Grow with Purpose

MC Sonae

Annual Report 2023

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The year at a glance

Message from the CEO

“ Continue to grow with purpose, always putting families at the heart of our business! ”

In 2023, a year punctuated by a demanding geopolitical and economic environment, MC yet again demonstrated its capability to reinvent itself, continuing to invest, and growing its business.

Household purchasing power was impacted amidst a backdrop of historically high interest and inflation rates during the last year. Faced with these constraints, consumers were forced to adjust their consumption profile, leading to trading down movements and the fragmentation of average basket sizes.

In tandem, on the supply side, we observed a highly competitive environment, punctuated by heavy investments in pricing and promotion, and ambitious expansion plans by most operators.

MC remained committed to supporting families. Our customers recognised our efforts, and we wrapped up 2023 with a feeling of accomplishment and of a job well done.

Despite the challenging competitive landscape, we consolidated our leadership position in Portugal in the food-based retail business. This feat was achieved thanks to Continente’s high-quality product offering and competitive prices, both in-store and online. Throughout the year, we simultaneously made headway in expanding and modernising our store network, with particular highlight to the opening of more than 20 company-operated retail stores. We also opened up new ultra-proximity formats in urban areas, and rolled out the *Cozinha Continente* food service concept to several Continente stores in mainland Portugal, seeking to offer our Customers a proximity and convenient shopping experience.

On the health, wellness and beauty retail segment, we celebrated a milestone with the signing of a partnership to combine the businesses of Druni and Arenal, a transaction that currently awaits the approval of the competent competition authority. Combined with Wells' operation in Portugal, this partnership will result in the Company becoming the leading operator on the Iberian Peninsula in this segment. We also grew organically, with the opening of 15 Wells stores and 7 Arenal stores. We expanded specialised concepts such as opticians and selective beauty and renovated the first Wells flagship store in Matosinhos. With regards to strategic changes in our portfolio, we highlight the agreement reached for the sale of Dr. Wells, as a result of a market opportunity, and the closure of the Go Natural supermarket operation, already in 2024.

We also made strides in the growing digitalization of our business: we expanded the Continente instant delivery model, improved in-store digital solutions, such as the new self-checkout concept in food retail stores, and launched ZU's new e-commerce platform. We continued to promote and leverage data analytics competencies to offer personalized shopping experiences and increase Customer engagement, with innovative initiatives such as ticket sales for Liga Portugal matches using the *Cartão Continente* loyalty card app.

In 2023, MC turnover totalled 6.6 billion euro, up 10.5% on the previous year, with solid results in both the food and non-food businesses. Operating profitability, measured via EBITDA margin, stood at 9.7%, benefitting from our efforts in implementing measures to improve efficiency, but also from the significant reduction in energy costs, which enabled us to offset the pressures of a highly competitive environment.

We remained an example in terms of advancing sustainability in retail. On an environmental level, we made significant progress in terms of renewable energy production, circularity and avoiding food waste. In a special year for us, in which *Missão Continente* celebrated its 20th anniversary of community endeavours, we stepped up our support for those most in need. We also implemented several initiatives to foster the development, well-being and safety of our People and exceeded our target of 40% of leadership positions held by women.

We are extremely proud of our achievements, which are the result of committed and talented teams, partners and shareholders, whom I thank wholeheartedly.

Looking towards 2024, many uncertainties remain on the horizon. The challenges of the current geopolitical, economic and competitive environment will continue to be felt in our day-to-day, despite inflation returning to lower levels and the easing of consumption pressure for families. We remain confident in the execution of our strategy and remain committed to strengthening our position in the markets in which we operate, always placing families at the heart of our business, so we can continue to grow with purpose!

Luís Moutinho
CEO

Leadership Committee

Luís Moutinho
CEO

Fernando Van Zeller
CFO

Isabel Barros
People, Transformation and Sustainability

José Fortunato
Store Operations, Marketing, Digital and E-commerce

João Afonso
Food Trade

David Alves
Bazaar Trade

Miguel Águas
Health, Wellness and Beauty

Miguel Moreira
Information Technology and Logistics

Operational highlights

In 2023, in our food-based business, we launched new concepts and reinforced innovative solutions, with highlights including:

The expansion of the "***Cozinha Continente***" brand, offering ready-to-eat meals for takeout or ordered in advance, across all Continente stores, up and down the country

For more information, please visit: Cozinha Continente video and cozinha.continente.pt

The introduction of new **Continente Bom Dia ultra-proximity formats**, with stores with around 300 sqm in urban neighborhoods or areas with a high influx of tourists

The inauguration of the new **Customer Innovation Laboratory** (Co.Lab), dedicated to the development of private-label products in collaboration with partners and consumers

For more information, please visit: feed.continente.pt/co-lab

In the health, wellness and beauty business, we positioned MC as a sector leader in the Iberian Peninsula, with emphasis on:

For more information, please visit: druni.es

The agreement to combine the businesses of **Druni**, one of the largest retailers of perfumery, cosmetics, and parapharmacy in Spain, and **Arenal**, resulting in the creation of the leading operator in Spain in the sector (agreement subject to the approval of the competent competition authority)

For more information, please visit: arenal.com

The rollout of new store concepts by Wells, such as the renovation of the first **flagship store** in Matosinhos, or the expansion of stand-alone optical stores

For more information, please visit: wells.pt

We made significant progress in digital transformation and enhanced our omnichannel proposition, by:

The launch of the new e-commerce platform for **Zu**, reinforcing MC's digital power center

For more information, please visit: zu.pt

The introduction of innovative features in the ***Cartão Continente*** app (selling Liga Portugal tickets, *Continente Carrega*, etc.)

For more information, please visit: cartaocontinente.pt

For more information, please visit: quico.pt

The expansion of the ***Quico Continente*** quick delivery service to new areas of the country, such as Lisbon, Coimbra, and Braga

We strengthened our operations and logistics base, focusing on agility and efficiency, with initiatives such as:

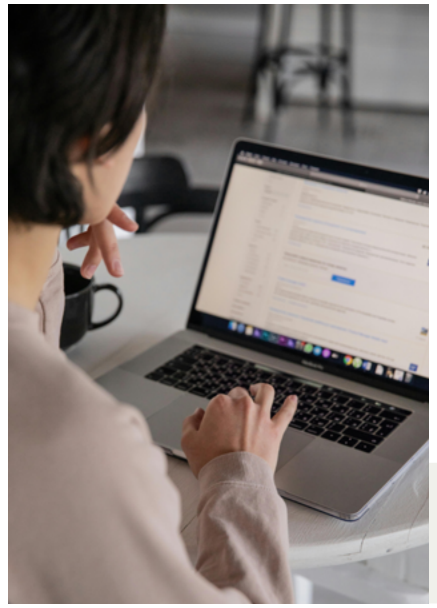
The rollout of the new **self-checkout** stations concept, already present in approximately 70 stores

The expansion of the use of **electronic tags**, available in around 145 stores

The internalization of the frozen goods operation at the **Azambuja Distribution Center**

We created value sustainably, progressing in various domains of the MC's Sustainability agenda, which resulted in:

The increase in **renewable energy** production by 30.4%, compared to 2022



The increase of **leadership positions** held by women to 40.6% (+0.9 pp compared to 2022)

The growth of our Community support to €30.8 million. In the year that we celebrated ***Missão Continente's*** 20th anniversary

For more information, please visit: 20 years Missão Continente video

and missao.continente.pt

Financial performance

In 2023, MC presented a solid financial and operational performance, a result of the investment in a competitive and high-quality value proposition, in a context of fragile consumption marked by high general inflation and interest rates. The Company's turnover reached €6,607 million, increasing by 10.5% compared to 2022, and 8.9% on a like-for-like basis, with a robust performance both in food retail and in health, wellness and beauty retail.

In food retail, MC preserved its market-leading position in Portugal, in a strongly competitive operational environment. The sector continued to operate under high levels of food inflation (10.4% in 2023), despite the deceleration trend throughout the year. MC's volumes, on a comparable store basis, remained relatively stable, while the price effect offset the negative impact of trading down in the sales mix.

In the health, wellness and beauty retail sector, MC maintained a favorable sales evolution, with a double-digit growth, pushed both by Wells and Arenal. The Company benefitted from the expansion of specialized concepts in optics and selective beauty, and organic growth through the expansion of its store network, as well as the upward trajectory of the sector in Portugal and Spain.

In terms of profitability, underlying EBITDA reached €639 million with a margin of 9.7%, increasing by 0.2 pp compared to 2022. This was a result of implementing efficiency improvement measures and of lower energy costs, which allowed the Company to offset the pressure in gross margin that resulted from the very dynamic competitive setting.

Results from continuing operations reached €171 million in 2023, slightly below the previous year (-4.8%), reflecting a higher level of i) depreciations, in line with the increase in assets; ii) financial charges, due to the rise in interest rates; and iii) taxes, as a result of the increase of the tax base.

Capex in 2023 totaled €310 million and was directed towards the expansion and modernization of the store network, and towards optimizing the logistics park and technological architecture. In 2023, MC opened 65 new company-operated stores (32 thousand sqm), with a highlight to 21 new food retail stores (including 19 Continente Bom Dia stores), 15 Wells and 7 Arenal stores. By the end of the year, MC had a total of 1,094 company-operated stores with a gross selling area of 881 thousand sqm.

The free cash flow of MC stood at €136 million in 2023 (€214 million in 2022), with a cash conversion ratio of 52.1%. Despite the disciplined execution of its ambitious investment plan and the increase in financial charges and taxes in 2023, MC's strong operational performance allowed it to maintain a solid free cash flow generation profile.

The Company maintained a balanced and solid capital structure, with a net financial debt (excluding lease liabilities) of €486 million and a total net debt (including lease liabilities)/EBITDA ratio of 2.8x at the end of December 2023, following the payment of dividends amounting to €214 million during the 2nd quarter of 2023.

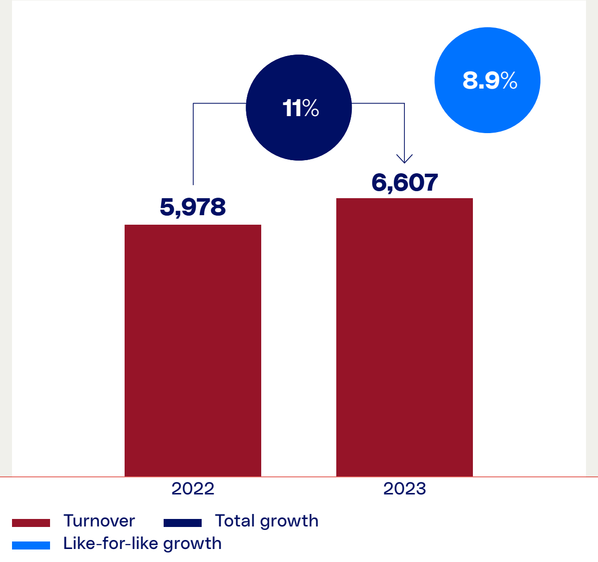
Additionally, MC ended the year with comfortable liquidity and financing positions, presenting a debt repayment schedule with an average maturity of around 4 years. Throughout the year, MC concluded significant refinancing operations under competitive conditions, prioritizing the issuance of sustainable debt, whether Green or ESG-linked, which already represents a significant proportion of MC's total long-term debt issuances.

In 2024, in an environment expectedly marked by a demanding economic and competitive context, MC will continue to prioritize agility and digitalization in the day-to-day management of its business, confident in its ability to adapt to overcome future challenges.

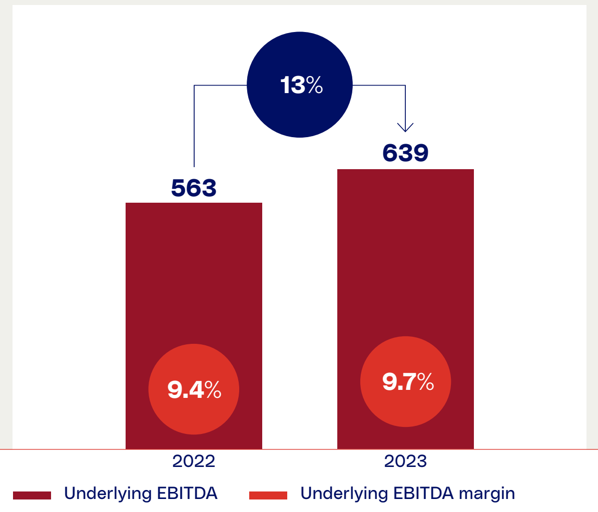
In the food retail sector, the Company will be focused on maintaining customer preference and supporting families in a demanding context, intensifying investment in its omnichannel network and consolidating leadership in key areas of its value proposition. Simultaneously, in the health, wellness and beauty retail sector, MC will continue to prepare for the future, establishing solid foundations to accelerate the development of its Iberian growth platform.

Store network (no.)

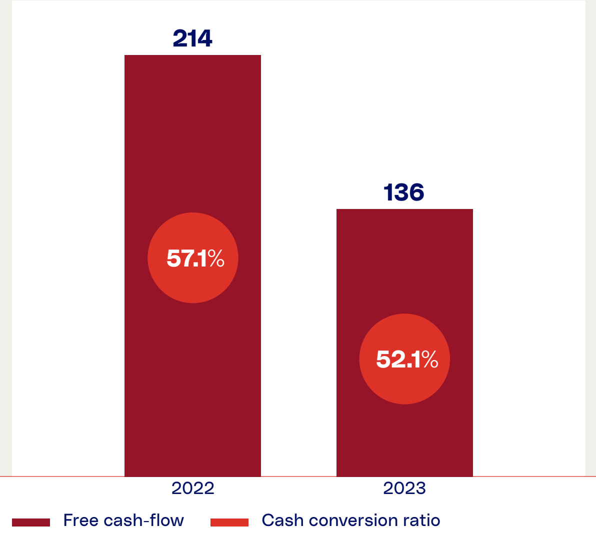
Turnover (€m)



Underlying EBITDA (€m) and underlying EBITDA margin (%)

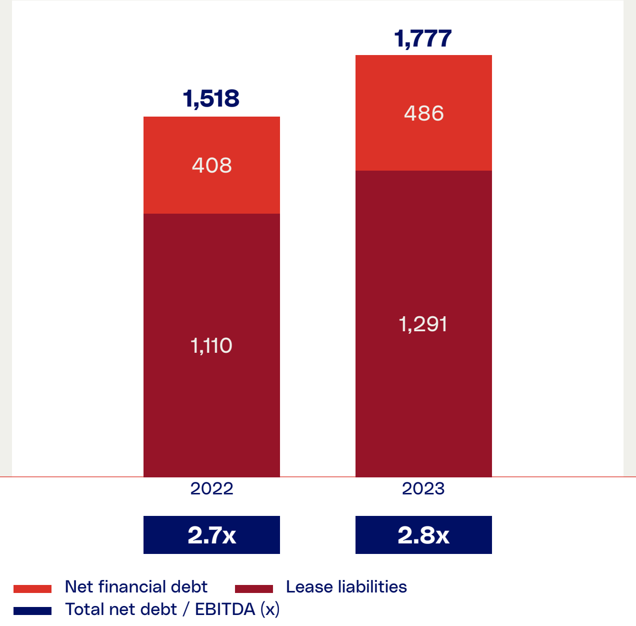


Free cash-flow (€m) and cash conversion ratio[1] (%)



1. EBITDA less fixed rents, less maintenance and optimization investment, as a percentage of (EBITDA less fixed rents).

Total net debt (€m)



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Businesses overview

Portfolio

With over 38 years of history, dating back to the opening of the country's first hypermarket in 1985, today, MC stands out as a reference company in the retail sector in Iberia.

With an omnichannel and multi-format approach, MC seeks to fulfill a variety of consumer missions through a set of complementary retail businesses, in the areas of:

- food retail, through Continente (urban hypermarkets), Continente Modelo (large-scale supermarkets), Continente Bom Dia (neighborhood supermarkets), Continente Online (e-commerce platform), and Meu Super (franchised neighborhood stores). The five formats have strategically located stores in high-population traffic areas in Portugal, offering a comprehensive and distinctive range of products. MC also operates a set of adjacent formats (such as Zu and note!) in specialized retail sectors;
- health, wellness and beauty retail, with an emphasis on the Wells brand in Portugal, which offers a wide range of health, beauty, optical and perfumery products, and Arenal in Spain, which provides a broad selection of health, beauty, wellness and perfumery articles.

In June 2023, the signing of an agreement for the combination of Druni[1], a retail company specializing in perfumery, cosmetics, and parapharmacy, and Arenal businesses, in Spain, was announced. The completion of this transaction, along with Wells' operation in Portugal, will result in the creation of the leading operator in the health, wellness and beauty segment in the Iberian Peninsula[2].

For more information, please visit: mc.sonae.pt/en/history

Key banners portfolio

food

Continente
Urban hypermarkets
41 Stores

Continente modelo
Large supermarkets
136 Stores

Continente bom dia
Proximity supermarkets
177 Stores

Continente Online
E-commerce platform
177 Click & Go locations
continente.pt

Meu Super
Franchise proximity supermarkets
304 Stores

COMPLEMENTARY BUSINESSES

Zu
Pet store and service offering
49 Stores
zu.pt

note!
Stationary, books and convenience services
85 Stores
noteonline.pt

health, wellness and beauty

wells
Health, beauty, well-being products, opticians and perfumery
285 Stores
wells.pt

arenal
Health, beauty, well-being products and perfumery
72 Stores
arenal.com

DRUNI[1]
Health, beauty, well-being products and perfumery
druni.es

1. Agreement is still subject to the approval of the competent competition authority

2. Additionally, as a result of a market opportunity, it was announced in November that MC reached an agreement for the sale of Dr. Wells to Grupo Lusiadas Saúde. In early 2024, the closure of the operation of all Go Natural supermarkets was announced

Note: the number of stores refers only to company-operated stores, excluding franchised stores (except for Meu Super)

Strategic priorities

Retail

food | health, wellness and beauty

Accelerated growth

- Invest in the expansion of the store network, particularly in proximity formats, as well as in its continuous modernization and in the integration of digital channels (omnichannel)
- Accelerate the growth of the Iberian partnership (Wells, Druni[1] and Arenal) with a sustained expansion of the store network and e-commerce operation

Distinctive offering

- Strengthen leadership in critical areas of the value proposition (e.g., private label, fresh products, food solutions), ensuring a democratic, varied and distinctive offer in the eyes of the Customer
- Explore new opportunities in the sector, focusing on the evolution of the offering and on the expansion of new concepts (e.g., optical solutions and beauty)

SUPPORTED BY 3 PILLARS

Digital

- Strengthen the digital proposition by being a reference in the in-store experience and e-commerce solutions
- Seize streamlining operation opportunities by using technology, automation and data analytics

People

- Be a reference employer, capable of attracting and promoting talent, with a culture that fosters agility and an entrepreneurial spirit
- Prepare the organization for future demands, ensuring the upskilling and reskilling of employees

Sustainability

- Be an example in promoting sustainability in the retail sector, promoting good environmental and social practices in our activity and in our value chain
- Support the Customer in their consumption decisions, informing them and democratizing access to a healthier and more sustainable lifestyle

1. Agreement is still subject to the approval of the competent competition authority

3

Sustainability in focus

Our commitment to Sustainability

At MC, the principles for a sustainable development are a guiding element in our actions, in the development of our People, in our interaction with the Planet and in our presence in the Community.

We aim to be a catalyst for the necessary transformation in the food system, aligning the supply chain with more material dimensions and with best practices, promoting greater transparency and more sustainable behaviors among consumers.

At the same time, we have a strong commitment to our People and Communities. We place our People at the center of our activity and culture, and we are aware of our role in building more resilient and autonomous communities.

Our Sustainability agenda encompasses four pillars of action:

Planet

Climate action / Circularity

Products

Sustainable production / Responsible offering

People

Communities

Planet Climate action

Targets

- Achieve carbon neutrality in operations by 2040
- By 2032, reduce greenhouse gas emissions from operations by 51% compared to 2022

Ambition

Ensure the decarbonization and adaptation of MC operations, in accordance with the 1.5°C scenario

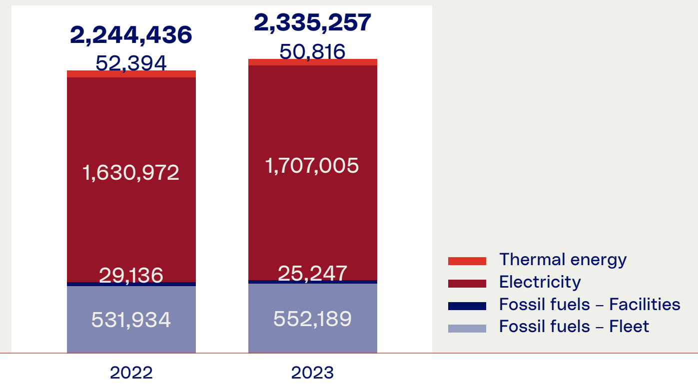
Lines of action

- Promote the eco-efficiency of operations
- Invest in the production and acquisition of renewable energy
- Ensure the retrofit and replacement of cooling centers
- Reduce emissions associated with logistics and accelerate the electrification of transportation

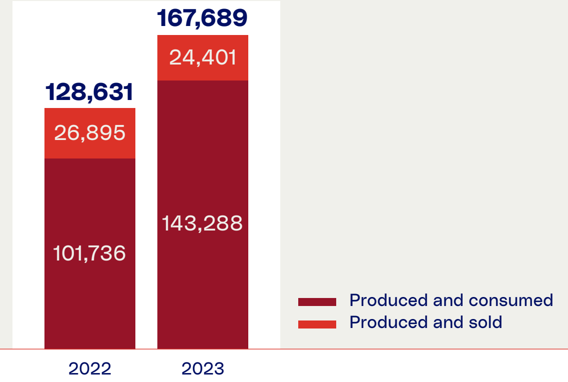
2023 performance

- Total energy consumption reached 2,335,257 GJ (+4% compared to 2022), driven by MC's organic growth and the expansion of new formats
- Renewable energy production reached 167,689 GJ (+30.4% compared to 2022), reflecting the investment in decarbonizing MC's energy matrix, particularly through local electricity production and strengthening Power Purchase Agreements (PPAs)
- Own greenhouse gas (GHG) emissions decreased by approximately 6.4% compared to 2022 and 34.7% compared to 2018

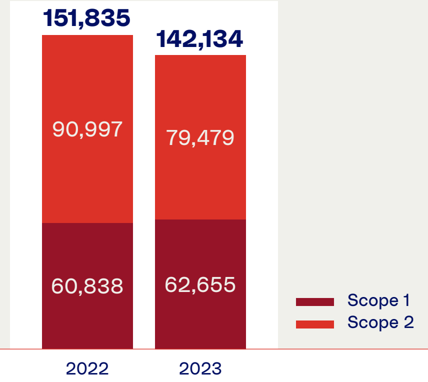
Energy consumption per source (GJ)



Renewable energy produced (GJ)



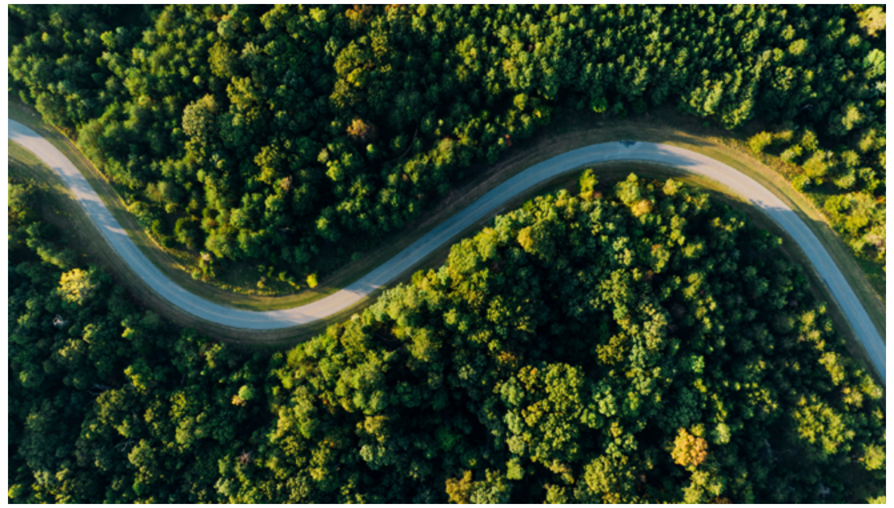
Own GHG emissions per scope (t CO_2e)



Key initiatives

Plug & Charge expansion:
MC's electric vehicle charging service doubled the number of customers throughout 2023, as well as the number of uses. Currently, the Plug & Charge network has 254 locations in 69 stores, establishing itself as an important charging network in mainland Portugal

Photovoltaic park:
MC closed the year with 264 power plants installed and operational, and a photovoltaic park with an installed capacity of approximately 52 MWp, representing a growth of 40.5% compared to 2022



SBTi approval:
the decarbonization targets of MC's operations and value chain have been validated by the Science Based Targets initiative (SBTi), an initiative that promotes the establishment of emission reduction targets aligned with climate science

CDP
DISCLOSURE INSIGHT ACTION
A LIST
2023
CLIMATE

Global leader in fighting climate change:
MC has been recognized by the CDP (Carbon Disclosure Project) by being included in its "A List", which gathers the companies with the best performance and transparency worldwide in this matter

Planet Circularity

Targets

- Ensure that all own-brand packaging will be recyclable, compostable, or reusable by 2025, incorporating an average of 30% recycled material
- By 2028, reduce food waste from our operations by 50%, compared to 2020

Ambition

Guide our actions towards greater efficiency in resource consumption and strengthen circularity

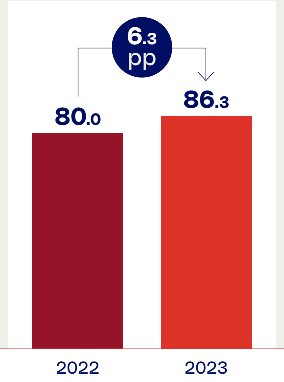
Lines of action

- Ensure the creation of sustainable packaging solutions
- Promote the development of circular products and services
- Strengthen initiatives to combat food waste in operations
- Optimize waste collection and sorting systems for greater valorization and/or reintegration of materials into the chain

2023 performance

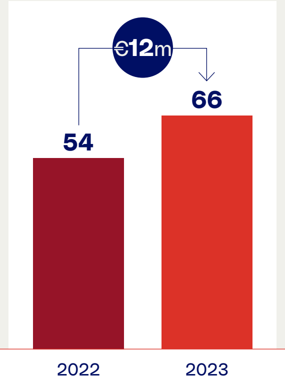
- We concluded 2023 with a packaging recyclability rate of approximately 92.9%, according to different types of materials and to MC's recyclability matrix. The recyclability rate of plastic packaging was 86.3%, indicating a growth of 6.3 pp compared to 2022

Plastic packaging recycling rate (%)



- The mechanisms to accelerate product turnover and the surplus donation program helped prevent approximately €65.7 million in food waste, more €12 million compared to 2022

Food waste avoided (€m)



- In waste management, MC managed 73,612 tons of waste, representing a 1% increase compared to 2022, driven by the company's organic growth. We achieved a waste recovery rate of 83.5%. Limitations encountered in terms of collection services and urban waste recovery infrastructure constrained the evolution of this indicator, despite the improvements made in operations to ensure better sorting and management of both recyclable and organic waste

Key initiatives

Há uma Nova Forma de Entregar **(There's a new way to deliver):** to support the packaging change program, the Sustainable Packaging Manual was developed, which systematizes MC's eco-design and design4recycling guidelines. Additionally, a training program was created for MC employees and suppliers, to assure and accelerate its adoption

Zero Waste range: under the slogan "Products too good to waste", MC launched a new range of out-of-grade or slightly imperfect fruits and vegetables. This represents a new tool to reduce food waste in MC's supply chain

Waste management: the year 2023 was marked by the implementation of a coffee capsule collection system in all MC food store brands. The *Cadernão* (The Notebook) campaign experienced remarkable growth, being extended to 250 stores of the Continente and note! banners, with remarkable results: 155 tons of paper collected were sent for recycling, that will lead to the planting of 3,100 trees during 2024

Products Sustainable production

Targets

- Ensure zero deforestation associated with critical raw materials
- By 2032, reduce greenhouse gas emissions in the supply chain by 31%, compared to 2022

Ambition

Promote the adoption of low environmental footprint production practices and advocate for respect for human rights throughout the supply chain

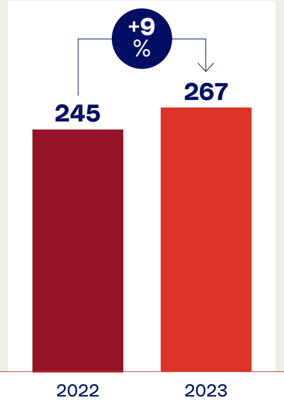
Lines of action

- Evaluate the value chain's exposure to environmental, social and governance (ESG) risks
- Promote the implementation of programs supporting the adoption of more sustainable practices
- Monitor and track the performance of suppliers

2023 performance

- We concluded the year with 267 supplier qualification and monitoring audits carried out, representing a growth of 9% compared to 2022. We achieved a qualified supplier rate (i.e. those who meet our requirements) of 95%, with the remaining evaluation processes still ongoing

Qualification and monitoring audits of suppliers (no.)



- In the year of its 25th anniversary, the Continente Producers Club ensured the purchase of €570 million in certified national products, an increase of 9.8% compared to the previous year, bringing together about 344 producers
- The Footprint MC platform allowed the assessment of more than 290 carbon and water footprints of products supplied by more than 70 suppliers

Key initiatives

Regenerative Agriculture Program:
we integrated 7 producers into this program, which aims to develop a cultivation protocol. The protocol includes a set of diagnostic and decision-making support tools for producers, to ensure better soil conditions, safeguard plant nutrition and manage available water, optimizing productivity while minimizing the environmental impact of the activity

Agroecology Program:
this program was designed with the aim of supporting the 23 participating producers in establishing an action plan for their farms based on 3 key factors: Water, Biodiversity and Carbon (ABC)

Products

Responsible offering

Targets

- Enhance the offering of more sustainable and healthy products through a wider range and availability, making it easier for consumers to make choices

Ambition

Democratize, gradually, the access to a healthier and more sustainable basket

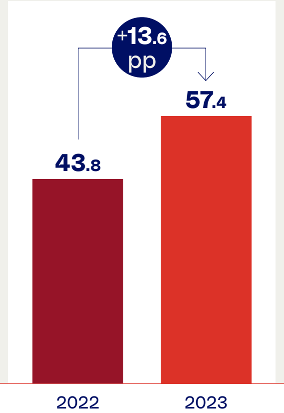
Lines of action

- Expand the range of balanced food products, organic products, plant-based products, as well as products with certification for animal welfare and responsible fishing
- Promote the implementation of campaigns to encourage responsible consumption
- Facilitate consumer choices for healthier and more sustainable options

2023 performance

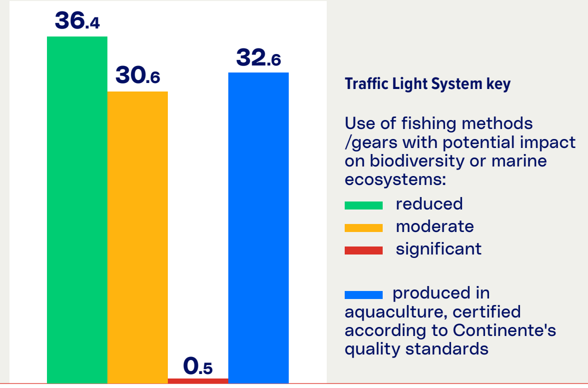
- In 2023, we expanded the welfare certification to new areas of Continente's butcher shop, experiencing a growth of 13.6 pp compared to 2022

Animal welfare certification
(% volume of meat purchase)



- Over the past year, there was also an increase in the proportion of seafood sourced from aquaculture or more sustainable fishing methods, based on the Traffic Light System (TLS)

Fishery purchase volume
(2023; %)



- Campaigns promoting more responsible consumption impacted over 1 million consumers over the past year, through social networks, newsletters, brochures, the *Cartão Continente* app, articles, interviews and press releases (in addition to our customers who were impacted through in-store communication)

Key initiatives

"*Poupe o Planeta*" (Save the planet):
on World Environment Day, a pioneering campaign was launched aimed at raising awareness among users of the *Cartão Continente* loyalty card app about the contribution each person can make to the conservation and protection of the Planet, particularly through simple choices during a trip to the supermarket

Sustainability month:
to mark the first National Sustainability Day (September 25), Continente launched a series of awareness-raising activities throughout September, including: (i) the campaign "*Ajude o planeta com o seu prato*" (Help the planet with your plate), which introduced the Planetary Diet; (ii) the "*Traga Vazio Leve Cheio*" (Bring empty, Take full) initiative, promoting the use of reusable packaging and bags; and (iii) the campaign "*Dê uma nova vida aos seus resíduos*" (Give new life to your waste) drawing customers' attention to the Eco Spots available in Continente stores, enabling the recycling of a diverse range of end-of-life products

People

Ambition

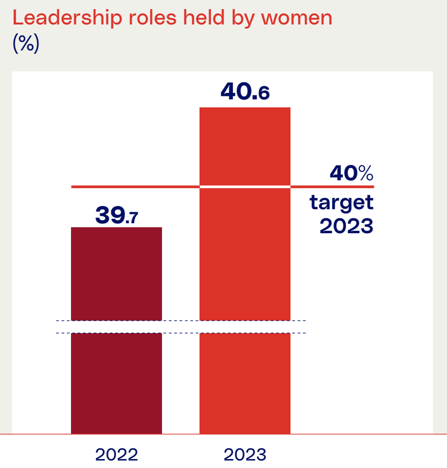
At MC, we believe that more value is created with the contribution of everyone: that's why we place our People at the center of our activity, commitment and journey

Lines of action

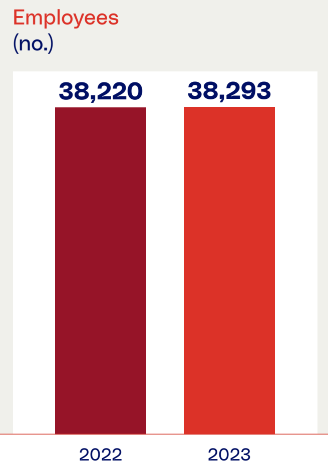
- Encourage personal and professional development, as well as the well-being of our People
- Promote the principles of diversity, equity and inclusion
- Foster a work environment attentive to health and safety dimensions

2023 performance

- Throughout the year, we invested in the personal and professional growth of our People, through upskilling and reskilling initiatives, that impacted over 5 thousand employees, targeting skills of the future, such as business analytics, coding or empathy, among others
- We continued to implement concrete measures towards our gender parity goal, allowing us to conclude 2023 with 40.6% of leadership roles held by women, above the set target for the year and representing an increase of +0.9 pp compared to 2022



- In terms of diversity, equity and inclusion actions, we highlight: (i) the launch of the first LGBTQIAP+ employee resource group; (ii) the "*PODER SER*" campaign, launched on Women's Day, aiming to deconstruct gender biases; and (iii) the continuation of the recruitment project for people with disabilities, with a new pilot in the North of Portugal



Key initiatives

"*Eu Escolho Aprender*" (I Choose to Learn):
MC launched the "*Eu Escolho Aprender*" upskilling and reskilling strategy, which addresses critical skills (cognitive, emotional, digital and technological) for the Company's future. This comprehensive empowerment initiative combines accelerated learning strategies, grounded in strengthening a self-learning culture, with a set of expert-curated content

"Better Together" podcast:
at MC, we are a company of and for everyone and, for that reason, we recognize the value of our People. In 2023, we launched the Better Together podcast, which highlights the personal and professional path of individuals who bring our Company to life

Extraordinary Christmas support:
in 2023, MC remained by the side of its employees, seeking to help alleviate the impact of the high cost of living. We provided a special basket to our employees during the Christmas season, with an extraordinary support amounting to €500 on MC's "*Cartão Dá*" meal card (attributed based on workload and seniority)

Communities

Ambition

Conscious of our role in building more resilient and autonomous communities, we want to act as a lever to create positive social value

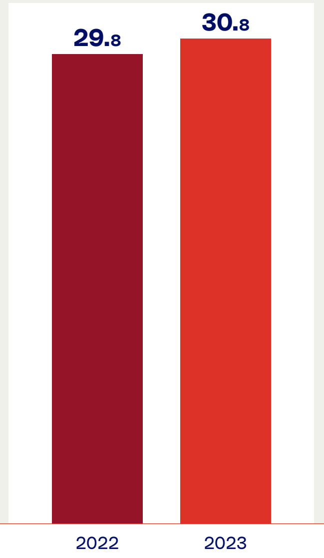
Lines of action

- Support Communities by donating surplus food, participate in solidarity campaigns and carry out financial contributions
- Sponsor local, impactful projects, combining financial support with skills development, mentoring and resources, such as networking and communication platforms
- Mobilize best practices in the realm of healthy eating, active lifestyle and conscious consumption
- Promote Societal engagement and foster the debate on critical social, civic and ecological issues for the future

2023 performance

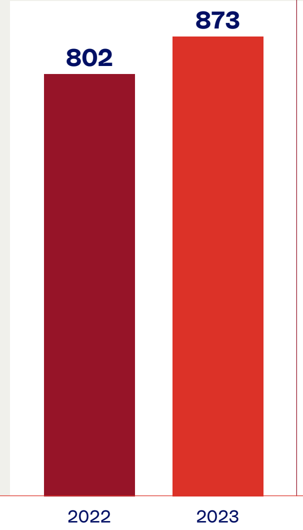
- In 2023, *Missão Continente* celebrated 20 years of supporting and connecting to the community. In the past two decades *Missão Continente* has contributed to numerous social causes throughout the country, including in areas such as social inclusion, health or education
- We continued to collaborate closely with various institutions throughout the year and increased the amount of support to the Community, which grew to €30.8 million and reverted to 1,430 institutions

Community support (€m)

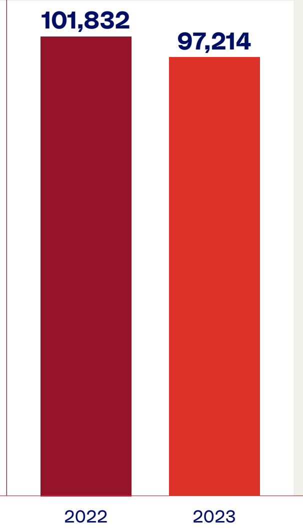


- We promoted awareness of a healthy lifestyle in school communities, with the "*Missão Continente* School" program, in 873 schools in the 2023/24 academic year, thus providing schools with educational activities, playful educational materials and on-site visit

"Escola Missão Continente": Schools covered (no.)



Students enrolled (no.)



Key initiatives

Christmas campaign "*A ajuda mora ao lado*" (Help lives nearby): with this campaign, *Missão Continente* raised donations amounting to more than €1.2 million to support around 1,000 local associations spread across the country, that provide assistance to families in need. This was achieved through the sale of vouchers worth €1 or €5, available at all Continente, Continente Modelo and Continente Bom Dia stores, or through the "*Cartão Continente*" loyalty card app

"*Tour por todos*" (Tour for all) solidarity tour: as part of celebrating *Missão Continente*'s 20-year anniversary, a solidarity tour featuring 10 concerts by Tony Carreira was held. *Missão Continente* raised more than €118 thousand of which €98 thousand were obtained through the sale of tickets for concerts, donated in their entirety to support local solidarity institutions and the Sara Carreira Association

Missão Continente's Impact Report: to mark the two decades of *Missão Continente's* operation, we published the first ***Missão Continente's* Impact Report**. This report consolidates all of the brand's social responsibility initiatives and provides detailed insights into its engagement with the community

4

Governing principles and practices

Shareholders structure

Sonae
75.01%
Sonae, SGPS, S.A. and its subsidiaries

24.99%
Camoen Investments, S.à.r.l.

As at 31st December 2023, MCretail, SGPS, S.A. (henceforth, MC) fully subscribed and paid-up share capital comprised 1,000,000,000 ordinary shares, at a par value of EUR 1 each.

On the same date, Sonae, SGPS, S.A. and its affiliates detained, directly or indirectly, 75.01% of MCretail, SGPS, S.A. share capital. Camoen Investments, S.à.r.l. detained the remaining 24.99% of the referred shares.

