposal of property, plant and equipment	383,139	235,820
Other current assets	7,804,561	9,545,583
	80,902,825	54,118,685
Accumulated impairment losses in receivables (Note 31)	(3,856,935)	(3,765,016)
Total of other debtors	77,045,890	50,353,669
Total of Financial Instruments (Note 6)	77,059,454	50,360,094
Other current assets	-	-
	77,059,454	50,360,094

The amounts disclosed as "Trade payables - debtor balances" relate with commercial discounts billed to suppliers, to be net settled with future purchases.

At 31 December 2019, impairment losses relating to other receivables are calculated based on the expected credit loss based on the non-existence of credit risk for balances with public sector entities, sureties, subsidies and related entities and as such the expected loss is considered null. Current balances approximate their fair value.

17 INCOME TAX

As at 31 December 2019 and 2018, "Other tax assets", and "Other tax liabilities" are made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Debtors values		
VAT	24,222,476	20,772,096
Social security contributions	73,658	-
Other taxes	1,050,696	1,067,572
	25,346,830	21,839,668
Creditors values		
VAT	58,115,130	51,806,570
Staff income taxes withheld	3,470,003	3,578,640
Social security contributions	11,580,102	9,886,354
Other taxes	180,863	135,795
	73,346,098	65,407,359

18 INCOME TAX EXPENSE

As at 31 December 2019 and 2018, "Income Tax Expense" are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Debtors values		
Income taxation with participating entity	36,028,338	23,427,538
Income taxation	7,093,615	20,392,960
	43,121,953	43,820,498
Creditors values		
Income taxation with participating entity	46,966,814	33,201,771
Income taxation	3,233,583	3,640,446
	50,200,397	36,842,217

As at 31 December 2019, the amounts in the credit amounts under the caption "Income tax with a participating entity" included about 46.9 million euro (33.2 million euros as at 31 December 2018) amount payable to Sonae SGPS, SA resulting from the inclusion of the companies of the Sonae MC group in the tax consolidation, of which Sonae SGPS, SA is the parent company.

The non-current "Income tax" item in the amount of 4.49 M euros, includes the amount related to the Special Regime for the Settlement of Debts to the Tax Authorities corresponding to taxes paid, voluntarily, related to tax assessments on corporate income (IRC) that were already in court, the court proceedings continued to proceed, however, the guarantees provided for those proceedings were canceled. It is the understanding of the Board of Directors that the complaints presented will have a favourable outcome for Sonae MC, reason why they are not provisioned.

19 OTHER CURRENT ASSETS

As at 31 December 2019 and 2018, “Other current assets” is made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Commercial discounts	12,953,800	11,290,106
Insurance premiums paid in advance	2,437,740	3,950,267
Software licenses	2,597,754	2,630,616
Deferred costs - Rents	868,931	-
Interests to be received	302,773	285,641
Insurance indemnities	408,281	67,020
Other current assets	11,135,152	6,822,601
	30,704,431	25,046,251

The caption "Commercial discounts" refers to promotional campaigns carried out in the retail operating segment stores and reimbursed by Sonae MC suppliers and recognized under "Cost of sales".

20 DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2019 and 2018 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Difference between fair value and acquisition cost	4,310,278	3,897,779	18,877,011	4,063,924
Temporary differences on property, plant and equipment and intangible assets	8,113	8,867	77,467,323	68,282,906
Provisions and impairment losses not accepted for tax purposes	11,816,298	12,179,279	-	-
Valuation of hedging derivatives	107,507	45,311	67,639	85,641
Amortisation of goodwill for tax purposes in Spain	-	-	27,919,963	22,103,283
Revaluation of property, plant and equipment	-	-	683,776	746,894
Tax losses carried forward	6,664,266	6,791,868	-	-
Reinvested capital gains/(losses)	-	-	252,746	277,016
Rights of use	227,885,185	193,255,314	205,257,299	175,522,814
Tax Benefits	3,311,517	6,354,690	-	-
Others	2,125,718	1,747,797	4,915	-
	256,228,882	224,280,905	330,530,672	271,082,478

During the periods ended 31 December 2019 and 2018, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Opening balance	224,280,905	56,857,992	271,082,478	122,806,483
Impact of IFRS16 implementation	-	212,935,851	-	195,057,712
Restated opening balance	224,280,905	269,793,843	271,082,478	317,864,195
Effects in net income:				
Difference between fair value and acquisition cost	412,499	314,375	213,087	(2,242,497)
Temporary differences on property, plant and equipment and intangible assets	(754)	(322,058)	9,217,803	1,429,058
Provisions and impairment losses not accepted for tax purposes	(364,047)	(4,314,896)	-	-
Revaluation of tangible assets	-	-	(61,491)	(167,809)
Constitution / reversal of deferred tax assets over tax losses	(249,305)	(1,706,137)	-	-
Amortisation of goodwill for tax purposes in Spain	-	-	5,816,680	5,816,680
Reinvested capital gains/(losses)	-	-	(24,271)	(25,947)
Effect of change of tax rate	(42)	(7)	(93,133)	(13,512)
Rights of use	34,062,949	26,211,946	29,091,669	22,216,380
Tax Benefits	1,341,272	5,951,836	-	-
Discontinued operations	-	1,848,212	-	628,408
Others	461,238	(383,545)	-	(1,165,178)
	35,663,810	27,599,726	44,160,344	26,475,583
Effects in equity:				
Valuation of hedging derivatives	62,196	35,596	(18,003)	43,689
Rights of use	566,922		642,817	
Fair value allocation on the acquition of subsidiaries (including tax losses carried forward) (Note 4)	-	-	14,600,000	-
Others	(4,588,898)	-	(3,000)	(9,140)
	(3,959,780)	35,596	15,221,814	34,549
Discontinued operations	-	(72,817,777)	-	(73,413,515)
Others	243,947	(330,483)	66,036	121,666
Closing balance	256,228,881	224,280,905	330,530,672	271,082,478

As at 31 December 2019, the tax rate to be used in Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate to be used to calculate deferred taxes in temporary differences in Portuguese companies is 22.5% increased by the state surcharge in companies in which the expected reversal of those deferred taxes will occur when those rates will be applicable. For companies or branches located in other countries, rates applicable in each jurisdiction were used.

In 2016 and in a new decision occurred in 2018, the Spanish Supreme Court decided in favour of Sonae MC considering that goodwill amortization for tax purposes in 2008 was applicable. During 2017, the Group recognized 17.5 million euro in deferred tax liabilities related to the tax deduction of the amortization of the years 2008, 2016, 2017 and in 2018 and in 2019 the recognition of 5.8 million euro relating to this exercise..

Taking into account the tax proceedings pending before the court in Spain for the financial years 2008 to 2011, as well as for the fact that the Group was prevented from recognizing the tax depreciation of goodwill for the financial years 2012 to 2015, the right of the entity to deduct tax depreciation of goodwill amounting to 69.8 million euro might be given in the future.

As at 31 December 2019 and 2018, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

		31 Dec 2019			31 Dec 2018		
		Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use							
Generated in 2014	Portugal	130,539	27,413	2026	18,326	3,849	2026
Generated in 2015	Portugal	111,086	23,328	2027	69,902	14,680	2027
Generated in 2016	Portugal	877,197	184,211	2028	243,591	51,154	2028
Generated in 2017	Portugal	105,297	22,112	2022	1,278,464	268,476	2022
Generated in 2018	Portugal	452,749	95,077	2023	1,299,779	272,953	2023
Generated in 2019	Portugal	625,559	131,369	2024	-	-	2024
		2,302,427	483,510		2,910,062	611,112	
Without limited time use							
	Spain	24,723,024	6,180,756		24,723,024	6,180,756	
		27,025,451	6,664,266		27,633,086	6,791,868	

As at 31 December 2019 and 2018, the deferred taxes to be recognized arising from tax losses were evaluated. In the cases in which they originated deferred tax assets, they were only recorded to the extent that it is probable that future taxable income will occur that could be used to recover the tax losses or tax differences that reverted in the same period and considering the limit of compensation existing by law in the applicable cases. This assessment was based on the business plans of Sonae MC companies, which are periodically reviewed and updated. The main assumptions used in those business plans are described in Note 10 with the exception of Retail operations in Spain.

As at 31 December 2019, the Group had an amount of 6.2 million euro (6.2 million euro as at 31 December 2018) in the Retail segment of deferred tax assets related to tax losses for this and previous years of the Spanish Tax Group and which can be recovered by it in Spain. The Modelo Continente Hipermercados, SA branch in Spain was, on 31 December 2019 and 2018, the representative entity of the Tax Group in Spain, whose dominant entity is Sonae SGPS, S.A.

The recoverability of the above mentioned deferred tax assets, regarding Sonae operations in Spain is supported by the analysis of the recoverable amount of the cash-generating units for the specialized retail formats in Spain based on their value in use, obtained from business plans with a 10-year projection period, assuming it is the most realistic and appropriate deadline for the implementation of the strategy of internationalization of Sonae in the specialized retail segment, taking into consideration not only the nature of the products in question (more discretionary character) but also the current macro-economic conditions.

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in the mentioned Fiscal Group, are essentially based on a compound rate of sales growth in the 10 years of 4.8% (6.5% in 2018).

Although these tax losses do not expire, the analysis of their recoverability was limited to a 10 years term, also considering the deferred tax liabilities recognized.

It is the Board of Directors understanding, considering the existing business plans for each of the companies, that such deferred tax assets are fully recoverable, including those which were reversed in previous years likely to be recoverable in a longer period than the 10 years of the business plan.

As at 31 December 2019, there are reportable tax losses in the amount of 75.5 million euro (53.7 million euro as at 31 December 2018), whose deferred tax assets are not recorded for prudence purposes.

		31 Dec 2019			31 Dec 2018		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Generated in 2017	Portugal	1,199,079	251,807	2022	-	-	
Generated in 2018	Portugal	1,074,456	225,636	2023	-	-	
Generated in 2019	Portugal	2,392,392	502,402	2024	-	-	
		4,665,927	979,845		-	-	
Without limited time use							
	Brazil	18,853,767	6,410,281		17,416,580	5,921,637	
	Malta	59,633	20,871		44,040	15,414	
	Spain	51,952,463	12,988,116		36,233,788	9,058,447	
		70,865,863	19,419,268		53,694,408	14,995,498	
		75,531,790	20,399,113		53,694,408	14,995,498	

In 2010 and 2011, Spanish Tax authorities notified Modelo Continente S.A. Spanish Branch of a decrease in 2008 and 2009 tax losses incurred, amounting to approximately 23.3 million euro, challenging the deduction of Goodwill depreciation, generated on the acquisition of Continente Hipermercados for each of the mentioned years. That branch appealed to the proper Spanish Authorities (Tribunal Economico Administrativo Central de Madrid) in 2010 and 2011 respectively, and it is the Board of Directors understanding that the decision will be favourable to the Group, thus maintaining the recognition of deferred tax assets and deferred tax liabilities. In 2012 the Company interposed appeal to the National Court in Spain ("Audiencia Nacional España"), due to a decision opposite to the claims and estimates of the Company, by the Economic and Administrative Central Court of Madrid, for the notification for fiscal year of 2008. The same procedure was adopted in 2014 for the notification corresponding to the financial year 2009.

In 2014 following an additional inspection for fiscal years 2008 to 2011, Spanish Tax authorities corrected tax losses carried forward regarding goodwill depreciation and financial expenses that resulted from the acquisition of Continente Hipermercados S.A. Although in complete disagreement, Sonae carried out the tax returns correction and appealed, to the proper Spanish Authorities (Central Administrative Economic Court Spain). Tax reports for 2012 to 2015 were corrected. During 2018, as a result of the unfavourable decision of the Central Economic-Administrative Court of Madrid, an appeal was lodged against the National Audience in Spain.

In 2015 and 2016, the decision of the National Court in Spain regarding the reduction of tax losses arising from the tax depreciation of goodwill in the years ended at 31 December 2008 and 2009 respectively was contrary to the Group's claims, and despite the Branch appealing to the Supreme Court, the Group prudently annulled deferred tax assets from 2008 to 2011, recognized in the accompanying financial statements, amounting to 36 million euro, and the deferred tax liabilities corresponding to the amortization of goodwill for tax purposes amounting to 18.6 million euro.

In 2016 and in a new decision in 2018, the Supreme Court gave a positive opinion to the Group's pretensions regarding tax amortization of Goodwill, with reference to 2008, and the Group corrected the tax return for 2016, and it is its intention to also consider such amortization in the tax return for the next years. Consequently, it recognized the corresponding deferred tax liability for fiscal years 2008, 2016, 2017, 2018 and 2019.

21 CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 2018, Cash and cash equivalents are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Cash at hand	10,793,121	9,240,759
Bank deposits	66,534,344	68,994,739
Treasury applications	12,159	-
Cash and bank balances on the statement of financial position	77,339,624	78,235,498
Bank overdrafts (Note 24)	(13,956)	(23,141)
Cash and bank balances in the statement of cash flows	77,325,668	78,212,357

Bank overdrafts are disclosed in the statement of financial position under "Loans".

22 SHARE CAPITAL

As at 31 December 2019, the share capital, which is fully subscribed and paid for, is made up of 1,000,000,000 ordinary shares, which do not have the right to a fixed dividend, with a nominal value of 1 euro each.

As at 31 December 2019 and 2018, the subscribed share capital was held as follows:

Company	31 December 2019	31 December 2018
Sonae, SGPS, S.A.	35.029%	35.029%
Sonae Holdings, SA 1)	51.827%	51.827%
Sonae Investments, BV	13.144%	13.144%

1) Former Sonaecenter Serviços, SA

As at 31 December 2019 Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae's share shares representing the share capital of Sonae, SGPS, SA. Sonae held directly or indirectly 100% of the company.

23 NON-CONTROLLING INTEREST

As at 31 December 2019 and 2018, "Non-controlling interests" are detailed as follows:

	31 Dec 2019				
	Equity	Net Profit/ (Loss)	Book value of non-controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Elergone	7,322,427	3,297,256	1,778,960	824,314	-
Gowell	(36,475)	20,970	3,625,450	10,275	-
Arenal	117,389,031	3,821,487	21,977,691	1,534,963	-
Real Estate Investment Fund Imosonaedois	112,077,554	8,891,900	2,243,500	(71,026)	-
Maxmat	50,099,237	5,884,316	25,109,815	3,293,611	(2,027,573)
Others	(15,032,254)	(1,902,493)	(67)	(7)	-
Total	271,819,520	20,013,436	54,735,349	5,592,130	(2,027,573)

	31 Dec 2018 Restated				
	Equity	Net Profit/ (Loss)	Book value of non-controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Elergone	4,302,319	1,415,669	1,012,152	353,917	-
Gowell	(489,561)	(543,886)	3,167,942	(242,168)	-
Real Estate Investment Fund Imosonaedois	114,985,651	12,703,768	2,810,915	254,516	-
Maxmat	48,358,110	4,282,134	22,017,356	2,158,518	-
Others	(13,386,695)	(6,220,044)	(6)	-	-
Discontinued activities	-	(8,236,610)	-	(536,872)	(1,393,908)
Total	153,769,824	3,401,031	29,008,359	1,987,911	(1,393,908)

Movements in non-controlling interests during the periods ended as at 31 December 2019 and 2018 are as follows:

	31 Dec 2019						
	Elergone	Gowell	Arenal	Real Estate Investment Fund Imosonaedois	Maxmat	Others	Total
Opening balance as at 1 January	1,023,963	3,520,072	-	2,301,712	24,300,216	(7)	31,145,956
Effect of Restatment	(11,811)	(352,130)	-	509,203	(2,282,860)	1	(2,137,597)
Opening balance as at 1 January 2019 Restated	1,012,152	3,167,942	-	2,810,915	22,017,356	(6)	29,008,359
Dividends distributed	-	-	-	-	(2,027,573)	-	(2,027,573)
Income distribution from investment funds	-	-	-	(236,205)	-	-	(236,205)
Acquisition of subsidiaries (Note 4)	-	-	20,442,727	-	-	-	20,442,727
Capital inflow	-	127,506	-	-	-	-	127,506
Interest in other comprehensive income, net of tax, related to associates and joint ventures accounted for under the equity method	-	-	1,892	-	-	-	1,892
Changes in hedging reserves	(69,316)	-	-	-	(528)	-	(69,844)
Others variations	11,810	319,727	(1,891)	(260,184)	1,826,949	(54)	1,896,357
Profit for the period attributable to non-controlling interests	824,314	10,275	1,534,963	(71,026)	3,293,611	(7)	5,592,130
Closing balance as at 31 December	1,778,960	3,625,450	21,977,691	2,243,500	25,109,815	(67)	54,735,349

	31 Dec 2018 Restated						
	Elergone	Gowell	Real Estate Investment Fund Imosonaedois	Maxmat	Discontinued operations	Others	Total
Opening balance as at 1 January	777,572	3,783,609	2,452,985	21,981,602	63,020,574	(7)	92,016,336
Effect of Restatment	(10,160)	(294,444)	251,900	(802,681)	(1,898,334)	-	(2,753,719)
Opening balance as at 1 January 2018 Restated	767,412	3,489,165	2,704,885	21,178,921	61,122,240	(7)	89,262,617
Dividends distributed	-	-	(67,224)	-	(1,326,684)	-	(1,393,908)
Income distribution from investment funds	-	-	(405,352)	-	(1,333,107)	-	(1,738,459)
Change in currency translation reserve	-	-	-	-	-	13,567	13,567
Constitution of subsidiaries	-	-	-	-	120,000	-	120,000
Disposal of subsidiaries	-	-	-	-	(58,907,371)	-	(58,907,371)
Changes in hedging reserves	(105,936)	-	-	3,983	4,614	-	(97,339)
Change in consolidation method	-	-	-	-	(1,211,039)	-	(1,211,039)
Other variations	(3,241)	(79,056)	324,090	(1,324,066)	2,068,219	(13,566)	972,380
Profit for the period attributable to non-controlling interests	353,917	(242,168)	254,516	2,158,518	(536,872)	-	1,987,911
Closing balance as at 31 December	1,012,152	3,167,941	2,810,915	22,017,356	-	(6)	29,008,359

