FINANCIAL PERFORMANCE

SOLID BUSINESS GROWTH

MC consolidated turnover for the 2021 year totalled €5,362 million, representing a +6.3% increase compared to the same period last year. For this performance above the market, which resulted in a reinforcement of MC's leadership position, a strong performance in Like-for-Like sales of 3.4% and the Company's store expansion plan were decisive contributors.

The solid results achieved were sustained by a strong delivery of all food formats and by the remarkable recovery of the health, wellness and beauty and complementary growth businesses banners, which had been strongly impacted by the lockdown measures last year. The e-commerce business performance was also noteworthy, growing by around 30% in the year, over the 2020 demanding base.

€**5,362** M
TURNOVER

6.3 %
TOTAL GROWTH VS. 2020

3.4 %
LIKE-FOR-LIKE GROWTH

€**537** M
UNDERLYING EBITDA

10.0 %
UNDERLYING EBITDA MARGIN

€**218** M
NET PROFIT FROM CONTINUING OPERATIONS

BENCHMARK OPERATING PROFITABILITY

The Group's underlying EBITDA amounted to €537 million, which corresponds to 10.0% of its turnover, increasing by €26 million compared to the same period in 2020. This metric of operating profitability remained at benchmark levels, benefiting from the sound increase in sales volumes and improved productivity and efficiency of internal operations, which enabled the company to accommodate the higher pressure over operational costs, namely the rise in energy prices and increased personnel expenditure, as well as incremental expenses associated with COVID-19.

The strong operational performance, coupled with the net capital gain of circa €40 million generated by the sale of the 50% stake in Maxmat share capital completed in September, led net profit from continuing operations to reach €218 million during the year.

INVESTING IN THE FUTURE

Until the end of December 2021, MC had carried out operational investments to the sum of €195 million, mainly directed to new retail store openings and the remodelling of its existing store network.

In this context, the year was marked by the opening of 13 new food retail units, focused on proximity formats and localized in the centres of Lisbon and Porto, and 51 new units in the New growth Businesses segment, having MC finalized the year with a store network comprised of 984 own stores and 828 thousand sqm of gross sales area. Regarding the investments earmarked for the remodelling efforts, the company completed during the period 17 substantial requalification interventions of food retail units.

Additionally, in 2021, MC invested in the expansion of its warehouses and logistics infrastructures, and in technological accelerators of growth and performance, namely in data, automation and use of artificial intelligence.

+**64**
STORE OPENINGS

+**25** K SQM
SALES AREA

CAPITAL STRUCTURE FURTHER REINFORCED

At 31 December 2021, MC invested capital amounted to €2.383 million, representing an increase of €8 million when compared to the end of the previous period. This figure was directly impacted by the investment plan carried out in the last 12 months to grow the Company business.

In the same date, MC net financial debt amounted to €379 million, €103 million below the figure posted at the end of the previous period. The Company boosted its capital structure, which remained balanced and adequately robust during the year, improving its leverage ratios and financial autonomy.

Furthermore, the Company finished the year in a sound liquidity position with a very comfortable debt maturity schedule. During 2021 and at the beginning of 2022, MC completed relevant refinancing operations, reshaping its financing structure composition around long-term sustainable debt, demonstrating investor recognition of the Company's sustainability strategy.

€**379** M
NET FINANCIAL DEBT

2.7 X
TOTAL NET DEBT / UNDERLYING EBITDA

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020	UNAUDITED 31 DEC 2020 PRO-FORMA
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	6	1,360,810,433	1,376,054,222	1,344,177,045
Intangible assets	7	261,638,861	257,794,885	257,766,505
Right-of-use assets	8	933,496,274	959,686,479	957,696,772
Goodwill	9	454,900,067	462,335,419	462,335,419
Investments in joint ventures and associates	10	4,719,952	4,067,808	4,067,808
Assets at fair value through profit and loss	5, 11	16,205,006	15,583,705	15,543,306
Deferred tax assets	19	282,653,191	273,911,572	273,170,077
Income tax assets	17	4,489,601	4,489,601	4,489,601
Other non-current assets	5, 12	8,555,496	9,035,366	8,996,646
TOTAL NON-CURRENT ASSETS		**3,327,468,881**	**3,362,959,057**	**3,328,243,179**
CURRENT ASSETS				
Inventories	13	387,406,042	395,898,596	371,227,573
Trade receivables	5, 14	59,968,030	55,372,877	53,427,471
Other receivables	5, 15	90,252,899	68,163,751	67,678,160
Income tax assets	17	26,855,537	31,070,269	29,395,575
Other tax assets	16	19,242,159	23,363,975	23,363,771
Other current assets	18	43,203,286	36,584,929	36,549,846
Other investments	5, 11	7,106,548	2,663,026	2,542,921
Cash and cash equivalents	5, 20	198,802,965	194,423,583	174,053,202
TOTAL CURRENT ASSETS		**832,837,466**	**807,541,006**	**758,238,519**
Non-current assets held for sale	6	979,955	–	79,714,354
TOTAL ASSETS		**4,161,286,302**	**4,170,500,063**	**4,166,196,053**

The accompanying notes are part of these consolidated financial statements.

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020	UNAUDITED 31 DEC 2020 PRO-FORMA
EQUITY AND LIABILITIES				
EQUITY				
Share capital	21	1,000,000,000	1,000,000,000	1,000,000,000
Legal reserve		198,366,897	186,480,406	186,480,406
Reserves and retained earnings		(527,467,848)	(536,028,499)	(536,028,499)
Profit/(Loss) for the period attributable to the equity holders of the parent company		222,006,491	143,349,796	143,349,796
Equity attributable to the equity holders of the parent company		892,905,540	793,801,703	793,801,703
Equity attributable to non-controlling interests	22	28,905,843	49,963,472	49,963,472
TOTAL EQUITY		**921,811,383**	**843.765.175**	**843,765,175**
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans	5, 23	288,414,334	333,973,644	333.973.644
Bonds	5, 23	223,620,524	321,021,071	321.021.071
Lease liabilities	8	1,001,111,372	1,012,760,194	1,011,594,144
Other non-current liabilities	5, 25	22,875,692	22,671,960	22,596,427
Deferred tax liabilities	19	361,624,611	356,491,211	355,140,044
Provisions	30	6,753,035	6,334,819	6,334,819
TOTAL NON-CURRENT LIABILITIES		**1,904,399,568**	**2,053,252,899**	**2,050,660,149**
CURRENT LIABILITIES				
Loans	5, 23	810,133	3,840,276	3.840.276
Bonds	5, 23	72,423,939	–	–
Other loans	5, 23	74,764	1,237,721	332,365
Lease liabilities	8	80,901,632	80,149,904	79,146,383
Trade payables	5, 27	795,493,038	794,952,544	768,907,381
Other payables	5, 28	89,749,738	85,785,832	85,446,129
Income tax liabilities	17	35,733,124	49,667,807	46,662,527
Other tax liabilities	16	68,474,647	70,551,250	68,931,200
Other current liabilities	29	189,927,732	185,935,107	181,882,170
Provisions	30	1,486,604	1,361,548	1,361,548
TOTAL CURRENT LIABILITIES		**1,335,075,351**	**1,273,481,989**	**1,236,509,980**
Non-current liabilities held for sale		–	–	35,260,749
TOTAL LIABILITIES		**3,239,474,919**	**3,326,734,888**	**3,322,430,878**
TOTAL EQUITY AND LIABILITIES		**4,161,286,302**	**4,170,500,063**	**4,166,196,053**

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020 RESTATED
Sales	34	5,234,350,867	4,931,562,832
Services rendered	34	127,281,079	112,430,779
Gains and losses on investments	35	(1,088,603)	(466)
Other income	37	99,023,434	85,999,673
Cost of goods sold and materials consumed	13	(3,757,387,710)	(3,546,787,715)
External supplies and services	38	(491,276,172)	(434,830,503)
Employee benefits expense	39	(622,451,111)	(592,984,497)
Other expenses	40	(56,635,173)	(50,124,492)
Depreciation and amortisation expenses	6, 7, 8	(258,780,921)	(250,587,983)
Impairment losses	30	4,508,097	(13,379,827)
Provisions	30	(476,036)	79,246
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax		**277,067,751**	**241,377,047**
Dividends received during the year	35	200,488	100,488
Share of profit or loss of joint ventures and associates	10	1,208,228	887,457
Financial income	36	27,894,948	11,548,695
Financial expense	36	(107,449,796)	(89,632,835)
Profit from continuing operations before tax		**198,921,619**	**164,280,852**
Income tax expense	41	(20,850,975)	(28,823,281)
Profit from continuing operations for the period		**178,070,644**	**135,457,571**
Profit/(Loss) from discontinued operations after taxation	4.2	49,942,366	12,976,501
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD		**228,013,010**	**148,434,072**
ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Continuing operations		176,031,131	135,227,840
Discontinued operations		45,975,360	8,121,956
		222,006,491	143,349,796
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS			
Continuing operations		2,039,511	229,731
Discontinued operations		3,967,008	4,854,545
		6,006,519	5,084,276
PROFIT/(LOSS) PER SHARE			
FROM CONTINUING OPERATIONS			
Basic	43	0.176031	0.135228
Diluted	43	0.176031	0.135228
FROM DISCONTINUED OPERATIONS			
Basic	43	0.045975	0.008122
Diluted	43	0.045975	0.008122

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020 RESTATED
Net Profit/(Loss) for the period		228,013,010	148,434,072
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Exchange differences arising on translation of foreign operations		188,460	6,205,496
Changes in hedge and fair value reserves		8,537,283	2,951,726
Income tax relating with other components of comprehensive income		5,107,141	118,855
Others		(44,450)	(40,386)
Other comprehensive income for the period		**13,788,434**	**9,235,691**
ITEMS THAT WERE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Exchange differences arising on translation of foreign operations related to discontinued operations		–	(5,470,151)
		–	(5,470,151)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**13,788,434**	**3,765,540**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**241,801,444**	**152,199,612**
ATTRIBUTABLE TO			
Equity holders of parent company		235,720,081	146,322,794
Non-controlling interests		6,081,363	5,876,818

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)			RESERVES AND RETAINED EARNINGS							
	SHARE CAPITAL	LEGAL RESERVE	CURRENCY TRANSLATION RESERVE	HEDGING RESERVE	OTHER RESERVES AND RETAINED EARNINGS	TOTAL OF RESERVES AND RETAINED EARNINGS	NET PROFIT/ (LOSS)	TOTAL	NON-CONTROLLING INTERESTS [1]	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY									
Balance at 1 Jan 2020 Published	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
Total comprehensive income for the period	–	–	735,327	2,275,504	(37,833)	2,972,998	143,349,796	146,322,794	5,876,818	152,199,612
APPROPRIATION OF PROFIT OF 2019										
Transfer to legal reserves and retained earnings	–	8,530,915	–	–	123,769,344	123,769,344	(132,300,259)	–	–	–
Dividends distributed [1]	–	–	–	–	(75,000,000)	(75,000,000)	–	(75,000,000)	(5,224,091)	(80,224,091)
Income distribution	–	–	–	–	–	–	–	–	(424,368)	(424,368)
Aquisitions of subsidiaries	–	–	–	–	2,500,821	2,500,821	–	2,500,821	(2,900,821)	(400,000)
Capital decrease	–	–	–	–	–	–	–	–	(2,000,000)	(2,000,000)
Others	–	–	–	–	(92,441)	(92,441)	–	(92,441)	(99,415)	(191,856)
BALANCE AT 31 DEC 2020	**1,000,000,000**	**186,480,406**	**8,006,476**	**1,959,877**	**(545,994,852)**	**(536,028,499)**	**143,349,796**	**793,801,703**	**49,963,472**	**843,765,175**
Balance at 1 Jan 2021	1,000,000,000	186,480,406	8,006,476	1,959,877	(545,994,852)	(536,028,499)	143,349,796	793,801,703	49,963,472	843,765,175
Total comprehensive income for the period	–	–	188,460	13,569,432	(44,302)	13,713,590	222,006,491	235,720,081	6,081,363	241,801,444
APPROPRIATION OF PROFIT OF 2020										
Transfer to legal reserves and retained earnings	–	11,886,491	–	–	131,463,305	131,463,305	(143,349,796)	–	–	–
Dividends distributed [1]	–	–	–	–	(140,000,000)	(140,000,000)	–	(140,000,000)	–	(140,000,000)
Income distribution	–	–	–	–	–	–	–	–	(120,104)	(120,104)
Disposal of subsidiaries [2]	–	–	–	–	–	–	–	–	(26,326,525)	(26,326,525)
Partial disposal or aquisitions of subsidiaries	–	–	–	–	4,052,674	4,052,674	–	4,052,674	(652,185)	3,400,489
Others	–	–	–	–	(668,918)	(668,918)	–	(668,918)	(40,178)	(709,096)
BALANCE AT 31 DEC 2021	**1,000,000,000**	**198,366,897**	**8,194,936**	**15,529,309**	**(551,192,093)**	**(527,467,848)**	**222,006,491**	**892,905,540**	**28,905,843**	**921,811,383**

1. Note 22   2. Note 4.2   The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020
OPERATING ACTIVITIES			
Receipts from customers		5,431,543,512	5,251,024,294
Payments to suppliers		(4,262,495,270)	(4,124,404,719)
Payments to employees		(620,147,978)	(597,495,389)
Cash flow generated by operations		548,900,264	529,124,186
Income taxes (paid)/received		(20,187,422)	(11,679,740)
Other cash receipts/(payments) relating to operating activities		(13,994,931)	(12,212,340)
NET CASH FLOW FROM OPERATING ACTIVITIES (1)		**514,717,912**	**505,232,107**
INVESTMENT ACTIVITIES			
RECEIPTS ARISING FROM			
Investments	44	44,733,980	518,314
Property, plant and equipment		6,689,958	54,573,715
Intangible assets		12,099,941	7,311,560
Interest and similar income		433,767	1,446,484
Dividends		756,572	1,358,052
		64,714,218	65,208,125
PAYMENTS ARISING FROM			
Investments	44	(23,277,954)	(1,924,290)
Property, plant and equipment		(141,421,093)	(175,054,525)
Intangible assets		(26,668,473)	(23,309,999)
		(191,367,520)	(200,288,814)
NET CASH USED IN/GENERATED BY INVESTMENT ACTIVITIES (2)		**(126,653,302)**	**(135,080,689)**
FINANCING ACTIVITIES			
RECEIPTS ARISING FROM			
Loans obtained	31	742,467,899	3,863,282,112
		742,467,899	3,863,282,112
PAYMENTS ARISING FROM			
Lease liabilities		(152,256,648)	(138,912,784)
Loans obtained	31	(823,119,305)	(3,883,097,333)
Interest and similar charges		(10,776,046)	(11,766,901)
Reimbursement of capital and paid in capital		–	(2,000,000)
Dividends		(140,120,104)	(80,648,460)
		(1,126,272,103)	(4,116,425,478)
NET CASH USED IN FINANCING ACTIVITIES (3)		**(383,804,204)**	**(253,143,366)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (4) = (1) + (2) + (3)		**4,260,406**	**117,008,052**
EFFECT OF FOREIGN EXCHANGE RATE		**(151,569)**	**52,902**
EFFECT OF DISCONTINUED OPERATIONS		**–**	**24,695**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20	**194,280,818**	**77,325,668**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20	**198,692,793**	**194,280,818**

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 2021

(Amounts expressed in euro)

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

1. INTRODUCTION

Sonae MC, SGPS, S.A. (hereafter referred as «MC» or «Company»), formerly referred as Sonae Investimentos, SGPS, S.A., has its head-office at Rua João Mendonça n.º 529, 4464-501 Senhora da Hora, Portugal, and is the parent company of a group of companies, as detailed in Notes 10, 11 and 45 as MC Group.

KEY EVENTS DURING THE YEAR

COVID-19

2021 continued to be a year marked by the COVID-19 pandemic. Nevertheless, the increase in vaccination rates across Europe and USA, allowed to easing lockdowns and other restrictions, leading to a measured recovery throughout the year of our businesses.

Despite the positive trend, during this last year, the impacts on the activity of each of the group's businesses was not homogeneous, with different levels of intensity depending on the sector in which they operate. This naturally required the respective operations to continually adapt to the prevailing circumstances.

MC continued to monitor in detail and with great concern all developments related to the COVID-19 pandemic, closely following the position of the competent international authorities, namely the World Health Organisation and the European Centre for Disease Prevention and Control, as well as the Portuguese Directorate General of Health.

Aligned with the Group's Risk Management Policies, the contingency plans and the respective mitigation measures were constantly updated and activated in all companies and departments, allowing to guarantee the protection of all employees and to face this period of turmoil, mitigating as much as possible the loss of value.

As at 31 December 2021, the financial and operational impacts were as follows: Apart from its continued support to its customers, such as the implementation of hygiene measures in workplaces/spaces, the use of personal protective equipment, or limitations the number of people per m2, the company maintained its close dialogue with all stakeholders across the supply chain, including the activation of alternative suppliers, namely in national territory, promoting market liquidity especially for small producers. For these small domestic producers, an early payment programme was also established to improve their cash flow conditions. In terms of operations, during the year, the company was once again forced to temporarily close some formats. The online channel continued to be an important source of growth but with higher demand in lockdown periods.

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 2021, 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 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 categorised 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 2021:

STANDARDS (NEW AND AMENDMENTS) EFFECTIVE AS AT 1 JANUARY 2021

STANDARDS	CHANGES	EFFECTIVE DATE *
IFRS 4 Deferral of IFRS 9	The end of the exemption of applying IFRS 9 by the entities with insurance activity was deferred to 1 January 2023.	01 Jan 2021
IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark («IBOR») reform – phase 2	Provide practical expedients to address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. Required disclosures about the exposure to the change of interest rate benchmark.	01 Jan 2021
IFRS 16 Leases – COVID-19 related rent concessions beyond 30 June 2021	Extension of the application period for the exemption in the recognition of rent concessions granted by lessors related to COVID-19, as modifications, until 30 June 2022.	01 Apr 2021

* for financial years beginning on or after

There were no significant effects on the separate financial statements for the year ended 31 December 2021, resulting from the adoption of the aforementioned standards, interpretations, amendments and revisions, in particular with regard to the reform of the reference interest rates («IBOR») that was refer to reference interest rates used in various financial instruments, such as loans, bank deposits or derivative financial instruments, for example Euribor and Libor. Some IBOR are being reformed, however, in relation to the Euribor, to which the financial instruments of the MC group are indexed, there are no indications that it will be replaced in the near future, after its restructuring in 2019.

Up to the date of approval of these consolidated financial statements, the following standards, interpretations, amendments and revisions have been endorsed by the European Union and are binding for future economic years:

STANDARDS (NEW AND AMENDMENTS) THAT WILL BECOME EFFECTIVE, ON OR AFTER 1 JANUARY 2022, ALREADY ENDORSED BY THE EU

STANDARDS	CHANGES	EFFECTIVE DATE *
IAS 16 Proceeds before intended use	Prohibition of deducting the proceeds obtained from the sale of items produced during the testing phase, to the acquisition cost of property, plant and equipment.	01 Jan 2022
IAS 37 Onerous contract – cost of fulfilling a contract	Clarification about the nature of the expenses to be considered in determining whether a particular contract has become onerous.	01 Jan 2022
IFRS 3 Reference to the Conceptual framework	Update to references to the Conceptual Framework and clarification on the registration of provisions and contingent liabilities within the scope of a business combination.	01 Jan 2022
IAS 1 Presentation of financial statements – classification of liabilities	Classification of a liability as current or non-current, depending on an entity's right to defer its payment. New definition of «settlement» of a liability.	01 Jan 2023
IAS 1 Disclosure of accounting policies	Disclosure requirement for material accounting policies, rather than significant accounting policies.	01 Jan 2023
IAS 8 Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates.	01 Jan 2023
IFRS 17 Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features.	01 Jan 2023
IFRS 17 Insurance contracts (amendments)	The amendments to IFRS 17 relate to changes in areas such as: (i) scope; (ii) level of aggregation of insurance contracts; (iii) recognition; (iv) measurement; (v) modification and derecognition; (vi) presentation of the Statement of Financial Position; (vii) recognition and measurement of the Income statement; and (viii) disclosures.	01 Jan 2023
Annual Improvements 2018-2020	Specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	01 Jan 2022

* for financial years beginning on or after

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2021 due to the fact that their application is not mandatory. No significant impacts are expected on the financial statements resulting from their adoption.

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

STANDARDS (NEW AND AMENDMENTS) THAT WILL BECOME EFFECTIVE, ON OR AFTER 1 JANUARY 2022, NOT YET ENDORSED BY THE EU

STANDARDS	CHANGES	EFFECTIVE DATE *
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognise deferred tax on the recognition of assets under right-of-use / lease liability and provisions for decommissioning / related asset, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, because of not being relevant for tax purposes.	01 Jan 2023
IFRS 17 Initial application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.	01 Jan 2023

* for financial years beginning on or after

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2021 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

2.2. CONSOLIDATION PRINCIPLES

The consolidation methods adopted by MC are as follows:

A) INVESTMENTS IN CONTROLLED COMPANIES

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

MC 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.

The control is reassessed by MC whenever there are facts and circumstances that indicate the occurrence of changes in one or more of the control conditions mentioned 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 45.

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 recognised 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 recognised as income for the year under «Other Income» after reconfirmation of the fair value attributed to the net assets acquired. The MC 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 recognised 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 MC. All intra-group transactions, balances and distributed dividends are eliminated on the consolidation process. Unrealised 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 2021 and 2020 the Group did not hold jointly controlled operations.

Financial investments in associates are investments where MC 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.

The existence of significant influence is generally evidenced in one or more of the following ways:
- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including involvement in decisions about dividends and other distributions;
- material transactions between the investor and the investee;
- exchange of management personnel; or
- providing critical technical information.

Financial investments in joint ventures and associated companies are recorded using the equity method, except in cases where the investments are held by a venture capital organisation or equivalent, where the Group has chosen, at initial recognition, to measure at fair value through profit or loss in accordance with IFRS 9 (Note 1g iii)).

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to 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 differences between the acquisition cost and the fair value of the identifiable assets and liabilities of the joint ventures and associates on the acquisition date, if positive, are recognised as Goodwill and maintained at the value of financial investment in joint ventures and associates (Note 2.2.c)). If these differences are negative, they are recorded as income for the year under the item «Income or losses from joint ventures and associates», after reconfirmation of the fair value attributed.

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 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 MC has entered into commitments with the investee.

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 MC's interest in the above-mentioned entities against the investment on the same entity. Unrealised 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, 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 recognised 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 10.

C) GOODWILL

The differences between the acquisition price of investments in MC companies, joint ventures and associates plus the value of the non-controlling interests (in the case of subsidiaries), the fair value of any interests held prior to the date of the concentration and the fair value of the identifiable assets, liabilities and contingent liabilities of these companies at the date of the concentration of business activities, when positive, are recorded under the heading «Goodwill» if they relate to acquisitions of business from subsidiaries (Note 9) or maintained under the heading «Investments in joint ventures and associated companies» (Note 10). The differences between the acquisition price of investments in subsidiaries headquartered abroad whose functional currency is not the euro, the value of non-controlling interests (in the case of subsidiaries) and the fair value of the identifiable assets and liabilities of these subsidiaries at the date of their acquisition, are recorded in the functional currency of these subsidiaries, being converted into the functional and reporting currency of MC (euro) at the exchange rate in force on the date of the statement of financial position. Exchange differences resulting from this conversion are recorded in the caption «Conversion reserves».

Future contingent consideration is recognised 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 recognised 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 recognised. 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 MC management or on valuation reports issued by independent entities namely for real estate operations and related assets. Goodwill impairment losses recognised in the period are recorded in the income statement under the caption «Provisions and impairment losses».

When the Group reorganises 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 reorganisation.

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

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

D) TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

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

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

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

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

EXCHANGE RATES	31 DEC 2021		31 DEC 2020	
	END OF EXERCICE	AVERAGE OF EXERCISE	END OF EXERCICE	AVERAGE OF EXERCISE
US Dollar	0.88292	0.84602	0.81493	0.87704
British Pound	1.19008	1.16366	1.11231	1.12496
Turquish Lira	0.06564	0.09753	0.10973	0.12624
Mozambican Metical	0.01377	0.01302	0.01092	0.01268
Brazilian Real	0.15848	0.15694	0.15690	0.17198
Mexican Peso	0.04321	0.04171	0.04096	0.04103
Polish Zloty	0.21754	0.21906	0.21931	0.22511

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 recognised 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 recognised in the cost of the asset.

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

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

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

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

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

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

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

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

2.4. INTANGIBLE ASSETS

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

When individually purchased, intangible assets are recognised 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 recognised the income statement when incurred.

Expenditure on development, for which MC demonstrates the capacity to complete its development and start its commercialisation and / or use and for which it is probable that the asset created will generate future economic benefits, are capitalised. 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 MC. According to this assumption, the costs are initially accounted for as expenses, being capitalised as intangible assets by mean of «Own work capitalised» (Note 37).

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 amortised on straight-line bases, during the average estimated period of portfolio's client retention.

Brands and patents with defined useful live are recorded at their acquisition cost and are amortised 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.

Amortisation 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 Amortisations expenses», in the income statement.

The useful lives of the assets are reviewed in each financial report, so that the amortisations 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 ASSETS 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 recognised 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 recognises 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-of-use 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 recognised 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 recognised as expenses in the year in which they are ascertained, or payment occurs.

The rights-of-use assets 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 recognised is depreciated on a straight-line basis over the lease term.

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

For low-value asset leases, the Group does not recognise the right-of-use assets or responsibility under lease liabilities, recognising 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 recognises 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 maximisation. 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) PRACTICAL EXPEDIENT

The amendment to IFRS 16 in the scope of Covid-19, allowed the use of a practical expedient for lessees, which exempts from the evaluation of the credits, attributed by the lessors, if they qualify as modifications to the leases.

The Group has opted to apply this exemption, accounting this change in rental payments as variable lease rentals in the periods in which the event or condition that led to the reduction in payment occurs.

The practical expedient is only applicable when the following conditions are cumulatively met:

a) the change in the lease payments results in a revised consideration for the lease that is substantially equal to, or less than, the consideration immediately prior to the change;

b) any reduction in lease payments only affects payments due on or before 30 June 2021; and

c) there are no substantive changes to other terms and conditions of the lease.

D) 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 of the asset as a proportion of the previous book value of the asset that is related to the right-of-use, recognising as gain and loss only that which relates to the rights transferred to the purchaser-leaser, i.e. those which run beyond the lease period.

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

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

2.6. 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 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 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 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.

Regarding 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/amortisation;

(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/amortisation expenses, or revaluation amounts that have been recognised, 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 recognised in the results of the financial year.

In the case of investments in joint ventures and associates measured under the equity method, the termination of the classification as held for sale implies the replacement of the equity method retrospectively.

2.8. 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 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 recognised in the income statement under «Provisions and impairment losses».

The recoverable amount is the highest of the net selling price and the value in use. The net selling price is the amount that would be obtained with the sale of the asset, in a transaction between independent and knowledgeable entities, less expenses directly attributable to the sale. 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 refurbishment processes) the Group performs a review of the assets 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 «Other 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 capitalised as part of the cost of the qualifying asset. Financial expenses related to loans obtained are capitalised 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 capitalisation. Other borrowing costs are recognised 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 commercial income and from the value of the quantity discounts granted by the suppliers and net realisable value of the two lowest, using as costing method the average cost.