Corporate governance

Corporate governance practices at MC ensure effective decision-making processes and increase the chances of the Businesses success. MC's robust governance model is based on a clear separation of responsibilities between management and control mechanisms, rigorous internal control systems and transparent communication practices amongst the various governing bodies and between MC, its shareholders and other stakeholders. The MC corporate governance model is aligned with the best national and international practices and has evolved by incorporating the Portuguese Institute of Corporate Governance (IPCG) recommendations into its Corporate Governance Code.

This model aims at transparency and the total, effective functioning of MC, based on a clear separation of powers between the different governing bodies. Furthermore, it also seeks to establish an independent operating framework based on defining management guidelines, policies and procedures suited to the development of the Company's Businesses, to minimise the inherent risks to its Business.

MC follows a monist governance model, where the Board of Directors oversees the management structure, and the supervisory structure comprises the Statutory Audit Board and the Statutory External Auditor.

It is incumbent upon the Board of Directors to manage the Company's Businesses, perform all management acts related to its corporate purpose, set strategic Company guidelines, and appoint and supervise the activity of the Executive Committee and its specialised committees.

The Board of Directors at MC is focused on the Company's long-term growth and development to generate value for all its stakeholders, supported by a sound corporate social responsibility. This governing body comprises a balanced Team that is highly skilled and has in-depth knowledge of food retail. With clear intentions and focus, it has defined MC's terms for operational and financial sustainable success. It has also expressed its mission in the retail industry and how its activities benefit Customers, Associates, and Society as a whole.

MC's governing bodies and committees[1]

General Assembly

- **President** Manuel Cavaleiro Brandão
- **Secretary** Maria da Conceição Cabaços

Shareholders Remuneration Committee

- **Chair** Cláudia Azevedo
- Frederico José Ortigão da Silva Pinto
- Jan Reinier Voûte

Board Of Directors

- **Chairman** Cláudia Azevedo
- Ângelo Paupério
- João Dolores
- João Günther Amaral
- Jan Reinier Voûte
- Álvaro Sendagorta Cudós

Executive Committee

- **CEO** Luís Moutinho
- Fernando Van Zeller
- Isabel Barros
- José Fortunato

Board Nomination and Remuneration Committee

- **Chair** Cláudia Azevedo
- João Günther Amaral
- Jan Reinier Voûte

Board Audit and Finance Committee

- **Chair** Ângelo Paupério
- João Dolores
- Jan Reinier Voûte

Leadership Committee

- Luís Moutinho
- Fernando Van Zeller
- David Alves
- Isabel Barros
- João Afonso
- José Fortunato
- Miguel Moreira
- Miguel Águas

Supervisory Board

Statutory Audit Board

- **Chair** António Trabulo
- Maria José da Fonseca
- Carlos Silva
- **Suplente** José Rebouta

Statutory External Auditor (SEA)

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

Represented by:
- Miguel Barroso ou António Brochado Correia

SEA alternate
- Catarina Vieira Pereira

Company's Secretary

- **Secretary** Marta Azevedo
- **Substitute** Ana Campos Ferreira

1 Governing bodies and committee's composition as of 31st December 2023

Remuneration policy

General disclosures[1]

MC's remuneration policy applicable to members of its governing bodies are in line with Community guidelines, Portuguese legislation arising from articles 26-A to 26-F of the Securities Code, introduced by Law no. 50/2020 on 25th August, and the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG), published in 2018 and revised in 2020.

The remuneration policy is based upon the premise that initiative, competence, commitment and ethics are essential conditions for good performance. These should be aligned with the medium and long-term interests of MC, with a view to its sustainability. The policy is rooted in the following principles:

Competitiveness: When designing the remuneration policy, the primary goal is to attract and retain the best, high-performing talent with a proven track record to guarantee stability and offer a relevant and de facto contribution to the sustainability of the Company's Businesses.

The remuneration policy is defined by benchmarking against the practices of comparable companies, based on market studies conducted by the consulting firms Mercer and Korn Ferry for the Portuguese and European markets. Companies considered comparable are those whose securities are traded on the Euronext Lisbon Stock Exchange.

Accordingly, the remuneration parameters for members of the governing bodies and other persons discharging managerial responsibilities are determined and periodically reviewed, considering market conditions, the activity performed and responsibilities inherent to the position held. Thus, the following factors, among others, are taken into account: the members profile and CV, their experience, the nature and description of the job function, the competencies of the governing body concerned and that of the particular member, and the degree of a direct correlation between individual and Businesses performance.

Performance-oriented: Regarding the executive directors, the remuneration policy provides for the award of short and medium-term variable incentive bonuses, calculated based on MC's and the Group's results and the level of performance, both individual and collective, to foster the sustainable growth of the Businesses and personal commitment to the predefined objectives. If the predefined goals measured using Key Performance Indicators (KPIs) are not achieved, the sum of short and medium-term incentives will be partially or totally reduced.

Aligning interests: The following is declared: an alignment between the interests of the Company directors, those of the shareholders and medium-term performance to ensure Business sustainability. In this way, a portion of the variable bonus for executive directors is deferred for a period of 3 years after its attribution. The deferred component is conditioned by the level of achievement of MC's medium-term goals.

The remuneration of non-executive directors, members of the supervisory bodies and officers of the shareholders' general meeting consists exclusively of fixed remuneration.

Transparency: All aspects of the remuneration structure are transparent and disclosed and are in line with the Group's general remuneration policy.

Reasonableness: The remuneration policy aims to ensure a balance between MC's long-term interests, market positioning and best practices, the expectations and motivation of the members of the governing bodies and other persons discharging managerial responsibilities, and the goal of attracting and retaining talent.

Consistency and fairness: To determine the remuneration of each member of the governing bodies and other persons discharging managerial responsibilities, the employment and remuneration conditions of the Group's Associates are taken into consideration.

To this effect, conditions of employment and remuneration of full-time equivalent staff are taken into account to ensure consistency and fairness in remuneration by referring to the weightiness of their respective qualifications, responsibilities, experience, availability and the specific nature of the risk associated with fulfilling the requirements of the position held.

Architecture of our remuneration policy

In designing the remuneration policy for MC's governing bodies and other directors, and to determine the applicable remuneration, the following is taken into consideration: the job functions performed per an evaluation system that includes differentiation criteria in addition to complexity, qualification, experience required, autonomy and responsibilities. This system is based on consulting firm Korn Ferry's international methodology to promote fairness in remuneration and employment conditions, in light of the differentiation criteria described above, applicable to the various job roles and allowing for comparability/ benchmarking with equivalent job functions in the market.

The result is that in general terms, the benchmark adopted in terms of competitive positioning against the comparable market for each job function is usually the median for the fixed remuneration and the third quartile for the variable component of remuneration, notwithstanding the necessary adjustments under market conditions and MC's particular situation.

The remuneration of the executive members of the Board of Directors includes a fixed component and a variable component. The remuneration of the non-executive members of the Board of Directors and the members of the Statutory Audit Board is comprised exclusively of a fixed component.

The table below summarises the architecture of our remuneration policy:

GOVERNING BODIES		BREAKDOWN		MARKET POSITIONING
Board of Directors	Executive directors	Fixed	Basic compensation	Median
		Variable[2]	Short-term variable compensation	Third quartile
			Medium-term variable compensation	Third quartile
	Non-executive directors	Fixed	Compensation	Median
Statutory Audit Board		Fixed	Compensation	Median
Statutory External Auditor		Fixed	Compensation	Median
Officers of the shareholders' general meeting		Fixed	Compensation	Median

1 As approved at MC Shareholders' General Meeting on 26th May 2022

2 Subject to fulfilling short and medium-term objective and subjective KPI requirements

Risk management

Internal controls and risk management system framework

Risk management is a key component of MC's culture and one of the pillars of Corporate Governance. Risk management is diffused across all management processes and is a shared responsibility amongst all Company associates.

MC's risk management model aims to create and protect value, by managing and controlling opportunities and threats that can affect the objectives and the perspectives of Businesses continuity and support decision-making.

Main roles and responsibilities

The Company's Statutory Audit Board is responsible for assessing the internal control and risk management systems, overseeing its activity plan, obtaining periodic performance information, evaluating the conclusions reached and issuing the guidelines it deems necessary.

1.st LINE OF DEFENCE

Business units

Risk Owners

The Business units are responsible for: (i) identifying, evaluating and implementing corrective measures to address process and control deficiencies; (ii) maintaining effective internal controls; and iii) monitor risk indicators

2.nd LINE OF DEFENCE

Risk management

Risk Supervision

Risk management aims to support the Company in reaching its Business objectives via a systematic and structured approach to identifying and managing risks and opportunities

3.rd LINE OF DEFENCE

Internal audit

Risk Guarantee

The Internal Audit is an independent assurance and consultancy activity, with the mission of identifying and evaluating the management and risk control effectiveness and efficiency of Business processes and information systems

4.th LINE OF DEFENCE

External audit

Shareholders Risk Guarantee

The External Auditor: (i) verifies the effectiveness and functioning of internal control procedures per the work plan agreed upon by the Statutory Audit Board, to whom it reports its findings; and (ii) assesses and reports the reliability and integrity risks of financial and accounting information

Managing and monitoring the main risks

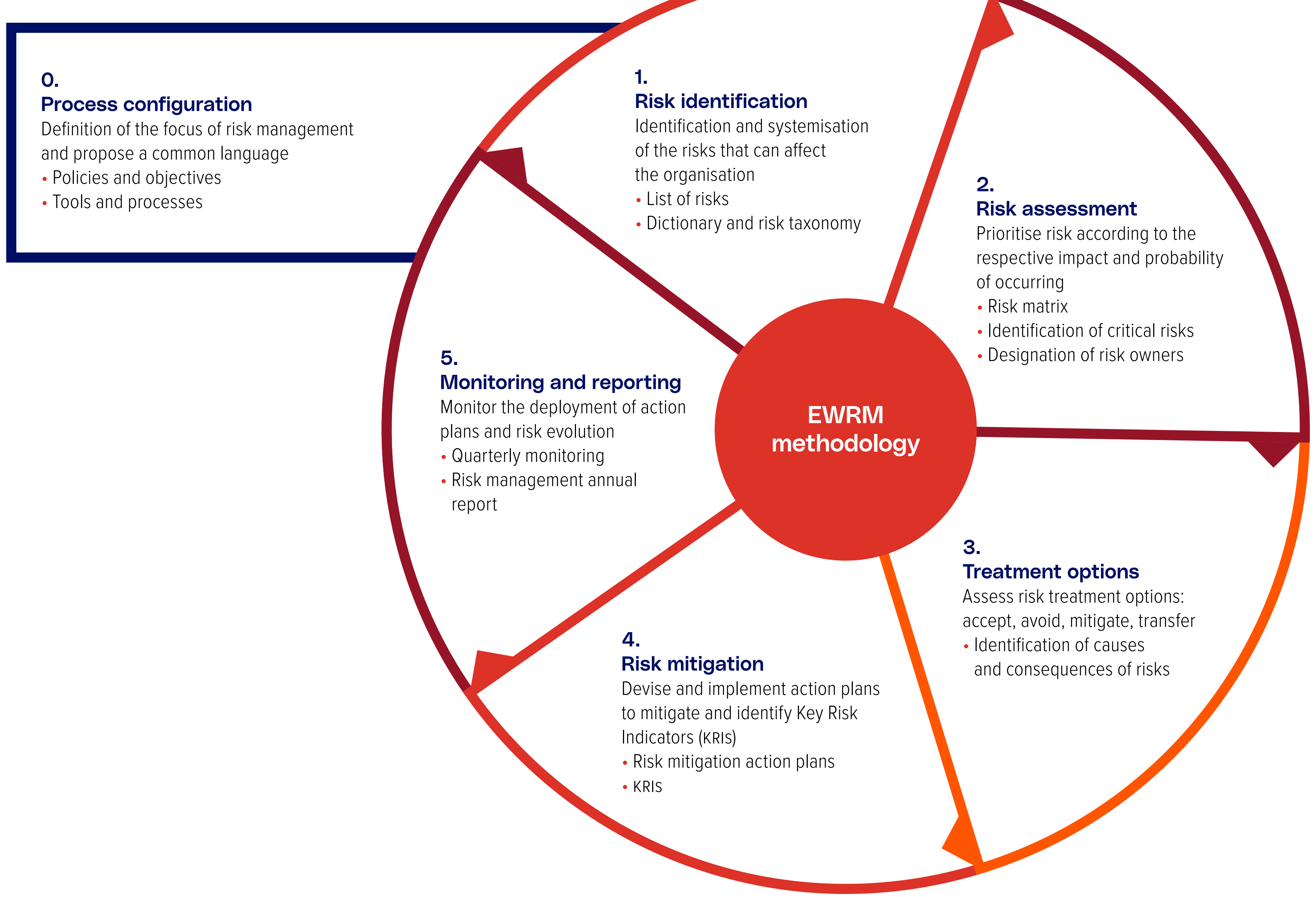
Risk management and monitoring are achieved through different approaches, namely the Enterprise Wide Risk Management (EWRM) framework, which captures, assesses, prioritises and manages the most significant risks.

The EWRM covers all areas of the Company and classifies risks into eight categories: external, strategic, financial, reputational, human resources, technological, operational and environmental. In 2023, a total of 56 risks distributed among these eight categories were identified and assessed.

In addition to the EWRM, within the scope of strategic planning, the following risks are identified and managed: businesses portfolio management risks, new businesses development risks and the Company's strategic project risks.

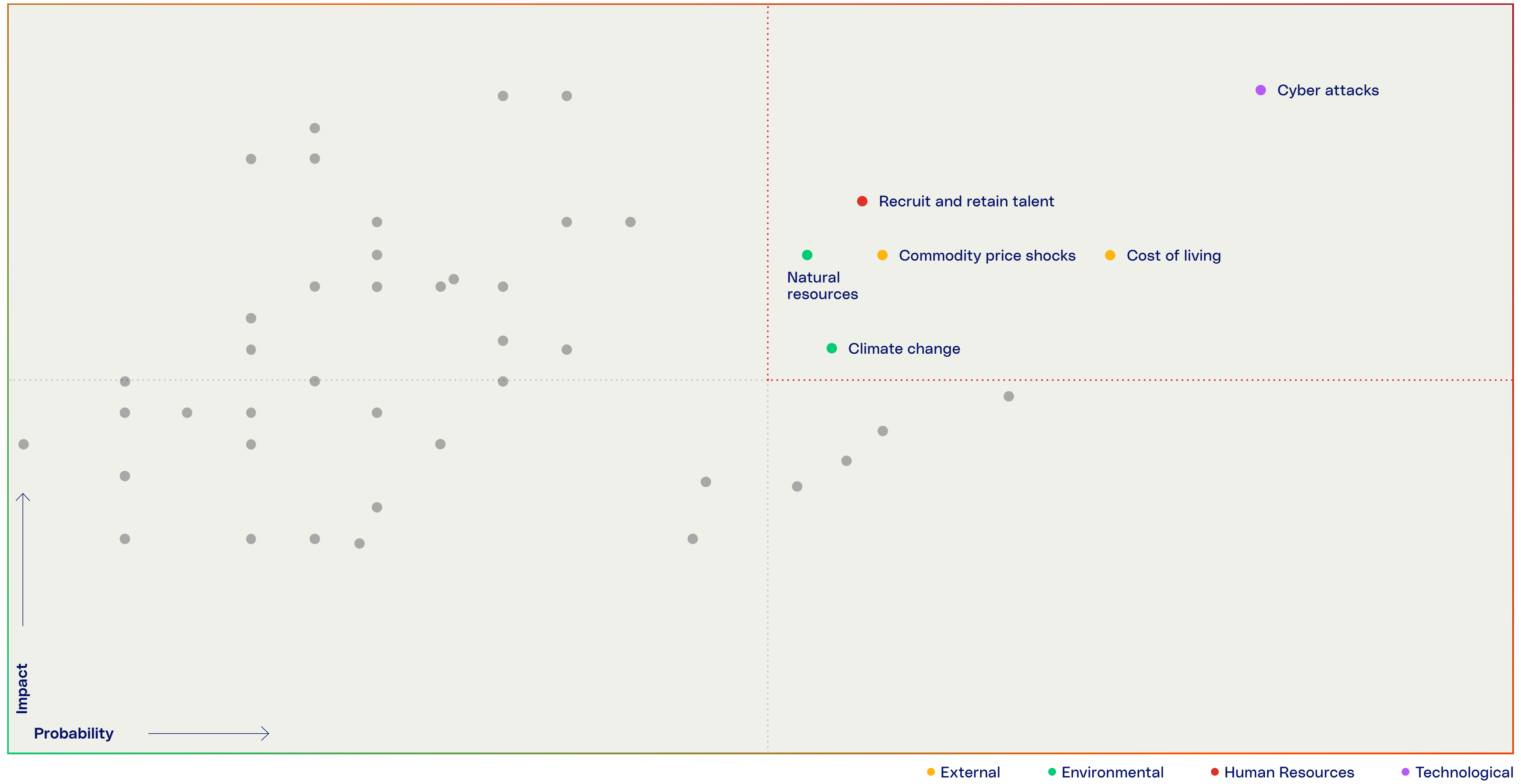
For risks of a more transversal nature, namely those related to Business continuity and large-scale organisational changes, structured risk management programmes are developed with the participation of all functional Business areas.

Enterprise wide risk management methodology



Identification and description of the main types of risk

MC has identified the following critical risks (greater probability and impact):



2023 CRITICAL RISKS	CATEGORY	TRENDS COMPARED TO 2022
Severe commodity price shocks	External	=
Failure to mitigate and adapt to climate change	Environmental	=
Inability to recruit and retain talent	Human Resources	=
Cyber / technological attacks	Technological	=
Increase in cost of living	External	N
Depletion of natural resources	Environmental	N

N New risk Λ Rising risk = Risk without change V Decreasing risk

2023 Critical risks

RISK DESCRIPTION	TREND	MITIGATION INITIATIVES
Severe commodity price shocks Abrupt shocks to the supply and demand of systemically essential commodities at a global scale may lead to scarcity and increasing cost of raw materials and essential services (affecting food, energy, metals, minerals, chemicals, emissions, etc.). These disruptions can strain corporate, public and household budgets, with a direct impact on business performance	=	• Identify and pre-approve alternative suppliers/sources for commodities • Split the volumes purchased of primary commodities among several suppliers • Identify alternative raw materials for composed products that may deliver similar quality/taste to end-products • Move agro-products production to alternative locations (e.g., due to water scarcity) • Encourage the development of national production of raw materials that are highly dependent on foreign countries/imports and establish contracts with local producers in the medium/long term • Increase inventory levels, purchasing from current suppliers), in accordance with existing possibilities (namely using outsourced warehouse capacity)
Failure to mitigate and adapt to climate change The inability to apply, adopt or invest in effective climate-change measures required to adapt and to mitigate, protect and help most impacted populations or businesses, and the failure to transition to a carbon neutral economy, can affect the Company's image, business viability and its financial performance	=	• Assess the Business exposure to climate change and integrate the guidelines defined by the Task Force on climate-related Financial Disclosure (TCFD) • Monitor GHG emission targets and execute the roadmap defined • Annually review the roadmap, considering the regulatory and technological developments
Inability to recruit and retain talent In an increasingly competitive job market, the inability to offer attractive career plans, tailored work models, competitive compensation and compatible training programs can compromise the ability to recruit and retain key human resources for the company, with a significant impact on the execution of its goals and strategy	=	• Strengthen the MC brand as an employer and the value proposition for Employees, through greater emphasis on internal and external communication, promoting young talent programs and new working models (remote, on-site or hybrid) • Monitor and take action on key employee performance indicators • Implement accelerated development programs for high-potential employees • Implement strategic planning focused on future trends in the labour market and upskilling • Support international recruitment through government and diplomatic contacts • Create the roles of training pivots to align training with the needs of each department • Launch Well-being, Diversity, Equity and Inclusion programs • Creation of incentives for the requalification and/or improvement of employees' skills

CONTINUES

N New risk Λ Rising risk = Risk without change V Decreasing risk

RISK DESCRIPTION	TREND	MITIGATION INITIATIVES
Cyber/technological attacks An inadequate level of protection of information systems by the company, employees, or third parties, as a result of outdated or obsolete procedures, weak cybersecurity, or insufficient training and awareness, can compromise business processes and crucial information. It may also violate the privacy of employees, customers, or suppliers, with a direct impact on the Company's reputation and Business continuity	=	**Cyber risk management** • Carry out cyber intelligence activities • Define cybersecurity policies and standards • Define the cyber risk management process • Monitor the Bitsight rating • Carry out awareness-raising initiatives and ethical phishing campaigns • Strengthen application authentication processes and access control • Standardize and upgrade Patching processes • Execute technological updates, upgrades, migrations, rollouts and phase-outs • Work towards ensuring our Partners' security • Focus on store and critical value chain resilience • Segregate networks and revise firewall rules • Design and implement privileged access management solution (PAM) **Legal compliance and review of the level and maturity of the General Data Protection Regulation (GDPR)** • Update processing activity records • Execute impact assessments on the protection of personal data • Comply with requests to exercise data protection rights • Assess personal data breaches • Carry out training and awareness activities • Prepare expert advice and recommendations • Auditing
Increase in cost of living High levels of inflation and interest rates, not accompanied by an increase in real household income, lead to the loss of purchasing power for consumers, an increase in financing costs and the inability of a significant portion of the population to maintain their lifestyle, directly impacting Business performance	N	• Monitor the evolution of key macroeconomic indicators to ensure the timely detection of changes in consumer purchasing power • Carry out regular consumer surveys to assess changes in perceptions about the state of the economy, focusing on confidence and sentiment indicators • Evaluate customers' perception of Continente's initiatives to help families face the cost of living crisis
Depletion of natural resources Loss, destruction, overexploitation and/or mismanagement of critical natural resources (e.g., chemicals, energy, minerals, water, forests) resulting in severe commodity and natural resource supply shortages and species extinction, with severe consequences for the environment, humankind and economic activity	N	• Review product identification and attribute registration • Conduct a pilot program of our product traceability platform

CONCLUSION

Other highlights

- Development of mandatory documentation and awareness programs to comply with the Whistleblower Protection Law[1] and the General Scheme for the Prevention of Corruption[2] (RGPC)
- Publication of a second report focused on adopting the TCFD (Task Force on Climate-related Financial Disclosures) methodology, which aims to disclose consistent financial information related to climate risks to support decision-making by a variety of stakeholders
- Design and development of initiatives to guarantee compliance with the NIS2 directive[3]
- Promotion of events to share and exchange experiences on risk management, namely participation in the Portuguese risk management think tank

N New risk Λ Rising risk = Risk without change V Decreasing risk

1. Law no. 93/2021 of 20 December
2. Decree-Law No. 109-E/2021 of December 9th
3. NIS2: Network and Information Security

5 Financial statements

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Consolidated financial statements

Consolidated income statements

for the period ended 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
Sales	2.1	6,457,633,425	5,837,016,889
Services rendered	2.1	149,176,925	141,319,947
Gains and losses on investments	3.5	5,989	457,329
Other income	2.6	120,754,997	128,735,881
Cost of goods sold and materials consumed	4.1	(4,679,455,811)	(4,208,686,664)
Changes in inventories of finished goods and work in progress	-	479	–
External supplies and services	2.4	(513,407,298)	(551,743,537)
Employee benefits expense	2.3	(817,068,473)	(705,068,600)
Other expenses	2.5	(80,290,793)	(81,143,494)
Depreciation and amortisation expenses	3.8, 3.9, 3.10	(299,139,028)	(269,853,079)
Impairment losses	7.1	(21,198,822)	(8,562,250)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax		**317,011,590**	**282,472,422**
Dividends received during the year	3.5	488	488
Share of profit or loss of joint ventures and associates	3.2.3	2,021,417	1,897,812
Financial income	6.7	46,725,357	60,953,028
Financial expense	6.7	(145,581,441)	(136,476,350)
Profit from continuing operations before tax		**220,177,411**	**208,847,400**
Income tax expense	4.11	(44,731,933)	(25,913,744)
Profit from continuing operations for the period		**175,445,478**	**182,933,656**
Consolidated profit/(Loss) for the period		175,445,478	182,933,656

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
Attributable to owners of the Company:			
Continuing operations		170,617,379	179,241,981
		170,617,379	**179,241,981**
Attributable to non-controlling interests:			
Continuing operations		4,828,099	3,691,675
		4,828,099	**3,691,675**
Profit/(Loss) per share			
From continuing operations			
Basic	6.3	0.170617	0.179242
Diluted	6.3	0.170617	0.179242

The accompanying notes are part of these consolidated financial statements

Consolidated statements of comprehensive income

for the period ended 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
Net Profit / (Loss) for the period		175,445,478	182,933,656
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(237,406)	(366,351)
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	-	–	(859,194)
Changes in hedge and fair value reserves		(24,413,735)	9,040,034
Income tax relating with other components of comprehensive income		4,190,803	(2,183,861)
Others		(25,242)	6,554
Other comprehensive income for the period		**(20,485,580)**	**5,637,182**
Total other comprehensive income for the period		**(20,485,580)**	**5,637,182**
Total comprehensive income for the period		154,959,898	188,570,838
Attributable to:			
Equity holders of parent company		150,157,041	184,925,367
Non controlling interests		4,802,857	3,645,471

The accompanying notes are part of these consolidated financial statements

Consolidated statement of financial position

for the period ended 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	3.8	1,493,164,167	1,395,172,455
Intangible assets	3.9	280,744,085	268,230,179
Right of use assets	3.10	1,108,142,955	945,066,393
Goodwill	3.1	454,900,067	454,900,067
Investments in joint ventures and associates	3.2	10,083,165	9,668,001
Assets at fair value through profit and loss	3.4.1	12,012,441	12,068,685
Deferred tax assets	4.11	77,304,129	307,092,034
Other non-current assets	4.5	53,991,192	23,208,960
Total Non-Current Assets		**3,490,342,201**	**3,415,406,774**
CURRENT ASSETS:			
Inventories	4.1	502,884,124	455,384,024
Trade receivables	4.2	66,853,515	59,513,496
Other receivables	4.3	98,383,299	93,544,118
Other current assets	4.4	36,421,618	43,554,828
Other tax assets	4.10	1,649,529	3,217,331
Income tax assets	4.11	47,563,348	43,213,192
Investments	3.4.1	–	591,578
Cash and bank balances	6.6	129,840,682	201,641,542
Total Current Assets		**883,596,115**	**900,660,107**
Assets classified as held for sale	3.6	13,248,466	–
TOTAL ASSETS		4,387,186,782	4,316,066,881

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	6.1	1,000,000,000	1,000,000,000
Legal reserve		200,000,000	200,000,000
Reserves and retained earnings	6.1	(599,777,053)	(544,411,074)
Profit/(Loss) for the period attributable to the equity holders of the Parent Company		170,617,379	179,241,981
Equity attributable to the equity holders of the Parent Company		**770,840,326**	**834,830,907**
Equity attributable to non-controlling interests	6.2	36,608,914	32,316,824
TOTAL EQUITY		**807,449,240**	**867,147,731**
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Loans	6.4	311,092,627	323,658,221
Bonds	6.4	264,051,817	224,086,295
Lease liabilities	3.10	1,181,070,946	1,038,006,634
Other non-current liabilities	4.6	23,130,245	19,735,905
Deferred tax liabilities	4.11	192,535,694	383,179,693
Provisions	7.1	10,083,328	7,557,109
Total Non-Current Liabilities		**1,981,964,657**	**1,996,223,857**
CURRENT LIABILITIES:			
Loans	6.4	9,525,387	62,718,236
Bonds	6.4	40,000,000	–
Lease liabilities	3.10	109,586,546	71,528,483
Trade payables	4.7	876,267,395	896,850,499
Other payables	4.9	131,735,971	101,409,870
Other current liabilities	4.8	269,150,483	203,649,998
Income tax liabilities	4.11	40,902,568	32,848,305
Other tax liabilities	4.10	94,541,538	82,182,175
Provisions	7.1	10,194,530	1,507,728
Total Current Liabilities		**1,581,904,418**	**1,452,695,294**
Liabilities directly associated with assets classified as held for sale	3.6	15,868,467	–
TOTAL LIABILITIES		**3,579,737,542**	**3,448,919,151**
TOTAL EQUITY AND LIABILITIES		4,387,186,782	4,316,066,881

The accompanying notes are part of these consolidated financial statements

Consolidated statements of changes in equity

for the period ended 31 December of 2023 and 2022

	Share Capital	Legal Reserve	Reserves and Retained Earnings				Net Profit / (Loss)	Total	Non controlling Contolling Interests (Note 6.2)	Total Equity
			Currency translation Reserve	Hedging Reserve	Other Reserves and Retained Earnings	Total of reserves and retained earnings				
	Attributable to Equity Holders of Parent Company									
Balance as at 1 January 2022	**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**
Total compreensive income for the period	–	–	(366,351)	6,856,173	(806,436)	5,683,386	179,241,981	184,925,367	3,645,471	188,570,838
Appropriation of profit of 2021										
Transfer to legal reserves and retained earnings	–	1,633,103	–	–	220,373,388	220,373,388	(222,006,491)	–	–	–
Dividends distributed	–	–	–	–	(243,000,000)	(243,000,000)	–	(243,000,000)	–	(243,000,000)
Income distribution	–	–	–	–	–	–	–	–	(234,490)	(234,490)
Balance as at 31 December 2022	**1,000,000,000**	**200,000,000**	**7,828,585**	**22,385,482**	**(574,625,141)**	**(544,411,074)**	**179,241,981**	**834,830,907**	**32,316,824**	**867,147,731**
Balance as at 1 January 2023	**1,000,000,000**	**200,000,000**	**7,828,585**	**22,385,482**	**(574,625,141)**	**(544,411,074)**	**179,241,981**	**834,830,907**	**32,316,824**	**867,147,731**
Total comprehensive income for the period	–	–	(237,406)	(20,222,932)	–	(20,460,338)	170,617,379	150,157,041	4,802,857	154,959,898
Appropriation of profit of 2022										
Transfer to legal reserves and retained earnings	–	–	–	–	179,241,981	179,241,981	(179,241,981)	–	–	–
Dividends distributed	–	–	–	–	(214,000,000)	(214,000,000)	–	(214,000,000)	–	(214,000,000)
Income distribution	–	–	–	–	–	–	–	–	(449,657)	(449,657)
Others	–	–	–	–	(147,622)	(147,622)	–	(147,622)	(61,110)	(208,732)
Balance as at 31 December 2023	**1,000,000,000**	**200,000,000**	**7,591,179**	**2,162,550**	**(609,530,782)**	**(599,777,053)**	**170,617,379**	**770,840,326**	**36,608,914**	**807,449,240**

The accompanying notes are part of these consolidated financial statements

Consolidated statement of cash flows

for the period ended 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
OPERATING ACTIVITIES			
Receipts from customers		6,629,698,662	5,991,356,357
Payments to suppliers		(5,226,668,983)	(4,695,706,363)
Payments to employees		(778,471,420)	(689,648,214)
Cash flow generated by operations		**624,558,259**	**606,001,780**
Income taxes (paid) / received		(30,140,062)	(41,220,155)
Other cash receipts and (payments) relating to operating activities		20,550,514	9,042,950
Net cash flow from operating activities (1)		**614,968,711**	**573,824,575**
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	3.3	799,100	1,230,247
Property, plant and equipment		2,053,609	2,826,267
Intangible assets		14,763	551,220
Interests and similar income		4,293,247	1,429,256
Dividends		1,606,740	1,435,764
		8,767,459	**7,472,754**
Cash Payments arising from:			
Investments	3.3	(778,641)	(2,257,724)
Property, plant and equipment		(247,747,587)	(162,337,663)
Intangible assets		(43,219,442)	(35,904,184)
		(291,745,670)	**(200,499,571)**
Net cash used in / generated by investment activities (2)		**(282,978,211)**	**(193,026,817)**

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
FINANCING ACTIVITIES			
Receipts arising from:			
Loans obtained	6.5	1,295,000,000	984,266,713
		1,295,000,000	**984,266,713**
Payments arising from:			
Lease liabilities		(183,385,606)	(159,974,598)
Loans obtained	6.5	(1,276,577,889)	(951,189,709)
Interests and similar charges		(24,312,046)	(7,932,780)
Dividends		(214,449,657)	(243,234,490)
		(1,698,725,198)	**(1,362,331,577)**
Net cash used in financing activities (3)		**(403,725,198)**	**(378,064,864)**
Net increase (Decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		**(71,734,698)**	**2,732,894**
Effect of foreign exchange rate		**(127,350)**	**(215,855)**
Effect of Assets held for sale		**120,604**	**–**
Cash and cash equivalents at the beginning of the period	6.6	**201,568,634**	**198,692,793**
Cash and cash equivalents at the end of the period	6.6	**129,840,682**	**201,641,542**

The accompanying notes are part of these consolidated financial statements

MCRetail, SGPS, S.A.

Notes to the consolidated financial statements

for the year ended 31 December 2023 and 2022

(amounts expressed in euro)

1. Introduction

1.1. Group presentation

MCretail, SGPS, S.A., (hereafter referred as “MC” or “Company”), formerly referred as Sonae MC, 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 3.2, 3.4 and Annex I as MC Group.

1.2. Key events during the year

The year 2023 was marked by a more complex geopolitical context. In addition to the prolonged war in Ukraine, the escalation of the conflict in the Middle East at the end of the year increased challenges and affected the global economic situation.

The complex geopolitical context led some countries to increase the production of fossil fuels to stabilize energy markets in a context of supply disruptions. In addition, climate change, social justice, and corporate governance issues have become increasingly relevant, shaping public discourse and political agendas worldwide.

In line with MC’s Risk Management Policies, specific mitigation actions are underway for increases in energy prices, as well as for severe commodity price shocks.

In June 2023, an agreement was reached with the founding shareholders of Druni S.A. (“Druni”) and Arenal Perfumerias SLU (“Arenal”) for the combination of the businesses of these two companies.

The combination of the businesses of Druni and Arenal will result in the creation of a leading operator in the health, wellness, and beauty segment in Spain. The strong geographical complementarity of both store networks will allow comprehensive coverage of the Spanish territory, greatly reinforced by a benchmark online operation, which will allow a unique omnichannel value proposition to be made available in the market.

The realization of this transaction is subject to the approvals of the competent authorities for a transaction of this nature, and MC expects its completion during the year 2024.

In December 2023, an agreement was announced with Lusíadas SGPS, S.A. (“Grupo Lusíadas”) for the disposal of the company MCCare — Serviços de Saúde, S.A., holder of the Dr. Wells brand. This transaction was completed in January 2024.

1.3. Consolidation perimeter

The companies included in the MC Group's consolidation perimeter at 31 December 2023 are listed in Annex I of this report.

Consolidation principle

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 Annex I.

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.

The assets and liabilities of each subsidiary are identified at their fair value on the date of acquisition or assumption of control, and such measurement can be completed within twelve months after the date of acquisition. Any excess of the acquisition price plus the fair value of any previously held interests and the value of non-controlling interests over the fair value of the identifiable net assets and liabilities acquired is recognized as goodwill (Note 3.1). If the differential between the acquisition price plus the fair value of any previously held interests and non-controlling interests and the fair value of identifiable net assets and liabilities acquired is negative, it is recognized as income for the year in the item "Other income" after reconfirmation of the fair value attributed to the net assets. The MC Group will opt on a case-by-case basis for the calculation of the value of non-controlling interests, (i) according to their proportion in the fair value of the assets, liabilities and contingent liabilities acquired, or (ii) according to the fair value of the said non-controlling interests.

Subsequent transactions of disposal or acquisition of participations to non-controlling interests, which do not imply a change of control, do not result in the recognition of gains, losses or goodwill, with any difference determined between the value of the transaction and the book value of the transacted participation, recognized in Equity, in other equity instruments.

The results of subsidiaries acquired or sold during the year are included in the income statements from the date of control takeover or until the date of control relinquishment.

Whenever necessary, adjustments are made to the financial statements of the subsidiaries to adapt their accounting policies to those used by MC. Transactions, balances and dividends distributed among MC companies are eliminated in the consolidation process. Unrealized losses are also eliminated when they do not evidence an impairment situation of the transferred asset.

b) 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:

	31 Dec 2023		31 Dec 2022	
	End of exercice	Average of exercice	End of exercice	Average of exercice
Brazilian Real	0.18650	0.18523	0.17735	0.18458

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.

Favorable and unfavorable exchange differences, originated by the differences between the exchange rates in force on the date of the transactions and those in force on the date of collections, payments or on the date of the statement of financial position, of these same transactions, are recorded as income and expenses in the income statement for the year, except those related to non-monetary values whose fair value variation is recorded directly in equity.

When MC wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 5.2).

1.3.1. Changes occurred in the consolidation perimeter

During the fiscal year, the entities, Canasta Empreendimentos Imobiliários, S.A. and Selifa Sociedade de Empreendimentos Imobiliários, S.A., were merged into IGI Investimentos e Gestão Imobiliária, S.A. with effects from January 1, 2023.

Relevant accounting judgments and estimates

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 (effective control).

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.

1.4. Subsequent events

Events that occurred after the date of the financial position statement that provide additional information about conditions that existed at the date of the financial position statement are reflected in the consolidated financial statements. Events that occurred after the date of the financial position statement that provide information about conditions that occur after the date of the financial position statement are disclosed in the annex to the consolidated financial statements, if material.

In January 2024, the divestment of the stake in MCCare — Health Services, S.A., owner of the Dr. Wells brand (Dr. Well's), was completed after the approval of the Competition Authority.

1.5. Basis of preparation

Approval of the financial statements

The accompanying consolidated financial statements were approved by the Board of Directors on 22 March 2024. Nevertheless, they are still subject to approval at the Shareholders Annual General Meeting.

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

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 2023 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.

According to the revision of IAS 1, material accounting policies should be disclosed, this information being material if it can reasonably be considered that its omission, distortion or concealment could influence the Decisions that users of financial statements will make based on these same financial statements. In particular, changes to accounting policies that occurred in a certain period, options related to accounting policies contained in the standards, policies related to items with significant judgments/estimates or even policies of complex applicability are considered material.

1.6. 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 2023:

Standards (new and amendments) effective as at 1 January 2023	Changes	Effective date (for financial years beginning on or after)
IAS 1 Disclosure of accounting policies	Disclosure requirement for "material" accounting policies, rather than "significant" accounting policies	1 January 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	1 January 2023
IFRS 17 Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure	1 January 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	1 January 2023
IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	Requirement to recognize deferred tax on the recognition of assets under right of use / lease liability and provisions for Decommissioning / related asset, when their simultaneous initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, due to not being relevant for tax purposes	1 January 2023
IAS 12 International Tax Reform – Pillar two model rules	Introduction of a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Requirement of targeted disclosure for affected entities (entities belonging to multinational groups that have consolidated revenues of 750 million euro in at least two out of the last four years)	Immediately and 1 January 2023

These standards were applied for the first time by the Group in 2023. The Group carried out an analysis of the changes introduced and the impact on the financial statements and concluded that the application of said standards did not produce materially relevant effects on the financial statements.

OECD – Globe Rules Pillar 2 In MC

MCRetail SGPS, S.A and its subsidiaries, in which it has control, directly or indirectly, present themselves as constituent entities of the group whose final parent entity is Efanor Investimentos SGPS, under the terms of Council Directive EU 2022/2523 of December 14, 2022 (Pillar II).

In these terms, we proceed to describe the legal-tax framework applied to the Efanor Group, for Pillar II purposes.

IAS12R(88A) — The Efanor group applies the exception to the recognition and disclosure of information about deferred taxes and liabilities related to income taxes of the second pillar, as provided for in the amendments to IAS 12 issued in May 2023.

IAS12R(88C) — According to Council Directive EU 2022/2523 of December 14, 2022 ("Directive"), the Efanor group is covered by the minimum taxation rules (Pillar 2) to the extent that its annual income exceeds 750 million euro in at least two of the four years prior to 2024.

IAS12R(88C) — Although not yet transposed into the Portuguese national legal system, which also occurs in other jurisdictions, groups under the terms and conditions provided for in the Directive must ensure in each jurisdiction in which they are located, the payment of a complementary tax rate calculated by the differential between its effective tax rate calculated according to the Global Anti-Base Erosion Model Rules (Pillar Two) ("OECD Model Rules"), and the minimum rate of 15%, obviously in the case where the effectively calculated rate is less than the previously mentioned 15%.

IAS12R(88C) — Although the Directive is only applicable to the fiscal year 2024, the Efanor group is in a study process in order to determine, with the elements available at this date, its exposure to the OECD Model Rules. This study counts on the collaboration and support of independent, external consultants and specialists in this matter.