As at 31 December 2019 and 2018, aggregate financial information of subsidiaries with non-controlling interests is as follows:

	31 Dec 2019						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds Imosonaedois	Maxmat	Others	Total
Total Non-Current Assets	307,650	2,319,998	215,799,461	114,149,781	38,594,645	13,465,355	384,636,890
Total Current Assets	13,515,303	2,536,915	46,744,817	124,443	46,309,176	1,111,750	110,342,404
Total Non-Current Liabilities	29,865	1,210,456	106,153,727	-	6,199,838	26,437,543	140,031,429
Total Current Liabilities	6,470,661	3,682,932	39,001,520	2,196,670	28,604,746	3,171,816	83,128,345
Equity	7,322,427	(36,475)	117,389,031	112,077,554	50,099,237	(15,032,254)	271,819,520

	31 Dec 2018 Restated						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds Imosonaedois	Maxmat	Discontinued operations	Total
Total Non-Current Assets	76,296	2,041,116	116,398,078	37,991,805	13,557,657	-	170,064,952
Total Current Assets	11,190,697	2,100,972	724,499	41,340,204	1,327,855	-	56,684,227
Total Non-Current Liabilities	50,216	1,807,633	-	6,769,797	24,983,928	-	33,611,574
Total Current Liabilities	6,914,458	2,824,016	2,136,926	24,204,102	3,288,279	-	39,367,781
Equity	4,302,319	(489,561)	114,985,651	48,358,110	(13,386,695)	-	153,769,824

	31 Dec 2019						
	Elergone	Gowell	Arenal	Real Estate Investment Funds Imosonaedois	Maxmat	Others	Total
Turnover	63,395,559	14,157,451	129,157,322	12,520,170	95,132,050	-	314,362,552
Other operating income	349,064	274,294	2,978,005	16	1,707,831	19	5,309,229
Operational expenses	(59,482,274)	(14,297,018)	(122,646,929)	(4,023,409)	(88,552,141)	(615,243)	(289,617,014)
Net financial expenses	(3,395)	(65,080)	(4,394,601)	(17,376)	(526,972)	(1,287,269)	(6,294,693)
Income or expense relating to investments	-	(465)	-	-	-	-	(465)
Income tax expense	(961,698)	(48,212)	(1,272,310)	412,499	(1,876,452)	-	(3,746,173)
Profit/(Loss) after taxation	3,297,256	20,970	3,821,487	8,891,900	5,884,316	(1,902,493)	20,013,436
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	3,297,256	20,970	3,821,487	8,891,900	5,884,316	(1,902,493)	20,013,436

	31 Dec 2018 Restated						
	Elergone	Gowell	Real Estate Investment Funds Imosonaedois	Maxmat	Outros	Discountinued operations	Total
Turnover	58,871,128	9,431,660	12,706,711	85,548,976	-	-	166,558,475
Other operating income	1,317,361	275,458	4,237,651	3,178,118	83	9,236	9,017,907
Operational expenses	(58,376,363)	(10,162,426)	(4,355,572)	(82,616,987)	(4,718,595)	(1,469,094)	(161,699,037)
Net financial expenses	(25,802)	(68,396)	(1)	(415,208)	(1,501,531)	(807,431)	(2,818,369)
Income or expense relating to investments	-	381	-	-	-	(1,770,360)	(1,769,979)
Income tax expense	(370,655)	(20,563)	114,979	(1,412,765)	-	-	(1,689,004)
Profit/(Loss) after taxation	1,415,669	(543,886)	12,703,768	4,282,134	(6,220,043)	(4,037,649)	7,599,993
Profit/(Loss) of discontinued operations	-	-	-	-	-	(4,198,961)	(4,198,961)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	1,415,669	(543,886)	12,703,768	4,282,134	(6,220,043)	(8,236,610)	3,401,032

24 LOANS

As at 31 December 2019 and 2018, loans are made up as follows:

	31 Dec 2019		31 Dec 2018 Restated	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae Investimentos, SGPS, S.A. - commercial paper	13,500,000	266,000,000	15,500,000	313,000,000
Subsidiary of Sonae Investiments 2014/2023	-	50,000,000	-	50,000,000
Subsidiary of Sonae Investiments 2015/2023	-	20,000,000	-	20,000,000
Subsidiary of Sonae Investiments 2015/2019	-	-	30,000,000	-
Subsidiary of Sonae Investiments 2017/2025	3,333,333	16,666,667	-	20,000,000
Sonae MC 2018/2031	-	55,000,000	-	-
Others	492	-	91,323	-
	16,833,825	407,666,667	45,591,323	403,000,000
Bank overdrafts (Note 21)	13,956	-	23,141	-
Up-front fees beard with the issuance of borrowings	-	-	(35,073)	-
Bank loans	16,847,781	407,666,667	45,579,391	403,000,000
Bonds				
Bonds Sonae Investimentos / December 2015/2020	-	50,000,000	-	50,000,000
Bonds Sonae Investimentos / May 2015/2022	-	75,000,000	-	75,000,000
Bonds Sonae Investimentos / December 2015/2020	-	30,000,000	-	30,000,000
Bonds Sonae Investimentos / June 2016/2021	-	95,000,000	-	95,000,000
Bonds Sonae Investimentos / September 2016/2021	3,000,000	3,000,000	3,000,000	6,000,000
Up-front fees beard with the issuance of borrowings	(3,620)	(836,824)	(3,620)	(1,129,591)
Bonds	2,996,380	252,163,176	2,996,380	254,870,409
Other loans	-	-	66,582	-
Obligations under finance leases	10,613	956	17,170	11,569
Derivative (Note 25)	420,098	-	181,705	-
Other loans	430,711	956	265,457	11,569
	20,274,872	659,830,799	48,841,228	657,881,978

Bonds and bank loans bear an average interest rate of 1.20% (1.18% as at 31 December 2018). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

It is estimated that the book value of all loans does not differ significantly from its fair value, determined based on discounted cash flows methodology.

The loans face value, maturities and interests are as follows (including obligations under financial leases):

	31 Dec 2019		31 Dec 2018 Restated	
	Capital	Interests	Capital	Interests
N+1	19,858,394	6,350,719	48,698,217	7,696,734
N+2	251,334,289	5,043,919	159,344,902	6,726,851
N+3	138,333,333	3,296,450	251,333,333	4,009,765
N+4	115,444,444	2,433,442	138,333,333	1,968,101
N+5	109,444,444	1,530,870	93,333,333	1,178,685
After N+5	46,111,111	2,150,579	16,666,667	316,380
	680,526,017	20,805,979	707,709,786	21,896,516

The maturities above were estimated in accordance with the contractual terms of the loans and taking into account Sonae MC best estimated regarding their reimbursement date.

As at 31 December 2019 there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are in regular compliance.

As at 31 December 2019 and 2018, Sonae MC had as detailed in Note 21, "Cash and bank balance equivalents" in the amount of 77,325,668 euro (78,212,357 euro as at 31 December 2018) and available credit lines as follows:

	31 Dec 2019		31 Dec 2018 Restated	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Unused credit facilities (Note 3.3)	124,000,000	284,000,000	94,000,000	202,000,000
Agreed credit facilities	129,000,000	550,000,000	101,500,000	515,000,000

25 DERIVATIVES

Exchange rate derivatives

Sonae MC uses exchange rate derivatives, essentially to hedge future cash flows that will occur in the next 12 months.

Therefore, Sonae entered several exchange rate forwards in order to manage its exchange rate exposure.

The fair value of exchange rate derivatives hedging instruments based on current market values of equivalent exchange rate financial instruments is a liability of 420,098 euro and an asset of 394,309 euro (181,705 euro liabilities and 1,231,414 euro in assets as at 31 December 2018) (Note 24).

The accounting of the fair value for these financial instruments was made taking into consideration the present value at financial position statement date of the forward settlement amount in the maturity date of the contract. The settlement amount considered in the valuation, is equal to the currency notional amount (foreign currency) multiplied by the difference between the contracted forward exchange rate and the forward exchange market rate at that date as at the valuation date.

Losses in the period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment were recorded directly in the income statement in the captions "Financial income" or "Financial expenses".

Gains and losses associated with changes in the market value of derivative instruments are recorded under the caption "Cash-flow hedging reserves", when considered as cash flow hedges and under "Exchange rate differences" when considered to be fair value hedges. The change in market value of derivative instruments when considered speculation is recorded in the income statement under "Other expenses".

Interest rate

As at 31 December 2019 no contracts existed, related to interest rate and exchange rate derivatives.

26 OTHERS NON-CURRENTS LIABILITIES

As at 31 December 2019 and 2018 "Other non-current liabilities" are made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Creditors for acquisition of financial investments	1,295,832	295,832
Other non-current liabilities	527,556	537,755
Total of financial instruments (Note 6)	1,823,388	833,587
Share based payments (Note 27)	1,358,081	1,453,027
Charges made on the sale of real estate (Note 2.6)	19,453,371	20,453,191
Other accruals and deferrals	84,228	403,583
Other non-current liabilities	22,719,068	23,143,388

The amount included in the caption "Charges assumed on the sale of properties" is related to the expenses to be incurred, which are traditionally the responsibility of the owner, who in the case of Sale and Leaseback these amounts were paid at the time of the transaction and Sonae MC assumed future responsibility.

27 SHARE BASED PAYMENT

Sonae MC, SGPS granted, in 2019 and in previous years, in accordance with the remuneration policy described in the corporate governance report granted deferred performance bonus to its directors and eligible employees. These are either based on shares to be acquired at nil cost or with discount, three years after they were attributed to the employee, or based on share options with the period price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the right to deliver, in lieu of shares, the equivalent amount in cash. The exercise of rights only occurs if the employee is in the service of company of Sonae Group on the due date.

As at 31 December 2019 and 2018, the number of attributed shares related to the assumed responsibilities arising from share-based payments, which have not yet vested, can be detailed as follows:

				Number of shares		Fair Value	
	Grant year	Vesting year	Number of participants	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Shares							
	2016	2019	52	-	1,515,719	-	1,608,118
	2017	2020	43	1,969,703	1,775,373	1,057,172	2,161,516
	2018	2021	41	2,131,656	1,681,427	960,552	2,088,711
	2019	2022	42	2,319,597	-	1,122,856	-
Total				6,420,956	4,972,519	3,140,581	5,858,344

As at 31 December 2019 and 2018 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

	31 Dec 2019	31 Dec 2018
Recorded in employee benefits expense in the current period	1,554,880	706,960
Recorded in previous years	1,113,746	1,942,932
	2,668,626	2,649,892
Recorded in other non-current liabilities (Note 26)	1,358,081	1,453,027
Recorded in other current liabilities (Note 30)	1,310,545	1,196,865
	2,668,626	2,649,892

Expenditures for stock plans are recognized over the period that mediates the attribution and exercise of these in personnel expenses.

28 TRADE PAYABLES

As at 31 December 2019 and 2018 Trade payables are as follows:

		Payable to	
	31 Dec 2019	Up to 90 days	More than 90 days
Trade payables - current account	824,890,076	822,385,292	2,504,784
Trade payables - Invoice Accruals	46,067,494	46,067,494	-
	870,957,571	868,452,786	2,504,784

		Payable to	
	31 Dec 2018 Restated	Up to 90 days	More than 90 days
Trade payables - current account	777,571,055	776,834,455	736,600
Trade payables - Invoice Accruals	54,538,059	54,538,059	-
	832,109,114	831,372,514	736,600

As at 31 December 2019 and 2018 this caption includes amounts payable to suppliers resulting from Sonae MC operating activity. The Board of Directors believes that the fair value of these balances does not differ significantly from its book value and the effect of discounting these amounts is not material.

The company maintains cooperation agreements with financial institutions in order to enable the suppliers of retail segment, to access to an advantageous tool for managing their working capital, upon confirmation by Sonae of the validity of credits that suppliers hold on it. Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these companies. These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to Suppliers until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry , and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument.

29 OTHER PAYABLES

As at 31 December 2019 and 2018, the caption "Other payables" is detailed as follows:

		Payable to		
	31 Dec 2019	Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	53,542,714	50,807,922	1,412,096	1,322,696
Other payables	23,025,608	23,025,608	-	-
	76,568,322	73,833,530	1,412,096	1,322,696
Related undertakings	-			
	76,568,322			

		Payable to		
	31 Dec 2018 Restated	Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	54,500,369	53,271,144	558,151	671,074
Other payables	28,916,972	28,904,975	43	11,954
	83,417,341	82,176,119	558,194	683,028
Related undertakings	-			
	83,417,341			

The caption "Other payables" includes:

- 11,199,287 euro (9,890,132 euro as at 31 December 2018) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente"

- 391,200 euro (798,360 euro as at 31 December 2018) relating to vouchers, gift cards and discount tickets not yet redeemed;

- 3,031,614 euro (3,080,487 euro as at 31 December 2018) relating to amounts payable to Sonae Distribuição Brasil. S.A. buyer as result of responsibilities assumed with that entity (Note 33).

As at 31 December 2019 and 2018, this caption includes payable amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors understands that the fair value of these payables is similar to its book value and the result of discounting these amounts is immaterial.

30 OTHER CURRENT LIABILITIES

As at 31 December 2019 and 2018, "Other current liabilities" are made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Holiday pay and bonus	100,675,763	91,766,856
Other external supplies and services	29,377,014	24,619,409
Marketing expenses	14,347,895	13,791,639
Rights of use	2,296,953	-
Municipal property tax	1,744,512	1,709,241
Charges made on the sale of real estate (Note 2.6 and Note 26)	1,176,326	1,314,235
Fixed income charged in advance	1,284,399	3,845,852
Share based payments obligations (Note 27)	1,310,545	1,196,865
Interests payable	892,991	915,488
Others	7,131,834	5,443,242
	160,238,232	144,602,827

This caption mainly includes Accruals of expenses incurred in the year to be settled in the following year.

31 PROVISIONS AND IMPAIRMENT LOSSES

Movements in "Provisions and impairment losses" during the period ended 31 December 2019 and 2018 are as follows:

Caption	Balance as at 1 January 2019	Increase	Decrease	Transfers and other movements	Balance as at 31 December 2019
Accumulated impairment losses on investments	3,401,434	15,000	(2,647,221)	-	769,213
Impairment losses on property, plant and equipment (Note 7)	84,590,757	3,265,794	(1,133,310)	(34,622)	86,688,619
Impairment losses on intangible assets	6,921,736	171,142	(253,671)	-	6,839,207
Accumulated impairment losses on trade receivables (Note 15)	2,953,919	860,214	(663,555)	6,711	3,157,289
Accumulated impairment losses on other current debtors (Note 16)	3,765,016	503,527	(411,608)	-	3,856,935
Non current provisions	9,570,442	-	(151,837)	-	9,418,605
Current provisions	908,401	333,010	(679,670)	-	561,741
	112,111,705	5,148,687	(5,940,872)	(27,911)	111,291,609

Caption	Balance as at 1 January 2018	Increase	Decrease	Transfers and other movements	Balance as at 31 December 2018
Accumulated impairment losses on investments	11,451,896	3,401,434	-	(11,451,896)	3,401,434
Impairment losses on on property, plant and equipment (Note 7)	114,815,604	13,904,735	(26,435,247)	(17,694,335)	84,590,757
Accumulated impairment losses on intangible assets	1,519,949	5,401,878	-	(91)	6,921,736
Accumulated impairment losses on trade receivables (Note 15)	8,327,142	2,239,085	(2,895,475)	(4,716,833)	2,953,919
Accumulated impairment losses on other current debtors (Note 16)	7,129,898	1,095,462	(1,050,051)	(3,410,293)	3,765,016
Non current provisions	14,659,973	3,122,173	(1,005,409)	(7,206,295)	9,570,442
Current provisions	5,610,383	2,222,645	(5,514,083)	(1,410,544)	908,401
	163,514,845	31,387,412	(36,900,265)	(45,890,287)	112,111,705

As at 31 December 2019 and 2018 the amount of "increases" and "decreases" in Provisions and impairment losses are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Provisions and impairment losses in the income statement	3,546,649	13,232,978
Impairment losses on investments in joint ventures	-	3,401,434
Use of the provision for the disposal of Ulabox	(2,384,956)	-
Uses and reversions recorded in property, plant and equipment and intangible assets	(820,070)	-
Direct use of impairments on accounts receivable	(454,433)	(2,090,442)
Impairment reversal in property, plant and equipment related to the assets disposed of (Nota 7)	-	(18,955,567)
Closing of Turkey	(378,000)	378,000
Exchange rate changes	(151,838)	(872,349)
Increases and decreases in provisions and impairment losses on discontinued operations	-	(563,444)
Others	112,728	(43,464)
	(529,920)	(5,512,853)

At 31 December 2018, the value of "Transfers and other movements" refers essentially to activities that were discontinued.

The caption "Non-current provisions" and "Current provisions" includes 9,418,665 euro (9,570,442 euro as at 31 December 2018), relating to non-current contingencies assumed by the Company, when selling its subsidiary Sonae Distribuição Brasil, S.A. in 2005. The evolution of the provision between years is associated with the evolution of the real against the euro. This provision is being used in the moment at the liabilities are materialized, being constituted based on the best estimate of the expenses to be incurred with such liabilities and that result from a significant set of processes of a civil and labour nature and of small value (Note 37).

