certainty

in a world of uncertainties

Annual Report
2022

MC Sonae

MC Sonae

Annual Report 2022

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Business at a glance

About MC

MC is the leading food retailer in Portugal and has operated in the market for more than 37 years, pioneering the opening of the first hypermarket in the country in 1985.

With an omnichannel and multiformat proposition, MC strives to meet its customer's purchasing endeavours through an assortment of retail businesses that complement each other.

The Company's Business is centered on food retail, through the Continente banner – under which it is present in various formats, from proximity and large supermarkets, to hypermarkets and e-commerce platform – and the Meu Super banner (neighbourhood franchise stores). MC also operates in the health, wellness and beauty segment, through Wells, Dr. Wells and Go Natural, and in Northern Spain, through Arenal. It also develops other growth businesses, namely Bagga (coffee shops), note! (stationery, books and convenience services), ZU (pet store and service offering) and Home Story (home decor).

Through a network of over 1,400 stores in Portugal and Northern Spain and its online platforms, MC supports and serves more than 4.3 million customers weekly, underpinned by its distinguished loyalty programme and the team effort of its 38 thousand employees. In 2022, MC recorded a turnover of €5,978 million.

#1 Leader
in the food retail business in Portugal (Online + Offline)

Customers served every week
4.3 million

€6.0 billion
Turnover

€54 million
Food waste avoided

€30 million
Community support

-5.3%
Own GHG emissions (scope 1+2)

«Cartão Continente» app users
2.3 million

1,401
Stores

38 thousand
Associates

Food retail

CONTINENTE
Urban hypermarkets
41 Stores

CONTINENTE modelo
Large supermarkets
144 Stores

CONTINENTE bom dia
Proximity supermarkets
159 Stores

CONTINENTE ONLINE
E-commerce platform
173 Click&Go locations

Meu Super
Franchise proximity supermarkets
314 Stores

Health, wellness & beauty

wells
Health, beauty, well-being products, opticians and perfumery
298 Stores

arenal
Health, beauty, well-being products and perfumery
66 Stores

Dr.Wells
Aesthetic services and dental clinics
22 Clinics

go natural
Supermarkets and healthy restaurants
9 Stores
19 Restaurants

Complementary growth businesses

note!
Stationary, books and convenience services
88 Stores

BAGGA
Coffee shops
142 Stores

ZU
Pet store and service offering
44 Stores

home story
Home decor
1 Store

We stand side by side with families, fulfilling our purpose

Luís Moutinho
CEO

Dear shareholders, colleagues and partners,

2022 was once again a year of major turbulence at an international level. If, in January, there was the expectation that we could move on from the terrible pandemic, Russia's invasion of Ukraine on the 24th of February gave rise to a new global disruption, repercussions of which deeply marked the ensuing months.

The unexpected warlike atmosphere in Europe resulted in an escalation of inflation, driven by the rise in food and energy commodity prices, the impacts of which were also felt in Portugal. The subsequent deterioration of household purchasing power, aggravated by the increase in interest rates in the second half of the year, led to structural changes in consumption behaviour.

Amid a context that was also challenging and volatile for companies, MC stood at the families side, as it has always done, unequivocally, throughout years of hardship and uncertainty. Our Clients once again recognized our commitment, enabling us to conclude 2022 with a reinforced market leadership position and a sense of fulfilled duty towards all our stakeholders.

In 2022, MC's turnover reached €6 billion, growing by 11.5% compared to 2021, supported by a positive trading evolution on a like-for-like basis (across all our banners) and by the execution of the Company's expansion plan. Regarding operating profitability, EBITDA reached €565 million, corresponding to a margin of 9.5% of turnover, heavily pressured by our efforts to contain the impact of inflation on consumer prices and by the significant increase in energy costs.

Month after month, our teams focused on providing our Clients with the best offers in the market at the lowest prices. We prioritised our efforts in launching innovative savings solutions and reinforcing our private label range, which gained higher relevance in total sales.

We also advanced to differentiate our food proposition in the customers' eyes by introducing new formats and convenience solutions, such as «*Cozinha Continente*» (Continente Kitchen) restaurants and «*Continente do Bebé*» (Baby's Continente) club. Among many noteworthy initiatives in health, wellness, and beauty, we launched the new «KeepWells» health insurance and bolstered the specialist profile of our banners in the beauty and optics segments.

Throughout the year, we invested in expanding our omnichannel leadership, promoting the growth of our e-commerce platforms and enhancing the capillarity and modernity of our store network, namely with the opening of 65 company-operated stores and the remodelling of 33 stores. In tandem, we continued to advance in the digital transformation of our businesses, investing in the growing digitalization of the shopping experience, as exemplified by the 2.3 million users of the *Cartão Continente* (Continente Loyalty Card) app.

Also worth mentioning is the progress made in the various dimensions of MC's sustainable development agenda. We achieved significant progress in areas such as the decarbonisation of our operations, the recyclability of our private label plastic packaging and the reduction of food waste. Aware of the significant burden of the inflationary setting, we stepped up our direct community support and organized fundraising campaigns to help those in need. Furthermore, we prioritised a comprehensive set of measures directed at the development and well-being of our People, progressing in the important thematic of diversity, equity, and inclusion.

We are very proud of our achievements and results obtained in 2022, which are a testament to the enormous commitment, resilience, and competence of our teams, who, thus, deserve due recognition and my personal gratitude.

For 2023, the enormous challenges associated with a transforming and increasingly competitive food retail sector persist amid a consumption environment still heavily pressured by high inflation. We remain committed to our trajectory, seeking to always be worthy of families trust and maintaining our promise to deliver exceptional value proposals to our Clients, creating sustainable value for all stakeholders.

(And) We will continue to be a certainty in a world of uncertainties.

Leadership Committee

Luís Moutinho
CEO

Isabel Barros
People, Transformation and Sustainability

Miguel Águas
Health, Wellness and Beauty

Miguel Moreira
Information Technology and Logistics

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

David Alves
Bazaar Trade

Rui Almeida
CFO and Expansion

João Afonso
Food Trade

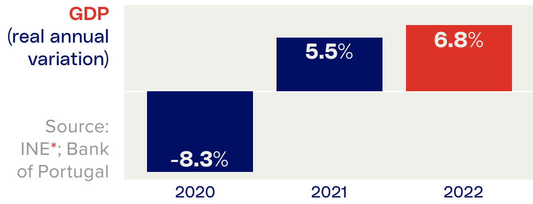
Operating market

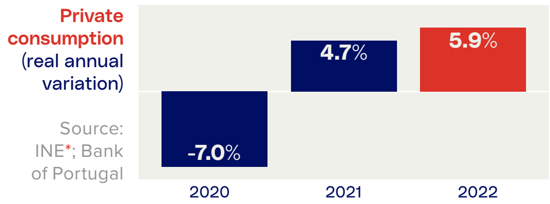
Economic activity impacted by the war in Ukraine

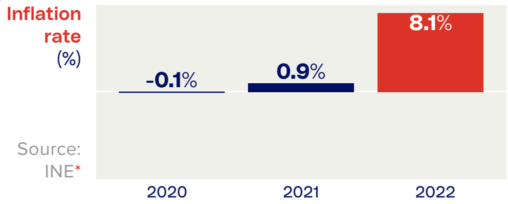
The year 2022 was marked by Russia's invasion of Ukraine, on the 24th of February, and by the subsequent deterioration of international geopolitics, with direct and relevant implications for the world economy. Of particular consequence was the escalation of food and energy commodity prices, which drove inflation in the more advanced economies to the highest levels in recent decades.

Due to more significant and persistent inflationary shocks than initially forecasted, the European Central Bank raised interest rates for the first time since 2011, accumulating an increase of 2.5 percentage points in 2022, intensifying the financial pressure faced by companies and households.

In Portugal, escalating inflation resulted in a sharp decline in the purchasing power of households and drove confidence levels to historically low figures. Notwithstanding, the Portuguese economy delivered a sound performance, benefitting from renewed dynamics in international tourism and household spending, owing to the lifting of COVID-19-related restrictions. Household savings built up during the pandemic and a strong labour market with relatively low unemployment rates contributed to the resilience of private consumption.







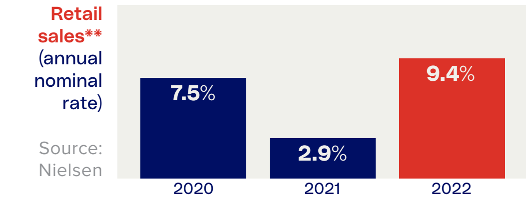
Food retail sector growing but pressured by inflation

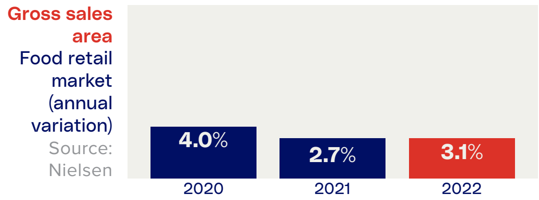
In 2022, the Portuguese food retail sector recorded significant growth compared to the same period in the previous year, driven by food inflation rising to historic highs.

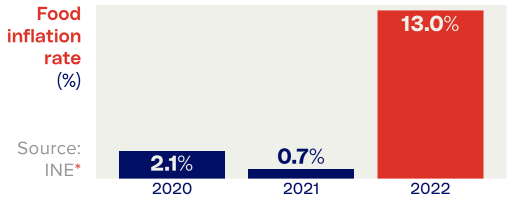
In this context, the widespread increase in the cost of living triggered shifts in households' consumption habits, with families trading down to more affordable proposals as they sought to readjust their budgets. Thus, the market observed an increase in demand for more competitive and private label products, and additional savings opportunities (e.g., promotions and loyalty programs).

On the supply side, the high inflation backdrop, highlighted by the increase in energy-related expenses, generated significant pressure on the sector's cost base and profitability. The competitive environment remained challenging, with retailers investing in pricing to strengthen competitiveness, and promoting the distinctiveness of their value proposition. At the same time, players continued to pursue their store network expansion plans, resulting in an increased total sales area in the market.

The health, wellness and beauty segment maintained a favourable performance, benefitting from the growing importance to consumers of dimensions like physical and mental health, beauty and personal care, and healthy nutrition, after two years of an unprecedented public health crisis.







* National Statistical Institute of Portugal; ** Hypermarkets and supermarkets

Constantly evolving sector dynamics

	Consumer behaviour	Supply evolution
Widespread inflationary pressure	Reduction in households' purchasing power leads to changes in consumption habits, including greater price sensitivity, trading down movements and reduction in discretionary consumption with a shift to essential categories	Sharp increase of retailers' cost structure, namely energy, labour and costs of goods sold, pressuring the implementation of costs saving and efficiency-improving plans to mitigate the adverse impacts on profitability
Growing competitive intensity	More knowledgeable and demanding consumers intensify the comparison of value propositions, which, together with an increased willingness to adapt consumption journeys to specific needs (e.g., savings), leads to a decreased customer loyalty to brands and retailers	Very dynamic retail market, with vigorous expansion and remodelling plans for various competitor store networks, impactful investments in value proposals and loyalty programs, and intense pressure to maintain price-competitiveness
Valorisation of the omnichannel experience	Return of consumers to physical stores after the pandemic period combined with the growing demand for simpler and more convenient experiences, sustained by fully integrated digital solutions, both on and offline	Continuous investment in the shopping experience and technological evolution, despite the gradual normalization of online channels' growth and the consolidation of new business models (e.g., rapid delivery), that boomed during the pandemic period
Concern for health and well-being	Population is more conscious of the importance of health and wellness dimensions, increasing the demand for healthy eating, physical exercise, and health products and services to help maintain a balanced lifestyle	Retailers reinforce health and wellbeing-related products and services assortment, and adapt the existing offer, so that it is more transparent and complete on these issues (e.g., adjusting the nutritional content of food products through reduced sugars and fats)
Sustainability conscientiousness	Consumers intensify their demand for sustainable consumption solutions (eco-friendly, locally sourced, and ethical), demanding that retailers help them make conscious consumption decisions, that have a positive impact, showing a willingness to penalise brands that make blatant mistakes in how they deal with sustainability issues	The ambition to support a sustainable transition of society and to meet customers expectations, and, frequently, to deal with new sustainability regulations leads to an adjustment of retailers' operating models and their value chain, with an impact on the costs associated with various products and processes

Financial performance

Solid trading performance

Amidst a challenging economic backdrop, MC prioritized supporting families and adapting to their evolving consumption habits, focusing on offering affordable and high-quality proposals. As a result, in 2022, the Company's consolidated turnover reached €5,978 million, growing by 11.5% on a total basis and by 9.6% on a like-for-like basis. In 2022, MC recorded gains in market share, thus strengthening its leadership position in the sector.