IAS12R(88C) — Based on the structure, recent operations, application of the rules provided for the transition periods, and based on the 22 jurisdictions Declared by Efanor for the purposes of the last "Qualified Country by Country" submitted for the year 2022, it is concluded that 15 jurisdictions would be immediately excluded by the application of one of the three tests provided for in the safeguard rules ("safe Harbour") applicable to the transitional period from 2024 to 2026 inclusive.

Of the six jurisdictions in which the MCRetail Group is present, it is found that three jurisdictions are excluded, and for the other three (Portugal, Spain and the Netherlands) and in order to verify the existence (or not) of a complementary tax, it becomes necessary to deepen the analysis, through the application of the OECD Model Rules. Although the analysis is not yet finalized, we can, however, gauge:

Portugal — The conclusions of the preliminary analysis carried out, allow us to affirm that this tax jurisdiction may not calculate complementary tax, due to the exclusion of income based on substance (taking into account wage expenses and tangible fixed assets).

However, there is a Real Estate Investment Fund, based in Portugal, the Imosonae Dois Fund, which by the OECD Model Rules may be classified as an Investment Entity and, therefore, determine the calculation of the effective tax rate autonomously and using the exclusions determined by the value of its own assets (OECD Model Rules applicable to Investment Entities in which not all holders are located in the same jurisdiction). Confirming the need for this autonomous calculation for the Fund, it can be determined the computation of complementary tax to be paid in Portugal whose amount will not be material.

Spain — From the analysis carried out, it results in the possibility of calculating a complementary tax in this jurisdiction, but there is still the need for clarification, by the legislator (which has not occurred so far), of the treatment of deferred taxes, namely with reference to the standard of tax amortization of goodwill. Business restructurings at this jurisdiction level can have effects both in determining the global effective income tax rate in the jurisdiction and in the values of tangible fixed assets and wage expenses that can impact exclusions based on substance. Given the above, there is no viably measurable complementary tax at this date.

Netherlands — Given the structure of the income obtained by companies based in the said jurisdiction, the first analysis shows that the calculation of a complementary tax is not estimated with great probability.

IAS12R(88D) — It should be noted that the Efanor group is still in a process of analyzing the impacts of the application of the Directive, with the help of the same independent external consultants, all the more so since at this date the Directive has not yet been transposed into the Portuguese legal system and on the other hand, OECD and EU guidelines continue to be publicized that seek to clarify some of its points that, at this date, still raise doubts to various economic agents and that can change the conclusions described above.

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 2024, endorsed by the EU	Changes	Effective date (for financial years beginning on or after)
IAS 1 Classification of liabilities as non--current and current and non-current liabilities with covenants	Classification of a liability as current or non-current, depending on an entity's right to defer its settlement for at least 12 months after the reporting date, when subject to covenants	1 January 2024
IFRS 16 Lease liability in a sale and leaseback	Criteria to account for sale and leaseback transactions after the date of the transaction, when some or all the lease payments are variable	1 January 2024

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2023 due to the fact that their application is not mandatory. No significant impacts are expected on the financial statements resulting from their adoption.

Since 2019, sales and relocation contracts do not include variable rents, so impacts are not estimated.

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

Standards (new and amendments) that will become effective, on or after 1 January 2024, but not endorsed by the EU	Changes	Effective date (for financial years beginning on or after)
IAS 7 and **IFRS 7** Supplier finance arrangements	Requirement to provide additional disclosures about supplier finance arrangements, the impact in liabilities and cash flows, as well as the impact in liquidity risk analysis, and how the entity would be impacted if these arrangements were no longer available	1 January 2024
IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability	Requirements for determining whether a currency is capable of being exchanged for another currency and, when exchange is not possible for a long period, the options for calculating the spot exchange rate to be used. Disclosure of the impacts of this situation on the liquidity, financial performance and financial position of the entity, as well as the spot exchange rate used on the reporting date	1 January 2025

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2023 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

1.7. Relevant accounting judgements and estimates

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 5.1.

2. Operational activity

2.1. Revenue

Accounting policies

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

In determining the value of revenue, 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 leases (Note 2.2) and 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”.

As at 31 December 2023 and 2022, “Revenue” is made up as follows:

	31 Dec 2023	31 Dec 2022
Sale of goods	6,457,633,425	5,837,016,889
Services rendered	149,176,925	141,319,947
	6,606,810,350	5,978,336,836

2.2. Operational lease – lessor

Accounting policies

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.

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 2023 and 2022 amounted to 36,263,494 euro and 35,782,666 euro, respectively.

Additionally, at 31 December 2023 and 2022, MC had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2023	31 Dec 2022
Due in:		
N+1 automatically renewal	3,229,828	1,945,361
N+1	33,940,354	31,413,915
N+2	32,757,357	28,224,208
N+3	30,226,211	26,771,760
N+4	15,848,339	24,409,999
N+5	11,907,079	11,329,197
After N+5	36,767,139	37,286,295
	164,676,306	**161,380,735**

2.3. Payroll

2.3.1. Employee benefits expenses

As at 31 December 2023 and 2022, “Employee benefits expense” are as follows:

	31 Dec 2023	31 Dec 2022
Salaries	642,270,064	558,166,165
Social security contributions	127,070,161	110,957,288
Insurance	12,316,431	10,808,755
Welfare	4,785,257	4,234,386
Other staff costs	30,626,560	20,902,006
	817,068,473	**705,068,600**

2.3.2. Share-based payments

Accounting policies

The liabilities resulting from the award of deferred performance bonuses are indexed to the evolution of the share prices of Sonae SGPS and mature over a period of 3 years after their award.

When the plans established by the Group are settled through the delivery of own shares, the value of this liability is determined at the time of its award based on the fair value of the awarded shares and recognized during the deferral period of each plan.

The liability is recorded as a credit to the “Other reserves” item, in equity, against “Personnel expenses”.

When the settlement is made in cash, the value of these liabilities is determined at the time of their award (usually in April of each year) and subsequently updated, at the end of each reporting period, according to the number of shares or options on shares awarded and their fair value at the reporting date. The liability is recorded in “Personnel expenses” and “Other liabilities”, linearly between the date of award and the maturity date, in proportion to the time elapsed between these dates.

MC granted, in 2023 and in previous years, in accordance with the remuneration policy, to employees of the MC Group deferred performance bonuses in the form of shares of the parent company Sonae SGPS, S.A., to be acquired at zero cost or with a discount, three years after their award. In any case, the acquisition can take place between the homologous date of the 3rd year after the award and the end of that year. The company has the right to deliver, in substitution of the shares, the equivalent value in cash. The exercise of rights only occurs if the employee is in service of a company of the Sonae Group at the maturity date.

The liabilities with deferred performance bonuses as well as the total number of shares awarded associated with these plans, on December 31, 2023 and 2022 can be summarized as follows:

				Number of shares		Fair Value	
	Grant year	Vesting year	Number of participants	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Shares							
	2020	2023	–	–	3,936,647	–	3,680,765
	2021	2024	36	4,148,437	3,544,044	3,752,262	2,193,696
	2022	2025	42	2,441,533	2,251,776	1,462,555	697,676
	2023	2026	49	2,770,265	–	875,568	–
Total				9,360,235	9,732,467	6,090,384	6,572,137

As at 31 December 2023 and 2022 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 2023	31 Dec 2022
Recorded in employee benefits expense in the current period	3,540,657	4,023,513
Recorded in previous years	2,627,251	2,685,069
	6,167,908	**6,708,582**
Recorded in other non-current liabilities (Note 4.6)	2,415,646	2,947,619
Recorded in other current liabilities (Note 4.8)	3,752,262	3,760,963
	6,167,908	6,708,582

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

2.4. External supplies and services

As at 31 December 2023 and 2022, “External supplies and services” are as follows:

	31 Dec 2023	31 Dec 2022
Services	85,487,386	84,858,023
Electricity	54,372,902	116,311,206
Advertising expenses	72,484,463	63,603,915
Transports	41,957,903	54,257,480
Cleaning up services	37,235,606	35,489,533
Maintenance	38,796,141	33,856,557
Rents	32,929,559	28,738,973
Security	23,018,580	21,254,784
Costs with automatic payment terminals	19,067,296	15,783,890
Home delivery	13,495,138	15,024,377
Consumables	15,227,126	13,415,897
Communications	7,586,860	6,538,401
Insurances	6,683,895	6,851,091
Travel expenses	7,050,560	5,779,744
Subcontracts	2,740,253	1,932,192
Others	55,273,630	48,047,474
	513,407,298	551,743,537

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

The “Others” item contains expenses related to the Click&Go service and goods movement amounting to 25.2 million euro (27.7 million euro in 2022).

2.5. Other expenses

As at 31 December 2023 and 2022, “Other expenses” are as follows:

	31 Dec 2023	31 Dec 2022
Galp/Continente loyalty program	14,551,566	12,753,640
Exchange differences	8,770,543	20,494,480
Donations	30,771,867	29,138,274
Other taxes	9,612,632	9,662,861
Losses on the disposal of assets	4,410,826	4,164,475
Derivative contracts associated with commercial activities	6,937,900	–
Municipal property tax	2,102,427	2,040,106
Others	3,133,032	2,889,658
	80,290,793	81,143,494

2.6. Other income

As at 31 December 2023 and 2022, the caption “Other income” is made up as follow:

	31 Dec 2023	31 Dec 2022
Supplementary income	41,568,026	41,167,380
Prompt payment discounts received	26,964,536	25,279,438
Own work capitalised (Note 3.9)	19,941,042	16,258,686
Derivative contracts associated with commercial activities	4,216,304	11,879,746
Exchange differences	8,536,219	20,032,366
Gains on sales of assets	3,200,642	2,392,908
Tax refunds	2,834,364	127,232
Subsidies	2,615,245	2,835,618
Others	10,878,619	8,762,507
	120,754,997	128,735,881

3. Investments

This chapter aims to disclose information on non-current investments.

Relevant accounting judgments and estimates

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 consolidated income 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 derecognize.

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 consolidated 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.

3.1. Goodwill

Accounting policies

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 merger date 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 3.2) or maintained under the heading "Investments in joint ventures and associated companies". The differences between the acquisition price of investments in subsidiaries headquartered abroad whose functional currency is not the euro, the value of noncontrolling 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 ("CGU") to which the goodwill was allocated, which is compared to its recoverable value, e.g., the highest between fair value deducted from estimated costs of sale and the value of use of the CGU. 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 reorganizes its activity, implying a change in the composition of its cash generating units, implying a to which goodwill has been imputed, a review of goodwill's allocation to the new cash-generating units is carried out, whenever there is a rational. The reallocation is done through a relative value approach, of the new cash-generating units that result from the reorganization.

Impairment losses relating to goodwill 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.

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 2023 and 2022, the caption "Goodwill" was made up as follows by country:

	31 Dec 2023	31 Dec 2022
Portugal	435,460,067	435,460,067
Spain	19,440,000	19,440,000
	454,900,067	454,900,067

During the year ended in 31 December 2023 and 2022, movements occurred in goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2023	31 Dec 2022
Gross value:	476,627,337	476,627,337
Accumulated impairment	21,727,270	21,727,270
Net value	454,900,067	454,900,067

Relevant accounting judgments and estimates

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

For this purpose, the 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 2023	31 Dec 2022
Recoverable amount basis	Value in use	Value in use
Weighted average cost of capital	8%	8%
Growth rates in perpetuity	≤2%	≤2%
Composite rate of sales growth	0.4% a 6%	0.9% a 3.74%

The inflationary context that was felt during the year impacted the performance of the Group's businesses and the medium-term perspectives regarding their evolution. However, the analysis of signs of impairment, the review of projections and the impairment tests did not lead to the calculation of losses for the year ended 31 December 2023 and 2022.

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.

3.2. Joint ventures and associated companies

Accounting policies

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 2023 and 2022 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 organization 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 3.4).

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. Equity changes are recorded under the heading of "Reserves and Retained Earnings".

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. 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.

Unrealized gains in transactions, 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. Unrealized losses are as well eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

When the not performed gains or losses on transactions correspond to business activities and taking into consideration the inconsistency existing between currently the requirements of IFRS 10 and IAS 28, 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.

3.2.1. 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 2023 and 2022 are as follows:

		Percentage of capital held				Statement of financial position	
		31 Dec 2023		31 Dec 2022			
Company	Head Office	Direct*	Total*	Direct*	Total*	31 Dec 2023	31 Dec 2022
Sohi Meat Solutions – Distribuição de Carnes, SA	Santarém	50.00%	50.00%	50.00%	50.00%	3,550,080	3,403,859
Maremor Beauty & Fragances, S.L.	Madrid	50.00%	50.00%	50.00%	30.00%	192,079	180,275
Investments in joint ventures						**3,742,159**	**3,584,134**
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	25.00%	1,359,007	1,294,262
Insco – Insular de Hipermercados, S.A.	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	4,695,444	4,488,724
Sportessence – Sport Retail, S.A.	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	286,555	300,881
Investment in associates companies						**6,341,006**	**6,083,867**
Total						10,083,165	9,668,001

* 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.

3.2.2. Summarized financial information on financial position

3.2.2.1. Joint Ventures

As at 31 December 2023 and 2022, summary financial information of joint ventures of the group can be analysed as follows:

	31 Dec 2023		31 Dec 2022	
Joint Ventures	Sohi Meat	Maremor	Sohi Meat	Maremor
Assets				
Property, plan and equipment	15,096,752	–	15,641,094	549
Intangible assets	4,549	13	–	53
Right of use	5,146,945	–	6,136,327	–
Investments in joint ventures and associates	–	21,954	–	21,954
Other non-current assets	139,237	–	1,553,523	–
Non-current assets	**20,387,483**	**21,967**	**23,330,944**	**22,556**
Cash and cash equivalents	261,274	342,303	360,727	332,308
Other current assets	55,251,589	53,665	50,550,530	54,528
Current assets	**55,512,863**	**395,968**	**50,911,257**	**386,836**
Total assets	75,900,346	417,935	74,242,201	409,392
Liabilities				
Other non-current liabilities	4,248,198	–	6,747,424	–
Non-current liabilities	**4,248,198**	**–**	**6,747,424**	**–**
Loans	–	524	–	26
Other current liabilities	65,296,923	58,366	61,431,995	73,929
Total current liabilities	**65,296,923**	**58,890**	**61,431,995**	**73,955**
Total liabilities	**69,545,121**	**58,890**	**68,179,419**	**73,955**
Shareholders' funds excluding non-controlling interests	6,355,225	359,045	6,062,782	335,437
Non-controlling interests	–	–	–	–
Total equity	**6,355,225**	**359,045**	**6,062,782**	**335,437**
Total equity and liabilities	75,900,346	417,935	74,242,201	409,392

	31 Dec 2023		31 Dec 2022	
Joint Ventures	Sohi Meat	Maremor	Sohi Meat	Maremor
Total revenue	408,035,151	528,000	359,535,205	528,000
Other income	659,280	521	1,001,204	403
	408,694,431	**528,521**	**360,536,409**	**528,403**
Cost of goods sold and materials consumed	(374,139,317)	–	(329,244,168)	–
External supplies and services	(14,184,690)	–	(14,164,335)	–
Depreciation and amortisation	(5,421,838)	(589)	(5,094,377)	(1,081)
Other operating costs	(11,539,867)	(497,272)	(9,897,849)	(501,254)
	(405,285,712)	**(497,861)**	**(358,400,729)**	**(502,335)**
Financial results	(1,776,823)	–	(961,799)	–
Income taxation	(287,281)	(7,052)	(66,326)	(6,517)
Consolidated net income/(loss) for the year	1,344,615	23,608	1,107,555	19,551

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

	31 Dec 2023		31 Dec 2022	
Joint ventures	Sohimeat	Maremor	Sohimeat	Maremor
Equity	6,355,225	359,045	6,062,782	335,437
Percentage of share capital held	50%	30%	50%	30%
Share of the net assets	3,177,613	107,714	3,031,391	100,631
Other effects	372,467	84,365	372,468	79,644
Financial investment	3,550,080	192,079	3,403,859	180,275

3.2.2.2. Associates

The financial information summary of associated companies can be analysed as follows:

	Sempre a Postos		Insco		Sportessence	
Associated Companies	31 Dec 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Assets						
Non-current assets	102,076	140,053	77,581,928	77,721,658	1,080,001	1,087,659
Current assets	7,178,704	6,477,961	30,294,590	30,043,451	1,968,116	4,491,824
Total assets	7,280,780	6,618,014	107,876,518	107,765,109	3,048,117	5,579,483
Liabilities						
Non-current liabilities	0	4,456	11,455,187	11,455,187	–	108
Current liabilities	1,847,785	1,439,541	52,034,578	52,848,569	1,228,914	2,372,100
Total liabilities	1,847,785	1,443,997	63,489,765	64,303,756	1,228,914	2,372,208
Equity	5,432,995	5,174,017	44,386,753	43,461,353	1,819,203	3,207,275

	Sempre a Postos		Insco		Sportessence	
Associated Companies	31 Dec 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Turnover	5,320,035	5,995,013	169,417,628	219,720,871	6,425,043	9,042,713
Other operational income	13,292	(553,714)	8,980,504	11,644,375	17,154	109,282
Operational expenses	(1,126,828)	(1,571,569)	(174,661,740)	(226,555,615)	(5,802,452)	(7,949,819)
Net financial expense	24,490	(2,620)	(310,992)	(137,196)	2,817	–
Income tax expense	(1,051,345)	(946,444)	–	(769,069)	–	(190,404)
Consolidated net income/(loss) for the year	3,179,644	2,920,666	3,425,400	3,903,366	642,562	1,011,772
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	3,179,644	2,920,666	3,425,400	3,903,365	642,562	1,011,772

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

	Sempre a Postos		Insco		Sportessence	
Associates	31 Dec 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
Equity	5,432,995	5,174,017	44,386,753	43,461,353	1,819,203	3,207,275
Percentage of share capital held	25.00%	25.00%	10.00%	10.00%	10.00%	10.00%
Share of the net assets	1,358,249	1,293,504	4,438,675	4,346,135	181,920	320,728
Other effects	758	758	256,769	142,589	104,636	(19,847)
Financial investment	1,359,007	1,294,262	4,695,444	4,488,724	286,555	300,881

3.2.3. Movements occured in the period

During the year ended at 31 December 2023 and 2022, movements in investments in joint ventures and associates are as follows:

	31 Dec 2023			31 Dec 2022		
	Propotion on equity	Goodwill	Total investment	Propotion on equity	Goodwill	Total investment
Investments in joint ventures						
Initial balance as at 1 January	3,584,134	–	3,584,134	3,809,629	–	3,809,629
Effect in gain or losses in joint controlled and associated companies	684,111	–	684,111	563,554	–	563,554
Distributed dividends	(526,086)	–	(526,086)	(789,049)	–	(789,049)
	3,742,159	**–**	**3,742,159**	**3,584,134**	**–**	**3,584,134**

	31 Dec 2023			31 Dec 2022		
	Propotion on equity	Goodwill	Total investment	Propotion on equity	Goodwill	Total investment
Investments in associates companies						
Initial balance as at 1 January	6,083,867	–	6,083,867	910,323	–	910,323
Change of consolidation method	–	–	–	5,344,708	–	5,344,708
Effect in gain/losses in associated companies	1,337,306	–	1,337,306	1,334,258	–	1,334,258
Distributed dividends	(1,080,167)	–	(1,080,167)	(646,227)	–	(646,227)
Effect in equity capital	–	–	–	(859,195)	–	(859,195)
	6,341,006	**–**	**6,341,006**	**6,083,867**	**–**	**6,083,867**

3.3. Receipts / payments of financial investments

As at 31 December 2023 and 2022, cash receipts related to investments can be detailed as follows:

Receipts	31 Dec 2023	31 Dec 2022
Receipt related to the sale of Tlantic to Parseya	–	400,000
Compensation Fund Work	793,365	798,161
Others	5,735	32,086
	799,100	1,230,247

As at 31 December 2023 and 2022, cash payments related to investments can be detailed as follows:

Payments	31 Dec 2023	31 Dec 2022
Compensation Fund Work	604,958	1,702,974
Acquisition of UP's Imosonae II	169,267	–
Others	4,416	554,750
	778,641	2,257,724

3.4. Financial assets at fair value

Accounting Policies

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

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

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

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

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

Relevant accounting judgments and estimates

In the absence of a market quotation, the fair value of financial instruments is determined based on the use of recent transaction prices, similar and carried out under market conditions, or based on valuation techniques based on discounted cash flow methods or on multiples of market transactions. These methodologies may require the use of assumptions or judgments in determining the fair value.

The use of different methodologies and different assumptions or judgments in the application of a certain model could cause changes in the values of assets in the consolidated financial statements.

When classifying investments, the Group determines whether the objective of the investment is to provide financial means to investees, with return via medium to long-term capital gain, and assesses whether or not, based on contracts and agreements, it has the capacity to influence Decisions and policies of its investees. Different judgments regarding these matters could lead to investments being classified and measured differently, with a direct impact on the consolidated financial statements.

3.4.1. 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 2023 and 2022 are as follows:

		Percentage of capital held					
		31 Dec 2023		31 Dec 2022		Statement of financial position	
Company	Head Office	Direct	Total	Direct	Total	31 Dec 2023	31 Dec 2022
Dispar – Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	14.28%	14.28%	9,976	9,976
Other financial assets						12,002,465	12,058,709
						12,012,441	12,068,685

As at 31 December 2023 the caption "Other investments related to Assets at fair value through profit and loss", includes 7,397,600 euro (7,231,644 euro in 31 December 2022), 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 7.1 and 7.2).

As at 31 December 2023, 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 2023 and 2022, the movements in "Assets at fair value through profit and loss and Other investments" made up as follows:

	31 Dec 2023		31 Dec 2022	
	Non Current	Current	Non Current	Current
Assets at fair value through profit and loss				
Opening balance as at 1 January	12,068,685	–	16,205,006	–
Acquisitions in the period	627,317	–	2,023,485	–
Transfer to "Associated companies" (Note 3.2)	–	–	(5,344,708)	–
Disposals in the period	(644,181)	–	(815,098)	–
Assets held for sale	(39,380)	–	–	–
Closing balance as at 31 December	**12,012,441**	**–**	**12,068,685**	**–**
Derivative financial instruments				
Fair value as at 1 January	–	591,578	–	7,106,548
Increase/(Decrease) in fair value (Note 6.7)		(591,578)	–	(6,514,970)
Fair value as at 31 December (Note 5.2 and 6.7)	**–**	**–**	**–**	**591,578**
Total of Other Investments (Note 5.3)	12,012,441	–	12,068,685	591,578

3.5. Gains and losses on investments

As at 31 December 2023 and 2022, "Gain and losses on investments" are as follows:

	31 Dec 2023	31 Dec 2022
Acquisition cost correction	5,989	425,243
Gains / (losses) on the sale of investments in subsidiaries	**5,989**	**425,243**
Gains and losses on investments recorded at fair value through results	–	–
Others	–	32,086
Impairment of reversal/(losses) on investments	**–**	**–**
Total income and (expenses) related to investments	5,989	457,329
Dividends	488	488

3.6. Non-current assets and liabilities held for sale

Accounting Policies

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:

- 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;

- 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.

As a result of the realization, in November 2023, of the principle agreement with Lusíadas Saúde for the disposal of MCCare, Serviços de Saúde, S.A. (“MCCare”), holder of the Dr.Wells clinics, the contributions of MCare to the consolidated financial statements were presented as non-current assets held for sale. The operation was completed in January 2024, as described in Note 1.4.

On December 31, 2023, the items “Non-current assets held for sale” and “Liabilities associated with non-current assets held for sale” present the following detail:

(Amounts expressed in euro)	Notes	MC Care
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	3.8	5,333,057
Right of use assets	3.10	2,659,731
Other investments		39,380
Deferred tax assets	4.11	1,094,331
Total Non-Current Assets		**9,126,499**
CURRENT ASSETS:		
Trade receivables		132,290
Other receivables		169,776
Other tax assets		2,095,580
Other current assets		330,290
Income tax assets		1,266,109
Cash and bank balances		127,922
Total Current Assets		**4,121,967**
Assets classified as held for sale		**13,248,466**
LIABILITIES:		
NON-CURRENT LIABILITIES:		
Lease liabilities		1,921,386
Deferred tax liabilities	4.11	755,723
Total Non-Current Liabilities		**2,677,109**
CURRENT LIABILITIES:		
Loans		7,318
Lease liabilities		900,633
Trade payables		721,298
Other payables		8,851,754
Income tax liabilities		133,751
Other tax liabilities		2,576,603
Total Current Liabilities		**13,191,357**
Liabilities directly associated with assets classified as held for sale		**15,868,467**

3.7. Government grants and other public entities

Government subsidies are recognized according to their fair value when there is a reasonable guarantee that they will be received and that MC will comply with the conditions required for their concession.

Operating subsidies, namely for employee training, are recognized in the income statement according to the expenses incurred.

Investment subsidies, related to the acquisition of fixed assets, are deducted from the book value of the acquired asset, being subsequently recognized during the useful life of the underlying asset as a reduced depreciation expense.

3.8. Property, plant and equipment

Accounting policies

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.

Relevant accounting judgments and estimates

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

	Years
Buildings	10 to 50
Plants and machinery	2 to 15
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”.

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

Most of MC's real estate assets as of 31 December 2023 and 2022, which are recorded at acquisition cost less depreciation and impairment, were valued by an independent specialized entity (Jones Lang LaSalle). Said valuations were carried out using the yield method, using yields between 6.50% and 9.00% (6.75% and 9.00%, also in 2022), with the property's fair value at “Level 3” category, according to the classification given by IFRS 13. These assessments support the asset values as of 31 December 2023.

During the periods ended as at 31 December 2023 and 2022, the movements in "Property, plant and equipment" as well accumulated depreciation and impairment losses are made up as follows:

Property, plant and equipment	Land and buildings	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Tangible assets in progress	Total property, plant and equipment
Gross assets:							
Opening balance as at 1 January 2022	1,092,688,952	1,472,329,263	26,551,783	141,015,471	46,373,262	26,987,859	2,805,946,590
Investment	10,683,214	5,657,472	51,660	3,259,721	698,009	165,580,927	185,931,003
Disposals	(6,266,627)	(54,739,465)	(1,394,614)	(24,846,960)	(1,519,933)	(991,892)	(89,759,491)
Exchange rate effect	–	–	–	366	–	–	366
Transfers	8,042,040	138,269,150	2,879,668	7,699,089	1,458,489	(160,662,978)	(2,314,542)
Opening balance as at 1 January 2023	**1,105,147,579**	**1,561,516,420**	**28,088,497**	**127,127,687**	**47,009,827**	**30,913,916**	**2,899,803,926**
Investment	17,614,892	7,028,723	88,563	2,735,382	1,058,412	239,631,108	268,157,080
Disposals	(2,737,534)	(41,193,979)	(746,943)	(8,288,140)	(2,028,119)	(1,743,642)	(56,738,357)
Exchange rate effect	–	–	–	177	–	–	177
Assets available for sale (Note 3.6)	–	(13,634,145)	–	(1,284,729)	(60,957)	(28,216)	(15,008,047)
Transfers	17,865,592	169,363,876	2,766,217	17,903,581	2,548,131	(218,548,077)	(8,100,682)
Closing balance as at 31 December 2023	**1,137,890,528**	**1,683,080,896**	**30,196,334**	**138,193,958**	**48,527,294**	**50,225,089**	**3,088,114,097**
Accumulated depreciation and impairment losses							
Opening balance as at 1 January 2022	382,739,165	904,678,643	18,590,075	100,996,815	38,131,459	–	1,445,136,157
Depreciation of period	16,411,523	102,674,468	1,583,447	12,298,878	2,945,362	–	135,913,678
Impairment losses of the period (Note 7.1)	2,216,500	5,111,678	117,741	343,133	69,682	–	7,858,734
Disposals	(5,010,284)	(50,971,974)	(1,366,140)	(24,665,320)	(1,502,987)	–	(83,516,705)
Exchange rate effect	–	–	–	134	–	–	134
Transfers	(1,727)	(377,994)	(57,263)	(320,555)	(2,988)	–	(760,527)
Opening balance as at 1 January 2023	**396,355,177**	**961,114,821**	**18,867,860**	**88,653,085**	**39,640,528**	**–**	**1,504,631,471**
Depreciation	16,790,838	110,554,896	1,811,919	12,683,285	2,748,062	–	144,589,000
Impairment losses of the period (Note 7.1)	1,328,632	10,827,870	219	585,676	12,363	–	12,754,760
Reversals of impairment losses (Note 7.1)	(3,435,397)	–	–	–	–	–	(3,435,397)
Disposals	(1,918,043)	(36,145,922)	(687,537)	(8,046,452)	(1,975,025)	–	(48,772,979)
Exchange rate effect	–	–	–	65	–	–	65
Depreciation of assets available for sale (Note 3.6)	–	(8,329,519)	–	(1,284,513)	(60,957)	–	(9,674,990)
Transfers	(4,457,292)	(174,493)	(38,064)	(390,951)	(81,200)	–	(5,142,000)
Closing balance as at 31 December 2023	**404,663,915**	**1,037,847,653**	**19,954,397**	**92,200,194**	**40,283,771**	**–**	**1,594,949,930**
Carrying amount							
As at 31 December 2022	708,792,402	600,401,599	9,220,637	38,474,602	7,369,299	30,913,916	1,395,172,455
As at 31 December 2023	733,226,613	645,233,243	10,241,937	45,993,763	8,243,523	50,225,089	1,493,164,167

The investment includes the acquisition of assets of approximately 268 million euro (165 million euro in 2022), mainly associated with the opening and remodelling of stores.

Disposal in the years 2023 and 2022 can be analysed as follows:

	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	(2,737,534)	(41,193,979)	(746,943)	(8,288,140)	(2,028,119)	(1,743,642)	(56,738,357)
Closing balance as at 31 December 2023	**(2,737,534)**	**(41,193,979)**	**(746,943)**	**(8,288,140)**	**(2,028,119)**	**(1,743,642)**	**(56,738,357)**
Accumulated depreciation and impairment losses:							
Disposals	(1,918,043)	(36,145,922)	(687,537)	(8,046,452)	(1,975,025)	–	(48,772,979)
Closing balance as at 31 December 2023	**(1,918,043)**	**(36,145,922)**	**(687,537)**	**(8,046,452)**	**(1,975,025)**	**–**	**(48,772,979)**
Carrying amount							
Disposals	(819,491)	(5,048,057)	(59,406)	(241,688)	(53,094)	(1,743,642)	(7,965,378)
Sale and Leaseback	–	–	–	–	–	–	–

	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	(6,266,627)	(54,739,465)	(1,394,614)	(24,846,960)	(1,519,933)	(991,892)	(89,759,491)
Closing balance as at 31 December 2022	**(6,266,627)**	**(54,739,465)**	**(1,394,614)**	**(24,846,960)**	**(1,519,933)**	**(991,892)**	**(89,759,491)**
Accumulated depreciation and impairment losses:							
Disposals	(5,010,284)	(50,971,974)	(1,366,140)	(24,665,320)	(1,502,987)	–	(83,516,705)
Closing balance as at 31 December 2022	**(5,010,284)**	**(50,971,974)**	**(1,366,140)**	**(24,665,320)**	**(1,502,987)**	**–**	**(83,516,705)**
Carrying amount							
Disposals	(1,256,343)	(3,767,491)	(28,474)	(181,640)	(16,946)	(991,892)	(6,242,786)
Sale and Leaseback	–	–	–	–	–	–	–

The most significant amounts included under the caption "Tangible fixed assets in progress" include approximately 45 million euro (25 million euro as at 31 December 2022) related to store remodeling and expansion.

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

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Total property, plant and equipment
Impairment losses						
Opening balance as at 1 January 2022	86,401,238	13,033,447	13,273	338,259	36,848	99,823,065
Impairment losses of the period (Note 7.1)	2,216,500	5,111,678	117,741	343,133	69,682	7,858,734
Disposals (Note 7.1)	(4,266,271)	(1,687,150)	(4,005)	(13,281)	(7,672)	(5,978,379)
Opening balance as at 1 January 2023	**84,351,467**	**16,457,975**	**127,009**	**668,111**	**98,858**	**101,703,420**
Discontinued operations						–
Impairment losses of the period (Note 7.1)	1,328,632	10,827,870	219	585,676	12,363	12,754,760
Disposals (Note 7.1)	(3,435,397)	–	–	–	–	(3,435,397)
Assets available for sale	–	(7,050,269)	–	(543,017)	(7,232)	(7,600,518)
Transfers	(208,855)	(139,237)	–	–	–	(348,092)
Closing balance as at 31 December 2023	**82,035,847**	**20,096,339**	**127,228**	**710,770**	**103,989**	**103,074,173**

The increase in impairments that occurred in 2023 is related to store renovations.

3.9. Intangible assets

Accounting policies

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 commercialization and / or use and for which it is probable that the asset created will generate future economic benefits, are capitalized. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software is recorded as an expense in the period in which they are incurred, except in the situation where these expenses are directly associated with projects for which future economic benefits are likely to be generated for MC. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by mean of "Own work capitalized" (Note 2.6).

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.

In the years ended at 31 December 2023 and 2022, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

Intangible Assets	Industrial property	Software	Premium paid for property occupation	Others intangible assets	Intangible assets in progress	Total Intangible Assets
Gross assets						
Opening balance as at 1 January 2022	150,788,042	390,064,003	8,428,780	773,312	22,870,384	572,924,521
Investment	–	746,898	–	–	35,925,161	36,672,059
Disposals	(5,089)	(18,899,240)	–	–	(218,654)	(19,122,983)
Transfers	57,479	28,621,901	–	–	(27,399,724)	1,279,656
Opening balance as at 1 January 2023	**150,840,432**	**400,533,562**	**8,428,780**	**773,312**	**31,177,167**	**591,753,253**
Investment	–	640,690	–	–	41,818,947	42,459,637
Disposals	(925,789)	(13,559,683)	–	–	(286,103)	(14,771,575)
Assets available for sale	(8,804)	(127,831)	(122,191)	–	–	(258,827)
Transfers	39,388	43,323,473	–	–	(42,383,118)	979,743
Closing balance as at 31 December 2023	**149,945,227**	**430,810,211**	**8,306,589**	**773,312**	**30,326,893**	**620,162,231**
Accumulated amortisation and impairment losses						
Opening balance as at 1 January 2022	17,112,136	286,222,944	7,326,461	624,119	–	311,285,660
Amortisation of the period	146,949	29,355,911	14,079	2,683	–	29,519,622
Impairment losses of the period (Note 7.1)	–	1,129,112	–	–	–	1,129,112
Disposals	(5,089)	(18,405,820)	–	–	–	(18,410,909)
Transfers	(244)	(167)	–	–	–	(411)
Opening balance as at 1 January 2023	**17,253,752**	**298,301,980**	**7,340,540**	**626,802**	**–**	**323,523,074**
Amortisation of the period	125,232	29,651,141	14,079	2,683	–	29,793,135
Impairment losses of the period (Note 7.1)	2,933	694,708	122,191	–	–	819,833
Reversal of Impairment losses of the period (Note 7.1)	–	(1,905,542)	–	–	–	(1,905,542)
Disposals	(903,745)	(11,633,455)	–	–	–	(12,537,200)
Depreciation of assets available for sale	(8,804)	(127,831)	(122,191)	–	–	(258,826)
Transfers	(7,374)	(8,951)	–	–	–	(16,328)
Closing balance as at 31 December 2023	**16,461,994**	**314,972,050**	**7,354,619**	**629,485**	**–**	**339,418,146**
Carrying amount						
As at 31 December 2022	133,586,680	102,231,582	1,088,240	146,510	31,177,167	268,230,179
As at 31 December 2023	133,483,232	115,838,160	951,970	143,827	30,326,893	280,744,085

As at 31 December 2023 the investment related to intangible assets in progress includes 41.7 million euro related to IT projects and development software (35.8 million euro at 31 December 2022). Within that amount it is included 19.9 million euro of capitalizations of personnel costs (about 16.3 million euro in 31 December 2022) (Note 2.6).

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.

Relevant accounting judgments and estimates

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 2023, no impairment was booked during the year.

3.10. Right-of-use assets

Accounting Policies

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 (e.g. the lease liability) and the asset that represents the right to use the underlying asset during the lease period (e.g. 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.

Rights of use of assets

The Group recognises the right to use the assets at the starting date of the lease (e.g. 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 straightline 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 recognize the right of use assets or responsibility under lease liabilities, recognizing the expenses associated with these leases as expenses during the life of the contracts.

Lease agreements 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.

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 maximization. In determining the term of the lease, the Board of Directors considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Most of the extension options were not included in the lease liability and, when exercised, are by the Group and not by the lessor.

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

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

The accounting treatment of Sale and Leaseback

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 2.1). 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, recognizing as gain and loss only that which relates to the rights transferred to the purchaser-leaser, e.g. 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 (Note 4.6 e 4.8).

Relevant accounting judgments and estimates

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.

These assets under right of use generally have an initial period of 20 years, which can be extended, with market conditions, for four additional periods of 10 years. The Board of Directors considered it likely that only the initial lease period would be maintained, which is less than the remaining useful life of the transaction assets. It was also considered that there is no obligation to repurchase the leased assets, and the present value of the minimum lease payments was also analyzed.

During the years ended on 31 December 2023 and 2022, the movement in the value of the right-of-use assets, as well as in the respective depreciations and accumulated impairment losses, was as follows:

	Land and Buildings	Vehicles	Others tangible assets	Total tangible assets
Gross assets				
Opening balance as at 1 January 2022	1,387,325,210	88,561,391	1,664,041	1,477,550,642
Increases	106,970,166	6,064,954	6,787,462	119,822,582
Write-offs and Decreases	(49,892,751)	(4,810,402)	(320)	(54,703,473)
Opening balance as at 1 January 2023	**1,444,402,625**	**89,815,943**	**8,451,183**	**1,542,669,751**
Increases	233,550,268	95,667,637	8,464,595	337,682,500
Assets held for sale	(6,495,815)	(38,734)	–	(6,534,549)
Write-offs and Decreases	(59,472,202)	(50,185,465)	(5,078,348)	(114,736,015)
Closing balance as at 31 December 2023	**1,611,984,876**	**135,259,381**	**11,837,430**	**1,759,081,687**
Accumulated amortisation and impairment				
Opening balance as at 1 January 2022	482,678,079	61,163,679	212,610	544,054,368
Depreciation of the period	82,470,784	21,459,765	489,230	104,419,779
Write-offs and tranfers	(46,934,335)	(3,936,454)	–	(50,870,789)
Opening balance as at 1 January 2023	**518,214,528**	**78,686,990**	**701,840**	**597,603,358**
Depreciation of the period	91,802,217	32,621,625	1,186,280	125,610,122
Assets held for sale	(3,862,042)	(12,777)	–	(3,874,818)
Write-offs and tranfers	(18,783,003)	(49,569,238)	(47,686)	(68,399,930)
Closing balance as at 31 December 2023	**587,371,701**	**61,726,600**	**1,840,434**	**650,938,732**
Carrying amount				
As at 31 December 2022	926,188,097	11,128,953	7,749,343	945,066,393
As at 31 December 2023	1,024,613,175	73,532,781	9,996,996	1,108,142,955

The increases in 2023 are related to the volume of store openings, a new warehouse, and renewal of the goods transport fleet.

In the consolidated income statement, 124 million euro were recognized related to depreciation for the year (104 million euro in 2022) and 79 million euro of interest related to the update of the debt (69.5 million euro in 2022) (Notes 2.6 and 6.5).

The liabilities related to assets under right of use are recorded in the line items of non-current and current lease liability in the amount of respectively 1.181 million euro and 110 million euro (1.038 million euro and 71.5 million euro as of 31 December 2022).

The repayment plan provided for lease liabilities, as of December 31, 2023 and 2022, can be analyzed as follows:

	31 Dec 2023			31 Dec 2022		
	Capital	Interests	Updated liabilities	Capital	Interests	Updated liabilities
N+1	186,659,341	77,072,795	109,586,546	139,841,684	68,313,201	71,528,483
N+2	182,225,270	70,897,220	111,328,050	134,339,475	64,101,477	70,237,998
N+3	151,758,411	65,068,183	86,690,228	131,311,676	59,717,867	71,593,809
N+4	145,501,195	59,694,233	85,806,962	129,084,763	55,143,011	73,941,752
N+5	141,508,294	54,123,141	87,385,153	124,120,039	50,424,982	73,695,057
Post N+5	1,078,861,471	269,000,919	809,860,552	1,003,030,837	254,492,819	748,538,018
	1,886,513,982	595,856,490	1,290,657,492	1,661,728,474	552,193,357	1,109,535,117

4. Working capital

4.1. Inventories

Accounting policies

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 realizable value of the two lowest, using as costing method the average cost.