Impairment losses are deducted from the book value of the corresponding asset.

32 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at 31 December 2019 the reconciliation of liabilities arising from financing activities are as follows:

	Bank loans (Note 24)	Derivative financial instruments (Note 26)	Rights of use (Note 10)
Balance as at 1 January 2019	706,541,502	(1,034,009)	858,912,507
Cash flows:			
Receipts relating to financial debt	5,168,237,000	-	-
Payments relating to financial debt	(5,214,529,877)	-	(128,094,863)
Bank overdrafts	(9,185)	-	-
Capital Leasing Depreciation	(17,170)	-	-
Financial Debt Update		-	61,205,055
Increase/(decrease) in fair value	-	(1,036,116)	-
Costs of setting up the financing	327,840	-	-
Acquisitions during the period	19,135,464	-	-
Unpaid rents		-	(9,114,900)
Change in consolidation method	-	-	46,019,214
Increases/(decrease) in leases	-	-	172,968,119
Others	-	-	4,496,931
Balance as at 31 December 2019	679,685,574	(2,070,125)	1,006,392,063

33 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2019 and 2018, contingent liabilities to which Group is exposed can be detailed as follows:

- Guarantees and sureties gives

	31 Dec 2019	31 Dec 2018
Guarantees and securities given:		
on tax claims	918,933,032	923,944,717
on judicial claims	121,808	126,583
on municipal claims	6,771,833	9,692,172
for proper agrement fulfillment	14,669,245	10,469,261
other guarantees	2,922,770	4,469,261

Tax Claims

The main tax claims with bank guarantees given or sureties associated are as follows:

- Tax claims for additional VAT payment for which guarantees, or sureties were provided in the amount of 509.8 million euro (503.9 million euro as at 31 December 2018). The most significant value amounts to 480.5 million euro (480.5 million euro as at 31 December 2018) is related for the periods from 2004 to 2013, and for which the Group presented or intends to present a tax appeal. The tax claims result from the Tax Administration's understanding that the Group should have invoiced VAT related to promotional discounts granted by suppliers, based on purchases amounts, since Tax Authorities claims it corresponds to alleged services rendered to those entities. Tax authorities also claim that the Group should not have deducted VAT from discount vouchers used by its non-corporate clients.

- Sureties in the amount of, approximately, 60 million euro as a result of a tax appeal presented by the Company Sonae MC SGPS, S.A. concerning an additional tax assessment by Tax authorities, relating to 31 December 2005, corresponding to a prior coverage of tax losses accrued by the company held, which was taken to the cost of the participation, moreover, as is already understood by the Tax Administration itself, it was understood that now and in the concrete case it should not consider the amount of the cost of participation , including, therefore, the coverage of losses, upon the liquidation of the company held;

- Fiscal lawsuit related to rent tax, concerning a subsidiary of the Company in Brazil, in the amount of, approximately, 14.5 million euro (65.3 million Brazilian real), which is being judged by a tax court, for which there were granted guarantees in the amount of 45.1 million euro (203.5 million Brazilian real). The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

Contingent assets and liabilities related to tax claims paid under regularization programs of tax debt

Within the framework of regularization of tax debts to Tax Authorities, (Outstanding Debts Settlement of Tax and Social Security – (Decree of law 67/2016 of 3/11, 151-A/2013 of 31/10 and 248-A/2002 of 14/11), the Group made tax payments in the amount of, approximately, 20.1 million euro, having the respective guarantees been eliminated. The related tax appeals continue in courts, having the maximum contingencies been reduced through the elimination of fines and interests related with these tax assessments.

As permitted by law, the Group maintains the legal proceedings, in order to establish the recovery of those amounts, having recorded as an asset the amounts related with income taxes paid under those plans.

Other contingent liabilities

- Contingent liabilities related to discontinued activities in subsidiaries in Brazil

Following the disposal of a subsidiary in Brazil, Sonae guaranteed to the buyer of the subsidiary all the losses incurred by that company arising on unfavourably decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. The amount claimed by the Brazilian Tax Authorities, concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, plus the amounts already paid 24.2 million euro (24.6 million euro at 31 December 2018) related to programs for the Brazilian State of tax recovery, amount to near 21.2 million euro at 31 December 2019 (21.6 million euro at 31 December 2018). Furthermore, there are other tax assessments totalling 41.5 million euro (42 million euro as at 31 December 2018) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiar (Note 34).

- Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority (AdC) notified Sonae MC SGPS, SA (ex - Sonae Investimentos), Modelo Continente SGPS (Ex Sonae MC) and Modelo Continente Hipermercados, for the purpose of presenting a defence, in the context of a misconduct proceeding under the agreement entered into between Modelo Continente and EDP Comercial campaign known as the "EDP Continente Plan". It should be noted that the Edp / Continent Plan took place during 2012 and was extended in the first months of 2013 to allow the use of discounts that had been allocated to customers until 31 December 2012. The development of this type of business promotion agreement is a common practice in the Portuguese market. In 2017, the AdC imposed fines of 2.8 million euros on Sonae Investimentos and 6.8 million on Modelo Continente. AdC also condemned Sonae MC, but it did not impose any fine on it since that company does not present any turnover. These companies challenged the decision in court, and the Board of Directors expects, based on the opinion of their legal advisors, that there will be no liability for these companies in this proceeding.

- Research in progress by the Competition Authority

In 2017, a Modelo Continente Hipermercados, S.A. was subject to search and seizure of documents by the Competition Authority (AdC), as part of an investigation publicly reported by AdC as involving 21 entities in the retail sector of consumer goods (for example, hypermarkets, supermarkets, hard-discounts and its suppliers).

On 22 March 2019, in the context of that investigation, AdC published on its website that it directed notes of illegality to Modelo Continente Hipermercados, S.A. concerning alleged restrictive competition practices. Illegality notes do not represent the final result of the investigation, but a provisional phase, which is still subject to the exercise of the defendant's right of defence.

During the year 2019, the defendant's right of defence in relation to each of the notes of illegality was suspended, by resolution of the Council of the Authority, having only been withdrawn at the end of December and only on two of the illegality notes. The period for exercising the defendant's right of defense, regarding these two notes of illegality, ended and was exercised during the year of 2020.

34 Operational lease - Lessor

Minimum lease payments (fixed income) arising from operational leases, in which the Sonae MC acts as a lessor, recognized as income during the period ended 31 December 2019 and 2018 amounted to 29,785,863 euro and 30,660,189 euro, respectively.

Additionally, at 31 December 2019 and 2018, Sonae MC had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2019	31 Dec 2018 Restated
Due in:		
N+1 automatically renewal	741,235	3,448,527
N+1	29,084,549	27,669,588
N+2	25,181,628	26,621,911
N+3	20,735,005	25,179,378
N+4	17,117,925	24,345,150
N+5	14,432,222	21,456,387
After N+5	37,278,317	45,977,241
	144,570,881	174,698,182

35 Turnover

As at 31 December 2019 and 2018, Turnover is made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Sale of goods	4,573,923,275	4,191,168,639
Services rendered	128,090,850	116,335,901
	4,702,014,125	4,307,504,540

36 GAINS AND LOSSES ON INVESTMENTS

As at 31 December 2019 and 2018, Gain or losses Investment is made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Dividends	100,450	100,450
Others	-	502
Gains / (losses) on the sale of investments in subsidiaries	-	502
Gains and losses on investments recorded	92,668	4,327,175
Others	15,835	-
Impairment losses on investments in associated companies	(15,000)	(2,384,956)
Impairment of reversal/(losses) on investments	(15,000)	(2,384,956)
Total income and (expenses) related to investments	93,503	1,942,721

37 NET FINANCIAL EXPENSES

As at 31 December 2019 and 2018, Net financial expenses are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Expenses:		
Interests payable		
related with bank loans and overdrafts	(4,194,699)	(4,339,216)
related with non convertible bonds	(3,839,788)	(4,848,469)
related with leases (Note 9)	(61,205,055)	(52,238,560)
related with other loans	-	(23,901,112)
others	(821,236)	(1,728,339)
	(70,060,778)	(87,055,696)
Foreign exchange losses	(4,777,439)	(1,589,218)
Early termination	-	(32,000,000)
Up front fees and commissions related to loans	(2,927,014)	(2,767,250)
Others	(1,323,917)	(1,543,948)
	(79,089,148)	(124,956,112)
Income:		
Interests receivable		
related with bank deposits	14,311	27,106
others	476,404	1,063,006
	490,715	1,090,112
Foreign exchange gains	3,829,882	882,770
Other financial income	478,005	1,803,418
	4,798,602	3,776,300
Net financial expenses	(74,290,546)	(121,179,812)

The amount recorded under "Early termination" in 2018 relates to the early amortization of the subordinated debenture loan, amounting to 400,000,000 euro.

38 OTHER INCOME

As at 31 December 2019 and 2018, the caption "Other Income" is made up as follow:

	31 Dec 2019	31 Dec 2018 Restated
Supplementary income	29,397,686	22,789,108
Gains on sales of assets	7,048,307	38,508,572
Exchange differences	9,072,446	6,426,352
Prompt payment discounts received	24,034,759	23,205,453
Own work capitalised (Note 8)	10,813,167	8,952,255
Benefits from contractual penalties	134,571	283,090
Insurance claims	365,536	104,939
Subsidies	1,035,584	578,300
Others	4,569,955	2,111,691
	86,472,011	102,959,760

As at 31 December 2019 under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback" amounting to 3.2 million euro (37.4 million euro as at 31 de December 2018) (Note 8).

39 EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2019 and 2018, "External supplies and services" are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Advertising expenses	60,007,628	64,243,024
Rents	25,642,181	21,190,456
Transports	34,826,701	44,175,577
Electricity	64,289,516	63,598,872
Services	61,777,202	52,268,045
Maintenance	26,555,712	23,452,374
Costs with automatic payment terminals	10,996,664	10,072,459
Security	17,519,821	15,901,741
Cleaning up services	25,767,665	22,508,839
Communications	5,248,906	5,447,351
Travel expenses	6,012,952	6,295,029
Consumables	10,068,041	9,303,241
Insurances	4,837,299	4,743,610
Home delivery	8,316,454	7,514,904
Subcontracts	3,791,121	6,095,437
Others	33,872,724	27,061,456
	399,530,587	383,872,415

The amount included in rents and rentals is related to variable rents from lease agreements.

40 EMPLOYEE BENEFIT EXPENSE

As at 31 December 2019 and 2018, Employee benefits expense are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Salaries	448,922,190	407,295,593
Social security contributions	91,946,780	82,895,079
Insurance	8,982,274	9,268,477
Welfare	3,232,295	3,484,753
Other staff costs	17,738,164	20,026,314
	570,821,703	522,970,216

41 OTHER EXPENSES

As at 31 December 2019 and 2018, "Other expenses" are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Exchange differences	9,904,310	5,503,829
Galp/Continente loyalty program	13,700,877	12,608,328
Losses on the disposal of assets	6,186,349	3,502,216
Other taxes	6,733,005	5,285,301
Donations	8,913,604	7,987,730
Municipal property tax	2,224,105	1,979,276
Others	1,941,638	7,739,156
	49,603,888	44,605,836

42 INCOME TAX EXPENSE

As at 31 December 2019 and 2018, income tax is made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Current tax	(13,678,078)	(10,193,864)
Deferred tax (Note 20)	(8,496,534)	1,124,143
	(22,174,612)	(9,069,721)

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2019 and 2018 is as follows:

	31 Dec 2019	31 Dec 2018 Restated
Profit before income tax	159,562,158	110,661,422
Income tax rate in Portugal (21%)	33,508,053	23,238,899
Effect of different income tax rates in other countries	(7,012,508)	(9,394,329)
Difference between capital (losses)/gains for accounting and tax purposes	(1,091,616)	(1,201,150)
Gains or losses in jointly controlled and associated companies (Note 11)	(105,535)	594,627
Use of tax losses that have not originated deferred tax assets	502,402	1,312,162
Amortization of goodwill for tax pruposes in Spain (Note 20)	5,816,679	5,816,679
Effect of constitution or reversal of deferred taxes	-	(4,940,115)
Donations unforeseen or beyond the legal limits	110,166	88,724
Use of tax benefits	(6,555,907)	(10,100,850)
Under/(over) Income tax estimates	(4,950,830)	(766,766)
Autonomous taxes and tax benefits	1,320,855	2,518,242
Municipality surcharge	2,708,870	2,371,232
Others	(2,076,017)	(467,634)
Income tax	22,174,612	9,069,721

43 RELATED PARTIES

Balances and transactions with related parties during the periods ended 31 December 2019 and 2018 are as follows:

	Parent company		Jointly controlled companies		Associated companies	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Sales & Services rendered	1,446,388	1,349,603	2,828,107	3,175,132	46,224,664	37,448,862
Other income	90,177	62,740	256,229	131,066	386,551	209,613
Financial income	-	-	-	-	-	-
Cost of goods sold and materials consumed	-	-	268,546,594	262,955,285	22,272	990
External supplies and services	2,608,702	1,626,596	1,728,181	65,805	13,104	-
Other expenses	145	3	5	8,748	11,482	-
Financial expense	312,843	438,464	-	-	-	-
	4,458,255	3,477,405	273,359,116	266,336,036	46,658,073	37,659,465

	Other Related Parties		Discontinued Operations	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Sales & Services rendered	95,762,316	44,374,532	-	68,442,840
Other income	10,760,101	1,708,270	-	11,385,827
Financial income	-	-	-	948,970
Cost of goods sold and materials consumed	24,931,567	1,999,287	-	35,091,002
External supplies and services	35,158,623	44,034,755	-	14,624,014
Other expenses	744,531	907,573	-	3,927,297
Financial expense	6,817,146	55,911,111	-	1,008,452
	174,174,284	148,935,527	-	135,428,402

	Parent company		Jointly controlled companies		Associated companies	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Trade receivables	410,300	104,189	564,183	312,350	2,261,161	1,411,382
Other receivables	26,647	30,863	516,005	591,594	24,553	(8)
Income tax assets	32,915,209	21,435,437	-	-	-	-
Other current assets	40,352	49,320	169,086	(102,136)	111,067	-
Trade payables	1,722,869	154,049	74,436,005	69,610,827	6,573	2,097
Other payables	281,156	-	106,409	-	1,546	-
Income tax liabilities	20,886,901	16,816,833	-	-	55,660	-
Other current liabilities	1,021,018	1,510,506	137,426	167,719	197,443	-
	57,304,452	40,101,198	75,929,114	70,580,355	2,658,003	1,413,471
Property, plant and equipment acquisitions	3,507	-	-	1,790	4,126	-
Property, plant and equipment disposals	1,762	-	-	1,790	277,996	4,223
	5,269	-	-	3,580	282,122	4,223

	Other Related Parties		Discontinued Operations	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Other non-current assets	259,783	-	-	-
Trade receivables	69,762,725	9,241,546	-	89,900,452
Other receivables	21,267,534	6,054,400	-	9,734,256
Income tax assets	3,113,129	-	-	1,992,101
Other current assets	3,876,244	2,035,528	-	1,202,186
Other non-current liabilities	391,535	239,447	-	152,112
Trade payables	9,665,997	2,114,238	-	7,049,159
Other payables	10,983,698	12,776,952	-	499,618
Income tax liabilities	23,022,914	538,414	-	18,739,884
Other current liabilities	4,694,032	2,215,790	-	1,844,159
	147,037,591	35,216,315	-	131,113,928
Property, plant and equipment acquisitions	23,086,634	35,613,067	-	-
Property, plant and equipment disposals	1,174,788	4,970,719	-	13,010
Intangible Assets acquisitions	3,081,313	3,308,763	-	-
Intangible Assets disposals	7,712,623	-	-	6,041,129
	35,055,358	43,892,549	-	6,054,139

The remuneration of the members of the Board of Directors of the parent company and of the employees with strategic management responsibility, earned in all Sonae MC companies for the years ended at 31 December 2019 and 2018, is composed as follows:

	31 Dec 2019		31 Dec 2018	
	Administrative Council	Direction Strategic (a)	Administrative Council	Direction Strategic (a)
Short-term benefits	375,000	2,579,425	93,750	3,308,141
Share Benefits	-	911,200	-	1,012,400
	375,000	3,490,625	93,750	4,320,541

(a) Includes personnel responsible for the strategic management of the companies of Sonae MC (excluding members of the Board of Directors of Sonae MC).

44 EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2019 and 2018 were calculated taking into consideration the following amounts:

	31 Dec 2019		31 Dec 2018 Restated	
	Continuing Operations	Discontinuing Operations	Continuing Operations	Discontinuing Operations
Net profit				
Net profit taken into consideration to calculate basic	131,795,416	504,843	99,094,410	542,905,115
Net profit taken into consideration to calculate diluted earnings per share	131,795,416	504,843	99,094,410	542,905,115
Number of shares				
Weighted average number of shares used to calculate basic earnings per share	1,000,000,000	1,000,000,000	925,000,000	925,000,000
Effect of dilutive potential ordinary shares from convertible	-	-	-	-
Weighted average number of shares used to calculate diluted earnings per share	1,000,000,000	1,000,000,000	925,000,000	925,000,000
Earnings per share				
Basic	0.131795	0.000505	0.107129	0.586924
Diluted	0.131795	0.000505	0.107129	0.586924

As at 31 December 2019 and 2018, there are no dilutive effects on the number of shares outstanding.