In the food retail sector, both convenience and larger store formats attained a solid performance. This evolution reflects MC's strong investment in pricing, promotional intensity, and private label (range that gained increased relevance in the total sales), reinforcing its competitiveness.

The New Growth Businesses also followed an upward trend, benefitting from the recovery felt in the health, wellness and beauty, and foodservice segments, reflecting consumer behaviour returning to normal in the post-pandemic period.

MC's online sales performance showed a positive evolution, even after a period of high growth, up by 3.4% in the year and more than doubling in comparison with pre-pandemic levels.

Turnover (€m)

11.5%
Total growth vs. 2021

9.6%
Like-for-Like growth vs. 2021

Resilient operational profile

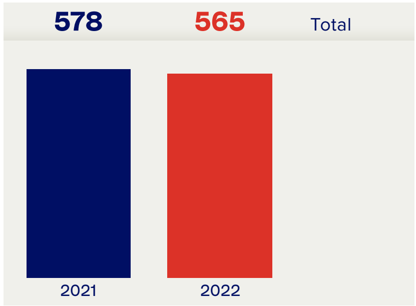
In 2022, MC EBITDA totalled €565 million, representing 9.5% of turnover.

Throughout the year, MC's recurrent operating profitability was pressured by trading down movements, price investments to protect consumers, and consecutive increases in energy prices.

In tandem, the Company remained focused on implementing measures to increase efficiency, mainly focusing on optimising energy consumption and reducing its exposure to energy market prices.

Net income from continuing operations stood at €179 million, down from €218 million recorded in the previous year, reflecting the growing operating pressure and a one-off capital gain of €40 million in 2021, regarding the sale of the 50% stake in Maxmat.

EBITDA (€m)



9.5%
EBITDA margin in 2022

Physical and digital expansion

In 2022, MC's operational investment totalled €218 million, directed towards the expansion and revamp projects of the store network and the development of logistics and digital capabilities.

MC opened 65 company-operated stores in the year, of which 2 were large supermarkets in urban areas and 15 proximity supermarkets. A total of 33 stores underwent refurbishment interventions, thus enhancing network capillarity and improving customer experience. At the end of 2022, MC had a total of 1,034 company-operated stores representing a total gross sales area of 851 thousand sqm, meeting the needs of different client objectives and consumption requirements.

The year was also punctuated by investments in the logistics infrastructure, with particular highlight to the expansion and renovation efforts carried out in the distribution centre in Maia. On the digital front, the Company invested in its omnichannel proposition, automation and data analytics capabilities.

Store network

851 k sqm
Sales area company-operated stores in 2022

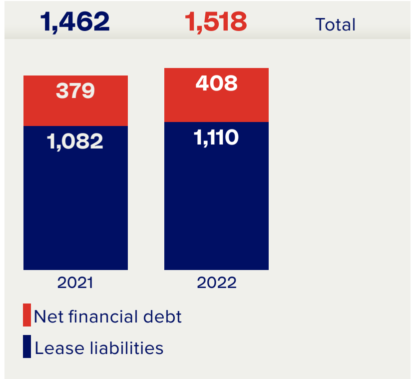
Robust financial position

In the year, MC recorded a free cash-flow of €214 million, with a cash conversion ratio of 57.1%, as a result of the positive operational performance and the disciplined prosecution of its investment plan.

The Company maintained a balanced capital structure, with net financial debt standing at €408 million by the end of 2022, corresponding to a total net debt / EBITDA ratio of 2.7x. The variation in net financial debt from the previous year (€379 million) mainly reflected the payment of dividends relating to 2021, in a total of €243 million (up by €103 million from the previous year).

Furthermore, MC safeguarded a comfortable liquidity and financing position, with a debt repayment schedule with an average maturity above 4 years. In the year, the Company completed impactful refinancing operations, favouring the issuance of ESG-linked or Green debt, thus emphasising its commitment to a sustainable future.

Total net debt (€m)



2.7x
Total net debt / EBITDA in 2022

Strategic priorities

At MC, we view the future with great excitement and a well-devised plan, focused on strengthening our competitive position in the markets in which we operate and creating value for all stakeholders. Our strategic pillars reflect how we interpret the current environment and our vision and ambition for the future.

We will scale up our omnichannel leadership position, ensuring we best serve our Clients wherever convenient and within close proximity, through our grocery and health, wellness and beauty businesses.

In the current backdrop of high inflation, increasing demand from consumers and fiercer market competitiveness, we will remain focused in our distinctive value propositions and we will strive to secure an ever-increasing Customer appreciation, by continuously investing in our store network and intensifying our democratic and unparalleled offering.

We will make headway in the digital transformation of our Businesses, which is crucial for attaining gains in efficiency, thus enabling us to maintain market competitiveness and to become increasingly more agile and streamlined.

We will bolster our Sustainability mission aligned with our corporate values and with our Customers' desires and wishes.

We will achieve all of this, as we have thus far, with our People. We are committed to ensuring that we are capable of securing, promoting, and retaining the best talent. We trust our business leaders and will continue to invest in their development and diversity.

Growth and leadership

Expand our proximity food retail business by enhancing e-commerce and our digital solutions

Accelerate growth in our iberian health, wellness, and beauty businesses, investing in the expansion of new concepts (e.g., opticians, beauty, health insurance)

Digital transformation

Champion simplification and agility pertaining to our operating model and the organisation, bound up with technological evolution

Develop skills for the future, by promoting upskilling and reskilling within the organisation

People

Position ourselves as benchmark employers with capacity to attract, promote and retain talent

Invest in skills and leadership diversity

Customer appreciation

Invest in modernising our store network, ensuring it remains a veritable gold standard asset

Guarantee a democratic and unparalleled offering as acknowledged by our Customers, strengthening market leadership in key areas (e.g., pricing and special offers, fresh products and private label goods)

Sustainability

Minimise the environmental and social impact of our operations and our value chain

Assure that we support our Customers in their consumption decisions, by providing information and promoting a more sustainable lifestyle

Our Corporate Values

- Lead with impact
- Go further together
- Own what's next
- Make things simple
- Do what's right

2022 highlights

Innovation in Bakery self-service

MC delved into evolving its self-service bakery concept at its Continente Bom Dia stores. The new concept allows for greater product display capacity in terms of quantity and variety, while also improving the ease of use for Customers. The concept is being replicated in new Continente Bom Dia banner store openings and refurbishments.

New Hygiene and Beauty concept

The new Hygiene and Beauty concept, unveiled at the Continente hypermarket stores in Telheiras and Matosinhos, involved the reformulation of these spaces in store to reinforce MC's positioning as a beauty specialist in the mass market. The focus was on skincare and make-up products, and more accessible brands aimed at younger Customers, with an emphasis on the MyLabel private label range.

«*A minha horta*» at Continente

The new «*A minha horta*» (My vegetable garden) spaces, in the store's fresh produce area, offer a range of lettuces and herbs that can be harvested directly by the Customer from the movable installation where they were grown. Available at Continente Colombo, Matosinhos and Gaia, the new concept offers a freshly picked product of higher quality which stays fresh for longer, receiving water and nutrients through a hydroponics system.

+300 k units sold in first 3 months

Launch of «*Dona Quina*» pastries

Continente launched its new pastries brand *Dona Quina*, which features 12 pastries with distinctive and authentic fillings. Handmade in Portugal, with recipes exclusive to the brand, *Dona Quina* pastries include both savoury and sweet options, and are suitable as a side dish to a main meal or as a snack «on the go».

Acknowledgment

Prémios Marketeer 2022

+40 k members registered

Creation of «*Continente do Bebé*» Club

Launched in January, the «*Continente do Bebé*» (Baby's Continente) Club was created to strengthen the commitment to support families in all stages of their lives. Through exclusive discounts and access to specialized content, the Club, which has already supported over 40,000 caregivers, aims to accompany the first 36 months of babies' lives, with offers adapted to the different stages of growth.

Opening of «*Cozinha Continente*»

In 2022, we launched the «*Cozinha Continente*» (Continente Kitchen), a new restaurant space with ready-to-eat meals, to take-away or order on the spot. The menu features traditional Portuguese food, and offers various meal options throughout the day. The first restaurant opened at Continente Vila Real, followed by Continente Viseu and, in 2023, at Continente Telheiras, in Lisbon.

Animal Welfare certification

In 2022, we expanded the Animal Welfare international certification – Welfair® to the pork and poultry categories. Our lamb and the Aberdeen--Angus Continente® and Limousin Continente® fresh meat are already certified. This certification, which MC intends to extend to all the meat categories it sells, promotes good animal welfare practices and sustainability, attesting to the high quality of the meat sold in Continente stores.

«WAY UP» sports nutrition brand

MC launched WAY UP, a sports supplementation and nutrition brand adjusted to the objectives and nutritional needs of all those who have an active lifestyle. Developed in partnership with Solinca, WAY UP aims to democratise access to sports nutrition, offering customers certified products and patented formulas at competitive prices.

24
products launched

(RE)Style for sale of 2nd hand clothes

MC created the (RE)Style space in the textile area of Continente stores, enabling its customers to buy pre-loved clothing from reputable brands at competitive prices. The Company continued to reaffirm its commitment to Sustainability, providing new affordable offers to its Customers, adapted to the current context.

Launch of electric bikes

MC developed and launched 3 new electric bike models under its exclusive BERG brand to promote more sustainable modes of transport. The Company pursued its mission to democratise access to sustainable and environmentally friendly products by expanding its non-food range into the world of electric mobility.

Implementation of the «Refill Spot»

The «Refill Spot», implemented in the Continente stores in Colombo and Matosinhos, is a bulk purchase system that allows for the reuse of packaging, avoiding using single-use containers. Customers can purchase detergents, dry food, and pet food, by bringing their own packaging or buying a reusable one.

New «Eco Spot» concept

We developed the new «Eco Spot» concept, a new space in-store where Customers can deposit batteries, cork stoppers, coffee capsules or light bulbs, that are sent for recycling. Available in 5 stores, these spaces seek to respond to the growing requirements to use store convenience in circular economy services.

Expansion of «Plug & Charge» solutions

Initiated in 2022, the «Carport Plug & Charge» project consists of installing solar panels on the roof of the stores' car parks, reducing energy consumption and contributing to the operationalisation of MC's Sustainability commitments.

We also continued expanding the «Continente Plug & Charge», providing access to about 150 charging points for electric vehicles throughout the country.

+70%
«Continente Plug & Charge» clients

Reinforcement of food e-commerce convenience

MC continued to leverage its e-commerce platforms, namely by expanding Continente Online's coverage (reaching the island of Madeira with its home deliveries), with instant delivery partnerships (in 180 stores), and with its Click&Go services in stores (with 173 locations). Continente Online's value proposition was enhanced, by increasing the product range and simplifying the Customer browsing experience.

+35 k products

Acknowledgment

«Quico Continente» instant delivery service

Through the «*Quico Continente*» app, MC launched its rapid home delivery service, becoming the first food retailer in Portugal to develop its instant delivery solution. The app, initially launched in the Porto area and already expanded into Lisbon, allows the delivery of Continente's groceries and meals in less than 30 minutes, thus meeting the needs of urgent and unplanned shopping missions, and promoting convenience among urban consumers.

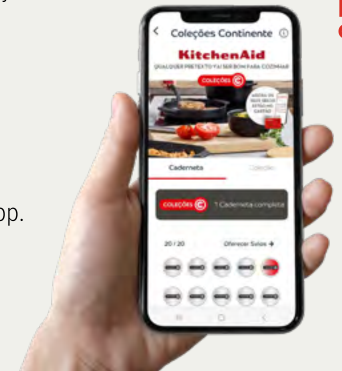
«Entrega Certa» pilot

We launched the «*Entrega Certa*» (Right Delivery) pilot programme, a revolutionary service whereby Continente does the shopping for the Customer. Using the Continente Online platform, the Customer's shopping basket for each week is assigned and a pre-defined address and delivery period is selected. The goods are dispatched accordingly (the Customer can edit their pre-assigned basket). The service, which is being tested in the Greater Porto and Lisbon regions, and has plans to expand to other regions, represents an additional step in the convenience of the Customer experience.

Dematerialisation of stamps campaigns

–24 ton paper per campaign

For its store campaigns, Continente has moved away from stamp booklets, opting for a digital format available via the «*Cartão Continente*» (Continente Loyalty Card) or the respective app. This initiative helps save circa 24 tonnes of paper per campaign, in addition to preventing stamps from being lost or forgotten, and enable the transference of stamps to family or friends through the «*Cartão Continente*» app.