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

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".

As at 31 December 2023 and 2022, this caption was made up as follows:

	31 Dec 2023	31 Dec 2022
Raw materials and consumables	3,303,583	3,997,341
Goods for resale	508,147,771	459,638,993
	511,451,353	**463,636,334**
Accumulated adjustments in inventories	(8,567,229)	(8,252,310)
	502,884,124	455,384,024

Cost of goods sold as at 31 December 2023 and 2022 amounted to 4,679,455 euro,811 and 4,208,686 euro,664, respectively, and may be detailed as follows:

	31 Dec 2023	31 Dec 2022
Opening balance	463,636,334	396,096,072
Purchases	4,761,144,057	4,307,078,073
Inventory regularizations	(33,968,119)	(30,413,427)
Closing balance	511,451,353	463,636,334
	4,679,360,918	**4,209,124,384**
Inventory adjustments	94,894	(437,720)
	4,679,455,811	4,208,686,664

As at 31 December 2023 and 2022, the caption "Adjustments" refers essentially to regularizations resulting from offers to social solidarity institutions.

4.2. Trade receivables

Accounting policies

The accounting policy regarding trade receivables is described in Note 5.

Relevant accounting judgments and estimates

At 31 December 2023, 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.

The caption "Current Customers" includes 16,344,201 euro (19,086,730 euro as at 31 December 2022), on wholesale sales to related companies (Note 8).

	31 Dec 2023			31 Dec 2022		
	Expected credit loss rate	Trade Receivables	Accumulated impairment losses on Trade accounts receivable	Trade Receivables	Trade Receivables	Accumulated impairment losses on Trade accounts receivable
Not due	0%–0.23%	21,838,651	–	0%–0.23%	25,706,992	–
Due but not impaired						
0–30 days	0%–0.23%	26,671,890	321,345	0%–0.34%	23,919,628	503,374
30–90 days	0%–0.54%	16,841,010	220,941	0%–1.71%	8,880,359	151,854
90–180 days	0%–3.22%	2,115,294	71,043	0%–5.92%	1,766,311	104,566
180–360 days	0%–100%	397,425	397,425	0%–100%	343,260	343,260
+ 360 days	0%–100%	1,403,380	1,403,380	0%–100%	1,428,168	1,428,168
Total		**47,428,999**	**2,414,135**		**36,337,726**	**2,531,222**
		69,267,650	2,414,135		62,044,718	2,531,222

The breakdown of "Trade Receivables" at 31 December 2023 and 2022 is detailed as follows:

	31 Dec 2023	31 Dec 2022
Trade accounts receivable	66,841,398	59,508,262
Doubtful receivables	2,426,252	2,536,456
	69,267,650	**62,044,718**
Accumulated impairment losses on Trade accounts receivable (Note 7.1)	(2,414,135)	(2,531,222)
	66,853,515	59,513,496

4.3. Other receivables

Accounting policies

The accounting policy regarding other receivables is described in Note 5.

Relevant accounting judgments and estimates

At 31 December 2023 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.

As at 31 December 2023 and 2022, Other receivables are detailed as follows:

	31 Dec 2023	31 Dec 2022
Granted loans and other receivables to related companies	**254,070**	**254,070**
Other debtors		
Trade creditors – debtor balances	32,650,993	33,676,023
Derivative contracts associated with commercial activities	3,281,348	18,242,079
Vouchers and gift cards	5,831,531	18,706,120
Accounts receivable resulting from promotional campaigns developed with partnerships	9,473,607	7,423,059
Disposal of property, plant and equipment	190,435	145,894
Other loans granted	8,498,000	–
Other current assets	35,912,576	15,258,818
	95,838,490	**93,451,992**
Accumulated impairment losses in receivables (Note 7.1)	(1,240,976)	(1,966,501)
Total of other debtors	**94,597,514**	**91,485,491**
Total of Financial Instruments (Note 5)	**94,851,584**	**91,739,561**
VAT recoverable on real estate assets and vouchers discounts	156,859	156,859
Advances to suppliers of property, plant and equipment	3,374,856	1,647,698
Other current assets	**3,531,715**	**1,804,557**
	98,383,299	93,544,118

The amount in the line Other loans granted is with MCCare and the corresponding liability is reflected in Non-current assets and liabilities held for sale (Note 3.6).

As of December 31, 2023, the value of Suppliers debtor balances are related to commercial revenues debited to suppliers, but not yet deducted from future purchase credits.

4.4. Other current assets

Accounting policies

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".

As at 31 December 2023 and 2022, "Other current assets" is made up as follows

	31 Dec 2023	31 Dec 2022
Commercial discounts	12,546,327	17,226,622
Insurance premiums paid in advance	5,237,796	4,534,257
Software licenses	3,945,849	3,042,268
Deferred costs – Rents	880,069	829,399
Interests to be received	512,719	235,724
Other current assets	13,298,858	17,686,558
	36,421,618	43,554,828

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".

4.5. Other non-current assets

As at 31 December 2023 and 2022, "Other non-current assets" are detailed as follows:

	31 Dec 2023	31 Dec 2022
Other receivables		
Derivative contracts associated with commercial activities (Note 5.2)	9,347,050	14,011,577
Cautions	1,869,866	1,792,442
Sublease receivables	4,168,340	4,212,766
Legal deposits	424,671	419,673
Special regime for payment of tax and social security debts	2,717,251	2,717,279
Receivables from deferred tax assets IFRS 16	35,464,014	–
Others	–	55,223
	53,991,192	23,208,960

In the fiscal year of 2023 and for IRC purposes, we proceeded to reassess the tax effects of the accounting of IFRS 16, since the fiscal year of 2019, and we came to understand:

Stop giving tax relevance to the rental income paid by tenants in substitution of the accounting effects of IFRS 16, which were then annulled for tax purposes;

Start giving tax relevance to the accounting adjustments of IFRS 16, since 2019 (including the effect of the equity variation recorded in the transition), assuming the following procedures:

- The useful life considered for tax depreciation purposes on the right of use will be the one that corresponds to the useful life of the underlying asset or, if shorter, the lease term;
- The value of depreciations to be considered for tax purposes on rights of use whose underlying asset is passenger or mixed vehicles must take into account the limits set in Ordinance 467/201 of July 7.

As such, we will proceed to replace the periodic income statements for IRC purposes, for fiscal years prior to 2023, taking into account the values determined in accordance with the above.

This revaluation led to the derecognition of deferred tax assets and liabilities related to the tax effects of the accounting of IFRS 16, in the amount of respectively 271,190,538 euro and 235,726,624 euro, and the recognition of 35,464,014 euro of deferred tax assets from tax losses at the level of the consolidated statement of financial position as of December 31, 2023, having had no impact on the consolidated net result.

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.

The Special Regime for Regularization of Debts to the Tax Authorities corresponds to taxes paid voluntarily, related to corporate income tax (IRC) settlements that were already in the judicial process, with the judicial processes continuing their course, however, the guarantees provided for these processes have been cancelled. The Board of Directors understands that the claims presented will have a favorable outcome for MC, which is why they are not provisioned (Note 7).

4.6. Other non-currents liabilities

As at 31 December 2023 and 2022 "Other non-current liabilities" are made up as follows:

	31 Dec 2023	31 Dec 2022
Creditors for acquisition of financial investments	1,000,000	1,000,000
Fixed assets suppliers	42,500	95,021
Derivative contracts associated with commercial activities (Note 5.2)	7,634,006	–
Other non-current liabilities	441,061	382,455
Total of financial instruments (Note 5.3)	**9,117,567**	**1,477,476**
Share based payments (Note 2.3.2)	2,415,646	2,947,619
Charges made on the sale of real estate	11,556,077	15,220,698
Other accruals and deferrals	40,955	90,113
Other non-current liabilities	23,130,245	19,735,905

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.

4.7. Trade payables

Accounting policies

The accounting policy regarding trade payables is described in Note 5.

As at 31 December 2023 and 2022, trade payables are as follows:

	31 Dec 2023	31 Dec 2022
Trade payables – current account	795,904,964	833,179,227
Trade payables – Invoice Accruals	80,362,431	63,671,272
	876,267,395	896,850,499

As at 31 December 2023 and 2022 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 collaboration protocols with financial entities with the aim of allowing suppliers access to a beneficial tool for managing their working capital, upon confirmation by MC of the validity of the credits that suppliers hold over it. Within the scope of these protocols, some suppliers have freely entered into agreements with these financial institutions that may allow them to anticipate the receipt of these credits. The company does not change the accounting nature of the credits until the date of their normal maturity under the terms of the supply contract entered into between the company and the supplier whenever (i) the maturity period corresponds to a period practiced by the industry in which the company operates and (ii) the company does not bear a charge with the operation of advance payment compared to the alternative of payment at normal maturity.

4.8. Other current liabilities

As at 31 December 2023 and 2022, “Other current liabilities” are made up as follows:

	31 Dec 2023	31 Dec 2022
Holiday pay and bonus	154,181,402	126,570,925
Software access licenses	23,281,189	9,660,023
Other external supplies and services	38,691,185	31,519,056
Marketing expenses	19,105,965	11,112,377
Lease liabilities	4,207,116	3,893,818
Municipal property tax	1,586,935	1,567,549
Charges made on the sale of real estate	737,621	878,847
Fixed income charged in advance	8,969,818	3,932,571
Share based payments obligations (Note 2.3.2)	3,752,262	3,760,963
Interests payable	3,712,190	3,585,225
Derivative contracts associated with commercial activities (Note 5.2)	1,263,371	1,743,200
Others	9,661,429	5,425,444
	269,150,483	203,649,998

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

4.9. Other payables

Accounting policies

The accounting policy regarding “Other payables” is described in Note 5.

As at 31 December 2023 and 2022, the caption “Other payables” is detailed as follows:

	31 Dec 2023	31 Dec 2022
Fixed asset suppliers	88,373,549	73,923,156
Other payables	43,362,422	27,486,714
	131,735,971	**101,409,870**
Related undertakings	–	–
	131,735,971	**101,409,870**

The caption “Other payables” includes:

- 15,687,127 euro (13,879,297 euro as at 31 December 2022) of attributed discounts not yet redeemed related to the loyalty card “*Cartão Cliente*”;
- 7,722,215 euro (2,180,689 euro as at 31 December 2022) relating to vouchers, gift cards and discount tickets not yet redeemed.

As at 31 December 2023 and 2022, 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.

4.10. Other tax assets and liabilities

As at 31 December 2023 and 2022, “Other tax assets” and “Other tax liabilities” are made up as follows:

	31 Dec 2023	31 Dec 2022
Debtors values		
VAT	621,604	2,291,914
Social security contributions	–	1,251
Other taxes	1,027,925	924,166
	1,649,529	**3,217,331**
Creditors values		
VAT	71,768,214	64,288,786
Staff income taxes withheld	7,795,075	4,494,797
Social security contributions	14,883,519	13,261,875
Other taxes	94,730	136,717
	94,541,538	**82,182,175**

4.11. Income tax

Accounting policies

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".

Tax losses generated by subsidiaries within the Group are partially offset by the dominant entity of the Group. As regards tax losses generated by subsidiaries not compensated in the year, they will be compensated as the Group recovers them, taking into account the Group's future taxable profits, and the amount to be compensated will be recorded in non-current assets in an account receivable from the Group.

Current income tax is calculated based on the taxable income of the companies included in the consolidation, in accordance with the tax rules in force in the place where each MC company has its registered office.

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 use.

Relevant accounting judgments and estimates

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.

Deferred taxes are recorded as an expense or income for the year, except if they result from values recorded directly in equity, in which case the deferred tax is also recorded in the same line item.

The value of taxes recognized in the financial statements corresponds to MC's understanding of the tax treatment applicable to specific transactions, with liabilities related to income taxes or other types of taxes being recognized based on the interpretation that is made and that is understood to be the most appropriate.

In situations where such interpretations are questioned by the Tax Authorities, within the scope of their competencies, because their interpretation is different from MC's, this situation is subject to reanalysis. If such reanalysis confirms the position of the MC Group, concluding that the probability of loss of a certain tax process is less than 50%, MC treats the situation as a contingent liability, i.e., no tax value is recognized, given that the most likely Decision is that there will be no payment of any tax. In situations where the probability of loss is greater than 50%, a Provision is recognized, or if payment has been made, the associated expense is recognized.

In situations where payments have been made under special regimes for the regularization of tax debts and the tax under discussion corresponds to income tax, and cumulatively the respective judicial processes are still in progress and the probability of success of such processes is greater than 50%, such payments are recognized as an asset, as they correspond to certain amounts that will be reimbursed to the entity (usually plus interest), or that can be used to make the payment of the tax that is determined to be due by the MC Group to the competent authorities, a situation in which the obligation in question is determined as a present obligation. In situations where the payments correspond to other taxes, such amounts are recorded as an expense, even though the understanding of the MC Group is that they will be reimbursed plus the respective interest.

As at 31 December 2023 and 2022, Income tax assets and Income tax liabilities are made up as follows:

	31 Dec 2023	31 Dec 2022
Debtors values		
Income taxation with participating entity	29,953,995	25,232,011
Current tax	15,192,987	14,882,313
Deferred tax	14,761,008	10,349,698
Income taxation	17,609,353	17,981,181
	47,563,348	**43,213,192**
Creditors values		
Income taxation with participating entity	38,645,855	27,220,770
Current tax	29,408,843	16,810,099
Deferred tax	9,237,012	10,410,671
Income taxation	2,256,713	5,627,535
	40,902,568	**32,848,305**

As of 31 December 2023, the debt amounts under the heading "Income tax" with participating entity include:

- 26.5 million euro (14.7 million euro as at 31 December 2022) of an amount payable to Sonae SGPS, S . A. resulting from the inclusion of the MC group companies in the fiscal consolidated, of which Sonae SGPS, S.A. is the parent company.
- 3.5 million euro (10.5 million euro as at 31 December 2022) payable to consolidated tax companies in Spain, of which the Modelo Continente Hipermercados, S.A. is the parent company.

As of 31 December 2023, the credit amounts under the heading Income tax with participating entity include:

- 29.1 million euro (11.3 million euro as at 31 December 2022) of an amount payable to Sonae SGPS, S.A. resulting from the inclusion of the MC group companies in the fiscal consolidated, of which Sonae SGPS, S.A. is the parent company.
- 9.2 million euro (15.9 million euro as at 31 December 2022) of amounts payable to consolidated tax companies in Spain, of which the Modelo Continente Hipermercados, S.A. is the parent company.

As at 31 December 2023 and 2022, income tax is made up as follows:

	31 Dec 2023	31 Dec 2022
Current tax	36,583,665	25,006,504
Deferred tax (Note 4.11.1)	8,148,268	907,240
	44,731,933	25,913,744

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2023 and 2022 is as follows:

	31 Dec 2023	31 Dec 2022
Profit before income tax	220,177,411	208,847,400
Income tax rate of 21%	**46,237,256**	**43,857,954**
Effect of different income tax rates in other countries	(2,579,931)	(6,657,762)
Difference between capital (losses)/gains for accounting and tax purposes	(1,258)	(96,039)
Gains or losses in jointly controlled and associated companies (Note 3.2)	(424,498)	(398,540)
Provisions and impairment losses not accepted for tax purposes	(2,334,889)	–
Use of tax losses that have not originated deferred tax assets	(605,605)	(25,172)
amortisation of goodwill for tax pruposes in Spain	5,816,778	5,816,680
Effect of constitution or reversal of deferred taxes	(438,917)	(14,863,915)
Donations unforeseen or beyond the legal limits	183,022	602,501
Use of tax benefits	(4,638,452)	(6,791,324)
Under/(over) Income tax estimates	(520,166)	(120,554)
Autonomous taxes and tax benefits	1,345,130	1,397,726
Municipality surcharge	3,617,774	3,162,073
Others	(924,310)	30,117
Income tax	44,731,933	25,913,744

4.11.1. Deferred taxes

Deferred tax assets and liabilities as at 31 December 2023 and 2022 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Difference between fair value and acquisition cost	5,238,973	4,770,933	18,486,541	18,549,894
Temporary differences on property, plant and equipment and intangible assets	4,473	6,397	98,248,746	91,360,924
Provisions and impairment losses not accepted for tax purposes	8,943,888	11,777,312	–	–
Valuation of hedging derivatives	1,962,610	630,272	3,032,757	7,806,093
Amortisation of goodwill for tax purposes in Spain	–	–	51,186,781	45,370,003
Tax losses carried forward	16,303,319	17,856,816	–	–
Rights of use	18,982,675	250,541,399	17,211,098	216,821,700
Tax Benefits	21,537,313	19,000,703	4,113,283	2,705,283
Others	4,330,876	2,508,202	256,488	565,796
	77,304,129	307,092,034	192,535,694	383,179,693

During the periods ended 31 December 2023 and 2022, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Opening balance	307,092,034	282,653,191	383,179,693	361,624,611
Effects in net income (Note 4.1):				
Difference between fair value and acquisition cost	468,041	434,728	(63,354)	(222,640)
Temporary differences on property, plant and equipment and intangible assets	(1,924)	(13,066)	7,045,104	7,634,949
Provisions and impairment losses not accepted for tax purposes	(2,770,407)	(1,008,179)	–	–
Revaluation of tangible assets	–	–	(253,253)	(54,617)
Constitution / reversal of deferred tax assets over tax losses	(1,553,497)	2,405,965	–	–
Amortisation of goodwill for tax purposes in Spain	–	–	5,816,778	5,816,680
Reinvested capital gains/(losses)	–	–	(41,073)	(37,290)
Rights of use	(195,005,397)	7,087,329	(200,366,325)	2,891,572
Tax Benefits	2,932,970	8,460,672	1,408,000	2,705,283
Others	(586,846)	484,177	(1,909,651)	24,929
	(196,512,042)	**17,851,626**	**(188,363,774)**	**18,758,866**
Effects in equity:				
Valuation of hedging derivatives	1,093,820	612,355	(3,035,948)	2,796,216
	1,093,820	**612,355**	**(3,035,948)**	**2,796,216**
Constitution of deferred tax assets on tax losses fiscal consolidation perimeter in Spain	–	5,974,862	–	–
Discontinued operations	1,094,331	–	755,723	–
Deferred tax assets reclassification	(35,464,014)	–	–	–
Closing balance	77,304,129	307,092,034	192,535,694	383,179,693

As at 31 December 2023, 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 2018, the Group recognised 17.5 million euro in deferred tax liabilities related to the tax deduction of the amortisation of the years 2008, 2016 and 2017 and following the recognition of 5.8 million euro annualy. In the fiscal years of 2018 and following, a recognition of 5.8 million euro per fiscal year was made.

As at 31 December 2023 and 2022, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarized as follows

		31 Dec 2023		31 Dec 2022	
		Tax losses carried forward	Deferred tax assets	Tax losses carried forward	Deferred tax assets
Without limited time use					
	Spain	60,798,866	15,199,716	66,428,672	16,607,168
Generalted in 2014	Portugal	18,326	3,849	18,326	3,849
Generated in 2015	Portugal	69,903	14,679	69,903	14,679
Generated in 2016	Portugal	243,591	51,154	243,591	51,154
Generated in 2017	Portugal	335,279	70,408	335,279	70,408
Generated in 2018	Portugal	236,656	49,698	263,142	55,260
Generated in 2020	Portugal	1,954,862	410,521	1,954,862	410,521
Generated in 2021	Portugal	2,368,627	503,294	2,339,089	491,209
Generated in 2022	Portugal	–	–	726,519	152,568
		66,026,110	16,303,319	72,379,383	17,856,816

On December 31, 2023 and 2022, the deferred taxes to be recognized resulting from tax losses were evaluated. In cases where they originated deferred tax assets, they were only recorded to the extent that it is likely that taxable profits will occur in the future that can be used to recover tax losses or tax differences that reverse in the same period and considering the compensation limit existing by law in applicable cases. This evaluation was based on the business plans of MC's companies, periodically reviewed and updated.

The Group presents on December 31, 2023 a value of 15.2 million euro (16.6 million euro on 31 December 2022) of deferred tax assets related to tax losses of this fiscal year and previous fiscal years of the Spanish Tax Group and that can be recovered by it in Spain. The Branch of Modelo Continente Hipermercados, S.A., in Spain, was on December 31, 2023 and 2022, the representative entity of the Tax Group in Spain, whose dominant entity is Sonae SGPS, S.A.

The recovery of the above-mentioned deferred tax assets, related to the operation of the Group in Spain, is supported by the analysis of the recoverable value of the Cash Generating Units for the formats of specialized retail in Spain, as well as the other companies included in the tax perimeter that are based on their value in use, obtained from business plans with a projection period of 5 years.

The assumptions used in the business plans of the retail companies and other companies in Spain, included in the aforementioned Tax Group, are essentially based on a compound sales growth rate over 5 years of 3.7% (3.8% in 2022).

Despite the fact that the aforementioned tax losses do not expire, the analysis of their recoverability was limited to a period of 5 years, also considering the recognized deferred tax liabilities.

It is the understanding of the Board of Directors, based on the existing business plans for the various companies, that such deferred tax assets are fully recoverable, within the projection period and that those that have been reversed in recent years, will probably be recoverable in a period longer than the 5 years of the projection.

As at 31 December 2023, there are reportable tax losses in the amount of 380.4 million euro (93.1 million euro as at 31 December 2022), whose deferred tax assets are not recorded for prudence purposes.

		31 Dec 2023		31 Dec 2022	
		Tax losses carried forward	Deferred tax credit	Tax losses carried forward	Deferred tax credit
Without limited time use					
	Brazil	30,580,677	10,397,430	28,756,146	9,777,090
	Spain	341,941,678	85,485,420	56,509,512	14,127,378
Generated in 2014	Portugal	112,213	23,565	112,213	23,565
Generated in 2015	Portugal	41,183	8,648	41,183	8,648
Generated in 2016	Portugal	633,610	133,058	633,610	133,058
Generated in 2017	Portugal	1,278,464	268,477	1,278,464	268,477
Generated in 2018	Portugal	1,429,325	300,158	1,429,325	300,158
Generated in 2019	Portugal	2,681,355	563,085	2,681,355	563,085
Generated in 2020	Portugal	460,869	96,782	460,869	96,782
Generated in 2022	Portugal	1,171,689	246,624	1,173,849	246,508
Generated in 2023	Portugal	73,037	15,338	–	–
		380,404,101	97,538,586	93,076,526	25,544,750

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 and 2016 and following.

During the fiscal year of 2022, the National Court issued a partially favorable sentence to the Branch regarding the inspection procedure for the fiscal years of 2008 to 2011, recognizing the right to deduct the amortization of goodwill for tax purposes, however, denying the deduction of financial charges related to the acquisition of Continente Hipermercados, S.A. The Spanish tax authorities filed an appeal for annulment before the Supreme Court against the partially favorable Decision to the Branch, which was admitted and is awaiting Decision.

Taking into account the appeal filed by the Spanish tax authorities before the Supreme Court mentioned above, as well as the fact that the Branch was prevented from deducting for tax purposes the amortization of goodwill, related to the fiscal years of 2012 to 2015, the Group may be recognized the right to deduct for tax purposes the amortization of goodwill in the amount of 18.6 million euro.

5. Financial instruments

Financial assets

Accounting policies

MC classifies the financial instruments in the categories presented and conciliated with the combined statement of financial position disclosed in Note 5.3.

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:

1) 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;

2) 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;

3) 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

Relevant accounting judgements and estimates

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

a) 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 5.3.

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 show a residual interest in the assets of the MC after deducting liabilities and are recorded at the amount received, net of costs incurred with their issuance.

b) 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.

c) Cash and bank 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.

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.

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

a) 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

b) 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.

c) Derivatives

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

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

The criteria for classifying a derivative instrument as a cash flow hedge instrument is met when:
- 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;
- changes in fair value do not result mainly from credit risk; and
- 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 these specific situations, financial instruments may not qualify as hedging instruments in accordance with IFRS 9. In these situations, the effect of the fair value revaluation of such derivatives is recorded in the income statement under the heading "Financial income and gains" or "Financial expenses and losses".

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

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

In specific situations, MC can proceed with the contracting of interest rate derivatives with the aim of carrying out fair value hedges. In these situations, the derivatives will be recorded at their fair value through the consolidated statement of results. In situations where the hedged item is not measured at fair value (namely, loans that are measured at amortized cost), the effective portion of the hedge will be adjusted in the book value of the hedged item, through the statement of results.

d) 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 6.7. 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.

5.1. Financial risk management

5.1.1. 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.

5.1.2. 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:

5.1.2.1. 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 6.6, 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 authorized 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.

It is considered that the balances of «Loans granted to related entities» have a low credit risk, so, consequently, the impairments for credit losses recognized during the period were limited to the estimated 12-month credit losses. These financial assets are considered as having «low credit risk» when they have a reduced risk of uncollectibility and the debtor has a high capacity to comply with its contractual cash flow responsibilities in the short term. The gross book value of the items classified as «Loans granted to related entities» included in other third-party debts (Notes 4.3) reflects the maximum credit risk of the Company in this item, totaling 8.8 million euro on December 31, 2023 (254 thousand euro on December 31, 2022).

5.1.2.2. Credit risk in operational and commercial activities

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.

"Loans granted to related entities" balances are considered to have low credit risk and, therefore, impairment losses recognized during the period were limited to estimated credit losses at 12 months. These financial assets are considered to have "low credit risk" when they have a low impairment risk, and the borrower has a high capacity to meet its contractual cash flow liabilities in the short term. The gross accounting value of the items classified as "Loans granted to related entities", included in other third party debts (Note 4.3), reflects the Company's maximum credit risk relative to this item, totalizing 8.8 million euro as at 31 December 2023 (254 thousand euro as at 31 December 2022).

5.1.3. 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 2023, the total consolidated gross debt (excluding supplies and lease liabilities) is 625 million euro (as at 31 December 2022 it was 610.5 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 2023, the average maturity of MC's debt is approximately 3.9 years (2022 4.6 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 Note 6.4, 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 2023, as described in Note 6.4, the consolidated loan amount maturing in 2024 is of 49.5 million euro (62.7 million euro maturing in 2022) and in 31 December 2023 MC had 196 million euro available in consolidated credit lines (161 million euro in 2022) with commitment less than or equal to one year and 285 million euro (275 million euro in 2022) with a commitment greater than one year.

Additionally, as at 31 December 2023, MC had a liquidity reserve consisting of cash and cash equivalents of 129.8 million euro (201.6 million euro as at 31 December 2022) (Note 6.6).

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.

5.1.4. Interest rate risk

5.1.4.1. Policies

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

Principles for contracting derivatives to manage interest rates:

- 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 5.1.2. 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 optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

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

5.1.4.2. Sensitivity analysis

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

- Changes in market interest rates affect the interest income or expense of variable interest rate financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, these instruments are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are 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 100 basis points higher, the consolidated net profit before tax of MC for the period ended as at 31 December 2023 would Decrease by approximately 3.1 million euro (4.2 million euro Decrease as at 31 December 2022).

5.1.5. Exchange risk

5.1.5.1. 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 minimizing the negative impacts of volatility in exposure level as a consequence of changes of the amounts of imports denominated in other currencies rather than euro.

Although there is not global management exchange rate risk policy in what concerns hiring derivatives to managing exchange interest risk, it also applies to all group companies, with the necessary adaptations, the principles referred at 5.1.4).

5.1.5.2. Exposure and sensitivity analyses

As at 31 December 2023 and 2022 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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
British Pound	5,408	429	41,400	15,133
US Dollar	3,871	4,437,127	3,911,521	4,708,331
Hungarian Forint	140,679	–	–	–
Other Currencies	3,871	1,071	–	–

The amounts presented above, 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

5.1.6. Energy price risk

MC is a consumer of electricity in its various businesses and also has a subsidiary that buys electricity in an organized 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. All transactions tend to be documented following the standard contracts defined by the ISDA. — International Swaps and Derivatives Association.

5.1.7. 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, maximize the return on shareholders and optimize financing costs.

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

5.2. 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 748,564 euro and an asset of 617,908 euro (1,743,200 euro in liabilities and 1,082,952 euro in assets, as at 31 December 2022).

The accounting of the fair value for these financial instruments was made taking into consideration the present value at financial position statement date of the forward settlement amount in the maturity date of the contract. The settlement amount considered in the valuation, is equal to the currency notional amount (foreign currency) multiplied by the difference between the contracted forward exchange rate and the forward exchange market rate at that date as at the valuation date

Losses in the period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment were recorded directly in the income statement in the captions "Financial income" or "Financial expense".

Gains and losses associated with changes in the market value of derivative instruments are recorded under the caption "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" or "Other income".

Interest rate derivatives

As at 31 December 2023 no contracts existed, related to interest rate derivatives.

Energy price derivatives

MC buys electricity on an organized market (O M I E), 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 9,347,050 euro in non current assets and in current assets 3,154,814 euro (14,011,577 euro in current assets and 17,750,705 euro in non-current assets at 31 December 2022) and in non-current liabilities 7,634,006 euro and in current liabilities 748,564 euro (1,743,200 euro in 2022).

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" or "Other income".

Fair value of derivative financial instruments

The fair value of derivatives is detailed as follows:

	Assets				Liabilities		
	31 Dec 2023		31 Dec 2022		31 Dec 2023		31 Dec 2022
	Current	Non Current	Current	Non Current	Current	Non Current	Current
Hedging operational derivatives							
Electricity	3,154,814	9,347,050	17,750,705	14,011,577	514,806	7,634,006	–
Exchange rate	126,534	–	491,374	–	748,564	–	1,743,200
	3,281,348	9,347,050	18,242,079	14,011,577	1,263,371	7,634,006	1,743,200

	Assets				Liabilities		
	31 Dec 2023		31 Dec 2022		31 Dec 2023		31 Dec 2022
	Current	Non Current	Current	Non Current	Current	Non Current	Current
Hedging financial derivatives							
Exchange rate	–	–	591,578	–	–	–	–
	–	–	591,578	–	–	–	–

5.3. Classes of financial instruments

As at 31 December 2023 and 2022, the categories and fair value of the financial instruments were classified as follows:

Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2023						
Non-current assets						
Assets at fair value through results	3.4.1	–	–	12,012,441	–	12,012,441
Other non-current assets	4.5	41,926,892	9,347,050	–	2,717,250	53,991,192
		41,926,892	**9,347,050**	**12,012,441**	**2,717,250**	**66,003,633**
Current assets						
Trade receivables	4.2	66,853,515	–	–	–	66,853,515
Other receivables	4.3	91,570,236	3,281,348	–	3,531,715	98,383,299
Other current assets	4.4	13,059,046	–	–	23,362,572	36,421,618
Cash and bank balances	6.6	129,762,155	–	–	–	129,762,155
		301,244,952	**3,281,348**	**–**	**26,894,287**	**331,420,587**
		343,171,844	12,628,398	12,012,441	29,611,537	397,424,220

Financial liabilities	Notes	Financial liabilities recorded at amortized cost	Liabilities at fair value through the other comprehensive income	Liabilities at fair value through the income statment	Others non-financial liabilities	Total
As at 31 December 2023						
Non-current liabilities						
Bank loans	6.4	311,092,627	–	–	–	311,092,627
Bonds	6.4	264,051,817	–	–	–	264,051,817
Other non-current liabilities	4.6	1,544,686	7,534,006	–	14,051,553	23,130,245
		576,689,130	**7,534,006**	**–**	**14,051,553**	**598,274,689**
Current liabilities						
Bank loans	6.4	9,525,387	–	–	–	9,525,387
Bonds	6.4	40,000,000	–	–	–	40,000,000
Trade payables	4.7	876,276,395	–	–	–	876,276,395
Other payables	4.9	131,735,971	–	–	–	131,735,971
Other current liabilities	4.8	173,550,270	1,263,371	–	94,336,842	269,150,483
		1,231,088,023	**1,263,371**	**–**	**94,336,842**	**1,326,688,236**
		1,807,777,153	8,797,377	–	108,388,395	1,924,962,925

Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2022						
Non-current assets						
Assets at fair value through results	3.4.1	–	–	12,068,685	–	12,068,685
Other non-current assets	4.5	6,480,104	14,011,577	–	2,717,279	23,208,960
		6,480,104	14,011,577	12,068,685	2,717,279	35,277,645
Current assets						
Trade receivables	4.2	59,513,496	–	–	–	59,513,496
Other receivables	4.3	73,497,482	18,242,079	–	1,804,557	93,544,118
Other investments		–	591,578	–	–	591,578
Other current assets	4.4	17,462,346	–	–	26,092,482	43,554,828
Cash and bank balances	6.6	201,641,542	–	–	–	201,641,542
		352,114,866	**18,833,657**	**–**	**27,897,039**	**398,845,562**
		358,594,969	32,845,234	12,068,685	30,614,318	434,123,206

Financial liabilities	Notes	Financial liabilities recorded at amortized cost	Liabilities at fair value through the other comprehensive income	Liabilities at fair value through the income statment	Others non-financial liabilities	Total
As at 31 December 2022						
Non-current liabilities						
Bank loans	6.4	323,658,221	–	–	–	323,658,221
Bonds	6.4	224,086,295	–	–	–	224,086,295
Other non-current liabilities	4.6	1,477,476	–	–	18,258,429	19,735,905
		549,221,992	–	–	18,258,429	567,480,421
Current liabilities						
Bank loans	6.4	62,718,236	–	–	–	62,718,236
Trade payables	4.7	896,850,499	–	–	–	896,850,499
Other payables	4.9	101,409,870	–	–	–	101,409,870
Other current liabilities	4.8	65,099,010	1,743,200	–	136,807,788	203,649,998
		1,126,077,615	**1,743,200**	**–**	**136,807,788**	**1,264,628,603**
		1,675,299,607	1,743,200	–	155,066,217	1,832,109,024

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 1.7):

	31 Dec 2023			31 Dec 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities measured at fair value						
Other non-current assets	–	9,347,050	–	–	14,011,577	–
Financial Assets at fair value through profit and loss	–	–	12,012,441	–	–	12,068,685
Other receivables	–	3,281,348	–	–	18,242,079	–
Other investments	–	–	–	–	591,578	–
	–	**12,628,398**	**12,012,441**	**–**	**32,845,234**	**12,068,685**
Financial liabilities measured at fair value						
Other current liabilities	–	1,263,371	–	–	1,743,200	–
Other non currrent liabilities		7,634,006				
	–	**8,897,377**	**–**	**–**	**1,743,200**	**–**

6. Capital structure

6.1. Share capital

Accounting Policies

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".

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 5.2) and is not distributable or used to cover losses.

Currency translation reserve:
The heading of translation reserves corresponds to the effect of the conversion of financial statements of entities with a functional currency other than the Euro, as mentioned in Note 1.3.

As at 31 December 2023, 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 2023 and 2022, the subscribed share capital was held as follows:

Entity	31 Dec 2023	31 Dec 2022
Sonae Holdings, S.A.	51.827%	51.827%
Sonae, SGPS, S.A.	10.039%	10.039%
Camoens Investments, SARL	24.990%	24.990%
Sonae Investments, BV	13.144%	13.144%

As at 31 December 2023 Efanor Investments, SGPS, S.A. and its subsidiaries held 56.47% 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.

6.2. Non-controlling interests

As at 31 December 2023 and 2022, "Non-controlling interests" are detailed as follows:

	31 Dec 2023				
	Equity	Net Profit/ (Loss)	Book value of non-controlling interests	Proportion in income attributable to non- controlling interests	Dividends/ Income received
Arenal	99,497,328	13,374,706	39,835,763	5,354,604	–
Tomenider	44,709,628	(870,145)	(7,102,330)	(348,058)	–
Real Estate Investment Fund ImosonaeDois	104,487,516	11,928,042	3,875,489	(178,447)	(449,657)
Others	(7,060,449)	(2,660,633)	(8)	–	–
	241,634,023	21,771,970	36,608,914	4,828,099	(449,657)

	31 Dec 2022				
	Equity	Net Profit/ (Loss)	Book value of non-controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Elergone	86,185,725	9,948,893	34,506,400	3,983,467	–
Arenal	45,579,773	(349,950)	(6,754,272)	(139,980)	–
Real Estate Investment Fund ImosonaeDois	105,740,699	11,861,935	4,564,702	(151,813)	(234,490)
Others	(4,166,607)	(584,347)	(6)	–	–
Total	233,339,590	20,876,531	32,316,824	3,691,674	(234,490)

Movements in non-controlling interests during the periods ended as at 31 December 2023 and 2022 are as follows:

	31 Dec 2023				
	Tomenider	Arenal	Real Estate Investment Fund Imosonaedois	Others	Total
Opening balance as at 1 January	(6,754,272)	34,506,400	4,564,702	(6)	32,316,824
Dividends distributed					–
Income distribution from investment funds	–	–	(449,657)	–	(449,657)
Others variations	–	(25,241)	(61,109)	(2)	(86,352)
Profit for the period attributable to non-controlling interests	(348,058)	5,354,604	(178,447)	–	4,828,099
Closing balance as at 31 December	(7,102,330)	39,835,763	3,875,489	(8)	36,608,914

	31 Dec 2022				
	Tomenider	Arenal	Real Estate Investment Fund Imosonaedois	Others	Total
Opening balance as at 1 January	(6,614,292)	30,492,312	5,027,829	(6)	28,905,843
Income distribution from investment funds	–	–	(234,490)	–	(234,490)
Other variations	–	30,621	(76,824)	–	(46,203)
Profit for the period attributable to non-controlling interests	(139,980)	3,983,467	(151,813)	–	3,691,674
Closing balance as at 31 December	(6,754,272)	34,506,400	4,564,702	(6)	32,316,824

As at 31 December 2023 and 2022, the aggregate financial information of subsidiaries with non-controlling interests is as follows:

	31 Dec 2023				
	Tomenider	Arenal	Real Estate Investment Fund Imosonaedois	Others	Total
Total Non-Current Assets	62,598,808	186,161,612	104,732,342	8,011,689	361,504,451
Total Current Assets	1,726,101	84,586,538	2,434,985	3,200,847	91,948,471
Total Non-Current Liabilities	16,707,505	116,616,932	–	18,173,982	151,498,419
Total Current Liabilities	2,907,776	54,633,890	2,679,811	99,003	60,320,480
Equity	**44,709,628**	**99,497,328**	**104,487,516**	**(7,060,449)**	**241,634,023**

	31 Dec 2022				
	Tomenider	Arenal	Real Estate Investment Fund Imosonaedois	Others	Total
Total Non-Current Assets	62,465,452	174,965,626	106,246,876	7,830,397	351,508,351
Total Current Assets	1,765,379	70,748,263	2,491,053	3,446,621	78,451,316
Total Non-Current Liabilities	16,707,505	105,623,917	–	15,382,011	137,713,433
Total Current Liabilities	1,943,553	53,904,247	2,997,230	61,614	58,906,644
Equity	**45,579,773**	**86,185,725**	**105,740,699**	**(4,166,607)**	**233,339,590**

	31 Dec 2023				
	Tomenider	Arenal	Real Estate Investment Fund Imosonaedois	Others	Total
Turnover	–	233,959,283	12,524,377	–	246,483,660
Other operating income	–	8,551,436	10	–	8,551,446
Operational expenses	(218,028)	(219,279,160)	(1,044,550)	(2,725,301)	(223,267,039)
Net financial expenses	(856,050)	(5,319,999)	(19,836)	64,668	(6,131,217)
Income tax expense	203,933	(4,536,854)	468,041	–	(3,864,880)
Profit/(Loss) after taxation	**(870,145)**	**13,374,706**	**11,928,042**	**(2,660,633)**	**21,771,970**
Profit/(Loss) of discontinued operations	**–**	**–**	**–**	**–**	**–**
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	**(870,145)**	**13,374,706**	**11,928,042**	**(2,660,633)**	**21,771,970**

	31 Dec 2022				
	Tomenider	Arenal	Real Estate Investment Fund Imosonaedois	Others	Total
Turnover	–	192,737,238	12,138,500	–	204,875,738
Other operating income	10	6,255,971	1,248,120	–	7,504,101
Operational expenses	(192,193)	(180,866,846)	(1,940,202)	(761,098)	(183,760,339)
Net financial expenses	(274,417)	(4,812,513)	(19,211)	176,751	(4,929,390)
Income tax expense	116,650	(3,364,957)	434,728	–	(2,813,579)
Profit/(Loss) after taxation	**(349,950)**	**9,948,893**	**11,861,935**	**(584,347)**	**20,876,531**
Profit/(Loss) of discontinued operations	**–**	**–**	**–**	**–**	**–**
Other comprehensive income for the period	–	–	–	–	–
Total comprehensive income for the period	**(349,950)**	**9,948,893**	**11,861,935**	**(584,347)**	**20,876,531**

6.3. Earnings per share

Earnings per share for the periods ended 31 December 2023 and 2022 were calculated taking into consideration the following amounts:

	31 Dec 2023		31 Dec 2022	
	Continuing Operations	Discontinuing Operations	Continuing Operations	Discontinuing Operations
Net profit				
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	170,617,379	–	179,241,981	–
Net profit taken into consideration to calculate diluted earnings per share	**170,617,379**	**–**	**179,241,981**	**–**
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	0.170617	–	0.179242	–
Diluted	0.170617	–	0.179242	–

As at 31 December 2023 and 2022, there are no dilutive effects on the number of shares outstanding.