Differences between cost and net realisable 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. PROVISONS

Provisions are recognised when, and only when, 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 MC whenever a formal and detailed restructuring plan exists, and that plan has been communicated to the parties involved.

2.13. FINANCIAL INSTRUMENTS

MC classifies the financial instruments in the categories presented and conciliated with the combined statement of financial position disclosed in Note 5.

A) FINANCIAL ASSETS

Recognition

All purchases and sales of investments in financial assets are recognised 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 amortised 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 amortised 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 amortised 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,

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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

MC assesses prospectively the estimated credit losses associated with financial assets, which are debt instruments, classified at amortised 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», «Other trade receivables» and Assets of customer contracts, the Group applies the simplified approach allowed by IFRS 9, according to which estimated credit losses are recognised 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, 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

MC derecognises 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 amortised 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 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 5.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in Note 2.13.a). As at 31 December 2021, when there was evidence that they were impaired, the corresponding adjustment to profit and loss was recorded.

C) TRADE RECEIVABLES AND OTHER RECEIVABLES

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

«Trade receivables» and «Other receivables» captions are initially recognised at fair value and are subsequently measured at amortised 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 CASH EQUIVALENTS

Amounts included under the caption «Cash and cash equivalents» 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 MC after deducting all its liabilities. Equity instruments issued by Sonae are recorded at the proceeds received, net of direct issue costs.

F) FINANCIAL LIABILITIES

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

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

As at 31 December 2021, MC has only recognised liabilities classified as «Financial liabilities at amortised 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 OTHER PAYABLES

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

These financial liabilities are initially recognised at fair value. Subsequent to its initial recognition, the liabilities presented under «Trade payables» are measured at amortised 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

MC uses derivatives in the management of its financial risks to hedge such risks and-or to optimise 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 recognising 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 MC, 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 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.

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.

MC also uses financial instruments to hedge cash flows associated with energy prices. These hedges tend to configure perfect coverage ratios and, therefore, are treated as «hedge accounting». In some situations, they may not configure perfect coverage ratios, so they do not receive «hedge accounting» treatment, but effectively allow to mitigate, in a very significant way, the effect of energy price variations.

In specific situations, 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 under «Financial income and gains» or «Financial expenses and losses» 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 realisable are recorded in the Income Statement.

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 TAXES

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

MC is covered by the Special Taxation Regime for Groups of Companies («Regime Especial de Tributação dos Grupos de Sociedades» – RETGS), of which Sonae, SGPS, S.A. 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 recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each statement of financial position date, a review is made of the deferred tax assets recognised, being reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognised 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.

Considering the accounting impacts resulting from the application of IFRS 16 – Leases, for a lessee, with the recognition of an asset under right-of-use not typified in the tax law and the recording of a lease liability that only has tax acceptance by the payment of rents, the management recognised the respective deferred tax asset (on the lease liability) and deferred tax liability (on the asset under right-of-use), on the date of initial and subsequent recognition of lease contracts. If the tax authorities change the tax law, the recognised deferred taxes may have to be reviewed/amended.

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 MC 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 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% MC treats the situation as a contingent liability, i.e. is not recognised 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 recognised a provision, or if the payment has been made, it is recognised the cost associated.

In situations in which payments were made to Tax Authorities under special schemes of regularisation 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 recognised 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 realisation, at the fair value of the amount received or receivable.

In determining the value of revenue, 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.

Services rendered include the income from consulting projects, developed in the area of information systems, which are recognised, in each year, in accordance with the performance obligation to which they relate, according to the percentage of performance. The group recognises revenue over time by measuring progress towards full compliance with that performance obligation.

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

2.17. 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 recognised in the income statement.

2.18. COMMERCIAL REVENUE

Commercial revenues, which includes amounts relating to supplier's agreements are based of carrying out an in-store service (flyers, product placement, advertising, etc...) or contribution in promotional campaigns for supplier products. These amounts affect the value of goods inventories and are deducted from the «Cost of sales» as the respective goods are sold. 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 supplier, and their recognition depends on the fulfilment of performance obligations. 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.

All monetary assets and liabilities expressed in foreign currency in the individual financial statements of the subsidiaries are translated into the functional currency of each subsidiary, using the exchange rates prevailing on the date of the statement of financial position for each period. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are converted into the functional currency of each subsidiary, using the exchange rate in force on the date on which 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 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 ESTIMATES

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

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

a) Depreciation and amortisation of the property, plant and equipment, intangible assets and right-of-use assets (Notes 2.3, 2.4 and 2.5);

b) Lease terms of assets under right-of-use and incremental interest rate in lease contracts (Note 2.5 and 8);

c) Impairment analysis of goodwill in investments in associated companies and jointly controlled entities and of property, plant and equipment and intangible assets (Notes 2.2.a), 2.2.c), 2.9 and 9)

d) Recognition of adjustments on assets, provisions and contingent liabilities (Notes 30 and 32);

e) Determining the fair value of derivative financial instruments (Notes 2.13 j) and 24);

f) Recoverability of deferred tax assets (Notes 2.15 and 19);

g) Valuation at fair value of assets, liabilities and contingent liabilities in business combination transactions (Notes 2.2.a) and 2.2.c);

h) Impairment of financial assets (Notes 2.13.a) and 30);

i) Recognition of contract revenue;

j) Financial assets at fair value through other comprehensive income or profit and loss (Notes 2.13 a) and 10);

k) Entities included in the consolidation perimeter (Notes 2.2.a) and 2.2.b).

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 MC 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 recognised in net income, in accordance with IAS 8 – «Accounting policies, changes in accounting estimates and errors», using a prospective methodology.

TERMS OF RIGHTS-OF-USE ASSETS

The Group determines the end of the lease as the non-cancellable portion of the lease term, together with any periods covered by an option to extend the lease if it is reasonably certain that it will be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain that it will not be exercised.

The Group has the option, under some of its lease contracts, to rent or leaseback its assets for additional periods. At the inception of the lease MC evaluates the reasonableness of exercising the option to renew the contract after the initial period. That is, it considers all relevant factors that create an economic incentive to exercise the renewal. After the start date, the Group reassesses the end of the contract if there is a significant event or changes in circumstances that are within its control and affect its ability to exercise (or not exercise) the renewal option (for example, a change in business strategy).

By the characteristics of the lease contracts negotiated, management assesses on the contract negotiation date whether it qualifies as a lease contract or a service contract.

IMPAIRMENT ANALYSIS OF GOODWILL IN INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES AND OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The assessment of impairment in goodwill, investments in joint ventures and associates and other tangible and intangible assets involves significant judgments and estimates by Management, namely in projecting the cash flows of the assets included in the business plans, the rate of growth in perpetuity and the discount rate of those cash flows. The sensitivity analysis to changes in the assumptions of the impairment calculation is disclosed in Note 9.

IMPAIRMENT OF FINANCIAL ASSETS

Determining impairment on financial assets involves significant estimates. In making this estimate, Management evaluates, among other factors, the duration and extent of the circumstances in which the recoverable amount of these assets may be less than their carrying amount. The balances of «Clients», «Other Third Party Debtors» and «Other Current Assets» are evaluated for factors such as the history of default, current market conditions, and also estimated prospective information by reference to the end of each reporting period, as the most critical evaluation elements for the purpose of analysing estimated credit losses.

RECOGNITION OF PROVISIONS AND ANALYSIS OF CONTINGENT LIABILITIES

Provisions are recognised when, and only when, the group has a present obligation (legal or constructive) as a result of a past event and it is probable that, to settle the obligation, an outflow of resources will be required and the amount of the obligation can be reasonably estimated.

Contingent liabilities estimated for each reporting period are disclosed in the notes to the financial statements, unless the possibility of an outflow of funds affecting future economic benefits is remote.

RECOVERABILITY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are likely enabling the recovery of such assets.

TAX IMPACTS OF APPLYING IFRS 16

Considering the accounting impacts resulting from the application of IFRS 16 – Leases, for a lessee, with the recognition of an asset under right-of-use not typified in the tax law and the recording of a lease liability that only has tax acceptance by the payment of rents, the management recognised the respective deferred tax asset (on the lease liability) and deferred tax liability (on the asset under right-of-use), on the date of initial and subsequent recognition of lease contracts. In the event of a change in the tax law by the Tax Authorities, the recognised deferred taxes may have to be reviewed / amended.

RECOGNITION OF CONTRACT REVENUE

In the recognition of revenue based on the percentage of completion, management reviews at each reporting date the total estimated costs, which correspond to the best estimate of the costs associated with the provision of the construction service and/or until its completion. When there are significant deviations in the performance of the contract that are not associated with changes that result in the right to additional revenue as agreed with the customer, management reviews the percentage of completion and margin associated with the contract, according to its best estimate of its completion, which may give rise to the recording of a provision (onerous contract) (Note 2.16).

ENTITIES INCLUDED IN THE CONSOLIDATION PERIMETER

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in returns from its involvement with that entity and can take possession of them through the power it holds over that entity.

The decision that an entity has to be consolidated by the Group requires the use of judgment, assumptions and estimates to determine the extent to which the Group is exposed to variability of returns and the ability to seize them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with a direct impact on the consolidated financial statements.

The remaining judgments and estimates are described in the corresponding notes, when applicable.

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 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. 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, 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, FINANCIAL INVESTMENTS, DERIVATIVES AND LOANS TO RELATED ENTITIES

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 MC companies:

- In order to reduce the probability of counterparties defaulting on their payment contractual obligations, MC 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;
- Additionally, regarding the amounts considered in Note 20, cash and cash equivalents, reinforce that the applications made are always for short periods, coinciding whenever possible with scheduled payments and maximum exposure limits are defined for each of the counterparties in order to avoid significant concentration of counterparty risk;
- 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 addition, in relation to treasury surpluses: i) these are preferably used, whenever possible and where it is most efficient, either in the repayment of existing debt, or invested preferably in relationship banks, thus reducing the net exposure these Institutions; and ii) can only be applied to previously authorised instruments;
- Any departure from the above-mentioned policies needs to be pre-approved by the respective Board of Directors.

Regarding the policies and the minimum credit rating limits defined, MC does not foresee the possibility of any material non-compliance with the contractual payment obligations of its external counterparties, with respect to financial instruments. However, the exposure to each counterparty resulting from the financial instruments contracted and the credit ratings of the counterparties are regularly monitored and the deviations reported to the Board of Directors.

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 «Trade receivables» and «Other receivables» were aggregated on the basis of shared credit risk characteristics, as well as on days of delay. The amount related to trade receivables and other receivables represents maximum MC exposure to credit risk of the assets included in these captions.

3.3. LIQUIDITY RISK

MC has a regular need to use external funds to finance its current activity and its expansion plans and has a diversified portfolio of long-term financing, consisting of inter alia loans and structured transactions, but which also includes a variety other short-term financing operations, in the form of commercial paper and credit lines. As at 31 December 2021, the total consolidated gross debt (excluding supplies and lease liabilities) is 585.4 million euro (as at 31 December 2020 it was 660.1 million euro).

The objective of liquidity risk management is to ensure that, at all times, MC companies have the financial capacity to meet their monetary commitments on the dates when they are due, as well as to exercise their current activity and continue its strategic plans. Given the dynamic nature of its activities, MC needs a flexible financial structure, therefore using 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;
- Maintenance of an adequate average debt maturity, adjusted by the amount already pre-financed with available long-term lines and cash and cash equivalents, through the issuance of long-term debt in order to avoid the excessive concentration of programmed amortisations on dates next. In 2021, the average maturity of MC's debt is approximately 4.5 years (2020: 4.4 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 analysis of the maturity of each of the passive financial instruments is presented in Notes 23, 27 and 28, with undiscounted values and based on the most pessimistic scenario, that is, the shortest period in which the liability becomes due.

MC 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 2021, as described in Note 23, the consolidated loan amount maturing in 2022 is of 73.4 million euro (3.9 million euro maturing in 2021) and in 31 December 2021 MC had 96 million euro available in consolidated credit lines (94 million euro in 2020) with commitment less than or equal to one year and 190 million euro (265 million euro in 2020) with a commitment greater than one year, 240 million euro considering the lines already contracted at the beginning of 2022 (Note 23).

Additionally, as at 31 December 2021, MC had a liquidity reserve consisting of cash and cash equivalents of 198.7 million euro (194.4 million euro as at 31 December 2020) (Note 20).

In view of the above, despite the current liabilities being higher than the current assets, a natural situation due to the fact that the business has negative working capital needs, MC expects to satisfy all its treasury needs with the use of the flows of the operational activity and of the financial investments, as well as, if necessary, using existing available credit lines.

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 assumptions:

- MC 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 indebtedness, resulting from the hedging operation carried out, is known and limited, even in scenarios of extreme changes in market interest rates, trying to ensure that the resulting level of rates is compatible the cost of funds considered in the respective company's business plan, or at least in extreme interest rate hike scenarios does not exceed the cost of financing indexed to the underlying variable 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 MC policy that, when contracting such instruments, preference should be given to financial institutions that form part of 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 MC 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 Board of Directors, namely transactions entered into with the purpose of optimising 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 MC 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. 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 recognised at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised 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 interest rate derivatives that are not part of a hedging relationship as set out in IFRS 9 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 MC for the period ended as at 31 December 2021 would decrease by approximately 3.8 million euro (4.4 million euro decrease as at 31 December 2020).

3.5. EXCHANGE RISK

3.5.1. POLICIES

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. MC is mainly exposed to exchange rate risk through transactions relating to acquisitions of goods in international markets, which are mainly in US Dollars.

MC aims to limit the risk of exposure to foreign currencies associated with operational transactions. The reduction of the exchange rate exposure risk can be obtained, among other ways, by contracting financial derivatives that allow replicating the natural hedge through financial movements, always in line with the existing exchange rate risk policy.

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 minimising 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. EXPOSURE AND SENSITIVITY ANALYSES

As at 31 December 2021 and 2020 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 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
British Pound	920	3,411	37,745	30,797
US Dollar	1,908,137	5,825,898	6,016,371	9,103,182
Other Currencies	6,064	3,451	–	25

The amounts previously presented, only include assets and liabilities expressed in different currency than the functional currency used by the subsidiary 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. ENERGY PRICE RISK

MC is a consumer of electricity in its various businesses and also has a subsidiary that buys electricity in an organised market (OMIE) and sells it to third parties.

MC's exposure to energy price risk is present at the transaction risk level, through changes in energy prices related to future cash flows. The impact on the financial statements of changes in energy prices is limited, considering the weight that energy costs have on the value of total sales.

MC intends to limit the risk of energy price exposure associated with operational transactions. The reduction of the risk of exposure to the price of energy can be carried out through the contracting of operations, with financial or physical settlements, in the energy futures markets. Traded financial instruments may include bilateral and futures pricing agreements.

3.7. CAPITAL RISK

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

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

4. CHANGES OCCURRED IN THE CONSOLIDATION PERIMETER

4.1. ACQUISITIONS OF SUBSIDIARIES OCCURRED IN 2021

During 2021, the Group acquired Portimão Ativo – Sociedade Imobiliária, S.A., a subsidiary included in consolidation by the full consolidation method.

		PROPORTION OF VOTING EQUITY INTERESTS ACQUIRED ON THE DATE OF ACQUISITION	
COMPANY	HEAD OFFICE	DIRECT	TOTAL
Portimão Ativo – Sociedade Imobiliária, S.A.	Portimão/Portugal	100.00%	100.00%

The effects of this acquisition on the consolidated financial statements can be analysed as follows:

AMOUNTS IN EURO	ON THE DATE OF ACQUISITION	FAIR VALUE	TOTAL	31 DEC 2021
NET ASSETS ACQUIRED				
Property, plant and equipment and intagible assets[1]	18,757,752	1,945,120	20,702,872	20,410,163
Deferred tax assets [2]	14,330	–	14,330	14,330
Other assets	19,978	–	19,978	128,704
Cash and cash equivalents	4,448	–	4,448	1,711
Trade payables	(1,246)	–	(1,246)	(913)
Other liabilities	(520,927)	–	(520,927)	(89,298)
TOTAL NET ASSETS ACQUIRED	**18,274,335**	**1,945,120**	**20,219,455**	**20,464,697**
ACQUISITION COST	**18,274,335**	**1,945,120**	**20,219,455**	
Payments made	18,274,335	1,945,120	20,219,455	
	18,274,335	**1,945,120**	**20,219,455**	
Cash and cash equivalents acquired	4,448	–	4,448	
	18,269,887	**1,945,120**	**20,215,007**	

1. Note 6 2. Note 19

4.2. DISPOSALS OF SUBSIDIARIES OCCURRED IN 2021

In 2021, MC concluded the sale of 50.00% of the share capital of Modelo – Distribuição de Materiais de Construção S.A. («Maxmat») to Cimentos Estrada Pedra, SGPS, Lda., an entity wholly owned by Building Materials Europe («BME Group») with a net inflow of 68 million euro.

		PROPORTION OF VOTING EQUITY INTERESTS ACQUIRED ON THE DATE OF ACQUISITION	
COMPANY	HEAD OFFICE	DIRECT	TOTAL
Modelo – Distribuição de Materiais de Construção, S.A.	Maia	50.00%	50.00%

The effects of this transaction on the consolidated financial statements can be analysed as follows:

	AT THE DISPOSAL DATE
AMOUNTS IN EURO	MAXMAT
NET ASSETS	
Property, plant and equipment and intagible assets [1]	32,634,293
Rights-of-use [2]	2,100,582
Deferred tax assets [3]	728,527
Inventories [4]	22,582,177
Trade receivables and other assets	1,540,376
Cash and cash equivalents	28,290,609
Lease liabilities	(2,230,424)
Deferred tax liabilities [3]	(1,458,464)
Trade payables	(23,561,199)
Other liabilities	(8,273,824)
TOTAL NET ASSETS DISPOSED	**52,352,653**
Goodwill	–
Non-controlling interests [5]	(26,326,525)
Gain/(Loss) on disposal	42,008,352
DISPOSAL COST	**68,034,480**
Amounts received	68,034,480
Cash and cash equivalents to be received	–
	68,034,480
Net cash flow arising from the disposal [6]	
Amounts received	68,034,480
Cash and cash equivalents disposed	(28,290,609)
	39,743,871

1. Note 6 and 7 2. Note 8 3. Note 19 4. Note 13 5. Note 22 6. Note 44

31 DEC 2021 (AMOUNTS IN EURO)	MAXMAT	TOTAL DISCONTINUED OPERATIONS
Turnover	81,767,708	81,767,708
Other income	834,616	834,616
Cost of goods sold and materials consumed	(51,101,435)	(51,101,435)
External supplies and services	(9,561,806)	(9,561,806)
Employee benefits expense	(8,753,719)	(8,753,719)
Depreciation and amortisation expenses	(2,510,801)	(2,510,801)
Impairment losses	(2,927)	(2,927)
Other expenses	(718,505)	(718,505)
Financial income and expenses	(58,440)	(58,440)
Profit/(Loss) before tax	**9,894,691**	**9,894,691**
Income tax assets	(1,960,677)	(1,960,677)
Profit/(Loss) after tax	**7,934,014**	**7,934,014**
Income or expenses related to loss control	42,008,352	42,008,352
PROFIT/(LOSS) FOR PERIOD FROM DISCONTINUED OPERATIONS	**49,942,366**	**49,942,366**

RESTATEMENT OF THE CONSOLIDATED INCOME STATEMENTS

As provided by IFRS 5, changes were made to the Consolidated Income Statements for the year ended December 31, 2020 to reflect in a single item (Consolidated net income for the period from discontinued operations), on the income statement, the profit or loss after taxes of the discontinued operating unit – Modelo Distribuição-Materiais de Construção, S.A. (Maxmat).

The impacts on the consolidated financial statements as of December 31, 2020 are as follows:

	BEFORE THE RESTATEMENT	DISCONTINUED OPERATIONS	AFTER THE RESTATEMENT
Sales	5,046,752,342	(115,189,510)	4,931,562,832
Services rendered	105,757,415	6,673,364	112,430,779
Income or expense relating to investments	(466)	–	(466)
Other income	88,103,080	(2,103,407)	85,999,673
Cost of goods sold and materials consumed	(3,619,907,407)	73,119,692	(3,546,787,715)
External supplies and services	(442,879,013)	8,048,510	(434,830,503)
Employee benefits expense	(605,323,125)	12,338,628	(592,984,497)
Other expenses	(51,768,866)	1,644,374	(50,124,492)
Depreciation and amortisation expenses	(253,599,798)	3,011,815	(250,587,983)
Provisions and impairment losses	(13,387,982)	8,155	(13,379,827)
Financial expense	100,194	(20,948)	79,246
Profit from continuing operations before interest, dividends, share of profit or loss of joint ventures and associates and tax	**253,846,374**	**(12,469,327)**	**241,377,047**
Dividends received	100,488	–	100,488
Share of profit or loss of joint ventures and associates	887,457	–	887,457
Financial income	11,551,523	(2,828)	11,548,695
Financial expense	(90,009,245)	376,410	(89,632,835)
Profit from continuing operations before tax	**176,376,597**	**(12,095,745)**	**164,280,852**
Income tax expense	(31,897,980)	3,074,699	(28,823,281)
Profit from continuing operations for the period	**144,478,617**	**(9,021,046)**	**135,457,571**
Profit/(Loss) from discontinued operations after taxation	3,955,455	9,021,046	12,976,501
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	**148,434,072**	**–**	**148,434,072**

5. FINANCIAL INSTRUMENTS BY CLASSES

As at 31 December 2021 and 2020, the categories and fair value of the financial instruments were classified as follows:

FINANCIAL ASSETS

	NOTES	FINANCIAL ASSETS RECORDED AT AMORTISED COST	ASSETS AT FAIR VALUE THROUGH THE		OTHER NON-FINANCIAL ASSETS	TOTAL
			OTHER COMPREHENSIVE INCOME	INCOME STATEMENT		
AS AT 31 DEC 2021						
NON-CURRENT ASSETS						
Assets at fair value through profit and loss	11	–	–	16,205,006	–	16,205,006
Other non-current assets	12	8,555,496	–	–	–	8,555,496
		8,555,496	**–**	**16,205,006**	**–**	**24,760,502**
CURRENT ASSETS						
Trade receivables	14	59,968,030	–	–	–	59,968,030
Other receivables	15	66,449,927	21,726,007	–	2,076,965	90,252,899
Other investments	11	–	7,106,548	–	–	7,106,548
Other current assets	18	–	–	–	43.203.286	43.203.286
Cash and cash equivalents	20	198,802,965	–	–	–	198,802,965
		325,220,922	**28,832,555**	**–**	**45.280.251**	**399.333.728**
		333,776,418	**28,832,555**	**16,205,006**	**45.280.251**	**424.094.230**
AS AT 31 DEC 2020						
NON-CURRENT ASSETS						
Assets at fair value through profit and loss	11	–	–	15,583,705	–	15,583,705
Other non-current assets	12	9,035,366	–	–	–	9,035,366
		9,035,366	**–**	**15,583,705**	**–**	**24,619,071**
CURRENT ASSETS						
Trade receivables	14	55,372,877	–	–	–	55,372,877
Other receivables	15	64,726,308	–	–	3,437,443	68,163,751
Other investments	11	–	2,663,026	–	–	2,663,026
Other current assets	18	–	–	–	36.584.929	36.584.929
Cash and cash equivalents	20	194,423,583	–	–	–	194,423,583
		314,522,768	**2,663,026**	**–**	**40.022.372**	**357.208.166**
		323,558,134	**2,663,026**	**15,583,705**	**40.022.372**	**381.827.237**

FINANCIAL LIABILITIES

	NOTES	FINANCIAL LIABILITIES RECORDED AT AMORTISED COST	LIABILITIES AT FAIR VALUE THROUGH THE		OTHER NON-FINANCIAL LIABILITIES	TOTAL
			OTHER COMPREHENSIVE INCOME	INCOME STATEMENT		
AS AT 31 DEC 2021						
NON-CURRENT LIABILITIES						
Bank loans	23	288,414,334	–	–	–	288,414,334
Bonds	23	223,620,524	–	–	–	223,620,524
Other non-current liabilities	25	1,436,783	–	–	21,438,909	22,875,692
		513,471,641	–	–	21,438,909	534,910,550
CURRENT LIABILITIES						
Bank loans	23	810,133	–	–	–	810,133
Bonds	23	72,423,939	–	–	–	72,423,939
Other loans	23, 24	74,764	–	–	–	74,764
Trade payables	27	795,493,038	–	–	–	795,493,038
Other payables	28	89,749,738	–	–	–	89,749,738
Other current liabilities	29	–	–	–	189,927,732	189,927,732
		958,551,612	–	–	189,927,732	1,148,479,344
		1,472,023,253	–	–	211,366,641	1,683,389,894
AS AT 31 DEC 2020						
NON-CURRENT LIABILITIES						
Bank loans	23	333,973,644	–	–	–	333,973,644
Bonds	23	321,021,071	–	–	–	321,021,071
Other non-current liabilities	25	1,435,875	–	–	21,236,085	22,671,960
		656,430,590	–	–	21,236,085	677,666,675
CURRENT LIABILITIES						
Bank loans	23	3,840,276	–	–	–	3,840,276
Other loans	23, 24	66,927	1,170,794	–	–	1,237,721
Trade payables	27	794,952,544	–	–	–	794,952,544
Other payables	28	85,785,832	–	–	–	85,785,832
Other current liabilities	29	–	–	–	–	185,935,107
		884,645,579	1,170,794	–	–	885,816,373
		1,541,076,169	1,170,794	–	21,236,085	1,563,483,048

FINANCIAL INSTRUMENTS RECOGNISED 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 2021			31 DEC 2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS MEASURED AT FAIR VALUE						
Assets at fair value through profit and loss [1]	–	–	16,205,006	–	–	15,583,705
Derivatives [1, 2, 3]	–	28,832,555	–	–	2,663,026	–
	–	28,832,555	16,205,006	–	2,663,026	15,583,705
FINANCIAL LIABILITIES MEASURED AT FAIR VALUE						
Derivatives [2]	–	–	–	–	1,170,794	–
	–	–	–	–	1,170,794	–

1. Note 11 2. Note 24 3. Note 15

6. PROPERTY, PLANT AND EQUIPMENT

During the periods ended as at 31 December 2021 and 2020, 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 AT 1 JAN 2020	1,074,648,043	1,316,697,830	24,758,536	130,868,256	44,393,080	25,302,362	2,616,668,107
Investment	12,183,546	7,199,372	154,448	3,000,046	535,915	159,057,778	182,131,105
Disposals	(10,556,011)	(31,970,366)	(478,493)	(11,534,071)	(916,688)	(3,017,111)	(58,472,740)
Exchange rate effect	–	–	–	(1,251)	–	–	(1,251)
Transfers	16,768,523	116,389,833	1,882,858	9,728,888	2,649,744	(148,996,074)	(1,576,228)
OPENING BALANCE AT 1 JAN 2021	**1,093,044,101**	**1,408,316,669**	**26,317,349**	**132,061,868**	**46,662,051**	**32,346,955**	**2,738,748,993**
Investment	9,720,739	3,956,190	34,929	2,174,375	333,673	135,982,604	152,202,510
Acquisitions of subsidiaries [1]	21,459,036	–	–	–	–	–	21,459,037
Disposals	(384,725)	(28,139,681)	(672,056)	(3,013,630)	(1,457,999)	(6,142,885)	(39,810,976)
Disposals of subsidiaries [2]	(34,124,727)	(23,836,170)	(1,839,627)	(1,244,794)	(1,199,098)	(25,963)	(62,270,379)
Exchange rate effect	–	–	–	31	–	–	31
Transfers	2,974,528	112,032,255	2,711,188	11,037,621	2,034,635	(135,172,852)	(4,382,625)
CLOSING BALANCE AT 31 DEC 2021	**1,092,688,952**	**1,472,329,263**	**26,551,783**	**141,015,471**	**46,373,262**	**26,987,859**	**2,805,946,590**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
OPENING BALANCE AT 1 JAN 2020	354,358,786	771,902,662	17,487,396	91,999,036	34,638,956	–	1,270,386,836
Depreciation of period	16,201,025	95,325,493	1,672,006	12,071,527	3,469,910	–	128,739,961
Impairment losses of the period [3]	1,859,002	2,478,424	6,456	46,892	13,787	–	4,404,561
Disposals	(729,861)	(27,502,438)	(446,991)	(11,193,343)	(886,387)	–	(40,759,020)
Depreciation of assets available for sale	–	–	–	(459)	–	–	(459)
Transfers	52,761	(66,203)	(148)	(63,164)	(354)	–	(77,108)
OPENING BALANCE AT 1 JAN 2021	**371,741,713**	**842,137,938**	**18,718,719**	**92,860,489**	**37,235,912**	**–**	**1,362,694,771**
Depreciation of period	16,191,142	98,062,361	1,801,623	12,234,768	3,324,282	–	131,614,176
Impairment losses of the period [3]	5,332,361	5,177,646	–	7.601	–	–	10.517.608
Acquisitions of subsidiaries [4] / [1, 4]	756,164	–	–	–	–	–	756,164
Disposals	(681.388)	(24,170,294)	(613,868)	(2,871,497)	(1,439,128)	–	(29.776.175)
Disposals of subsidiaries [2]	(10.175.614)	(16,260,536)	(1,312,611)	(969,538)	(969,635)	–	(29.687.934)
Exchange rate effect	–	–	–	11	–	–	11
Transfers	(425.213)	(268,472)	(3,788)	(265,019)	(19,972)	–	(982.464)
CLOSING BALANCE AT 31 DEC 2021	**382,739,165**	**904,678,643**	**18,590,075**	**100,996,815**	**38,131,459**	**–**	**1,445,128,557**
CARRYING AMOUNT AT 31 DEC 2020	**721,302,388**	**566,178,731**	**7,598,630**	**39,201,379**	**9,426,139**	**32,346,955**	**1,376,054,222**
CARRYING AMOUNT AT 31 DEC 2021	**709,949,787**	**567,650,620**	**7,961,708**	**40,018,656**	**8,241,803**	**26,987,859**	**1,360,810.433**

1. Note 4.1 2. Note 4.2 3. Note 30 4. Note 4

1. Note 4.1 2. Note 4.2 3. Note 30 4. Note 4

The investment includes the acquisition of assets of approximately 135 million euro (159 million euro in 2020), associated with the opening and remodelling of stores.