Expansion of the distribution centre in Maia

The expansion and renovation interventions at the Maia distribution centre were concluded in 2022, allowing for the expansion and incorporation of new operations, such as the supply of fish and cod for stores in the North of Portugal, previously ensured by the Azambuja distribution centre. The project involved the renovation of 66% of the existing area, mostly transformed into a cold storage area, and a 19% increase in the effective operating area.

Acknowledgment

New fish filleting centre

The new fish filleting centre, located in the Azambuja distribution centre, allows for greater process control and a constant supply of fresh fish. With changing consumption trends and the growing demand for quick and convenient cooking solutions, the new filleting centre represents significant added value to increase the quality of the offers in our stores.

New voice-picking system at the warehouses

MC continued to explore transformation opportunities within its logistics and supply chain. In 2022, across all of our distribution centres, we updated the voice and dialogue system used by operators in the process of preparing boxes to be shipped to stores. The new system allowed MC to increase operational effectiveness, reduce errors and improve employee satisfaction.

Wells «Beauty 4-in-1» growth

Wells stepped-up the expansion of its renewed 4-in-1 Beauty concept, which combines para-pharmacy, perfumery, mass market and professional hair care brands. By the end of 2022, out of its 298 Wells stores, the new Beauty concept was available in 12 Wells stores from North to South of the country, with spaces dedicated to personalised service and testing.

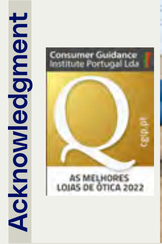
«KeepWells» health insurance

Wells launched the «KeepWells» plan and health insurance are extending its offering to a market with high growth potential. This promising initiative aims to democratise access to health care in Portugal, offering a free health plan and 3 highly competitive health insurance plans, with access to over 23,000 doctors and the leading private health groups.

Wells standalone opticians model

Wells has invested in the rollout of its standalone opticians business, consolidating its profile as a specialist in this segment. With a total of 280 Wells stores that sell optical products, the business is now investing in specialised stores, with a total of 9 by the end of 2022. The business now offers a range of prescription glasses from the best brands at affordable prices, reinforcing its mission to democratise access to eye care for all.

Acknowledgment



Reinforcement of the presence in Spain

Arenal remained on course with its expansion plan, opening 7 new stores and increasing its presence to 3 new autonomous communities in Spain (Navarra, Castilla la Mancha and Extremadura). Thus, aside from its presence in the North, the banner now has a footprint in the Central region.

It was also an excellent year for Arenal's online channel, which reached record sales in 2022.

Dr. Wells 5th anniversary celebrations

In 2022, Dr. Wells celebrated its 5th anniversary. With a total of 22 clinics, Dr. Wells provides its Customers with specialised oral and aesthetic health care, thanks to state-of-the-art equipment and highly qualified professionals. The excellence of Dr. Wells service continued to be reflected in high levels of customer recognition.

Expansion opportunities at ZU

In 2022, we pursued new opportunities to expand ZU's physical network, by replacing pet-dedicated stores in MC's shopping galleries with ZU stores. The initiative generated added value for the Company, by reinforcing the attractiveness of the galleries and the growth of the ZU banner.

note! specialisation in school stationery

In 2022, note! strengthened its specialist profile in the school segment. It extended its range and established partnerships with leading stationery brands such as Staedtler, Oxford or Newpen, promoting its visibility in premium spaces of the store (e.g., shop windows), in digital media and on note.pt website. The loyalty programmes «*Tribo*» (Tribe) and «*Professores not'áveis*» (not'able teachers), for students and teachers, respectively, were amplified among the communities.

New Go Natural meals range

In 2022, Go Natural invested in food technology and in the development of new products, with the launch of a new range of ready-to-eat, free-service meals. Additionally, the business has been testing the evolution of its restaurant concepts, adopting a new menu, inspired by modern Mediterranean food, with dishes that favour seasonal, unprocessed ingredients of natural origin.

Meu Super reinforces convenience

Acknowledgment

CINCO ESTRELAS

ESCOLHA '22

Meu Super continued expanding its network of stores in 2022. With an attractive value proposal, which includes Continente's private label offer and the advantages of *Cartão Continente* (Continente Loyalty Card), Meu Super was recognized with the Five Stars (*Prémio Cinco Estrelas*) and the Consumer's Choice (*Prémio Escolha do Consumidor*) awards in 2022, for the 6th and 8th consecutive year.

Creation of the «Energy Forum»

Amid an energy and climate crisis, MC launched the «Energy Forum», a project to promote energy optimisation initiatives. The work enabled the Company to implement a practical recommendations guide for use in stores, improve energy consumption control systems, and accelerate the installation of renewable energy power plants, among other initiatives.

ESG confirming solution

MC implemented a pioneering solution to ensure advantageous financing conditions for the Company's suppliers who demonstrate outstanding performance in sustainability indicators. This solution, which considers environmental, social and corporate governance metrics, aims to encourage suppliers to develop and introduce more sustainable practices in their operations.

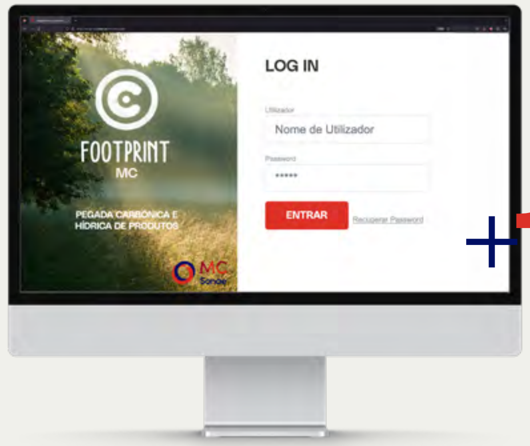
Acknowledgment

SCF Community Awards 2022

Retail

«Footprint MC» platform

MC developed the «Footprint MC» platform, enabling direct contact with suppliers to measure and reduce their products' carbon and water footprint. The project's success resulted in the measurement of more than 300 footprints, spanning over 100 suppliers.



+100 suppliers involved

Zero Waste certification

Continente incorporated the Pesticide Residue Free certification into its fruit and vegetable range, becoming the first retailer in Portugal to do so as part of its regular practice. This certification safeguards the principles of efficiency use of resources, lower energy consumption, lower emissions and greater control over microbiological aspects, fundamental elements concerning food safety and environmental integration.

40 k ton fruits and vegetables with Zero Waste certification

4th Edition of the «Festival Comida Continente»

After a 2-year hiatus due to the pandemic, the «*Festival Comida Continente*» (Continente Food Festival) returned in 2022 for its 4th edition, hosting over 500,000 visitors. Over 2 days, this unique and free-entry event combined fun and food, with live music, show-cooking and tasting activities for the whole family.

«Presentes à Mesa» campaign

€1.2m
raised

With the purpose of supporting the fight against hunger and poverty, *Missão Continente* launched the Christmas campaign «*Presentes à Mesa*», raising over €1 million for 330 local institutions. The Portuguese Football Federation, the Portuguese Nutrition Association and the National School for Public Health were partners in this campaign.

«Missão de Apoio à Ucrânia»

€1.6m
raised

In the midst of a social emergency in Europe, *Missão Continente* launched the «*Missão de Apoio à Ucrânia*» (Ukraine Support Mission), a fundraising campaign to help the Ukrainian population and refugees arriving in Portugal. The campaign raised €1.6 million and all proceeds went to the Portuguese Red Cross Emergency Fund.

Associates well-being and training

In a year when households faced increased challenges due to the economic context, MC strengthened its employee benefits package, while also giving out €500 of support to Employees during the Christmas season. Simultaneously, the Company continued to invest in enhancing the skills of its People, awarding 600 diplomas to MC Associates via the *Centro Qualifica*.

Launch of the internal social platform Workplace

Acknowledgment

Best «Academy»
Most innovative company in people management

In 2022, MC launched Workplace, a communication platform that aims to connect all Company employees in a democratic and transversal manner. This channel allows employees to share, celebrate and learn about everything that happens in the various business units, appealing to a sense of belonging within the MC world and creating a unique knowledge network.

Sustainable development

Our Sustainability agenda

Sustainability is a fundamental and structural element of our value proposition and is the driving force behind all of our initiatives, the development of our People, the relationships with our Suppliers and Partners, and our endeavours in the Community.

We act independently and cooperate with all interested parties to ensure the best solutions to ever-increasing and complex challenges presented by the sustainable development agenda.

In this context, we recognise that it is our purpose to democratise access to a healthy and sustainable basket and to ensure that today we are building a future that respects People, Communities and the Planet.

Action pillars

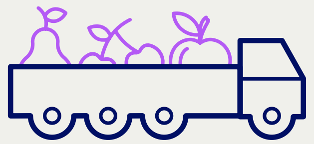
Products

The climate emergency, the biodiversity crisis and the unsustainable use of resources highlight the urgency in transitioning to a mode of production that respects the planet's limits, in conjunction with the need to promote a fairer, more resilient, and transparent value chain.

At the same time, we must drive this transformation by promoting healthier and more responsible consumer behaviour patterns and providing a diversified offer with a smaller footprint and more nutritionally balanced products within competitive conditions.

Sustainable production

Responsible offering



Planet

We are committed to transforming our operations and are on the pathway towards decarbonisation and circularity, because we are mindful of the challenges our Planet is facing, reflected in the growing fragility of the ecosystems that support life.

Faced with this urgent ambition to protect the Planet, we have focused on developing numerous initiatives that generate positive impact throughout our value chain.

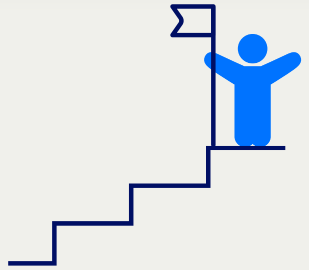
Climate action

Circularity

People

Our People are at the heart of our business. Therefore, ensuring working conditions to foster motivation and productivity to bring out the best in them is fundamental to our success.

Thus, we seek to ensure their safety, health and well-being and promote personal and professional development, centered on a culture of strong leadership which supports diversity and inclusion as part of its essence.



Development and well-being

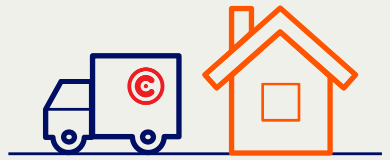
Diversity, equity, and inclusion

Communities

We are conscious of our important role in building more resilient and autonomous communities. As so, we seek to act as a lever for sustainable development by creating positive social value.

We are committed to scaling-up MC's capability of promoting transformation within society, challenging ourselves to go even further in offering extended relief to the Communities where we operate, empowering and mobilising them, and acting with purpose in the present so that we can build a better future.

Supporting society



Raising awareness and mobilising support

Products
Sustainable production

Our vision

To encourage the creation of more transparent and resilient supply networks, contributing to the protection and preservation of ecosystems, we have worked closely with our producers to promote agricultural, livestock and aquaculture practices adapted to climate change. The goal is to foster the protection of water resources and biodiversity that promote soil regeneration while safely meeting the needs of a growing population.

Within the scope of the «Continente Producer's Club», which currently includes 267 producers and organisations of producers, this approach was articulated via the «Declaration for Sustainability», to which all members must subscribe. This commitment is based on 11 principles, encompassing issues such as nature and biodiversity conservation, the promotion of regenerative agriculture, and circularity. The Declaration will be set out in more than 40 action plans covering all product categories produced by the Club's members.

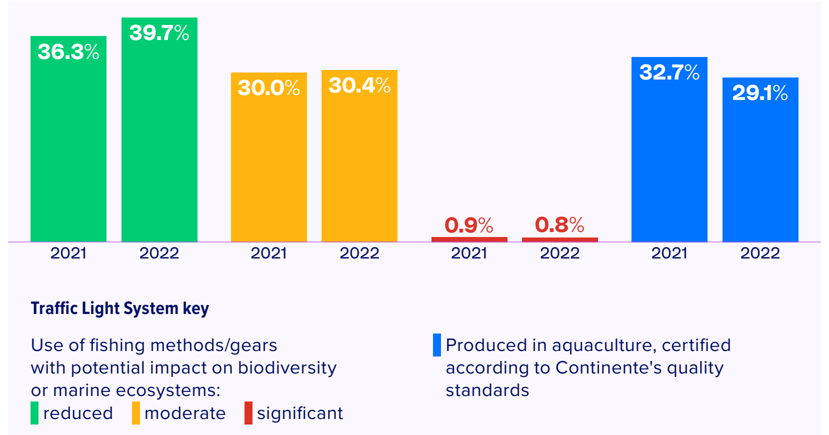
Our performance

With a network mainly comprised of national suppliers (84%), in 2022, MC continued to work closely with its partners, promoting awareness-raising initiatives, encouraging changes in production practices, and providing tools to support the necessary changes.