6.4. Loans

Loans

Accounting policies

The accounting policy regarding loans is described in Note 5.

As at 31 December 2023 and 2022, loans are made up as follows:

	31 Dec 2023		31 Dec 2022	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
Bank loans				
MCRETAIL, SGPS, S.A. – commercial paper	–	25,000,000	–	103,131,600
MCRETAIL, SGPS, S.A. – ESG-linked commercial paper	–	175,000,000	–	100,000,000
Subsidiary of MC 2014/2023	–	–	50,000,000	–
MC Green Loan 2018/2031	6,111,111	42,777,778	6,111,111	48,888,889
Subsidiary of MC Green Loan / 2020/2025	–	55,000,000	–	55,000,000
Subsidiary of MC / 2021/2028	3,333,333	13,333,333	3,333,333	16,666,667
Others	2,417	–	3,200,884	–
	9,446,861	**311,111,111**	**62,645,328**	**323,687,156**
Bank overdrafts	78,526	–	72,908	–
Up-front fees beard with the issuance of borrowings	–	(18,484)	–	(28,935)
Bank loans	**9,525,387**	**311,092,627**	**62,718,236**	**323,658,221**
Bonds				
Bonds MC ESG-Linked / November 2021/2026	–	60,000,000	–	60,000,000
Bonds MC / December 2019/2024	–	30,000,000	–	30,000,000
Bonds MC / April 2020/2027	–	95,000,000	–	95,000,000
Bonds MC ESG-Linked / December 2021/2024	40,000,000	–	–	40,000,000
Bonds MC ESG-Linked / March 2023/2026	–	30,000,000	–	–
Bonds MC ESG-Linked / March 2023/2028	–	50,000,000	–	–
Up-front fees beard with the issuance of borrowings	–	(948,183)	–	(913,705)
Bonds	**40,000,000**	**264,051,817**	**–**	**224,086,295**
	49,525,387	575,144,444	62,718,236	547,744,516

Bonds and bank loans bear an average interest rate of 4.22% as at 31 December 2023 (2.29% as at 31 December 2022). 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 2023		31 Dec 2022	
	Capital	Interests	Capital	Interests
N+1	49,521,331	26,764,298	62,718,236	14,646,754
N+2	83,444,444	22,205,843	152,576,047	12,788,674
N+3	198,444,444	18,889,382	83,444,444	9,732,022
N+4	201,444,444	7,486,810	138,444,444	8,257,647
N+5	64,444,444	2,383,265	146,444,444	3,871,677
After	27,370,724	912,608	27,777,777	1,025,609
	624,669,831	78,642,206	611,405,392	50,322,383

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

As at 31 December 2023 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 2023 and 2022, MC had as detailed in Note 6.6, "Cash and bank balance equivalents" in the amount of 129,762,155 euro (201,568,634 euro as at 31 December 2022) and credit lines as follows:

	31 Dec 2023		31 Dec 2022	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Unused credit facilities (Note 3.3)	196,000,000	285,000,000	161,000,000	275,000,000
Agreed credit facilities	196,000,000	285,000,000	161,000,000	375,000,000

6.5. Reconciliation of liabilities arising from financing activities

As at 31 December 2023 the reconciliation of liabilities arising from financing activities are as follows:

	Bank loans (Note 6.4)	Derivative financial instruments (Note 5.2)	Rights of use (Note 3.10)
Balance as at 1 January 2023	610,466,442	(31,102,034)	1,109,535,117
Cash flows:			
Receipts relating to financial debt	1,295,000,000		
Payments relating to financial debt	(1,276,577,890)		(183,385,606)
Bank overdrafts	5,618		
Financial Debt Update			79,139,566
Increase/(Decrease) in fair value		27,371,013	
Costs of setting up the financing	(19,969)		
Unpaid rents			1,130,882
Discountinuing operations			(2,822,019)
Increases/(Decrease) in leases (Note 3.10)			288,686,684
Exchange rate	(3,053,847)		
Others	(1,146,465)		(1,627,131)
Balance as at 31 December 2023	624,673,889	(3,731,021)	1,290,657,492

6.6. Cash and cash equivalents

Accounting Policies

The accounting policy regarding cash and cash equivalents is described in Note 5.

As at 31 December 2023 and 2022, “Cash and cash equivalents” are as follows:

	31 Dec 2023	31 Dec 2022
Cash at hand	17,458,339	13,157,859
Bank deposits	112,367,712	188,469,645
Treasury applications	14,630	14,037
Cash and bank balances on the statement of financial position (Note 5)	129,840,682	201,641,542

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

6.7. Net financial expenses

Accounting policies

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.

As at 31 December 2023 and 2022, “Net financial expenses” are as follows:

	31 Dec 2023	31 Dec 2022
Expenses:		
Interests payable		
related with bank loans and overdrafts	(10,879,722)	(5,070,070)
related with non convertible bonds	(11,302,231)	(3,019,156)
related with leases (Note 3.10)	(79,139,566)	(69,475,419)
others	(83,916)	(185,504)
	(101,405,435)	**(77,750,149)**
Foreign exchange losses	(38,781,201)	(43,997,801)
Foreign exchange losses related to loans	–	(2,266,035)
Gains from derivative financial instrument (Note 3.4.1 and 5.2)	(2,183,392)	(9,420,046)
Up front fees and commissions related to loans	(2,845,541)	(2,195,348)
others	(365,872)	(846,971)
	(145,581,441)	**(136,476,350)**
Income:		
Interests receivable		
related with bank deposits	3,038,089	316,905
relating to loans	1,070,472	1,834,115
others	573,592	49,833
	4,682,153	**2,200,853**
Foreign exchange gains	38,196,791	44,498,525
Fair value of the inefficient portion of hedging derivatives (Note 3.4.1 and 5.2)	–	591,578
Gains with derivative financial instrument (Note 3.4.1 and 5.2)	–	2,313,498
Favorable exchange differences relating to loans	3,053,847	10,602,432
Other financial income	792,566	746,142
	46,725,357	**60,953,028**
Net financial expenses	(98,856,084)	(75,523,322)

7. Provisions, commitments and contingencies

7.1. Provisions

Accounting Policies

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.

Movements in Provisions and Impairment losses during the period ended 31 December 2023 and 2022 are as follows:

	Balance as at 1 Jan 2023	Increase	Decrease	Transfers and other movements	Held for sale	Balance as at 31 Dec 2023
Accumulated impairment losses on investments	769,213	–	–	–	–	769,213
Accumulated impairment losses on goodwill	21,727,270	–	–	–	–	21,727,270
Impairment losses on property, plant and equipment	101,703,420	12,754,760	(3,435,397)	(348,092)	(7,600,518)	103,074,173
Impairment losses on intangible assets	6,023,011	819,833	(1,905,542)	–	(177,069)	4,760,233
Accumulated impairment losses on trade receivables	2,531,222	332,762	(372,048)	333	(78,134)	2,414,135
Accumulated impairment losses on other current debtors	1,966,501	115,673	(765,219)	(65,750)	(10,229)	1,240,976
Non current provisions	7,557,109	2,121,778	–	404,441	–	10,083,328
Current provisions	1,507,728	8,803,636	(116,833)	–	–	10,194,530
	143,785,474	24,948,442	(6,595,040)	(9,068)	(7,865,950)	154,263,858

	Balance as at 1 Jan 2022	Increase	Decrease	Transfers and other movements	Held for sale	Balance as at 31 Dec 2022
Accumulated impairment losses on investments	769,213	–	–	–	–	769,213
Accumulated Impairment losses on goodwill	21,727,270	–	–	–	–	21,727,270
Impairment losses on on property, plant and equipment	99,823,065	7,858,734	(5,978,379)	–	–	101,703,420
Accumulated impairment losses on intangible assets	6,628,282	1,129,112	(1,734,383)	–	–	6,023,011
Accumulated impairment losses on trade receivables	3,140,846	411,262	(1,020,886)	–	–	2,531,222
Accumulated impairment losses on other current debtors	2,340,248	99,798	(473,545)	–	–	1,966,501
Non current provisions	6,753,035	–	–	804,074	–	7,557,109
Current provisions	1,486,604	93,083	(71,959)	–	–	1,507,728
	142,668,563	9,591,989	(9,279,152)	804,074	–	143,785,474

As at 31 December 2023 and 2022 the amount of increases and Decreases in Provisions and impairment losses are as follows:

	31 Dec 2023	31 Dec 2022
Increase/(Decrease) on provisions and impairment losses in the income statement	21,198,822	8,562,250
Uses and reversions recorded in property, plant and equipment and intangible assets	(3,133,589)	(7,525,986)
Direct use of impairments on accounts receivable	(746,136)	(556,296)
Others	(85,737)	(167,131)
	22,506,872	312,837

The caption "Non-current provisions" and includes 10,083,328 euro (7,557,109 euro as at 31 December 2022) relating to non-current contingencies assumed by the Company, when selling its subsidiary Sonae Distribuição Brazil, S.A. in 2005. The evolution of the provision between years is associated with the evolution of the real against the euro. This provision is being used in the moment at the liabilities are materialized, being constituted based on the best estimate of the expenses to be incurred with such liabilities and that result from a significant set of processes of a civil and labour nature and of small value.

Additionally, the "Current provisions" item includes 8.6 million euro to face the challenge process of fines applied by the Competition Authority.

Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority (AdC) notified MCretail SGPS, S.A. (formerly — Sonae MC SGPS, S.A.), Modelo Continente SGPS (formerly Sonae MC) and Modelo Continente Hipermercados, for the purpose of presenting a defense, within the scope of a misdemeanor process instructed due to the agreement made between Modelo Continente and EDP Comercial regarding the campaign known as "Plano EDP Continente". It should be noted that the Edp/Continente Plan took place during the year 2012, having extended into the first months of 2013 to allow the use of discounts that had been assigned to customers until December 31, 2012. The development of this type of business promotion agreements is something usual in the Portuguese market. In 2017, the AdC applied fines in the amount of 2.8 million to Sonae Investimentos and 6.8 million to Modelo Continente. The AdC also condemned MC, but did not apply any fine, since this company does not present any turnover. The aforementioned companies legally contested the Decision of the AdC. On September 30, 2020, a sentence was issued that confirmed the understanding of the AdC regarding the illegality of the behavior in question, although reducing the amounts of the fine to, respectively, 2.52 million euro and 6.12 million euro. The companies appealed this sentence to the Lisbon Court of Appeal (LCA), where it is pending. On April 5, 2021, this Court suspended the instance and formulated a dozen prejudicial questions to the Court of Justice of the Europe Union (CJEU). On October 26, 2023, the CJEU issued its judgment, presenting its clarifications to the prejudicial questions of the LCA. Consequently, on February 20, 2022, the LCA issued its judgment. Based on the most recent developments, the companies proceeded to provision the total amount of their respective fines, which amounts to a total of 8.6 million euro.

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

7.2. Contingent assets and liabilities

Accounting Policies

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.

As at 31 December 2023 and 2022, contingent liabilities to which Group is exposed can be detailed as follows:

Guarantees and sureties given

	31 Dec 2023	31 Dec 2022
Guarantees and securities given:		
on tax claims	725,828,073	725,936,275
on judicial claims	105,088,571	36,392,831
on municipal claims	5,979,980	6,152,236
for proper agrement fulfillment	33,446,976	37,352,200
other guarantees	228,867	228,867

	31 Dec 2023	31 Dec 2022
Guarantees and securities given in favour of carve-out entities:		
on tax claims	20,566,696	26,622,020

Tax claims

The main tax processes for which bank guarantees or sureties were provided are detailed below:

- Tax claims for additional VAT payment for the period 2004 to 2013 for which guarantees, or sureties were provided in the amount of 342.1 million euro (342.1 million euro as at 31 Dec 2022). 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 12.2 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 19.5 million euro (104.6 million Brazilian real), The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

Contingent assets and liabilities related to tax claims paid under regularization programs of tax debt

Under the tax debt regularization regimes under DL 248-A/2002, DL 151-A/2013 and DL 67/2016 of November 3, tax payments were made in previous years and the respective guarantees were canceled. There is an outstanding amount of about 11.2 million euro, with the associated legal dispute processes ongoing. As provided for in the diplomas supporting these regimes, the Group maintains the respective legal procedures, expecting to be proven right in the specific situations. The amount paid under these plans related to income tax was recognized as an asset.

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 19.4 million euro (18.3 million euro at 31 December 2022), related to programs for the Brazilian State of tax recovery, amount to near 17,8 euro million at 31 December 2023 (17 million euro at 31 December 2022). Furthermore, there are other tax assessments totalling 88.7 million euro (85.3 million euro as at 31 December 2022) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiary. During 2022, WMS filed a Declaratory action in Portugal in the form of a common procedure against MCretail, with a view to Declaring the right to use the comfort letter provided by the latter in 2005 in the context of the sale of the operation retail in Brazil. Based on the assessment of its lawyers, the competent defense was presented.

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 31 December 2022, 10 Notes of Illegality were issued in 10 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. In the course of 2022, the AdC handed down condemnation Decisions in four other of these cases, having set MCH a fine in the total of those four of 83.7 million euro. During the course of 2023, the AdC issued a condemnation Decision in one of these processes, having set a fine for MCH of 7.7 million euro. The condemnatory Decisions can and were contested before the Competition Court, within the legal deadlines. 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 totally unfounded, for which reason the competent appeals were presented, not having, for this reason, constituted any provision. Guarantees were provided in the amount of 96.2 million euro.

Dispute between MCH Branch and Spanish State

In light of the issuance of additional Corporate Tax settlements to MCH Branch, as representative of the Tax Group in Spain of which Sonae SGPS, S.A. is the dominant entity, and considering that the company has challenged these settlements and intends to fully exhaust the avenues of contestation available under Spanish and community law, a guarantee was provided to the Spanish State in the form of a bail bond to ensure compliance with this responsibility in the remote eventuality of it being confirmed by the Spanish courts.

At the same time, a firm agreement was established between MCH and Sonae SGPS, S.A., under which the latter, as the dominant entity of the Tax Group in Spain, fully assumed such responsibility, through the firm commitment to reimburse MCH any amount that must be paid to the Spanish State in relation to these settlements.

8. Related parties

Balances and transactions with related parties during the periods ended 31 December 2023 and 2022 are as follows

	Parent company		Jointly controlled companies	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Sales & Services rendered	2,870,808	2,753,791	2,530,196	4,256,064
Other income	196,207	179,432	356,054	278,809
Cost of goods sold and materials consumed	–	–	(398,071,952)	(355,000,917)
External supplies and services	(5,963,745)	(5,842,128)	(1,453,933)	(1,195,688)
Other expenses	(308)	(2,988)	(1)	–
Financial income	3,802	–	20	–
Financial expense	(42,735)	(5,261)	(19)	–

	Associated companies		Other Related Parties	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Sales & Services rendered	43,823,857	40,452,070	66,504,375	74,502,809
Other income	15,426	9,736	10,181,403	13,987,521
Cost of goods sold and materials consumed	(37,245)	(9,815)	(24,177,699)	(25,072,341)
External supplies and services	(5,850)	(5,340)	(23,994,472)	(24,992,882)
Other expenses	–	–	(500,878)	(601,058)
Financial income	–	–	6	–
Financial expense	–	–	(8,482,148)	(8,394,177)

	Parent company		Jointly controlled companies	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Other non-current assets	35,464,014	–	–	–
Trade receivables	316,992	287,839	248,679	242,981
Other receivables	488,904	11,527	54,409	108,795
Income tax assets	26,486,186	14,992,149	–	–
Other current assets	40,352	40,352	237,010	75,766
Trade payables	(811,442)	(699,300)	(78,407,965)	(82,500,394)
Other payables	(13,468)	(9,234)	(20,047)	(7)
Income tax liabilities	(29,066,906)	(11,349,387)	–	–
Other current liabilities	(1,302,383)	(1,171,584)	(248,420)	(203,961)
Property, plant and equipment acquisitions	1,987	1,715	–	–
Property, plant and equipment disposals	(22,182)	(40,755)	(4,337)	(268)

	Associated companies		Other Related Parties	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Other non-current assets	–	–	4,252	3,841,638
Trade receivables	8,361,729	9,161,947	7,982,472	9,924,783
Other receivables	110,969	129,456	8,006,486	21,914,587
Income tax assets	–	–	3,467,809	8,994,086
Other current assets	109,110	–	1,552,566	2,252,821
Trade payables	(83,296)	(69,271)	(9,581,279)	(23,821,551)
Other payables	–	(5,277)	(5,965,923)	(4,295,321)
Income tax liabilities	–	–	(9,286,519)	(15,065,967)
Other current liabilities	(1,897)	–	(12,836,123)	(13,805,222)
Property, plant and equipment acquisitions	–	–	1,980,222	2,748,224
Property, plant and equipment disposals	–	(2,409)	(47,542)	(100,084)
Intangible Assets acquisitions	–	–	1,967,278	1,485,721

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 2023 and 2022, is composed as follows:

	31 Dec 2023		31 Dec 2022	
	Administrative Council	Direction Strategic (a)	Administrative Council	Direction Strategic (a)
Short-term benefits	–	2,082,089	37,177	3,075,920
Share Benefits	–	2,646,700	–	1,177,300
	–	4,728,789	37,177	4,253,220

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

Fees paid for the audit, to the Official Accounts Reviewer and the External Auditor, PricewaterhouseCoopers & Associados, SROC, S.A., by MC on December 31, 2023 amounted to 274,044 euro (249,293 euro in 2022).

Annex I – 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 2023 and 31 December 2022 are as follows:

				Percentage of capital held			
				31 Dec 2023		31 Dec 2022	
	Company		Head Office	Direct*	Total*	Direct*	Total*
	MCRETAIL, SGPS, S.A.		Matosinhos	HOLDING	HOLDING	HOLDING	HOLDING
	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%
3)	Canasta — Empreendimentos Imobiliários, S.A.	a)	Maia	—	—	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%
	Denethor Investments, SLU	a)	Madrid (Spain)	100.00%	100.00%	—	—
	Elergone Energias, Lda	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Farmácia Selecção, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Fozimo — Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia	98.10%	98.10%	98.00%	98.00%
	Go Well — Promoção de Eventos, Catering e Consultoria, S.A.	a)	Lisboa	100.00%	100.00%	100.00%	100.00%
	H&W — Mediadora de Seguros, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	IGI Investimentos Gestão Imobiliária, S.A.	a)	Porto	100.00%	100.00%	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%

	Company		Head Office	Percentage of capital held			
				31 Dec 2023		31 Dec 2022	
				Direct*	Total*	Direct*	Total*
	Marcas MC, zRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%	100.00%
	MC Shared Services, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	MCCARE — Serviços de Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
1)	MContinente, SGPS, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
2)	MCMKTBrands, Lda.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	MJLF — Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo Continente Hipermercados, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Modelo Continente International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Modelo Hiper Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
4)	Mundo Note -Papelaria, Livraria e Serviços, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Pharmacontinente — Saúde e Higiene, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Pharmaconcept — Actividades 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.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Predicomercial — Promoção Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Predilugar — Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	SCBrazil Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
3)	Selifa — Empreendimentos Imobiliários de Fafe, S.A.	a)	Maia	—	—	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%
	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%
	So Fish — Atividades Aquícolas e Pesca, Unipessoal Lda.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Soflorin, B.V.	a)	Amsterdam (Netherdlands)	100.00%	100.00%	100.00%	100.00%
	Sondis Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Sonvecap, B.V.	a)	Amsterdam (Netherdlands)	100.00%	100.00%	100.00%	100.00%
	Tomenider SL	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%
5)	ZU, Produtos e Serviços para Animais, 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;

1) Formerly known as ODACREMSO Retalho, S.A.
2) Formerly known as Closer Look Design, Lda.
3) Canasta Empreendimentos Imobiliários, S.A. and Selifa Sociedade de Empreendimentos Imobiliários, S.A. merged into IGI Investimentos e Gestão Imobiliária, S.A. with effects from January 1, 2023.
4) Formerly known as AICNEGRU – Papelaria, S.A.
5) Formerly known as EANOSZU – Comércio Para Animais, S.A.

These entities are consolidated using the full consolidation method.

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
- Alvaro Sendagorta Cudos
- Luís Miguel Mesquita Soares Moutinho
- Fernando Peixoto Van Zeller
- Isabel Sofia Bragança Simões Barros
- José Manuel Cardoso Fortunato

Separate financial statements

Separate profit and loss of comprehensive income statement

for the period ended 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
Gains or losses on investments	2.3	970,339,928	5,851,999
Other income	6.2	3,088,221	1,460,458
External supplies and services	6.1	(2,281,000)	(2,361,512)
Staff costs		(48,553)	(91,593)
Depreciation and amortisation expenses		(1,918)	(1,114)
Provisions and impairment losses	7.2	(2,520,000)	–
Other expenses		(235,537)	(29,466)
Profit before income financial results, dividends and tax		**968,341,141**	**4,828,772**
Dividends	2.3	312,398,220	139,120,387
Financial income	5.5	43,760,825	24,254,324
Financial expenses	5.5	(67,415,302)	(34,599,071)
Profit before income tax		**1,257,084,884**	**133,604,412**
Income tax expense		5,250,243	2,148,903
Profit for the year		**1,262,335,127**	**135,753,315**
Comprehensive income (net of tax) for the year		1,262,335,127	135,753,315
Earnings per share (basic and diluted)	5.2	**1.2623**	**0.1358**

The accompanying notes are part of these separate financial statements

Separate statements of financial position

as at 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS:			
Intangible assets		3,632	4,210
Investments	2.1	2,471,652,518	2,167,048,679
Income tax	3.5	2,026,819	2,185,033
Other non-current assets	3.2.2	482,437,731	405,587,753
Total non-current assets		**2,956,120,700**	**2,574,825,675**
CURRENT ASSETS:			
Other receivables	3.1	971,447,893	309,080,113
Income tax	3.5	14,338,887	8,337,004
Other current assets	3.2.1	31,783,404	8,674,806
Derivative financial instruments		–	591,578
Cash and cash equivalents	5.6	27,350,479	102,376,725
Total current assets		**1,044,920,663**	**429,060,226**
TOTAL ASSETS		4,001,041,363	3,003,885,901

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	5.1	1,000,000,000	1,000,000,000
Legal reserve	5.1	200,000,000	200,000,000
Reserves and retained earnings	5.1	37,760,377	116,007,062
Profit/(Loss) for the year		1,262,335,127	135,753,315
TOTAL EQUITY		**2,500,095,504**	**1,451,760,377**
LIABILITIES			
NON-CURRENT LIABILITIES			
Bonds	5.3	264,051,817	224,086,295
Loans	5.3	242,777,778	252,020,489
Other non-current liabilities		–	50,021
Total non-current liabilities		**506,829,595**	**476,156,805**
CURRENT LIABILITIES			
Bonds	5.3	40,000,000	–
Loans	5.3	6,111,160	6,111,111
Trade payables		114,898	102,330
Other payables	3.3	933,509,369	1,059,449,490
Income tax liabilities	3.5	2,092,563	2,101,153
Other current liabilities	3.4.1	9,768,274	8,204,635
Provisions	7.2	2,520,000	–
Total current liabilities		**994,116,264**	**1,075,968,719**
TOTAL EQUITY AND LIABILITIES		4,001,041,363	3,003,885,901

The accompanying notes are part of these separate financial statements

Separate statements of changes in equity

for the period ended 31 december of 2023 and 2022

(Amounts expressed in euro)	Notes	Share capital	Legal reserves	Other reserves	Net profit for the year	Total equity
Balance as at 1 January 2022		1,000,000,000	198,366,897	197,944,055	162,696,110	1,559,007,062
Total comprehensive income for the year		–	–	–	135,753,315	135,753,315
Appropriation of profit of 2021						
Transfer to reserves		–	1,633,103	–	(1,633,103)	–
Dividends and reserves distribution		–	–	(81,936,993)	(161,063,007)	(243,000,000)
Balance as at 31 December 2022	5.1	**1,000,000,000**	**200,000,000**	**116,007,062**	**135,753,315**	**1,451,760,377**
Balance as at 01 January 2023		1,000,000,000	200,000,000	116,007,062	135,753,315	1,451,760,377
Total comprehensive income for the year		–	–	–	1,262,335,127	1,262,335,127
Appropriation of profit of 2022						
Transfer to reserves		–	–	(78,246,685)	(135,753,315)	(214,000,000)
Balance as at 31 December 2023	5.1	**1,000,000,000**	**200,000,000**	**37,760,377**	**1,262,335,127**	**2,500,095,504**

The accompanying notes are part of these separate financial statements

Separate statements of cashflows

for the period ended 31 December of 2023 and 2022

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
OPERATING ACTIVITIES:			
Payments to supliers		(1,574,413)	(2,476,762)
Payments to employees		(48,021)	(96,926)
Cash generated from operations		**(1,622,434)**	**(2,573,688)**
Income tax (paid) / received		(760,229)	1,506,450
Other cash receipts and (payments) related to operating activities		2,179,933	2,383,624
Net cash flow generated from operating activities (1)		(202,730)	1,316,386
INVESTMENT ACTIVITIES:			
Receipts arising from:			
Investments	2.2	2,260,714,169	32,086
Interests and similar income		17,479,526	9,558,248
Dividends	2.3	312,398,220	139,120,388
Loans granted		3,281,630,000	3,709,465,367
Others		18,579	4,406
		5,872,240,494	**3,858,180,495**
Payments arising from:			
Investments	2.2	(1,595,146,713)	(17,114,000)
Intangible assets		(1,340)	(5,323)
Loans granted		(4,031,135,000)	(3,746,728,935)
		(5,626,283,053)	**(3,763,848,258)**
Net cash flow used in/ generated by investing activities (2)		245,957,441	94,332,237

(Amounts expressed in euro)	Notes	31 Dec 2023	31 Dec 2022
FINANCING ACTIVITIES			
Receipts arising from:			
Loans obtained	5.4	5,561,274,501	4,575,763,724
		5,561,274,501	**4,575,763,724**
Payments arising from:			
Interests and similar charges		(65,185,295)	(17,055,111)
Dividends		(214,000,000)	(243,000,000)
Loans obtained	5.4	(5,602,870,212)	(4,446,001,930)
		(5,882,055,507)	**(4,706,057,041)**
Net cash flow used in financing activities (3)		(320,781,006)	(130,293,317)
Net increase (Decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		**(75,026,295)**	**(34,644,694)**
Cash and cash equivalents at the beginning of the year		102,376,725	137,021,419
Cash and cash equivalents at the end of the year		**27,350,430**	**102,376,725**

The accompanying notes are part of these separate financial statements

MCRetail, SGPS, S.A.

Notes to the separate financial statements

for the year ended 31 December 2023

(amounts expressed in euro)

1. Introduction

1.1. Company Presentation

MCRETAIL, SGPS, S.A. (hereon "the Company" or "MC") is a Portuguese company, with head-office in Rua João Mendonça no. 529, 4464-501 Senhora da Hora, Matosinhos, Portugal, with management of shareholdings as main activity (Note 2).

Consolidated financial statements are also presented pursuant to applicable legislation.

1.2. Basis of preparation, judgements and estimates

Basis of preparation

The accompanying separate financial statements have been prepared with an on a going concern basis, based on the accounting records of the Company, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), according to Paragraph 3 of Article 4.º of the Decree-Law no. 158/2009 of July 13, republished by the Decree-Law no. 98/2015 of June 2.

It should be considered as a part of these standards the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB), the International Accounting Standards (IAS), issued by the International Accounting Standards Committee (IASC) and respective interpretations — IFRIC e SIC, issued, respectively, by the IFRS Interpretation Committee (IFRS-IC) and the Standing Interpretation Committee (SIC), that have adopted by the EU. From hereon, the totality of those standards and interpretations shall be generally referred to as "IFRS".

The Board of Directors assessed the Company's ability to operate on a going concern basis, taking into consideration all relevant information, shareholders support, facts and circumstances of financial, commercial or other nature, including subsequent events to the date of these separate financial statements. As a result, the Board of Directors 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.

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 from these estimates.

Areas with the highest degree of judgement or complexity, or areas where assumptions and estimates are significant are presented in note.

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.

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 e 7.2);
b) Recognition of provisions and contingent liabilities analysis (Note 7);
c) Recognition of impairments to asset values (Notes 3.1 e 3.2);

Estimates 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. 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.

General Accounting Policies

Disclosure of accounting policies

According to the revision of IAS 1, material accounting policies should be disclosed, and this information is material if it can reasonably be considered that its omission, misstatement or concealment could influence the Decisions that users of the financial statements will make on the basis of those financial statements. In particular, changes to accounting policies that occurred in a given period, options for accounting policies in the standards, policies for items with significant judgments/estimates, or policies with complex applicability are considered material.

Currency Balances and Transactions

Transactions are recorded in the Company's financial statements in the Company's functional currency, using the rates in effect on the date of the transaction.

Favourable and unfavourable exchange rate differences, caused by the differences between the exchange rates in force on the date of the transactions and those in force on the date of collections, payments or on the date of the statement of financial position, are recorded as income and/or expenses in the income statement for the year under the same headings where the revenues and losses associated with such transactions are reflected, except for non-cash values whose change in fair value is recorded directly in equity.

1.3. Updating IFRS standards and their impacts

1.3.1. Standards, interpretations, amendments, and revisions that will become effective in future years

The following standards, interpretations, amendments, and revisions will have mandatory application in future periods beginning on January 1, 2023

- **IAS 1 (amendment)**
Disclosure of accounting policies

Amendment to the requirement to disclose the accounting policies based on "material" instead of "significant". The amendment specifies that an accounting policy information is expected to be material if, in its absence, the users of the financial statements would be unable to understand other material information in those same financial statements. Immaterial accounting policy information need not be disclosed.

The IFRS Practice Statement 2 was also amended to provide guidance for the application of the concept of "material" to accounting policy disclosures.

- **IAS 8 (amendment)**
Disclosure of accounting estimates

This amendment introduces the definition of accounting estimate and the way it is distinct from changes to accounting policies. The accounting estimates are defined as corresponding to monetary amounts that are subject to measurement uncertainty, used to achieve an accounting policy's objective(s).

- **IFRS 17 (new and amendment)**
Insurance contracts

This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts or investment contracts with discretionary participation in profit or loss if the entity issues insurance contracts. Under IFRS 17, insurers need to assess if a policy holder can benefit from a particular service as part of a claim or if the service is independent of the claim/risk event and do the unbundling of the non-insurance component. Under IFRS 17, the entities will need to identify portfolios of insurance contracts at initial recognition and divide them into a minimum of the following groups: i) contracts that are onerous at inception; ii) contracts that have no significant possibility of becoming onerous subsequently; and iii) remaining contracts in the portfolio. IFRS 17 requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. IFRS 17 requires a company to recognise profits as it delivers insurance services (rather than when it receives premiums), and to provide information about insurance contract profits the company expects to recognise in the future. IFRS 17 provides three measurement approaches for the accounting of different types of insurance contracts: i) General Measurement Model (GMM); ii) the Premium Allocation Approach (PAA), and iii) the Variable Fee Approach (VFA). IFRS 17 is applied retrospectively with some exemptions as at the transition date.

- **IFRS 17 (amendment)**
Initial application of IFRS 17 and IFRS 9 — comparative information

This amendment relates only to insurers' transitioning to IFRS 17 and allows the adoption of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. This amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when applying IFRS 17 for the first time, providing for (i) the application on a financial asset-by-financial asset basis; (ii) the presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but without requiring an entity to apply the impairment requirements of IFRS 9; and (iii) the obligation to use reasonable and supported information available at the transition date, to determine how the entity expects that financial asset to be classified in accordance with IFRS 9.

- **IAS 12 (amendment)**
Deferred tax related to assets and liabilities arising from a single transaction

IAS 12 will require entities to recognise deferred tax on specific transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This applies to the recognition of i) right-of-use assets and lease liabilities; and ii) Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related asset, when not relevant for tax purposes. Such temporary differences are not in the scope of the initial recognition exemption for deferred taxes. This amendment is applied retrospectively.

- **IAS 12 (amendment)**
International Tax Reform — Pillar Two Model Rules

Following the implementation of the OECD's Global Anti-Base Erosion ("GloBE") rules, there may be significant impacts on the calculation of deferred taxes for the entities covered, which are difficult to estimate at this date.

This amendment to IAS 12 introduces: i) a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to Pillar Two; and ii) additional disclosure requirements for affected entities (entities belonging to multinational groups with consolidated revenues of 750 million euro in at least two of the last four years), such as: the fact that the exception has been applied, the current tax expense related to Pillar Two rules, and the reasonable estimate of the impact of applying the Pillar Two rules between the date of publication of the legislation and its effective date.

No materially relevant impacts to the separate financial statements are expected when adopting these standards.

1.3.2. Standards, interpretations, amendments, and revisions that will become effective in future years

The following standards (new and amendment), interpretations, amendments, and revisions are mandatory for annual periods beginning on or after January 1, 2024, and have already been endorsed by the European Union:

- **IAS 1 (amendment)**
"Classification of liabilities as non-current and current" and "Non-current liabilities with covenants" (to be applied in exercises commencing on or after January 1, 2024).

These amendments clarify that liabilities are classified as current or non-current balances depending on the right that an entity must defer its settlement for at least 12 months after the reporting date.

It also clarifies that covenants, that an entity is required to comply with on or before the reporting date, affect the classification of a liability as current or non-current even if it is only verified after the reporting date. Where an entity classifies liabilities arising from financing contracts as non-current and those liabilities are subject to covenants, it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as: (a) the carrying value of the liabilities; (b) the nature of the covenants and the dates of fulfilment; and (c) the facts and circumstances that indicate that the entity may have difficulties in complying with the covenants on the due dates. These changes are retrospective.

- **IFRS 16 (amendment)**
Lease liability in a sale and leaseback (to be applied for financial years starting on or after 1 January 2024).

The amendment introduces guidance for the subsequent measurement of lease liabilities, in the scope of sale and leaseback transactions that qualify as "sales" under IFRS 15, with higher impact when some or all the lease payments are variable lease payments that do not depend on an index or rate. Whilst subsequently measuring lease liabilities, seller-lessees determine "lease payments" and "revised lease payments" in a way that does not result in the seller-lessees recognising any gains/(losses) relating with the right of use that they retain. This amendment is applied retrospectively.

No materially relevant impacts to the separate financial statements are expected when adopting these standards.

1.3.3. Standards, interpretations, amendments and revisions not yet been endorsed by the EU

The following standards (new and amendment), interpretations, amendments, and revisions, with mandatory application for annual periods beginning on or after January 1, 2024, have not, up to the date of approval of this report, been endorsed by the EU:

- **IAS 7 (amendment) and IFRS 7 (amendment)**
'Supplier financing arrangements' (to be applied for financial years commencing on or after 1 January 2024).

These changes are still subject to the approval of the European Union. Supplier Financing Agreements are characterized by the existence of a funder that undertakes to pay the balances that an entity owes to its suppliers and the entity, in turn, agrees to pay in accordance with the terms and conditions of the agreements, on the same date, or later, on the date of payment to suppliers. The amendments introduced require an entity to make additional disclosures on negotiated supplier financing arrangements to enable: (i) the assessment of how supplier financing arrangements affect the entity's liabilities and cash flows; and (ii) understanding the effect of supplier financing arrangements on an entity's exposure to liquidity risk, and how the entity would be affected if the arrangements were no longer available. The additional requirements complement the presentation and disclosure requirements already in place under IFRS, as set out by the IFRS IC in the December 2020 Agenda Decision Programme.

- **IAS 21 (amendment)**
'Effects of exchange rate changes: Lack of interchangeability' (to be applied in financial years starting on or after 1 January 2025).

This amendment is still subject to the approval of the European Union. This amendment adds the requirements to determine whether a currency can be exchanged for another currency (exchangeability) and to define how to determine the spot exchange rate to be used when it is not possible to exchange a currency over a long period of time. This amendment also requires the disclosure of information to understand how currency that cannot be exchanged for another currency affects, or is expected to affect, the financial performance, financial position and cash flows of the entity, in addition to the spot exchange rate used at the reporting date and how it was determined.

1.4. Subsequent events

Accounting policy

Events after the separate financial position statement 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. Investments

2.1. Investments

Accounting policy

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, independently of the stake owned. The existence and impact of exercisable or convertible voting rights is considered when the existence of control is evaluated.

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 received from these investments are recognised as investment gains when determined.

The Company performs impairment tests to subsidiaries and associated companies investments when events or 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. Recoverable investment is the greatest amount between fair value less disposal costs and value of use.

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 above-mentioned methodology is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the 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.

Accounting Estimates and Judgments

Impairment of investments

The evaluation of impairment of investments involves significant judgements and estimates from the Board of Director, namely the cash flow projection of the business plan assets, the perpetuity growth rate, and the discount rate of the mentioned cash flows. The assumptions used in the impairment tests are mentioned below.

As at 31 December 2023 the detail of the Company's investments was as follows:

Companies	% owned	31 Dec 2023						
		Acquisition cost					Impairment / (reversal) of the period	Balance in the financial position statement
		Opening balance	Increase	Decrease	Demerger-Merger	Closing balance		
MContinente, SGPS, S.A.	100%	50,000	1,449,950,000 a), b)	–	–	1,450,000,000	–	1,450,000,000
IGI Investimentos Gestão Imobiliária, S.A.	100%	369,363,564	111,500,000 a)	–	–	480,863,564	–	480,863,564
Sonvecap, B.V.	100%	155,573,113	–	–	–	155,573,113	–	155,573,113
Marcas MC, zRT	100%	146,943,000	–	–	–	146,943,000	–	146,943,000
MC Shared Services, S.A.	100%	62,032,319	20,600,000 a)	–	–	82,632,319	–	82,632,319
Pharmacontinente – Saúde e Higiene, S.A.	100%	54,082,875	6,000,000 a)	–	–	60,082,875	–	60,082,875
Mundo Note – Papelaria, Livraria e Serviços, S.A.	100%	50,000	–	–	32,027,250 g)	32,077,250	–	32,077,250
MCMKT Brands, Lda	5.39%	–	–	–	16,507,898 g)	16,507,898	–	16,507,898
Farmácia Selecção, S.A.	100%	11,140,377	–	–	–	11,140,377	273,786	11,414,163
Elergone Energias, S.A.	100%	6,663,062	4,127,446 a), c)	(98,480) e)	–	10,692,028	–	10,692,028
ZU Produtos e Serviços para Animais, S.A.	100%	50,000	–	–	8,795,011 g)	8,845,011	–	8,845,011
Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	100%	4,113,657	2,650,000 a), d)	(5,989) f)	–	6,757,668	295,052	7,052,720
Soflorin, B.V.	100%	5,742,933	–	–	–	5,742,933	572,950	6,315,883
Sohi Meat Solutions – Distribuição de Carnes, S.A.	50%	2,340,000	–	–	–	2,340,000	–	2,340,000
Fundo de Investimento Imobiliário Imosonae Dois	0.19%	128,686	169,267 c)	–	–	297,953	14,742	312,695
SCBRASIL Participações, Ltda	62.51%	–	–	–	–	–	–	–
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	–	–	–	–	–	–	–	–
Modelo Continente Hipermercados, S.A.	–	**1,348,775,093**	–	**(1,291,444,934)**	**(57,330,159)** g)	–	–	–
		2,167,048,679	**1,594,996,713**	**(1,291,549,403)**	**–**	**2,470,495,989**	**1,156,530**	**2,471,652,518**

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"

a) Share capital increases;
b) Adittional Installments;
c) Acquisition of Elergone shares;
d) Loss Coverage;
e) Disposal of Elergone shares;
f) Price adjustment for Go Well;

g) Spin-off of the NOTE, ZU, and brand marketing and management structure businesses from Modelo Continente Hipermercados, S.A. to the companies Mundo Note, S.A., ZU Produtos e Serviços para Animais, S.A., and MCMKT Brands, Lda, respectively. This operation resulted in the strengthening of the stake in Mundo Note, S.A., ZU Produtos e Serviços para Animais, S.A., and a 5.39% stake in MCMKT Brands, Lda.