45 CASH RECEIPTS AND CASH PAYMENTS OF INVESTMENTS

As at 31 December 2019 and 2018, cash receipts and cash payments related to investments can be detailed as follows:

Receipts	31 Dec 2019	31 Dec 2018 Restated
Disposal of Sport Zone participation	-	28,628,150
Settlement of Apor	-	254,796
Compensation Fund Work	819,547	392,874
	819,547	29,275,820

Payments	31 Dec 2019	31 Dec 2018 Restated
Acquisition of participation on Arenal Perfumarias, S.L.U. and Tomenider, S.L. (Note 4)	47,039,289	-
Acquisition da Chão Verde - Sociedade de Gestão Imobiliária, S.A. (Note 4)	2,472,365	-
Acquisition MCCARE - serviços de Saude, S.A. (Note 4)	4,632,682	-
Acquisition SK - Skin Health Cosmetics (Note 4)	2,245,899	-
Price adjustment on disposal of subsidiary	1,526,103	-
Capital increase in Movvo	850,000	-
Compensation Fund Work	1,085,594	871,499
Subscription of JD Sprinter Shares	-	26,546,230
Additional paid in capital in S2 Mozambique SA	-	118,745
Acquisition of Brio- Prod. Agricultura Biológica, SA	-	584,229
	59,851,932	28,120,703

46 SUBSEQUENT EVENTS

Covid-19

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

In this context, and given the existing risk level, a specific governance model was developed for the management of this crisis, led by Sonae's Executive Committee in alignment with the CEOs of each business unit, depending on the risk level defined at each given moment.

Therefore, Sonae has implemented prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to the central structures, across all the Group's businesses.

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

- **Employees:** considering the high risk of contagion and spread of the virus, mandatory actions were defined and communicated, as well as recommendations for all employees, such as a ban on all trips to countries where the virus is actively transmitted; advice against holding/participating in congresses, fairs, exhibitions and large group training sessions; recommendation for teleworking/remote work and dissemination of the appropriate tools for this purpose; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; among many others.

- **Business operations:** Food retail has been experiencing increasing demand, as Portuguese families have anticipated more demanding containment measures and a potential shortage of essential products. In this sense, Sonae MC plays a vital role in the context of this crisis and, consequently, has strengthened contingency plans, ensuring close dialogue with all stakeholders in the supply chain in order to strengthen the response capacity, either by anticipating needs, or defining mitigation actions in case of limitations, namely in terms of human resources. It should also be mentioned that following the measures of isolation and closure of non-essential activities decreed by the Portuguese and Spanish governments, the shops of the Bagga, Go Natural restaurants and Arenal brands are temporarily closed.

- **Capital markets:** in terms of financing, Sonae MC, in compliance with its internal liquidity and financing policies, has a policy of pre-financing its liquidity needs 18 months in advance, thus ensuring liquidity needs for that time horizon. In February, Sonae MC had € 284 M of lines available and € 77 M of cash. In this sense, despite any positive and negative impacts that might exist in terms of the performance of each business, we do not foresee any additional financing needs for the next 18 months nor is it expected in the short term any situation of breach of the current existing financial covenants in Sonae MC.

At this stage, it is rather complex to quantify the magnitude of the impacts if the risk level worsens, however we have been implementing all the measures that we consider appropriate to minimise their impacts, in line with the recommendations of the competent authorities and in the best interest of all our stakeholders.

Sale & Leaseback

In January 2020, an operation of Sale and Leaseback was registered. The carrying amount of the disposed asset is approximately 4.1 million euro and resulted in a financial investment of 6.4 million euro, having generated a net gain on retained costs of approximately of 0.5 million euros and a right to use of 3.0 million euro, for one of the assets classified as held for sale at 31 December 2019.

47 APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 6 April 2020, However, they are still subject to approval by the Shareholders' General Meeting..

48 GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by Sonae as at 31 December 2019 and 31 December 2018 are as follows:

				Percentage of capital held			
				31 December 2019		31 December 2018	
	COMPANY		Head Office	Direct*	Total*	Direct*	Total*
	Sonae MC SGPS, S.A.		Matosinhos	HOLDING	HOLDING	HOLDING	HOLDING
	Amor Bio, Mercado Biológico, Lda	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Arenal Perfumerias SLU	a)	Lugo (Spain)	100.00%	60.00%	-	-
	Asprela – Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Azulino Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	BB Food Service, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Bertimóvel - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Bom Momento - Restauração, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Brio – Produtos de Agricultura Biológica, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Canasta - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
1)	Chão Verde - Sociedade de Gestão Imobiliária, S.A.	a)	Maia	100.00%	100.00%	-	-
	Citorres - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Contimobe - Imobiliária de Castelo de Paiva, S.A.	a)	Castelo de Paiva	100.00%	100.00%	100.00%	100.00%
	Continente Hipermercados, S.A.	a)	Oeiras	100.00%	100.00%	100.00%	100.00%
	Cumulativa - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Elergone Energias, Lda	a)	Matosinhos	75.00%	75.00%	75.00%	75.00%
	Farmácia Selecção, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia	98.00%	98.00%	98.00%	98.00%
	Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	a)	Lisbon	51.00%	51.00%	51.00%	51.00%
	Igimo - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Iginha - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imoestrutura - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Imomuro - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Imoresultado - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Imosistema - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Make Notes Design, Lda	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Marcas MC, zRT	a)	Budapeste (Hungary)	100.00%	100.00%	100.00%	100.00%
1)	MCCARE – Serviços de Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	-	-
	MJLF - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo - Distribuição de Materiais de Construção, S.A.	b)	Maia	50.00%	50.00%	50.00%	50.00%
	Modelo Continente Hipermercados, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Modelo Continente International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
2)	Modelo Continente, SGPS, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
	Modelo Hiper Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Pharmacontinente - Saúde e Higiene, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Pharmaconcept – Atividades em Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%

	Ponto de Chegada – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Predicomercial - Promoção Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Predilugar - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	SCBrasil Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	Selifa - Empreendimentos Imobiliários de Fafe, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Sempre à Mão - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	SIAL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
1)	SK Skin Health Cosmetics, S.A.	a)	Oeiras	100.00%	100.00%	-	-
	Socijofra - Sociedade Imobiliária, S.A.	a)	Gondomar	100.00%	100.00%	100.00%	100.00%
	Sociloures - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Soflorin, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sonae MC S2 Africa Limited	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
3)	Sonae MC – Serviços Partilhados, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Sonaerp – Retail Properties, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Sondis Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Sonvecap, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
4)	Sport Zone Sport Maiz.Per.Satis Ith.Ve tic Ltd Sti	a)	Istanbul (Turkey)	-	-	-	-
1)	Tomenider	a)	Lugo (Spain)	60.00%	60.00%	-	-
	Valor N, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
4)	Zíppy Cocuk Maiz.Dag.Satis Ith.Ve Tic Ltd Sti	a)	Istanbul (Turkey)	-	-	-	-

* the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

a) Control held by majority of voting rights which gives power of relevant activities;

b) Control held by majority of Board members;

1) Company acquired during the period;

2) Company merged in Sonae MC SGPS, SA;

3) Former Sonaecenter Serviços II, S.A.;

4) Company in liquidation process reason why it is classified in discontinued operations in the period.

These entities are consolidated using the full consolidation method.

Approved at the Board of Directors meeting on 6 April 2020.

The Board of Directors,

Maria Cláudia Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

João Pedro Magalhães da Silva Torres Dolores

Álvaro José Barrigas do Nascimento

António Carlos Merckx de Menezes Soares

Ricardo Emanuel Mangana Monteiro

Luís Miguel Mesquita Soares Moutinho

Rui Manuel Teixeira Soares de Almeida

Isabel Sofia Bragança Simões Barros

José Manuel Cardoso Fortunato

Maria Inês Martins Valadas

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31.December.2019	31.December.2018
ASSETS:			
NON-CURRENT ASSETS:			
Investments in subsidiaries and associated companies	5	2,143,568,529	1,524,967,499
Income tax	8	2,916,832	2,916,832
Deferred tax assets		10,431	6,211
Other non-current assets	4, 6	412,306,030	819,906,686
Total non-current assets		2,558,801,822	2,347,797,228
CURRENT ASSETS:			
Other debtors	4, 7	351,317,352	771,026,440
Income tax	8	21,136,537	14,939,065
State and other public entities		653,037	653,157
Other current assets	4, 9	3,451,025	2,348,966
Cash and cash equivalents	10	10,358,816	17,382,396
Total current assets		386,916,767	806,350,024
TOTAL ASSETS		2,945,718,589	3,154,147,252
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	1,000,000,000	1,000,000,000
Legal reserves		177,949,491	174,887,958
Hedging reserve, fair value reserve and other reserves	12	25,013,347	778,740,908
Profit for the year		170,618,298	61,230,652
TOTAL EQUITY		1,373,581,136	2,014,859,518
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bonds	4, 13	252,163,176	254,870,409
Bank loans	4, 13	321,000,000	313,000,000
Other non-current liabilities	4	294,521	-
Total non-current liabilities		573,457,697	567,870,409
CURRENT LIABILITIES:			
Bonds	4, 13	2,996,380	2,996,380
Bank loans	4, 13	13,500,000	15,500,000
Trade accounts payable		192,417	262,304
Other creditors	4, 14	977,319,102	548,020,548
Income tax	8	2,101,152	2,111,814
Taxes and contributions payable		26,362	66,889
Other current liabilities	4, 15	2,544,343	2,459,390
Total current liabilities		998,679,756	571,417,325
TOTAL EQUITY AND LIABILITIES		2,945,718,589	3,154,147,252

The accompanying notes are part of these separate financial statements.

SEPARATE PROFIT AND LOSS STATEMENT FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31.December.2019	31.December.2018
Gains or losses on investments	19	175,037,856	99,201,216
Financial income	20	16,212,066	28,416,374
Other income		1,956,787	628,807
External supplies and services	21	(2,835,924)	(4,649,546)
Staff costs	22	(502,076)	(159,693)
Depreciation and amortisation		-	(86)
Provisions and impairment losses	16	378,363	(27,794)
Financial expenses	20	(22,168,356)	(70,110,029)
Other expenses		(41,293)	(78,727)
Profit/(Loss) before taxation		168,037,423	53,220,522
Income taxes	8	2,580,875	8,010,130
Net profit for the year		170,618,298	61,230,652
Profit/(Loss) per share	23	0.1706	0.0659

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

(Translation of the separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	31.December.2019	31.dezembro.2018
Net Profit / (Loss) for the year	170,618,298	61,230,652
Total comprehensive income for the year	170,618,298	61,230,652

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR
FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

(Translation of the separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

-	Notes	Share capital	Legal reserves	Reserves in accordance with article 324 of Commercial Companies Code	Other reserves	Total reserves	Net Profit/(Loss)	Total
Balance as at 1 January 2018	11	1,000,000,000	174,845,768	320,000,000	1,301,939,314	1,621,939,314	843,784	2,797,628,866
Total comprehensive income for the year		-	-	-	-	-	61,230,652	61,230,652
Appropriation of profit of 2017:								
Transfer to legal reserves and other reserves		-	42,190	-	801,594	801,594	(843,784)	-
Disposal of own shares	12	-	-	-	(372,000,000)	(372,000,000)	-	(372,000,000)
Disposal of other reserves	12	-	-	-	(472,000,000)	(472,000,000)	-	(472,000,000)
Deactivation of reserves in accordance with art. 324 of the CSC	12	-	-	(320,000,000)	320,000,000	-	-	-
Balance as at 31 december 2018		1,000,000,000	174,887,958	-	778,740,908	778,740,908	61,230,652	2,014,859,518
Balance as at 1 January 2019	11	1,000,000,000	174,887,958	-	778,740,908	778,740,908	61,230,652	2,014,859,518
Total comprehensive income for the year		-	-	-	-	-	170,618,298	170,618,298
Appropriation of profit of 2018:						-		
Transfer to legal reserves		-	3,061,533	-	-	-	(3,061,533)	-
Dividends distributed		-	-	-	-	-	(58,169,119)	(58,169,119)
Disposal of other reserves	12	-	-	-	(16,830,881)	(16,830,881)	-	(16,830,881)
Merger	1	-	-	-	(736,896,680)	(736,896,680)	-	(736,896,680)
Balance as at 31 december 2019		1,000,000,000	177,949,491	-	25,013,347	25,013,347	170,618,298	1,373,581,136

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED AS AT 31 DECEMBER 2019 AND 2018

(Translation of the separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31.December.2019	31.December.2018
OPERATING ACTIVITIES			
Cash paid to trade creditors		(3,354,854)	(4,212,143)
Cash paid to employees		(545,127)	(93,186)
Cash flow generated by operations		(3,899,981)	(4,305,329)
Income tax (paid) / received		(51,776)	(1,151,475)
Other cash receipts and (payments) relating to operating activities		850,190	2,325,965
Net cash flow from operating activities (1)		(3,101,567)	(3,130,839)
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	24	46,000	217,078,035
Interest and similar income		36,797,177	29,962,935
Dividends		176,252,543	67,225
Others		10,743	7,364,871
Loans granted		4,229,368,633	4,981,451,096
		4,442,475,096	5,235,924,162
Cash payments arising from:			
Investments	24	(356,772,711)	(1,800,000)
Loans granted		(3,741,125,925)	(3,932,548,312)
		(4,097,898,636)	(3,934,348,312)
Net cash used in investment activities (2)		344,576,460	1,301,575,850
FINANCING ACTIVITIES:			
Cash receipts arising from:			
Loans obtained	25	8,637,165,483	7,604,502,973
		8,637,165,483	7,604,502,973
Cash payments arising from:			
Loans obtained	25	(8,870,507,273)	(7,969,848,277)
Interest and similar charges		(40,169,536)	(69,680,651)
Dividends		(75,000,000)	(472,000,000)
Capital reduction and supplementary payments		-	(372,000,000)
		(8,985,676,809)	(8,883,528,928)
Net cash used in financing activities (3)		(348,511,326)	(1,279,025,955)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)	10	(7,036,433)	19,419,057
Cash and cash equivalents at the beginning of the period	10	17,382,396	(2,036,661)
Cash and cash equivalents at merger by incorporation	1	12,853	-
Cash and cash equivalents at the end of the year		10,358,816	17,382,396

The accompanying notes are part of these separate financial statements.

SONAE MC, SGPS, SA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts stated in euro)

1 INTRODUCTION

Sonae MC, SGPS, SA, "the Company" or "Sonae MC" it's a Portuguese Corporation, with head-office in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Matosinhos, Portugal.

The separate financial statements are presented as required by Commercial Companies Code. According to Decree-Law 158/2009 of 13 July, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU).

Consolidated financial statements are also presented in accordance with applicable legislation.

The Company's main activity is the management of shareholdings (note 5).

Merge by incorporation of subsidiary company Modelo Continente, SGPS, SA

During the year ended in 31 December 2019 was fulfilled an operation of merger by incorporation, through the global transfer of Modelo Continente, SGPS, SA assets, incorporated company, into Sonae MC, SGPS, SA, incorporating company. The project was elaborated in compliance with the requirements on which it depends the application of special tax neutrality regime, being the elements of assets and liabilities transferred by the booked amounts. The merger was accounted for as having its effects as of 01 January 2019.

Since the operation took place under common control, the booked values of the assets in the financial statements of the incorporated company were maintained and adjusted of the effect of results internally generated with Sonae MC, SGPS, SA, which were canceled in this process.

(Amounts expressed in euro)	1.January.2019
ASSETS:	
Investments:	
Aquisition cost	1,717,552,374
Impairment losses	(16,192,524)
Deferred tax assets	1,135
Other non-current assets:	
Aquisition cost	480,309,192
Impairment losses	(4,971,461)
Other debtors	343,608
Other current assets	12,638,285
Cash and cash equivalents	12,853
Total assets	2,189,693,462
LIABILITIES:	
Other non-current liabilities	802,255,207
Other current liabilities	685,530,659
Total liabilities	1,487,785,866
Net assets and liabilities incorporated	701,907,596
Net value of the investments of the incorporated entity in the merged entity	
Aquisition cost	1,438,804,276
Impact of the merger on equity	(736,896,680)
	701,907,596

2 MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying separate financial statements are as follows:

2.1 BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. These standards were issued by the International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Interpretations Committee ("IFRS-IC") or by the previous Standing Interpretations Committee ("SIC"), that have been adopted by the European Union and are force as at 1 January 2019.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value.

The preparation of the separated financial statements in accordance with the IFRS requires use of estimates, assumptions and critic judgements in the process of determination of accounting policies with significant impact in the accounting value of the assets and liabilities, as in the income and expenses of the exercise. Despite these estimates were based in the best experience of the Board of Directors and in its best expectations related to the events and actions current and futures, the actual results involved a highest degree of judgement or complexity, or areas in what the assumptions and estimates be significant are presented in Note 2.11.

Management has assessed the Company's ability to operate on a going concern basis, taking into consideration all relevant information, facts and circumstances of financial, commercial and other nature, including subsequent events to the date of the financial statements. As result of this evaluation, Management concluded that the Company has adequate resources to maintain its activities, having no intention to cease activities in the short term, and considered the use of the going concern assumption as appropriate.

Additionally, for financial reporting purposes, fair value measurement is categorized in Level 1, 2 and 3, according to the level in which the used assumptions are observable and its significance for estimating the fair value used in the measurement of assets/liabilities or for disclosure purposes.

Level 1 – Fair value is determined based on active market prices for identical assets/liabilities;

Level 2 – Fair value is determined based on other data other than market prices identified in Level 1 but that are observable; and

Level 3 – Fair value measurements derived from valuation techniques, whose main inputs are not observable in the market.