In total, 37% of «Continente Producer's Club» members have already signed the «Declaration for Sustainability». In parallel, in the year, we engaged with more than 100 producers to calculate circa 300 carbon and water footprints pertaining to their products.

In 2022, Sonae became a signatory to the United Nations Sustainable Ocean Principles, announced during the Sustainable Blue Economy Investment Forum at the UN Oceans Conference, in Lisbon. By signing up to these principles of protecting the oceans and promoting a sustainable blue economy, we reaffirmed our commitment to assess the impact of our business activity on the oceans and integrate this scope into our global strategy. In the past year, based on the Traffic Light System (TLS), we have yet again recorded an increase in the proportion of fish originating from aquaculture or more sustainable fishing methods.

Fishery purchase volume



Our initiatives

Transforming agricultural practices

In 2022, within the scope of the «Continente Producer's Club», we developed 3 complementary programmes to assist our Fruit and Vegetable producers in transforming their agricultural practices:

- The **Agroecology Programme** supports producers in their management processes, environmental planning and the adoption of best practices, through an agroecological assessment method of producers and the surrounding matrix (grassland, bushland, forest, among others);
- The **Zerya Regenerative Programme** is based on an integrated approach to farm management by following a cultivation protocol, enabling producers to guarantee better soil conditions, safeguard plant nutrition, and manage water resources, minimising the environmental impact of the horticultural activity;
- The **Zero Residue Programme** results from the partnership between «Continente Producer's Club» and Zerya, and aims to develop customised agricultural production systems, focusing on best practices to obtain certified products free from pesticide residue.

«Zero Deforestation» commitment

Acknowledging the importance that forests play in balancing ecosystems, MC formalised its «Zero Deforestation» commitment, through which the Company aims to ensure zero deforestation associated with its direct operations and supply chain.

In this context, we aim to guarantee the sustainable supply of raw materials that have driven deforestation acceleration, such as palm oil, wood or soya, by adopting certification schemes and/or other control and monitoring mechanisms.

Therefore, we have invested in mapping the origin and use of these raw materials and reviewing product development requirements, eliminating or reducing their usage whenever possible.

VIIAFOOD

MC leads a consortium comprising circa 50 entities, including companies, laboratories, and sector-related associations. The aim is to drive transformation and empowerment of the Portuguese food sector, thus increasing its competitiveness at an international level.

Through research and development and by improving production processes using new technologies, the consortium, which PortugalFoods coordinates, aims to develop more than 130 new products, services and processes by 2025, to promote healthier and more sustainable food.

VIIAFOOD represents an overall investment of circa €110 million, which will be co-financed with the Recovery and Resilience Programme (RRP).

Products
Responsible offering

Our vision

To democratise access to shopping baskets comprised of healthy and sustainable products, we have developed a set of initiatives to ensure a wide-ranging and top-quality offer at competitive prices.

The constant investment in food innovation has enabled us to introduce our customers to emerging trends in the food sector, as well as a variety of organic products, plant-based alternatives, products low in salt, sugars and fats, free-from products (lactose and gluten-free products, etc.), and food supplements, at affordable price points.

Our performance

In 2022 we optimised the nutritional content of more than 500 private label products, maintaining our commitment to promoting healthy eating habits. This equates to a reduction of 860 tonnes of sugar and 120 tonnes of salt, and the removal of palm oil from 92 products.

Our initiatives

Enhancing food innovation

Through Continente Food Lab, available in 10 stores from the North to the South of Portugal, our Customers became more acquainted with emerging trends in the food sector, using an experimental and dynamic approach. In 2022, the Continente Food Lab tested product portfolio included:

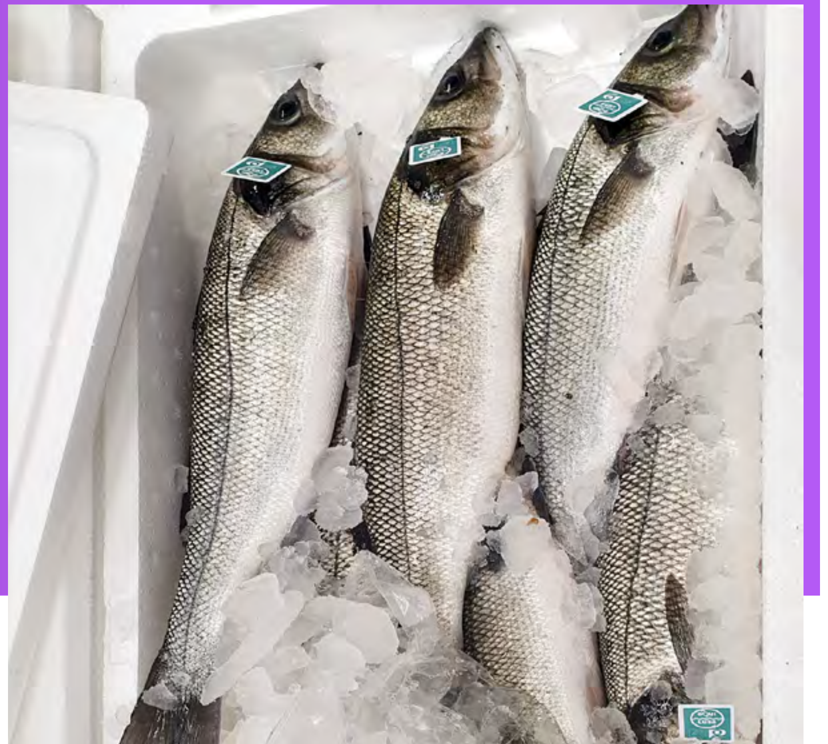
- *Petit Papão*, a range of organic frozen soups and meals for babies, carefully developed by nutritionists to meet the needs of each stage of baby development;
- **True Gum**, a 100% natural, biodegradable chewing gum that doesn't contain additives derived from petrochemicals. Made from the sap of the tropical fruit chicle tree *Manilkara Zapota*, the sugar-free gum is sweetened with xylitol and stevia and is available in various flavours;
- **Simply Green**, a range of powdered mixes used for burgers and falafel, adding variety and convenience to the plant-based alternatives.

«*A minha horta*» at Continente

Launched in March 2022, «*A minha horta*» (My vegetable garden) is an initiative which brought the countryside into Continente stores. These vegetable patches can be found in our Colombo, Matosinhos and Gaia stores and offer customers varieties of lettuce and aromatic herb options, which are cultivated and preserved using a hydroponic system, thus ensuring greater freshness.

Organic seabass

Combining sustainability, innovation and quality, in 2022, we introduced organic seabass, widening the range made available to our Customers. Produced in salt marshes in the *Ria de Aveiro*, this fish has a more intense flavour and meaty consistency. It hails from an integrated cultivation system, where the nutrients in the water (resulting from the fish farming activity) are also used to cultivate algae without using fertilisers or additives.



Planet
Climate action

Our vision

Aware of the diverse and complex challenges posed by the climate crisis, we have pledged to decarbonise our operations by 2040. To this end, we developed a roadmap to guide our future efforts and investments, based on 4 key areas:

- the implementation of eco-efficiency measures to reduce our energy consumption;
- the electrification of consumption;
- a programme to change our refrigeration plants;
- investment in the production and acquisition of energy produced from renewable sources.

We revisit our roadmap yearly to accelerate our actions and integrate the latest practices and technological development.

Our performance

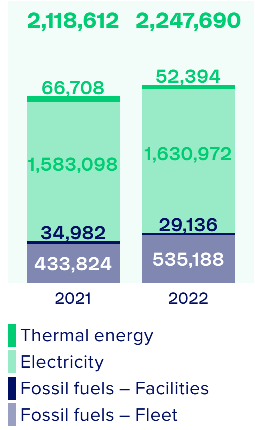
In 2022, MC's total energy consumption totalled 2,247,690 GJ, which accounts for an increase of 6.1% compared to 2021, justified by the Company's organic growth, by the fact that the business returned to normal without the restrictions imposed by the pandemic and by the expansion of solutions such as the «Plug & Charge» network. Electricity accounts for 73% of this consumption and the remaining 27% is associated with fuel consumption and thermal energy. Our electricity production from renewable sources (photovoltaic power plants) increased by 14% in the last year.

Regarding the sources of our Greenhouse Gas (GHG) emissions, 60% comes from electricity consumption and thermal energy, and the remaining amount (40%) comes from fuel consumption and leakage of fluorinated gases. Nonetheless, when we compare our emission figures with those recorded in 2021, we note a 5% reduction in emissions. Considering the reduction target set for 2030 – reducing our GHG emissions by 55% –, we recorded a decrease of 30.3% compared to 2018.

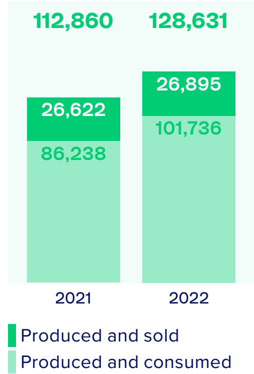
In 2022, we completed mapping MC's Carbon Footprint, extending it to all applicable categories under scope 3 per the GHG Protocol. This was the first step towards establishing a science-based reduction target (Science Based Targets Initiative – SBTi), and, consequently, the definition of an action plan for a more structured and robust reduction of emissions.

Notwithstanding, MC has been working to reduce the scope 3 carbon footprint, by implementing a set of initiatives, the development of plant-based alternatives to animal protein, projects included in the «Continente Producer's Club» agenda, the transformation of our own or exclusive-brand packaging, the promotion of electric mobility, the fight against food waste and the optimization of waste management, among others.

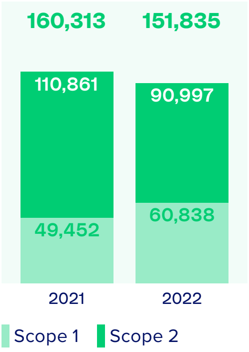
Energy consumption per source (GJ)



Renewable energy produced (GJ)



Own GHG emissions per scope ($t\ CO_2e$)



Our initiatives

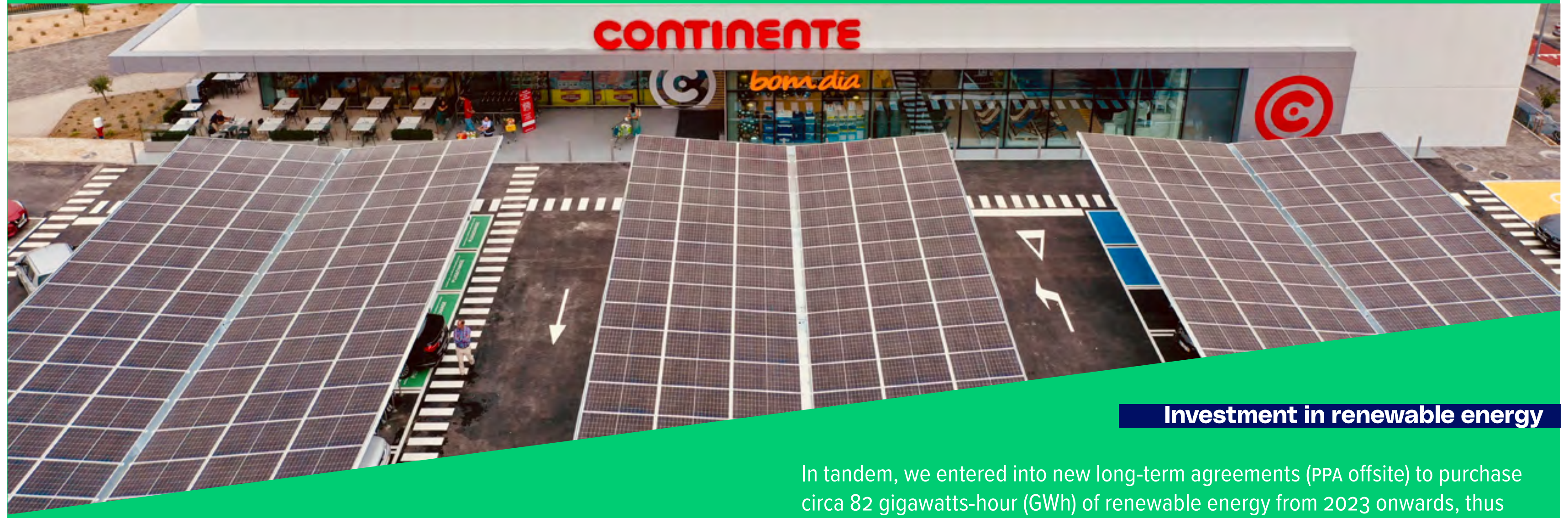
«Energy Forum»

In light of the current energy crisis, we set up the «Energy Forum», aiming to accelerate an eco-efficient culture, boost energy optimisation measures, and increase our capacity to produce renewable energy.