As at 31 December 2022 the detail of the Company's investments was as follows:

Companies	% owned	31 Dec 2022							
		Acquisition cost							
		Opening balance	Increase		Decrease		Closing balance	Impairment / (reversal) of the period	Balance in the financial position statement
Modelo Continente Hipermercados, S.A.	100%	1,344,775,093	4,000,000	a)	–		1,348,775,093	–	1,348,775,093
IGI Investimentos Gestão Imobiliária, S.A.	100%	359,363,564	10,000,000	a)	–		369,363,564	–	369,363,564
Sonvecap, B.V.	100%	155,573,113	–		–		155,573,113	–	155,573,113
Marcas MC, zRT	100%	146,943,000	–		–		146,943,000	–	146,943,000
MC Shared Services, S.A.	100%	62,032,319	–		–		62,032,319	–	62,032,319
Pharmacontinente – Saúde e Higiene, S.A.	100%	54,082,875	–		–		54,082,875	–	54,082,875
Farmácia Selecção, S.A.	100%	10,080,000	–		–		10,080,000	1,060,377	11,140,377
Elergone Energias, S.A.	100%	4,663,062	2,000,000	a)	–		6,663,062	–	6,663,062
Soflorin, B.V.	100%	–	–		–		–	5,742,933	5,742,933
Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	100%	2,999,657	1,114,000	a)	–		4,113,657	–	4,113,657
Sohi Meat Solutions – Distribuição de Carnes, S.A.	50%	2,340,000	–		–		2,340,000	–	2,340,000
Fundo de Investimento Imobiliário Imosonae Dois	0.09%	128,686	–		–		128,686	–	128,686
MContinente, SGPS, S.A.	100%	–	50,000	b)	–		50,000	–	50,000
ZU Produtos e Serviços para Animais, S.A.	100%	–	50,000	b)	–		50,000	–	50,000
Mundo Note – Papelaria, Livraria e Serviços, S.A.	100%	–	50,000	b)	–		50,000	–	50,000
SCBRASIL Participações, Ltda	62.51%	–	–		–		–	–	–
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	–	–		–		–	–	–
Brio – Produtos de Agricultura Biológica, S.A.	––	988,003	–		(988,003)	c)	–	–	–
		2,143,969,371	**17,264,000**		**(988,003)**		**2,160,245,368**	**6,803,310**	**2,167,048,679**

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"

a) Share capital increases;
b) Incorporation of society;
c) Sale of 0.004% share capital held in Brio – Produtos de Agricultura Biológica, S.A.;

The Company's investments main financials as at 31 December 2023 and December 2022 were the following:

31 Dec 2023						
Companies	% owned	Assets	Liabilities	Equity	Income	Net profit/(loss) for the year
a) MContinente, SGPS, S.A.	100%	2,261,253,716	813,763,022	1,447,490,694	–	(2,509,306)
a) IGI Investimentos Gestão Imobiliária, S.A.	100%	767,068,321	390,233,062	376,835,259	23,294,123	12,021,703
a) Fundo de Investimento Imobiliário Imosonae Dois	0.19%	165,878,735	2,679,811	163,198,924	12,524,377	11,139,757
a) Sonvecap, B.V.	100%	164,408,519	157,580	164,250,939	–	8,751,525
a) Marcas MC, zRT	100%	151,387,949	9,510,451	141,877,498	83,860,215	73,408,784
a) MC Shared Services, S.A.	100%	143,022,307	77,473,157	65,549,150	110,099,735	6,782,771
a) Pharmacontinente – Saúde e Higiene, S.A.	100%	115,399,876	100,699,981	14,699,895	295,123,580	(17,794,896)
a) Soflorin, B.V.	100%	78,202,312	71,886,429	6,315,883	–	569,562
a) Sohi Meat Solutions – Distribuição de Carnes, S.A.	50%	77,059,862	70,704,637	6,355,225	408,035,151	1,344,615
a) MCMKT Brands, Lda	5.39%	44,340,276	26,935,728	17,404,548	64,897,101	5,210,275
a) Mundo Note – Papelaria, Livraria e Serviços, S.A.	100%	40,771,722	26,037,864	14,733,858	85,984,412	1,098,535
a) Elergone Energias, S.A.	100%	37,610,536	21,991,595	15,618,941	85,852,629	3,628,420
a) ZU Produtos e Serviços para Animais, S.A.	100%	11,836,937	7,851,884	3,985,053	21,092,796	204,384
a) Farmácia Selecção, S.A.	100%	11,415,265	1,102	11,414,163	–	350,596
a) SCBRASIL Participações, Ltda	62.51%	11,199,766	18,155,878	(6,956,113)	–	(3,068,533)
a) Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	100%	6,119,802	1,782,632	4,337,170	10,189,507	(1,235,972)
b) Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	–	–	–	–	–

a) Unaudited accounts
b) Not available

31 Dec 2022						
Companies	% owned	Assets	Liabilities	Equity	Income	Net profit/(loss) for the year
a) Modelo Continente Hipermercados, S.A.	100%	4,211,543,409	3,423,679,158	787,864,251	5,045,290,752	15,438,307
a) IGI Investimentos Gestão Imobiliária, S.A.	100%	790,529,925	495,280,236	295,249,689	22,055,234	7,291,746
a) Marcas MC, zRT	100%	374,783,304	11,462,211	363,321,093	76,944,866	63,079,777
a) Sonvecap, B.V.	100%	159,947,518	36,349	159,911,169	–	4,411,754
a) Fundo de Investimento Imobiliário Imosonae Dois	0.09%	164,856,403	2,997,230	161,859,172	12,138,500	15,066,123
a) Pharmacontinente – Saúde e Higiene, S.A.	100%	128,551,806	98,412,398	30,139,408	261,907,850	9,066,783
a) MC Shared Services, S.A.	100%	160,605,361	83,368,966	83,368,966	89,009,555	7,297,481
a) Soflorin, B.V.	100%	80,752,701	75,006,379	5,746,321	–	109,631
a) Sohi Meat Solutions – Distribuição de Carnes, S.A.	50%	74,242,201	68,179,418	6,062,782	359,535,205	1,107,555
a) Elergone Energias, S.A.	100%	11,264,874	14,941,715	(3,676,841)	167,625,959	1,049,537
a) SCBRASIL Participações, Ltda	62.51%	11,264,875	37,249,784	25,121,250	–	(578,991)
a) Farmácia Selecção, S.A.	100%	11,065,419	1,852	11,063,567	–	51,311
a) Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	100%	6,724,062	5,122,119	1,601,943	7,195,016	(1,083,616)
a) ZU Produtos e Serviços para Animais, S.A.	100%	50,000	–	50,000	–	–
a) MContinente, SGPS, S.A.	100%	50,000	–	50,000	–	–
a) Mundo Note – Papelaria, Livraria e Serviços, S.A.	100%	50,000	–	50,000		–
b) Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	–	–	–	–	–

a) Unaudited accounts
b) Not available

As mentioned in Note 2.2. a) the Company tested its investments for impairment based on the present value of the future cash flows estimated to arise from the continued use of the assets as projected in the 5-year business plans approved by the Board of Directors. Such amounts are subsequently allocated to the cash generating units under analysis with allocation criteria defined by the Group.

The main assumptions used in the impairment test (valuation of MC's investments in Modelo Continente Hipermercados, S.A., Pharmacontinente — Saúde e Higiene, S.A. and Go Well, S.A.) can be summarised as follows:

	31 Dec 2023	31 Dec 2022
Basis of recoverable amount	Value of use	Value of use
Weighted average cost of capital	7.9%	8.1%
Perpetuity growth rate	1.5%	1.5%
Income compounded growth rate	0,4% a 6,0%	0,9% a 6,1%

2.2. Investment Receipts/Payments

The receipts and payments of investments that occurred in the year ended December 31, 2023 and 2022, can be analyzed as follows:

	31 Dec 2023			31 Dec 2022		
	Investments/ (Divestments)	Received amount	Paid amount	Investments/ (Divestments)	Received amount	Paid amount
IGI Investimentos e Gestão Imobiliária, S.A.	111,500,000	–	111,500,000	10,000,000	–	10,000,000
Modelo Continente Hipermercados, S.A.	(1,291,444,934)	2,260,580,788	–	4,000,000	–	4,000,000
Elergone Energias, Lda	4,028,966	127,446	4,127,446	2,000,000	–	2,000,000
Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	2,644,011	5,735	2,650,000	1,114,000	–	1,114,000
MContinente, SGPS, S.A.	1,449,950,000	–	1,449,950,000	–	–	–
MC Shared Services, S.A.	20,600,000	–	20,600,000	–	–	–
Pharmacontinente – Saúde e Higiene, S.A.	6,000,000	–	6,000,000	–	–	–
Fundo de Investimento Imobiliário Imosonae Dois	169,267	–	169,267	–	–	–
MContinente, SGPS, S.A.	–	–	50,000	–	–	–
ZU Produtos e Serviços para Animais, S.A.	–	–	50,000	–	–	–
Mundo Note – Papelaria, Livraria e Serviços, S.A.	–	–	50,000	–	–	–
Brio – Produtos de Agricultura Biológica, S.A.	–	200	–	–	–	–
APOR – liquidação	–	–	–	–	32,086	–
	303,447,310	2,260,714,169	1,595,146,713	17,114,000	32,086	17,114,000

2.3. Gains and losses on investments

In the years ended 31 December 2023 and 2022 "Gains or losses on investments" are detailed as follows:

	31 Dec 2023	31 Dec 2022
Dividends:		
Marcas MC, zRT	294,852,379	58,945,509
Sonvecap, B.V.	17,019,755	5,077,560
Sohi Meat Solutions – Distribuição de Carnes, S.A.	526,086	789,049
MC Shared Services, S.A.	–	32,000,000
IGI Investimentos Gestão Imobiliária, S.A.	–	26,976,596
Elergone Energias, S.A.	–	8,131,673
Pharmacontinente – Saúde e Higiene, S.A.	–	7,200,000
	312,398,220	**139,120,387**
Reversal/ Impairment losses :		
Fundo de Investimento Imobiliário Imosonae Dois	18,579	4,406
	18,579	**4,406**
Reversal/ Impairment losses :		
Farmácia Selecção, S.A.	273,786	1,060,377
Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	295,052	–
Fundo de Investimento Imobiliário Imosonae Dois	14,742	–
Soflorin, B.V.	572,950	5,742,933
	1,156,530	**6,803,310**
Reversal/ Impairment losses :		
Modelo Continente Hipermercados, S.A.	969,135,853	–
Elergone Energias, Lda	28,966	–
Liquidação APOR	–	32,086
Brio – Produtos de Agricultura Biológica, S.A.	–	(987,803)
	969,164,819	**(955,717)**
	1,282,738,148	144,972,386

During the fiscal year 2023, MC disposed of its ownership interest in Modelo Continente Hipermercados, S.A. to its subsidiary MContinente, SGPS (Note 2.2).

3. Working capital

3.1. Other accounts receivable

Accounting policy

Granted 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 from 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 reflecting their net realisable value. Impairment losses on loans granted and accounts receivable are recognised according to the accounting polices previously described.

Relevant accounting judgments and estimates

Impairment losses recorded equal the difference between the recorded receivable balance and the present value of its estimated future cash flows, discounted at the initial 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. the current balances approximate their fair value.

As at 31 December 2023 and 2022 “Other accounts receivable” can be detailed as follows:

	31 Dec 2023	31 Dec 2022
Current Assets		
Loans granted to related parties (Note 8.1)	970,472,000	308,337,000
Interest charged but not received	188,927	188,927
State and other public entities	653,037	653,066
Other accounts receivable	322,856	90,071
	971,636,820	**309,269,064**
Accumulated impairment losses (Note 7.2)	(188,927)	(188,951)
	971,447,893	309,080,113

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 2023 and 2022. 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 4.2.

3.2. Other assets

3.2.1. Other current assets

As at 31 December 2023 and 2022 “Other current assets” can be detailed as follows:

	31 Dec 2023	31 Dec 2022
Interest receivable	30,158,187	6,930,728
Guarantees	686,230	1,006,829
Indemnity interest	35,353	35,354
Accrued income	**30,879,770**	**7,972,911**
Loans up-front fees	723,315	530,673
Prepaid insurance	180,319	160,084
Other prepayments	–	11,138
Prepayments	**903,634**	**701,895**
	31,783,404	**8,674,806**

The variation in the item “interest receivable” refers to: a) interest related to the subscription of the bond loan issued by Modelo Continente Hipermercados, S.A. called “MCH 2023-2028” (8.7 million euro) (Note 3.2.2); b) increase in the interest rate charged on loans granted to related entities (14.3 million euro).

3.2.2. Other non-current assets

As at 31 December 2023 and 2022 “Other non-current assets” can be detailed as follows:

	31 Dec 2023	31 Dec 2022
Loans granted to group companies	495,129,069	418,229,070
Impairment on loans granted	(12,691,338)	(12,691,338)
Other financial assets	–	50,021
	482,437,731	**405,587,753**

Loans granted to related parties includes the subscription to the bond loan issued by the company Modelo Continente Hipermercados, S.A. named “MCH 2023-2028” in the amount of 150 million euro.

3.3. Other accounts payable

Accounting policy

The other accounts payable are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost with the effective interest rate. Generally, the amortized cost does not differ from the nominal value

As at 31 December 2023 and 2022 this caption is detailed as follows:

	31 Dec 2023	31 Dec 2022
Current liabilities		
Loans	933,508,000	1,059,290,000
Fixed asset suppliars	–	150,000
Other payables	1,369	9,490
	933,509,369	1,059,449,490

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

The Company considers that the book value of accounts payable does not significantly differ from their fair value, and that the effects of financial updating are not material.

3.4. Other liabilities

3.4.1. Other current liabilities

As at 31 December 2023 and 2022 “Other current liabilities” were composed as follows:

	31 Dec 2023	31 Dec 2022
Interests	8,642,806	7,190,084
Guarantees	726,153	828,305
Financing costs	396,607	78,618
Other accruals	2,708	107,628
Other current liabilities	9,768,274	8,204,635

3.5. Income tax

Accounting policy

According to the legislation in force in Portugal, tax returns are subject to review by the tax authorities during a period of four years (five for Social Security) except when there have been tax losses, tax benefits have been granted, or inspections, complaints or challenges are ongoing, in which case the deadlines may be extended or suspended. As a result, the Company's tax returns for the year 2020 and beyond may still be subject to review.

The Company's Board of Directors understands that any corrections resulting from revisions/inspections by the tax authorities to those tax returns will not have a material effect on the Company's financial statements as of December 31, 2023 and 2022.

The income tax for the year is calculated based on the taxable result of the Company in accordance with the tax rules in force in Portugal and considers, when there are relevant situations, deferred taxation.

MC is included in the taxable group of companies dominated by Sonae, SGPS, S.A. since 1 January 2014, and it is taxed in accordance with the Special Regime of Taxing Groups of Companies (RETGS). Consequently, balances of receivable or payable income tax are recorded against that entity and included in the separate statement of profit and loss 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 recoverable tax amount in their separate accounts, equally under the caption “Income tax” of the separate statement of financial position.

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 Company’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 were 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.

At 31 December 2023 and 2022 "Income tax" in the separate statement of financial position is composed of:

	31 Dec 2023	31 Dec 2022
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 151-A/2013, 31 October)	788,298	788,298
Special regime for payment of tax and social security debts (DL 248-A/2002, 14 November)	218,686	376,900
Additional tax payment	17,721	17,721
Non-current assets	**2,026,819**	**2,185,033**
Income tax for years when the company was not dominant of the tax group	9,372,712	3,370,829
Income tax for years when the company was dominant of the tax group	4,966,175	4,966,175
Current assets	**14,338,887**	**8,337,004**
Income tax for years when the company was dominant of the tax group	2,092,563	2,101,153
Current liabilities	**2,092,563**	**2,101,153**

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 as well as recoverable income tax for previous years. These amounts were recorded against Sonae, SGPS, S.A., since the Company is taxed under RETGS dominated by this entity.

"Income tax for years when the company was dominant of the tax group" includes receivable and payable amounts related to the years, prior to 2014, when the company was the dominant company of RETGS.

Income tax recognised in the separate profit and loss statement in 2023 and 2022 is detailed as follows:

	31 Dec 2023	31 Dec 2022
Current tax	5,250,243	2,148,906
Deferred tax	–	(3)
Income tax	**5,250,243**	**2,148,903**

Reconciliation of income tax for the years ended at 31 December 2023 and 2022 is as follows:

	31 Dec 2023	31 Dec 2022
Profit before income tax	1,257,084,884	133,604,412
Theoretical tax rate	21.00%	21.00%
Theoretical tax	**263,987,826**	**28,056,927**
Non taxable profit or loss:		
Dividends	(65,603,626)	(29,215,281)
Impairment (reversal)/loss	(242,871)	(1,428,695)
(Gains)/losses in investment sales	(203,524,612)	207,439
Tax refund	(462,067)	–
Provisions	529,200	–
Autonomous taxation	2	–
Excess/(insufficient) tax estimate	24,485	207,524
Other	41,420	23,183
Total income tax	**(5,250,243)**	**(2,148,903)**
Effective income tax rate	**–0.42%**	**–1.61%**

4. Financial instruments

4.1. Financial risk management

General risk management principles are approved by the Board of Directors, and its implementation is monitored and supervised by the Company's management and treasury department.

The main goal of risk financial management is to support the execution of MC's long-term strategy, reducing undesired risks, volatility and trying to mitigate potential negative impacts on MC results. 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. MC does not, by policy, contract derivatives or other financial instruments for speculative purposes or that are not related to the activity of its business.

4.1.1. Market risks

Due to their nature and relevance, interest rate and exchange rate risks are of particular importance in the context of market risk management.

a) 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.

When derivatives are used to hedge interest risks, they 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.

Interest rate sensitivity analysis is based on the following assumptions:

- Changes in 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;
- 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 in the last 12 months Euro interest rates had been 75 basis points higher, the Company separate profit before tax for the year ended 31 December 2023 would Decrease by approximately 5.2 million euro (an increase of 100 basis points in 2022 would have had an impact of 4.2 million euro), considering the contractual fixing dates and excluding other effects arising on the Company operations.

b) Exchange rate risk

The impact on the separate financial statements of changes in exchange rates is reduced, as most operating flows are contracted in euro.

Exchange rate risk management aims to provide a solid basis for financing Decision-making by establishing known and stable expenses. Hedging foreign exchange risk accompanies the entire financing Decision.

Considering the immateriality of the exposure to foreign exchange risk through monetary assets and liabilities at the date of the statement of financial position, no sensitivity analysis to exchange rate changes is presented.

4.1.2. Liquidity risk

The main purpose of liquidity risk management is to ensure that the Company and related entities, always 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 2023 MC's average debt maturity, adjusted for cash and cash equivalents and pre-financed long-term credit lines available, was approximately 3.8 years (2022: 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, in order to ensure the ability to meet its commitments, without having to refinance under unfavorable conditions. As of 31 December 2023, there are 46.1 million euro maturing in 2024 (6.1 million euro maturing in 2023 on 31 December 2022) and the Company had credit lines available in the amount of 193 million euro with a commitment of less than or equal to one year (93 million euro at 31 December 2022 and 285 million euro (275 million euro in 2022) with a commitment more than one year (Note 5.3). In addition, as of December 31, 2023, the Company had a liquidity buffer consisting of cash and cash equivalents as described in Note 5.3.

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

4.1.3. Credit risk

Credit risk is defined as the probability of a financial loss resulting from a counterparty's failure to meet contractual payment obligations and is manifested in financing relationships with companies in which the Company participates.

"Loans to related entities" are considered to have low credit risk and therefore as a result, impairments for credit losses recognised during the period were limited to the estimated 12-month credit losses. These financial assets are considered to have "low credit risk" when they have a low risk of uncollectibility and the debtor has a high capacity to meet its contractual cash flow responsibilities in the short term.

The Company is also exposed to credit risk in its dealings with financial institutions relating to the application of funds. Credit risk to financial institutions is limited by risk concentration management and a rigorous selection of counterparties with a high national and international reputation and recognition and based on their rating ratings taking into account the nature, maturity and size of the operations.

4.2. Financial Instruments By Classes

Financial assets

Accounting policy

Recognition

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 can be classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

As at December 31, 2023 and 2022, the Company only had financial assets measured at amortized cost. This category includes financial assets that correspond only to the payment of nominal value and interest and whose business model followed by management is the receipt of contractual cash flows.

Measurement

For financial assets that are not measured at fair value through profit or loss the Company initially measures financial assets at fair value, added of transaction costs directly attributable to the acquisition of the financial asset. 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 the “Financial income” caption of the separate profit and loss statement.

Impairment losses

Determining a financial asset impairment loss requires significant estimates. When calculating this estimate management considers, among other factors, the duration and extent of the circumstances under which the recoverable amount of these assets may be lower than their book value.

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.

With respect to the receivables under the “Clients” items, the Company applies the simplified approach allowed by IFRS 9, whereby estimated credit losses are recognised from the initial recognition of the receivables and for the entire period until their maturity, considering a matrix of historical default rates for the maturity of the receivables, adjusted for forward-looking estimates.

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 receivable criteria: i) if it 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 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) Granted loans and accounts receivable

Granted 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 from 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 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 initial 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

The amounts included in the item of cash and cash equivalents correspond to the amounts of cash, bank deposits, term deposits and other treasury investments, which are less than three months past due and can be immediately called upon with negligible risk of change in value.

For the purposes of the statement of cash flows, the item of cash and cash equivalents shall also include bank overdrafts included under short-term bank loans in the separate statement of financial position.

Impairment of financial assets

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, management assesses, among other factors, the duration and extent of the circumstances under which the recoverable amount of these assets may be lower than their book value. The balances of "Other accounts receivable" and "Other current assets" are valued for factors such as default history, current market conditions, and estimated prospective information by reference to the end of each reporting year, the most critical evaluation elements for analysing estimated credit losses.

The financial assets were classified as follows:

		31 Dec 2023			31 Dec 2022			
	Notes	Financial assets at amortised cost	Others not covered by IFRS 9	Total	Assets at amortised cost	Assets recorded at fair value through other comprehensive income	Others not covered by IFRS 9	Total
NON-CURRENT ASSETS:								
Other non-current assets	3.2.2	482,437,731	–	482,437,731	405,587,753	–	–	405,587,753
		482,437,731	**–**	**482,437,731**	**405,587,753**	**–**	**–**	**405,587,753**
CURRENT ASSETS:								
Other accounts receivable	3.1	970,794,856	653,037	971,447,893	308,427,047	–	653,066	309,080,113
Other current assets	3.2.1	30,879,769	903,635	31,783,404	7,972,912	–	701,894	8,674,806
Derivative financial instruments		–			–	591,578	–	591,578
Cash and cash equivalents	5.6	27,350,479	–	27,350,479	102,376,725	–	–	102,376,725
		1,029,025,104	**1,556,672**	**1,030,581,776**	**418,776,684**	**591,578**	**1,354,960**	**420,723,222**
		1,511,462,835	1,556,672	1,513,019,507	824,364,437	591,578	1,354,960	826,310,975

Classification of equity or liabilities

Financial liabilities and equity instruments are classified according to contractual substance, regardless of their legal form.

Equity instruments show a residual interest in the Company's assets after deduction of liabilities and are recorded at the amount received, net of costs incurred with their issuance.

Financial liabilities

Accounting policy

As of December 31, 2023, the Company only has recognized liabilities classified as "Financial liabilities at amortized cost".

The category "Financial liabilities at amortised cost" includes the liabilities shown under the headings "Loans", "Suppliers" and "Other accounts 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 of December 31, 2023 and 2022, the Company only has recognized liabilities classified as "Financial liabilities at amortized cost".

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

a) Loans obtained

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

Finance expenses are calculated according to the effective interest rate and accounted for under the heading "Financial expenses" of the income statement in accordance with the accrual principle in accordance with the policy set out in point (i). The portion of the effective interest on fees on the issuance of loans is added to the book value of the loan if it is not settled during the 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. Debts are classified as current liabilities if they are due within 12 months or less, otherwise, they are classified as non-current liabilities.

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.

The financial liabilities were classified as follows:

		31 Dec 2023			31 Dec 2022			
	Notes	Liabilities at amortised cost	Others not covered by IFRS 9	Total	Liabilities at amortised cost	Liabilities recorded at fair value through other comprehensive income	Others not covered by IFRS 9	Total
NON-CURRENT LIABILITIES:								
Bonds	5.3	264,051,817	–	264,051,817	224,086,295	–	–	224,086,295
Loans	5.3	242,777,778	–	242,777,778	252,020,489	–	–	252,020,489
Bank loans		–	–	–	50,021	–	–	50,021
		506,829,595	**–**	**506,829,595**	**476,156,805**	**–**	**–**	**476,156,805**
CURRENT LIABILITIES:								
Bonds	5.3	40,000,000	–	40,000,000	–	–	–	–
Loans	5.3	6,111,160	–	6,111,160	6,111,111	–	–	6,111,111
Trade payables		114,898	–	114,898	102,330	–	–	102,330
Other payables	3.3	933,508,777	592	933,509,369	1,059,449,419	–	71	1,059,449,490
Other current liabilities	3.4.1	9,039,494	728,780	9,768,274	8,097,006	–	107,629	8,204,635
		988,774,329	**729,372**	**989,503,701**	**1,073,759,866**	**–**	**107,700**	**1,067,654,125**
		1,495,603,924	729,372	1,496,333,296	1,549,916,671	–	107,700	1,543,810,930

5. Capital structure

5.1. Equity

Share capital

As at 31 December 2023 and 2022 the share capital, which is fully subscribed and paid for, was represented by 1,000,000,000 ordinary shares, with a nominal value of 1.00 euro each.

As at 31 December 2023 and 2022 the subscribed share capital of MC was held as follows:

	31 Dec 2023	31 Dec 2022
Sonae Holdings, S.A.	51.8269%	51.8269%
Sonae Investments BV	13.1444%	13.1444%
Sonae, SGPS, S.A.	10.0387%	10.0387%
Camoens Investments S.á r.l	24.9900%	24.9900%

As at 31 December 2022 Efanor Investimentos, SGPS, SE and its affiliated companies held 56.47% of Sonae, SGPS, S.A. 's share capital, which held, directly or and indirectly, 75.01% of the Company.

Legal reserves

The Portuguese commercial legislation establishes that, at least 5% of the annual net profit must be used to increase “Legal reserve” until it represents 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.

On 31 December 2022, MC reached the legal limit of 20% of the share capital.

Other reserves

This item mainly includes adjustments to the transition of accounting regulations, reserves generated in demergers and/or mergers and free reserves.

The movements that occurred in 2023 and 2022 in these reserves are detailed in the separate statement of changes in equity.

5.2. Earnings per share

Basic and diluted earnings per share

Earnings per share for the years ended December 31, 2023 and 2022 were calculated on the basis of the weighted average number of shares issued, taking into account the date on which the capital increase occurred:

	31 Dec 2023	31 Dec 2022
Net profit		
Net profit taken into consideration to calculate basic and diluted earnings per share (profit for the year)	1,262,335,127	135,753,315
Number of shares		
Weighted average 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)	1.2623	0.1358

5.3. Bonds and Bank Loans

As at 31 December 2023 and 2022, this caption included the following loans:

	31 Dec 2023		31 Dec 2022	
	Outstanding amount		Outstanding amount	
	Current	Non-current	Current	Non-current
Bonds MC / April 2020/2027	–	95,000,000	–	95,000,000
Bonds MC / December 2019/2024	–	30,000,000	–	30,000,000
Bonds MC ESG-Linked / November 2021/2026	–	60,000,000	–	60,000,000
Bonds MC / March 2023/2026	–	30,000,000	–	–
Bonds MC Sustainability-Linked/March 2023/2028	–	50,000,000	–	–
Bonds MC ESG-Linked / December 2021/2024	40,000,000	–	–	40,000,000
Up-front fees not yet charged to profit or loss statement	–	(948,183)	–	(913,705)
Bond loans	**40,000,000**	**264,051,817**	**–**	**224,086,295**
Commercial paper	–	–	–	103,131,600
Commercial paper ESG-Linked	–	200,000,000	–	100,000,000
MC 2018/2031	6,111,111	42,777,778	6,111,111	48,888,889
Bank loans	**6,111,111**	**242,777,778**	**6,111,111**	**252,020,489**
	46,111,111	506,829,595	6,111,111	476,106,784

In May 2023, the issuance of USD 110,000,000 of commercial paper under the MC 2019/2024 program, contracted in June 2022, expired and simultaneously terminated a derivative to hedge exchange rate risk. Gains and losses due to exchange rate variation and fair value of the derivative financial instrument are detailed in Note 5.5.

The book value of all loans is estimated not to differ significantly from their fair value. The fair value of loans is determined based on the discounted cash flows methodology. Most of the loans mentioned above bear interest at variable rates indexed to market benchmarks.

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

	31 Dec 2023		31 Dec 2022	
	Capital	Interest	Capital	Interest
N+1	46,111,111	23,947,007	6,111,111	11,039,442
N+2	25,111,111	21,512,104	149,242,711	10,940,091
N+3	195,111,111	18,843,757	25,111,111	9,262,033
N+4	198,111,111	7,456,393	135,111,111	8,212,022
N+5	61,111,111	2,368,015	143,111,111	3,841,260
after N+5	28,333,333	912,608	24,444,445	1,010,359
	553,888,888	75,039,884	483,131,600	44,305,207

The maturities previously presented were estimated in accordance with the contractual clauses of the loans and taking into account MC's expectation of its repayment date. The interest amounts have been calculated taking into account the rates in force for each loan on 31 December 2023 and 2022 respectively.

As of 31 December 2023 and 2022, there were financing operations with financial covenants whose conditions were negotiated in accordance with applicable market practices and which, at the date of this report, are in regular compliance.

As at 31 December 2023, in addition to the amounts referred to under the heading "Cash and cash equivalents" (Note 5.6), the Company had 478 million euro available to meet its cash needs (368 million euro at 31 December 2022), as follows:

	31 Dec 2023		31 Dec 2022	
	Less than 1 year commitments	More than 1 year commitments	Less than 1 year commitments	More than 1 year commitments
Agreed credit facilities	193,000,000	285,000,000	93,000,000	375,000,000
Unused credit facilities	193,000,000	285,000,000	93,000,000	275,000,000

The 2023 average interest rate of bonds and bank loans was 4.27% (2.26% in 2022).

5.4. Reconciliation of liabilities arising from financing activities

Reconciliation of the balances of liabilities arising from financing activities as at 31 December 2023 and 2022:

	Financial institutions	Related parties
Openning balance as at 1 January 2022	458,450,400	962,603,900
Receipts from bank loans	944,265,403	-
Payments of bank loans	(838,689,709)	-
Exchange rate fluctuation impact	(8,394,494)	-
Receipts from bond loans	-	-
Payments of bond loans	(72,500,000)	-
Receipts from related parties	-	3,631,498,321
Payments to related parties	-	(3,534,812,221)
Closing balance as at 31 December 2022	483,131,600	1,059,290,000
Openning balance as at 1 January 2023	483,131,600	1,059,290,000
Receipts from bank loans	1,215,000,000	-
Payments of bank loans	(1,221,283,711)	-
Exchange rate fluctuation impact	(2,959,000)	-
Receipts from bond loans	80,000,000	-
Payments of bond loans	-	-
Effect of the merger of Canasta and Selifa on IGI	-	(10,470,000)
Receipts from related parties	-	4,266,274,501
Payments to related parties	-	(4,381,586,501)
Closing balance as at 31 December 2023	553,888,889	933,508,000

5.5. Financial results

During the years ended 31 December 2023 and 2022 financial income and expenses were as follows:

	31 Dec 2023	31 Dec 2022
Financial expenses		
Interest paid related to:		
loans to related companies	43,263,829	14,000,794
bonds	11,302,231	3,019,156
bank loans and overdrafts	7,787,111	3,725,351
other	15,794	111,968
Up front fees and commissions related to loans	2,859,071	2,140,893
Foreign exchange losses	2,183,392	11,600,242
Stamp duty tax over loans	3,874	667
	67,415,302	**34,599,071**
Financial income		
Interest income from:		
loans to related companies	37,703,655	9,721,489
bank deposits	2,952,800	295,708
Foreign exchange gains	3,053,840	10,602,432
Other similar income	50,530	3,634,695
	43,760,825	**24,254,324**
Net financial results	(23,654,477)	(10,344,747)

5.6. Cash Flow Statement

Accounting policy

The amounts included under the heading "Cash and cash equivalents" correspond to the amounts of cash, bank deposits, term deposits and other treasury investments, with an initial maturity of less than three months from their date of issue, and which can be immediately mobilized with negligible risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents includes cash and immediately callable bank deposits (with a maturity of less than or equal to 3 months) net of bank overdrafts.

As at 31 December 2023 and 2022 "Cash and cash equivalents" can be detailed as follows:

	31 Dec 2023	31 Dec 2022
Bank deposits	27,350,479	102,376,725
Cash and cash equivalents on the financial position statement	**27,350,479**	**102,376,725**
Bank overdrafts	(49)	–
Cash and bank equivalents on the statement of cash flows	**27,350,430**	**102,376,725**

6. Operating activities

6.1. External supplies and services

During the years ended 31 December 2023 and 2022 "External supplies and services" were as follows:

	31 Dec 2023	31 Dec 2022
Banking services	763,368	648,703
Specialised services	537,964	581,409
Insurance	211,161	258,286
Other	768,507	873,114
	2,281,000	2,361,512

6.2. Other income

As at 31 December 2023 and 2022, "Other income" was as follows:

	31 Dec 2023	31 Dec 2022
Tax refund	2,200,320	–
Supplementary income	886,828	1,459,558
Reversal of impairment losses and provisions	24	–
Others	1,049	900
	3,088,221	1,460,458

Tax refund refers to the reimbursement by the Tax Authority of the stamp duty tax from 2007, following the judicial Decision within the tax process PEF No. 1821201101224026, where the tax had been paid under the Special Debt Regularization Regime (RERD) in 2013.

7. Provisions commitments and contingencies

7.1. Contigent assets and liabilities

Accounting policy

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.

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

As at 31 December 2023 and 2022, the contingent liabilities related to guarantees in favour of third parties are as follows:

Guarantees and securities given	31 Dec 2023	31 Dec 2022
Guarantees given:		
Financial institutions guarantees on tax claims awaiting outcome	86,628,865	86,800,069
Guarantees received provided by the parent company:		
on tax claims	236,316,955	236,316,955
on judicial claims	1,400,000	1,400,000
Guarantees given in the name of related parties		
on tax claims	220,864,707	226,920,031
on judicial claims	96,203,500	31,478,000
Other	29,944,295	28,250,000

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 2023 the outstanding amount is 2,009,098 euro and the related tax appeals continued in courts.

During the year ended 31 December 2023 guarantees granted on tax claims against some subsidiaries in the amount of 6.2 million euro were cancelled since the litigation ended.

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

Guarantees on judicial claims awaiting outcome were given in favour of Modelo Continente Hipermercados, S.A. regarding challenges filed before the Competition Court regarding, in an amount established by the Court.

7.2. Provisions and impairment loses

Accounting policy

Provisions are recognized when, and only when, the Company has a present obligation (legal or implied) resulting from a past event and it is likely that, for the resolution of that obligation, an outflow of funds will occur and that the amount of the obligation can be reasonably estimated.

During the years ended December 31, 2023 and 2022, the movement in "provisions and impairment losses" was as follows:

	Balance as at 31 Dec 2022	Increase	Decrease	Balance as at 31 Dec 2023
Accumulated impairment losses				
Investments	51,166,669	–	(1,156,530)	50,010,139
Loans granted	12,691,338	–	–	12,691,338
Other receivables	188,902	–	(24)	188,878
Provisions	–	2,520,000	–	2,520,000
	64,046,909	2,520,000	(1,156,554)	65,410,355

	Balance as at 31 Dec 2021	Increase	Decrease	Balance as at 31 Dec 2022
Accumulated impairment losses				
Investments	57,969,979	–	(6,803,310)	51,166,669
Loans granted	12,691,338	–	–	12,691,338
Other receivables	188,902	–	–	188,902
	70,850,219	–	(6,803,310)	64,046,909

MCretail recognised a provision in the amount of 2,520,000 euro following the unfavourable Decision of the Judgment of the Court of Justice of the EU in the EDP/Continente Plan case.

8. Other information

8.1. Related Parties

Accounting policy

Main transactions with related parties are conducted based on market benchmarks, and the income or expenses arising from these transactions are recognized and the effects summarized as follows:

Transactions	Parent Company		Subsidiaries companies		Associated companies	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Other income	170,942	41,962	653,109	1,020,525	52,731	52,852
External supplies and services	(824,340)	(921,914)	(340,689)	(380,060)	(23,286)	(256,757)
Financial income	–	–	37,703,655	9,721,489	–	–
Financial expense	(42,735)	(5,261)	(43,221,095)	(13,995,533)	–	–

Balances	Parent Company		Subsidiaries companies		Associated companies	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Accounts receivable	9,614,621	3,176,753	30,757,625	7,826,245	47,812	202,574
Accounts payable	791,133	906,686	5,081,374	4,018,091	97,299	185,735
Loans granted (Notes 3.1 and 3.2.2)	–	–	1,465,601,070	726,566,070	–	–
Loans obtained (Note 3.3)	–	–	933,508,000	1,059,290,000	–	–

All Efanor, SGPS, SE'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, Sonae Capital, SGPS, S.A. Group, and SC Industrials, SGPS, S.A. Group. The Board of Directors members are also considered related parties.

In 2023 and 2022 no transactions occurred, nor loans were granted to the Company's Directors. Additionally, as at 31 December 2023 and 2022, there were no balances with the Company's Directors. The Board of Directors compensation for the years ended 31 December 2023 and 2022 is detailed as follows:

	31 Dec 2023	31 Dec 2022
Short term compensation	–	37.177

8.2. Information required by law

Decree-Law no. 318/94 art.° 5.° no. 4

During the year ended 31 December 2023 the Company did not enter into any new shareholders' long-term loan agreements.

During the year ended 31 December 2023 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.
- Citorres — Sociedade Imobiliária, S.A.
- Chão Verde — Sociedade de Gestão Imobiliária, S.A.
- 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.
- Go Well — Promoção de Eventos, Caterings e Consultoria, S.A.
- H&W — Mediadora de Seguros, 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.
- Marcas MC, ZRT
- MC — Shared Services, S.A.
- MCCare, Serviços de Saúde, S.A.
- MCMKT Brands, Lda
- MContinente SGPS, S.A.
- MJLF — Empreendimentos Imobiliários, S.A.
- Modelo Continente Hipermercados — Sucursal en España
- Modelo Hiper Imobiliária, S.A.
- Mundo Note — Papelaria, Livraria e Serviços, S.A.
- Pharmaconcept — Actividades em Saúde, S.A.
- Pharmacontinente — Saúde e Higiene, S.A.
- Ponto de Chegada — Sociedade Imobiliária, S.A.
- Portimão Ativo — Sociedade Imobiliária, S.A.
- Predicomercial — Promoção Imobiliária, S.A.
- Predilugar — Sociedade Imobiliária, S.A.
- Sempre à Mão — Sociedade Imobiliária, S.A.
- Socijofra — Sociedade Imobiliária, S.A.
- Sociloures — Sociedade Imobiliária, S.A.
- Sondis Imobiliária, S.A.
- SO FISH — Atividades Aquícolas e Pesca, Unipessoal Lda
- Valor N, S.A.
- ZU Produtos e Serviços para Animais, S.A.

During the year ended 31 December 2023, short-term loans were also agreed with the following entities:

- Sonae SGPS, S.A.
- Modelo Continente Hipermercados, S.A.