Disposals in the years 2021 and 2020 can be analysed as follow:

DISPOSALS IN THE YEARS 2021 AND 2020

	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	(384,725)	(28,139,681)	(672,056)	(3,013,630)	(1,457,999)	(6,142,885)	(39,810,976)
Sale and Leaseback	–	–	–	–	–	–	–
CLOSING BALANCE AT 31 DEC 2021	**(384,725)**	**(28,139,681)**	**(672,056)**	**(3,013,630)**	**(1,457,999)**	**(6,142,885)**	**(39,810,976)**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Disposals	(681,388)	(24,170,294)	(613,868)	(2,871,497)	(1,439,128)	–	(29,776,175)
Sale and Leaseback	–	–	–	–	–	–	–
CLOSING BALANCE AT 31 DEC 2021	**(681,388)**	**(24,170,294)**	**(613,868)**	**(2,871,497)**	**(1,439,128)**	**–**	**(29,776,175)**
CARRYING AMOUNT – DISPOSALS	**296,663**	**(3,969,387)**	**(58,188)**	**(142,133)**	**(18,871)**	**(6,142,885)**	**(10,034,801)**
CARRYING AMOUNT – SALE AND LEASEBACK	**–**	**–**	**–**	**–**	**–**	**–**	**–**
GROSS ASSETS							
Disposals	(1,329,218)	(30,328,872)	(478,493)	(11,534,071)	(879,916)	(3,017,111)	(47,567,681)
Sale and Leaseback	(9,226,793)	(1,641,494)	–	–	(36,772)	–	(10,905,059)
CLOSING BALANCE AT 31 DEC 2020	**(10,556,011)**	**(31,970,366)**	**(478,493)**	**(11,534,071)**	**(916,688)**	**(3,017,111)**	**(58,472,740)**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
Disposals	(387,134)	(27,060,414)	(446,991)	(11,193,343)	(860,619)	–	(39,948,501)
Sale and Leaseback	(342,727)	(442,024)	–	–	(25,768)	–	(810,519)
CLOSING BALANCE AT 31 DEC 2020	**(729,861)**	**(27,502,438)**	**(446,991)**	**(11,193,343)**	**(886,387)**	**–**	**(40,759,020)**
CARRYING AMOUNT – DISPOSALS	**(942,084)**	**(3,268,458)**	**(31,502)**	**(340,728)**	**(19,297)**	**(3,017,111)**	**(7,619,180)**
CARRYING AMOUNT – SALE AND LEASEBACK	**(8,884,066)**	**(1,199,470)**	**–**	**–**	**(11,004)**	**–**	**(10,094,540)**

During the period ended at 31 December 2020, several sale and leaseback transactions were accounted. The accounting values of the disposed assets, approximately, 37.6 million euro, and these assets were classified in the above movement as divestment for the year 10.1 million euro. The sold assets correspond to 6 real estate food retail assets located in Portugal. These operations resulted in a cash inflow of 51.4 million euro and generated a net capital gain of approximately, 2.9 million euro (Note 37) and a right to use of 28.0 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 recognised 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 recognised only in proportion to the transferred rights.

These right-of-use 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 item «Non-current assets held for sale» relates to a retail property located in Portugal, which was sold in January 2022.

Most real estate assets from MC, as at 31 December 2021 and 2020, which are recorded at acquisition cost deducted of amortisation 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 2020), 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 2021.

The most significant amounts included in the caption «Property, plant and equipment in progress» include about 22 million euro (27 million euro as at 31 December 2020) related to the remodelling and expansion of stores.

The caption «Impairment losses for Property, plant and equipment» can be detailed as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	VEHICLES	FIXTURES AND FITTINGS
IMPAIRMENT LOSSES				
OPENING BALANCE AT 1 JAN 2020	80,450,009	5,903,228	6,817	303,987
Impairment losses of the period [1]	1,859,002	2,478,424	6,456	46,892
Disposals [1]	(90,758)	(261,246)	–	(12,010)
OPENING BALANCE AT 1 JAN 2021	82,218,253	8,120,406	13,273	338,869
Discontinued operations	(562,338)	(3,393)	–	(4)
Impairment losses of the period [1]	5,332,361	5,177,646	–	7,601
Disposals [1]	(587,038)	(261,212)	–	(8,207)
CLOSING BALANCE AT 31 DEC 2021 [2]	86,401,238	13,033,447	13,273	338,259

	OTHER TANGIBLE ASSETS	TANGIBLE ASSETS IN PROGRESS	TOTAL PROPERTY, PLANT AND EQUIPMENT
IMPAIRMENT LOSSES			
OPENING BALANCE AT 1 JAN 2020	24,578	–	86,688,619
Impairment losses of the period [1]	13,787	–	4,404,561
Disposals [1]	(540)	–	(364,554)
OPENING BALANCE AT 1 JAN 2021	37,825	–	90,728,626
Discontinued operations	–	–	(565,735)
Impairment losses of the period [1]	–	–	10,517,608
Disposals [1]	(977)	–	(857,434)
CLOSING BALANCE AT 31 DEC 2021 [2]	36,848	–	99,823,065

1. Note 30 2. Note 31

7. INTANGIBLE ASSETS

In the years ended at 31 December 2021 and 2020, 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	OTHER INTANGIBLE ASSETS	INTANGIBLE ASSETS IN PROGRESS	TOTAL INTANGIBLE ASSETS
GROSS ASSETS						
OPENING BALANCE AT 1 JAN 2020	152,223,491	355,243,232	8,225,595	774,080	20,983,940	537,450,338
Investment	5,317	643,506	210,000	–	26,380,760	27,239,583
Disposals	(131,923)	(7,510,001)	–	–	(594,214)	(8,236,138)
Exchange rate effect	–	–	–	(4,348)	–	(4,348)
Transfers	87,533	22,292,851	–	3,580	(21,920,599)	463,365
OPENING BALANCE AT 1 JAN 2021	152,184,418	370,669,588	8,435,595	773,312	24,849,887	556,912,800
Investment	120	580,551	–	–	31,442,068	32,022,739
Disposals	(12,347)	(14,811,577)	(6,815)	–	(410,751)	(15,241,490)
Disposals of subsidiaries [1]	(1,472,383)	(310,575)	–	–	–	(1,782,958)
Transfers	88,234	33,936,016	–	–	(33,010,820)	1,013,430
CLOSING BALANCE AT 31 DEC 2021	150,788,042	390,064,003	8,428,780	773,312	22,870,384	572,924,521
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES						
OPENING BALANCE AT 1 JAN 2020	18,288,666	250,140,686	7,306,640	482,497	–	276,218,489
Amortisation of the period	188,833	29,015,023	5,742	143,287	–	29,352,885
Impairment losses of the period [2]	96,884	766,914	–	–	–	863,798
Disposals	(124,532)	(7,182,856)	–	–	–	(7,307,388)
Exchange rate effect	–	–	–	(4,348)	–	(4,348)
Transfers	(5,521)	–	–	–	–	(5,521)
OPENING BALANCE AT 1 JAN 2021	18,444,330	272,739,767	7,312,382	621,436	–	299,117,915
Amortisation of the period	153,900	28,527,853	14,079	2,683	–	28,698,515
Impairment losses of the period [2]	–	39,569	–	–	–	39,569
Disposals	(12,347)	(14,809,967)	–	–	–	(14,822,314)
Disposals of subsidiaries [1]	(1,472,367)	(258,743)	–	–	–	(1,731,110)
Transfers	(1,380)	(15,535)	–	–	–	(16,915)
CLOSING BALANCE AT 31 DEC 2021	17,112,136	286,222,944	7,326,461	624,119	–	311,285,660
CARRYING AMOUNT AT 31 DEC 2020	133,740,088	97,929,821	1,123,213	151,876	24,849,887	257,794,885
CARRYING AMOUNT AT 31 DEC 2021	133,675,906	103,841,059	1,102,319	149,193	22,870,384	261,638,861

1. Note 4.2 2. Note 30

As at 31 December 2021 the investment related to intangible assets in progress includes 31 million euro related to IT projects and development software (26.3 million euro at 31 December 2020). Within that amount it is included 11.1 million euro of capitalisations of personnel costs (about 10.6 million euro in 31 December 2020) (Note 37).

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, previously mentioned valued in the acquisition process.

MC performs annual impairment tests on the value of brands, supported by internal valuations based on the Royalty Relief methodology. As the related valuations more than support the carrying amount of the assets as at 31 December 2021, no impairment was booked during the year.

8. RIGHT-OF-USE ASSETS

During the years ended on 31 December 2021 and 2020, the detail and the movement in the value of the rights-of-use assets, as well as in the respective depreciations, was as follows:

	LAND AND BUILDINGS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL TANGIBLE ASSETS
GROSS ASSETS				
OPENING BALANCE AT 1 JAN 2020	1,208,450,574	85,380,039	611,176	1,294,441,789
Additions	172,541,629	7,342,985	467,676	180,352,290
Write-offs and decreases	(43,786,331)	(8,302,338)	(126,308)	(52,214,977)
OPENING BALANCE AT 1 JAN 2021	**1,337,205,872**	**84,420,686**	**952,544**	**1,422,579,102**
Additions [1]	81,502,784	5,449,107	1,108,156	88,060,047
Disposals of subsidiaries [2]	(6.014.072)	(143,133)	–	(6,157,205)
Write-offs and decreases	(25,369,374)	(1,165,269)	(396,659)	(26,931,302)
CLOSING BALANCE AT 31 DEC 2021	**1,387,325,210**	**88,561,391**	**1,664,041**	**1,477,550,642**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
OPENING BALANCE AT 1 JAN 2020	368,666,816	26,924,377	411,950	396,003,143
Depreciation of the period	74,590,699	20,828,777	87,476	95,506,952
Impairment losses of the period	208,871	25,806	–	234,678
Write-offs and tranfers	(21,526,291)	(7,249,124)	(76,734)	(28,852,149)
OPENING BALANCE AT 1 JAN 2021	**421,940,095**	**40,529,836**	**422,692**	**462,892,623**
Depreciation of the period	79,476,045	21,316,410	186,576	100,979,031
Disposals of subsidiaries [2]	(3,984,530)	(72,093)	–	(4,056,623)
Impairment losses of the period	22,677	–	–	22,677
Write-offs and tranfers	(14,776,208)	(610,474)	(396,658)	(15,783,340)
CLOSING BALANCE AT 31 DEC 2021	**482,678,079**	**61,163,679**	**212,610**	**544,054,368**
CARRYING AMOUNT AT 31 DEC 2020	**915,265,777**	**43,890,850**	**529,852**	**959,686,479**
CARRYING AMOUNT AT 31 DEC 2021	**904,647,131**	**27,397,712**	**1,451,431**	**933,496,274**

1. Note 31 2. Note 4.2

In the consolidated income statement, 101 million euro were recognised for depreciation of the period (95.5 million euro in 2020) and 68.9 million euro of interest relating to the adjusted debt (65.5 million euro in 2020) (Note 31 and 36).

The responsibilities related to Right-of-use assets were recorded under the caption Non-Current and current Lease Liabilities, in the amount respectively of 1.001 million euro and 80.9 million euro (1.013 million euro and 80 million euro in 31 December 2020).

The repayment plan for lease liabilities, as at 31 December 2021 and 2020, can be analysed as follows:

	31 DEC 2021			31 DEC 2020		
	CAPITAL	INTEREST	UPDATED LIABILITIES	CAPITAL	INTEREST	UPDATED LIABILITIES
N+1	147,527,211	66,625,579	80,901,632	147,312,589	67,162,685	80,149,904
N+2	125,439,225	62,724,749	62,714,476	138,909,080	63,291,695	75,617,385
N+3	121,503,504	58,855,441	62,648,063	118,928,043	59,518,708	59,409,335
N+4	118,598,716	54,832,838	63,765,878	114,846,046	55,780,002	59,066,044
N+5	116,566,088	50,637,282	65,928,806	111,106,458	51,924,109	59,182,349
After N+5	1,015,796,944	269,742,795	746,054,149	1,057,135,833	297,650,752	759,485,081
	1,645,431,688	563,418,684	1,082,013,004	1,688,238,049	595,327,951	1,092,910,098

9. 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 2021 and 2020, the caption «Goodwill» was made up as follows by country:

	31 DEC 2021	31 DEC 2020
Portugal	435,460,067	442,895,419
Spain	19,440,000	19,440,000
	454,900,067	462,335,419

During the year ended in 31 December 2021 and 2020, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 DEC 2021	31 DEC 2020
GROSS VALUE		
OPENING BALANCE	476,627,337	476,627,337
Goodwill generated in the period	–	–
CLOSING BALANCE	476,627,337	476,627,337
ACCUMULATED IMPAIRMENT LOSSES		
OPENING BALANCE	14,291,918	7,203,218
Increases [1]	7,435,352	7,088,700
CLOSING BALANCE	21,727,270	14,291,918
NET VALUE	454,900,067	462,335,419

1. Note 30

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 5 years and 10 years, carried out on an annual basis, except if there are signs of impairment, a situation in which the periodicity is greater.

For this purpose, 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 major actions that will be carried out by each business concept as well as a study of the resource's allocation of the company.

The recoverable value of cash generating units is determined based on its value in use, which is calculated taking into consideration the last approved business plans which are prepared using cash flow projections for periods of 5 years.

The case scenarios are elaborated with a weighted average cost of capital and with a growth rate of cash-flows in perpetuity that can be detailed as follows:

	31 DEC 2021	31 DEC 2020
Recoverable amount basis	Value in use	Value in use
Weighted average cost of capital	10%	9% to 10%
Growth rates in perpetuity	<=2%	<=2%
Composite rate of sales growth	-0.6% to 2.2%	-0.8% to 1.7%

Despite the context of uncertainty regarding the level of evolution and contagion of the virus and the economic slowdown caused by the pandemic context, as mentioned in the introductory note, some of the Group's business operations were significantly affected. However, the analysis of signs of impairment, the revision of the projections and the impairment tests led to the determination of losses, in the year ended 31 December 2021 in the amount of 7,4 million euro (7,1 million euro in 31 December 2020).

The sensitivity analysis performed, required by IAS 36 – Impairment of Assets, did not lead to material changes in the recoverable values, so that no material impairments would result.

10. JOINT VENTURES AND ASSOCIATED COMPANIES

10.1. 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 2021 and 2020 are as follows:

PERCENTAGE OF CAPITAL HELD

COMPANY	HEAD OFFICE	31 DEC 2021 DIRECT *	31 DEC 2021 TOTAL *	31 DEC 2020 DIRECT *	31 DEC 2020 TOTAL *
Sohi Meat Solutions – Distribuição de Carnes, S.A.	Santarém	50.00%	50.00%	50.00%	50.00%
Maremor Beauty & Fragances, S,L,	Madrid	50.00%	30.00%	50.00%	30.00%
INVESTMENTS IN JOINT VENTURES					
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	25.00%
INVESTMENT IN ASSOCIATES COMPANIES	Lisbon	25.00%	25.00%	25.00%	25.00%
TOTAL					

* 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.

STATEMENT OF FINANCIAL POSITION

COMPANY	HEAD OFFICE	31 DEC 2021	31 DEC 2020
Sohi Meat Solutions – Distribuição de Carnes, SA	Santarém	3,639,130	3,364,636
Maremor Beauty & Fragances, S.L.	Madrid	170,499	139,077
INVESTMENTS IN JOINT VENTURES		3,809,629	3,503,713
Sempre a Postos – Produtos Alimentares and Utilidades, Lda	Lisbon	910,323	564,095
INVESTMENT IN ASSOCIATES COMPANIES		910,323	564,095
TOTAL		4,719,952	4,067,808

Jointly controlled companies and associated companies were included in the consolidated financial statements by the equity method.

10.2. FINANCIAL INDICATORS OF PARTICIPATIONS

JOINT VENTURES

As at 31 December 2021 and 2020, summary financial information of joint ventures of the group can be analysed as follows:

	31 DEC 2021		31 DEC 2020	
	SOHI MEAT	MAREMOR	SOHI MEAT	MAREMOR
ASSETS				
Property, plant and equipment	15,272,162	1,573	16,310,555	2,614
Intangible assets	4,829	111	179,587	169
Rights-of-use	7,379,196	–	8,525,439	–
Investments in joint ventures and associates	–	21,954	–	21,954
Other non-current assets	1,833,962	–	353,969	–
NON-CURRENT ASSETS	24,490,149	23,638	25,369,550	24,737
Cash and cash equivalents	359,175	305,457	466,423	254,107
Other current assets	42,003,320	57,799	47,384,245	54,983
CURRENT ASSETS	42,362,495	363,256	47,850,668	309,090
TOTAL ASSETS	66,852,644	386,894	73,220,218	333,827
LIABILITIES				
Other non-current liabilities	9,407,653	–	9,068,434	–
NON-CURRENT LIABILITIES	9,407,653	–	9,068,434	–
Loans	–	15	–	51
Other current liabilities	50,911,666	55,282	58,167,447	55,622
TOTAL CURRENT LIABILITIES	50,911,666	55,297	58,167,447	55,673
TOTAL LIABILITIES	60,319,319	55,297	67,235,881	55,673
EQUITY				
Shareholders' funds excluding non-controlling interests	6,533,325	331,597	5,984,337	278,154
Non-controlling interests	–	–	–	–
TOTAL EQUITY	6,533,325	331,597	5,984,337	278,154
TOTAL EQUITY AND LIABILITIES	66,852,644	386,894	73,220,218	333,827

	31 DEC 2021		31 DEC 2020	
	SOHI MEAT	MAREMOR	SOHI MEAT	MAREMOR
Turnover	299,888,852	528,000	288,963,145	484,000
Other income	6,692,289	–	3,959,530	–
	306,581,141	528,000	292,922,675	484,000
Cost of goods sold and materials consumed	(271,291,380)	–	(259,946,803)	–
External supplies and services	(13,080,195)	–	(12,981,500)	–
Depreciation and amortisation	(4,675,350)	(1,098)	(5,164,583)	(1,170)
Other operating costs	(14,868,284)	(464,058)	(12,622,703)	(445,975)
	(303,915,209)	(465,156)	(290,715,589)	(447,145)
Financial results	(899,121)	–	(532,180)	–
Income taxation	(105,654)	–	(378,873)	–
CONSOLIDATED PROFIT/(LOSS) FOR THE PERIOD	1,661,157	62,844	1,296,033	36,855

The reconciliation of financial information with the joint ventures carrying amount can be analysed as follows:

JOINT VENTURES	31 DEC 2021		31 DEC 2020	
	SOHI MEAT	MAREMOR	SOHI MEAT	MAREMOR
Equity	6,533,325	331,597	5,984,337	278,154
Percentage of share capital held	50%	30%	50%	30%
Share of the net assets	3,266,663	99,479	2,992,169	83,446
Goodwill recognised in financial investments	–	–	–	–
Other effects	372,468	71,020	372,468	55,631
FINANCIAL INVESTMENT	3,639,130	170,499	3,364,636	139,077

ASSOCIATES

As at 31 December 2021 and 2020, summary financial information of associated companies can be analysed as follows:

ASSOCIATED COMPANIES – SEMPRE A POSTOS

	31 DEC 2021	31 DEC 2020
Non-current assets	191,389	227,002
Current assets	7,437,198	9,975,298
TOTAL ASSETS	7,628,587	10,202,300
Non-current liabilities	6,294	30,000
Current liabilities	3,984,034	7,915,919
TOTAL LIABILITIES	3,990,328	7,945,919
EQUITY	3,638,259	2,256,381

	31 DEC 2021	31 DEC 2020
Turnover	66,420,193	60,095,783
Other operational income	4,618,096	3,836,372
Operational expenses	(69,217,923)	(62,538,096)
Net financial expense	(1,082)	(710)
Income taxation	(437,406)	(335,660)
Consolidated profit/(Loss) for the period	1,381,878	1,057,689
Other comprehensive income for the period	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,381,878	1,057,689

The reconciliation of financial information with the associates carrying amount can be analysed as follows:

ASSOCIATES – SEMPRE A POSTOS	31 DEC 2021	31 DEC 2020
Equity	3,638,259	2,256,381
Percentage of share capital held	25.00%	25.00%
Share of the net assets	909,565	564,095
Other effects	758	–
FINANCIAL INVESTMENT	910,323	564,095

10.3. MOVEMENTS OCCURED IN THE PERIOD

During the year ended at 31 December 2021 and 2020, movements in investments in joint ventures and associates are as follows:

INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	31 DEC 2021			31 DEC 2020		
	PROPORTION ON EQUITY	GOODWILL	TOTAL INVESTMENT	PROPORTION ON EQUITY	GOODWILL	TOTAL INVESTMENT
INVESTMENTS IN JOINT VENTURES						
BALANCE AT 1 JAN	3,503,713	–	3,503,713	3,477,635	–	3,477,635
EQUITY METHOD						
Effect in gain or losses in joint controlled and associated companies	862,000	–	862,000	623,034	–	623,034
Distributed dividends	(556,084)	–	(556,084)	(596,956)	–	(596,956)
	3,809,629	–	3,809,629	3,503,713	–	3,503,713
INVESTMENT IN ASSOCIATES COMPANIES						
BALANCE AT 1 JAN	564,095	–	564,095	960,281	–	960,281
Effect in gain/losses in associated companies	346,228	–	346,228	264,423	–	264,423
Distributed dividends	–	–	–	(660,609)	–	(660,609)
	910,323	–	910,323	564,095	–	564,095
TOTAL	4,719,952	–	4,719,952	4,067,808	–	4,067,808

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS AND OTHER INVESTMENTS

Financial assets at fair value through profit and loss, their registered offices, proportion of capital held and value of the statement of financial position as at 31 December 2021 and 2020 are as follows:

PERCENTAGE OF CAPITAL HELD

		DIRECT *	TOTAL *	DIRECT *	TOTAL *
COMPANY	HEAD OFFICE	31 DEC 2021		31 DEC 2020	
Dispar – Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	14.28%	14.28%
Insco – Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%
Sportessence – Spor Retail, SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%

* the percentage of capital held «Total» is the total percentage of interest held by the parent company's shareholders; the percentage of capital held «Direct» corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

STATEMENT OF FINANCIAL POSITION

COMPANY	HEAD OFFICE	31 DEC 2021	31 DEC 2020
Dispar – Distrib. de Participações, SGPS, SA	Lisbon	9,976	9,976
Insco – Insular de Hipermerc., SA	Ponta Delgada	4,748,744	4,748,744
Sportessence – Spor Retail, SA	Ponta Delgada	595,964	595,964
Other financial assets		10,850,322	10,229,021
TOTAL		16,205,006	15,583,705

As at 31 December 2021 the caption «Other investments» related to «Assets at fair value through profit and loss», includes 7,238,916 euro (7,282,500 euro in 31 December 2020), 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 30 and 32).

As at 31 December 2021, with the exception of the Escrow Account, the remaining investments correspond to interests in unlisted companies and in which the Group has no significant influence, being measured at fair value through profit or loss in accordance with IFRS 9.

As at 31 December 2021 and 2020, the movements in «Assets at fair value through profit and loss» and «Other investments» made up as follows:

	31 DEC 2021		31 DEC 2020	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
OPENING BALANCE AT 1 JAN	15,583,705	–	17,247,851	–
Acquisitions in the period	1,465,639	–	1,751,575	–
Disposals in the period	(842,198)	–	(3,415,467)	–
Others	(2,140)	–	(254)	–
CLOSING BALANCE AT 31 DEC	**16,205,006**	**–**	**15,583,705**	**–**
DERIVATIVE FINANCIAL INSTRUMENTS				
FAIR VALUE AT 1 JAN	–	2,663,026	–	394,309
Increase/(Decrease) in fair value [1]	–	7,106,548	–	2,268,717
Disposals of subsidiaries [2]	–	(90,716)	–	
Transfer to «Other receivables» [3]	–	(2,572,310)	–	
FAIR VALUE AT 31 DEC [1,4]	**–**	**7,106,548**	**–**	**2,663,026**
TOTAL OF OTHER INVESTMENTS [5]	**16,205,006**	**7,106,548**	**15,583,705**	**2,663,026**

1. Note 36 2. Note 4.2 3. Note 15 4. Note 24 5. Note 5

12. OTHER NON-CURRENT ASSETS

As at 31 December 2021 and 2020, «Other non-current assets» are detailed as follows:

	31 DEC 2021	31 DEC 2020
OTHER RECEIVABLES		
Cautions	1,710,601	1,457,128
Sublease receivables	4,329,245	4,687,169
Legal deposits	2,460,981	2,436,445
Amount receivable for selling subsidiary companies	–	400,000
Others	54,669	54,624
	8,555,496	9,035,366
Accumulated impairment losses in other debtors	–	–
TOTAL TRADE ACCOUNTS RECEIVABLE AND OTHER DEBTORS	8,555,496	9,035,366
TOTAL FINANCIAL INSTRUMENTS [1]	8,555,496	9,035,366
Other non-current assets	–	–
	8,555,496	9,035,366

1. Note 5

The amounts related to legal deposits refer to deposits made by a Brazilian subsidiary, for which the related liabilities are recorded under the heading «Other payables». These values do not have a defined maturity.