To this end, we updated the Energy Use Handbook (EUH), with tougher guidance pertaining to main equipment (schedules and parameters) and checklists to verify the defined measures. At the same time, we also invested in training and in-store communication. The information and control systems were improved, and we now have daily and weekly reports on energy consumption.

Additional energy audits were conducted in stores with more critical consumption levels, to identify and correct inefficiencies. The preventive maintenance plans for the main equipment were reviewed to optimise procedures and reassess task frequency that impacts energy consumption.

Lastly, these actions were complemented by a series of structural measures. We accelerated the implementation of self-consumption plants, ramped up the installation of doors along the refrigerated compartments and devised additional pilot projects, which will be rolled out according to the results obtained, financial impact and implementation capacity.



Investment in renewable energy

The decarbonization of our energy matrix, namely by generating electricity from renewable sources, increased significantly in 2022. By year-end, we had 242 power plants up and running, representing an additional 28 new plants compared to 2021 and a photovoltaic power park with an installed capacity of circa 37 megawatt-peak (MWp).

In tandem, we entered into new long-term agreements (PPA offsite) to purchase circa 82 gigawatts-hour (GWh) of renewable energy from 2023 onwards, thus strengthening existing agreements.

The contracts negotiated for 2022, amounting to 108.7 GWh, and the local production of renewable energy through photovoltaic power plants meant that circa 30% of MC's electricity consumption came from renewable sources. This investment in renewable energy reduced 36,525 tonnes of CO_2e, compared to the potential emission without these options.

Energy efficiency at the renewed Maia distribution centre

The expansion and renovation project at the distribution centre in Maia, completed in 2022, centred around optimising energy consumption by installing energy-efficient boosting equipment in the revamped cold storage areas. We highlight improvements made to our goods receptions systems in the chilled and frozen operations bays, helping to reduce energy losses between loading and unloading, resulting in greater cold output efficiency.

In all the areas which underwent interventions, we also ensured the use of LED lighting instead of the fluorescent lamps used in the old facilities. With the warehouse expansion, a 50% increase in energy consumption is expected; however, the measures we implemented mean the increase will be lower, circa 25%-30%.

Planet
Circularity

Our vision

Promoting circularity is an increasingly visible dimension of our operations, through which we promote the collection and reintegration of materials at the end of their life cycle, for reuse or recycling. In this sense, in 2022, we continued working on significantly transforming our packaging, taking as our starting point the principles of a circular economy and eco-design. The aim is to ensure that by 2025 all our private label or exclusive brand packaging is recyclable, reusable, or compostable.

We have also worked to ensure a more intelligent and assertive waste management process, through the development of several procedures at the supply level that enabled us to reduce stockout. These range from introducing the product expiration date in the store replenishment algorithms to changes in operating procedures and quality control to training and awareness-raising initiatives for our workforce.

These efforts are complemented by mechanisms to accelerate product flow and minimize food waste, as well as food reuse and redistribution initiatives through the food surplus donation programme.

Our performance

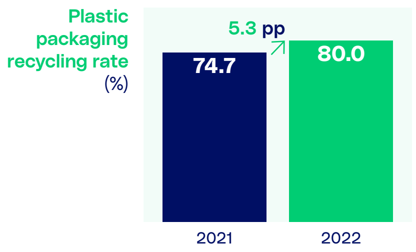
Through the continuous implementation of Environmental Management Systems (EMS), we invested in more efficient use of resources. By the end of 2022, circa 58% of MC's operational area was NP EN ISO14001 certified: 2015, representing a 5 pp growth compared to 2021.

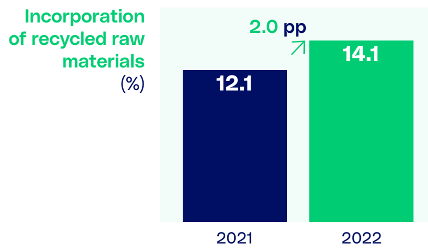
A total of 923,689 m^3 of water was withdrawn, representing a 4% increase compared to 2021, associated with business organic growth and returning to normal without the restrictions related to the pandemic.

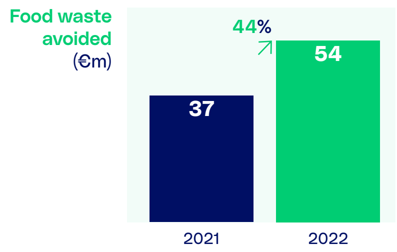
In 2022, MC managed 73,087 tonnes of waste within the waste management scope, corresponding to a 0.5% increase compared to the previous year. We recorded an increase in the recovery rate of waste produced , reaching 84.8% (+1.2 compared to 2021).

At the end of 2022, our plastic packaging recycling rate was circa 80.0%, per our recycling matrix, representing a 5.3 pp increase compared to 2021. Regarding recycled raw materials incorporation, this figure stood at 14.1% (+2.0 pp compared to 2021).

Also worthy of note is the progress we made in terms of reducing food waste. In 2022, we avoided more than €54 million worth of food waste (€16 million more than in 2021), of which €23 million was by way of accelerating product flow mechanisms and €31 million from our food surplus donation programme.







Our initiatives

«Refill Spot» by Continente

The «Refill Spot» by Continente is a new self-service, automated refill system section within the Continente Matosinhos and Colombo stores. Customers can reuse packaging when purchasing certain products (detergents, dry foods and cat and dog food) to promote savings and packaging circularity.

This initiative is central to Continente's Sustainability agenda because it will enable the Company to test a complementary approach to single-use packaging in a real environment and at scale. With very significant impacts on the entire value chain, from producers to consumers, this initiative will enable us to properly assess the economic, environmental and operational impacts of this new sales model for some products.

Too Good To Go seal

MC was the first Iberian retailer to add the «Look, Smell, Taste, Don't Waste» seal to its private label products. This initiative, developed by Too Good To Go, aims to promote food literacy and thus empower consumers to make more sustainable choices, raising awareness regarding the importance of «saving» food with a minimum shelf-life.

Products labelled with «Best Before» or «Best Before the end of» with expired dates are not necessarily food waste. Thus, if the product has been correctly stored, the Too good Too Go seal recommends looking at it to check whether it looks good, smelling it to check it is okay, and, finally, tasting it to check it is fine. If the food passes these 3 tests, its quality is intact and can be consumed.

«*Cadernão*»

Continente, which leads the way in back-to-school supplies, launched the «*Cadernão*» (Big Notebook) project, together with the Oxford stationery brand. This initiative aimed to encourage consumers to recycle, while supporting a reforestation initiative in Portugal.

«*Cadernão*» deposits were made available across all Continente stores, whereby customers could deposit used exercise books, which allowed for a total of 12 tonnes of paper to be collected for recycling. Additionally, for each tonne of paper deposited at these collection points, MC planted 20 trees in the Sonae Forest, totalling 240 trees, corresponding to the total needed to produce the amount of paper collected.

People
Development and well-being

Our vision

At MC, we believe that more value is created when everybody contributes. For this reason, we place our People at the centre of our activity, ambition and journey.

Promoting personal and professional development and focusing on employee well-being is an integral part of our culture and our value proposition as an employer. Every person is different, and this uniqueness gives us an enormous wealth of talent, creativity and energy. When this goes towards the common good, the results always exceed expectations.

We believe that the skill set every one of our People possesses represents a valuable asset to continue leading into the future. For this reason, we encourage continuous learning, sharing experiences and know-how acquired through participation and teamwork.

We promote a working environment prioritising health and safety, providing conditions that proactively contribute towards zero accidents, which simultaneously favours motivation and productivity.

We are greater than the sum of our parts. We advocate a culture of respect, integration and heterogeneity. We are bold, committed, supportive and focused. People are what makes us, and we work for people.

Our performance

In 2022, we invested in our People's personal and professional growth, boosting training initiatives totalling 639,151 hours. At the same time, we continued to promote in-house mobility, valuing the acquisition of different experiences within the organisation. This resulted in a 50% increase in applications from employees already part of MC.

We significantly improved working conditions through our Occupational Health and Safety (OHS) programme. In 2022, the frequency index rate decreased by 17% and the severity index by 19%.

This year, we invested €25 million in strengthening the benefits package for our People in recognition of their dedication and hard work in a particularly challenging economic climate. We also implemented top-notch initiatives with significant cross-sectional impact, fostering the sharing of experiences and the creation of bonds between teams, promoting and strengthening our culture and a sense of belonging within the organisation.

Our initiatives

Investing in skills, opportunities and working conditions

In 2022, we maintained a very clear focus on our People qualification strategy. We are proud to share achievements such as more than 600 training certificates awarded through MC's *Centro Qualifica* (Professional Training Qualification Centre). We also launched a course in Sales Management at the Point of Sale and hosted the 2nd edition of the Retail Management course.

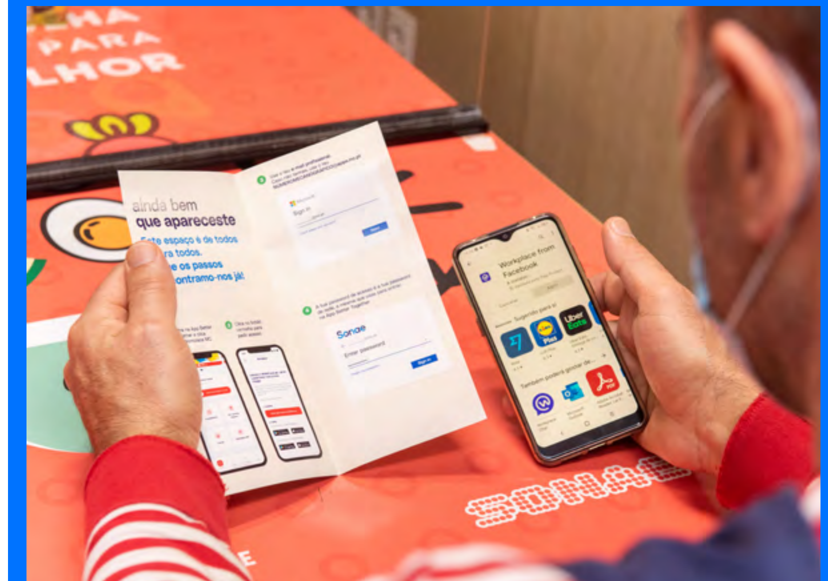
At the same time, we remained on course with our commitment to in-house mobility. Through various awareness and information initiatives, employees sought out new challenges within MC to continue to enrich their professional path. These initiatives meant that in 2022 there was a 50% increase in in-house applications, representing 31% of completed recruitment processes.

In terms of improving working conditions, in 2022, we implemented the Y Model, a programme based on 3 complementary axes: safety, ergonomics and operational efficiency. We carried out a detailed assessment of each axis and the risk forecast of the micro-tasks performed by our People, thus giving us a 360° vision of daily store operations.

Workplace MC

We believe that fostering healthy relationships between our People improves their work experience, increases motivation levels, encourages collaboration and sharing within their job roles, and fosters growth for all involved.
In 2022, we launched an in-house social media service called Workplace, a communication platform that aims to bring employees throughout the organisation closer together in a democratic and transversal manner.

This platform offers our People a channel for autonomous sharing of their achievements, experiences and accomplishments, creating a sense of community that matches our vision for employee relations.



ESTA É A MINHA MARCA

«Esta é a minha marca»

The *«Esta é a minha marca»* (This is my brand) initiative was born in 2022 to give employees a voice and platform to promote their visibility and make them true ambassadors of the MC brand. The initiative had 2 main action pillars:

- **Our Specialists**, employees from Continente stores were given the opportunity to share know-how and offer advice in their areas of expertise, namely regarding themed promotional trade fairs;
- **Recruitment**, we relied on employees across various banners within MC Operations to provide a first-hand account of their roles to leverage the hiring and vacancy advertising processes, alongside our internal and external communication channels.

The actions boosted individual awareness and interaction between teams from different areas, fostering sharing and networking that brought together the corporate structures and field teams.

Enhancing our benefits package

In a year of increased challenges due to the macroeconomic backdrop, we sought to stand by our People and adopt measures to help mitigate the impact of the sharp increase in the cost of living. In 2022, we boosted the employee benefits package with measures such as increasing food allowance and enhancing the food offering in social areas, among others. During Christmas, the Company also provided its employees with a one-off payment of €500. These initiatives represented an annual investment of more than €25 million.