As at 31 December 2023 balances payable related to these agreements can be detailed as follows (Note 3.3):

Loans obtained	Balance as at 31 Dec 2023
Modelo Continente Hipermercados, Sucursal en España	471,847,000
Continente Hipermercados, S.A.	162,322,000
Contimobe – Imobiliária de Castelo de Paiva, S.A.	86,419,000
Marcas MC, zRT	57,922,000
Predicomercial – Promoção Imobiliária, S.A.	13,913,000
Modelo Hiper Imobiliária, S.A.	12,165,000
Mundo Note – Papelaria, Livraria e Serviços, S.A.	8,948,000
Bertimóvel – Sociedade Imobiliária, S.A.	7,369,000
Citorres – Sociedade Imobiliária, S.A.	7,182,000
Imosistema – Sociedade Imobiliária, S.A.	7,162,000
MCMKT Brands, Lda	6,749,000
Farmácia Selecção, S.A.	6,645,000
Sociloures – Sociedade Imobiliária, S.A.	6,172,000
Imoresultado – Sociedade Imobiliária, S.A.	6,168,000
MJLF – Empreendimentos Imobiliários, S.A.	5,966,000
Fozimo – Sociedade Imobiliária, S.A.	5,777,000
Valor N, S.A.	5,693,000
Socijofra – Sociedade Imobiliária, S.A.	5,327,000
BB Food Service, S.A.	4,606,000
Imoestrutura – Sociedade Imobiliária, S.A.	4,578,000
Ponto de Chegada – Sociedade Imobiliária, S.A.	4,565,000
Iginha – Sociedade Imobiliária, S.A.	4,485,000
Pharmaconcept – Actividades em Saúde, S.A.	4,391,000
Imomuro – Sociedade Imobiliária, S.A.	3,666,000
Azulino Imobiliária, S.A.	3,472,000
Brio – Produtos de Agricultura Biológica, S.A.	3,404,000
Igimo – Sociedade Imobiliária, S.A.	3,370,000
Elergone Energias, SA	3,241,000
Bom Momento – Restauração, S.A.	3,177,000
Cumulativa – Sociedade Imobiliária, S.A.	3,135,000
Predilugar- Promoção Imobiliária, S.A.	1,299,000
ZU Produtos e Serviços para Animais, S.A.	1,078,000
Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	817,000
Sondis Imobiliária, S.A.	363,000
H&W – Mediadora de Seguros, S.A	115,000
	933,508,000

As at 31 December 2023 gross receivable balances related to these agreements were the following (Notes 3.1 and 3.2.2):

Loans granted	Balance as at 31 Dec 2023
MContinente, SGPS, S.A.	811,664,000
IGI Investimentos Gestão Imobiliária, SA	332,437,731
Modelo Continente Hipermercados, S.A.	256,254,000
IGI Investimentos Gestão Imobiliária, SA	26,653,000
MC Shared Services, S.A.	13,518,000
MCCARE – Serviços de Saúde, S.A.	8,498,000
SCBRASIL Participações, Ltda	7,242,722
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	5,448,616
Chão Verde – Sociedade de Gestão Imobiliária, S.A.	1,968,000
Asprela Sociedade Imobiliária, S.A.	1,030,000
Sempre à Mão – Sociedade Imobiliária, S.A.	511,000
Portimão Ativo – Sociedade Imobiliária, SA	243,000
Pharmacontinente – Saúde e Higiene, S.A.	127,000
SO FISH – Atividades Aquícolas e Pesca, Unipessoal Lda	6,000
	1,465,601,070

Art.º 66.º-A of the Portuguese Companies Code

As mentioned on Note 1.1, the Company also presents consolidated financial statements.

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

8.3. Audit Expenses

During the year ended December 31, 2023, the Company incurred audit fees in the amount of 21,991.00.

8.4. Approval of the separate financial statements

The accompanying separate financial statements were approved by the Board of Directors on March 22nd, 2024. 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
- Alvaro Sendagota Cudos
- Luís Miguel Mesquita Soares Moutinho
- Fernando Peixoto Van Zeller
- Isabel Sofia Bragança Simões de Barros
- José Manuel Cardoso Fortunato

Statutory Audit Board

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 MCRetail, SGPS, SA (the Group), which comprise the consolidated statement of financial position as at 31 December 2023 (which shows total assets of Euros 4,387,186,782 and total shareholders' equity of Euros 807,449,240 including a profit for the period attributable to the equity holders of the parent company of Euros 170,617,379), the consolidated income statement, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of MCRetail, SGPS, SA as at 31 December 2023, 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;

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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.

25 March 2024

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 MCRetail, SGPS, SA (the Entity), which comprise the separate statement of financial position as at 31 December 2023 (which shows total assets of Euros 4,001,041,363 and total shareholders' equity of Euros 2,500,095,504, including a net profit of Euros 1,262,335,127), the separate profit and loss of comprehensive income statement, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of MCRetail, SGPS, SA as at 31 December 2023, 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;

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c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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.

25 March 2024

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
MCRETAIL 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 2023, 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 Statutory 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 MCRetail, SGPS, S. A. and, in this point of view, highlights the positive evolution of the business segments and the main partnerships, whose effects are evident in Group´s salutary economic and financial development.

The Statutory Audit Board , observed Recommendation II.5.A of the IPCG Corporate Governance Code, included on its 2023 revised version, in accordance with the criteria established by it in numbers 3 to 5 of article 4 of the Statutory Audit Board 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, included on its 2023 revised version, II.2.2., II.2.4., II.3.1., II.3.2., II.4.1., II.4.2., V.1., VII.2., VII.3., VII.4., VII.5., VII.10., VII.11., VIII.1.1., VIII.2.1., VIII.2.2. e VIII.2.3..

Being 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 Board of Directors Report.
- 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 2022.
- The proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance 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 MCRetail, 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 MCRetail, 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, 25th March 2024

The Statutory Audit Board

António Augusto Almeida Trabulo

Maria José Martins Lourenço da Fonseca

Carlos Manuel Pereira da Silva

6 Appendix

Sustainability report

The Sustainability Report was prepared in accordance with the GRI Standards, covering the time period from 1st January 2023 to 31st December 2023, for the activity scope covered in the chapter **"Businesses overview"** of the Annual Report, sub-chapter **"Portfolio"**, which includes Arenal (Tomenider).

This Report was prepared in accordance with the 2021 version of the GRI Sustainability Reporting Guidelines (GRI Standards). This report also highlights our performance in terms of the Principles of the United Nations Global Compact (UNGC), the SASB Standards and the Sustainable Development Goals (SDGs).

The Sustainability Report complements the information reported in the **"Sustainability in focus"** chapter of the 2023 Annual Report.

The information included in the Sustainability Report was subject to verification by an external entity — KPMG.

Table GRI Content

Statement of use	MC reported in accordance with GRI Standards, covering the time period from 1st January 2023 to 31st December 2023
Version used	GRI 1: Foundation 2021
GRI Sector Standards applicable	No sector standards applicable at the date of publication of this report

GRI index and correspondence table | Sustainability indicators

The GRI content summary and the indicators with corresponding standards are presented below, highlighting our performance in terms of the Sustainable Development Goals (SDGs), the Principles of the UN Global Compact (UNGC) and the SASB Standards — Food retailers & distributors.

GRI	REFERENCES	SDG[1]	UNGC[2]	SASB[3]
General disclosures				
The organization and its reporting practices				
2-1	Chapter **"The year at a glance"**			
2-2	Chapter **"Financial statements"**			
2-3	Appendix – **"About this report"**			
2-4				
2-5	Appendix – **"Independent Limited Warranty Report"**			
Activities and workers				
2-6	Chapter **"The year at a glance"**; **Supplier's Code of Ethics and Conduct**; **Sustainability Declaration of Continente Producer's Club (CPC)**; **Sustainable Fishing Policy**; **Zero Deforestation Commitment**;			**FB-FR-000.A** Number of stores and Warehouses **FB-FR-000.B** Store Area and Warehouses
2-7			6	
2-8				

CONTINUES

GRI	REFERENCES	SDG[1]	UNGC[2]	SASB[3]
Governance				
2-9	Chapter **"Governing principles and practices"**, sub-chapters **"Shareholders Structure"** and **"Corporate Governance"**			
2-10	Chapter **"Governing principles and practices"**, sub-chapter **"Shareholders Structure"**			
2-11	Chapter **"Governing principles and practices"**, sub-chapter **"Shareholders Structure"**			
2-12	Chapter **"Governing principles and practices"**, sub-chapter **"Shareholders Structure"**			
2-13				
2-14				
2-15	**MC's Code of Ethics and Conduct** **Sonae's Code of Ethics and Conduct**			
2-16				
2-17				
2-18	Chapter **"Governing principles and practices"**, sub-chapter **"Remuneration Policy"**			
2-19	Chapter **"Governing principles and practices"**, sub-chapter **"Remuneration Policy"**			
2-20	Chapter **"Governing principles and practices"**, sub-chapter **"Remuneration Policy"**			
2-21				
Stategy, Policies and Practices				
2-22	Sub-chapter **"Message from the CEO"** and chapter **"Sustainability in focus"**			
2-23	Chapter **"Governing principles and practices"**			
2-27				**FB-FR-310A.4** Total amount of monetary losses as a result of legal proceedings associated with: (1) violations of labour law and (2) discrimination in employment
2-28				
Stakeholder engagement				
2-29				
2-30			3	**FB-FR-310A.2** Percentage of the active labour force covered by collective bargaining agreements **FB-FR-310A.3** (1) Number of work stoppages and (2) total days lost

CONTINUES

1 Sustainable Development Goals 2 Principles of the UN Global Compact (UNGC) 3 SASB – Food retailers & distributors

GRI	REFERENCES	SDG[1]	UNGC[2]	SASB[3]
Material topics				
Material aspects				
3-1	Chapter **"Sustainability in focus"**			
3-2	Chapter **"Sustainability in focus"**			
3-3	Chapters **"Sustainability in focus"**, **"Governing principles and practices"**, **"Businesses overview"**, sub-chapter **"Strategic priorities"**			

STRATEGIC AGENDA	MATERIAL ASPECTS	MANAGEMENT OF MATERIAL ASPECTS
Climate action	GHG Emissions scope 1 and 2 GHG Emissions scope 3	As stated in the **"Sustainability in focus"** chapter, MC is aware of the diverse and complex challenges posed by the climate crisis. Thus, it intends to ensure the decarbonisation of operations, in line with the 1.5°C scenario, through the following commitments and targets: • Until 2032, reduce GHG emissions of our operations (scope 1+2) by 51%, compared to 2022 (decarbonisation target validated by Science Based Targets initiative (SBTi); • Achieve carbon neutrality of our operations (scope 1+2 GHG emissions) by 2040, ten years ahead of the EU target; • To have resilient and climate friendly facilities, by incorporating adaptation and resilience measures in the store remodelling plan, by implementating eco-efficiency measures in order to optimise our energy consumption, by electrifying our consumption, and with a programme to change our refrigeration plants; • Decarbonisation of the energy matrix, through investment in the production and acquisition of energy effectively produced from renewable sources; • Decarbonisation of transport (function and service fleet and last mile) and compensation of 100% of GHG emissions associated with fossil fuel consumption by the light vehicle fleet, until this fleet is fully electric, through tree planting and conservation actions; • Until 2032, reduce GHG emissions of our supply chain by 31%, compared to 2022 (decarbonisation target validated by Science Based Targets initiative (SBTi).
Circularity	Packaging of Products Food Waste Waste Management	MC intends to guide its actions towards greater efficiency in resource consumption and strengthen circularity, as mentioned in the **"Sustainability in focus"** chapter, through the following commitments and targets: • Develop packaging solutions more sustainable, ensuring that, by 2025, 100% of our own-brand or exclusive brand packaging is recyclable, reusable or compostable and that it incorporates 30% recycled raw material; • Promote circular products and services; • Optimize waste management systems for material valorization and/or reintegration into the supply chain, while promoting awareness-raising actions and consumer involvement; • Strengthen initiatives to reduce food waste by defining a hierarchy of priorities and measures to optimise operations; • By 2028, reduce food waste from our operations by 50% compared to 2020.

CONTINUES

STRATEGIC AGENDA	MATERIAL ASPECTS	MANAGEMENT OF MATERIAL ASPECTS
Sustainable production	Sustainable Agriculture Practices Deforestation Water consumption Animal Welfare and Ssustainable Fishing Supply Chain Management and Human Rights	With the ambition of boosting the creation of more transparent, resilient and sustainable supply chains, as referred in the chapter **"Sustainability in focus"**, MC has established the following commitments and targets: • Ensure ***"Zero Desflorestação"*** (Zero Deforestation) in supply chains by 2030, ensuring sustainable sourcing of raw materials through the adoption of certification schemes and/or other control and monitoring mechanisms; • Until 2032, reduce GHG emissions of our supply chain by 31%, compared to 2022 (decarbonisation target validated by Science Based Targets initiative (SBTi); • **Sustainable Fishing Policy** and use of the "Traffic Light System" (TLS), a tool that makes it possible to assess purchases according to the level of fishing sustainability, with the aim of minimizing the impacts of fishing activities on marine biodiversity and promoting sustainable fishing practices, considering a set of principles of action that encourage the protection of ecosystems; • **Sustainability Declaration of Continente Producer's Club (CPC)**, based on eleven principles and various initiatives that aim to promote sustainable production and consumption and a food system that respects the environment; • Certification of production practices, leveraging, among others, the certifications already adopted (Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) for fish, Animal Welfare for butchery); • Assess value chain's exposure to ESG (environmental, social and governance) risks; • Promote the implementation of programmes to support the adoption of more sustainable practices; • Monitoring and following up suppliers' performance, encouraging policies that promote socially sustainable production and practices to safeguard human rights and dignity.
Responsible Offering	Product Labelling and Marketing Quality and Nutrition	MC has the ambition of progressively contributing to the democratisation of access to a healthier and more sustainable basket, as mentioned in the **"Sustainability in focus"** chapter, and has set the following commitments and targets: • Expand the assortment of balanced food products, plant-based products, organic products, products with animal welfare certification and responsible fishing certification; • Implement responsible consumption promotion campaigns; • Facilitate the consumer's choice of healthier and more sustainable options.

CONTINUES

Together with the highlighted issues, it is worth mentioning that topics concerning our People and our relation with the Community represent intrinsic questions that pertain to MC's principles and values. They have a high maturity and integration within our businesses, and are thus addressed and managed through a complementary set of instruments, policies and strategies.

1 Sustainable Development Goals 2 Principles of the UN Global Compact (UNGC) 3 SASB – Food retailers & distributors

GRI	REFERENCES	SDG[1]	UNGC[2]	SASB[3]
Economic disclosures				
Economic performance				
201-2	Chapter **"Governing principles and practices"**, sub-chapter **"Risk management"**			
Indirect economic impacts				
203-1	Chapter **"Sustainability in focus"**			
203-2	Chapter **"Sustainability in focus"**			
Procurement practices				
204-1				
Anti-corruption				
205-1	Chapter **"Governing principles and practices"**, sub-chapter **"Risk management"**		10	
205-2	**MC's Code of Ethics and Conduct** **Sonae's Code of Ethics and Conduct**		10	
205-3			10	
Environmental disclosures				
Materials				
301-1	Chapter **"Sustainability in focus"**		7, 8	**FB-FR-430A.4** Discussion of strategies to reduce the environmental impact of packaging
301-2			7, 8	
301-3			7, 8	
Energy				
302-1	Chapter **"Sustainability in focus"**		7, 8	**FB-FR-110A.1** Fleet fuel consumed **FB-FR-130A.1** (1) Energy consumed, (2) percentage of electricity consumed from the grid and (3) percentage of renewable energy
302-3			8	
302-4	Chapter **"Sustainability in focus"**		8, 9	

CONTINUES

GRI	REFERENCES	SDG[1]	UNGC[2]	SASB[3]
Water and effluents				
303-1			7, 8	
303-2			7, 8	
303-3	Chapter **"Sustainability in focus"**		8	
303-4			8	
303-5			8	
Biodiversity				
304-1			8	
304-2	Chapter **"Sustainability in focus"**		8	
304-3	Chapter **"Sustainability in focus"**		8	
Emissions				
305-1	Chapter **"Sustainability in focus"**		7, 8	**FB-FR-110B.1** Greenhouse Gas emissions (scope 1)
305-2	Chapter **"Sustainability in focus"**		7, 8	
305-3	Chapter **"Sustainability in focus"**		7, 8	
305-4			8	
305-5	Chapter **"Sustainability in focus"**		8, 9	
305-7			7, 8	
Waste				
306-1			8	
306-2			8	
306-3	Chapter **"Sustainability in focus"**		8	
306-4	Chapter **"Sustainability in focus"**		8	**FB-FR-150A.1** (1) Amount of food waste generated (2) percentage diverted from the waste stream
306-5			8	

CONTINUES

1 Sustainable Development Goals   2 Principles of the UN Global Compact (UNGC)   3 SASB – Food retailers & distributors

GRI	REFERENCES	SDG[1]	UNGC[2]	SASB[3]
Social performance				
Diversity and equal opportunities				
405-1	Chapter **"Sustainability in focus"**; **Gender Equality Plan**	5, 8	6	
Freedom of association and collective bargaining				
407-1		8	3	
Child labour				
408-1	**Supplier's Code of Ethics and Conduct**	8, 16	5	
Forced or compulsory labour				
409-1	**Supplier's Code of Ethics and Conduct**	8	4	
Local communities				
413-1	Chapter **"Sustainability in focus"**	2, 5, 11		
Supplier social and environmental assessment				
414-1 & 308-1		8		**FB-FR-430A.3** Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare
Customer health and safety				
416-1		12		**FB-FR-260A.2** Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers
Marketing and labelling				
417-1		12, 16		**FB-FR-270A.1** Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes. **FB-FR-270a.2** Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling practices

CONCLUSION

1 Sustainable Development Goals 2 Principles of the UN Global Compact (UNGC) 3 SASB – Food retailers & distributors

GRI Disclosures

GRI 2 – GENERAL DISCLOSURES

1. THE ORGANIZATION AND ITS REPORTING PRACTICES			
2-1 V	**Organisational details**	**Name of the organization:** MCretail, SGPS, S.A. **Ownership and legal form:** MC is a public limited company, registered at the Porto Commercial Registry Office.	**Location of headquarters:** Rua João Mendonça, 529, 4464-501 Senhora da Hora, Matosinhos, Portugal. MC operates in Portugal and Spain.
2-2 V	**Entities included in the organisation's sustainability reporting**	See chapter **"Financial statements"**.	
2-3 V	**Reporting period, frequency and contact point**	MC publishes an integrated report annually. The reporting period for this report covers 1st January 2023 through to 31st December 2023.	Contact point for questions regarding this report: **rpsonaemc@mc.pt**
2-4 V	**Restatements of information**	This report updates the data reported for the indicators 302-1, 302-3, 305-3, 305-4 and 305-7 in the 2022 Annual Report.	The following indicator was also updated 301-2 as a result of changes in the methodology used for consolidating information — the consumption of materials used in the product is regarding the bags we sell — as well as the indicator 414-1/308-1.
2-5 V	**External assurance**	The sustainability information included in the 2023 Annual Report and the respective **"Sustainability Report"** was subject to verification by an external entity, KPMG & Associados — Sociedade de Revisores Oficiais de Contas, S.A.	
2. ACTIVITIES AND WORKERS			
2-6 V	**Activities, value chain and other business relationships**	Via a multi-format and omnichannel business portfolio, MC's mission is to serve families on a daily basis by offering a wide-ranging and responsible product offering, quality products and services at competitive prices, in a close proximity and convenient format. With the aim of securing its purpose and in line with its values, MC continuously invests in a relationship of proximity, trust and respect with its Suppliers. More specifically, with its own-label Suppliers, MC takes on the double role of assessing and qualifying partners to work with the company, seeking to make improvements to maximise efficiency and sustainability across operations and products supplied. The **Supplier's Code of Ethics and Conduct** provides a framework for the environmental, social and ethical concerns we aim to secure throughout the value chain. These are complemented by an assortment of specific procedures and instruments:	1. Selection, qualification and assessment of Suppliers according to internally defined environmental and social criteria; 2. **Sustainability Declaration of Continente Producer's Club (CPC)** is based on eleven principles and several initiatives aimed at stepping up our national product offering to be more sustainable; 3. **Sustainable Fishing Policy** and the Traffic Light System (TLS), a tool that enables us to assess purchases according to their sustainability levels. 4. **Zero Deforestation Commitment** and certification of the origin of raw-materials used in the development of our own label goods; 5. The Charter of Principles for CO_2 & Climate Change and the Letter of Principles for Plastic; **Furthermore, see disclosures for the following indicators:** 204-1; 304-2; 308-1; 407-1; 408-1; 409-1 and 414-1. **Markets covered:** Portugal and Spain. For additional information, consult chapter **"The year at a glance"**. **Size of the organisation:** for additional information, consult chapter **"The year at a glance"**.

CONTINUES

GRI 2 – GENERAL DISCLOSURES

2. ACTIVITIES AND WORKERS

2-7
V

Employees

Countries with operations by number of Employees

	2022	2023
Portugal	37,025	36,910
Spain	1,195	1,383

Countries with operations by contract type

	PC	TC	T	PC	TC	T
			2022			2023
Portugal	27,622	9,403	37,025	28,851	8,059	36,910
Spain	925	270	1,195	1,029	354	1,383

PC Permanent Contract TC Temporary Contract T Total

No. of contracts by type

	M	W	T	M	W	T
			2022			2023
Permanent contract	8,718	19,829	28,547	9,286	20,594	29,880
Temporary contract	3,455	6,218	9,673	2,964	5,449	8,413
Total	**12,173**	**26,047**	**38,220**	**12,250**	**26,043**	**38,293**
Full-time	9,654	19,055	28,709	9,907	19,548	29,455
Part-time	2,519	6,992	9,511	2,343	6,495	8,838
Total	**12,173**	**26,047**	**38,220**	**12,250**	**26,043**	**38,293**
Non-guaranteed hours	–	–	–	–	–	–

M Men W Women T Total

CONTINUES

GRI 2 – GENERAL DISCLOSURES

2. ACTIVITIES AND WORKERS

2-7
V

Employees

Average contracts by type – Permanent / Temporary

		2022						2023					
		M	W	T	M	W	T	M	W	T	M	W	T
		PERMANENT			TEMPORARY			PERMANENT			TEMPORARY		
Executives	<30 years old	–	–	–	–	–	–	–	–	–	–	–	–
	30-50 years old	24	6	30	–	–	–	20	9	29	–	–	–
	≥50 years old	19	5	24	–	–	–	25	5	30	–	–	–
	Total	**43**	**11**	**54**	**–**	**–**	**–**	**45**	**14**	**59**	**–**	**–**	**–**
Senior & Middle Managers	<30 years old	4	1	5	–	–	–	7	3	10	–	–	–
	30-50 years old	288	214	502	–	–	–	329	239	568	–	–	–
	≥50 years old	143	85	228	–	–	–	161	109	270	–	–	–
	Total	**435**	**300**	**735**	**–**	**–**	**–**	**497**	**351**	**848**	**–**	**–**	**–**
Coordinators & Supervisors	<30 years old	76	158	234	1	15	16	65	222	287	1	43	44
	30-50 years old	545	1,065	1,610	5	16	21	547	1,242	1,789	1	32	33
	≥50 years old	148	259	407	–	2	2	164	336	500	–	5	5
	Total	**769**	**1,482**	**2,251**	**6**	**33**	**39**	**776**	**1,800**	**2,576**	**2**	**80**	**82**
Technicians & Specialists	<30 years old	210	491	701	9	37	46	236	544	780	20	28	48
	30-50 years old	384	859	1,243	5	10	15	410	880	1,290	2	8	10
	≥50 years old	88	189	277	–	1	1	94	226	320	–	–	–
	Total	**682**	**1,539**	**2,221**	**14**	**48**	**62**	**740**	**1,650**	**2,390**	**22**	**36**	**58**
Representatives	<30 years old	2,463	4,095	6,558	2,697	4,362	7,059	2,651	4,164	6,815	2,257	3,661	5,918
	30-50 years old	3,297	8,739	12,036	692	1,545	2,237	3,526	8,622	12,148	645	1,462	2,107
	≥50 years old	1,029	3,663	4,692	46	230	276	1,051	3,993	5,044	38	210	248
	Total	**6,789**	**16,497**	**23,286**	**3,435**	**6,137**	**9,572**	**7,228**	**16,779**	**24,007**	**2,940**	**5,333**	**8,273**

M Men W Women T Total

CONTINUES

GRI 2 – GENERAL DISCLOSURES

2. ACTIVITIES AND WORKERS

2-7 V

Employees

Average contracts by type – Integral / Partial

		2022						2023					
		M	W	T	M	W	T	M	W	T	M	W	T
		INTEGRAL			PARTIAL			INTEGRAL			PARTIAL		
Executives	<30 years old	–	–	–	–	–	–	–	–	–	–	–	–
	30-50 years old	24	6	30	–	–	–	20	9	29	–	–	–
	≥50 years old	19	5	24	–	–	–	25	5	30	–	–	–
	Total	**43**	**11**	**54**	**–**	**–**	**–**	**45**	**14**	**59**	**–**	**–**	**–**
Senior & Middle Managers	<30 years old	4	1	5	–	–	–	7	3	10	–	–	–
	30-50 years old	286	213	499	2	1	3	327	238	565	2	1	3
	≥50 years old	142	85	227	1	–	1	161	109	270	–	–	–
	Total	**432**	**299**	**731**	**3**	**1**	**4**	**495**	**350**	**845**	**2**	**1**	**3**
Coordinators & Supervisors	<30 years old	77	170	247	–	3	3	66	212	278	–	53	53
	30-50 years old	548	1,057	1,605	2	24	26	547	1,193	1,740	1	81	82
	≥50 years old	148	259	407	–	2	2	164	324	488	–	17	17
	Total	**773**	**1,486**	**2,259**	**2**	**29**	**31**	**777**	**1,729**	**2,506**	**1**	**151**	**152**
Technicians & Specialists	<30 years old	219	526	745	–	2	2	256	569	825	–	3	3
	30-50 years old	388	865	1,253	1	4	5	410	881	1,291	2	7	9
	≥50 years old	88	190	278	–	–	–	94	226	320	–	–	–
	Total	**695**	**1,581**	**2,276**	**1**	**6**	**7**	**760**	**1,676**	**2,436**	**2**	**10**	**12**
Representatives	<30 years old	3,181	4,684	7,865	1,979	3,773	5,752	3,147	4,614	7,761	1,761	3,211	4,972
	30-50 years old	3,535	8,088	11,623	454	2,196	2,650	3,679	8,017	11,696	492	2,067	2,559
	≥50 years old	995	2,906	3,901	80	987	1,067	1,004	3,148	4,152	85	1,055	1,140
	Total	**7,711**	**15,678**	**23,389**	**2,513**	**6,956**	**9,469**	**7,830**	**15,779**	**23,609**	**2,338**	**6,333**	**8,671**

M Men W Women T Total

2-8 V

Workers who are not employees

	2022			2023		
	M	W	T	M	W	T
No. of workers who are not Employees	734	375	1,109	535	299	834

M Men W Women T Total Note: the indicator includes temporary workers and interns.

CONTINUES

GRI 2 – GENERAL DISCLOSURES

3. GOVERNANCE			
2-9 V	**Governance structure and composition**	See chapter **"Governing principles and practices"**, sub-chapters **"Shareholders Structure"** and **"Corporate Governance"**.	
2-10 V	**Nomination and selection of the highest governance body**	See chapter **"Governing principles and practices"**, sub-chapter **"Corporate Governance"**.	
2-11 V	**Chair of the highest governance body**	See chapter **"Governing principles and practices"**, sub-chapter **"Corporate Governance"**.	
2-12 V	**Role of the highest governance body in overseeing the management of impacts**	The Leadership Committee assumes strategic functions in the sustainability governance model, with the aim of strengthening management's commitment and fostering business transformation. The main objectives of the Leadership Committee in the sustainability governance model are: • Ensure the incorporation of sustainability issues on its agenda; • Foster a cross-cutting commitment from all departments towards a behavioral change regarding the incorporation of sustainability principles into MC's business models;	• Assess and validate the strategic axes and main sustainability programs; • Supervise the work carried out by MC on these topics; • Analyze MC's sustainability performance. Annually, the Leadership Committee reassesses the Sustainability Agenda and corporate policies to adapt to new trends and emerging challenges. For more information, see chapter **"Governing principles and practices"**, sub-chapter **"Corporate Governance"**.
2-13 V	**Delegation of responsibility for managing impacts**	The Sustainability Directorate reports to the administrator of the People & Sustainability Department. The main objectives of the Sustainability Directorate are: • Develop Sustainability Strategies, action plans, and holistic and transversal roadmaps for the entire organization, supporting the Leadership Committee; • Create Task Forces, whenever necessary, with other operational teams to address issues of particular importance to MC in terms of sustainability; • Monitor the different departments and business areas in the execution of MC's Sustainability Strategy; • Develop PMO functions in sustainability projects; • Preparation and development of applications for sustainability ratings and indices, reported annually; • Support in adapting the regulation relevant to MC's sustainability area; • Take a position on relevant sustainability issues. • Ensure communication and reporting with management teams;	In turn, each department has a sustainability pivot, with the objective of ensuring the operationalization of its respective Sustainability Strategy and implementing the defined initiatives. These pivots work closely with the Sustainability Directorate, accompanying the business area teams in the pursuit of their action plans. The pivots' main objectives are: • Adapt the guidelines received from the Leadership Committee to the operational reality of their department and business area, monitoring the implementation status; • Develop operational monitoring, on the ground, identifying risks and opportunities that impact the execution of initiatives, as well as collecting information on resource needs (human, technical, and financial); • Gather feedback from business area teams and ensure a communication channel between them, the management and the Sustainability Directorate; • Ensure the effective execution of vectors and initiatives defined in the Sustainability Action Plans within the different business areas.
2-14 V	**Role of the highest governance body in sustainability reporting**	The commitment of the highest governance body, through the identification and improvement of critical processes regarding the preparation and communication of sustainability information, ensures an effective internal control environment to provide sustainability information with transparency, materiality, and reliability.	

CONTINUES

GRI 2 – GENERAL DISCLOSURES

3. GOVERNANCE			
2-15 V	**Conflicts of interest**	The conflict of interest prevention policy, approved by the company, establishes internal mechanisms related to potential conflicts of interest involving employees and corporate bodies. The policy establishes the obligation to inform the hierarchical superior about the existence of connections that raise conflicts of interest, such as collaboration with organizations or ties of kinship or friendship with individuals related to ongoing decision-making processes.	For more information, see the Codes of Ethics and Conduct of MC and Sonae. **MC's Code of Ethics and Conduct** **Sonae's Code of Ethics and Conduct**
2-16 V	**Communication of critical concerns**	Our corporate culture is based on principles of awareness and absolute respect for the rules of good conduct in managing conflicts of interest and duties of diligence and confidentiality in dealing with critical issues. We provide the following channels for communicating critical concerns to our stakeholders: i) the Sonae Ombudsman, to report any possible irregularity; ii) the Ethics Committee, to report any potential violation of the Code of Ethics and Conduct; and iii) the Whistleblowing Channel within the corruption prevention policy.	In addition, the Sonae Ombudsman provides its contact channel to all Customers, Employees, and Suppliers, collecting compliments, suggestions, requests for information, complaints, and/or grievances. Additionally, we have a certified Suggestions and Complaints Management System that allows us to identify various development opportunities, as well as implement improvements and changes resulting from feedback from our key stakeholders, both at the product and operation levels.
2-17 V	**Collective knowledge of the highest governance body**	To ensure that MC's highest governance body is prepared to incorporate sustainable development principles into its management, the following measures are taken: • Ensure a team with diversity of profiles and knowledge in various aspects and themes of the company. For this, the choice of members is related to their skills and areas of knowledge; • Awareness and training, which reinforces the importance of sustainability and the urgency of concerted action. Members know the areas of operation of MC's departments, and understand their challenges, how our company impacts and is impacted by sustainability, and finally, are aware of its risks and opportunities;	• Collaborate with other organizations, experts and sustainable development stakeholders to share experiences, knowledge and in-depth skills on the complexities of sustainable development, emerging issues and how best to mitigate risks. For more information about our partner associations, see the GRI 2-28 indicator; • Regularly monitor progress with clear performance indicators, which helps understand how far we have come and what needs to be improved. By adopting these measures, MC increases governance capacity and develops its knowledge, skills, and experience.
2-18 V	**Evaluation of the performance of the highest governance body**	See chapter **"Governing principles and practices"**, sub-chapter **"Remuneration Policy"**	
2-19 V	**Remuneration policies**	See chapter **"Governing principles and practices"**, sub-chapter **"Remuneration Policy"**	
2-20 V	**Process to determine remuneration**	See chapter **"Governing principles and practices"**, sub-chapter **"Remuneration Policy"**	
2-21 V	**Annual total compensatio ratio**	See Sonae's 2023 Annual Integrated Report.	

CONTINUES

GRI 2 – GENERAL DISCLOSURES

4. STATEGY, POLICIES AND PRACTICES

2-22 V	**Statement on sustainable development strategy**	For more information, see sub-chapter **"Message from the CEO"** and chapter **"Sustainability in focus"**.	
2-23 V	**Policy commitments**	At MC, our actions are guided by a set of principles and values rooted in our DNA, as we seek to inspire those around us to build a legacy of excellence for the future. The Code of Ethics and Conduct sets out the principles that govern the Company activities, as well as the ethical and moral conventions that must be respected by all members of our Governing Body and all of our Employees in their relationships with Clients, Suppliers and other stakeholders. Via the Code of Ethics and Conduct, we ensure that all of our activities are governed by and adhere to the principles of ethics and trust we set forth. Through the policies and practices on Human Rights, MC aims its Employees, Suppliers and other stakeholders commit to conducting their activities with respect for human rights, which constitutes a minimum guarantee of compliance both in its direct operations and throughout its supply chain, in line with the Code of Ethics and Conduct. In 2023, 23,733 employees received formal training in the organisation's policies and practices on human rights issues.	Furthermore, to support the integration of sustainable development principles in our management practices, over the years we have been subscribing to a set of policies and commitments (directly or through Sonae SGPS) and to develop internal benchmarks, such as: United Nations Universal Declaration of Human Rights; United Nations Global Compact Principles; The Charter of Principles of BCSD Portugal; CEO Guide For Human Rights (WBCSD); Women Initiative of the European Roundtable of Industrials (ERT); CEO Pledge, Lead Network; Future of Work Leadership Statement (WBCSD); Paris Pledge for Action; New Plastics Economy Global Commitment; The National Pact For Plastic; Business for Nature's Call to Action; Science Based Targets Network (SBTN) Corporate Engagement Program; Environmental Policy; **Gender Equality Plan**; **Supplier's Code of Ethics and Conduct**; **Sustainability Declaration of Continente Producer's Club**; **Sustainable Fishing Policy**; **Zero Deforestation Commitment**; Charter of Principles for CO_2 & Climate Change and Letter of Principles for Plastic. For more information, see responses to indicator 2-6; consult chapter **"Governing principles and practices"**.
2-27 V	**Compliance with laws and regulations**	MC considers that a significant fine is one in which the monetary value is higher than or equal to €12,000. This figure corresponds to the minimum administrative fine for committing a serious offense (in accordance with the Legal Framework for Economic Offences).	MC was issued with an administrative fine in 2022 for committing a serious environmental offense for wastewater disposal without a license. The fine was suspended for a period of one year, subject to strict compliance with the requirements set out in the authorization issued.

	NUMBER OF NON-MONETARY SANCTIONS (no.)	SIGNIFICANT FINES (no.)	TOTAL MONETARY VALUE OF SIGNIFICANT FINES (€)
Reporting period – 2023	7	0	0
In previous reporting periods – 2022	2	1	24,000

2-28 V	**Membership associations**	In addition to the Sonae Group representation, MC is a member of the following associations: APED (Portuguese Association of Distribution Companies); APLOG (Portuguese Logistics Association); ACEPI (The Portuguese Digital Economy Association);	GS1 Portugal; APAN (Portuguese Association of Advertisers), AHRESP (The Portuguese Hotel and Restaurant Association) and the Consumer Goods Forum.

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GRI 2 – GENERAL DISCLOSURES

5. STAKEHOLDER ENGAGEMENT

2-29 V	**Approach to stakeholder engagement**	Establishing long lasting relationships with its stakeholders is paramount for MC. We are committed to listening to everyone through regular dialogue. We listen to our stakeholders with the aim of identifying, prioritising and managing material topics which have a relevant impact on our Business, the Planet and the Community.	With the goal of implementing a culture of engagement, we have established structured and interactive communication with each stakeholder group, through a diversified range of means of communication and information monitoring, which enables us to identify the respective material topics.

STAKEHOLDERS		CHANNELS	TOPICS
Customers	MC focuses its actions on developing a relationship based on transparency and trust with its Customers, built upon a competitive and responsible value proposition, tailored to their needs. In this sense, listening to and getting to know our Customers is paramount so that we can respond to their needs, as well as define and adjust our value proposition.	• Engaging with Customers at our stores and through our digital platforms and the online collection points • Customer service call centre • Sonae Ombudsman • Communication campaigns and brand activation initiatives • MC social media and website • Market studies and focus groups	• Quality and safety • Product source and traceability • Nutritional information and environmental footprint • Product innovation • Price • Shopping experience and relationship with the customer • Transparent communication • Working environments and conditions • Sustainability • Observance and compliance with the law regarding privacy and data protection laws
Employees	MC attributes a great deal of importance to the professional and personal development of its Employees. We listen to our teams so that we can foster inclusive, healthy and safe working environments which offer equal opportunities.	• Meetings and recurrent interactions in a professional environment • Events and informal gatherings • Training programmes • In-house communication • Forums and knowledge sharing groups • Employee satisfaction and pulse surveys • Checking in with Employees • Performance reviews • Sonae Ombudsman	• Talent attraction and retention • Human Capital Development • Remuneration and career progression criteria • Employee journey • Diversity and inclusion • Working environments and conditions • Transparent communication • Ethics
Suppliers	By way of regular and open communication with our Suppliers we build and secure long-term trust-based relationships, which enables us to respond to our Customers' needs by offering differentiated, responsible and quality sourced products and to secure the growth and development of our Supplier Community.	• Partnership projects • Meetings and negotiations • Supply contracts • Performance assessment, qualification and auditing • Pulse surveys • Supplier Portal • Sonae Ombudsman • Technical datasheets	• Development requisites • Quality control • Price • Source and traceability • Nutritional information and environmental footprint • Transparent communication • Supplier relationship management

CONTINUES

GRI 2 – GENERAL DISCLOSURES

5. STAKEHOLDER ENGAGEMENT

	STAKEHOLDERS		CHANNELS	TOPICS
2-29 V	**Shareholders**	MC aims to generate sustainable long-term value for its Shareholders, maintaining a close relationship through constant communication so that we can meet their expectations in terms of creating economic, social and environmental value.	• Meetings with Shareholders • Meetings with financial institutions • Corporate presentations • Periodic financial communication • Governing Bodies and Committee meetings	• Governance Model • Responsible investment • Economic, social and environmental performance • Ethics • Crisis and risk management • Brand management and reputation • Transparent communication
	Society	We work with government and regulatory agencies to help develop and implement regulation pertinent to our business; we are an active member of several associations so that we can monitor and integrate best practices and trends and promote the sustainable development of the sector; we maintain regular communication with local communities and NGOs so that we can have a positive impact on people's lives.	• Meetings with public entities and policymakers • Membership associations • Interactions with the Media • Interactions with NGOs • Presentations, conferences and other public meetings • Events and festivals for the Community as a whole • Publications	• Transparent communication • Community engagement • Community support • Sustainability • Diversity and inclusion • Ethics • Working environment and conditions • Environmental impacts
		In 2023, we registered, analysed and dealt with more than 143 thousand complaints, suggestions, compliments and requests for information concerning the various MC Businesses.	We have a certified Suggestions and Complaints Management System that allows us to identify various development opportunities and implement improvements and changes both at product and operational level.	
2-30 V	**Collective bargaining agreements**	At MC, 95.5% of total Employees are covered by collective bargaining agreements through their employment contract.	In 2023 we had no work stoppages involving 1,000 or more workers lasting one full shift or more, and zero days were lost as a result of stoppages.	