13. INVENTORIES

As at 31 December 2021 and 2020, this caption was made up as follows:

	31 DEC 2021	31 DEC 2020
Raw materials and consumables	2,535,741	731,629
Goods for resale	393,560,331	407,063,711
	396,096,072	407,795,340
Accumulated adjustments in inventories	(8,690,030)	(11,896,744)
	387,406,042	395,898,596

Cost of goods sold as at 31 December 2021 and 2020 amounted to 3,757,387,710 euro and 3,546,787,715 euro, respectively, and may be detailed as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Opening balance	407,795,340	422,060,759
Disposals of subsidiaries [1]	(22,582,177)	–
Purchases	3,796,189,071	3,550,864,080
Inventory regularisations	(24,943,685)	(15,670,443)
Closing balance	396,096,072	407,795,340
	3,760,362,477	3,549,459,056
Adjustments in inventories	(2,974,767)	(2,671,341)
	3,757,387,710	3,546,787,715

1. Note 4.2

As at 31 December 2021 and 2020, the caption Adjustments refers essentially to regularisations resulting from offers to social solidarity institutions.

14. TRADE RECEIVABLES

As at 31 December 2021 and 2020, «Trade receivables» are detailed as follows:

	31 DEC 2021	31 DEC 2020
Trade accounts receivable	59,962,796	55,372,877
Doubtful receivables	3,146,080	3,877,529
	63,108,876	59,250,406
Accumulated impairment losses on trade accounts receivable [1]	(3,140,846)	(3,877,529)
	59,968,030	55,372,877

1. Note 30

The caption Current customers includes 22,941,226 euro (21,340,560 euro as at 31 December 2020), on wholesale sales to related companies.

	31 DEC 2021			31 DEC 2020		
	EXPECTED CREDIT LOSS RATE	TRADE RECEIVABLES	ACCUMULATED IMPAIRMENT LOSSES ON TRADE ACCOUNTS	EXPECTED CREDIT LOSS RATE	TRADE RECEIVABLES	ACCUMULATED IMPAIRMENT LOSSES ON TRADE ACCOUNTS
NOT DUE	0%–0.30%	26,762,263	–	0%–0.44%	29,935,304	–
DUE BUT NOT IMPAIRED						
0–30 days	0% –0.45%	27,603,576	329,112	0%–0.64%	18,245,748	150,130
30–90 days	0%–1.93%	4,598,737	88,756	0%–2.44%	5,006,836	122,167
90–180 days	0%–6.37%	1,518,020	96,699	0%–10.59%	2,748,334	291,049
180–360 days	0%–100%	201,751	201,751	0%–100%	755,151	755,151
+ 360 days	0%–100%	2,424,529	2,424,529	0%–100%	2,559,033	2,559,033
TOTAL		36,346,613	3,140,846		29,315,102	3,877,529
		63,108,876	3,140,846		59,250,406	3,877,529

At 31 December 2021, 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. Current balances approximate their fair value.

15. OTHER RECEIVABLES

As at 31 December 2021 and 2020, «Other receivables» are detailed as follows:

	31 DEC 2021	31 DEC 2020
Granted loans and other receivables to related companies	1,428,875	254,070
OTHER DEBTORS		
Trade creditors – debtor balances	33,334,640	37,366,558
Derivative contracts associated with commerciail activities [1]	21,726,007	–
Vouchers and gift cards	15,174,077	7,141,509
Accounts receivable resulting from promotional campaigns developed with partnerships	6,680,647	7,568,228
Disposal of financial investments	400,000	400,000
Disposal of property, plant and equipment	128,215	126,563
Other current assets	11,643,721	14,802,965
	89,087,307	67,405,823
Accumulated impairment losses in receivables [2]	(2,340,248)	(2,933,585)
TOTAL OTHER DEBTORS	86,747,059	64,472,238
TOTAL FINANCIAL INSTRUMENTS [3]	88,175,934	64,726,308
VAT recoverable on real estate assets and vouchers discounts	646,890	2,469,475
Advances to suppliers of property, plant and equipment	1,430,075	967,968
OTHER CURRENT ASSETS	2,076,965	3,437,443
	90,252,899	68,163,751

1. Note 24 2. Note 30 3. Note 5

At 31 December 2021, 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 2021 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.

16. OTHER TAX ASSETS AND LIABILITIES

As at 31 December 2021 and 2020, «Other tax assets» and «Other tax liabilities» are made up as follows:

	31 DEC 2021	31 DEC 2020
DEBTORS VALUES		
VAT	18,481,673	22,611,814
Social security contributions	3,971	3,028
Other taxes	756,515	749,133
	19,242,159	**23,363,975**
CREDITORS VALUES		
VAT	52,195,223	55,482,988
Staff income taxes withheld	3,569,347	3,677,916
Social security contributions	12,552,766	11,286,524
Other taxes	157,311	103,822
	68,474,647	**70,551,250**

17. INCOME TAX

As at 31 December 2021 and 2020, «Income tax assets» and «Income tax liabilities» are made up as follows:

	31 DEC 2021	31 DEC 2020
DEBTORS VALUES		
Income taxation with participating entity	15,972,269	21,308,058
Income taxation	10,883,268	9,762,211
	26,855,537	**31,070,269**
CREDITORS VALUES		
Income taxation with participating entity	29,148,064	44,614,905
Income taxation	6,585,060	5,052,902
	35,733,124	**49,667,807**

As at 31 December 2021, the amounts in the credit amounts under the caption «Income tax with a participating entity» included about 29.1 million euro (44.6 million euro as at 31 December 2020) amount payable to Sonae SGPS, S.A. resulting from the inclusion of the companies of the MC group in the tax consolidation, of which Sonae SGPS, S.A. is the parent company.

The non-current «Income tax» item in the amount of 4.49 million euro, 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 cancelled. It is the understanding of the Board of Directors that the complaints presented will have a favourable outcome for MC, reason why they are not provisioned.

18. OTHER CURRENT ASSETS

As at 31 December 2021 and 2020, «Other current assets» is made up as follows:

	31 DEC 2021	31 DEC 2020
Commercial discounts	20,345,443	15,865,221
Insurance premiums paid in advance	2,619,085	2,555,508
Software licenses	3,707,874	3,157,752
Deferred costs – rents	781,608	813,085
Interests to be received	168,687	381,408
Other current assets	15,580,589	13,811,955
	43,203,286	**36,584,929**

The caption «Commercial discounts» refers to promotional campaigns carried out in the retail operating segment stores and reimbursed by MC suppliers and recognised under «Cost of sales».

19. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2021 and 2020 may be described as follows considering the different natures of temporary differences:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	31 DEC 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
Difference between fair value and acquisition cost	4,336,205	3,922,217	18,772,534	18,912,605
Temporary differences on property, plant and equipment and intangible assets	19,463	7,354	83,725,975	82,654,776
Provisions and impairment losses not accepted for tax purposes	12,785,491	11,688,111	–	–
Valuation of hedging derivatives	17,917	196,852	5,009,877	38,128
Amortisation of goodwill for tax purposes in Spain	–	–	39,553,323	33,736,644
Tax losses carried forward	9,475,989	9,018,676	–	–
Right-of-use	243,454,070	246,409,201	213,930,128	220,424,725
Tax benefits	10,540,031	1,064,891	–	–
Others	2,024,025	1,604,270	632,774	724,333
	282,653,191	**273,911,572**	**361,624,611**	**356,491,211**

During the periods ended 31 December 2021 and 2020, movements in deferred tax assets and liabilities are as follows:

	DEFERRED TAX ASSETS		DEFERRED TAX LIABILITIES	
	31 DEC 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
OPENING BALANCE	273,911,572	256,228,882	356,491,211	330,530,672
EFFECTS IN NET INCOME [1]				
Difference between fair value and acquisition cost	413,988	(388,061)	(140,071)	35,594
Temporary differences on property, plant and equipment and intangible assets	3,978	(759)	2,027,220	5,187,453
Provisions and impairment losses not accepted for tax purposes	1,264,868	(128,187)	–	–
Revaluation of tangible assets	–	-	(61,355)	(90,062)
Constitution/reversal of deferred tax assets over tax losses	466,943	2,351,567	–	–
Amortisation of goodwill for tax purposes in Spain	–	–	5,816,680	5,816,680
Reinvested capital gains/(losses)	–	–	(23,222)	(124,041)
Right-of-use	(2,440,303)	18,512,241	(6,021,882)	15,167,425
Tax Benefits	10,136,395	(2,246,626)	–	–
Others	(115,069)	(697,976)	–	–
	9,730,800	**17,402,199**	**1,597,369**	**25,993,049**
EFFECTS IN EQUITY				
Valuation of hedging derivatives	(175,213)	89,345	4,996,410	(29,510)
Others	–	–	–	(3,000)
	(175,213)	**89,345**	**4,996,410**	**(32,510)**
Acquisitions of subsidiaries [2]	14,330	–	–	–
Disposals of subsidiaries [3]	(728,527)	–	(1,458,464)	–
Others	(99.771)	191,146	(1,915)	–
CLOSING BALANCE	**282,653,191**	**273,911,572**	**361,624,611**	**356,491,211**

1. Note 41 2. Note 4.1 3. Note 4.2

As at 31 December 2021, 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 MC considering that goodwill amortisation for tax purposes in 2008 was applicable. During 2017, the Group recognised 17.5 million euro in deferred tax liabilities related to the tax deduction of the amortisation of the years 2008, 2016, 2017 and in 2018, 2019 and 2020 the recognition of 5.8 million euro.

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 recognising 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 2021 and 2020, 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 summarised as follows:

		31 DEC 2021			31 DEC 2020		
		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	18,326	3,849	2028	18,326	3,849	2028
Generated in 2015	Portugal	69,903	14,679	2029	69,903	14,679	2029
Generated in 2016	Portugal	243,591	51,154	2030	243,591	51,154	2030
Generated in 2017	Portugal	–	–	2024	335,279	70,409	2024
Generated in 2018	Portugal	263,142	55,260	2025	253,562	53,248	2025
Generated in 2019	Portugal	–	–	2026	–	–	2026
Generated in 2020	Portugal	2,023,098	424,851	2032	1,858,810	390,350	2032
Generated in 2021	Portugal	2,339,089	491,209	2033	–	–	2033
		4,957,150	1,041,002		2,779,471	583,689	
WITHOUT LIMITED TIME USE							
	Spain	33,739,949	8,434,987		33,739,949	8,434,987	
		38,697,099	9,475,989		36,519,420	9,018,676	

As at 31 December 2021 and 2020, the deferred taxes to be recognised 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 MC companies, which are periodically reviewed and updated.

As at 31 December 2021, the Group had an amount of 8.4 million euro (8.4 million euro as at 31 December 2020) 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, S.A. branch in Spain was, on 31 December 2020 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 specialised retail formats in Spain based on their value in use, obtained from business plans with a 5-year projection period.

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in consolidation, are essentially based on a compound growth rate of 2.7% over a 5-year period (2.1% in 2020).

Although these tax losses do not expire, the analysis of their recoverability was limited to a 5 years term, also considering the deferred tax liabilities recognised.

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 5 years of the business plan.

As at 31 December 2021, there are reportable tax losses in the amount of 97.5 million euro (84.4 million euro as at 31 December 2020), whose deferred tax assets are not recorded for prudence purposes.

		31 DEC 2021			31 DEC 2020		
		TAX LOSSES CARRIED FORWARD	DEFERRED TAX ASSETS	TIME LIMIT	TAX LOSSES CARRIED FORWARD	DEFERRED TAX ASSETS	TIME LIMIT
WITH LIMITED TIME USE							
Generated in 2015	Portugal	41,183	8,648	2029	41,183	8,648	2029
Generated in 2016	Portugal	633,610	133,058	2030	633,610	133,058	2030
Generated in 2017	Portugal	1,278,464	268,477	2024	1,278,464	268,477	2024
Generated in 2018	Portugal	1,429,325	300,158	2025	1,429,325	300,158	2025
Generated in 2019	Portugal	2,681,355	563,085	2026	2,681,355	563,085	2026
Generated in 2020	Portugal	460,869	96,782	2032	460,178	96,637	2032
Generated in 2021	Portugal	–	–	2033	–	–	2033
		6,637,019	1,393,774		6,636,328	1,393,629	
WITHOUT LIMITED TIME USE							
	Brazil	25,177,595	8,560,382		15,013,794	5,104,690	
	Spain	65,880,552	16,470,138		62,754,178	15,688,545	
		91,058,147	25,030,520		77,767,972	20,793,235	
		97,695,166	26,424,294		84,404,300	22,186,864	

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, recognised in the accompanying financial statements, amounting to 36 million euro, and the deferred tax liabilities corresponding to the amortisation 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 amortisation of Goodwill, with reference to 2008, and the Group corrected the tax return for 2016, and it is its intention to also consider such amortisation in the tax return for the next years. Consequently, it recognised the corresponding deferred tax liability for fiscal years 2008, 2016, 2017, 2018, 2019 , 2020 and 2021.

20. CASH AND CASH EQUIVALENTS

As at 31 December 2021 and 2020, Cash and cash equivalents are as follows:

	31 DEC 2021	31 DEC 2020
Cash at hand	10,883,999	10,381,745
Bank deposits	187,904,929	184,026,501
Treasury applications	14,037	15,337
Cash and cash equivalents on the statement of financial position [1]	198,802,965	194,423,583
Bank overdrafts [2]	(110,172)	(142,765)
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	198,692,793	194,280,818

1. Note 5 2. Note 23

Bank overdrafts include current account credit balances with financial institutions and are disclosed in the statement of financial position under «Loans».

21. CAPITAL

As at 31 December 2021, 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 2021 and 2020, the subscribed share capital was held as follows:

ENTITY	31 DEC 2021	31 DEC 2020
Sonae Holdings, SA	51.827%	51.827%
Sonae, SGPS, S.A.	10.039%	35.029%
Camoens Investments, SARL	24.990%	–
Sonae Investments, BV	13.144%	13.144%

As at 31 December 2021 Efanor Investimentos, SGPS, S.A. and its subsidiaries held 56.74% of the shares representing the share capital of Sonae, SGPS, S.A., which in turn, hold 75.01% of the remaining entities that hold the capital of MC.

22. NON-CONTROLLING INTERESTS

As at 31 December 2021 and 2020, «Non-controlling interests» are detailed as follows:

NON-CONTROLLING INTERESTS — 31 DEC 2021

	EQUITY	NET PROFIT/ (LOSS)	BOOK VALUE	PROPORTION IN INCOME ATTRIBUTABLE TO NON CONTROLLING INTERESTS	DIVIDENDS/ INCOME RECEIVED
Elergone	27,629,415	(3,644,681)	–	(288,667)	–
Arenal	76,160,281	5,232,683	30,492,312	2,105,642	–
Tomenider	45,929,723	(338,295)	(6,614,292)	(135,318)	–
Real Estate Investment Fund Imosonae Dois	102,130,633	7,630,530	5,027,829	357,857	–
Maxmat	–	8,234,412	–	3,967,008	–
Others	(2,867,138)	(3,757,645)	(6)	–	–
TOTAL	248,982,914	13,357,004	28,905,843	6,006,522	–

NON-CONTROLLING INTERESTS — 31 DEC 2020

	EQUITY	NET PROFIT/ (LOSS)	BOOK VALUE	PROPORTION IN INCOME ATTRIBUTABLE TO NON CONTROLLING INTERESTS	DIVIDENDS/ INCOME RECEIVED
Elergone	15,083,310	4,285,609	3,719,181	1,071,402	–
Gowell	(1,702,146)	(1,633,134)	–	(724,629)	–
Arenal	70,926,515	110,507	28,386,237	51,574	–
Tomenider	46,268,018	(301,055)	(6,478,973)	(120,422)	–
Real Estate Investment Fund Imosonae Dois	100,500,105	9,622,542	2,011,749	(48,173)	–
Maxmat	44,496,926	8,995,424	22,325,286	4,854,545	(5,224,091)
Others	(14,398,680)	(4,108,388)	(8)	(20)	–
TOTAL	261,174,048	16,971,505	49,963,472	5,084,277	(5,224,091)

Movements in non-controlling interests during the periods ended as at 31 December 2021 and 2020 are as follows:

MOVEMENTS IN NON-CONTROLLING INTERESTS — 31 DEC 2021

	ELERGONE	TOMENIDER	ARENAL	IMOSONAE DOIS*	MAXMAT	OTHERS	TOTAL
OPENING BALANCE AT 1 JAN	3,719,181	(6,478,973)	28,386,237	2,011,749	22,325,286	(8)	49,963,472
Income distribution from investment funds	–	–	–	(120,104)	–	–	(120,104)
Acquisition of the remaining 25% of capital and price adjustments	(3,430,513)	–	–	–	–	–	(3,430,513)
Disposals of subsidiaries [1]	–	–	–	–	(26,326,525)	–	(26,326,525)
Changes in hedging reserves	–	–	–	–	34,231	–	34,231
Decreased shareholding by disposals	–	–	–	2,778,328	–	–	2,778,328
Others variations	(1)	(1)	433	(1)	–	2	432
Profit for the period attributable to non-controlling interests	(288,667)	(135,318)	2,105,642	357,857	3,967,008	–	6,006,522
CLOSING BALANCE AT 31 DEC	**–**	**(6,614,292)**	**30,492,312**	**5,027,829**	**–**	**(6)**	**28,905,843**

1. Note 4.2
* Real Estate Investment Fund Imosonae Dois

MOVEMENTS IN NON-CONTROLLING INTERESTS — 31 DEC 2020

	ELERGONE	GOWELL	TOMENIDER	ARENAL	IMOSONAE DOIS*	MAXMAT	OTHERS	TOTAL
OPENING BALANCE AT 1 JAN	1,778,960	3,625,450	(6,358,552)	28,336,243	2,243,500	25,109,815	(67)	54,735,349
Dividends distributed	–	–	–	–	–	(5,224,091)	–	(5,224,091)
Income distribution from investment funds	–	–	–	–	(424,368)	–	–	(424,368)
Acquisition of the remaining 49% capital	–	(2,900,821)	–	–	–	–	–	(2,900,821)
Changes in hedging reserves	869,853	–	–	–	–	(74,776)	–	795,077
Decrease of capital	–	–	–	–	–	(2,000,000)	–	(2,000,000)
Others variations	(1,034)	–	1	(1,580)	240,790	(340,207)	79	(101,951)
Profit for the period attributable to non-controlling interests	1,071,402	(724,629)	(120,422)	51,574	(48,173)	4,854,545	(20)	5,084,277
CLOSING BALANCE AT 31 DEC	**3,719,181**	**–**	**(6,478,973)**	**28,386,237**	**2,011,749**	**22,325,286**	**(8)**	**49,963,472**

* Real Estate Investment Fund Imosonae Dois

As at 31 December 2021 and 2020, the aggregate financial information of subsidiaries with non-controlling interests is as follows:

SUBSIDIARIES WITH NON-CONTROLLING INTERESTS — 31 DEC 2021

	ELERGONE	TOMENIDER	ARENAL	IMOSONAE DOIS*	MAXMAT	OTHERS	TOTAL
Total non-current assets	355,674	62,465,452	161,933,077	104,044,489	–	9,855,262	338,653,954
Total current assets	55,906,904	1,210,326	50,411,568	937,627	–	1,936,807	110,403,232
Total non-current liabilities	5,162,100	16,707,505	94,664,107	–	–	14,538,517	131,072,229
Total current liabilities	23,471,063	1,038,550	41,520,257	2,851,483	–	120,690	69,002,043
EQUITY	**27,629,415**	**45,929,723**	**76,160,281**	**102,130,633**	**–**	**(2,867,138)**	**248,982,914**

* Real Estate Investment Fund Imosonae Dois

SUBSIDIARIES WITH NON-CONTROLLING INTERESTS — 31 DEC 2020

	ELERGONE	GOWELL	TOMENIDER	ARENAL	IMOSONAE DOIS*	MAXMAT	OTHERS	TOTAL
Total non-current assets	167,827	2,139,793	62,465,452	160,452,474	98,207,021	37,588,496	9,867,756	370,888,819
Total current assets	24,220,916	1,523,006	857,042	45,970,839	5,711,182	45,859,781	1,123,917	125,266,683
Total non-current liabilities	(40,687)	1,826,824	16,707,505	93,336,694	–	4,895,302	25,346,949	142,072,587
Total current liabilities	9,346,120	3,538,121	346,971	42,160,104	3,418,098	34,056,049	43,404	92,908,867
EQUITY	15,083,310	(1,702,146)	46,268,018	70,926,515	100,500,105	44,496,926	(14,398,680)	261,174,048

* Real Estate Investment Fund Imosonae Dois

SUBSIDIARIES WITH NON-CONTROLLING INTERESTS — 31 DEC 2021

	ELERGONE	TOMENIDER	ARENAL	IMOSONAE DOIS*	MAXMAT	OTHERS	TOTAL
Turnover	103,891,944	–	156,681,994	11,529,997	–	–	272,103,935
Other operational income	12,154,748	–	4,438,977	16,085	–	–	16,609,810
Operational expenses	(120,864,196)	(196,967)	(149,689,276)	(4,311,613)	–	(2,396,016)	(277,458,068)
Net financial expenses	15,024	(254,093)	(4,396,252)	(17,927)	–	(1,361,629)	(6,014,877)
Income or expense relating to investments	–	–	–	–	–	–	–
Income tax expense	1,157,799	112,765	(1,802,760)	413,988	–	–	(118,208)
Profit/(Loss) after taxation	(3,644,681)	(338,295)	5,232,683	7,630,530	–	(3,757,645)	5,122,592
Profit/(Loss) after taxation from discontinued operations	–	–	–	–	8,234,412	–	8,234,412
Other comprehensive income for the period	–	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(3,644,681)	(338,295)	5,232,683	7,630,530	8,234,412	(3,757,645)	13.357.004

* Real Estate Investment Fund Imosonae Dois

SUBSIDIARIES WITH NON-CONTROLLING INTERESTS — 31 DEC 2020

	ELERGONE	GOWELL	TOMENIDER	ARENAL	IMOSONAE DOIS*	MAXMAT	OTHERS	TOTAL
Turnover	68,472,190	5,504,086	–	119,060,555	12,154,028	115,647,786	–	320,838,645
Other operational income	86,724	959,845	–	5,062,035	1,814,139	2,094,372	–	10,017,115
Operational expenses	(63,034,052)	(8,419,612)	(146,419)	(119,353,636)	(3,938,303)	(105,162,590)	(987,889)	(301,042,501)
Net financial expenses	11,687	(53,736)	(254,987)	(4,502,887)	(19,261)	(519,326)	(3,120,499)	(8,459,009)
Income or expense relating to investments	-	(133)	–	–	–	–	–	(133)
Income tax expense	(1,250,940)	376,416	100,351	(155,560)	(388,061)	(3,064,818)	–	(4,382,612)
Profit/(Loss) after taxation	4,285,609	(1,633,134)	(301,055)	110,507	9,622,542	8,995,424	(4,108,388)	16,971,505
Other comprehensive income for the period	–	–	–	–	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,285,609	(1,633,134)	(301,055)	110,507	9,622,542	8,995,424	(4,108,388)	16,971,505

* Real Estate Investment Fund Imosonae Dois

23. LOANS

As at 31 December 2021 and 2020, loans are made up as follows:

OUTSTANDING AMOUNT	31 DEC 2021		31 DEC 2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
BANK LOANS				
Sonae MC, SGPS,SA – commercial paper	–	105,950,400	–	140,000,000
Subsidiary of Sonae MC 2014/2023	–	50,000,000	–	50,000,000
Subsidiary of Sonae MC 2015/2023	–	–	–	20,000,000
Subsidiary of Sonae MC 2017/2025	–	–	3,333,333	13,333,333
Sonae MC 2018/2031	–	55,000,000	–	55,000,000
Subsidiary of Sonae MC / 2020/2025	–	55,000,000	–	55,000,000
Subsidiary of Sonae MC / 2021/2028	–	20,000,000	–	–
Others	699,961	2,500,000	364,178	1,087,500
	699,961	288,450,400	3,697,511	334,420,833
Bank overdrafts [1]	110,172	–	142,765	–
Up-front fees beard with the issuance of borrowings	–	(36,066)	–	(447,189)
BANK LOANS	810,133	288,414,334	3,840,276	333,973,644
BONDS				
Bonds Sonae MC / December 2015/2024 [2, 3]	–	–	–	50,000,000
Bonds Sonae MC / November 2021/2026 [2]	–	60,000,000	–	75,000,000
Bonds Sonae MC/ December 2019/2024 [2, 3]	–	30,000,000	–	30,000,000
Bonds Sonae MC / April 2020/2027 [2]	–	95,000,000	–	95,000,000
Bonds Sonae MC / July 2020/2025	50,000,000	–	–	50,000,000
Bonds Sonae MC / July 2020/2025	22,500,000	–	–	22,500,000
Bonds Sonae MC / December 2021/2024	–	40,000,000	–	–
Up-front fees beard with the issuance of borrowings	(76,061)	(1,379,476)	–	(1,478,929)
BONDS	72,423,939	223,620,524	–	321,021,071
Other loans	74,764	–	66,927	–
Derivative [4]	–	–	1,170,794	–
OTHER LOANS	74,764	–	1,237,721	–
	73,308,836	512,034,858	5,077,997	654,994,715

1. Note 20
2. Formerly called Sonae Investimentos, SGPS;
3. Bond maturity extended to 2024.
4. Note 24

Bonds and bank loans bear an average interest rate of 1.85% as at 31 December 2021 (1.13% as at 31 December 2020). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

The loans face value, maturities and interests are as follows:

	31 DEC 2021		31 DEC 2020	
	CAPITAL	INTERESTS	CAPITAL	INTERESTS
N+1	73,384,897	4,532,099	3,907,204	7,281,905
N+2	61,944,444	4,038,381	189,420,833	6,822,483
N+3	155,394,846	3,383,502	99,444,444	5,449,975
N+4	83,444,444	2,506,600	99,444,444	4,325,124
N+5	118,444,444	1,934,670	155,944,444	2,808,276
After N+5	94,222,222	1,508,825	112,666,668	2,818,281
	586,835,297	17,904,077	660,828,037	29,506,044

The maturities above were estimated in accordance with the contractual terms of the loans and considering MC's best estimated regarding their reimbursement date.