New accounting standards and their impact in the financial statements

The following standards, interpretations, amendments and revisions were endorsed by European Union and became effective as of 1 January 2019:

With mandatoy aplication during the year 2019:	Changes	Effective date (for financial years begining on or after)
IFRIC 23 – Uncertainty over income tax treatments	Clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments	1-jan-19
IFRS 9 – Financial instruments	Exemption to financial assets at amortised cost classification for financial assets with prepayment negative compensation features	1-jan-19
IFRS 16 – Leases	New definition of lease. New accounting of lease contracts by lessees. No major changes to lessor lease accounting.	1-jan-19
IAS 28 (amendment) – Investments in associates and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured through the equity method	1-jan-19
IAS 19 (amendment) – Employee benefits	Requirement to use updated assumptions for the calculation of remaining responsibilities after a amendment, curtailment or settlement of benefits, with impact on income statement except for any reduced excess under "asset ceiling' accounting treatment	1-jan-19
Annual improvements to IFRS 2015 – 2017	The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11.	1-jan-19

There was no significant impact on the financial statements resulting from their application on the year ended on 31 December 2019.

Standards, interpretations, amendments and revisions that will became effective on or after 1 January 2020

The following standards, interpretations, amendments and revisions were endorsed by European Union and are mandatory for future financial years:

With mandatoy aplication after 2019:	Changes	Effective date (for financial years beginning on or after)
Conceptual framework - Amendments to references to other IFRS	Amendments to references in other IFRS and clarifications regarding the application of the new definitions of assets/liabilities and expense income	1-jan-20
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	Revision of the definition of material, and the implication on the preparation of financial statements as a whole.	1-jan-20

The company did not proceed with the early adoption of any of these standards on the financial statements for the year ended 31 December 2019. There are no significant impacts estimated on the financial statements resulting from their application.

Standards, interpretations, amendments and revisions not yet endorsed by European Union

The following standards, interpretations, amendments and revisions, mandatory for future financial years, have not been endorsed by European Union, until the approval of these separate financial statements:

Standards (new and amendments) that will become effective, on or after 1 January 2020, not yet endorsed by the EU	Changes	Effective date (for financial years beginning on or after)
Amendment IFRS 3 – Business combinations	Revision of the definition of business	1-jan-20
Amendment IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform	Provide certain reliefs in connection with hedge accounting with the objective that interest rate benchmark reform does not cause hedge accounting to cease	1-jan-20
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	1-jan-21

These standards have not been endorsed by European Union and, therefore, the Company did not implement them for the financial year ended 31 December 2019.

2.2 INVESTIMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOIN VENTURES

Equity investments in subsidiaries, associated companies and joint ventures are accounted for in accordance with IAS 27, hence at acquisition cost less impairment losses.

Subsidiaries are all entities (including structured entities) over which Sonae has control. Sonae controls an entity when is exposed to, or has rights, to variable results from its involvement with the subsidiary and can use its power to affect its profitability. Subsidiaries are consolidated since the date the control is transferred to Sonae, being excluded from consolidation when control ceases.

Joint ventures are joint arrangements where the parties, that have joint control of the arrangement, share the return obtained from the activity of the joint venture.

Associated companies are entities over which Sonae has significant influence. Sonae has the power to participate in the decisions over financial and operational policies, but it does not have control or joint control over these entities.

The excess of acquisition cost over the fair value of identifiable assets and liabilities at the acquisition date is recognized as goodwill and is included as part of the investment in subsidiaries, associated companies and joint ventures. If the of acquisition cost is less than the fair value of assets and liabilities of the acquired entities, the difference is recognized as a gain in the profit and loss statements.

Dividends received are registered as income related to investments when attributed.

The company carries out impairment assessments related to the investments in subsidiaries, associated companies and joint ventures whenever events or changes in circumstances indicate that the amount at which the asset is recorded in the separate financial statements may not be recoverable.

Additionally, to recognizing impairment in these investments, Sonae recognizes additional losses if it has assumed obligations or if it has made payments benefiting these entities.

Impairment losses are calculated by comparing the investment's recoverable amount, in this case equivalent to the value of use, and the accounting value of the investments.

The above-mentioned estimate is based on the valuation of the investments using discounted cash flow models to estimate the value of use of such investments. Subsidiaries or joint ventures, which main assets refer to real estate companies or real estate assets, are valued with reference to the market value of the real estate assets owned by such companies.

It is the Board of Directors understanding that the use of the above-mentioned methodology is adequate to conclude on the evaluation of impairment in financial investments as it incorporates the best available information as at the date of the financial statements.

If, on a subsequent date, the impairment amount decreases, and the decrease results of an event that occurred after the initial recognition of the impairment loss, then the amount recorded is reverted up to the limit of the amount that would have been recognized if no impairment loss had been recorded.

2.3 FINANCIAL INSTRUMENTS

a) Financial assets

Recognition:

All purchases and sales of investments in financial assets are recognized on the trade date, on the date where the Company commits to buy or sell the asset.

Classification:

Financial assets classification depends on the business model followed by the Company in the management of financial assets (receipt of cash flows or appropriation of fair value changes) and the contractual terms of the cash flows receivable.

Changes in the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, which are equity instruments, which can never be reclassified to another category.

Financial assets may be classified in the following measurement categories:

i) Financial assets at amortized cost: includes financial assets that correspond only to the payment of nominal value and interest and whose business model followed by the management is the receipt of contractual cash flows;

ii) Financial assets at fair value through other comprehensive income: this category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

a) in the case of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, for which the business model followed by the management is the receipt of contractual cash flows or punctually that of their sale;

b) in the case of equity instruments, this category includes the percentage of interest held in entities over which the Company does not exercise control, joint control or significant influence, and that the Company has irrevocably chosen on the date of initial recognition to designate the fair value through other comprehensive income;

iii) Financial assets at fair value through profit or loss: Includes assets that do not meet the criteria for classification as financial assets at amortized cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

Measurement:

The Company initially measures financial assets at fair value, added to the transaction costs directly attributable to the acquisition of the financial asset, for financial assets that are not measured at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are recorded in the income statement when incurred.

Financial assets at amortized cost are subsequently measured in accordance with the effective interest rate method and deducted from impairment losses. Interest income on these financial assets is included in "Interest income" on financial income.

Financial assets at fair value through other comprehensive income that constitute equity instruments, are measured at fair value on the date of initial registration and subsequently, and fair value changes are recorded directly in the other comprehensive income, in Equity, and there is no future reclassification even after derecognition of the investment.

Impairment losses:

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

With regard to the balances receivable under "Trade receivables" and "Other receivables" and Assets of customer contracts, the Company applies the simplified approach allowed by IFRS 9, according to which estimated credit losses are recognized from the initial recognition of the balances receivable and for the entire period up to their maturity, considering a matrix of historical default rates for the maturity of the balances receivable, adjusted by prospective estimates.

Regarding to accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed against the following criteria: i) if the receivable balance is immediately due ("on demand"); ii) if the balance receivable is low risk; or (iii) if it has a term of less than 12 months.

In cases where the amount receivable is immediately payable, and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero. In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Company only assesses the probability of a default occurring for the cash flows that mature in the next 12 months.

For all other situations and nature of receivables, the Company applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there was no increase in credit risk, the Company calculates an impairment corresponding to the amount expected to be loss within 12 months. If there has been an increase in credit risk, an impairment is calculated corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

Derecognition of financial assets:

The Company derecognize financial assets when, and only when, the contractual rights to the cash flows have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of property of the asset.

b) Loans and accounts receivable

Loans are recorded at amortized cost using the effective rate method net of eventual impairment losses.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Loans are recorded as current assets, except when its maturity is greater than 12 months from the statement of financial position date, situations when they are classified as non-current assets.

Receivables are recorded at their nominal value net of eventual impairment losses, recognized under the caption impairment losses in receivables, reflecting their net realizable value.

Impairment losses of loans and account receivable are recognized according the accounting polices described on the note 2.3.i).

Impairment losses equals the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year, the discount is considered null, as it is immaterial.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the cash flows statement, cash and cash equivalents also include bank overdrafts, which are included in the statement of financial position caption of current bank loans.

d) Classification as equity or liability

The financial liabilities and the equity instruments are classified according with the contractual substance, independently from the legal form they assume.

e) Financial liabilities

Financial liabilities are classified into two categories:

i) Financial liabilities at fair value through profit or loss; and

ii) Financial liabilities at amortized cost.

The "Financial liabilities at amortized cost" category includes liabilities presented under "Loans", "Trade payables" and "Other creditors". These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost at the effective interest rate.

As at 31 December 2019, the company has only recognized liabilities classified as "Financial liabilities at amortized cost".

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are cancelled or expire.

f) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments.

Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in note 2.5. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

Borrowings on the form of commercial paper are classified as non-current, when the Company has guarantees of placing for a period exceeding one year and it is its' intention to maintain the use of this form of financing for a period exceeding one year.

g) **Trade accounts payable and other creditors**

Trade accounts payable and other creditors are stated at their nominal value, since it relates to short term debt, and its discount effect is estimated to be immaterial.

h) **Effective interest rate method**

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense until the maturity of financial instrument.

i) **Impairment of financial assets**

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Company assesses, among other factors, the duration and extent of the circumstances under which the recoverable value of these assets may be lower than their book value. The balances of "Loans granted to related parties", "Trade receivables" and "Other debtors" are valued taking in to account the history of default, current market conditions, and estimated prospective information by reference to the end of each reporting period, while the most critical evaluation elements for the purpose of analysing estimated credit losses.

2.4 CONTIGENT ASSETS AND LIABILITIES

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

2.5 RECOGNITION AND ACCRUAL BASIS

Dividends are recognized as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but that correspond to income or expenses of future years, when they will be recognized in the income statement.

2.6 SUBSEQUENT EVENTS

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

2.7 JUDGEMENTS AND ESTIMATES

The estimates and judgements with impact on the financial statements are continuously evaluated, representing at each reporting date the Management's best estimate, taking into consideration historical performance, accumulated experience and expectations about future events that, under the circumstances, if they believe they are reasonable.

The nature of estimates may lead to the actual reflection of the situations that had been estimated, for the purposes of financial reporting, would differ from the estimated amounts. The most significant accounting estimates reflected in the financial statements include:

a) Impairment analysis of financial investments in subsidiaries;

b) Recognition of adjustments to asset, provisions and contingent liabilities analysis;

c) Recoverability of deferred tax assets;

d) Impairment of financial assets.

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Therefore, and due to this uncertainty, the outcome of the transactions being estimated may differ from the initial estimate. Changes to the estimates used by management that occur after the approval date of these separate financial statements, will be recognized in net income prospectively, in accordance with IAS 8.

2.8 LEGAL RESERVES

The Portuguese commercial legislation establishes that, at least 5% off annual net profit must be aimed at strengthening of the "legal reserve" until this represent, at least, 20% of share capital. This reserve is not distributable, except in case of Company liquidation, but can be used to absorb losses, after all other reserves have been depleted, and for incorporation in capital.

2.9 INCOME TAX

Current income tax is determined on taxable income of Company, in accordance with the tax rules approved in Portugal.

Sonae MC is included in the group of companies dominated by Sonae, SGPS, SA, and it is taxed in accordance with the Special Regime of Taxing Groups of Companies (RETGS), so consequently the calculated balances of the income tax to be receive or pay by Company are record against that entity and included in the balance sheet caption Income tax.

The tax losses generated by the companies taxed in accordance with Special Regime of Taxing Groups of Companies determine their allocation to the tax losses of the parent company. Besides 2017, in which only the dominant company has accounted the tax losses generated by the group, the companies contributing to tax losses record their corresponding tax amount in their individual accounts, against income tax in the statement of financial position

Deferred taxes are calculated using the statement of financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each statement of financial position date an assessment of the deferred tax assets recognized is made, being reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction do not affect the accounting or tax result. However, taxable temporary differences related with investments in subsidiaries should not be recorded given the fact that: i) the parent-company is able to control the timing of the tax difference reversal; and ii) it is likely that the tax difference isn't reversed in the near future.

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

The amount of taxes recognised in the financial statements correspond to the understanding of Sonae on the tax treatment of specific transactions being recognised liabilities relating to income taxes or other taxes based on the interpretation made and which is considered to be the most adequate.

In situations where such positions will be challenged by the tax authorities as part of their skills by their interpretation is distinct from Sonae, such a situation is the subject of review. If such a review, reconfirm the positioning of the company concluded that the probability of loss of certain tax process is less than 50% the company treats the situation as a contingent liability, i.e. is not recognized any amount of tax since the decision more likely is that there will be no place for the payment of any tax. In situations where the probability of loss is greater than 50% is recognized a provision, or if the payment has been made, it is recognized the expense associated.

In situations in which payments were made to Tax Authorities under special schemes of regularization of debts, in which the related tax is Income Tax, and that cumulatively keep the respective lawsuits in progress and the likelihood of success of such lawsuits is greater than 50%, such payments are recognized as assets, as these amounts correspond to determined amounts, which will be reimbursed to the entity, (usually with interests) or which may be used to offset the payment of taxes that will be due by the company, in which case the obligation in question is determined as a present obligation. In situations where payments correspond to other taxes, such amounts are recorded as expenses, although the company's understanding is that they will be reimbursed plus interest.

2.10 TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are performed at arm's length conditions, and the gains or losses arising on those transactions are recognized and disclosed in note 18.

3 FINANCIAL RISK MANAGEMENT

Risk management general principles are approved by the Board of Directors, and its implementation is supervised by the Group's finance department.

3.1 MARKET RISK

The interest and exchange rate risk have a decisive importance in what concerns market risk management.

3.1.1 Interest rate risk

Sonae MC exposure to the interest rate risk arises mainly from the long-term loans which bear interests indexed to Euribor.

The company's goal is to reduce cash-flows and income volatility, considering the profile of its operational activity, by using an appropriate mix of fixed and variable interest rate debt. Sonae MC's policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but not for speculation purposes.

Derivatives used to hedge interest risks are classified as cash flow hedging instruments because they qualify as perfect hedging. Conditions established for these cash flow hedging instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

Sensitivity analysis:

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As consequence, they are included in the calculation of income-related sensitivities;

- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7;

- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculation with impact in equity (other reserves);

- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;

- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher, the net profit before tax for the exercise ended as at 31 December 2019 would increase by approximately 1.2 million euro (9 million euro as at 31 December 2018), considering the contractual fixing dates and excluding other effects arising from the Company operations.

3.1.2 Exchange rate risk

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the assets and liabilities are denominated in euro.

3.1.3 Liquidity risk

The purpose of liquidity risk management is to ensure, at all times, that the Company and its subsidiaries, have the necessary financial resources to fulfil its commitments with third parties and carry on with their strategy, through proper management of financing costs and maturity.

The Company follows an active policy of refinancing, guided by the maintenance of a high level of free financial resources, immediately available to deal with short-term needs, and by increasing or maintenance of the maturity of debt, in accordance with the expected cash flows and the ability to leverage its financial position. As at 31 December 2019 Sonae MC debt average maturity was of 4.5 years (3.3 years as at 31 December 2018).

Other important response instruments to liquidity risk are the limitation for contractual clauses capable of triggering the prepayment of loans, before its termination. The Company also guarantees, a high level of diversification in its relationships with financial institutions, which makes it easier to hire new loans and limits the negative impact of any discontinuation on relationship.

The Company maintains a liquidity reserve in the form of credit lines with its relationship banks, to ensure the ability to meet its commitments without having to refinance itself on unfavourable terms. As at 31 December 2019, the amount of loans with maturity in 2020 is of 17 million euro (19 million with maturity in 2019) and as at 31 December 2019, the Company had a total of 93 million euro committed credit facilities for a period of one year (94 million euro as at 31 December 2018), and 249 million euro (137 million euro as at 31 December 2018) committed for periods over than one year. Furthermore, Sonae MC maintains as at 31 December 2019 a liquidity reserve that includes cash and cash equivalents as described on note 10. Although the current assets is lower than current liabilities Sonae MC expects to meet all its obligations by means of its investments cash flows, from its financial assets, as well as from drawing existing available credit lines, as well as, the extension of group companies' loans, if needed.

The liquidity analysis' for financial instruments is disclosed next to the respective note to each class of financial liabilities.

3.2 CREDIT RISK

Sonae MC is primarily exposed to credit risk in its dealings with financing companies in which it participates.

“Loans granted to related entities" balances are considered to have low credit risk and, therefore, impairment losses recognized during the period were limited to estimated credit losses at 12 months. These financial assets are considered to have "low credit risk" when they have a low impairment risk and the borrower has a high capacity to meet its contractual cash flow liabilities in the short term.

Sonae MC is also exposed to the credit risk in its relationship with financial institutions, in result of bank deposits, debt instruments available facilities, derivates, among others.

The credit risk is limited to financial institutions, by risk concentration management and by a selection of counterparties, which have a high national and international prestige and based on their respective rating notations taking into account the nature, maturity and size of the operations.

3.3 CAPITAL RISK

Sonae MC’s capital structure determined by the proportion of equity and net debt, is managed to ensure continuity and development of its operations, maximize return for shareholders and optimize financing costs.

Sonae MC periodically monitors its capital structure, identifying risks, opportunities and the necessary adjustment measures for the achievement of these goals.