People

Diversity, equity and inclusion

Our vision

At MC, we value heterogeneity and individuality. We seek to make the most of the extraordinary characteristics of our People across the different business areas, contributing to the creation of a unique community with a culture second-to-none which fosters incredible relationships.

We believe that the rich multitude of our teams enables us to provide complete and cross-cutting responses to the challenges posed by the sector and that respecting and valuing differences has a significant impact on our long-term success.

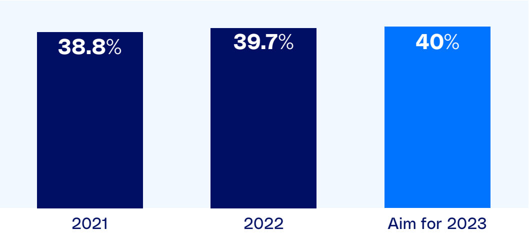
We are firmly committed to our Diversity, Equity, and Inclusion strategy by adopting inclusive recruitment and career progression policies and cross-cutting initiatives to raise awareness and advocate for our People. These are critical issues pertinent to our society's future.

Our performance

At the end of 2022, MC headcount totalled 38,220 people, of whom 68% were women, 75% had a permanent contract, and 75% had a full-time labour contract.

During the year, when pursuing new hires and promotions, we continued to implement initiatives towards achieving our goal of gender equality in leadership positions. Thanks to these efforts, 39.7% of leadership positions were held by women at the end of the year, up by 0.9 pp compared to 2021 and only 0.3 pp shy from our 40% target set for the end of 2023.

Leadership positions held by women



Our initiatives

LGBTQIA+ Campaign

In 2022, as part of our Diversity, Equity and Inclusion strategy, we launched an LGBTQIA+ awareness campaign under the slogan «Be an ally». Via this initiative, we reinforced our stance: we stand for respect and dignity and value uniqueness.

We also launched the second edition of the podcast *#PoderFalarÉPoderSer* (PowerToSpeakIsPowerToBe), featuring Jens Schadendorf, the author of GaYme Changer. This episode reflected upon the importance of this topic for various business areas across the organisation, namely People, Client and Strategy management.

Women In Leadership (WIL)

At MC, we continued to make progress towards gender equality. Our aim is that by 2023 women will occupy 40% of our senior management positions. We have proactively worked on this goal in recent years in terms of recruitment, assessment processes and promotions.

The actions implemented have contributed to getting closer to our objective. At the end of 2022, a total of 39.7% of leadership positions at MC were held by women. This represents an increase of 0.9 pp year-on-year and solely 0.3 pp shy from the goal set for the end of 2023.

«*Vila com Vida*» Project

Continuing efforts which began in 2021 and under the scope of our inclusive employability policy, which is part of our DE&I strategy, we collaborated with the *Vila com Vida* association to test a framework to integrate people with mild intellectual disabilities into our store workforce.

In 2022, we integrated 74% of the candidates who took part in this initiative. We received very positive feedback from the store teams that welcomed them, their relatives and the *Vila com Vida* association. Throughout all the stages, the key highlights were learning, mutual help and personal growth experienced by all participants, in addition to a feeling of belonging and a sense of pride for being part of a movement with such a significant impact on the lives of our new colleagues.

Communities
Supporting society

Our vision

We are committed to scaling up our role as a transformer, in the sense that we can positively impact the Communities where we operate and thus can leverage sustainable development. We are conscious of our contribution to building a more resilient, cohesive and fair society. As such, we have made headway in realising this ambition by working across several complementary lines of action.

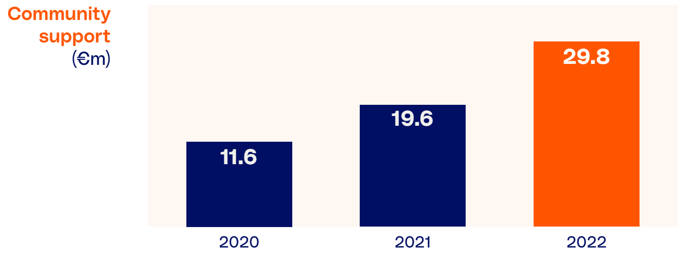
We significantly contribute to supporting our Communities by donating surplus food, devising voucher campaigns and collection of goods, emergency response campaigns and donations. Additionally, we develop solidarity products, which, by creating shared value, enables us to offer aid to even more institutions.

Our performance

Throughout the year, we continued to work closely with a vast nationwide network, significantly increasing the relief assigned to these institutions. Community support totalled €29.8 million in 2022, up 52% year-on-year, directed towards 1,276 institutions. In 2022, we ran the Ukraine Relief Effort. We raised a record-breaking €1.6 million to help support populations affected by the war in Ukraine.

In this regard, we grew our Surplus Food Donation Programme by donating circa €26 million worth of food to institutions and families. On the one hand, this prevented food waste, and on the other helped support the community by providing excellent quality food ready for consumption.

Within the scope of creating products with purpose, we highlight the campaign to sell *Missão Continente* solidarity bags, which raised over €320 thousand to support 5 important social institutions: *Liga Portuguesa Contra o Cancro* (Portuguese League Against Cancer), *Associação Ajudar Moçambique* (Association Help Mozambique), *Fundação do Gil, Associação Portuguesa de Apoio à Vitima* (Portuguese Association for Victim Support) and CASA — *Centro de Apoio ao Sem Abrigo* (Centre for Support for the Homeless).



Our initiatives

«*Missão de Apoio à Ucrânia*» campaign

Missão Continente raised €1.6 million as part of the «*Missão de Apoio à Ucrânia*» (Ukraine Support Mission) to address the social emergency triggered by the outbreak of war in Ukraine. All the money raised went to the Portuguese Red Cross Emergency Fund to help the victims on the ground affected by the conflict, as well as the refugees who, in this case, fled to Portugal.

Between the 4th and 27th of March, MC and Sonae group customers contributed by purchasing solidarity vouchers worth €1 or €5. *Missão Continente* contributed with a €100 thousand donation, and the Zippy and Losan banners donated a total of €10 thousand. Other partner entities also contributed to this donation.

The «Ukraine Support Mission» was *Missão Continente*'s record-breaking fundraiser, in a joint effort with the Portuguese Red Cross that illustrated the strong sense of Portuguese solidarity in believing in and contributing to this mission.

Partnerships for impact

Throughout 2022, *Missão Continente* remained focused on generating positive and significant social changes in its communities and pursued efforts to support local, impactful projects. Via these initiatives, we endeavoured to build purpose, tying in financial support with monitoring, capacity-building, mentoring and using communication and partnership platforms to generate sustainable economic, social and environmental value.

Within this scope, in 2022, we invested in the *Pelos Dois* project (by DTC Social), bringing rescue dogs and prisoners together in a rehabilitation programme. We also invested in the *Ser Mulher* project (by *Mundo a Sorrir*), a project by Women for Women, to help women victims of domestic violence/abuse regain their physical and psychological confidence. Another project we focused on was @mum_on_cv (by *Vida Norte*) to empower pregnant women and new mums regarding employability and returning to the labour market.

Surplus food donations

In 2022, *Missão Continente* donated circa €26 million in food products to more than 1,000 institutions nationwide. Donated items are considered surplus when they cannot be sold but preserve all the necessary conditions to be safely consumed, thus avoiding food waste from a circular economy standpoint.

The daily donations delivered with this programme enabled MC to reinforce its commitment to reducing food waste generated in its business activities and simultaneously provide vital support to Portuguese families in vulnerable situations.

«*Presentes à Mesa*» campaign

As part of the fight against hunger and to help people in need, MC launched the Christmas campaign «*Presentes à Mesa*» (Presents at the Table), raising over €1 million thanks to contributions from our customers. The donations went to the Food Emergency Network and 330 institutions nationwide that act locally in the fight against poverty and hunger.

The campaign ran from the 13th of November until the 8th of January 2023 at Continente stores and online. Customers could purchase solidarity vouchers worth €1 or €5, thus supporting an institution on a national level and a local institution, and making a direct contribution to the community. *Missão Continente* partnered with the Portuguese Football Federation, the Portuguese Nutrition Association and the National School of Public Health.

Communities
Raising awareness and mobilising support

Our vision

We seek to raise awareness and mobilise communities to make better choices for a more sustainable future. We are a platform for raising awareness and disseminating good practices within the scope of healthy eating, active lifestyle and conscientious consumption, to contribute to healthier and more sustainable generations.

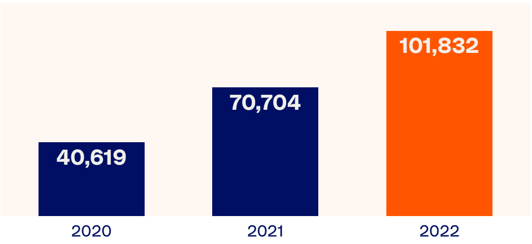
Alongside our partners and specialists in various areas of intervention, we deepened our know-how to develop strategies that respond to the real needs of society. We sought to assess the present and future social, civic and ecological issues, listening to the Communities and debating proposals for intervention in Society, to create positive social value. Our mission is to act in the present to build the future!

Our performance

In 2022, we progressed in our efforts to raise awareness regarding the importance of a healthy and sustainable lifestyle. We extended coverage of our *Escola Missão Continente* programme to more than 100,000 students in over 800 schools, representing a 44% and 22% increase, from last year.

We remained on course with our interventions across 5 priority lines of action as defined by *Missão Continente*: 'Food Waste', 'Social Inclusion', 'Ageing', 'Health' and 'Employment and Digital Transition' We also carried out the «III Great National Sustainability Survey», a study that aimed to bring the topic of sustainable development to all its dimensions of society's agenda.

Number of students enrolled in the «*Escola Missão Continente*»[1]



Number of schools covered by «*Escola Missão Continente*»[1]

1 Mission Continente School

Our initiatives

«*Escola Missão Continente*»

The mission of the «*Escola Missão Continente*» is to promote healthy eating, conscientious consumption and an active lifestyle within school communities ranging from preschool to Years 5 and 6 (2^{nd} Cycle of Basic Education).
In its 7^{th} edition, which corresponds to the 2022/23 academic year, Escola Missão Continente collaborated with 101,832 students and 7,874 teachers across 802 schools from all districts on mainland Portugal and the islands. In this context, schools were provided with content, educational activities, challenges, fun and educational materials, and field visits to encourage younger generations to be healthier and happier.

In 2022, «*Escola Missão Continente*» announced the 1^{st} year results of the study to assess the programme's impact on child health. This was the country's first study of its kind and involved 36 schools spanning Years 1 to 4 (the 1^{st} cycle of compulsory education in Portugal) for 4 consecutive years (2021-2025). The results showed an increase in the consumption of fresh fruit and vegetables by 12% and 9%, respectively, and a decrease in the intake of soft drinks by 11%, considering the sample of students who participated in the educational programme in 2021/22.

Progress across *Missão Continente*'s 5 priority areas

During the Plenary Session of its Strategic Council meeting, *Missão Continente* identified 5 priority areas for action in Portugal for the coming years: 'Food Waste', 'Social Inclusion', 'Ageing', 'Health' and 'Employment and Digital Transition'.

In 2022, the Reflection Groups created to study these themes in depth continued their efforts, assessing and promoting initiatives to support the Community. The second round of Reflection Group meetings took place at the beginning of May. Participation included the most senior representatives from circa 20 public and private organisations in Portugal.

The Groups, which focused on the 5 key areas, were comprised of members from the Portuguese Association of Distribution Companies (APED), the Directorate-General of Education (DGE), the Directorate-General of Health (DGS), the National Association of Family Health Units (USF-AN) and the Agency for Competitiveness and Innovation (IAPMEI), among other important national institutions.

The *Missão Continente* Strategic Council comprises members who are experts in their field and exert influence across different sectors. The goal is to monitor and foster debates on issues related to their business activities, thus enabling consistency throughout the year between *Missão Continente* and its social partners.

Sustainability Barometer

III GRANDE INQUÉRITO NACIONAL DE SUSTENTABILIDADE

Missão Continente is committed to sustainable development, thus positively contributing to the communities in which it operates. In this scope, it conducted the 3^{rd} edition of the «Great National Sustainability Survey», focusing on lifestyles and socio-ecological, civic and economic transitions within the post-pandemic context.

The study was coordinated by OBSERVA/ICS-University of Lisbon and followed on from work carried out on the 2016 and 2018 surveys, aiming to ensure that sustainability is a part of society's agenda and to identify real solutions that will make a difference. The surveys address issues as diverse as food, food waste, the circular economy, product traceability, social inclusion, national production, environmental sustainability and conscientious consumption.