As at 31 December 2021 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 2021 and 2020, MC had as detailed in Note 20, «Cash and cash equivalents» in the amount of 198,692,793 euro (194,280,818 euro as at 31 December 2020) and credit lines as follows:

LOANS	31 DEC 2021		31 DEC 2020	
	LESS THAN 1 YEAR COMMITMENTS	MORE THAN 1 YEAR COMMITMENTS	LESS THAN 1 YEAR COMMITMENTS	MORE THAN 1 YEAR COMMITMENTS
Unused credit facilities [1]	96,000,000	190,000,000	94,000,000	265,000,000
Agreed credit facilities	96,000,000	290,000,000	94,000,000	405,000,000

1. Note 3.3

At the beginning of 2022 MC contracted 50 million euro of new lines with a commitment of more than 1 year, increasing contracted lines to 240 million euro and available lines to 340 million euro.

24. DERIVATIVES

EXCHANGE RATE DERIVATIVES

MC uses exchange rate derivatives, essentially to hedge future cash flows that will occur in the next 12 months.

Therefore, MC entered several exchange rates 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 71,668 euro and an asset of 8,337,941 euro (1,170,794 euro in liabilities and 159,480 euro in assets, as at 31 December 2020) (Note 11 and 23).

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 «Other financial income and gains» or «Financial expenses and losses».

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 2021 no contracts existed, related to interest rate derivatives.

ENERGY PRICE DERIVATIVES

MC buys electricity on an organised market (OMIE), sells it to third parties and is a consumer of electricity in its various businesses. Electricity price management can be done through the contracting of transactions, with financial or physical settlement, on the forward energy markets. The financial instruments traded can include bilateral agreements and price-fixing futures.

The fair value of derivative instruments hedging the price of energy calculated based on current market values of equivalent financial instruments is 20,494,613 euro in assets (2,503,186 euro in assets at 31 December 2020) (Note 15).

The determination of the fair value of these financial instruments was based on the discount to the statement of financial position date of the amount to be received/paid over the term of the contract.

Losses for the year associated with changes in the fair value of derivative instruments that were not considered as hedging instruments were recorded directly in the consolidated income statement in the caption «Other financial income and gains» or «Financial expenses and losses».

Gains and losses associated with changes in the market value of derivative instruments are recorded in the caption «Hedging reserves» when considered cash flow hedging and in the caption «Other income» or «Other expenses» when considered as fair value hedging. The change in market value of derivative instruments when considered speculation is recorded in the income statement under «Other expenses».

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FAIR VALUE OF DERIVATIVES

The fair value of derivatives is detailed as follows:

	ASSETS		LIABILITIES	
	31 DEC 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
DERIVATIVES NOT QUALIFIED AS HEDGING [1]				
Electricity	20,494,613	2,503,186	–	––
Exchange rate	1,231,394	159,840	71,668	1,170,794
	21,726,007	**2,663,026**	**71,668**	**1,170,794**
HEDGING DERIVATIVES [2]				
Exchange rate	7,106,548	–	–	–
	7,106,548		**–**	**–**

1. Notes 5 and 15 2. Notes 5 and 11

25. OTHER NON-CURRENT LIABILITIES

As at 31 December 2021 and 2020 «Other non-current liabilities» are made up as follows:

	31 DEC 2021	31 DEC 2020
Creditors for acquisition of financial investments	1,000,000	1,000,000
Fixed assets suppliers	95,021	97,521
Other non-current liabilities	341,762	338,354
TOTAL FINANCIAL INSTRUMENTS [1]	**1,436,783**	**1,435,875**
Share based payments [2]	2,973,665	1,551,057
Charges made on the sale of real estate [3]	18,538,982	19,546,085
Other accruals and deferrals	(73,738)	138,943
OTHER NON-CURRENT LIABILITIES	**22,875,692**	**22,671,960**

1. Note 5 2. Note 26 3. Note 2.6

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 MC assumed future responsibility.

26. SHARE BASED PAYMENT

MC granted, in 2021 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 2021 and 2020, 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 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
SHARES							
	2018	2021	41	–	1,333,701	–	1,227,732
	2019	2022	42	1,898,873	1,813,151	1,904,570	1,438,053
	2020	2023	43	3,149,216	3,108,819	2,091,854	1,361,956
	2021	2024	45	2,620,699	–	881,811	–
TOTAL				7,668,788	6,255,671	4,878,235	4,027,741

As at 31 December 2021 and 2020 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 2021	31 DEC 2020
Recorded in employee benefits expense in the current period	3,627,479	1,182,105
Recorded in previous years	1,250,755	1,211,470
	4,878,234	2,393,575
Recorded in other non-current liabilities [1]	2,973,665	1,551,057
Recorded in other current liabilities [2]	1,904,570	842,518
	4,878,235	2,393,575

1. Note 25 2. Note 29

Expenditures for stock plans are recognised over the period that mediates the attribution and exercise of these in personnel expenses.

27. TRADE PAYABLES

As at 31 December 2021 and 2020 Trade payables are as follows:

TRADE PAYABLES – 31 DEC 2021		PAYABLE TO	
	31 DEC 2021	UP TO 90 DAYS	MORE THAN 90 DAYS
Trade payables – current account	736,258,016	736,184,640	73,376
Trade payables – invoice accruals	59,235,022	59,235,022	–
	795,493,038	795,419,662	73,376

TRADE PAYABLES – 31 DEC 2020		PAYABLE TO	
	31 DEC 2020	UP TO 90 DAYS	MORE THAN 90 DAYS
Trade payables – current account	739,355,687	739,353,656	2,031
Trade payables – invoice accruals	55,596,856	55,596,856	–
	794,952,544	794,950,512	2,031

As at 31 December 2021 and 2020 this caption includes amounts payable to suppliers resulting from MC operating activity. MC believes that the book value of these balances is approximate to their fair value.

MC 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 MC 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.

28. OTHER PAYABLES

As at 31 December 2021 and 2020, the caption «Other payables» is detailed as follows:

OTHER PAYABLES – 31 DEC 2021		PAYABLE TO		
	31 DEC 2021	UP TO 90 DAYS	90 TO 180 DAYS	MORE THAN 180 DAYS
Fixed asset suppliers	63,038,959	62,802,648	62,343	173,967
Other payables	26,710,779	26,695,186	5,138	10,455
	89,749,738	89,497,834	67,482	184,422
Related undertakings	–			
	89,749,738			

OTHER PAYABLES – 31 DEC 2020		PAYABLE TO		
	31 DEC 2020	UP TO 90 DAYS	90 TO 180 DAYS	MORE THAN 180 DAYS
Fixed asset suppliers	55,394,882	55,242,720	18,869	133,293
Other payables	30,390,950	30,387,776	–	3,174
	85,785,832	85,630,496	18,869	136,467
Related undertakings	–			
	85,785,832			

The caption «Other payables» includes:

- 9,430,467 euro (12,234,546 euro as at 31 December 2020) of attributed discounts not yet redeemed related to loyalty card «Cartão Cliente»;
- 2,434,117 euro (4,071,365 euro as at 31 December 2020) relating to vouchers, gift cards and discount tickets not yet redeemed.

As at 31 December 2021 and 2020, 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.

29. OTHER CURRENT LIABILITIES

As at 31 December 2021 and 2020, «Other current liabilities» are made up as follows:

OTHER CURRENT LIABILITIES	31 DEC 2021	31 DEC 2020
Holiday pay and bonus	112,130,445	107,986,632
Software access licenses	9,623,277	9,911,200
Other external supplies and services	36,332,525	35,492,412
Marketing expenses	12,250,512	8,595,476
Lease liabilities	1,053,851	3,024,179
Municipal property tax	1,615,702	1,686,759
Charges made on the sale of real estate [1]	1,190,053	1,287,002
Fixed income charged in advance	3,527,944	5,534,462
Share based payments obligations [2]	1,904,570	842,518
Interest payable	1,129,010	1,311,689
Others	9,169,845	10,262,778
	189,927,732	185,935,107

1. Note 2.6 and Note 25 2. Note 26

This caption mainly includes Accruals of expenses incurred in the year to be settled in the following year.

30. PROVISIONS AND IMPAIRMENT LOSSES

Movements in «Provisions» and «Impairment losses» during the period ended 31 December 2021 and 2020 are as follows:

PROVISIONS AND IMPAIRMENT LOSSES – 2021

	BALANCE AT 1 JAN	INCREASE	DECREASE	TRANSFERS AND OTHER MOVEMENTS	BALANCE AT 31 DEC
Accumulated impairment losses on investments	769,213	–	–	–	769,213
Impairment losses on property, plant and equipment [1]	90,728,626	10,517,608	(857,434)	(565,735)	99,823,065
Impairment losses on intangible assets [2]	6,664,435	39,569	(75,722)	–	6,628,282
Accumulated impairment losses on trade receivables [3]	3,877,529	2,363,682	(3,100,298)	(67)	3,140,847
Accumulated impairment losses on other current debtors [4]	2,933,585	554,458	(1,141,968)	(5,827)	2,340,248
Non current provisions	6,334,819	350,980	–	67,236	6,753,035
Current provisions	1,361,548	364,903	(239,847)	–	1,486,604
	112,669,755	14,191,200	(5,415,269)	(504,393)	120,941,293

1. Note 6 2. Note 7 3. Note 14 4. Note 15

PROVISIONS AND IMPAIRMENT LOSSES – 2020

	BALANCE AT 1 JAN	INCREASE	DECREASE	TRANSFERS AND OTHER MOVEMENTS	BALANCE AT 31 DEC
Accumulated impairment losses on investments	769,213	–	–	–	769,213
Impairment losses on property, plant and equipment [1]	86,688,619	4,404,561	(364,554)	–	90,728,626
Impairment losses on intangible assets [2]	6,839,207	863,797	(1,038,569)	–	6,664,435
Accumulated impairment losses on trade receivables [3]	3,157,289	1,409,270	(689,030)	–	3,877,529
Accumulated impairment losses on other current debtors [4]	3,856,935	527,790	(1,451,140)	–	2,933,585
Non current provisions	9,418,605	–	(2,725,277)	(358,509)	6,334,819
Current provisions	561,741	1,092,565	(292,758)	–	1,361,548
	111,291,609	8,297,983	(6,561,328)	(358,509)	112,669,755

1. Note 6 2. Note 7 3. Note 14 4. Note 15

As at 31 December 2021 and 2020 the amount of «increases» and «decreases» in Provisions and impairment losses are as follows:

	31 DEC 2021	31 DEC 2020
Increase/(Decrease) on provisions and impairment losses in the income statement	(4,032,061)	13,300,582
Uses and reversions recorded in property, plant and equipment and intangible assets	–	(1,174,922)
Direct use of impairments on accounts receivable	(1,141,792)	(3,090,504)
Impairment losses net of reversals	21,883,641	–
Goodwill impairment [1]	(7,435,352)	(7,088,699)
Others	(498,505)	(209,802)
	8,775,931	1,736,655

1. Note 9

The caption «Non-current provisions» and «Current provisions» includes 6,753,035 euro (6,334,819 euro as at 31 December 2020) 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 materialised, 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.

The caption «Impairment losses net of reversals» includes the reversal of an amount payable to related parties, arised from the Spanish tax consolidation perimeter, since it was assumed that this amount will not be charged.

Impairment losses are deducted from the book value of the corresponding asset.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at 31 December 2021 the reconciliation of liabilities arising from financing activities are as follows:

	BANK LOANS [1]	DERIVATIVE FINANCIAL INSTRUMENTS [2]	RIGHTS-OF-USE [3]
OPENING BALANCE AT 1 JAN 2021	658,901,918	(1,492,232)	1,092,910,098
CASH FLOWS			
Receipts relating to financial debt	742,467,899	–	–
Payments relating to financial debt	(823,119,305)	–	(152,256,648)
Bank overdrafts	(32,593)	–	–
Financial debt update	–	–	68,948,352
Increase/(decrease) in fair value	–	(27,268,655)	–
Costs of setting up the financing	434,515	–	–
Unpaid rents	–	–	(1,140,377)
Rental discounts related to the impact of the pandemic [4]		–	(740,810)
Discontinued operations	–	–	(2,230,424)
Increases/(decrease) in leases [3]	–	–	88,060,047
Impact on eliminations by acquisition of subsidiaries	–	–	(12,040,975)
Exchange rate	6,682,501	–	–
Others	8,759	–	503,741
BALANCE AT 31 DEC 2021	**585,343,694**	**(28,760,887)**	**1,082,013,004**

1. Note 23 2. Note 24 3. Note 8 4. Note 37

32. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2021 and 2020, contingent liabilities to which Group is exposed can be detailed as follows:

GUARANTEES AND SURETIES GIVES

CONTINGENT ASSETS AND LIABILITIES

	31 DEC 2021	31 DEC 2020
GUARANTEES AND SECURITIES GIVEN		
on tax claims	822,554,165	900,887,077
on judicial claims	172,437	155,256
on municipal claims	7,911,731	5,966,077
for proper agrement fulfillment	17,225,317	17,088,947
other guarantees	296,778	354,876
GUARANTEES AND SECURITIES GIVEN IN FAVOUR OF CARVE-OUT ENTITIES		
on tax claims	26,662,020	26,662,020

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 411.7 million euro (480.5 million euro as at 31 December 2020). 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, 10.2 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 44.8 million euro (282.7 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 REGULARISATION PROGRAMS OF TAX DEBT

Within the framework of regularisation 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 subsidiaries sold 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 16.4 million euro (17.2 million euro at 31 December 2020) related to programs for the Brazilian State of tax recovery, amount to near 15.2 million euro at 31 December 2021 (15 million euro at 31 December 2020). Furthermore, there are other tax assessments totalling

76.2 million euro (77.9 million euro as at 31 December 2020) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiary.

Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority («Autoridade da Concorrência» – AdC) notified Sonae MC SGPS, S.A. (former – Sonae Investimentos), Modelo Continente SGPS (Former 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 «EDP Continente Plan» (Plano EDP Continente). It should be noted that the EDP/Continente Plan took place during 2012 having been extended through the first months of 2013 to allow the use of discounts that had been granted 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 euro on Sonae Investimentos e 6.8 million euro on Modelo Continente. AdC also condemned MC, but it did not impose any fine on it since that company does not present any turnover. These companies challenged the AdC's decision in court. As at 30 September 2020 a decision was handed down that confirmed the AdC's understanding of the illegality of the behaviour in question, although reducing the amounts of the fine to, respectively, 2.52 million euro and 6.12 million euro. The companies appealed this decision to the Lisbon Court of Appeal (TRL), where it is pending. On 5 April 2021, this Court suspended the proceedings and formulated a dozen of preliminary judicial questions to the Court of Justice of the Union (TJUE). The Board of Directors expects, based on the opinion of their legal advisors, maintains the expectation that there will be no liability for these companies in this proceeding.

Research in progress by the Competition Authority

In 2017, 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).

In the context of that investigation, the AdC initiated several administrative offense proceedings. Until December 31, 2021, 9 Notes of Illegality were issued in 9 of these proceedings. In the course of 2020, the AdC issued condemnation decisions in two of these cases, setting a «competition fine» to MCH in the amount of 121.9 million euro. In the course of 2021, the AdC issued conviction decisions in three other of these cases, setting a total fine of 38.95 million euro for MCH. Condemnatory decisions can and will be challenged before the Competition Authority, within the due legal time limits.

Based on the assessment of its lawyers and economic consultants, the Board of Directors disagrees with the understanding and decision of the Competition Authority, which it considers to be totally unfounded, with the result that the competent appeals will be presented, and for this reason, no provision was set up.

33. OPERATIONAL LEASE – LESSOR

Minimum lease payments (fixed income) arising from operational leases, in which the MC acts as a lessor, recognised as income during the period ended 31 December 2021 and 2020 amounted to 30,880,564 euro and 25,932,036 euro, respectively.

Additionally, at 31 December 2021 and 2020, MC had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 DEC 2021	31 DEC 2020
DUE IN		
N+1 automatically renewal	843,489	568,543
N+1	29,912,190	27,822,614
N+2	25,643,503	24,304,520
N+3	22,696,454	20,313,364
N+4	21,202,793	17,233,285
N+5	18,877,740	15,833,567
After N+5	27,466,217	13,983,460
	146,642,384	**120,059,353**

34. REVENUE

As at 31 December 2021 and 2020, Revenue is made up as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Sale of goods	5,234,350,867	4,931,562,832
Services rendered	127,281,079	112,430,779
	5,361,631,946	**5,043,993,611**

35. GAINS AND LOSSES ON INVESTMENTS

As at 31 December 2021 and 2020, «gain and losses on investments» are as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Acquisition cost correction	(1,091,200)	–
Gains/(losses) on the sale of investments in subsidiaries	**(1,091,200)**	**–**
Gains/(losses) on investments recorded at fair value through results	–	(333)
Others	2,597	(133)
TOTAL INCOME/(EXPENSES) RELATED TO INVESTMENTS	**(1,088,603)**	**(466)**
DIVIDENDS	**200,488**	**100,488**

36. NET FINANCIAL EXPENSES

As at 31 December 2021 and 2020, «net financial expenses» are as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
EXPENSES		
INTEREST PAYABLE		
related with bank loans and overdrafts	(3,487,509)	(3,863,613)
related with non convertible bonds	(3,654,762)	(3,562,275)
related with leases [1]	(68,948,352)	(65,340,498)
others	(815,296)	(602,465)
	(76,905,919)	**(73,368,851)**
Foreign exchange losses	(19,674,402)	(10,132,496)
Foreign exchange losses related to loans	(6,979,350)	(2,451,990)
Up front fees and commissions related to loans	(2,509,842)	(2,801,810)
Others	(1,380,283)	(877,688)
	(107,449,796)	**(89,632,835)**
INCOME		
INTEREST RECEIVABLE		
related with bank deposits	1,978	2,204
others	486,850	1,500,015
	488,828	**1,502,219**
Foreign exchange gains	20,283,404	10,026,404
Gains with derivative financial instrument [2]	7,106,548	–
Other financial income	16,168	20,072
	27,894,948	**11,548,695**
NET FINANCIAL EXPENSES	**(79,554,848)**	**(78,084,140)**

1. Note 8 2. Note 11 and 24

37. OTHER INCOME

As at 31 December 2021 and 2020, the caption «Other Income» is made up as follow:

	31 DEC 2021	31 DEC 2020 RESTATED
Supplementary income	36,241,878	28,224,745
Prompt payment discounts received	24,305,536	24,107,924
Own work capitalised [1]	11,112,343	10,625,203
Gains with derivative financial instrument [2]	12,095,993	–
Exchange differences	6,635,277	8,799,250
Gains on sales of assets	1,917,544	4,194,130
Rental discounts [3]	740,810	3,012,700
Subsidies	2,601,810	2,963,753
Others	3,372,243	4,072,058
	99,023,434	85,999,763

1. Note 7 2. Note 15 and 24 3. Note 31

38. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2021 and 2020, «External supplies and services» are as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Services	77,400,831	68,419,980
Electricity	86,587,839	65,634,431
Advertising expenses	60,456,504	54,080,823
Transports	45,440,207	39,190,225
Cleaning up services	41,184,916	37,800,694
Maintenance	29,182,100	28,109,176
Rents	24,976,456	24,949,925
Security	22,427,690	21,315,492
Costs with automatic payment terminals	14,207,074	13,275,808
Home delivery	14,548,695	12,687,870
Consumables	12,323,271	10,144,106
Communications	6,640,434	5,111,713
Insurances	5,795,952	5,126,108
Travel expenses	3,190,939	3,472,917
Subcontracts	2,246,302	2,465,260
Others	44,666,962	43,045,975
	491,276,172	434,830,503

As mentioned in the introductory note, some of the Group's business operations were significantly affected by the pandemic context, which implied a significant increase in spending on space cleaning and personal protective equipment, as well as an increase in logistics expenses (home deliveries).

The amount included in rents and rentals is related to variable rents from lease agreements.

39. EMPLOYEE BENEFIT EXPENSE

As at 31 December 2021 and 2020, Employee benefits expense are as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Salaries	491,442,394	464,453,115
Social security contributions	100,841,321	95,380,680
Insurance	10,123,416	9,599,143
Welfare	4,854,254	6,223,128
Other staff costs	15,189,726	17,328,431
	622,451,111	592,984,497

40. OTHER EXPENSES

As at 31 December 2021 and 2020, «Other expenses» are as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Galp/Continente loyalty program	12,075,603	12,126,184
Exchange differences	6,954,024	10,393,885
Donations	19,712,928	11,725,544
Other taxes	8,159,892	7,003,910
Losses on the disposal of assets	3,830,361	4,507,044
Municipal property tax	2,057,142	1,992,513
Other	3,845,223	2,375,413
	56,635,173	50,124,492

41. INCOME TAX EXPENSE

As at 31 December 2021 and 2020, income tax is made up as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Current tax	28,986,323	20,338,850
Deferred tax [1]	(8,135,348)	8,484,431
	20,850,975	28,823,281

1. Note 19

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2021 and 2020 is as follows:

	31 DEC 2021	31 DEC 2020 RESTATED
Profit before income tax	198,921,619	164,280,852
Income tax rate in Portugal (21%)	41,773,540	34,498,979
Effect of different income tax rates in other countries	(10,048,064)	(12,730,362)
Difference between capital (losses)/gains for accounting and tax purposes	186,504	(2,568,941)
Gains or losses in jointly controlled and associated companies [1]	(253,728)	(186,366)
Provisions and impairment losses not accepted for tax purposes	(3,034,140)	1,488,627
Use of tax losses that have not originated deferred tax assets	–	96,637
Amortisation of goodwill for tax pruposes in Spain [2]	5,816,680	5,816,679
Effect of constitution or reversal of deferred taxes	–	2,354,411
Donations unforeseen or beyond the legal limits	496,193	1,080,904
Use of tax benefits	(13,922,923)	(8,015,861)
Under/(over) Income tax estimates	(2,820,058)	1,413,467
Autonomous taxes and tax benefits	2,497,240	1,082,938
Municipality surcharge	4,482,133	4,506,869
Others	(4,322,403)	(14,700)
INCOME TAX ASSETS	20,850,975	28,823,281

1. Note 10 2. Note 19

42. RELATED PARTIES

Balances and transactions with related parties during the periods ended 31 December 2021 and 2020 are as follows:

	PARENT COMPANY		JOINTLY CONTROLLED COMPANIES	
	31 DEC 2021	31 DEC 2020 RESTATED	31 DEC 2021	31 DEC 2020 RESTATED
Sales & Services rendered	2,474,542	2,646,165	3,181,085	2,601,816
Other income	235,274	178,797	129,093	161,545
Cost of goods sold and materials consumed	–	–	290,346,345	280,821,018
External supplies and services	5,714,483	5,618,186	1,274,954	1,230,493
Other expenses	751	5	329	1
Financial expense	28,721	339,927	–	–
	8,453,771	8,783,080	294,931,806	284,814,873

	ASSOCIATED COMPANIES		OTHER RELATED PARTIES	
	31 DEC 2021	31 DEC 2020 RESTATED	31 DEC 2021	31 DEC 2020 RESTATED
Sales & Services rendered	44,512,020	42,631,262	95,982,841	94,616,520
Other income	125,056	166,004	14,177,863	17,550,439
Cost of goods sold and materials consumed	–	–	21,590,502	30,923,757
External supplies and services	2	1	26,917,825	26,072,153
Other expenses	–	–	378,712	984,166
Financial expense	–	–	8,728,163	6,344,536
	44,637,078	42,797,268	167,775,906	176,491,571

	PARENT COMPANY		JOINTLY CONTROLLED COMPANIES	
	31 DEC 2021	31 DEC 2020 RESTATED	31 DEC 2021	31 DEC 2020 RESTATED
Trade receivables	269,095	308,931	580,518	720,912
Other receivables	1,375,290	64,077	288,574	356,299
Income tax assets	12,337,647	14,321,505	–	–
Other current assets	40,352	40,467	39,124	–
Trade payables	736,260	2,227,723	66,700,498	78,954,260
Other payables	23,648	1,401,946	–	–
Income tax liabilities	22,103,430	13,761,526	–	–
Other current liabilities	1,225,432	710,839	204,458	154,932
	38,111,154	32,837,014	67,813,172	80,186,403
Property, plant and equipment acquisitions	1,280	173	17,364	–
Property, plant and equipment disposals	24,916	4,557	4,527	8,615
	26,196	4,731	21,891	8,615

	ASSOCIATED COMPANIES		OTHER RELATED PARTIES	
	31 DEC 2021	31 DEC 2020 RESTATED	31 DEC 2021	31 DEC 2020 RESTATED
Other non-current assets	–	–	4,027,030	–
Trade receivables	173,031	3,220,747	22,941,226	21,340,560
Other receivables	–	9,261	17,603,639	10,721,681
Income tax assets	–	–	3,585,846	6,911,074
Other current assets	–	–	3,377,404	3,468,847
Trade payables	2,097	2,097	6,792,559	7,867,024
Other payables	–	–	2,499,788	9,588,792
Income tax liabilities	–	–	6,946,674	30,755,419
Other current liabilities	–	–	14,134,332	14,800,700
	175,128	3,232,106	81,908,498	105,454,097
Property, plant and equipment acquisitions	–	–	2,839,642	4,297,981
Property, plant and equipment disposals	–	–	145,229	611,265
Intangible assets acquisitions	–	–	1,534,115	1,388,496
Intangible assets disposals	–	–	–	10,570
	–	–	4,518,986	6,308,311

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 MC companies for the years ended at 31 December 2021 and 2020, is composed as follows:

	31 DEC 2021		31 DEC 2020 RESTATED	
	ADMINISTRATIVE COUNCIL	STRATEGIC DIRECTION [1]	ADMINISTRATIVE COUNCIL	STRATEGIC DIRECTION [1]
Short-term benefits	111,300	2,986,494	202,500	2,861,460
Share Benefits	–	1,170,500	–	1,032,900
	111,300	4,156,994	202,500	3,894,360

1. Includes personnel responsible for the strategic management of the companies of MC (excluding members of the Board of Directors of MC).

43. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2021 and 2020 were calculated taking into consideration the following amounts:

	31 DEC 2021		31 DEC 2020 RESTATED	
	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS	DISCONTINUED OPERATIONS
NET PROFIT				
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	176,031,131	45,975,360	135,227,840	8,121,956
Net profit taken into consideration to calculate diluted earnings per share	**176,031,131**	**45,975,360**	**135,227,840**	**8,121,956**
NUMBER OF SHARES				
Weighted average number of shares used to calculate basic earnings per share	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**
Effect of dilutive potential ordinary shares from convertible bonds	–	–	–	–
Weighted average number of shares used to calculate diluted earnings per share	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**	**1,000,000,000**
EARNINGS PER SHARE				
Basic	0.176031	0.045975	0.135228	0.008122
Diluted	0.176031	0.045975	0.135228	0.008122

As at 31 December 2021 and 2020, there are no dilutive effects on the number of shares outstanding.