4 FINANCIAL INSTRUMENTS CLASSES

The financial instruments classes, in accordance with the policies disclosed in note 2.3, as at 31 December 2019 and 2018 are as follows:

	31.December.2019			
	Notes	Assets/liabilities at amortized cost	Other non-financial assets/liabilities	Total
Other non-current assets	6	412,306,030	-	412,306,030
Non-current assets		412,306,030	-	412,306,030
Other debtors	7	351,317,352	-	351,317,352
Other current assets	9	1,845,778	1,605,247	3,451,025
Cash and cash equivalents	10	10,358,816	-	10,358,816
Current assets		363,521,946	1,605,247	365,127,193
Financial Assets		775,827,976	1,605,247	777,433,223
Bonds	13	252,163,176	-	252,163,176
Bank loans	13	321,000,000	-	321,000,000
Other non-current liabilities		294,521	-	294,521
Non-current liabilities		573,457,697	-	573,457,697
Bonds	13	2,996,380 -	-	2,996,380
Bank loans	13	13,500,000	-	13,500,000
Trade accounts payable		192,417	-	192,417
Other payables accounts	14	977,319,102	-	977,319,102
Other current liabilities	15	2,544,343	-	2,544,343
Current liabilities		996,552,242	-	996,552,242
Financial Liabilities		1,570,009,939	-	1,570,009,939

	31.December.2018			
	Notes	Assets/liabilities at amortized cost	Other non-financial assets/liabilities	Total
Other non-current assets	6	819,906,686	-	819,906,686
Non-current assets		819,906,686	-	819,906,686
Other debtors	7	771,026,440	-	771,026,440
Other current assets	9	1,152,986	1,195,980	2,348,966
Cash and cash equivalents	10	17,382,396	-	17,382,396
Current assets		789,561,822	1,195,980	790,757,802
Financial Assets		1,609,468,508	1,195,980	1,610,664,488
Bonds	13	254,870,409	-	254,870,409
Bank loans	13	313,000,000	-	313,000,000
Non-current liabilities		567,870,409	-	567,870,409
Bonds	13	2,996,380 -	- -	2,996,380
Bank loans	13	15,500,000	-	15,500,000
Trade accounts payable		262,304	-	262,304
Other payables accounts	14	548,020,548	-	548,020,548
Other current liabilities	15	2,459,390	-	2,459,390
Current liabilities		569,238,622	-	569,238,622
Financial Liabilities		1,137,109,031	-	1,137,109,031

5 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

As at 31 December 2019 and 2018 the Company held investments in the following subsidiaries and associated companies (net of impairment losses):

Company	31.December.2019											
		Acquisition cost								Accumulated impairment		Amount of statament of financial position
	% held	Opening balance	Increases		Decreases		Merger/split		Final balance			
Bom Momento - Restauração, SA	-	-	-		727 256	(3)	727 256	(4) (5)	-	-		-
Elergone Energia, Lda	75,00%	1 196 862	-		-		-		1 196 862	-		1 196 862
Farmácia Selecção, SA	100,00%	-	4 000 000	(1)	-		9 940 377	(4)	13 940 377	3 860 377	(4)	10 080 000
Fundo de Investimento Imobiliário Imosonae Dois	0,09%	143 429	-		-		-		143 429	-		143 429
GO WELL-Promoção de Eventos, Catering e Consultoria, SA	51,00%	-	132 711	(2)	-		3 926 946	(4)	4 059 657	-		4 059 657
Marcas MC, ZRT	100,00%	-	-		-		146 943 000	(4)	146 943 000	-		146 943 000
Modelo Continente Hipermercados, SA	100,00%	-	296 640 000	(1)	-		1 035 123 097	(4) (5) (6)	1 331 763 097	-		1 331 763 097
Modelo - Distribuição de Materiais de Construção, SA	50,00%	24 790 614	-		-		-		24 790 614	-		24 790 614
MOVVO, SA	25,58%	3 632 843	-		-		-		3 632 843	3 632 843		-
Pharmacontinente - Saúde e Higiene, SA	100,00%	-	2 000 000	(1)	-		48 082 875	(4) (6)	50 082 875	-		50 082 875
Sport Zone Sport Maiz.Per.Satis Ith. Ve Tic Ltd Sti	100,00%	-	-		-		396 395	(4)	396 395	396 395	(4)	-
Zippy Cocuk Maiz.Dag.Satis Ith. Ve Tic Ltd Sti	100,00%	-	-		-		3 591 619	(4)	3 591 619	3 591 619	(4)	-
Soflorin BV	100,00%	-	-		-		8 342 933	(4)	8 342 933	8 342 933	(4)	-
Sohi Meat Solutions - Distribuição de Carnes, SA	50,00%	-	-		-		2 340 000		2 340 000	-		2 340 000
SCBrasil Participações, Ltda	37,00%	19 600 308	-		-		-		19 600 308	19 600 308		-
Sonae MC - Serviços Partilhados, SA	100,00%	60 032 319	2 000 000	(1)	-		-		62 032 319	-		62 032 319
Modelo Continente, SGPS, SA	100,00%	1 438 804 276	-		-		#########	(4)	-	-		-
Sonae Retail Properties, SA	100,00%	-	52 000 000	(1)	-		302 563 564	(4)	354 563 564	-		354 563 564
Sonae MC S2 Africa Limited	100,00%	-	-		-		1 200	(4)	1 200	1 200	(4)	-
Sonvecap BV	100,00%	-	-		-		155 573 113	(4)	155 573 113	-		155 573 113
Total		1 548 200 651	356 772 711		727 256		278 748 098		2 182 994 204	39 425 675		2 143 568 529

(1) Capital increases;

(2) Coverage of losses;

(3) Disposal to related entities;

(4) Merger by incorporating the dominated entity, Modelo Continente, SGPS, SA;

(5) Split from Modelo Continente Hipermercados, SA for incorporation into the entity Bom Momento – Restauração, SA

(6) Split from Modelo Continente Hipermercados, SA for incorporation into the entity, Pharmacontinente – Saúde e Higiene, SA

Company	31.December.2018								
		Acquisition cost						Accumulated impairment	Amount of statament of financial position
	% held	Opening balance	Increases		Decreases		Final balance		
Apor - Agência para a Modernização do Porto, SA	-	300 000	-		300 000	(3)	-	-	-
Elergone Energia, Lda	75,00%	1 196 862	-		-		1 196 862		1 196 862
Fundo de Investimento Imobiliário Fechado Imosede	-	103 497 607	-		103 497 607	(2)	-	-	-
Fundo de Investimento Imobiliário Imosonae Dois	0,09%	143 429	-		-		143 429	-	143 429
MCCARE, Serviços de Sáude, SA	-	2 050 000	500 000	(1)	2 550 000	(2)	-		
Modelo - Distribuição de Materiais de Construção, SA	50,00%	24 790 614	-		-		24 790 614	-	24 790 614
MOVVO, SA	25,58%	3 632 843	-		-		3 632 843	3 632 843	-
SFS - Gestão e Consultoria, SA	-	30 980 000	-		30 980 000	(2)	-		
Sk - Skin Health Cosmetics, SA	-	2 050 000	-		2 050 000	(2)	-		
SCBrasil Participações, Ltda	37,00%	19 600 308	-		-		19 600 308	19 600 308	-
Sonae MC - Serviços Partilhados, SA	100,00%	60 032 319	-		-		60 032 319	-	60 032 319
Modelo Continente, SGPS, SA	100,00%	1 438 804 276	-		-		1 438 804 276	-	1 438 804 276
Sonae Financial Services, SA	-	20 330 000	1 300 000	(1)	21 630 000	(2)	-	-	-
Sonae SR Malta Holding Limited	-	1	-		1	(2)	-	-	-
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	-	384 351	-		384 351	(2)	-	-	-
Total		1 707 792 609	1 800 000		161 391 958		1 548 200 650	23 233 151	1 524 967 499

(1) Coverage of losses;

(2) Disposal to related entities;

(3) Company liquidation.

During 2019 reversals of impairments on equity investments in subsidiaries were booked in accordance with notes 19 and 19.

In result of the disposals made in 2018, were reversed impairment losses and recognized gains according to notes 16 and 19.

As at 31 December 2019 and 2018 the non-current assets are as follows:

	31.December.2019	31.December.2018
Group companies:		
Loans (note 18, 27)	431,796,798	834,282,558
Impairment on loans granted (note 16)	(19,834,376)	(14,375,872)
Other debtors	343,608	-
	412,306,030	819,906,686

As at 31 December 2019 loans granted to group companies bear interest at market rates indexed to Euribor, have long-term maturity and their fair value is similar to their carrying amount.

There are no overdue non-current assets balances as at 31 December 2019 and 2018. Impairment losses for loans granted to group companies are assessed as described in note 2.3 i).

7 OTHER DEBTORS

As at 31 December 2019 and 2019 this caption are as follows:

	31.December.2019	31.December.2018
Group companies:		
Loans (note 18, 27)	344,984,087	752,392,528
Interests charged but not received	6,193,143	18,481,133
Others	377,127	194,095
	351,554,357	771,067,756
Accumulated impairment losses (note 16)	(237,005)	(41,316)
	351,317,352	771,026,440

Loans granted to group companies bear interest at market rates indexed to Euribor and their maturity is less than one year.

There were no impaired or overdue assets as at 31 December 2019 and 2018. The fair value of loans granted is similar to its carrying amount.

8 INCOME TAX

As at 31 December 2019 and 2018 income tax are made up as follows:

	31.December.2019	31.December.2018
Adicionnal tax payment	17,721	17,721
Special program of debt reduction to the state (DL 67/2016, 3 November)	1,002,114	1,002,114
Special regime for payment of tax and social security debts (DL 248-A/2002, 14 November)	1,108,699	1,108,699
Special regime for payment of tax and social security debts (DL 151-A/2013, 31 October)	788,298	788,298
Non-current assets		
Income tax for the year	16,170,362	9,972,890
Income tax from previous years	4,966,175	4,966,175
Current assets	24,053,369	17,855,897
Income tax from previous years	2,101,152	2,111,814
Current liabilities	2,101,152	2,111,814

The amounts related with special regime for payment of tax and social security debts (DL 248-A/2002, of 14 November, DL 151-A/2013, of 31 October and DL 67/2017 of 3 November) correspond to amounts payed, related to settlements of income tax that are already in court, the legal proceedings are still being processed, however the guarantees provided for

those proceedings have been canceled. Is understanding of Sonae MC that the result of the complaints made will be favorable, fact for which did not record any adjustment to face possible losses.

The caption current assets income tax includes the tax estimate and withholding tax for the year, as well the recoverable income tax for the year 2018. These amounts were recorded against of Sonae, SGPS, SA, that the company is under the Special Taxation Regime for Groups of Companies.

The amounts of the caption income tax from previous years are the receivables amounts, related to the exercises that the company was the dominant society of Special Taxation Regime for Groups of Companies.

As at 31 December 2019 and 2018 income tax recorded in the profit and loss statements can be detailed as follows:

	31.December.2019	31.December.2018
Current tax	(2.577.790)	(8.006.961)
Deferred tax	(3.085)	(3.169)
Total	(2.580.875)	(8.010.130)

The reconciliation between profit before taxes and income tax for the years ended 31 December 2019 and 2018 is summarized as follows:

	31.December.2019	31.December.2018
Profit before income tax	168,037,423	53,220,522
Income tax rate	21%	21%
Tax	35,287,859	11,176,310
Non taxable		
Dividends	(37,013,034)	(14,117)
Impairment (reversal)/losse	114,285	(7,784,812)
(Gains)/ losses in sales of investments	143,064	(11,403,831)
Impairment (reversal) taxable	(79,389)	-
Excess of income tax from previous years	(1,038,376)	894
Autonomous from previous years	41	-
Other	4,674	15,426
Income tax	(2,580,875)	(8,010,130)

9 OTHER CURRENT ASSETS

As at 31 December 2019 and 2018, the caption Other current assets can be detailed as follows:

	31.December.2019	31.December.2018
Indemnity interests	1,244,646	187,031
Interests receivable	331,327	696,151
Guarantees	269,805	269,804
Accrued income	1,845,778	1,152,986
Costs with credit facilities	1,577,066	1,166,360
Insurances	28,181	29,620
Prepayments	1,605,247	1,195,980
	3,451,025	2,348,966

10 CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 2018, cash and cash equivalents can be detailed as follows:

	31.December.2019	31.December.2018
Bank deposits	10,358,816	17,382,396
Cash and cash equivalents on the balance sheet	10,358,816	17,382,396
Cash and cash equivalents on the cash flow statement	10,358,816	17,382,396

11 SHARE CAPITAL

As at 31 December 2019 and 2018, the share capital, which is fully subscribed and paid for, is made up by 1,000,000,000 ordinary shares, with a nominal value of 1 euro each.

As at 31 December 2019 and 2018, the subscribed share capital was held as follows:

	31.December.2019	31.December.2018
Sonae, SGPS, SA	35.0287%	35.0287%
Sonae Investments BV	13.1444%	13.1444%
Sonae Holdings, SA	51.8269%	51.8269%

As at 31 December 2019 Efanor Investimentos, SGPS, SA and affiliated companies held 52.8528% of Sonae's share capital. Sonae held directly or indirectly 100% of the Company.

12 OTHER RESERVES

As at 17 September 2018 a subsidiary company, Modelo Continente, SGPS, SA sold 100,000,000 Sonae MC, SGPS, SA shares to Sonae, SGPS. Therefore, in accordance with article 324 of Commercial Companies Code an unavailable free reserve amount of 320,000,000 euro became available.

The movements occurred in 2019 and 2018 in these reserves are detailed in changes in equity.

13 BONDS AND BANK LOANS

As at 31 December 2019 and 2018 this caption included the following loans:

	31.December.2019	31.December.2018
Bonds Sonae Investimentos / December 2015/2024	50,000,000	50,000,000
Bonds Sonae Investimentos / May 2015/2022	75,000,000	75,000,000
Bonds Sonae Investimentos / December 2015/2024	30,000,000	30,000,000
Bonds Sonae Investimentos / June 2016/2021	95,000,000	95,000,000
Bonds Sonae Investimentos / September 2016/2021	3,000,000	6,000,000
Up-front fees not yet charged to income statement	(836,824)	(1,129,591)
Bond loans	252,163,176	254,870,409
Commercial paper	266,000,000	313,000,000
Other bank loans	55,000,000	-
Bank loans	321,000,000	313,000,000
Non-current loans	573,163,176	567,870,409
Bonds Sonae Investimentos / 2016/2021	3,000,000	3,000,000
Up-front fees not yet charged to income statement	(3,620)	(3,620)
Bond loans	2,996,380	2,996,380
Commercial paper	13,500,000	15,500,000
Bank loans	13,500,000	15,500,000
Current loans	16,496,380	18,496,380

Loans estimated fair value is considered to be near it carrying amount. Loans fair value was determined by discounting estimated future cash flows. The majority of loans bears interests at variable interest rates indexed to market reference rates.

Loans and interests shall be reimbursed as follows:

	31.December.2019		31.December.2018	
	Capital	Interests	Capital	Interests
N+1	16,500,000	5,487,099	18,500,000	6,433,366
N+2	248,000,000	4,217,989	156,000,000	5,863,231
N+3	135,000,000	2,504,315	248,000,000	3,183,834
N+4	42,111,111	1,589,340	135,000,000	1,175,967
N+5	106,111,111	1,479,944	20,000,000	334,583
after N+5	42,777,778	2,133,542	10,000,000	248,417
	590,500,000	17,412,229	587,500,000	17,239,398

The maturities above were estimated in accordance with the contractual terms of the loans and considering Sonae MC best estimate regarding their reimbursement date.

The amounts of interests were calculated considering the rates in force for each loan at 31 December 2019 and 2018.

As at 31 December 2019 e 2018, there are financial covenants included in the borrowing agreements, similar to the market practices, which, at the reporting date, are fulfilled.

As at 31 December 2019 and 2018 in addition to the amounts in cash and its equivalents (note 10) the Company has available 342 million euros (231 million at 31 December 20148) credit facilities in order to manage liquidity risk that can be summarized as follows:

	31.December.2019		31.December.2018	
	Commitments of less than a year	Commitments of more than a year	Commitments of less than a year	Commitments of more than a year
Agreed credit facilities amounts	99,000,000	515,000,000	101,500,000	450,000,000
Available credit facilities amounts	94,000,000	249,000,000	94,000,000	137,000,000

The interest rate at 31 December 2019 of the bonds and bank loans were in average about 1.23% (1.21% at 31 December 2018).

14 OTHER CREDITORS

As at 31 December 2019 and 2018, this caption are as follows:

	31.December.2019	31.December.2018
Group companies:		
Loans (note 27)	977,234,983	547,974,423
Payables on the acquisitions of investements	82,887	33,800
Others	1,232	12,325
	977,319,102	548,020,548

The obtained loans bear interest at market rates indexed to Euribor and has maturity less than a year.

15 OTHER CURRENT LIABILITIES

As at 31 December 2019 and 2018 other current liabilities were made up as follows:

	31.December.2019	31.December.2018
Accrued interests	1,617,064	1,039,624
Guarantees	860,196	1,049,794
Others	67,083	369,972
Accruals	2,544,343	2,459,390

16 PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

As at 31 December 2019 and 2018 the movements in provisions and accumulated impairment losses were as follows:

2019	Opening balance	Increases	Decreases	Merger	Closing balance
Investments impairment (notes 5 and 19)	23,233,151	-	-	16,192,524	39,425,675
Other non-current assets impairment (notes 6 and 19)	14,375,871	487,044	-	4,971,461	19,834,376
Other debtors impairment (note 7)	41,316	57,172	41	138,558	237,005
Other current liabilites provisions	-	-	378,363	378,363	-

The increases in the caption other non-current assets were recorded in the income statement in the caption Investments income / losses.

The amounts included in the column "merger" were recognized in the caption other reserves as a result of the operation of merger by incorporation of the dominated entity Modelo Continente, SGPS, SA (note 1).