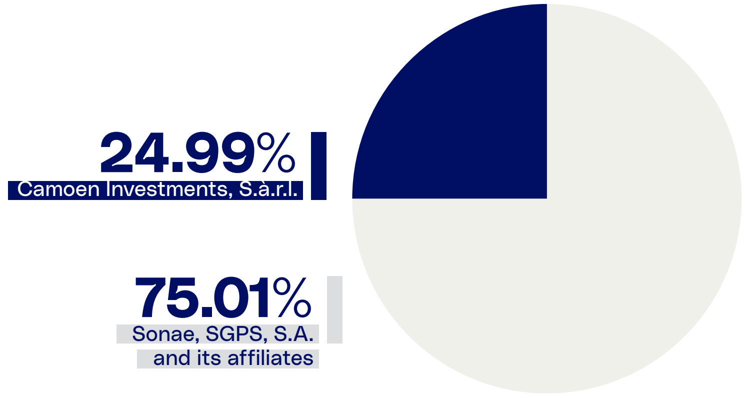
Among multiple findings, the results indicate that 40.7% of Portuguese consumers reused meals by taking a packed lunch to work, 32.1% purchased and consumed less meat, and 24.2% purchased more organic food from sustainable agriculture. The results also showed that the COVID-19 pandemic impacted how the Portuguese relate to nature and carry out daily activities, namely in how often they use these leisure spaces.

Governing principles and practices

Shareholders structure

As at 31st December 2022, MCretail, SGPS, S.A. («MC») fully subscribed and paid-up share capital comprised 1,000,000,000 ordinary shares, at a par value of EUR 1 each.

As at 31st December 2022, 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
- José Côrte-Real
- Jan Reinier Voûte

Board of Directors
- **Chairman** Cláudia Azevedo
- Ângelo Paupério
- João Dolores
- João Günther Amaral
- Jan Reinier Voûte
- Alan Roux

Board Nomination and Remuneration Committee
- **Chair** Cláudia Azevedo
- João Günther Amaral
- Jan Reinier Voûte

Executive Committee
- **CEO** Luís Moutinho
- Rui Almeida
- Isabel Barros
- José Fortunato

Board Audit and Finance Committee
- **Chair** Ângelo Paupério
- João Dolores
- Jan Reinier Voûte

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

Supervisory Structure

Statutory Audit Board
- **Chair** António Trabulo
- Maria José da Fonseca
- Carlos Silva
- **Substitute** José Rebouta

Statutory External Auditor (SEA)
PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.

Represented by:
- Miguel Barroso or António Brochado Correia

SEA alternate
- Catarina Vieira Pereira

Company's Secretary
- **Secretary** Marta Azevedo
- **Substitute** Ana Campos Ferreira

1 The governing bodies and committee's composition refers to this report publication date.

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.

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

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

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.

1st 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; and (ii) maintaining effective internal controls to execute procedures daily.

2nd 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.

3rd 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.

4th 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 7 categories: external, strategic, financial, reputational, human resources, technological and operational. In 2022, a total of 54 risks distributed among these seven categories were identified and assessed.

In addition to the EWRM, within the scope of strategic planning, the following 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

Entreprise Wide Risk Management (EWRM) methodology

0. Process configuration

Definition of the focus of risk management and propose a common language

- Policies and objectives
- Tools and processes

1. Risk identification

Identification and systemisation of the risks that can affect the organisation

- List of risks
- Dictionary and risk taxonomy

2. Risk assessment

Prioritise risk according to the respective impact and probability of occurring

- Risk matrix
- Identification of critical risks
- Designation of risk owners

3. Treatment options

Assess risk treatment options: accept, avoid, mitigate, transfer

- Identification of causes and consequences of risks

4. Risk mitigation

Devise action plans to mitigate and identify key risk indicators (KRIs)

- Risk mitigation action plans
- KRIs

5. Monitoring and reporting

Monitor the deployment of action plans and risk evolution

- Monitoring report
- Risk management annual report

EWRM methodology

Identification and description of the main types of risk

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

2022 Critical risks	Category	Trends compared to 2021
Cyber/technological attacks	Technological	=
Failure of climate change mitigation and adaption	Reputational	=
Lack of organisational agility and simplicity	Human Resources	=
Incapacity to recruit and retain talent	Human Resources	=
Rising energy prices	External	N
Severe commodity price shocks	External	N

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

2022 Critical risks

Risk description	Trend	Mitigation initiatives
Cyber /technological attacks The occurrence of a privacy breach and/or security breach regarding associate, supplier or client data, as well as other business information, due to an inadequate level of information systems protection and/ or risky behaviour by associates, may subject the company to fines and affect its reputation and continuity of its business.	=	**Cyber-risk management** • Execution of cyber intelligence activities; • Consolidation of the cybersecurity governance model; • Preparation of cybersecurity policies and standards; • Definition of the cyber risk management process; • Monitorisation of the bitsight rating; • Execution of awareness-raising initiatives and ethical phishing campaigns; • Establishment of a task force to strengthen the cybersecurity posture of MC, in key areas: identity and access management; cloud services; service providers; security operations center; network segregation and segmentation; business resilience, and awareness and training program; • Development of the crisis management manual for the scenario of unavailability of information systems. **Legal compliance and review of the general data protection regulation (GDPR) level and maturity** • Update of treatment activity records; • Assessment of the impact on personal data protection; • Compliance with requests to exercise rights; • Assessment of personal data breaches; • Training courses and awareness-raising; • Drafting of opinions and recommendations; • Audits.
Failure of climate change mitigation and adaption The inability to adopt, apply or invest in effective measures to mitigate the consequences of climate change, protect and help to adapt the most impacted population or businesses, and the failure to transition to a carbon neutral economy, can negatively affect the company's image, the business viability and its financial performance.	=	• Adoption of the task force on climate-related financial disclosure (TCFD) framework; • Assessment of the business exposure level to climate change and integrate the guidelines defined by the task force on climate-related financial disclosure (TCFD); • Monitorization of targets and implementation of the plan to reduce GHG and the use of plastics; • Annual review of the roadmap considering the regulatory and technological developments.
Lack of organisational agility and simplicity The potential existence of a highly complex and inflexible organisational structure, due to the company's size and the diversity of its businesses, can affect decision-making agility, consequently resulting in missed opportunities.	=	• Reskilling (new job functions); • Digitalization, automation and artificial intelligence; • Enhancement of operational efficiency and new ways of working; • Development of human resources churn predictive analytical models; • Implementation of the workforce strategic planning focused on essential job skills for the future and reskilling trends; • Transformation within our leadership; • Promotion of projects with mixed and multidisciplinary teams; • Development of collaborative it solutions; • Roll-out of kaizen methodologies.

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

CONTINUES

Risk description	Trend	Mitigation initiatives
Incapacity to recruit and retain talent Operating in an increasingly competitive labour market, combined with a lack of attractive career plans, incompatible remuneration and training programmes, may compromise the company's capacity to retain key human resources. This can significantly impact fulfilling the company's objectives and strategy.	=	• Development and strengthening of internal mobility programmes through the creation of a «*Fórum de Talentos*» (talent forum); • Elevate the MC brand as an employer and its value proposition for the associate, by way of emphasising in-house and external communication, by promoting young talent programmes and new work models (remote, on-site or hybrid); • Monitorization and action upon key performance indicators of associates; • Implementation of fast-track development programmes for associates with great potential; • Implementation of strategic planning focused on essential job skills for the future and reskilling trends; • Support the international recruitment through government and diplomatic contacts; • Creation of professional training points of contacts to align training needs for different departments; • Wellness, diversity and inclusion programs.
Rising energy prices Rise in energy prices (mainly in gas and oil) may impact the purchasing power of consumers, as well as increase operational, and product and service costs of companies, potentially resulting in the rationing of energy consumption, directly impacting the business' continuity and creating new challenges to the supply chain.	N	• Creation of the energy forum (monitoring/report; structural and operational measures); • Increase the contracting of renewable energy (solar, wind) via power purchase agreements (PPA) to fix purchasing prices; • Increase energy production through photovoltaic self-consumption plants; • Annual revision of the established roadmap, taking into account regulatory and technological evolutions.
Severe commodity price shocks Abrupt shocks to the supply and demand of systemically important commodities at a global scale, due to supply chain disruptions on suppliers that operate in the conflict zone between ukraine and russia (affecting the supply of food, energy, metals, minerals, chemicals, emissions, etc.), May strain the company and/or household budgets, with a direct impact on business performance.	N	• Identify and pre-approve alternative suppliers/sources to major commodities, to increase inventory levels at reasonable prices; • Distribute the volume purchased of main commodities among several suppliers; • Identify alternative raw materials for composed products, that may deliver similar quality/ taste to end-products; • Encourage the development of national production in raw materials with greater external dependence, and establish contracts with local producers in the medium/long term.

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

CONCLUSION

Highlights in 2022

Cyberattack crisis management

On march 30, 2022, MC was the target of a cyberattack that impacted our central structures, commercial sites and stores. After detecting the incident, the crisis management team was activated, focusing on the analysis and characterization of the incident, as well as the implementation of containment, mitigation and recovery actions.

After a rapid and successful crisis resolution, a strengthening plan for cybersecurity risk management was approved, which includes several initiatives in the domain of prevention and resilience.

COVID-19 crisis management

MC continued the management of COVID-19, following closely the recommendations issued by international authorities, namely the World Health Organization and The European Center for Disease Prevention and Control, and the Directorate-General of Health (DGS).

In 2022, despite the easing of impacts caused by the COVID-19 pandemic, the priority of guaranteeing the safety of our people and customers was maintained.

Other relevant projects

- Adequacy of processes and procedures to ensure compliance with the whistleblowers protection law[1] and with the general scheme for the prevention of corruption[2] (RGPC);
- Development of the crisis management manual for the scenario of unavailability of information systems;
- Publication of the first report adopting the TCFD framework (task force on climate-related financial disclosures), with the aim of providing consistent financial information concerning climate risks to support the decision-making of diverse shareholders;
- Promoting events for sharing and exchanging experiences concerning risk management, namely the participation in the portuguese risk management think tank.

1 Law no. 93/2021 of 20 december; 2 Decree-law no. 109-E/2021 of 9 december

Financial statements

Financial statements index

Consolidated financial statements

Consolidated statements of financial position

as at 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Assets			
Non-current assets			
Property, plant and equipment	6	1,395,172,455	1,360,810,433
Intangible assets	7	268,230,179	261,638,861
Right-of-use assets	8	945,066,393	933,496,274
Goodwill	9	454,900,067	454,900,067
Investments in joint ventures and associates	10	9,668,001	4,719,952
Assets at fair value through profit and loss	5, 11	12,068,685	16,205,006
Deferred tax assets	19	307,092,034	282,653,191
Other non-current assets	5, 12	23,208,960	13,045,097
Total non-current assets		3,415,406,774	3,327,468,881
Current assets			
Inventories	13	455,384,024	387,406,042
Trade receivables	5, 14	59,513,496	59,968,030
Other receivables	5, 15	93,544,118	90,252,899
Income tax assets	17, 41	43,213,192	26,855,537
Other tax assets	16	3,217,331	19,242,159
Other current assets	18	43,554,828	43,203,286
Other investments	5, 11	591,578	7,106,548
Cash and cash balances	5, 20	201,641,542	198,802,965
Total current assets		900,660,107	832,837,466
Non-current assets held for sale	6	–	979,955
Total assets		**4,316,066,881**	**4,161,286,302**

The accompanying notes are part of these consolidated financial statements.

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Equity and liabilities			
Equity			
Share capital	21	1,000,000,000	1,000,000,000
Legal reserve		200,000,000	198,366,897
Reserves and retained earnings	21	(544,411,074)	(527,467,848)
Profit/(Loss) for the period attributable to the equity holders of the parent company		179,241,981	222,006,491
Equity attributable to the equity holders of the parent company		834,830,907	892,905,540
Equity attributable to non-controlling interests	22	32,316,824	28,905,843
Total equity		**867,147,731**	**921,811,383**
Liabilities			
Non-current liabilities			
Loans	5, 23	323,658,221	288,414,334
Bonds	5, 23	224,086,295	223,620,524
Lease liabilities	5, 8	1,038,006,634	1,001,111,372
Other non-current liabilities	5, 25	19,735,905	22,875,692
Deferred tax liabilities	19	383,179,693	361,624,611
Provisions	30	7,557,109	6,753,035
Total non-current liabilities		1,996,223,857	1,904,399,568
Current liabilities			
Loans	5, 23	62,718,236	810,133
Bonds	5, 23	–	72,423,939
Other loans	5, 23	–	74,764
Lease liabilities	5, 8	71,528,483	80,901,632
Trade payables	5, 27	896,850,499	795,493,038
Other payables	5, 28	101,409,870	89,749,738
Income tax liabilities	17, 41	32,848,305	35,733,124
Other tax liabilities	16	82,182,175	68,474,647
Other current liabilities	29	203,649,998	189,927,732
Provisions	30	1,507,728	1,486,604
Total current liabilities		1,452,695,294	1,335,075,351
Non-current liabilities held for sale	–	–	–
Total liabilities		**3,448,919,151**	**3,239,474,919**
Total equity and liabilities		**4,316,066,882**	**4,161,286,302**

The accompanying notes are part of these consolidated financial statements.