44. CASH RECEIPTS AND CASH PAYMENTS OF INVESTMENTS

As at 31 December 2021 and 2020, cash receipts related to investments can be detailed as follows:

CASH RECEIPTS

	31 DEC 2021	31 DEC 2020
Disposal of Imosonae II fund units	3,839,290	–
Receipt relating to the sale of Tlantic to Parceya	400,000	100,000
Disposal of Maxmat [1]	39,743,871	–
Compensation Fund Work	750,819	414,365
Others	–	3,949
	44,733,980	**518,314**

1. Note 4.2

As at 31 December 2021 and 2020, cash payments related to investments can be detailed as follows:

CASH PAYMENTS

	31 DEC 2021	31 DEC 2020
Acquisition of Portimão Ativo [1]	20,215,007	–
Acquisition of 25% Elergone	1,500,000	–
Compensation Fund Work	1,462,948	1,275,612
Others	100,000	648,678
	23,277,955	**1,924,290**

1. Note 4.1

45. APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 March 2022, however, they are still subject to approval at the Shareholders Annual General Meeting.

46. 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 MC as at 31 December 2021 and 31 December 2020 are as follows:

GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS – PERCENTAGE OF CAPITAL HELD — CONTINUES

			31 DEC 2021		31 DEC 2020	
COMPANY		HEAD OFFICE	DIRECT*	TOTAL*	DIRECT*	TOTAL*
Sonae MC SGPS, S.A.		Matosinhos	HOLDING	HOLDING	HOLDING	HOLDING
Amor Bio, Mercado Biológico, Lda [1]	a)	Maia	–	–	100.00%	100.00%
Arenal Perfumerias SLU	a)	Lugo (Spain)	100.00%	60.00%	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%
Chão Verde – Sociedade de Gestão Imobiliária, S.A.	a)	Maia	100.00%	100.00%	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	100.00%	100.00%	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 Investments 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	100.00%	100.00%	51.00%	51.00%
H&W – Mediadora de Seguros, S.A. [2]	a)	Maia	100.00%	100.00%	–	–
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%
Closer Look Design, Lda	a)	Maia	100.00%	100.00%	100.00%	100.00%
Marcas MC, ZRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%	100.00%
MCCARE – Serviços de Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	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. [3]	b)	Maia	–	–	50.00%	50.00%
Modelo Continente Hipermercados, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%

GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS – PERCENTAGE OF CAPITAL HELD — CONCLUSION

			31 DEC 2021		31 DEC 2020	
COMPANY		HEAD OFFICE	DIRECT*	TOTAL*	DIRECT*	TOTAL*
Modelo Continente International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
Modelo Hiper Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Pharmacontinente – Saúde and 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%
Portimão Ativo – Sociedade Imobiliária, S.A. [4]	a)	Maia	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%
SK Skin Health Cosmetics, S.A. [5]	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)	Amesterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
Sonae MC S2 Africa Limited [6]	a)	La Valeta (Malta)	–	–	100.00%	100.00%
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)	Amesterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
Tomenider	a)	Lugo (Spain)	60.00%	60.00%	60.00%	60.00%
Valor N, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%

* the percentage of capital held «Total» is the total percentage of interest held by the parent company's shareholders; the percentage of capital held «Direct» corresponds to the percentage that subsidiary(s) which hold(s) a participation 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. Subsidiary merged during the year into Brio – Produtos de Agricultura Biológica, S.A.;
2. Subsidiary constituted in the year;
3. Subsidiary sold during the year;
4. Subsidiary acquired in the year;
5. Subsidiary merged during the year into Pharmacontinente – Saúde and Higiene, S.A.;
6. Subsidiary liquidated in the year.

These entities are consolidated using the full consolidation method.

47. SUBSEQUENT EVENTS

WAR IN UKRAINE

At the end of February 2022 the war began in Ukraine which is having a severe impact on millions of people's lives and will certainly have serious consequences for the global economy.

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).

In the context of AdC investigations in 2017, on March 17th, Modelo Continente Hipermercados, S.A., was notified of a new Illegality note which represents only a interim phase, still subject to the exercise of the right of defense of the parties involved in.

Approved at the Board of Directors meeting on 25 March 2022.

The Board of Directors,

Maria Cláudia Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

João Pedro Magalhães da Silva Torres Dolores

João Nonell Günther Amaral

Jan Reinier Voûte

Alan David Roux

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

SEPARATE
FINANCIAL STATEMENTS

SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020
ASSETS			
NON-CURRENT ASSETS			
Financial investments in subsidiaries	5	2,143,969,373	2,164,753,787
Income tax	8	2,916,832	2,916,832
Deferred tax assets		3	1,135
Other non-current assets	4, 6	405,587,753	370,969,603
TOTAL NON-CURRENT ASSETS		**2,552,473,961**	**2,538,641,357**
CURRENT ASSETS			
Other accounts receivable	4, 7	272,146,245	378,853,296
Income tax	8	7,694,548	9,255,600
Other current assets	4, 9	7,401,337	3,522,274
Derivative financial instruments	4, 12	7,106,548	–
Cash and cash equivalents	4, 10	137,021,419	79,699,248
TOTAL CURRENT ASSETS		**431,370,097**	**471,330,418**
TOTAL ASSETS		**2,983,844,058**	**3,009,971,775**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	1,000,000,000	1,000,000,000
Legal reserve		198,366,897	186,480,406
Other reserves	11	197,944,055	105,020,218
Retained earnings	11	–	7,080,512
Net Profit/ (Loss) for the period		162,696,110	237,729,816
TOTAL EQUITY		**1,559,007,062**	**1,536,310,952**
LIABILITIES			
NON-CURRENT LIABILITIES			
Bonds	4, 12	223,620,524	321,021,071
Bank loans	4, 12	160,950,400	194,599,695
Other non-current liabilities		50,021	50,021
TOTAL NON-CURRENT LIABILITIES		**384,620,945**	**515,670,787**
CURRENT LIABILITIES			
Bonds	4, 12	72,423,939	–
Trade payables	4	113,988	96,516
Other accounts payable	4, 14	962,610,269	952,593,786
Income tax	8	2,101,152	2,101,152
Other current liabilities	4, 15	2,966,703	3,198,582
TOTAL CURRENT LIABILITIES		**1,040,216,051**	**957,990,036**
TOTAL EQUITY AND LIABILITIES		**2,983,844,058**	**3,009,971,775**

The accompanying notes are part of these separate financial statements.

SEPARATE PROFIT AND LOSS STATEMENTS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020
Gains or losses on investments	18	171,271,358	244,613,180
Financial income	19	15,906,505	10,020,210
Other income		1,238,542	1,363,816
External supplies and services	20	(2,600,815)	(2,767,213)
Staff costs	21	(175,757)	(303,564)
Provisions and impairment losses	16	(24)	–
Financial expenses	19	(24,166,539)	(18,045,515)
Other expenses		(32,288)	(38,559)
PROFIT BEFORE INCOME TAX		**161,440,982**	**234,842,355**
Income tax	8	1,255,128	2,887,461
NET PROFIT/ (LOSS) FOR THE PERIOD		**162,696,110**	**237,729,816**
EARNINGS PER SHARE (BASIC AND DILUTED)	**22**	**0.1627**	**0.2377**

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES
Balance at 1 Jan 2020		1,000,000,000	177,949,491	25,013,347
Total comprehensive income for the period		–	–	–
APPROPRIATION OF PROFIT OF 2019				
Transfer to reserves	11	–	8,530,915	87,087,383
Dividends	11	–	–	–
Transfers		–	–	(7,080,512)
BALANCE AT 31 DEC 2020	**11**	**1,000,000,000**	**186,480,406**	**105,020,218**
Balance at 1 Jan 2021	11	1,000,000,000	186,480,406	105,020,218
Total comprehensive income for the period		–	–	–
APPROPRIATION OF PROFIT OF 2020				
Transfer to reserves	11	–	11,886,491	85,843,325
Dividends	11	–	–	–
Transfers	11	–	–	7,080,512
BALANCE AT 31 DEC 2021	**11**	**1,000,000,000**	**198,366,897**	**197,944,055**

(AMOUNTS EXPRESSED IN EURO)	NOTES	RETAINED EARNINGS	NET PROFIT/ (LOSS)	TOTAL EQUITY
Balance at 1 Jan 2020		–	170,618,298	1,373,581,136
Total comprehensive income for the period		–	237,729,816	237,729,816
APPROPRIATION OF PROFIT OF 2019				
Transfer to reserves	11	–	(95,618,298)	–
Dividends	11	–	(75,000,000)	(75,000,000)
Transfers		–	–	–
BALANCE AT 31 DEC 2020	**11**	**7,080,512**	**237,729,816**	**1,536,310,952**
Balance at 1 Jan 2021		7,080,512	237,729,816	1,536,310,952
Total comprehensive income for the period		–	162,696,110	162,696,110
APPROPRIATION OF PROFIT OF 2020				
Transfer to reserves	11	–	(97,729,816)	–
Dividends	11	–	(140,000,000)	(140,000,000)
Transfers	11	(7,080,512)	–	–
BALANCE AT 31 DEC 2021	**11**	**–**	**162,696,110**	**1,559,007,062**

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

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

(AMOUNTS EXPRESSED IN EURO)	NOTES	31 DEC 2021	31 DEC 2020
OPERATING ACTIVITIES			
Payments to suppliers		(2,623,624)	(2,883,073)
Payments to employees		(186,771)	(309,951)
Cash flow generated by operations		(2,810,395)	(3,193,024)
Income taxes (paid)/received		2,817,312	14,784,120
Other cash receipts/(payments) related to operating activities		1,590,557	1,313,506
NET CASH FLOW FROM OPERATING ACTIVITIES (1)		**1,597,474**	**12,904,602**
INVESTMENT ACTIVITIES			
RECEIPTS ARISING FROM			
Investments	5, 10	68,034,480	2,011,350
Intangible assets		5,963	-
Interests and similar income		9,632,146	9,972,049
Dividends	18	137,844,283	248,313,288
Others		10,060	18,859
Loans granted		3,863,374,251	3,418,398,087
		4,078,901,183	3,678,713,633
PAYMENTS ARISING FROM			
Investments	5, 10	(9,500,000)	(23,266,680)
Loans granted		(3,801,264,683)	(3,408,188,050)
		(3,810,764,683)	(3,431,454,730)
NET CASH USED IN /GENERATED BY INVESTMENT ACTIVITIES (2)		**268,136,500**	**247,258,903**
FINANCING ACTIVITIES			
RECEIPTS ARISING FROM			
Loans obtained	13	5,744,894,899	6,883,510,000
		5,744,894,899	6,883,510,000
PAYMENTS ARISING FROM			
Interest and similar charges		(16,745,602)	(18,126,090)
Dividends		(140,000,000)	(75,000,000)
Loans obtained	13	(5,800,561,100)	(6,981,206,983)
		(5,957,306,702)	(7,074,333,073)
NET CASH FLOWS USED IN FINANCING ACTIVITIES (3)		**(212,411,803)**	**(190,823,073)**
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (4) = (1) + (2) + (3)		**57,322,171**	**69,340,432**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10	**79,699,248**	**10,358,816**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**137,021,419**	**79,699,248**

The accompanying notes are part of these separate financial statements.

SONAE MC, SGPS, S.A.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in euro)

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

1. INTRODUCTION

Sonae MC, SGPS, S.A. (hereon «the Company» or «MC») is a Portuguese company, with head-office in Rua João Mendonça n.º 529, 4464-501 Senhora da Hora, Matosinhos, Portugal, with management of shareholdings as main activity (note 5).

Consolidated financial statements are also presented pursuant to applicable legislation.

As mentioned in the management report, despite the reduced impact of the COVID-19 pandemic in the individual activity of the Company during 2021, legal restrictions and/or temporary shutdowns of some stores for several weeks, especially during the 1st and 2nd quarters, impacted the activity of some of the Company's subsidiaries.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying separate financial statements are as follows:

2.1. BASIS OF PREPARATION

The accompanying separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force as at 1 January 2021 and as adopted by the European Union (EU).

The preparation of the separate 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 year. Despite these estimates being based in the best experience of the Board of Directors and in their best expectations related to current and future events and actions, the actual and future results may differ. Areas with the highest degree of judgement or complexity, or areas where assumptions and estimates are significant are presented in note 2.7.

Management assessed the Company's ability to operate on a going concern basis, taking into consideration all relevant information, facts and circumstances of financial, commercial or other nature, including subsequent events to the date of these separate financial statements. As a result, management concluded that the Company has adequate resources to maintain its activities, having no intention to cease activities in the short term, and deemed the use of the going concern assumption appropriate.

Additionally, for financial reporting purposes, fair value measurement is categorised in Level 1, 2 and 3 according to the level in which the used assumptions are observable and its significance for the fair value estimation used to measure 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, INTERPRETATIONS, AMENDMENTS AND REVISIONS

The following standards, interpretations, amendments and revisions were endorsed by EU and became effective as of 1 January 2021:

STANDARDS (NEW AND AMENDMENTS) EFFECTIVE AS AT 1 JANUARY 2021

STANDARDS	CHANGES	EFFECTIVE DATE *
IFRS 16 Leases – COVID-19 related rent concessions beyond 30 June 2021	Extension of the application period for the exemption in the recognition of rent concessions granted by lessors related to COVID-19, as modifications, until 30 June 2022	01 Apr 2021
IFRS 4 Deferral of IFRS 9	The end of the exemption of applying IFRS 9 by the entities with insurance activity was deferred to 1 January 2023	01 Jan 2021
IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark («IBOR») reform – phase 2	Provide practical expedients to address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. Required disclosures about the exposure to the change of interest rate benchmark	01 Jan 2021

* for financial years beginning on or after

There was no significant impact on the separate financial statements resulting from their application on the year ended on 31 December 2021, particularly regarding the interet rate benchmark («IBOR») reform which relate to interet rates used in several financial instruments, such as loans, bank deposits or derivative financial instruments, as is the example of Euribor and Libor. Some IBOR are being reformulated, however, regarding Euribor, to which MC financial instruments are indexed, there is no indication that it will be replaced in a near future, after its reestructuring in 2019.

STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT WILL BECAME EFFECTIVE ON OR AFTER 1 JANUARY 2022

The following standards, interpretations, amendments and revisions were endorsed by EU and are mandatory for future years:

STANDARDS (NEW AND AMENDMENTS) THAT WILL BECOME EFFECTIVE, ON OR AFTER 1 JANUARY 2022, ALREADY ENDORSED BY THE EU

STANDARDS	CHANGES	EFFECTIVE DATE *
IAS 16 Proceeds before intended use	Prohibition of deducting the proceeds obtained from the sale of items produced during the testing phase, to the acquisition cost of property, plant and equipment	01 Jan 2022
IAS 37 Onerous contract – cost of fulfilling a contract	Clarification about the nature of the expenses to be considered in determining whether a particular contract has become onerous	01 Jan 2022
IFRS 3 Reference to the Conceptual framework	Update to references to the Conceptual Framework and clarification on the registration of provisions and contingent liabilities within the scope of a business combination	01 Jan 2022
IAS 1 Presentation of financial statements – classification of liabilities	Classification of a liability as current or non-current, depending on an entity's right to defer its payment. New definition of «settlement» of a liability	01 Jan 2023
IAS 1 Disclosure of accounting policies	Disclosure requirement for material accounting policies, rather than significant accounting policies	01 Jan 2023
IAS 8 Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates	01 Jan 2023
IFRS 17 Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features	01 Jan 2023
IFRS 17 Insurance contracts (amendments)	The amendments to IFRS 17 relate to changes in areas such as: (i) scope; (ii) level of aggregation of insurance contracts; (iii) recognition; (iv) measurement; (v) modification and derecognition; (vi) presentation of the Statement of Financial Position; (vii) recognition and measurement of the Income statement; and (viii) disclosures	01 Jan 2023
Annual improvement 2018 – 2020	Specific amendments to IFRS 1, IFRS 1, IFRS 9, IFRS 16 and IAS 41	01 Jan 2022

* for financial years beginning on or after

The Company did not proceed with the early adoption of any of these standards on the separate financial statements for the year ended 31 December 2021. There are no significant impacts estimated on the separate financial statements resulting from their application.

STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS NOT YET ENDORSED BY EU

The following standards, interpretations, amendments and revisions, mandatory for future years, have not been endorsed by EU, until the approval of these separate financial statements:

STANDARDS (NEW AND AMENDMENTS) THAT WILL BECOME EFFECTIVE, ON OR AFTER 1 JANUARY 2022, NOT YET ENDORSED BY THE EU

STANDARDS	CHANGES	EFFECTIVE DATE *
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognise deferred tax on the recognition of assets under right-of-use/lease liability and provisions for decommissioning/related asset, when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, because of not being relevant for tax purposes	01 Jan 2023
IFRS 17 Initial application of IFRS 17 and IFRS 9 – Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information	01 Jan 2023

* for financial years beginning on or after

These standards have not been endorsed by European Union and, therefore, the Company did not implement them for the year ended 31 December 2021.

2.2. INVESTMENTS

Equity investments in subsidiaries and associated companies are accounted for accordingly with IAS 27, at acquisition cost net of potential impairment losses.

Subsidiaries are companies over which MC has control, i.e., when it is exposed to, or has rights over the variable returns of its involvement with the companies and has the ability of affecting them through the control exercised over them.

Associated companies are entities over which the Company exerts significant influence, i.e., over which the Company has the power to take part in operational and financial decisions, but that power does not correspond to control or joint control over them.

Dividends are recognised as investment gains when determined.

The Company performs impairment tests of the investments in subsidiaries and associated companies when events or any changes evidence that the net book value in the separate financial statements is not recoverable. Besides recognising an impairment loss in such investments, MC recognises additional losses for other liabilities or payments made in the benefit of the companies.

Impairment losses are calculated by comparison between the recoverable investment amount and the net book value of the investment. Investments value-in-use estimate is based on the valuation of the subsidiary using discounted cash flow models. Subsidiaries or joint ventures which main assets are real estate companies or 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 methodology mentioned above is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the separate financial statements.

If subsequently the impairment amount decreases, and the decrease results objectively of a certain event occurred after the initial impairment recognition, the amount registered therein is reverted up to the limit of the amount that would be recognised should there never have been any impairment loss.

2.3. FINANCIAL INSTRUMENTS

The Company classifies financial instruments in the categories presented and reconciled with the separate statement of financial position as detailed in note 4.

FINANCIAL ASSETS

Recognition

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

Classification

Financial assets classification depends on the business model followed by the Company in their management (receipt of cash flows or appropriation of fair value changes) and on the contractual terms of the receivable cash flows.

Changes in a financial asset classification can only be made when the business model changes, except for financial assets at fair value through other comprehensive income, that constitute equity instruments, which can never be reclassified to another category.

Financial assets may be classified in the following measurement categories:

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

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

(iii) Financial assets at fair value through profit or loss: include assets that do not meet the criteria for classification as financial assets at amortised 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 of 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 separate income statement when incurred.

Financial assets at amortised cost are subsequently measured by the effective interest rate method and deducted of 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 initial record date and subsequently, and their fair value changes are recorded directly in the other comprehensive income, in equity, without any future reclassification even after derecognition of the investment.

Impairment losses

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

Regarding «Loans granted to 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 it is low risk; or (iii) if it has a term of less than 12 months.

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

For all other cases and natures of receivables, namely «Other accounts receivable», the Company applies the impairment model general approach, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the asset initial recognition. 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 asset maturity.

Derecognition of financial assets

The Company derecognises financial assets when, and only when, the contractual rights to the cash flows have expired or have been transferred, and the Company has substantially transferred all the risks and rewards of the asset ownership.

a) Loans and accounts receivable

Loans are recorded at amortised cost, using the effective interest rate method, net of potential impairment losses.

Financial income is calculated applying the effective interest rate, except for short-term receivables where the amounts to recognise would be immaterial.

These financial investments arise when the Company provides funds or services to a related entity with no intention of trading the receivable.

Loans granted are recorded as current assets, except when its maturity is more than 12 months after the statement of financial position date, in which case they are classified as non-current assets.

Other receivables are recorded at face value net of potential impairment losses, recognised under the caption «Impairment losses in accounts receivable», reflecting their net realisable value.

Impairment losses on loans granted and accounts receivable are recognised according to the accounting polices previously described.

Impairment losses recorded equal the difference between the recorded receivable balance and the present value of its estimated future cash flows, discounted at the effective interest rate. When the receivable is expected to occur in less than a year, the discount is nil since its impact is considered immaterial.

b) Cash and cash equivalents

«Cash and cash equivalents» include cash on hand, cash at banks, term deposits and other treasury applications, which mature in less than three months, and can be withdrawn immediately with insignificant risk of change in value.

In the separate cash flows statement, «Cash and cash equivalents» also includes bank overdrafts, which are included in the separate statement of financial position current liabilities caption «Bank loans».

CLASSIFICATION AS EQUITY OR LIABILITY

Financial liabilities and equity instruments are classified according with their contractual substance, regardless the legal form they assume.

FINANCIAL LIABILITIES

Financial liabilities are classified into two categories:

(i) Financial liabilities at fair value through profit or loss; and

(ii) Financial liabilities at amortised cost.

«Financial liabilities at amortised cost» category includes liabilities presented under «Bonds», «Bank loans», «Trade payables» and «Other accounts payable». These liabilities are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost with the effective interest rate.

As at 31 December 2021, the Company has only recognised liabilities classified as «Financial liabilities at amortised cost».

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

a) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments, which constitutes their fair value at transaction date.

Financial expenses are calculated based on the effective interest rate and are recorded in the separate 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 is added to the book value of the loan, if it is not paid in the year.

Commercial paper loans are classified as non-current when they have placement for a period of over one year and the Company intends to use this form of financing for a period of over one year.

b) Trade payables and other accounts payable

Trade payables and other accounts payable are stated at their face value since they relate to short term debt and the discount effect is estimated to be immaterial.

c) Effective interest rate method

The effective interest rate method is the method used to calculate the amortised cost of a financial asset or liability and to allocate interest income or expense until the financial instrument maturity.

d) Derivative financial instruments

MC uses derivatives in the management of its financial risks to hedge such risks, not being used with speculative purposes.

Derivative financial instruments are initially recorded at the fair value as at transaction date and subsequently measured at fair value. The method of recognising fair value gains and losses depends on the designation of the derivative 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) as changes in fair value do not result mainly from credit risk; and

(iii) the hedge ratio designated by the Company, 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 MC mainly to hedge interest risks on loans obtained and exchange rate.

Hedging efficiency is assessed based on critical criteria (amount, interest rate, interest liquidation dates, exchange rate and maturity date) of the hedged item and of the hedging instrument which tend to be equal. That results in a hedging rate close to 100%. Changes in the hedge criteria and hedged item are continuously monitored. Inefficiencies, if any, are accounted under «Financial income» or «Financial expenses» in the separate 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 separate income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics of the host contract are not closely connected and these are not stated at fair value, gains and losses which are not realised recorded in the separate income statement.

FINANCIAL INDEX

e) Balances and transactions stated in foreign currency

Transactions in foreign currency are recorded in the functional currency (Euro) using the rates in force on the date of the transaction. Assets and liabilities expressed in foreign currency are translated into the functional currency, using the exchange rates prevailing on the date of the statement of financial position for each period. 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 in the separate income statement.

Non-monetary assets and liabilities in foreign currency recorded at historical cost are converted into the functional currency, using the exchange rate in force on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and recorded at fair value are converted into the functional currency, using the exchange rate in force on the date on which the fair value was determined.

2.4. CONTINGENT ASSETS AND LIABILITIES

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

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

2.5. ACCRUAL BASIS

Dividends are recognised as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, regardless the date of the corresponding payment or receipt. Income and expenses for which the 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 received or paid in the future. Those captions also include payments and receipts that have already occurred but relate to income or expenses of future years, which will be duly recognised in the separate income statement.

2.6. SUBSEQUENT EVENTS

Events after the separate financial statement position date that provide additional information about conditions that existed at the statement of financial position date (adjusting events), are reflected in the separate 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

Estimates and judgements with impact on the separate financial statements are continuously evaluated, representing at each reporting date management's best estimate, taking into consideration historical performance, accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

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

a) Impairment analysis of investments (notes 2.2 and 5);

b) Recognition of impairments to asset values (note 2.3);

c) Provisions and contingent liabilities analysis (notes 2.4 and 17);

d) Measurement of derivate financial instruments fair value (notes 2.3d) and 7).

Estimates used were based on the best available information during the preparation of these separate financial statements and on the best knowledge of past and/or present events. However, in subsequent years situations may occur that, due to their unpredictability as at this date, were not considered in those estimates. Therefore, and due to this uncertainty, the outcome of the transactions being estimated may differ from the initial estimate. Changes to estimates used by management that occur after the approval date of these separate financial statements, will be recognised in net income prospectively, in accordance with IAS 8.

2.8. LEGAL RESERVE

The Portuguese Companies Code establishes that, at least 5% off annual net profit must be used to increase «Legal reserves» until they represent at least 20% of the share capital. This reserve is not distributable, except in the case of the 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 based on the Company's taxable income, pursuant to current Portuguese tax rules.

MC is included in the taxable group of companies dominated by Sonae, SGPS, S.A., and it is taxed in accordance with the Special Regime of Taxing Groups of Companies (RETGS). Consequently, the calculated income tax to be received or paid by the Company is recorded against that entity and included in the separate statement of financial position under the caption «Income tax».

Tax losses from RETGS' dominated companies determine their allowance to group tax losses. With exception of 2017, in which only the dominant company recorded the group tax losses, the companies that contribute with tax losses record the correspondent tax amount in their separate accounts, equally under the caption «Income tax» of the separate 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 their amounts used for taxable purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted to be in force when the temporary differences are expected to reverse.

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

Deferred tax liabilities are recognised on all taxable temporary differences. However, regarding subsidiary investments' taxable temporary differences, these should not be recognised since: i) the shareholder does not have the ability to control the temporary difference reversal period, and ii) it is likely that the temporary difference reversal does not occur in the near future.

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

Taxes recognised in the separate financial statement correspond to the Company's understanding of the tax treatment applicable to the specific transactions, being the income tax, or other taxes, liabilities recognised based on its interpretation that is believed to be the most appropriate.

In cases where such tax treatment is challenged by tax authorities, being their interpretation distinct from MC's, a review is performed. If such review, reconfirms the group's tax treatment and it is determined that the loss probability of certain tax process is less than 50%, MC treats the case as a contingent liability, i.e. it does not recognise any tax amount since the more likely decision will lead to no tax payment. When the loss probability is greater than 50%, a provision is recognised or, if the payment has been made, an expense is recognised.

When payments are made to tax authorities under special schemes of debt regularisation, related to income tax, in which both the respective lawsuit continues in progress and the likelihood of success of such lawsuit is greater than 50%, they are recognised as assets, as these determined amounts are expected to be reimbursed to the entity (usually with interest) or used to offset tax payments that will be due by the group, in which case the obligation is determined as a present obligation. When payments relate to other taxes, such amounts are recorded as expenses, although MC's understanding is that they will be reimbursed with interest.

2.10. TRANSACTIONS WITH RELATED ENTITIES

Transactions with related entities are at arm's length conditions, and gains or losses from those transactions are recognised and disclosed in note 18.

3. RISK MANAGEMENT

Risk management general principles are approved by the Board of Directors, and its implementation is monitored and supervised by MC's management and treasury department.

The main goal of risk management is to support the long term strategy of MC, reducing undesired risks, its related volatility and trying to mitigate potential negative impacts on MC results that may result from such risks. MC has a conservative and prudent posture regarding risk and, when derivative financial instruments are used, they intend to hedge an operational risk, and not speculate.