2018	Opening balance	Increases	Decreases	Closing balance
Investments impairment (notes 5 and 19)	71,450,151	-	48,217,000	23,233,151
Other non-current assets impairment (notes 6 and 19)	3,241,916	11,133,956	-	14,375,872
Other debtors impairment (note 7)	13,522	27,794	-	41,316

The decreases recorded in impairment losses in investments and the increases recorded in impairment losses in other non-current assets are reflected in the income statement in the caption gains or losses on investments.

17 CONTINGENT LIABILITIES

As at 31 December 2019 and 2018 guarantees in favour of third parties are as follows:

	31.December.2019	31.December.2018
Guarantees rendered:		
related to tax claims awaiting outcome		
Guarantees provided by financial institutions	91,944,064	91,944,064
Guarantees provided by parent company	245,070,150	244,707,426
Others	1,770,000	1,770,000
Guarantees given in favour of subsidiaries (a)	373,006,292	62,887,051

a) Guarantees given to the tax authorities in favour of subsidiaries to defer tax claims. The main tax claims for which guarantees were issued are disclosed in the consolidated financial statements.

Guarantees given on tax claims includes guarantees granted to tax authorities regarding income tax. Concerning theses guarantees, the most significant amounts relate to an additional tax assessment made by Tax Authorities, relating the taxable period ending 2005, regarding the covering of losses made by the Company in a subsidiary, having Tax Authorities not considered the usage of taxable losses on this operation and subsequent liquidation of the Company's subsidiary, which is not in accordance with previous assessments made by Tax Authorities. The Company has presented an appeal against these tax claims being the Board of Directors' understanding, based on its advisers' assessment, that such appeal will be favourable.

No provision has been recorded for these additional tax assessments, to which some guarantees were provided, as the Board of Directors considers that their outcome will be favourable, therefore with no additional liabilities to the Company.

Within the framework of regularization of tax debts to Tax Authorities (Outstanding Debts Settlement of Tax and Social Security - Decree of Law DL 248-A/2002, DL 151-A/2013 and DL67/2017), in previous years the Company made tax payments. As at 31 December 2019 the outstanding amount is 5,099,431,000 euro (5,099,431,000 as at 31 December 2018), having the respective guarantees been cancelled and the related tax appeals continued in courts.

Following the disposal of a Brazilian subsidiary company, the group guaranteed to that subsidiary company buyer all the losses it will have as consequence of tax additional assessments as it is described in the note of contingent assets and liabilities in the consolidated financial statements.

18 RELATED PARTIES

As at 31 December 2019 and 2018 balances and transactions with related parties are as follows:

Balances:	31.December.2019	31.December.2018
Shareolders	16,210,715	10,034,214
Subsidiaries	7,761,433	19,513,128
Jointly controlled companies	33,507	-
Other related parties	87,264	14,896
Accounts receivable	24,092,919	29,562,238
Shareolders	991,786	1,061,371
Subsidiaries	1,067,449	544,389
Other related parties	66,080	118,995
Accounts payable	2,125,315	1,724,755
Subsidiaries	776,780,885	1,586,675,087
Loans granted (note 6, 7, 27)	776,780,885	1,586,675,087
Subsidiaries	977,234,983	547,974,423
Loans obtained (note 14, 27)	977,234,983	547,974,423

Transactions:	31.December.2019	31.December.2018
Shareolders	1,002,125	1,090,067
Subsidiaries	442,792	224,290
Jointly controlled companies	27,131	-
Other related parties	3,997	38,138
Purchases and services obtained	1,476,044	1,352,495
Shareolders	42,320	51,115
Subsidiaries	1,275,767	213,200
Other related parties	97,810	15,293
Other income	1,415,896	279,608
Subsidiaries	16,132,672	26,469,151
Other related parties	-	164,862
Interest income (note 20)	16,132,672	26,634,013
Shareolders	312,528	438,464
Subsidiaries	12,180,223	2,346,029
Other related parties	-	24,848,032
Interest expenses (not2 20)	12,492,751	27,632,525
Other related parties		32,000,000
Other financing expenses (note 20)	-	32,000,000
Subsidiaries	173,900,000	-
Jointly controlled companies	324,970	-
Associated companies	2,027,573	-
Other related parties	-	67,225
Dividend income (note19)	176,252,543	67,225
Subsidiaries	10,744	7,364,871
Income from Investment Fund Participation Units (note 19)	10,744	7,364,871
Shareolders	-	140,074,991
Subsidiaries	46,000	8
Other related parties	-	75,748,240
Sale financial investments	46,000	215,823,239

All Efanor, SGPS, SA's subsidiaries, associated companies and joint ventures are considered related parties namely: all companies of Sonae MC, SGPS, SA Group (group in which the company operates and that justify the major reported balances and transactions); the companies of Sonae, SGPS, SA Group (including in addition to the Sonae MC Group, companies belonging to Sonae Holdings, SA, Sonae Sierra, SGPS, SA and SonaeCom, SGPS, SA); and the companies of Sonae Indústria, SGPS, SA Group and of Sonae Capital, SGPS, SA Group. The Board of Directors members are also considered related parties.

In 2019 and 2018 no loans were granted to the Company's Directors.

The remuneration attributed to the Board of Directors for the years ended 31 December 2019 and 2018 is detailed as follows:

	31.December 2019	31.December.2018
Short-term benefits	398,500	93,750
	398,500	93,750

As at 31 December 2019 and 2018 there were no balances with Company's Directors.

19 GAINS OR LOSSES ON INVESTMENTS

As at 31 December 2019 and 2018 gains or losses on investments are detailed as follows:

	31.December.2019	31.December.2018
Dividends:		
Marcas MC, ZRT	100,000,000	-
Sonvecap BV	32,000,000	-
Pharmacontinente - Saúde e Higiene, SA	15,000,000	-
Sonae Retail Properties, SA	11,600,000	-
Modelo Continente Hipermercados, SA	8,000,000	-
Sonae MC - Serviços Partilhados, SA	7,300,000	-
Modelo - Distribuição de Materiais de Construção, SA	2,027,573	-
Sohi Meat Solutions - Distribuição de Carnes, SA	324,970	-
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	-	67,225
	176,252,543	67,225
Income of financial investments:		
Fundo de Investimento Imobiliário Fechado Imosede	-	7,346,137
Fundo de Investimento Imobiliário Imosonae Dois	10,744	18,735
	10,744	7,364,872
Impairment reverse / (losses):		
Zippy Cocuk Maiz.Dag.Satis Ith. Ve Tic Ltd Sti	(544,023)	-
Sport Zone Sport Maiz.Per.Satis Ith. Ve Tic Ltd Sti	(193)	-
Sonae MC S2 Africa Limited	41	-
Modelo Continente, SGPS, SA	-	48,217,000
SCBrasil Participações Ltda	-	(11,133,956)
	(544,175)	37,083,044
Investments disposal income / (losses):		
Bom Momento - Restauração, SA	(681,256)	-
Sonae Financial Services, SA	-	23,070,000
Fundo de Investimento Imobiliário Fechado Imosede	-	18,298,083
SFS - Gestão e Consultoria, SA	-	15,473,140
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	-	158,049
Sonae SR Malta Holding Limited	-	6
Apor - Agência para a modernização do Porto, SA	-	(45,203)
Sk - Skin Health Cosmetics, S.A	-	(798,000)
MCCARE, Serviços de Saúde, SA	-	(1,470,000)
	(681,256)	54,686,075
	175,037,856	99,201,216

20 FINANCIAL INCOME / EXPENSES

As at 31 December 2019 and 2018 net financial income and expenses are as follows:

	31.December.2019	31.December.2018
Interest receivable:		
related to bank deposits	7,561	16,205
related to lans granted	16,132,672	26,634,013
Other financial income	450,196	1,766,156
Finacial income	16,590,429	28,416,374
Interest payable		
related to bank deposits	(2,951,520)	(2,748,260)
related to non convertible bonds	(3,839,788)	(4,838,469)
related to obtained loans	(12,492,751)	(27,632,552)
Others financial expenses:		
other financing expenses	-	(32,000,000)
up front fees on the issuance of debt	(2,875,283)	(2,877,564)
others	(9,014)	(13,184)
Financial expenses	(22,168,356)	(70,110,029)

The amount of 32,000,000 euro recorded in the caption other financial expenses in 2018 is related to the early amortization of the subordinated bond loan, amounting to 400,000,000 euro.

21 External supplies and services

As at 31 December 2019 and 2018 external supplies and services are as follows:

	31.December.2019	31.December.2018
Bank services	1,116,423	1,141,269
Guarantees	902,920	1,089,811
Specialized services	741,360	1,800,356
Insurance	61,339	521,905
Others services	7,356	89,366
Legal support	5,858	6,839
Advertising	668	-
	2,835,924	4,649,546

22 Staff costs

As at 31 December 2019 and 2018 staff costs are as follows:

	31.December.2019	31.December.2018
Salaries	403,499	126,258
Social costs	92,545	27,739
Other staff costs	6,032	5,696
	502,076	159,693

23 Earnings per share

Earnings per share for the periods ended 31 December 2019 and 2018 were calculated taking into consideration the following amounts:

	31.December.2019	31.December.2018
Net Profit		
Net profit taken into consideration to calculate basic and diluted earnings per share (Net profit for the year)	170,618,298	61,230,652
Number of shares		
Weighted average number of shares used to calculate basic and diluted earnings per share	1,000,000,000	929,315,068
Earnings per share (basic and diluted)	0.1706	0.0659

24 Collections / payments of investments

As at 31 December 2019 and 2018 collections and payments of investments are as follows:

	31.December.2018		
	Investments / (Divestments)	Amount received	Amount paid
Modelo Continente Hipermercados, SA	296,640,000	-	296,640,000
Sonae Retail Properties, SA	52,000,000	-	52,000,000
Farmácia Seleção, SA	4,000,000	-	4,000,000
Pharmacontinente - Saúde e Higiena, SA	2,000,000	-	2,000,000
Sonae MC - Serviços Partilhados, SA	2,000,000	-	2,000,000
GO WELL - Promoção de Eventos, Catering e Consultoria, SA	132,711	-	132,711
Bom Momento - Restauuração, SA	(46,000)	46,000	-
	356,726,711	46,000	356,772,711

	(Divestments)		
Sonae Financial Services, SA	1,300,000	-	1,300,000
MCCARE, Serviços de Saúde, SA	500,000	-	500,000
MDS, SGPS, SA	-	1,000,000	-
Sonae SR Malta Holding Limited	(8)	8	-
Apor - Agência para a Modernização do Porto, SA	(254,797)	254,797	-
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	(542,400)	542,400	-
MCCARE, Serviços de Saúde, SA	(1,080,000)	1,080,000	-
Sk - Skin Health Cosmetics, SA	(1,252,000)	1,252,000	-
Sonae Financial Services, SA	(44,700,000)	44,700,000	-
SFS - Gestão e Consultoria, SA (ex: SFS -Serviços de Gestão e Marketing, SA)	(46,453,140)	46,453,140	-
Fundo de Investimento Imobiliário Fechado Imosede	(121,795,691)	121,795,691	-
	(214,278,035)	217,078,035	1,800,000

25 Reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities during 2019 and 2018 is as follows:

	Borrowings (note 13)	Group companies (note 14)
Openning balance as at 1 January 2018	633,000,000	867,819,727
Receipts arising from bank loans	3,369,300,000	-
(Payments) arising from bank loans	(3,361,800,000)	-
(Payments) arising from bond loans	(53,000,000)	-
Receipts arising from group companies	-	4,235,202,973
(Payments) arising from group companies	-	(4,555,048,277)
Closing balance as at 31 december 2018	587,500,000	547,974,423
Openning balance as at 1 January 2019	587,500,000	547,974,423
Merger by incorporation	-	665,602,350
Receipts arising from bank loans	2,942,000,000	-
(Payments) arising from bank loans	(2,936,000,000)	-
(Payments) arising from bond loans	(3,000,000)	-
Receipts arising from group companies	-	5,695,165,483
(Payments) arising from group companies	-	(5,931,507,273)
Closing balance as at 31 december 2019	590,500,000	977,234,983

26 Approval of the financial statements

The financial statements were approved by the Board of Directors on 6th April 2020. These financial statements will be presented to the Shareholders' General Meeting for final approval.

27 Information required by law

Decree-Law nr 318/94 art 5 nr 4

During the year ended as at 2019 the company entered into shareholders' loan agreements with the following entities:

SCBrasil Participações, Ltda

Sonaerp – Retail Properties, SA

Zippy Cocuk Maiz.Dag.Satis Ith. Ve Tic Ltd Sti

During the year ended 2019 Sonae entered into loan agreements with the following entities:

Amor Bio - Mercado Biológico Lda

Asprela - Sociedade Imobiliária, SA

Azulino - Imobiliária, SA

BB Food Service, SA

Bertimóvel - Sociedade Imobiliária, SA

Bom Momento - Restauração, SA

BRIO - Produtos de Agricultura Biológica, SA

Canasta - Empreendimentos Imobiliários, SA

Citorres - Sociedade Imobiliária, SA

Chão Verde – Sociedade de Gestão Imobiliária, SA

Contimobe – Imobiliária do Castelo de Paiva, SA

Continente Hipermercados, SA

Cumulativa - Sociedade Imobiliária, SA

Elergone Energia, Lda

Farmácia Selecção, SA

Fozimo - Sociedade Imobiliária, SA

Igimo - Sociedade Imobiliária, SA

Iginha - Sociedade Imobiliária, SA

Imoestrutura - Sociedade Imobiliária, SA

Imomuro - Sociedade Imobiliária, SA

Imoresultado - Sociedade Imobiliária, SA

Imosistema- Sociedade Imobiliária, SA

Make Notes Design, Lda

Marcas MC, ZRT

MCCARE, Serviços de Saúde, SA

Modelo Continente Hipermercados, SA

Modelo Hiper Imobiliária, SA

MJLF - Empreendimentos Imobiliários, SA

Pharmaconcept – Actividades em Saúde, SA

Pharmacontinente – Saúde e Higiene, SA

Ponto de Chegada - Sociedade Imobiliária, SA

Predilugar - Sociedade Imobiliária, SA

Predicomercial - Promoção Imobiliária, SA

Selifa - Sociedade de Empreendimentos Imobiliários, SA

Sempre à Mão - Sociedade Imobiliária, SA

SK Skin Health Cosmetics, SA

Socijofra - Sociedade Imobiliária, SA

Sociloures - Sociedade Imobiliária, SA

Sonae MC – Serviços Partilhados, SA

Sonae SGPS, SA

Sonaerp – Retail Properties, SA

Sondis - Sociedade Imobiliária, SA

Sonvecap BV

Valor N, SA

As at 31 December 2019 balances payable related to these agreements can be detailed as follows:

Company	31.December.2019
Marcas MC, ZRT	446,860,000
Continente Hipermercados, S.A.	304,332,896
Contimobe - Imobiliária do Castelo de Paiva, SA	40,161,000
Sonvecap, BV	36,522,000
Predicomercial - Promoção Imobiliária, SA	17,180,000
Modelo Hiper Imobiliária, SA	12,398,000
Bertimóvel - Sociedade Imobiliária, SA	11,845,000
Cumulativa - Sociedade Imobiliária, SA	7,848,000
Iginha – Sociedade Imobiliária, SA	7,304,000
Socijofra - Sociedade Imobiliária, SA	6,525,000
Selifa - Sociedade de Empreendimentos Imobiliários, SA	6,497,000
Citorres - Sociedade Imobiliária, SA	6,020,000
Imosistema - Sociedade Imobiliária, S.A.	5,977,000
Farmácia Selecção, SA	5,972,000
Imoestrutura - Sociedade Imobiliária, SA	5,734,000
Fozimo – Sociedade Imobiliária, SA	5,566,000
Imoresultado – Sociedade Imobiliária, SA	5,457,000
MJLF - Empreendimentos Imobiliários, SA	5,058,000
Valor N, SA	4,858,000
Sonae MC - Serviços Partilhados, SA	4,803,000
Canasta - Empreendimentos Imobiliários, SA	4,388,000
Pharmaconcept - Actividades em Saúde, SA	3,975,000
Make Notes Design, Lda	3,775,000
Azulino - Imobiliária, SA	3,341,000
Ponto de Chegada - Promoção Imobiliária, SA	2,652,000
Imomuro - Sociedade Imobiliária, SA	2,617,000
Bom Momento - Comercio Retalhista, SA	2,444,000
BB Food Service, SA	2,328,000
Igimo – Sociedade Imobiliária, SA	1,853,000
Amor Bio - Mercado Biológico, Lda	1,323,000
Sondis Imobiliária, SA	1,064,087
SK Skin Health Cosmetics, SA	557,000
	977,234,983

As at 31 December 2019 balances receivable related to these agreements can be detailed as follows:

Company	31.December.2019
Sonaerp - Retail Properties, SA	475,203,327
Modelo Continente Hipermercados, SA	246,821,000
Pharmacontinente - Saúde e Higiene, SA	18,830,000
SCBrasil Participações, Ltda	15,775,872
MCCARE, Serviços de Saúde, SA	6,605,000
Zippy Cocuk Maiz.Dag.Satis Ith. Ve Tic Ltd Sti	5,424,416
Chão Verde - Sociedade de Gestão Imobiliária, SA	1,809,000
Sociloures - Sociedade Imobiliária, SA	1,773,491
Sempre à Mão - Sociedade Imobiliária, SA	1,551,000
BRIO - Produtos de Agricultura Biológica, SA	1,107,000
Predilugar - Sociedade Imobiliária, SA	933,000
Go Well,SA	800,000
Asprela - Sociedade Imobiliária, SA	78,000
Sport Zone Sport Maiz.Per.Satis Ith. Ve Tic Ltd Sti	55,840
Elergone - Energia Lda	11,000
Sonae MC S2 Africa Limited	2,939
	776,780,885

28 SUBSEQUENT EVENTS

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

In this context, and given the existing risk level, a specific governance model was developed for the management of this crisis, led by Sonae's Executive Committee in alignment with the CEOs of the several businesses in which it operates, depending on the risk level defined at each given moment.