CONCLUSION

GRI 3 – MATERIAL TOPICS

MATERIAL ASPECTS

3-1 V	**Process to determine material aspects**	Throughout the years we have worked closely with our stakeholders to welcome their contributions regarding the impacts of our business activities. Between 2022 and 2023 we carried out a robust consultation process involving different stakeholders. The topics were identified on the basis of a holistic and thorough analysis of the activity carried out by MC, which involved the following aspects: • Analysis of the main trends in the sector and the current and emerging regulatory framework; • Benchmarking against the main players in the sector and respective competitors; • Listening to customers and employees, by way of carrying out surveys and focus groups; • Listening to suppliers, partner entities and NGOs by way of carrying out surveys; • Maturity of the organisation, based on the development of an organisational diagnosis and a number of working sessions with our teams.	Additionally, we ensured a reflection to meet MC's structure and positioning, strategy and commitments undertaken, the performance registered, the significant impacts, actual or potential, on society and the environment associated to the operations and the upstream and downstream value chain, as well as the risks and opportunities that the sustainable development agenda may represent for the Company. This analysis resulted in outlining a set of agendas that bring together the most material issues to fulfil our ambition to democratise access to healthy and sustainable shopping basket and guarantee that today we are building a future that respects People, Communities and the Planet.
3-2 V	**List of material aspects**	• Climate Action (GHG emissions scope 1 and 2, GHG emissions scope 3); • Circularity (Packaging of products, Food Waste, Waste Management); • Sustainable Production (GHG emissions scope 3, Sustainable Agriculture Practices, Deforestation, Water Consumption, Animal Welfare and Sustainable Fisheries, Supply Chain Management and Human Rights); • Responsible Product Offering (Product Labelling and Marketing, Quality and Nutrition).	Alongside the aspects highlighted, it should be noted that the issues related to our People and our Relationship with the Community represent intrinsic issues in terms of MC principles and values which are extremely mature and integrated at business level. Therefore, they are addressed and managed through a complementary set of instruments, policies and strategies.
3-3 V	**Management of material aspects**	In order to build a sustainable tomorrow, we have applied a sustained action, which we regularly monitor and assess in accordance with information disclosed in this Report. Material topics and the agendas they integrate are being worked on transversally from 2023 onwards with the progressive definition of policies, guiding principles, objectives and goals to be achieved by MC. Throughout this Report we disclose a number of initiatives promoted to address these same material topics.	For more information on the approach to the precautionary principle, see chapter **"Governing principles and practices"**.

GRI 200 – ECONOMIC DISCLOSURES

201: ECONOMIC PERFORMANCE

201-2 V	**Financial implications and other risks and opportunities due to climate change.**	MC adopted the recommendations as defined by the Task Force on Climate-related Financial Disclosures (TCFD), an initiative that promotes the recommendations for management and disclosure of financial risks associated with climate change.	For more information, see chapter **"Governing principles and practices"**, sub-chapter **"Risk management"**.

203: INDIRECT ECONOMIC IMPACTS

203-1 V	**Infrastructure investments and services supported**	From the moment a new facility is inaugurated, MC ensures it has the necessary conditions so as to cause minimal negative impact in the Communities. During its operation, the Company develops several initiatives to support the local Community, meeting the different needs. Oftentimes the initiatives are carried out in partnership with local entities.	In 2023, circa €30.8 million were donated to the Community, spanning more than 1,430 institutions across the country.
203-2 V	**Significant indirect economic impacts**	For more information, see chapter **"Sustainability in focus"**.	

204: PROCUREMENT PRACTICES

204-1 V **Proportion of spending on local suppliers**

Percentage of costs on Suppliers

	2022	2023
Percentage of costs on foreign Suppliers	16%	16%
Percentage of costs on national Suppliers	84%	84%

205: ANTI-CORRUPTION

205-1 V	**Operations assessed for risks related to corruption**	Risk management is aligned with mc's planning process, based on a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge. The goal is to identify, asses and manage opportunities and threats that mc businesses face in the pursuit of their business objectives and value creation. In order to prevent, detect and sanction acts of corruption and related infractions, carried out against or through the entity, mc is developing a regulatory compliance programme which includes: i) plan for the prevention of risks of corruption and related infractions (ppr); ii) anti-corruption policy; iii) whistleblowing channel; iv) training programme.	The PPR, which covers the entire organisation and mc business activity and its subsidiaries and affiliates, has not identified any critical risk. No complaints were received regarding corruption cases in 2023.
205-2 V	**Communication and training about anti-corruption policies and procedures**	The Code of Ethics and Conduct, which establishes the principles and rules related to conflicts of interest, gifts or rewards to employees, including anti-corruption policies, is shared with all employees during their induction training.	In 2023 a total of 8,672 employees received anti-corruption training.
205-3 V	**Confirmed incidents of corruption and actions taken**	No corruption cases were recorded in 2023.	

CONCLUSION

GRI 300 – ENVIRONMENTAL DISCLOSURES

301: MATERIALS

301-1 V	**Materials used by weight or volume**	MC aims to use materials consumed as part of its value chain and operation in a sustainable manner. Given the specificities of retail, packaging takes on a particularly material dimension at this level. Packaging plays a central role in the development of our products, with relevant impacts on guaranteeing product quality and shelf life, ensuring the conditions for correct storage and transport to our stores and from our stores to our customers' homes, and so that the products can be consumed safely. Notwithstanding the importance of packaging, and aware of the underlying impact of its single-use, we have defined an approach that aims to leverage the application of eco-design and design4recycling principles in packaging designing, favouring the use of the most appropriate materials, reducing the use of resources throughout the value chain, minimising the possibility of packaging parts being released into the environment, facilitating the processes of appropriate use and disposal by the consumer and seeking to ensure that all packaging is recyclable and effectively recycled, per a design4recycling approach.	MC has an ongoing plan to change its packaging in order to guarantee the development of recyclable packaging for its products from scratch. In the last year these guidelines have been revised, giving rise to MC's Sustainable Packaging Manual, as well as providing a training programme for employees and suppliers, in order to ensure and speed up their adoption. By 2025 our ambition is to ensure that all our packaging for MC's own and exclusive brands are recyclable, reusable or compostable and that it incorporates 30% of recycled raw materials. At the end of 2023, the recyclability rate of our packaging was 92,9%, considering the different material types and according to our recyclability matrix. The recyclability rate of plastic packaging reached 86.3% (+6.3p.p. compared to 2022) and of paper/cardboard packaging 96,6%. Detailed information regarding the incorporation of recycled raw-materials per material can be found on indicator 301-2. The materials reported are the most relevant by weight and volume.

301-2 V **Recycled input materials used**

	2022			2023		
USED MATERIALS (t)	VIRGIN	RECYCLED	TOTAL	VIRGIN	RECYCLED	TOTAL
Plastic Packaging	14,967	2,462	17,429	19,784	3,135	22,918
Plastic Product	275	2,289	2,564	259	2,090	2,349
Paper / Cardboard Packaging	8,741	671	9,412	6,121	3,247	9,368
Paper / Cardboard Product	–	–	–	5	19	24
Glass Packaging	NA	NA	11,606	NA	NA	10,237
Metal Packaging	NA	NA	4,298	NA	NA	4,224
Wood Packaging	NA	NA	69	NA	NA	97
Cardboard packaging for liquid food or beverage Packaging	–	–	–	2,835	–	2,835
Cotton Product	–	–	–	29	1	30

Note 1: The materials reported are the most relevant by weight and volume.

Note 2: The consumption of materials used in the product is regarding the bags we sell (paper/cardboard and cotton as of 2023). As a result of changes in the methodology used for consolidating information, 2022 information was updated.

Note 3: Quantification of cardboard packaging for liquid food or beverag from 2023 onwards.

CONTINUES

GRI 300 – ENVIRONMENTAL DISCLOSURES

301: MATERIALS

301-3 V **Reclaimed products and packaging materials**

Reclaimed products and packaging (t)	2022	2023
Paper and cardboard	39,935	38,538
Plastic	2,565	2,578
Styrofoam	364	327
Wood	645	540
Apparel	629	758
Cork	25	38
Coffee capsules	5	5
Cooking oil	75	334
Batteries and stacks	30	63
Light bulbs	9	10
IT consumables	10	32

302: ENERGY

302-1 V **Energy consumption within the organization**

ENERGY CONSUMPTION PER SOURCE (GJ)	2022	2023
Fossil fuels – Fleet	531,934	552,189
Fossil fuels – Facilities	29,136	25,247
Electricity consumption	1,630,972	1,707,005
Thermal energy consumption	52,394	50,816
Total	**2,244,436**	**2,335,257**

Note: Figure for fossil fuels – fleet for the year 2022 was updated.

RENEWABLE ENERGY PRODUCED (GJ)	2022	2023
Produced and consumed	101,736	143,288
Produced and sold	26,895	24,401
Total	**128,631**	**167,689**
ACQUIRED RENEWABLE ENERGY – PPA (GJ)	391,381	439,136

302-3 V **Energy intensity**

ENERGY INTENSITY	2022	2023
Total energy consumption (GJ)	2,244.436	2,335.257
Sales Area (m^2)	850,000	880,000
Energy intensity ratio (GJ/m^2)	**2.64**	**2.65**

Note 1: The increase in the energy intensity ratio is due to the introduction of new formats in MC stores, such as Plug & Charge, *Cozinha Continente* and Washy, which have higher energy needs than traditional retail formats.

Note 2: Value referring to total energy consumption for the year 2022 updated.

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GRI 300 – ENVIRONMENTAL DISCLOSURES

302: ENERGY

302-4 V **Reduction of energy consumption**

In 2023 we strengthened our efforts to promote the efficient and flexible consumption of energy, investing in the installation of more efficient equipment and systems, creating the necessary conditions to better monitor and manage energy consumption and developing procedures to leverage the investment made.

The efficiency measures and local production of renewable energy represented an investment of circa €35 million, under the internal "*Trevo*" programme and the refurbishment of stores.

See chapter **"Sustainability in focus"**.

303: WATER AND EFFLUENTS

303-1 V **Interactions with water as a shared resource**

Most of the water consumed in MC operations is related to human use.

With the aim of reducing its environmental impact, MC is committed to reducing its direct water footprint, by increasing efficiency throughout its operations, innovating and harnessing technology to rethink the way water is used and managed in its infrastructure. Essential in this process is the progressive installation of telemetry devices which allow for a more accurate monitoring of water consumption.

Some initiatives are aimed at reusing and recycling water. We highlight MC's Meat Processing Centre, which has system for recovering and recycling part of the wastewater produced in the facilities.

303-2 V **Management of water discharge related impacts**

MC does not have quantitative measurements for liquid effluents discharge in stores and most of its warehouses. Thus, and in accordance with best engineering practices, we assume that 80% of the water consumed is rejected as liquid effluent and the remaining 20% is consumed, with the exception of the Azambuja Warehouse, Vila Nova da Rainha Warehouse and the Meat Processing Centre.

Regarding destinations, most of the liquid effluents produced are discharged into the public domestic wastewater networks and all liquid effluents discharged to natural water lines are subjected to pre-treatment interventions at dedicated facilities (WWTP — Wastewater Treatment Plants). Quality monitoring is carried out accordingly.

303-3 V **Water withdrawal**

TOTAL WATER WITHDRAWAL PER SOURCE (m^3)	2022	2023
Third-party water	818,006	881,473
Groundwater	105,682	98,175
Surface water and rainwater	–	–
Greywater	–	–
Other sources	–	–
Total	**923,689**	**979,648**
WATER WITHDRAWAL IN WATER STRESS AREAS (m^3)	169,392	583,370

Note: The Aqueduct Water Risk Atlas was used as a reference to determine which establishments are located in areas of high or extremely high water stress. Between 2022 and 2023 there is a large increase in locations in water stress areas, following the update in August 2023 of the inputs to the hydrological model made available in the tool, based on the latest climate models.

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GRI 300 – ENVIRONMENTAL DISCLOSURES

303: WATER AND EFFLUENTS

303-4 V **Water discharge**

TOTAL VOLUME OF EFFLUENT PER SOURCE (m³)	2022	2023
Third-party water	716,286	784,561
Groundwater	8,141	3,552
Surface water and rainwater	–	–
Greywater	–	–
Other sources	–	–
Total	**724,427**	**788,114**
VOLUME OF EFFLUENT DISCHARGED IN WATER STRESS AREAS (m³)	135,514	466,696

Note: The Aqueduct Water Risk Atlas was used as a reference to determine which establishments are located in areas of high or extremely high water stress. Between 2022 and 2023 there is a large increase in locations in water stress areas, following the update in August 2023 of the inputs to the hydrological model made available in the tool, based on the latest climate models.

303-5 V **Water consumption**

TOTAL WATER CONSUMPTION (m³)	2022	2023
Total water consumption	**199,262**	**191,534**
WATER CONSUMPTION IN WATER STRESS AREAS (m³)	33,878	116,674

Note 1: The Aqueduct Water Risk Atlas was used as a reference to determine which establishments are located in areas of high or extremely high water stress. Between 2022 and 2023 there is a large increase in locations in water stress areas, following the update in August 2023 of the inputs to the hydrological model made available in the tool, based on the latest climate models.

Note 2: According to the methodology described by the GRI standards, the volume of water consumed corresponds to the difference between the volume of water withdrawal and the volume of water discharged.

304: BIODIVERSITY

304-1 V **Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**

MC does not have facilities in areas classified as zones of biodiversity-rich habitats in its direct operation.

304-2 V **Significant impacts of activities, products, and services on biodiversity**

In 2023, we continued our collaboration with the Science Based Targets Network, via Sonae SGPS, in developing a common framework of action for companies across different sectors and geographic regions to assess their impacts on nature, identify priority areas for action, and set science-aligned targets.

Simultaneously, we initiated a series of actions to mitigate the impacts of our supply chains and promote the adoption of more sustainable production practices. The Continente Producers Club (CPC) serves as a significant platform where we uphold high standards of quality, sustainability, and safety, providing structured support to national producers in adopting best production practices and ensuring their appreciation and recognition.

CONTINUES

GRI 300 – ENVIRONMENTAL DISCLOSURES

304: BIODIVERSITY

304-2 V

The Sustainability Declaration of the CPC, launched em 2021, has garnered over 100 members' endorsements. Its aim is to ensure sustainable production through initiatives supporting our producers in meeting the goals of the **"Farm to Fork"** strategy. This Declaration is grounded in eleven principles covering all product categories produced by CPC members, ranging from regenerative agriculture principles to sustainability measurement methods, sustainable livestock practices, byproduct valorization, and biodiversity, all with a commitment to continuous improvement.

Additionally, we have been working on developing specific standards, such as Eco XT for sustainable production of beef and small ruminants, and raising awareness and supporting our Producers and Suppliers in adopting more sustainable production practice standards (GLOBAL G.A.P. certifications, MSC/ASC, Zero Waste, Animal Welfare, among others).

With our **Sustainable Fishing Policy** , we aim to minimize the impacts of fishing activities on marine biodiversity and promote sustainable fishing practices based on principles encouraging ecosystem protection. Over the years, we have implemented various improvement measures to stimulate the marketing of healthy fishing practices and reduce unsustainable fishing practices.

MC utilizes the *"Traffic Light System"*, a tool developed to promote the sale of species sustainably and facilitate the assessment of the sustainability level of the products we market. Using this tool, a red, yellow, or green label is assigned based on the fishing method used, simplifying the identification of key seafood practices. Thus, MC prioritizes suppliers employing fishing methods with lower impacts on species and ecosystems.

FISHING "TRAFFIC LIGHT SYSTEM" (Fish purchase volume (%) per classification)	2022	2023
Use of methods/type of fishing gear with reduced potential impact on biodiversity or marine ecosystems	39.7%	36.4%
Use of methods/type of fishing gear with moderate potential impact on biodiversity or marine ecosystems	30.4%	30.6%
Use of methods/type of fishing gear with significant potential impact on biodiversity or marine ecosystems	0.8%	0.5%
Aquaculture production certified in accordance with Continente quality standards	29.1%	32.6%

304-3 V **Habitats protected or restored**

Areas monitored and/or subjected to intervention	2022	2023
Circus pygargus Projects	700 hectares	7,753 hectares
Zero Waste Certification Programme	1,670 hectares	2,609 hectares
Agroecology Programme	544 hectares	665 hectares
ZERYA Regenerative programme	15 hectares	337 hectares

The forest is particularly exposed to the effects of climate change. The Floresta Sonae project represents a collective effort by Sonae Companies to restore and conserve Portuguese forests and to compensate the emissions associated with the consumption of fossil fuels by our light vehicles fleet. In 2023 MC secured the necessary funding to reforest circa 43 hectares.

At the same time, through *"Cadernão"* and *"Poupe o Planeta"* campaigns, we financed the reforestation of more 17.5 hectares.

See chapter **"Sustainability in focus"**.

CONTINUES

GRI 300 – ENVIRONMENTAL DISCLOSURES

305: EMISSIONS

305-1 V — Direct GHG emissions (scope 1)

EMISSIONS SCOPE 1 (t CO_2e)	2022	2023
Total direct GHG emissions	**60,838**	**62,655**

305-2 V — Indirect GHG emissions (scope 2)

EMISSIONS SCOPE 2 (t CO_2e)	2022	2023
Indirect GHG emissions linked to electricity consumption (market based)	87,526	76,178
Indirect GHG emissions linked to electricity consumption (location based)	116,379	104,324
Indirect GHG emissions linked to thermal energy consumption	3,471	3,301

305-3 V — Indirect GHG emissions (scope 3)

EMISSIONS SCOPE 3 (t CO_2e)	2022	2023
Indirect GHG emissions linked to		
Category 1. purchased goods and services	4,007,185	4,236,407
Category 2. capital goods	91,369	–
Category 3. fuel and energy-related activities	25,116	–
Category 4. upstream transportation and distribution	39,718	–
Category 5. waste generated in operations	10,092	–
Category 6. business travel	1,635	–
Category 7. employee commuting	69,866	–
Category 9. downstream transportation and distribution	181,138	–
Category 11. use of sold products	140,876	–
Category 12. end-of-life treatment of sold products	97,196	–
Category 14. franchises	25,965	–
Total emissions	**4,690,156**	**4,236,407**

Note 1: Report of scope 3 categories applicable to MC.

Note 2: 2022 figures were updated due to changes in calculation methodology.

In 2023, the MC's value chain decarbonisation target was validated by the Science Based Targets initiative (SBTi), an initiative that promotes the establishment of emission reduction targets in line with climate science – MC commits to reduce absolute scope 3 GHG emissions from purchased goods and services 31% by 2032 from a 2022 base year.

As such, from this year onwards the measurement of MC's scope 3 carbon footprint will be focused on category 1, since it represents more than 67% of scope 3 emissions. A new reassessment will be carried out every 5 years to ensure consistency with the latest climate science and best practices.

CONTINUES

GRI 300 – ENVIRONMENTAL DISCLOSURES

305: EMISSIONS

305-3 V

TOTAL GHG EMISSIONS PER SCOPE (t CO_2e)	2022	2023
Scope 1	60,838	62,655
Scope 2	90,997	79,479
Scope 3	4,690,156	4,236,407
Total emissions	**4,841,992**	**4,378,541**

Note: Information on emission factors can be found in the methodological notes section.

In 2023, the MC's operations decarbonisation target was validated by the Science Based Targets initiative (SBTi), an initiative that promotes the establishment of emission reduction targets in line with climate science – MC commits to reduce absolute scope 1 and 2 GHG emissions 51% by 2032 from a 2022 base year.

To support the fulfilment of this objective, a Decarbonisation Roadmap for MC's Operations was developed and it is monitored.

	2023	
	TARGET	PERFORMANCE
Own GHG Emissions (Scope 1 + 2) (t CO_2e)	148,000	142,134
Measuring target achievement	The target defined for own emissions was met.The performance was 4% below the target, which represents an additional reduction of 5,866 tCO_2e.	

305-4 V — GHG emissions intensity

EMISSIONS INTENSITY	2022	2023
Total GHG emissions (t CO_2e)	4,841,992	4,378,541
Sales Area (m²)	850,000	880,000
GHG emissions intensity ratio (t CO_2e/m^2)	**5.70**	**4.98**

Note 1: From this year onwards the measurement of MC's scope 3 carbon footprint will be focused on category 1. For this reason, the figure is not comparable to previous year.

Maintaining the same scope in 2022, the carbon intensity would be 4.89.

Note 2: 2022 Total GHG emission figure was updated due to changes in calculation methodology.

305-5 V — Reduction of GHG emissions

To support the reduction of our emissions, MC developed a roadmap adapted to its Business context, based on best practices and the best technological and scientific knowledge. Our roadmap is based on four action pillars: the deployment of eco-efficiency measures in order to reduce our energy consumption as much as possible; the electrification of end-use consumption; a programme to change our refrigeration plants; and investment in the production and acquisition of energy effectively produced from renewable sources.

In 2023, the production of electricity from renewable sources (photovoltaic plants) used for self-consumption stood at 39,8 GWh, with an increase in self-consumption of 41% compared to 2022. Furthermore, MC maintained its commitment to acquiring energy free of GHG emissions, through the reinforcement of long-term Power Purchase Agreement (PPA) agreements. With this investment in renewable energy, circa 34% of MC's electricity consumption came from renewable sources, resulting in a 40,355 ton CO_2e reduction compared to the potential emission without these options.

See chapter **"Sustainability in focus"**

CONTINUES

GRI 300 – ENVIRONMENTAL DISCLOSURES

305: EMISSIONS

305-7 V **Nitrogen oxides (NOx), sulphur oxides (SO_2), and other significant air emissions**

EMISSIONS (t)	2022	2023
Total NOx emissions	373	373
Total SO_2 emissions	108	110
Total CH_4 emissions	18	20
Total F-Gas emissions	22,307	23,430

Note 1: Figure for sulphur oxides in 2022 have been updated.

Note 2: Information on emission factors can be found in the methodological notes section.

306: WASTE

306-1 V **Waste production and significant waste-related impacts**

Most of MC's waste is associated with the activity within its stores.

Waste management not only covers the waste produced within the scope of our activity, but also the ones that are deposited by Customers. A few measures implemented include:

(i) the creation of specific areas in stores and warehouses for waste management; (ii) separation, temporary storage and dispatch of the different types of waste to licensed operators; (iii) separating the organic portion of the waste and dispatching it for organic recovery; (iv) reducing packaging material for own label goods; (v) reusing transport packaging; and (vi) Employee training and awareness-raising.

306-2 V **Management of significant impacts related to waste**

We reinforced the principles of circularity in the way we manage our business, how we design and develop our services and products, avoiding single-use materials wherever possible, favouring the reuse and repair of materials. When this cannot be done, we direct waste to recycling.

306-3 V **Waste generated**

Waste produced (t)	2022	2023
Hazardous waste	75	160
Non-hazardous waste	73,012	73,452
Total weight of waste generated	**73,087**	**73,612**

CONTINUES

GRI 300 – ENVIRONMENTAL DISCLOSURES

306: WASTE

306-4 V **Waste diverted from disposal**

WASTE DIVERTED FROM DISPOSAL (t)	2022	2023
Recycled hazardous waste	58	118
Hazardous waste prepared for reuse	–	–
Other recovery operations for hazardous waste	–	–
Total weight of hazardous waste diverted from disposal	**58**	**118**
Recycled non-hazardous waste	44,719	43,518
Non-hazardous waste prepared for reuse	–	–
Other recovery operations for non-hazardous waste*	17,183	17,866
Total weight of non-hazardous waste diverted from disposal	**61,902**	**61,384**

*Composting, anaerobic digestion and energy recovery.

306-5 V **Waste directed to disposal**

WASTE DIRECTED TO DISPOSAL (t)	2022	2023
Hazardous waste incineration (with energy recovery)	–	–
Hazardous waste incineration (without energy recovery)	–	–
Hazardous waste directed to landfill	–	–
Other disposal operations for hazardous waste	17	42
Total disposal of hazardous waste	**17**	**42**
Non-hazardous waste incineration (with energy recovery)	–	–
Non-hazardous waste incineration (without energy recovery)	–	–
Non-hazardous waste directed to landfill	10,573	11,406
Other disposal operations for non-hazardous waste	537	662
Total disposal of non-hazardous waste	**11,110**	**12,069**

MC's waste generation increased by 1% compared to 2022, due to stores expansion.

We recorded a waste recovery rate of 83.5%. The limitations we encountered in terms of collection services and urban waste recovery infrastructures affected the evolution of this indicator, despite the improvements made to the operation to ensure better sorting and management of both recyclable and organic waste. We hope that the foreseeable development of the recovery market will allow us to achieve a higher proportion of waste recovery and decrease the quantities directed to landfill.

CONTINUES

GRI 400 – SOCIAL PERFORMANCE

405: DIVERSITY AND EQUAL OPPORTUNITIES

405-1 V

Diversity of governance bodies and employees

Percentage of Employees by job category

		2022			2023		
		M	W	T	M	W	T
Executives	<30 years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30-50 years old	44.4%	11.1%	55.6%	33.9%	15.3%	49.2%
	≥50 years old	35.2%	9.3%	44.4%	42.4%	8.5%	50.8%
	Total	**79.6%**	**20.4%**	**100.0%**	**76.3%**	**23.7%**	**100.0%**
Senior & Middle Managers	<30 years old	0.5%	0.1%	0.7%	0.8%	0.4%	1.2%
	30-50 years old	39.2%	29.1%	68.3%	38.8%	28.2%	67.0%
	≥50 years old	19.5%	11.6%	31.0%	19.0%	12.9%	31.8%
	Total	**59.2%**	**40.8%**	**100.0%**	**58.6%**	**41.4%**	**100.0%**
Coordinators & Supervisors	<30 years old	3.4%	7.6%	10.9%	2.5%	10.0%	12.5%
	30-50 years old	24.0%	47.2%	71.2%	20.6%	47.9%	68.5%
	≥50 years old	6.5%	11.4%	17.9%	6.2%	12.8%	19.0%
	Total	**33.8%**	**66.2%**	**100.0%**	**29.3%**	**70.7%**	**100.0%**
Technicians & Specialists	<30 years old	9.6%	23.1%	32.7%	10.5%	23.4%	33.8%
	30-50 years old	17.0%	38.1%	55.1%	16.8%	36.3%	53.1%
	≥50 years old	3.9%	8.3%	12.2%	3.8%	9.2%	13.1%
	Total	**30.5%**	**69.5%**	**100.0%**	**31.1%**	**68.9%**	**100.0%**
Representatives	<30 years old	15.7%	25.7%	41.4%	15.2%	24.2%	39.4%
	30-50 years old	12.1%	31.3%	43.4%	12.9%	31.2%	44.2%
	≥50 years old	3.3%	11.8%	15.1%	3.4%	13.0%	16.4%
	Total	**31.1%**	**68.9%**	**100.0%**	**31.5%**	**68.5%**	**100.0%**
Governance bodies	<30 years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	30-50 years old	20.0%	10.0%	30.0%	30.0%	10.0%	40.0%
	≥50 years old	60.0%	10.0%	70.0%	50.0%	10.0%	60.0%
	Total	**80.0%**	**20.0%**	**100.0%**	**80.0%**	**20.0%**	**100.0%**

M Men W Women T Total

EMPLOYEES WITH DISABILITIES (no.)	2022	2023
Employees with disabilities	266	317

Note: Employees with a disability level equal to or greater than 60%

CONTINUES

GRI 400 – SOCIAL PERFORMANCE

405: DIVERSITY AND EQUAL OPPORTUNITIES

405-1 V

Diversity of governance bodies and employees

WOMEN IN LEADERSHIP POSITIONS (%)	2022	2023
Women in Leadership Positions	39.7%	40.6%

Note: The measurement scope does not include Arenal. Broadening to Arenal the indicator scope, the % of women in leadership positions was 40.2%.

MC established the goal of reaching 40% of leadership positions occupied by women by 2023. A Diversity and Inclusion Strategy and the **Gender Equality Plan** were developed to help meet this goal.

	2023	
	TARGET	PERFORMANCE
% Women in leadership positions	40.0%	40.6%
Measuring Target achievement	The target defined for the % of women in leadership positions was achieved, exceeding by 0.6 percentage points the target defined for 2023.	

407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

407-1 V	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	At MC there are no operations involving risks within the scope of the freedom of association and collective bargaining agreements.	In accordance with the audit reports carried out in 2023, all of the Suppliers adopt the criteria "Freedom of association: they can be members of institutions/associations that represent their rights" accordingly.

408: CHILD LABOUR

408-1 V	Operations and suppliers at significant risk for incidents of child labour	At MC, as a rule, minors are not admitted. Exceptionally, minors aged between 16 and 18 years of age are admitted, and always in compliance with the law.	There are no operations at risk for incidents of child labour. If a Supplier is found to be at significant risk for incidents of child labour, the Supplier is put on stand-by, and is only reaccepted after an SA8000 audit carried out by an accredited entity.

409: FORCED OR COMPULSORY LABOUR

409-1 V	Forced or compulsory labour	There is no forced labour at MC. If a Supplier is found to be at significant risk for incidents of forced or compulsory labour, the Supplier is put on stand-by, and is only reaccepted after an SA8000 audit carried out by an accredited entity.

CONTINUES

GRI 400 – SOCIAL PERFORMANCE

413: LOCAL COMMUNITIES

413-1 V	**Operations with local community engagement, impact assessments, and development programs**	From the moment a new facility is inaugurated, MC ensures it has the necessary conditions so as to cause minimal negative impact in the Communities. During its operation, the Company develops several initiatives to support the local Community, meeting the different needs. Oftentimes the initiatives are carried out in partnership with local entities.	In 2023, around €30.8 million were donated to the Community, spanning more than 1,430 institutions across the country. See chapter **"Sustainability in focus"**.

414 AND 308: SUPPLIER SOCIAL AND ENVIRONMENTAL ASSESSMENT

414-1 e 308-1 V	**New suppliers that were screened using social and environmental criteria**	The supplier assessment process covers all own-label suppliers. The selection and qualification audits, one of the most relevant tools in this process, aims to ascertain compliance with our policies. This audit process is mandatory with the exception of certified suppliers. Suppliers from risk countries must undergo this audit, regardless of their certification.	A set of requirements related to quality, ethics, environment, hygiene and safety in factories, human rights, labour rights, among others, are assured. As a result of the audits carried out, and depending on their relevance and classification, strategies are defined to optimise processes and implement improvement initiatives with them.

SUPPLIERS SCREENED BASED ON SOCIAL AND ENVIRONMENTAL CRITERIA	2022		2023	
	TOTAL	NEW	TOTAL	NEW
National	684	21	715	23
International	739	36	755	47
Total number of Suppliers (no.)	**1,423**	**57**	**1,470**	**70**
National	678	21	662	21
International	739	36	728	45
Total number of qualified Suppliers (no.)	**1,417**	**57**	**1,390**	**66**
National (%)	99%	100%	93%	91%
International (%)	100%	100%	96%	96%
Percentage of qualified Suppliers (%)	**99.6%**	**100%**	**95%**	**94%**
National	126	4	123	2
International	119	1	144	0
Total audits performed on Suppliers (no.)	**245**	**5**	**267**	**2**

Note 1: 2022 information updated as a result of changes in the methodology used for consolidating information.

Note 2: The administrative processes that are still underway have an impact on the total number of qualified Suppliers.

CONTINUES

GRI 400 – SOCIAL PERFORMANCE

416: CUSTOMER HEALTH AND SAFETY

416-1 V	**Assessment of the health and safety impacts of products and services**	At MC, it is a priority to guarantee the quality and safety of our own brand products, which is why we constantly control, monitor and develop the development process. Thus, we focus on four areas: (i) certification of the development of our own brand products, (ii) quality and safety monitoring, (iii) labelling and (iv) Customer feedback management. In 2023, continuing the efforts of previous years, we ensured the certification process for the development of MC's own brands, in accordance with the international quality management standard NP EN ISO 9001: 2008.	We have a team of qualified internal and external professionals focused on carrying out periodic product checks, including inspections, laboratory tests and audits, in order to ensure compliance with quality and safety standards based on the prevailing annual plans. In 2023, a total of 630,601 analyses were performed, in internal and external laboratories, on products where MC is responsible for placing them on the market, as well as on supplier brand products of our Fresh products and in case of complaints. In indicator 2-29 we disclose how we manage and integrate feedback from our Customers.

417: MARKETING AND LABELLING

417-1 V	**Requirements for product and service information and labelling**	We are committed to ensuring the supply of a wide range of responsible products in order to meet consumer expectations and promote the adoption of a sustainable lifestyle. At the same time, considering the need for immediate access to information, inherent in today's consumer profile, we take care to ensure that we provide the necessary information on our products so that the consumers can make an informed choice appropriate to their lifestyle.	In 2023, MC was not in breach of any non-compliance with laws and regulations in terms of information and labelling of products with a total monetary value equal to or above €12,000.

CONCLUSION

Methodology notes

EMISSION FACTORS				
CATEGORIES	UNIT	2022	2023	SOURCE
Energy				
Natural gas	kgCO_2/GJ	56.4	56.4	2022: APA (2021) Portuguese National Inventory Report on Greenhouse Gases (NIR) 2023: APA (2022) National GHG Inventory Submission to UNFCCC. National Inventory Report 2020
Propane gas	kgCO_2/GJ	63.1	63.1	
Diesel	kgCO_2/GJ	74.1	74.1	
Thermal energy	kgCO_2e/GJ	65.0	65.0	Legal Dispatch no. 17313/2008
Electricity				
Market Based Portugal	kgCO_2e/GJ	57.3	48.6	Elergone data — the calculation of annual values is based on monthly values, which in turn are calculated by weighting the emission factors reported by the various suppliers and the percentage of consumption of the points that have an energy supply contract with commercial suppliers.
Market Based Spain	kgCO_2e/GJ	55.7	53	2022: Electricity Labelling Agreement Related to Energy Produced in 2021, issued by the CMNC. 2023: Electricity Labelling Agreement Related to Energy Produced in 2022, issued by the CMNC.
Location Based Portugal	kgCO_2e/GJ	76.7	67.4	ERSE Rotulagem
Location Based Spain	kgCO_2e/GJ	44.4	33.3	REE
Leakage of fluorinated gases	kgCO_2e/kg gás	NA	NA	Emission factors for each type of fluorinated gas obtained through IPCC Fourth Assessment Report (AR5).
Employees fleet				
Diesel	kgCO_2/GJ	70.5	70.5	Based in APA, 2022. National GHG Inventory Submission to UNFCCC. National Inventory Report 2022.
Gasoline	kgCO_2/GJ	72	72	
Liquefied petroleum gas (LPG)	kgCO_2/GJ	NA	65	
Store supply and customer service transportation (online)	kgCO_2/km	NA	NA	Based in APA, 2022. National GHG Inventory Submission to UNFCCC. National Inventory Report 2020. The emissions were calculated based on the travelled distances, having associated the respective emission factor and considered a standard vehicle type corresponding to each vehicle.
Category 1. Purchased Goods and Services	NA	NA	NA	Primary emission factors obtained through an in-house calculation platform of the carbon footprint of the most representative MC products. Secondary emission factors obtained through various studies and national and international bibliographical sources.

CONTINUES

NITROGEN OXIDES (NOx), SULPHUR OXIDES (SO_2), AND OTHER SIGNIFICANT AIR EMISSIONS (305-7)

The figures from the GRI table associated with indicator 305-7 were calculated with the following emission factors:

ENERGY	UNIT	SO_2	NOx	SOURCE
Diesel	kg/GJ	0.21	0.8	IPCC 2006
Gasoline	kg/GJ	0.075	0.6	IPCC 2006

CONCLUSION

Independent Limited Warranty Report

KPMG

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INDEPENDENT LIMITED ASSURANCE REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

To the Board of Directors of
MCretail, SGPS, S.A.

Introduction

We were engaged by the Board of Directors of **MCretail, SGPS, S.A.** ("MC") to perform a limited assurance engagement on the sustainability information, included in the Annual Report and in the "Sustainability Report" of MC ("the Report") for the year ended 31 December 2023, identified in the "GRI Disclosures", "GRI Index and Standards Correspondence Table | Sustainability indicators" and "Methodology Notes" of the "Sustainability Report" prepared in accordance with the Sustainability Reporting Standards of the *Global Reporting Initiative* ("*GRI Standards*").

Management's Responsibilities

The Management of MC is responsible:

— For the preparation of the Sustainability Information included in the Annual Report and in the "Sustainability Report" of MC ("the Report") for the year ended 31 December 2023, identified in the "GRI Disclosures", "GRI Index and Standards Correspondence Table | Sustainability indicators" and "Methodology Notes" of the "Sustainability Report" in accordance with the *GRI Standards* and the information and assertions contained therein;

— For the design, implementation and maintenance of an appropriate information and internal control system to enable a preparation of of Sustainability Information that is free from material misstatement, whether due to fraud or error,

— For the prevention and detection of fraud, errors and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities; and,

— To ensure that the Management and the personnel involved with the preparation and presentation of the Sustainability Information have the appropriate skills.

KPMG

Our Responsibilities

Our responsibility is to perform a limited assurance engagement and to report a conclusion based on the work performed.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and further technical standards and technical guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors), which require that we plan and perform our work to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Sustainability Information included in the Annual Report and in the "Sustainability Report" of MC ("the Report") for the year ended 31 December 2023, identified in the "GRI Disclosures", "GRI Index and Standards Correspondence Table | Sustainability indicators" and "Methodology Notes" of the "Sustainability Report" is not prepared, in all material aspects, in accordance with the *GRI Standards*. For this purpose, this work included, amongst other procedures, the following:

— Inquiries of the responsible personnel on the sustainability strategy to gain an understanding of MC's processes for determining the material issues for MC's key stakeholder groups;

— Inquiries of relevant staff, at the corporate and business unit level, responsible for providing the Sustainability Information included in the Report;

— Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report; and,

— Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of MC.

The procedures selected depend on our understanding of the compliance with the requirements of the *GRI Standards* and other circumstances related to the engagement, and on the consideration of areas where material misstatements are likely to arise.

The procedures performed in a limited assurance engagement are different in nature and timing and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Quality and Independence

We applied the International Standard on Quality Management ISQM 1, which requires the firm to design, implement, and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements in the Ordem dos Revisores Oficiais de Contas' Code of Ethics and the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability Information included Annual Report and in the "Sustainability Report" of MC ("the Report") for the year ended 31 December 2023, identified in the "GRI Disclosures", "GRI Index and Standards Correspondence Table | Sustainability indicators" and "Methodology Notes" of the "Sustainability Report" has not been prepared, in all material respects, in accordance with the *GRI Standards*.

Restriction of use

This limited assurance report is issued exclusively for the disclosure of the Sustainability Information included in MC's Report and is not intended to be used for any other purpose. We accept or assume no responsibility and deny any liability to any party other than MC for our work, for this limited assurance report, or for the conclusions we have reached.

Porto, 3 April 2024

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.
(nr. 189 and registered at CMVM with the nr. 20161489)
Represented by
Pedro Manuel Bouça de Morais Alves da Costa
(ROC nr. 1466 and registered at CMVM with the nr. 20161076)

About this report

In its “Annual Report 2023”, MC sought to compile in a single document financial and non-financial disclosures, thus offering its stakeholders a holistic overview of the Company and its capacity to create value.

Scope and period of the report

MCretail, SGPS, S.A. (hereinafter referred to as “MC” or “Company”) develops its business activities across two main sectors: (i) food retail (which serves as the epicentre for other complementary businesses), and (ii) the health, wellness and beauty segment. The Company also manages and operates the real estate assets pursuant to these activities.

MC operates in Portugal and Spain through a diversified portfolio of banners and formats:
- the Company is the food retail market leader in Portugal under the following banners: Continente (urban hypermarkets), Continente Modelo (large supermarkets), Continente Bom Dia (proximity supermarkets), Continente Online (e-commerce platform) and Meu Super (franchise proximity stores).
- in Portugal, the Company also operates several businesses complementary to food retail, such as ZU (pet care products and services) and note! (stationary, books, gifts and convenience services).
- in Portugal's health, wellness and beauty sector, MC manages the Wells banner (health, beauty, well-being, opticians, and perfumery) and in Spain, the Arenal banner (health, beauty, well-being and perfumery).

This Report refers to activities carried out during the 2023 financial year (1 January to 31 December 2023).

Information review

The financial information included in the chapter **“Financial statements”** is an integral part of the Annual Report and Accounts 2023 of MCretail, SGPS, S.A. approved by the Board of Directors under the legal terms and was submitted to verification by an external entity – PwC, which prepared a independent report and issued a Legal Certification of Accounts, present in this document.

The sustainability information identified in the table **“GRI Disclosures”** which is part of the **“Sustainability report”** was subject to verification by an external entity – KMPG.

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Conception and grafic design
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