3.1. MARKET RISKS

INTEREST RATE RISK

Interest rate risk has a significant importance regarding market risk management. MC exposure to interest rate arises mainly from long-term loans which, in its majority, bear interest indexed to Euribor.

The Company's goal is to reduce cash flows and income volatility, considering its operational activity profile, by using an appropriate mix of fixed and variable interest rate debt. MC's policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but not for speculative 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 match those of the corresponding loans in terms of base rate, calculation rules, rate setting dates and repayment schedules and therefore qualify as perfect hedges.

Sensitivity analysis:

Interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect interest receivable or payable of variable interest financial instruments (interest payments which are not designated as hedged cash flow for interest rate risk). Consequently, they are included in the calculation of income related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value. As such, all financial instruments with fixed interest rate that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7;
- In the case of fair value hedges of interest rate risk, changes in the fair value of the hedging item and the hedged financial instrument related to interest rate movements are almost completely offset in the separate income statement in the same year, therefore these financial instruments are also not exposed to interest rate risk;
- Changes in market interest rate of financial instruments designated as cash flow hedging instruments (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the sensitivity analysis with impact in equity (other reserves);
- Changes in fair value of derivative financial instruments and other financial assets and liabilities are estimated by discounting future cash flows to the present value using appropriate market rates prevailing at year end and assuming a parallel shift in interest rate curves;
- For sensitivity analysis purposes all financial instruments outstanding during the year are considered.

Under these assumptions, MC exposure to this risk is deemed insignificant, since if Euro interest rates had been 75 basis points higher, the Company separate profit before tax for the year ended 31 December 2021 would decrease by approximately 1.3 million euro (4.1 million euro decrease in 2020), considering the contractual fixing dates and excluding other effects arising on the Company operations.

EXCHANGE RATE RISK

The impact on the financial statements of changes in exchange rate is reduced, as most operacional transactions are denominated in euro. MC is only exposed to exchange rate risk due to a loan obtained in US Dollars.

To limit the risk of exposure to foreign currencies MC contracted a financial derivative that allow replicating the natural hedge through financial movements, always in line with the existing exchange rate risk policy.

The exchange risk management purpose is to provide a stable decision platform when making financing decisions establishing fixed and known expenses. Exchange rate hedging accompanies all the financing decision process.

As at 31 December 2021 the amount in euros of the liabilities denominated in USD was 105,950,400 euros (nil in 2020).

Since a perfect exchange rate hedging derivative was contracted there are no impacts in results due to fluctuations in the exchange rate.

3.2. LIQUIDITY RISK

The main purpose of liquidity risk management is to ensure, at all times, that the Company and related entities, have the necessary financial resources to fulfil its commitments with third parties as they become due and to carry on their strategy, through proper management of financing costs and maturity.

The Company conducts an active refinancing policy, with the objective of maintaining a high level of free financial resources immediately available to deal with short-term needs, increasing or maintaining debt maturity in accordance with expected cash flows, and the ability to leverage its financial position. As at 31 December 2021 MC's average debt maturity, adjusted for cash and cash equivalents and pre-financed long-term credit lines available, was approximately 5 years (2020: 4.7 years).

Another important liquidity risk management method is the negotiation of contractual terms with reduced possibility of lenders triggering early termination prepayment of loans. The Company also guarantees a high level of diversification in its relationships with financial institutions which facilitates contracting new loans and limits the negative impact of any relationship discontinuation.

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 in unfavourable terms. As at 31 December 2021 there were 72.5 million euros of loans with maturity in 2022 (in 2020 no loans had maturity in 2021) and the Company had 96 million euro committed credit facilities for a period of up to one year (94 million euro in 31 December 2020), and 125 million euro committed for a period of over one year (265 million euro in 2020), 175 million euro when contemplated the credit lines contracted in the beginning of 2022 (note 12). Furthermore, MC maintains as at 31 December 2021 a liquidity reserve that includes cash and cash equivalents as described on note 10. Although current assets are lower than current liabilities, MC expects to meet all its obligations using its operacional cash flows, its financial assets, and, if needed, drawing existing available credit lines as well as extending the maturity of loans to related entities.

The liquidity analysis' for financial instruments is disclosed next to each class of financial liabilities note.

3.3. CREDIT RISK

Credit risk is defined as the probability of a counterparty defaulting on its contractual obligations resulting in a financial loss and is primarily present in MC's financing dealings with related entities.

«Loans granted to related entities» balances are considered to have low credit risk and, therefore, impairment losses recognised during the year were limited to estimated credit losses at 12 months. These financial assets are considered «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.

MC is also exposed to credit risk in its relationship with financial institutions, regarding bank deposits.

Credit risk arising from financial institutions is limited by risk concentration management and by selecting counterparties which have a high national and international prestige and based on their rating notations considering the nature, maturity and size of the operations.

3.4. CAPITAL RISK

MC's capital structure, determined by the proportion of equity and net debt, is managed to ensure continuity and development of its operations, maximise shareholders return and optimise financing costs.

MC periodically monitors its capital structure, identifying risks, opportunities and necessary adjustment measures to achieve these goals.

4. FINANCIAL INSTRUMENTS BY CLASSES

According to the accounting policies disclosed in note 2.3 the financial instruments were classified, as at 31 December 2021 and 2020, as shown below:

FINANCIAL ASSETS – 31 DEC 2021

	NOTES	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE	OTHER NON-FINANCIAL ASSETS	TOTAL
NON-CURRENT ASSETS					
Other non-current assets	6	405,587,753	–	–	405,587,753
		405,587,753	–	–	405,587,753
CURRENT ASSETS					
Other accounts receivable	7	271,493,208	–	653,037	272,146,245
Other current assets	9	6,619,086	–	782,251	7,401,337
Derivative financial instruments	12	–	7,106,548	–	7,106,548
Cash and cash equivalents	10	137,021,419	–	–	137,021,419
		415,133,713	7,106,548	1,435,288	423,675,549
		820,721,466	7,106,548	1,435,288	829,263,302

FINANCIAL LIABILITIES – 31 DEC 2021

	NOTES	FINANCIAL LIABILITIES AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE	OTHER NON-FINANCIAL ASSETS	TOTAL
NON-CURRENT LIABILITIES					
Bonds	12	223,620,524	–	–	223,620,524
Bank loans	12	160,950,400	–	–	160,950,400
Other non-current liabilities		50,021	–	–	50,021
		384,620,945	–	–	384,620,945
CURRENT LIABILITIES					
Bank loans	12	72,423,939	–	–	72,423,939
Trade payables		113,988	–	–	113,988
Other payable	14	962,604,877	–	5,392	962,610,269
Other current liabilities	15	2,917,881	–	48,822	2,966,703
		1,038,060,685	–	54,214	1,038,114,899
		1,422,681,630	–	54,214	1,422,735,844

FINANCIAL ASSETS – 31 DEC 2020

	NOTES	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL ASSETS AT FAIR VALUE	OTHER NON-FINANCIAL ASSETS	TOTAL
NON-CURRENT ASSETS					
Other non-current assets	6	370,969,603	–	–	370,969,603
		370,969,603	–	–	370,969,603
CURRENT ASSETS					
Other accounts receivable	7	378,200,259	–	653,037	378,853,296
Other current assets	9	2,243,242	–	1,279,032	3,522,274
Derivative financial instruments	12	–	–	–	–
Cash and cash equivalents	10	79,699,248	–	–	79,699,248
		460,142,749	–	1,932,069	462,074,818
		831,112,352	–	1,932,069	833,044,421

FINANCIAL LIABILITIES – 31 DEC 2020

	NOTES	FINANCIAL LIABILITIES AT AMORTISED COST	FINANCIAL LIABILITIES AT FAIR VALUE	OTHER NON-FINANCIAL ASSETS	TOTAL
NON-CURRENT LIABILITIES					
Bonds	12	321,021,071	–	–	321,021,071
Bank loans	12	194,599,695	–	–	194,599,695
Other non-current liabilities		50,021	–	–	50,021
		515,670,787	–	–	515,670,787
CURRENT LIABILITIES					
Bank loans	12	–	–	–	–
Trade payables		96,516	–	–	96,516
Other payable	14	952,584,371	–	9,415	952,593,786
Other current liabilities	15	3,094,832	–	103,750	3,198,582
		955,775,719	–	113,165	955,888,884
		1,471,446,505	–	113,165	1,471,559,671

5. FINANCIAL INVESTMENTS IN SUBSIDIARIES

Throughout 2021 and 2020 the movement in financial investments in subsidiaries was as follows:

FINANCIAL INVESTMENTS IN SUBSIDIARIES – 31 DEC 2021

		ACQUISITION COST					
ENTITY	OWNED (%)	OPENING BALANCE	INCREASE	DECREASE	CLOSING BALANCE	ACCUMULATED IMPAIRMENT [1]	BALANCE IN THE FINANCIAL STATEMENT POSITION
Modelo Continente Hipermercados, S.A.	100%	1,345,763,096	–	–	1,345,763,096	–	1,345,763,096
IGI Investimentos e Gestão Imobiliária, S.A.[a]	100%	359,363,564	–	–	359,363,564	–	359,363,564
Sonvecap BV	100%	155,573,113	–	–	155,573,113	–	155,573,113
Marcas MC, ZRT	100%	146,943,000	–	–	146,943,000	–	146,943,000
Sonae MC – Serviços Partilhados, S.A.	100%	62,032,319	–	–	62,032,319	–	62,032,319
Pharmacontinente – Saúde and Higiene, S.A.	100%	54,082,875	–	–	54,082,875	–	54,082,875
Farmácia Selecção, S.A.	100%	13,940,377	–	–	13,940,377	(3,860,377)	10,080,000
Go Well, S.A.	100%	4,459,657	6,000,000[b]	–	10,459,657	(7,460,000)[g]	2,999,657
Elergone Energias, Lda	100%	1,196,862	3,500,000[c]	(33,800)	4,663,062	–	4,663,062
Sohi Meat Solutions –Dist. de Carnes, S.A.	50%	2,340,000	–	–	2,340,000	–	2,340,000
Fundo Invest. Imobiliário Imosonae Dois	0.09%	143,429	–	–	143,429	(14,742)	128,687
SCBrasil Participações, Ltda.	62.51%	19,600,308	15,100,000[d]	–	34,700,308	(34,700,308)	–
Soflorin BV	100%	8,342,933	–	–	8,342,933	(8,342,933)	–
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	3,591,619	–	–	3,591,619	(3,591,619)	–
Modelo – Dist.de Mat. de Construção,S.A.	–	22,790,614	–	(22,790,614)[e]	–	–	–
Sonae MC S2 Africa Limited	–	67,880	–	(67,880)[f]	–	–	–
		2,200,231,646	24,600,000	(22,892,294)	2,201,939,352	(57,969,979)	2,143,969,373

a) Company formerly named Sonae RP Retail Properties, S.A.
b) Share capital increases and losses coverage;
c) Acquisition of remaining stake and share capital increase of deducted of non-realised acquisition price adjustment;
d) Share capital increase through the conversion of voluntary capital contributions;
e) Sale of 50% share capital held in Modelo–Distribuição de Materiais de Construção, S.A.;
f) Conclusion of the liquidation of Sonae MC S2 Africa Limited, which was fully impaired in previous years;
g) During 2021 an impairment loss was recorded in relation to the investment in Go Well, S.A. (note 18);

1. Note 16

Note: Fundo Invest. Imobiliário Imosonae Dois is held in 95.22% by Sonvecap BV (fully owned) hence its classification as investment and not «Financial asset at fair value through profit or loss»

FINANCIAL INVESTMENTS IN SUBSIDIARIES – 31 DEC 2020

COMPANY	OWNED (%)	ACQUISITION COST			
		OPENING BALANCE	INCREASE	DECREASE	CLOSING BALANCE
Modelo Continente Hipermercados, S.A.	100%	1,331,763,096	14,000,000 [b]	–	1,345,763,096
IGI Investimentos e Gestão Imobiliária, S.A.[a]	100%	354,563,564	4,800,000 [b]	–	359,363,564
Sonvecap BV	100%	155,573,113	–	–	155,573,113
Marcas MC, zRT	100%	146,943,000	–	–	146,943,000
Sonae MC – Serviços Partilhados, S.A.	100%	62,032,319	–	–	62,032,319
Pharmacontinente – Saúde and Higiene, S.A.	100%	50,082,875	4,000,000 [b]	–	54,082,875
Modelo – Dist.de Mat. de Construção, S.A.	50%	24,790,614	–	(2,000,000) [e]	22,790,614
Farmácia Selecção, S.A.	100%	13,940,377	–	–	13,940,377
Go Well, S.A.	100%	4,059,657	400,000 [c]	–	4,459,657
Sohi Meat Solutions – Dist. de Carnes, S.A.	50%	2,340,000	–	–	2,340,000
Elergone Energias, Lda	75%	1,196,862	–	–	1,196,862
Fundo Invest. Imobiliário Imosonae Dois	0.09%	143,429	–	–	143,429
SCBrasil Participações, Ltda.	37%	19,600,308	–	–	19,600,308
Soflorin BV	100%	8,342,933	–	–	8,342,933
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	3,591,619	–	–	3,591,619
Sonae MC S2 Africa Limited	100%	1,200	66,680 [d]	–	67,880
MOVVO, S.A.	–	3,632,843	–	(3,632,843) [f]	–
Sport Zone spor malz.per.satis ith.ve ti	–	396,395	–	(396,395) [f]	–
		2,182,994,204	23,266,680	(6,029,238)	2,200,231,646

a) Company formerly named Sonae RP Retail Properties, S.A.
b) Share capital increases;
c) Acquisition of the remaining share capital;
d) Voluntary capital contributions and respective impairment loss, since the company is in liquidation (note 18);
e) Voluntary capital contributions reimbursement;
f) Conclusion of the liquidation of MOVVO, S.A. and Sport Zone spor malz.per.satis ith.ve ti, which were fully impaired in previous years;

COMPANY	OWNED (%)	ACCUMULATED IMPAIRMENT [1]	BALANCE IN THE FINANCIAL STATEMENT POSITION
Modelo Continente Hipermercados, S.A.	100%	–	1,345,763,096
IGI Investimentos e Gestão Imobiliária, S.A.[a]	100%	–	359,363,564
Sonvecap BV	100%	–	155,573,113
Marcas MC, zRT	100%	–	146,943,000
Sonae MC – Serviços Partilhados, S.A.	100%	–	62,032,319
Pharmacontinente – Saúde and Higiene, S.A.	100%	–	54,082,875
Modelo – Dist.de Mat. de Construção, S.A.	50%	–	22,790,614
Farmácia Selecção, S.A.	100%	(3,860,377)	10,080,000
Go Well, S.A.	100%	–	4,459,657
Sohi Meat Solutions –Dist. de Carnes, S.A.	50%	–	2,340,000
Elergone Energias, Lda	75%	–	1,196,862
Fundo Invest. Imobiliário Imosonae Dois	0.09%	(14,742) [g]	128,687
SCBrasil Participações, Ltda.	37%	(19,600,308)	–
Soflorin BV	100%	(8,342,933)	–
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	(3,591,619)	–
Sonae MC S2 Africa Limited	100%	(67,880)	–
MOVVO, S.A.	–	–	–
Sport Zone spor malz.per.satis ith.ve ti	–	–	–
		(35,477,859)	2,164,753,787

g) During 2020 an impairment loss was recorded in relation to the investment in Fundo de Investments Imobiliário Imosonae Dois (note 18);

1. Note 16

Note: Fundo Invest. Imobiliário Imosonae Dois is held in 95.22% by Sonvecap BV (fully owned) hence its classification as investment and not «Financial asset at fair value through profit or loss»

The Company's investments main financials as at 31 December 2021 were the following:

COMPANY'S INVESTMENTS MAIN FINANCIALS – 31 DEC 2021

COMPANY	OWNED (%)	ASSETS	LIABILITIES	EQUITY	INCOME	NET PROFIT/ (LOSS)
Elergone Energias, Lda [a]	100%	54,146,574	28,027,481	26,119,093	103,777,013	(3,698,932)
Farmácia Selecção, S.A. [a]	100%	11,013,183	927	11,012,256	–	433,053
Fundo Invest. Imobiliário Imosonae Dois [a]	0.09%	154,644,527	2,851,484	151,793,043	11,529,997	11,755,761
Go Well, S.A. [a]	100%	5,398,318	2,644,083	2,754,235	5,057,676	(1,716,295)
Marcas MC, zRT [a]	100%	370,649,527	11,462,701	359,186,826	71,034,704	59,099,997
Modelo Continente Hipermercados, S.A. [a]	100%	4,043,514,654	3,275,088,710	768,425,944	4,569,313,563	24,636,452
Pharmacontinente – Saúde and Higiene, S.A. [a]	100%	107,251,623	78,978,998	28,272,625	217,040,995	7,464,683
SCBrasil Participações, Ltda. [a]	62.51%	11,781,217	14,569,722	(2,788,505)	–	(3,746,829)
Soflorin BV	100%	80,683,510	75,046,820	5,636,690	–	(19,556)
Sohi Meat Solutions – Dist. de Carnes, S.A. [a]	50%	66,852,644	60,319,319	6,533,325	299,888,851	1,661,157
Sonae MC – Serviços Partilhados, S.A. [a]	100%	160,820,357	58,881,443	101,938,914	84,965,584	6,855,448
IGI Investimentos e Gestão Imobiliária, S.A. [a, b]	100%	782,200,734	477,266,195	304,934,539	26,792,493	30,939,462
Sonvecap BV	100%	160,639,180	62,205	160,576,975	–	5,082,797
Zippy cocuk malz.dag.ith.ve tic.ltd.sti [c]	100%	–	–	–	–	–

a) Financials from the financial statements included in Sonae MC, SGPS, S.A. consolidated accounts, which are prepared according to IFRS
b) Company formerly named Sonae RP Retail Properties, S.A.
c) Not available

The Company's investments main financials as at 31 December 2020 are shown below:

COMPANY'S INVESTMENTS MAIN FINANCIALS – 31 DEC 2020

COMPANY	OWNED (%)	ASSETS	LIABILITIES	EQUITY	INCOME	NET PROFIT/ (LOSS)
Elergone Energias, Lda [a]	75%	24,270,923	9,134,078	15,136,845	68,449,220	4,338,964
Farmácia Selecção, S.A. [a]	100%	10,579,980	777	10,579,203	–	411,692
Fundo Invest. Imobiliário Imosonae Dois [a]	0.09%	149,455,382	3,418,098	146,037,284	12,154,028	10,551,001
Go Well, S.A. [a]	100%	2,909,396	4,394,563	(1,485,167)	5,454,746	(1,611,115)
Marcas MC, zRT [a]	100%	368,611,917	6,325,089	362,286,828	68,468,094	62,293,525
Modelo Continente Hipermercados, S.A. [a]	100%	4,052,005,959	3,307,767,963	744,237,996	4,344,041,820	2,458,851
Modelo – Distribuição de Materiais de Construção, S.A. [a]	50%	83,761,229	39,280,724	44,480,505	115,647,785	9,008,007
Pharmacontinente – Saúde and Higiene, S.A. [a]	100%	104,011,978	79,574,698	24,437,280	189,855,504	128,338
SCBrasil Participações, Ltda. [a]	37%	10,980,929	25,312,573	(14,331,644)	–	(4,076,048)
Soflorin BV	100%	77,444,536	71,788,290	5,656,246	–	(2,214)
Sohi Meat Solutions – Dist. de Carnes, S.A. [a]	50%	72,383,179	66,398,841	5,984,338	285,604,981	1,295,033
Sonae MC – Serviços Partilhados, S.A. [a]	100%	165,380,584	58,705,961	106,674,623	92,432,037	11,901,205
Sonae MC S2 Africa Limited [a]	100%	4,900	7,812	(2,912)	–	(8,759)
IGI Investimentos e Gestão Imobiliária, S.A. [a, b]	100%	800,866,352	480,203,639	320,662,713	21,391,319	7,736,368
Sonvecap BV [a]	100%	172,483,316	159,733	172,323,583	–	8,329,405
Zippy cocuk malz.dag.ith.ve tic.ltd.sti [c]	100%	–	–	–	–	–

a) Financials from the financial statements included in Sonae MC, SGPS, S.A. consolidated accounts, which are prepared according to IFRS
b) Company formerly named Sonae RP Retail Properties, S.A.
c) Not available

Investments are tested for impairment according to the accounting policy described in note 2.2 and to the discounted cash flows model valuation.

The main assumptions used in the MC's investments valuation with the exception of IGI Investimentos e Gestão Imobiliária, S.A. and Marcas MC, zRT can be summarised as follows:

	31 DEC 2021	31 DEC 2020
Basis of recoverable amount	Value of use	Value of use
Weighted average cost of capital	10%	8.3%–10%
Perpetuity growth rate	1.50%	1.50%
Income compounded growth rate	-0.1% to 12.4%	-0.9% to 32.1%

IGI Investimentos e Gestão Imobiliária, S.A. impairment test was based on real estate valuations at the reporting date performed by independent specialised entities and Marcas MC, zRT impairment test was based on the «Royalty Relief Method» with a royalty rate from similar activities.

Modelo Continente Hipermercados, S.A. investment valuation did not take into account the pending contingencies over the referred subsidiary, since, at the date of approval of these financial statements, litigations are ongoing and it is the Board of Directors expectation that no liabilities will arise from the resolution of such litigations.

6. OTHER NON-CURRENT ASSETS

As at 31 December 2021 and 2020 non-current assets were as follows:

	31 DEC 2021	31 DEC 2020
Loans granted to related parties	418,229,070	394,347,009
Impairment on loans granted[1]	(12,691,338)	(23,427,427)
Other debtors	50,021	50,021
	405,587,753	**370,969,603**

1. Note 16

Loans granted to related parties have long-term maturity, render interest at market rates indexed to Euribor and their fair value is similar to their carrying amount.

During 2021 the Company converted 15.1 million euros of loans granted to SCBrasil Participações, Ltda. in share capital.

Impairment of loans granted to related parties is assessed in accordance with note 2.3.a).

7. OTHER ACCOUNTS RECEIVABLE

As at 31 December 2021 and 2020 this caption is as follows:

	31 DEC 2021	31 DEC 2020
Loans granted to related parties	271,073,432	372,168,000
Interests to be received	398,304	6,020,064
State and other public entities	653,037	653,037
Other accounts receivable	210,423	207,884
Accumulated impairment losses [1]	(188,951)	(195,689)
	272,146,245	**378,853,296**

1. Note 16

Loans granted to group companies return interest at variable market rates indexed to Euribor and have a maturity of less than one year. There were no past due assets as at 31 December 2021 and 2020. The fair value of granted loans is similar to their carrying amount.

Impairment of loans granted to related parties is assessed in accordance with note 2.3.a).

8. INCOME TAX

As at 31 December 2021 and 2020 «Income tax» in the separate statement of financial position is composed of:

	31 DEC 2021	31 DEC 2020
Additional 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	2,916,832	2,916,832
Income tax for years when the company was not dominant of the tax group	2,743,690	4,289,425
Income tax for years when the company was dominant of the tax group	4,950,858	4,966,175
CURRENT ASSETS	7,694,548	9,255,600
Income tax for years when the company was dominant of the tax group	2,101,152	2,101,152
CURRENT LIABILITIES	2,101,152	2,101,152

Amounts related to «Special regime for payment of tax and social security debts» and «Special program of debt reduction to the state» (DL 248-A/2002, of 14 November, DL 151-A/2013, of 31 October and DL 67/2016 of 3 November) correspond to amounts paid, related to settlements of income tax that are already in court. Legal proceedings are still being processed, however the guarantees provided for those proceedings have been cancelled. It is MC understanding that the result of the complaints made will be favourable, therefore no adjustments were recorded for possible losses.

Current assets caption «Income tax for years when the company was not dominant of the tax group» includes the income tax estimate and withholding tax. It also includes recoverable income tax for previous years. These amounts were recorded against Sonae, SGPS, S.A., since, from 2014 onwards, the Company is taxed under RETGS dominated by this entity.

«Income tax for years when the company was dominant of the tax group» balance is made of receivable and payable amounts related to the periods, prior to 2014, when the company was the dominant company of RETGS.

«Income tax» recognised in the separate income statement in 2021 and 2020 is detailed as follows:

	31 DEC 2021	31 DEC 2020
Current tax	(1,256,260)	(2,896,757)
Deferred tax	1,132	9,296
Income tax	(1,255,128)	(2,887,461)

Reconciliation of income tax for the years ended at 31 December 2021 and 2020 is as follows:

	31 DEC 2021	31 DEC 2020
Profit before income tax	161,440,982	234,842,355
Theoretical tax rate	21%	21%
Theoretical income tax	33,902,606	49,316,895
NON TAXABLE PROFIT OR LOSS		
Dividends	(28,947,299)	(52,145,790)
Impairment (reversal)/loss	2,468,767	(84,768)
(Gains)/losses in investment sales	(9,502,214)	–
Social realisations	30,792	–
Impairment loss on assets	1,415	10,267
Difference between tax and accounting capital gains/losses	1,252	–
Excess/(insufficient) tax estimate	757,860	44
Others	31,693	15,891
TOTAL INCOME TAX	(1,255,128)	(2,887,461)
EFFECTIVE INCOME TAX RATE	–0.78%	–1.23%

9. OTHER CURRENT ASSETS

As at 31 December 2021 and 2020 «Other current assets» can be detailed as follows:

	31 DEC 2021	31 DEC 2020
Interests to be received	5,532,782	743,211
Guarantees	1,050,950	1,313,001
Indemnity interest	35,354	187,030
Accrued income	6,619,086	2,243,242
Loans up-front fees	716,194	1,181,182
Prepaid insurance	66,057	97,850
Prepayments	782,251	1,279,032
	7,401,337	3,522,274

10. CASH FLOW STATEMENT

As at 31 December 2021 and 2020 «Cash and cash equivalents» can be detailed as follows:

	31 DEC 2021	31 DEC 2020
Bank deposits	137,021,419	79,699,248
Cash and cash equivalents on the financial position statement	137,021,419	79,699,248
Cash and cash equivalents on the statement of cash flows	137,021,419	79,699,248

During 2021 and 2020 the following collections and payments related with investments and divestments occurred:

COLLECTIONS AND PAYMENTS ON FINANCIAL INVESTMENTS – 31 DEC 2021

	INVESTMENTS/ (DIVESTMENTS) FOR THE PERIOD	RECEIVED AMOUNT	PAID AMOUNT
Modelo – Distribuição de Materiais de Construção, S.A.	(22,790,614)	68,034,480	–
Elergone Energias, Lda	3,500,000	–	3,500,000
Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	6,000,000	–	6,000,000
	(13,290,614)	68,034,480	9,500,000

COLLECTIONS AND PAYMENTS ON FINANCIAL INVESTMENTS – 31 DEC 2020

	INVESTMENTS/ (DIVESTMENTS) FOR THE PERIOD	RECEIVED AMOUNT	PAID AMOUNT
Modelo – Distribuição de Materiais de Construção, S.A.	(2,000,000)	2,000,000	–
Modelo Continente Hipermercados, S.A.	14,000,000	–	14,000,000
IGI Investimentos e Gestão Imobiliária, S.A.*	4,800,000	–	4,800,000
Pharmacontinente – Saúde e Higiene, S.A.	4,000,000	–	4,000,000
Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	400,000	–	400,000
Sonae MC S2 Africa Limited	66,680	–	66,680
MOVVO, S.A.	(11,350)	11,350	–
	21,255,330	2,011,350	23,266,680

* Company formerly named Sonae RP Retail Properties, S.A.