Therefore, Sonae has implemented prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to the central structures, across all the Group's businesses.

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

- **Employees:** considering the high risk of contagion and spread of the virus, mandatory actions were defined and communicated, as well as recommendations for all employees, such as a ban on all trips to countries where the virus is actively transmitted; advice against holding/participating in congresses, fairs, exhibitions and large group training sessions; recommendation for teleworking/remote work and dissemination of the appropriate tools for this purpose; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; among many others.

- **Capital markets:** in terms of financing, Sonae, in compliance with its internal liquidity and financing policies, has a policy of pre-financing its liquidity needs 18 months in advance, thus ensuring liquidity needs for that time horizon. In this sense, despite any positive and negative impacts that might exist in terms of the performance of each business, we do not foresee any additional financing needs for the next 18 months nor is it expected in the short term any situation of breach of the current existing financial covenants.

Sonae MC is a holding entity, which held interests in entities operating in several business segments. However, it should be highlighted the Food Retail sector, experiencing increasing demand, as Portuguese families have anticipated more demanding containment measures and a potential shortage of essential products. In this sense, Sonae MC plays a vital role in the context of this crisis and, consequently, has strengthened contingency plans, ensuring close dialogue with all stakeholders in the supply chain in order to strengthen the response capacity, either by anticipating needs, or defining mitigation actions in case of limitations, namely in terms of human resources

At this stage, it is rather complex to quantify the magnitude of the impacts if the risk level worsens, however we have been implementing all the measures that we consider appropriate to minimise their impacts, in line with the recommendations of the competent authorities and in the best interest of all our stakeholders.

Maria Cláudia Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

João Pedro Magalhães da Silva Torres Dolores

Álvaro José Barrigas do Nascimento

António Carlos Merckx de Menezes Soares

Ricardo Emanuel Mangana Monteiro

Luís Miguel Mesquita Soares Moutinho

Rui Manuel Teixeira Soares de Almeida

Isabel Sofia Bragança Simões de Barros

José Manuel Cardoso Fortunato

Maria Inês Martins Valadas

STATUTORY AUDIT REPORT

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Sonae MC, SGPS, SA (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (which shows total assets of Euros 4,055,844,318 and total shareholders' equity of Euros 774,805,878 including a profit for the period attributable to the equity holders of the parent company of Euros 132,300,259), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonae MC, SGPS, SA as at 31 December 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Emphasis

We draw attention to the matter disclosed in the Note 46 of the consolidated financial statements related to the impacts that COVID-19 pandemic might have on the future operational activity of the Group.

Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

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

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

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

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

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

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

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

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

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related t events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to to th 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 c business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance 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 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 Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

8 April 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Herminio António Paulos Afonso, R.O.C.

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sonae MC, SGPS, SA (the Entity), which comprise the separate statement of financial position as at 31 December 2019 (which shows total assets of Euros 2,945,718,589 and total shareholders' equity of Euros 1,373,581,136, including a net profit of Euros 170,618,298), the separate statement of income, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonae MC, SGPS, SA as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Emphasis

We draw attention to the matter disclosed in the Note 28 of the separate financial statements related to the impacts that COVID-19 pandemic might have on the future activity of the Entity.

Our opinion is not modified in respect of this matter.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

f) 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 Directors' report is consistent with the 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 Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

8 April 2020

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Herminio António Paulos Afonso, R.O.C.

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

Report and Opinion of Sonae MC SGPS Statutory Audit Board

(Translation of a Report and Opinion originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

To the Shareholders

1 - Report

1.1 - Introduction

In compliance with the applicable legislation and statutory regulations, as well in accordance with the terms of our mandate, the Statutory Audit Board presents its report over the supervision performed and its Report and Opinion on the Report of the Board of Directors and the remaining individual and consolidated documents of accounts for the year ended 31 December 2019, which are the responsibility of the Board of Directors.

1.2 - Supervision

During the year, the Statutory Audit Board, in accordance with its competence and in accordance with its Regulations, accompanied the strategic lines and risk policy approved by the management of the Company and its subsidiaries, from which didn´t arises any issue, and has oversaw, with the required scope, the activity of the Board of Directors and its committees, evolution of the operations, the adequacy of accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies and valuation criteria used, as well as verified compliance with legal regulatory requirements.

In the exercise of its competences, the Statutory Audit Board obtained from the Board of Directors the necessary information to carry out its supervision activity and proceeded with the necessary interactions to fulfill the competencies listed in the law and its Internal Regulation.

The Audit Board verified the effectiveness of the risk management and internal control systems, analyzed the planning and results of the external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities and oversaw the reports issued by Sonae's Ombudsman, assessed the process of preparing the individual and consolidated accounts, provided the Board of Directors with information on the conclusions and quality of the financial statements audit and its intervention in this process, approved, previously, the rendering of non-audit services by the Statutory and External Auditor permitted under the law, and also having exercised its mandate in what concerns the evolution of the competence and independence of the Statutory and External Auditor, as well as to the supervision of the establishment of their remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that materially influenced the evolution of the activity expressed in the consolidated and individual financial position of Sonae MC, SGPS, S.A. and highlights the positive evolution of the business segments and the main joint ventures, which effects are visible in the good economic and financial development of the Group.

The Statutory Audit Board has complied with Recommendation I.5 of the Corporate Governance Code of the IPCG, in accordance with the criteria established in paragraphs 3 to 5 of article 4º of its Regulation, in order to characterize the relevant level of transactions with shareholders of qualifying holdings or entities with them in any of the relationships established in paragraph 1 of article 20 of the Portuguese Securities Code, neither having identified relevant transactions that falls within the scope of that criteria nor identified the presence of any conflict of interests.

The Statutory Audit Board complied with the Recommendations of the Corporate Governance Code of the IPCG I.2.2, I.2.3, 1,2,4, I.3.1,1.3.2, 1.5.1, 1.5.2, III.1.1, III. 8 (with incidence on the risk policy in accordance with and within its competence), III.11, III.12, IV.4, V.1.2 (with a focus on the assessment of budget compliance and risk management, in accordance with and within the scope of its legal competence) VII.1.1, VII.2.1, VII.2.2 and VII. 2.3.

As a fully body of independent members, in accordance with the legal criteria, and professionally qualified to perform their duties, the Statutory Audit Board developed its competences and interrelations with the other statutory bodies and Company's services in accordance with the principles and conduct recommended in the terms of legal and recommendations, and did not receive from the Statutory and External Auditor any report relating to irregularities or difficulties in the performance of its duties.

In the fulfilment of its duties, the Statutory Audit Board held regular quarterly meetings, in addition to other extraordinary ones, with the presence of, depending on the matters in the agenda, the Board of Directors, the officers in charge of Management Planning and Control, Administrative and Accounting Services, Treasury and Finance, Tax, Internal Audit, Risk Management, the Statutory and External Auditor and Sonae's Ombudsman. Additionally, the Statutory Audit Board participated in the Board of Directors' meeting where the Report of the Board of Directors and the financial statements for the year were approved and, during the year, had access to all the documental or personal information that appeared appropriate to the exercise of its audit action.

Still, in the fulfilment of its duties, the Statutory Audit Board reviewed the Report of the Board of Directors and remaining individual and consolidated documents of account prepared by the Board of Directors, concluding that these information was prepared in accordance with the applicable legislation and that it is appropriate to the understanding of the financial position and results of the Company and the consolidation perimeter, and has reviewed the Statutory Audit Report, which includes an emphasis on the impacts that the COVID-19 pandemic may have on the Entity's future activity, and Auditors' Report issued by the Statutory Auditor and agreed with its content.

2 - Opinion

Considering the above, in the opinion of the Statutory Audit Board, that all the necessary conditions are fulfilled in order for the Shareholders' General Meeting to approve:

a) the Report of the Board of Directors;

b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2019;

c) the proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in subparagraph c) of paragraph 1 of the article 245º of the Portuguese Securities Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonae MC, SGPS, S.A. and companies included in the consolidation perimeter. Also, it is their understanding that the Management Report faithfully describes the business evolution, performance and financial position of Sonae MC, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Matosinhos, 9 April 2020

The Statutory Audit Board

António Augusto Almeida Trabulo

Maria José Martins Lourenço da Fonseca

Carlos Manuel Pereira da Silva

APPENDIX

GLOSSARY

Absenteeism rate: number of absenteeism hours by the number of workable hours of the total number of direct Employees

Acquisitions capital expenditure ("Acquisitions CAPEX"): integration of companies/businesses acquired in the period, including the assumed financial debt

Cash conversion: (Underlying EBITDA less fixed rents, less maintenance and optimisation CAPEX) as a percentage of (underlying EBITDA less fixed rents)

Change in working capital: working capital variation from one period to another

D&A: depreciations, amortisations, provisions and impairments

Direct community support: voluntary contributions to the community (internally and externally), via financial support or in-kind donations. Financial support does not include making food products available at Company social areas to be consumed by the Employees

EBIT: profit before interest, tax, dividends, and share of profit/loss of joint ventures and associates

EBITDA: EBIT before depreciation and amortisation expenses, provisions and impairments losses, gains/losses on the disposal of subsidiaries and property, plant and equipment, excluding non-recurring items

Expansion capital expenditure ("Expansion capex"): investments to open new stores in the period (including associated real estate investments)

Fish sourced from sustainable methods or aquaculture: quantity of fish caught using methods/type of fishing gear with reduced potential impact on biodiversity or marine ecosystems or produced in aquaculture, certified according to Continente quality standards, divided by the total purchase value for fresh fish

Fixed rents: rental costs from leased real estate assets

Free cash flow (FCF): Underlying EBITDA, less fixed rents, less income tax expense and net capital expenditure, less change in working capital, plus other items (non-recurring items, the share of profit or loss of joint ventures and associates, non-controlling interests and dividends received during the year)

Freehold: stores sales area ownership in the percentage of total stores sales area (end of period figures)

Frequency index for work-related accidents: number of occupational accidents with sick leave per million hours x number of hours worked

Fresh produce acquired from local suppliers: the amount of fresh produce acquired from local suppliers divided by the total purchase value for fresh produce

GHG emissions (scope 1 and 2) per sqm of sales area: greenhouse gas emissions (GHG) of scope 1 and scope 2, per Sonae MC sales area (Company operated stores)

GHG: Greenhouse Gas emissions

GJ: gigajoule

Goodwill and financial investments: goodwill, investments in joint ventures and associates and other non-current investments

GRI: Global Reporting Initiative

Gross capital expenditure ("Gross CAPEX"): maintenance capex, plus optimisation capex, plus expansion capex, plus acquisitions capex

GWP: Global Warming Potential

Hypermarkets (segment): namely Continente and Continente Online banners

LFL (Like for Like) sales: sales from Company operated stores that operated under similar conditions in comparable months, both in the current period and the prior comparable period. Excludes stores opened, closed, or those which underwent significant remodelling in one of the periods.

Maintenance capital expenditure ("Maintenance CAPEX"): investments to maintain and refurbish existing stores, and investments in areas such as IT, warehousing, logistics and e-commerce

MWh: Megawatt hour

Net capital expenditure ("Net CAPEX"): gross capex less sale-and-leaseback divestments

Net financial debt: loans, bonds and other loans, leases and derivatives less cash and bank balances and other current investments

Net fixed assets: property, plant and equipment and intangible assets

Net invested capital: Net financial debt plus Shareholder funds

New growth businesses & Others (segment): namely Meu Super, Well's, Go Natural, Bagga, Note!, Zu, and Maxmat banners. From 2019, it includes Arenal and Dr. Well's banners. It also includes the real estate component that owns the assets and rents them out to third parties

Non-recurring items: net capital gains/losses on the sale & leaseback transactions of real estate assets

Optimisation capital expenditure ("Optimisation CAPEX"): investments to significantly change stores or optimise customer experience This type of investment goes beyond a typical store refurbishment

Recycled plastic: quantity of recycled plastic divided by the total quantity of virgin plastic mapped out

Sale-and-leaseback divestments: net book value of retail properties sold in sale-and-leaseback transactions

Scope 1: direct GHG emissions from sources that are owned or controlled by the Company

Scope 2: indirect GHG emissions from electricity acquired by the Company

Scope 3: other indirect emissions, includes all other indirect emissions generated from business activities which occur at sources that are not owned or not controlled by the Company

SDG: Sustainable Development Goals

Severity Index: number of lost days per thousand hours x number of hours worked

Shareholders' funds: equity attributable to owners of the Company and non-controlling interests

Specific electricity consumption: the total quantity of electricity consumed at Sonae MC per sales area (Company operated stores)

Sqm.: square metres

Supermarkets (segment): mainly Continente Modelo and Continente Bom Dia banners

Total net debt: net financial debt plus lease liabilities

Turnover: total revenue from sales and services rendered

Underlying EBIT margin: Underlying EBIT as a percentage of the turnover

Underlying EBIT: EBIT excluding non-recurring items

Underlying EBITDA margin: Underlying EBITDA as a percentage of the turnover

Underlying EBITDA: EBITDA excluding non-recurring items

Working capital: inventories, trade creditors and trade debtors and other current assets and current liabilities (excluding loans obtained from non-controlling interests, items included in the computation of net debt and Shareholder attributed dividends)

SONAE MC | Annual Report 2019

In its first Integrated Annual Report, Sonae MC sought to compile in a single document financial and non-financial disclosures, thus offering its stakeholders a holistic overview of the Company and its capacity to create value. The Report was prepared in accordance with the International Integrated Reporting Council (IIRC) principles and structure.

SCOPE AND PERIOD OF THE REPORT

Sonae MC, SGPS, SA (hereinafter designated Sonae MC), is part of the Sonae Group. The Company aggregates the food-based retail activity of the group along with the management and operation of its respective real estate assets.

Sonae MC operates throughout Portuguese territory and northern Spain. The Company is present across various sectors via a diversified portfolio of banners and formats which include: Continente (urban hypermarkets), Continente Modelo (large supermarkets), Continente Bom Dia (proximity supermarkets), Continente Online (e-commerce) and Meu Super (franchise proximity stores) on the food-based retail side of the business and Well's (health, well-being, cosmetics and eye-care) and Arenal (para-pharmacy and perfumery), Dr. Wells (dental and aesthetic medicine), Go Natural (organic supermarkets and restaurants), Bagga (coffee shops), Note! (stationary, books and gifts), ZU (pet care and veterinary services), Maxmat (DIY retail), Washy (self-service laundries), and Home Story (home furnishings and accessories) on the complementary growth side of the business.

This Report refers to activities carried out during the 2019 financial year (1 January to 31 December 2019).

DISCLOSURE OF FINANCIAL INFORMATION

The financial statements included in the report were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

For the 2019 financial year, Sonae MC adopted several accounting standards approved by the European Union, namely IFRS 16, the effects of which had a material impact on financial statements.

From the 1st of January 2019 onwards, Sonae MC adopted the IFRS 16 standard and accordingly the IFRS 15 standard.

Under IFRS 16, most leases were brought onto the balance sheet by recognising a right-of-use asset and a lease liability equivalent to the present value of future lease payments. Correspondingly, it also affected the presentation of the income statement, with rental charges being replaced by depreciation (on right of use asset) and interest (on lease liability). On transition to the new standard, Sonae MC adopted the full retrospective approach to provide analysts of its financial statements with a more comprehensive view, ensure comparability, and enable performance assessment over time.

The adoption of IFRS 16 had also a significative impact in the recognition of capital gains related with sale and leaseback transactions of real estate assets. Before the application of this standard, capital gains were computed through the difference between cash proceeds from the sale and net book value of the asset. Under the new standard, a part of the value which would be previously recognized as capital gains starts to impact the calculation of the right of use and, as such, to be recognized over the length of the lease contract. In the first instant, following the sale and leaseback transaction, only the amount corresponding to the proportion of the right of use that Sonae MC no longer holds is recognized as capital gains.

For further detailed information, please refer to the Financial Statements section of this document.

DISCLOSURE OF NON-FINANCIAL INFORMATION

The disclosure of information within the sustainability scope was prepared in accordance with the guidelines contained in the Global Reporting Initiative (GRI standards), under the "Core" option. The aim is to report, in a transparent manner, the Company's performance throughout the year across three priority action pillars focusing on material aspects.

This report also highlights the Company's performance in terms of the Principles of the United Nations Global Compact (UNGC) and the United Nations Sustainable Development Goals (SDGs). Notwithstanding, it is important to highlight that the Company is exempted from the obligation to present an individual or consolidated non-financial statement. This information is included in the consolidated report and sustainability report presented by its parent Company Sonae, SGPS, SA.

INFORMATION REVIEW

The financial information contained in the report was audited by PwC, who prepared an independent audit report and issued a Legal Certification of Accounts, which can be found in the Financial Statements section of this document.

The sustainability information is based on information provided in chapter "5.3. Environmental and Social Performance" per Sonae, SGPS, S.A. Management Report, and respective "GRI Supplement" appendix. Within this scope, Sonae SGPS, S.A. Annual Report, the information was assured externally by KPMG.

CONTACTS

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Text: Sonae MC | **Design and final art**: News Engage | **Photos:** Sonae MC