11. EQUITY

SHARE CAPITAL

As at 31 December 2021 and 2020 the share capital, which is fully subscribed and paid for, was made up by 1,000,000,000 ordinary shares, with a nominal value of 1 euro each.

As at 31 December 2021 and 2020 the subscribed share capital of MC was held as follows:

	31 DEC 2021	31 DEC 2020
Sonae Holdings, S.A.	51.8269%	51.8269%
Sonae, SGPS, S.A.	10.0387%	35.0287%
Camoens Investments S à r.l	24.9900%	–
Sonae Investments BV	13.1444%	13.1444%

As at 31 December 2021 Efanor Investimentos, SGPS, S.A. and its affiliated companies held 56.74% of Sonae, SGPS, S.A.'s share capital, which held, directly or and indirectly, 75.01% of the Company.

OTHER RESERVES AND RETAINED EARNINGS

During the year ended 31 December 2021 reserves of 7,080,512 euro were transferred from retained earnings to free reserves. This amount is mostly related to adjustments generated with transition to IFRS.

The movements that occurred in 2021 and 2020 in these reserves are detailed in the separate statement of changes in equity.

12. BONDS AND BANK LOANS

As at 31 December 2021 and 2020, this caption included the following loans:

	31 DEC 2021		31 DEC 2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Bonds Sonae MC / April 2020/2027	–	95,000,000	–	95,000,000
Bonds Sonae MC / December 2019/2024	–	30,000,000	–	30,000,000
Bonds Sonae MC ESG–Linked / November 2021/2026*	–	60,000,000	–	75,000,000
Bonds Sonae MC / July 2020/2025	50,000,000	–	–	50,000,000
Bonds Sonae MC / July 2020/2025	22,500,000	–	–	22,500,000
Bonds Sonae MC ESG–Linked / December 2021/2024	–	40,000,000	–	–
Bonds Sonae MC / December 2015/2024	–	–	–	50,000,000
Up-front fees not yet charged to statement of profit or loss	(76,061)	(1,379,476)	–	(1,478,929)
Bond loans	**72,423,939**	**223,620,524**	**–**	**321,021,071**
Commercial paper	–	105,950,400	–	140,000,000
Sonae MC 2018/2031	–	55,000,000	–	55,000,000
Up-front fees not yet charged to statement of profit or loss	–	–	–	(400,305)
Bank loans	**–**	**160,950,400**	**–**	**194,599,695**
	72,423,939	**384,570,924**	**–**	**515,620,766**

* previously named «Bonds Sonae MC / May 2015/2022», meanwhile extended

In April 2021 MC issued commercial paper of 120,000,000 USD of MC 2019/2024 programme (above value for 105,950,400 euros) and simultaneously contracted an exchange rate hedging derivative. This derivative was, as at 31 December 2021, an asset recorded as «Derivative financial instruments» in the separate statement of financial position for 7,106,548 euros. While the loan resulted in exchange rate losses of 6,704,883 euros (regarding capital and interest), the derivative financial instrument resulted in exchange rate gains, both detailed in note 19.

During January 2022 bond loans were reimbursed and therefore are classified as current.

The carrying amount of all loans does not differ significantly from their fair value. The calculation method used for estimating the fair value of loans is based on the discounted cash flows model. Most above detailed loans bear interest at variable rates indexed to market benchmarks.

Bonds and bank loans and interest shall be reimbursed as follows:

	31 DEC 2021		31 DEC 2020	
	CAPITAL	INTEREST	CAPITAL	INTEREST
N+1	72,500,000	3,404,446	–	5,917,775
N+2	6,111,111	2,860,860	185,000,000	5,500,669
N+3	152,061,511	2,772,933	26,111,111	4,077,568
N+4	25,111,111	2,322,565	96,111,111	3,740,087
N+5	115,111,111	1,889,045	97,611,111	2,667,870
After N+5	87,555,556	1,463,158	112,666,667	2,818,281
	458,450,400	**14,713,007**	**517,500,000**	**24,722,250**

The aforementioned maturities were estimated according to the loans contractual clauses and considering MC's expectation of its amortisation date.

Interest amounts were calculated considering financing rates as at 31 December 2021 and 2020, respectively.

As at 31 December 2021 and 2020 there were financial covenants included in borrowing agreements, negotiated as per market practices, and which were in regular compliance as at the date of this report.

As at 31 December 2021 and 2020 in addition to «Cash and cash equivalents» (note 10) the Company had 221 million euro of available credit facilities (359 million as at 31 December 2020) that can be summarised as follows:

	31 DEC 2021		31 DEC 2020	
	LESS THAN 1 YEAR COMMITMENTS	MORE THAN 1 YEAR COMMITMENTS	LESS THAN 1 YEAR COMMITMENTS	MORE THAN 1 YEAR COMMITMENTS
Agreed credit facilities	96,000,000	225,000,000	94,000,000	405,000,000
Unused credit facilities	96,000,000	125,000,000	94,000,000	265,000,000

In the beginning of 2022 MC contracted 50 million euro of new credit lines with more than 1 year commitment, increasing the agreed credit facilities to 275 million euro and the available credit facilities to 175 million euro.

The 2021 average interest rate of bonds and bank loans was 0.85% (1.16% in 2020).

13. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities during 2021 and 2020 is as follows:

	FINANCIAL INSTITUTIONS	RELATED PARTIES
BALANCE AT 1 JAN 2020	590,500,000	977,234,983
Receipts from bank loans	1,533,500,000	–
Payments of bank loans	(1,673,000,000)	–
Receipts from bond loans	167,500,000	–
Payments of bond loans	(101,000,000)	–
Receipts from related entities	–	5,182,510,000
Payments to related entities	–	(5,207,206,983)
BALANCE AT 31 DEC 2020	**517,500,000**	**952,538,000**
BALANCE AT 1 JAN 2021	517,500,000	952,538,000
Receipts from bank loans	679,267,899	–
Payments of bank loans	(720,000,000)	–
Exchange rate fluctuation impact	6,682,501	–
Receipts from bond loans	40,000,000	–
Payments of bond loans	(65,000,000)	–
Receipts from related entities	–	5,025,627,000
Payments to related entities	–	(5,015,561,100)
BALANCE AT 31 DEC 2021	**458,450,400**	**962,603,900**

FINANCIAL INDEX

14. OTHER ACCOUNTS PAYABLE

As at 31 December 2021 and 2020 this caption is detailed as follows:

	31 DEC 2021	31 DEC 2020
Loans from related entities [1]	962,603,900	952,538,000
Fixed assets suppliers	–	33,800
Other payables	6,369	21,986
	962,610,269	**952,593,786**

1. Note 23

Loans obtained bear interest at market rates indexed to Euribor and have maturities of less than one year.

15. OTHER CURRENT LIABILITIES

As at 31 December 2021 and 2020 «Other current liabilities» were composed as follows:

	31 DEC 2021	31 DEC 2020
Accrued interest	1,911,433	2,173,347
Guarantees	835,946	862,647
Financing costs	170,502	58,838
Other accruals	48,822	103,750
	2,966,703	**3,198,582**

16. PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

During the years ended 31 December 2021 and 2020 movements in «Provisions and accumulated impairment losses» were as follows:

	BALANCE AT 31 DEC 2020	INCREASE	DECREASE	TRANSFERS	BALANCE AT 31 DEC 2021
Investments impairment [1]	35,477,859	7,460,000	(67,880)	15,100,000	57,969,979
Other non-current assets impairment [2]	23,427,427	4,366,850	(2,939)	(15,100,000)	12,691,338
Other debtors impairment [3]	195,689	24	(6,762)	–	188,951
	59,100,975	11,826,874	(77,581)	–	70,850,268

1. Note 5 and 18 2. Note 6 3. Note 7

	BALANCE AT 31 DEC 2019	INCREASE	DECREASE	TRANSFERS	BALANCE AT 31 DEC 2020
Investments impairment [1]	39,425,675	81,422	(4,029,238)	–	35,477,859
Other non-current assets impairment [2]	19,834,376	3,648,891	(55,840)	–	23,427,427
Other debtors impairment [3]	237,005	–	(41,316)	–	195,689
	59,497,056	3,730,313	(4,126,394)	–	59,100,975

1. Note 5 and 18 2. Note 6 3. Note 7

The impairment transfer from other non-current assets to investments is related to the share capital increase in SCBrasil with voluntary capital contributions.

The increase and decrease of provisions and impairment losses were recorded in the separate income statement under the following captions:

	31 DEC 2021		31 DEC 2020	
	INCREASE	DECREASE	INCREASE	DECREASE
WITH IMPACT IN THE INCOME STATEMENT				
Gains and losses related to investments [1]	11,826,850	–	3,730,313	–
Provisions and impairment losses	24	–	–	–
	11,826,874	–	3,730,313	–
WITHOUT IMPACT IN THE INCOME STATEMENT				
Direct usage in investments	–	(67,880)	–	(4,029,238)
Direct usage in non current assets	–	(2,939)	–	(55,840)
Direct usage in accounts receivable	–	(6,762)	–	(41,316)
	–	(77,581)	–	(4,126,394)
	11,826,874	(77,581)	3,730,313	(4,126,394)

1. Note 18

17. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020 guarantees in favour of third parties are as follows:

	31 DEC 2021	31 DEC 2020
On tax claims awaiting outcome		
Financial institutions guarantees	88,711,121	90,696,508
Parent company guarantees	236,316,955	245,070,150
Other	8,250,000	8,250,000
Guarantees on tax claims given in favour of subsidiaries	299,730,194	373,326,019

Guarantees on tax claims awaiting outcome includes guarantees granted to tax authorities regarding previous years income tax. The most significant amounts relate to an additional tax assessment made by tax authorities, relating to 2003 to 2008 taxable result, regarding: losses covered by the Company in a subsidiary recorded in the acquisition cost, , which the tax authorities have affirmed in the past but have now and in this case considered that should not have been; corrections regarding the usage of taxable losses on the sale and subsequent liquidation of a Company's subsidiary; corrections related to the non-acceptance of tax losses that arose from the sale and subsequent liquidation of a Company's subsidiary in 2002. The Company has appealed against these tax claims, being the Board of Directors' understanding, based on its adviser's 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 tax debts regularisation («Special regime for payment of tax and social security debts» – DL 248-A/2002, DL 151-A/2013 and DL 67/2016) in previous years the Company made tax payments and cancelled the respective guarantees. As at 31 December 2021 the outstanding amount is 4,941,216 euro and the related tax appeals continued in courts.

Following the disposal of a Brazilian subsidiary, the group guaranteed to the buyer all losses arising from additional tax assessments as it is described in the contingent assets and liabilities note in the appendix to the consolidated financial statements.

18. RELATED PARTIES

Main transactions with related parties during the years ended 31 December 2021 and 2020 can be summarised as follows:

	31 DEC 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
TRANSACTIONS	**EXTERNAL SUPPLIES AND SERVICES**		**OTHER INCOME**	
Parent company	885,542	996,957	41,962	42,077
Subsidiaries	377,066	323,309	1,118,569	1,267,899
Other related parties	280,717	133,356	52,852	44,756
	1,543,325	1,453,622	1,213,383	1,354,732
TRANSACTIONS	**INTEREST INCOME**		**INTEREST EXPENSES**	
Parent company	–	–	28,721	339,927
Subsidiaries	8,799,450	10,018,871	9,005,597	8,783,724
	8,799,450	10,018,871	9,034,318	9,123,651

Main outstanding balances with related parties as at 31 December 2021 and 2020 can be summarised as follows:

	31 DEC 2021	31 DEC 2020	31 DEC 2021	31 DEC 2020
BALANCES	**ACCOUNTS RECEIVABLE**		**ACCOUNTS PAYABLE**	
Parent company	2,671,847	4,229,272	906,036	994,312
Subsidiaries	6,811,339	7,806,643	706,393	1,170,247
Other related parties	116,082	154,146	102,677	65,412
	9,599,268	12,190,061	1,715,106	2,229,971
BALANCES	**OBTAINED LOANS**		**GRANTED LOANS**	
Subsidiaries	962,603,900	952,538,000	689,302,502	766,515,008
	962,603,900	952,538,000	689,302,502	766,515,008

All Efanor, SGPS, S.A.s subsidiaries, associated companies and joint ventures are considered «Other related parties» namely: all companies of MC, SGPS, S.A. Group (group in which the company operates and that account for most reported balances and transactions); the companies of Sonae, SGPS, S.A. Group (including, in addition to the MC Group, companies belonging to Sonae Holdings, S.A., Sonae Sierra, SGPS, S.A. and SonaeCom, SGPS, S.A.; and the companies of Sonae Indústria, SGPS, S.A. Group and of Sonae Capital, SGPS, S.A. Group. The Board of Directors members are also considered related parties.

In 2021 and 2020 no transactions occurred, nor loans were granted to the Company's Directors. Additionally, as at 31 December 2021 and 2020, there were no balances with the Company's Directors. The Board of Directors compensation for the years ended 31 December 2021 and 2020 is detailed as follows:

	31 DEC 2021	31 DEC 2020
Short-term compensation	111,300	202,500

GAINS OR LOSSES ON INVESTMENTS:

In 2021 and 2020 gains or losses on investments are detailed as follows:

	31 DEC 2021	31 DEC 2020
DIVIDENDS		
Marcas MC, ZRT	62,200,000	229,335,356
IGI Investimentos e Gestão Imobiliária, S.A.*	46,667,636	–
Sonvecap BV	16,829,405	–
Sonae MC – Serviços Partilhados, S.A.	11,591,158	10,944,390
Sohi Meat Solutions –Dist. de Carnes, S.A.	556,084	596,956
Modelo – Dist.de Mat. de Construção, S.A.	–	5,224,092
Pharmacontinente – Saúde e Higiene, S.A.	–	2,212,494
	137,844,283	248,313,288
FINANCIAL INVESTMENTS INCOME		
Fundo de Investimento Imobiliário Imosonae Dois	5,287	18,764
	5,287	18,764
IMPAIRMENT REVERSAL/(LOSSES)		
Go Well, S.A.	(7,460,000)	–
SCBrasil Participações, Ltda.	(4,366,850)	(3,600,000)
Fundo de Investimento Imobiliário Imosonae Dois	–	(14,742)
Sonae MC S2 Africa Limited	–	(66,680)
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	–	(48,890)
(NOTE 16)	(11,826,850)	(3,730,312)
INVESTMENT SALES INCOME/(LOSSES)		
Modelo – Dist.de Mat. de Construção, S.A.	45,243,866	–
Sonae MC S2 Africa Limited	4,772	–
Sport Zone spor malz.per.satis ith.ve ti	–	11,440
	45,248,638	11,440
	171,271,358	244,613,180

* Company formerly named Sonae RP Retail Properties, S.A.

During 2021 MC sold its 50% share in Modelo – Distribuição de Materiais de Construção, S.A. it also recorded an impairment loss on Go Well, S.A., reinforced the impairment loss in the voluntary capital contributions of SCBrasil Participações, Ltda and concluded the liquidation of Sonae MC S2 Africa Limited (note 5).

19. FINANCIAL INCOME AND EXPENSES

During the years ended 31 December 2021 and 2020 financial income and expenses were as follows:

	31 DEC 2021	31 DEC 2020
INTEREST EXPENSES RELATED TO		
loans to related entities	(9,034,318)	(9,123,651)
non convertible bonds	(3,654,762)	(3,562,275)
bank loans and overdrafts	(2,207,475)	(2,591,138)
others	(128,557)	–
Up-front fees and commissions related to loans	(2,434,911)	(2,762,332)
Foreign exchange losses [1]	(6,704,883)	–
Stamp duty tax over loans	(1,633)	(6,119)
Financial expense	**(24,166,539)**	**(18,045,515)**
INTEREST INCOME FROM		
loans to related entities	8,799,415	10,018,871
bank deposits	542	1,339
Gains with derivative financial instruments [1]	7,106,548	–
Financial income	**15,906,505**	**10,020,210**
NET FINANCIAL RESULTS	**(8,260,034)**	**(8,025,305)**

1. Note 12

As mentioned in note 12, MC agreed a loan in USD and, simultaneously, contracted an exchange rate hedging derivative. The abovementioned foreign exchange losses and gains with derivative financial instruments are related to these operations.

20. EXTERNAL SERVICES AND SUPPLIES

External services and supplies in 2021 and 2020 are as follows:

	31 DEC 2021	31 DEC 2020
Bank fees and services	938,539	1,027,075
Guarantees fees	874,042	896,957
Specialised services	479,925	684,274
Insurance	302,594	133,817
Others	5,715	25,090
	2,600,815	**2,767,213**

21. STAFF COSTS

Staff costs for the years ended 31 December 2021 and 2020 are as follows:

	31 DEC 2021	31 DEC 2020
Salaries	138,765	241,235
Payroll charges	31,651	52,154
Other staff costs	5,342	10,152
	175,757	**303,564**

22. EARNINGS PER SHARE

Earnings per share for the years ended 31 December 2021 and 2020 were calculated considering the following amounts:

	31 DEC 2021	31 DEC 2020
EARNINGS		
Earnings used to calculate basic and diluted earnings per share (profit for the period)	162,696,110	237,729,816
NUMBER OF SHARES		
Number of shares used to calculate basic and diluted earnings per share	1,000,000,000	1,000,000,000
Earnings per share (basic and diluted)	**0.1627**	**0.2377**

23. INFORMATION REQUIRED BY LAW

DECREE-LAW N.º 318/94 ART.º 5.º N.º 4

During the year ended 31 December 2021 the Company entered shareholders' long-term loan agreements with the following entities:

- IGI Investimentos e Gestão Imobiliária, S.A. *
- SCBrasil Participações, Ltda

During the year ended 31 December 2021 short-term loans were agreed, including a centralised cash management contract with the following entities:

- Asprela – Sociedade Imobiliária, S.A.
- Azulino – Imobiliária, S.A.
- BB Food Service, S.A.
- Bertimóvel – Sociedade Imobiliária, S.A.
- Bom Momento – Restauração, S.A.
- Brio – Produtos de Agricultura Biológica, S.A.
- Canasta – Empreendimentos Imobiliários, S.A.
- Citorres – Sociedade Imobiliária, S.A.
- Closer Look Design, Lda
- Contimobe – Imobiliária do Castelo de Paiva, S.A.
- Continente Hipermercados, S.A.
- Cumulativa – Sociedade Imobiliária, S.A.
- Elergone Energia, Lda
- Farmácia Selecção, S.A.
- Fozimo – Sociedade Imobiliária, S.A.
- IGI Investimentos e Gestão Imobiliária, S.A. *
- Igimo – Sociedade Imobiliária, S.A.
- Iginha – Sociedade Imobiliária, S.A.
- Imoestrutura – Sociedade Imobiliária, S.A.
- Imomuro – Sociedade Imobiliária, S.A.
- Imoresultado – Sociedade Imobiliária, S.A.
- Imosistema- Sociedade Imobiliária, S.A.
- MCCare, Serviços de Saúde, S.A.
- MJLF – Empreendimentos Imobiliários, S.A.
- Modelo Continente Hipermercados, S.A.
- Modelo Continente Hipermercados – Sucursal en España
- Modelo Hiper Imobiliária, S.A.
- Pharmaconcept – Actividades em Saúde, S.A.
- Pharmacontinente – Saúde and Higiene, S.A.
- Ponto de Chegada – Sociedade Imobiliária, S.A.
- Predicomercial – Promoção Imobiliária, S.A.
- Predilugar – Sociedade Imobiliária, S.A.
- Selifa – Sociedade de Empreendimentos Imobiliários, S.A.
- Sempre à Mão – Sociedade Imobiliária, S.A.
- Socijofra – Sociedade Imobiliária, S.A.
- Sociloures – Sociedade Imobiliária, S.A.
- Sonae MC – Serviços Partilhados, S.A.
- Sondis Imobiliária, S.A.
- Valor N, S.A.

During 2021 short-term loans were also agreed with the following entities:

- Sonae SGPS, S.A.
- Chão Verde – Sociedade de Gestão Imobiliária, S.A.
- Go Well, S.A.
- Portimão Ativo – Sociedade Imobiliária, S.A.
- Marcas MC, zRT

* Company formerly named Sonae RP Retail Properties, S.A.

As at 31 December 2021 balances payable related to these agreements can be detailed as follows:

LOANS OBTAINED

	BALANCE AT 31 DEC 2021
Modelo Continente Hipermercados, S.A.	381,800,000
Marcas MC, ZRT	278,880,000
Continente Hipermercados, S.A.	86,366,000
Contimobe – Imobiliária de Castelo de Paiva, S.A.	65,973,000
Sonae MC – Serviços Partilhados, S.A.	16,251,000
Predicomercial – Promoção Imobiliária, S.A.	13,232,000
Modelo Hiper Imobiliária, S.A.	9,171,000
BB Food Service, S.A.	8,137,900
Bertimóvel – Sociedade Imobiliária, S.A.	6,953,000
Selifa – Empreendimentos Imobiliários de Fafe, S.A.	6,375,000
Farmácia Selecção, S.A.	6,285,000
Imoestrutura – Sociedade Imobiliária, S.A.	6,210,000
Citorres – Sociedade Imobiliária, S.A.	5,865,000
Imosistema – Sociedade Imobiliária, S.A.	5,843,000
Imoresultado – Sociedade Imobiliária, S.A.	5,768,000
Fozimo – Sociedade Imobiliária, S.A.	5,692,000
MJLF – Empreendimentos Imobiliários, S.A.	5,487,000
Valor N – Sociedade Imobiliária, S.A.	5,320,000
Closer Look Design, Lda	4,786,000
Socijofra – Sociedade Imobiliária, S.A.	4,485,000
Pharmaconcept – Atividades em Saúde, S.A.	4,151,000
Bom Momento – Restauração, S.A.	3,929,000
Ponto de Chegada – Sociedade Imobiliária, S.A.	3,732,000
Canasta – Empreendimentos Imobiliários, S.A.	3,544,000
Iginha – Sociedade Imobiliária, S.A.	3,183,000
Imomuro – Sociedade Imobiliária, S.A.	3,126,000
Go Well, S.A.	2,578,000
Azulino Imobiliária, S.A.	2,498,000
Sociloures – Sociedade Imobiliária, S.A.	2,372,000
Cumulativa – Sociedade Imobiliária, S.A.	2,029,000
Igimo – Sociedade Imobiliária, S.A.	2,002,000
Brio – Produtos de Agricultura Biológica, S.A.	580,000
	962,603,900

As at 31 December 2021 balances receivable related to these agreements were the following:

LOANS GRANTED

	BALANCE AT 31 DEC 2021
IGI Investimentos e Gestão Imobiliária, S.A.*	456,215,732
Modelo Continente Hipermercados, S.A.	180,139,000
Elergone Energias, Lda	11,143,932
Sempre à Mão – Sociedade Imobiliária, S.A.	11,024,000
MCCare – Serviços de Saúde, S.A.	7,558,500
SCBrasil Participações, Ltda.	7,242,722
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	5,448,616
Sondis Imobiliária, S.A.	4,648,000
Asprela – Sociedade Imobiliária, S.A.	2,726,000
Pharmacontinente – Saúde and Higiene, S.A.	2,160,000
Go Well, S.A.	600,000
Predilugar – Sociedade Imobiliária, S.A.	305,000
Portimão Ativo – Sociedade Imobiliária, S.A.	91,000
	689,302,502

* Company formerly named Sonae RP Retail Properties, S.A.

ART.º 66º-A OF THE PORTUGUESE COMPANIES CODE

As mentioned on note 1 the Company also presents consolidated financial statements.

Information regarding the remuneration paid to the Statutory External Auditor is included in the Management report.

24. SUBSEQUENT EVENTS

There were no significant events after 31 December 2021 and until this date that need disclosure.

25. TRANSLATION NOTE

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

26. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The accompanying separate financial statements were approved by the Board of Directors on 25 March 2022. These separate financial statements will be presented to the Shareholders' General Meeting for final approval.

The Board of Directors,

Maria Cláudia Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

João Pedro Magalhães da Silva Torres Dolores

João Nonell Günther Amaral

Jan Reinier Voûte

Alan David Roux

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

STATUTORY AUDIT REPORT

pwc

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 2021 (which shows total assets of Euros 4,161,286,302 and total shareholders' equity of Euros 921,811,383 including a profit for the period attributable to the equity holders of the parent company of Euros 222,006,491), 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 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error;

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

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

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

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

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

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

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

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

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

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion; and

g) communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

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

Report on other legal and regulatory requirements

Directors' 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.

31 March 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Joaquim Miguel de Azevedo Barroso, ROC nº 1426
Registered with the Portuguese Securities Market Commission under nº 20161036

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 2021 (which shows total assets of Euros 2,983,844,058 and total shareholders' equity of Euros 1,559,007,062, including a net profit of Euros 162,696,110), the separate statement of 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 2021, 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.

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;

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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

Directors' 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.

31 March 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Joaquim Miguel de Azevedo Barroso, ROC nº 1426
Registered with the Portuguese Securities Market Commission under nº 20161036

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

REPORT AND OPINION OF STATUTORY AUDIT BOARD
Sonae MC SGPS, S.A.

(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 as in accordance with the terms of our mandate, the Statutory Audit Board presents its report on the supervision performed and its opinion on the management report and on the individual and consolidated financial statements for the year ended on 31 December 2021, 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 and statutory 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 fulfil 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, in this point of view, highlights the positive evolution of the businesses segments and the main partnerships, whose effects are evident in Group´s salutary economic and financial development.

The Statutory Audit Board, observed Recommendation I.5 of the IPCG Corporate Governance Code, in accordance with the criteria established by it in numbers 3 to 5 of article 4 of its Regulations, with the objective of characterizing the relevant level of transactions concluded with qualified shareholders or with or with entities with them in any of the relationships stipulated in paragraph 1 of article 20 of the Portuguese Securities Market Code, having not identified the materialization of relevant transactions in the light of those criteria, nor identified the presence of conflicts of interest .

The Statutory Audit Board complied with the Recommendations of the Corporate Governance Code of the IPCG I.2.2, I.2.3, I.2.4, I.3.1, I.3.2, I.5.1, I.5.2, III.1.1 (with incidence on the risk policy in accordance with and within its competence), VII.1.1, VII.2.1., VII.2.2., VII.2.3..

As a body fully composed by independent members in accordance with the legal criteria and all professionally qualified to perform their duties, the Statutory Audit Board developed its competences and interrelations with the other statutory bodies and Company's services in accordance with the principles and conduct recommended in the terms of legal and recommendations, and did not receive from the Statutory and External Auditor any report relating to irregularities or difficulties in the performance of its duties.

In the fulfilment of its duties, the Statutory Audit Board held 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 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 to be approve in the Shareholders' General Meeting:

- The Report of the Board of Directors.

- 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 2021.
- The proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance with article 8º, number 1 paragraph a) of the CMVM nr. 5/2008 Regulation a and with the terms defined in the article 29º-G, paragraph c) nº 1 of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained in the 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. Also, it is their understanding that the Board of Directors 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.

Maia, 31 March 2022

The Statutory Audit Board

António Augusto Almeida Trabulo

Maria José Martins Lourenço da Fonseca

Carlos Manuel Pereira da Silva