Consolidated income statements

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Sales	34	5,837,016,889	5,234,350,867
Services rendered	34	141,319,947	127,281,079
Gains and losses on investments	35	457,329	(1,088,603)
Other income	37	128,735,881	99,023,434
Cost of goods sold and materials consumed	13	(4,208,686,664)	(3,757,387,710)
External supplies and services	38	(551,743,537)	(491,276,172)
Employee benefits expense	39	(705,068,600)	(622,451,111)
Other expenses	40	(81,143,494)	(56,635,173)
Depreciation and amortisation expenses	6, 7, 8	(269,853,079)	(258,780,921)
Impairment losses	30	(8,541,127)	4,508,097
Provisions	30	(21,124)	(476,036)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax		**282,472,422**	**277,067,751**
Dividends received during the year	35	488	200,488
Share of profit or loss of joint ventures and associates	10	1,897,812	1,208,228
Financial income	36	60,953,028	27,894,948
Financial expense	36	(136,476,350)	(107,449,796)
Profit from continuing operations before tax		**208,847,400**	**198,921,619**
Income tax expense	41	(25,913,744)	(20,850,975)
Profit from continuing operations for the period		**182,933,656**	**178,070,644**
Profit/(Loss) from discontinued operations after taxation		–	49,942,366
Consolidated profit/(Loss) for the period		**182,933,656**	**228,013,010**
Attributable to owners of the company			
Continuing operations		179,241,981	176,031,131
Discontinued operations		–	45,975,360
		179,241,981	222,006,491
Attributable to non-controlling interests			
Continuing operations		3,691,675	2,039,511
Discontinued operations		–	3,967,008
		3,691,675	6,006,519
Profit/(Loss) per share			
From continuing operations			
Basic	43	0.179242	0.176031
Diluted	43	0.179242	0.176031
From discontinued operations			
Basic	43	–	0.045975
Diluted	43	–	0.045975

The accompanying notes are part of these consolidated financial statements.

Consolidated statements of comprehensive income

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Net profit/(Loss) for the period		182,933,656	228,013,010
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		(366,351)	188,460
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	10.3	(859,194)	–
Changes in hedge and fair value reserves		9,040,034	8,537,283
Income tax relating with other components of comprehensive income		(2,183,861)	5,107,141
Others		6,554	(44,450)
Other comprehensive income for the period		5,637,182	13,788,434
Total other comprehensive income for the period		5,637,182	13,788,434
Total comprehensive income for the period		**188,570,838**	**241,801,444**
Attributable to			
Equity holders of parent company		184,925,367	235,720,081
Non-controlling interests		3,645,471	6,081,363

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of changes in equity

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Share capital	Legal reserve	Reserves and retained earnings				Net Profit/(Loss)	Total	Non-controlling interests[1]	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 at 1 Jan 2021	1.000.000.000	186.480.406	8.006.476	1.959.877	(545.994.852)	(536.028.499)	143.349.796	793.801.703	49.963.472	843.765.175
Total compreensive income for the period	–	–	188.460	13.569.432	(44.302)	13.713.590	222.006.491	235.720.081	6.081.363	241.801.444
Appropriation of profit of 2020										
Transfer to legal reserves and retained earnings	–	11.886.491	–	–	131.463.305	131.463.305	(143.349.796)	–	–	–
Dividends distributed	–	–	–	–	(140.000.000)	(140.000.000)	–	(140.000.000)	–	(140.000.000)
Income distribution[1]	–	–	–	–	–	–	–	–	(120.104)	(120.104)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(26.326.525)	(26.326.525)
Variation in percentage of affiliated companies	–	–	–	–	4.052.674	4.052.674	–	4.052.674	(652.185)	3.400.489
Others	–	–	–	–	(668.918)	(668.918)	–	(668.918)	(40.179)	(709.097)
Balance at 31 Dec 2021	**1.000.000.000**	**198.366.897**	**8.194.936**	**15.529.309**	**(551.192.093)**	**(527.467.848)**	**222.006.491**	**892.905.540**	**28.905.843**	**921.811.383**
Balance at 1 Jan 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[1]	–	–	–	–	–	–	–	–	(234.490)	(234.490)
Others	–	–	–	–	–	–	–	–	–	–
Balance at 31 Dec 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**

1. Note 22

The accompanying notes are part of these consolidated financial statements.

Consolidated statement of cash flows

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Operating activities			
Receipts from customers		5,991,356,357	5,431,543,512
Payments to suppliers		(4,695,706,363)	(4,262,495,270)
Payments to employees		(689,648,214)	(620,147,978)
Cash flow generated by operations		606,001,780	548,900,264
Income taxes (paid)/received		(41,220,155)	(20,187,422)
Other cash receipts/(payments) relating to operating activities		8,970,042	(13,994,931)
Net cash flow from operating activities (1)		**573,751,667**	**514,717,912**
Investment activities			
Receipts arising from			
Investments	44	1,230,247	44,733,980
Property, plant and equipment		2,826,267	6,689,958
Intangible assets		551,220	12,099,941
Interests and similar income		1,429,256	433,767
Dividends		1,435,764	756,572
		7,472,754	64,714,218
Payments arising from			
Investments	44	(2,257,724)	(23,277,954)
Property, plant and equipment		(162,337,663)	(141,421,093)
Intangible assets		(35,904,184)	(26,668,473)
		(200,499,571)	(191,367,520)
Net cash used in/generated by investment activities (2)		**(193,026,817)**	**(126,653,302)**

The accompanying notes are part of these consolidated financial statements.

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Financing activities			
Receipts arising from			
Loans obtained	31	984,266,713	742,467,899
		984,266,713	742,467,899
Payments arising from			
Lease liabilities		(159,974,598)	(152,256,648)
Loans obtained	31	(951,189,709)	(823,119,305)
Interests and similar charges		(7,932,780)	(10,776,046)
Dividends		(243,234,490)	(140,120,104)
		(1,362,331,577)	(1,126,272,103)
Net cash used in financing activities (3)		**(378,064,864)**	**(383,804,204)**
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		**2,659,986**	**4,260,406**
Effect of foreign exchange rate		**(215,855)**	**(151,569)**
Cash and cash equivalents at the beginning of the period	20	**198,692,793**	**194,280,818**
Cash and cash equivalents at the end of the period	20	**201,568,634**	**198,692,793**

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 2022 and 2021
(Amounts expressed in euro)

1. Introduction

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 10, 11 and 46 as MC Group.

Key events during the year

War in Ukraine

The year 2022 was marked by the invasion of Ukraine by Russia and the consequent deterioration of the international economic and geopolitical context.

The conflict caused an increase in prices in international markets for energy and food commodities, creating pressure on most prices in advanced economies and pushing inflation to historically high levels. In Portugal, we also witnessed an increase in inflation, and in particular food inflation, with direct impacts on the food retail sector.

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

The demanding economic context led to a change in household consumption habits, with trends towards the substitution of certain items for more accessible proposals (trading down). Consumers have increased demand for lower-priced and private-label products, as well as savings opportunities (such as promotions, bulk purchases and loyalty discounts).

In this environment, MC prioritized supporting Portuguese families and adapting to the evolution of their consumption habits, focusing on offering accessible and high quality proposals.

2. Principal accounting policies

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

2.1. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards («IFRS») as adopted by the European Union and applicable to economic periods beginning on 1 January 2021, issued by the International Accounting Standards Board («IASB»), and interpretations issued by the IFRS Interpretations Committee («IFRS – IC») or by the previous Standing Interpretations Committee («SIC»), as adopted by the European Union as at the consolidated financial statements issuance date.

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

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

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

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

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

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

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

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

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions some of which become mandatory during the year 2022:

Standards (new and amendments) effective as at 1 January 2022	Changes	Effective date*
IAS 16 Proceeds before intended use	Prohibition of deducting the proceeds obtained from the sale of items produced during the testing phase, to the acquisition cost of property, plant and equipment.	01 Jan 2022
IAS 37 Onerous contract – cost of fulfilling a contract	Clarification about the nature of the expenses to be considered in determining whether a particular contract has become onerous.	01 Jan 2022
IFRS 3 Reference to the Conceptual framework	Update to references to the Conceptual Framework and clarification on the registration of provisions and contingent liabilities within the scope of a business combination.	01 Jan 2022
Annual Improvements cicle 2018 – 2020	Specific amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	01 Jan 2022

* (for financial years beginning on or after)

These standards were applied for the first time by the Group in 2022. 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.

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 2023, already endorsed by the EU	Changes	Effective date*
IAS 1 Disclosure of accounting policies	Disclosure requirement for «material» accounting policies, rather than «significant» accounting policies.	01 Jan 2023
IAS 8 Disclosure of accounting estimates	Definition of accounting estimate. Clarification as to the distinction between changes to accounting policies and changes to accounting estimates.	01 Jan 2023
IFRS 17 Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participating features in profit or loss, in terms of aggregation, recognition, measurement, presentation and disclosure.	01 Jan 2023
IFRS 17 Initial Application of IFRS 17 and **IFRS 9** Comparative Information	This amendment allows to avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented, when first applying IFRS 17. This amendment allows the application of a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.	01 Jan 2023
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 initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences, because of not being relevant for tax purposes.	01 Jan 2023

* (for financial years beginning on or after)

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2022 due to the fact that their application is not mandatory. No significant impacts are expected on the financial statements resulting from their adoption.

The following standards, interpretations, amendments and revisions were not at 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 2023, not yet endorsed by the EU	Changes	Effective date*
IAS 1 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.	01 Jan 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.	01 Jan 2024

* (for financial years beginning on or after)

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2022 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

2.2. Consolidation principles

The consolidation methods adopted by MC are as follows:

2.2. a) Investments in controlled companies

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

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

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

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

Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated statement of financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 46.

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

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

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

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

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

2.2. b) Investments in the joint ventures and associates

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

In situations where the investment or financial interest and the contract concluded between the parties allows the entity holds joint control directly on the active or detention rights obligations inherent liabilities related to this agreement, it is considered that such joint agreement does not correspond to a joint venture but rather a jointly controlled operation. As at 31 December 2022 and 2021 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 (2.13 a) iii)).

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

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

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

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

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.

Investments in jointly controlled and associates are disclosed in Note 10.

2.2. c) Goodwill

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

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

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

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

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

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

Impairment losses relating to Goodwill 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.

2.2. d) Translation of financial statements of foreign companies

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

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

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

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

	31 Dec 2022		31 Dec 2021	
	End of exercise	Average of exercise	End of exercise	Average of exercise
Brazilian Real	0.17735	0.18458	0.15848	0.15694

2.3. Property, plant and equipment

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

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

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

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

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

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

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

	Years
Buildings	10 to 50
Plants and machinery	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».

2.4. Intangible assets

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

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

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

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

Expenditure on development, for which MC demonstrates the capacity to complete its development and start its 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 37).

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

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

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

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

2.5. Rights of use assets and lease liabilities

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

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

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

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

2.5. a) Rights of use of assets

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

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

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

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

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

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

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

For low-value asset leases, the Group does not 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.

2.5. b) Lease liabilities

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

Lease payments include fixed payments (including fixed payments in substance), deducted from any incentives to receive, variable payments, dependent on an index or a rate, and expected values to be paid under residual value guarantees.

Lease payments also include the exercise price of a purchase option, if it is reasonably certain that the Group will exercise the option, and payments of penalties for termination of the contract, if it is reasonably certain that the Group will terminate the contract.

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

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

Extension and termination options are provided for in various lease agreements and their application is based on operational 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.

2.5. c) The accounting treatment of Sale and Leaseback operations

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

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

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

2.6. Leases from the perspective of the lessor

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

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

2.7. Non-current assets and liabilities held for sale

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

Regarding the classification of financial holdings as held for sale:

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

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

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

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

2.8. Government grants and other public entities

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

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

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

2.9. Impairment of non-current assets, except for goodwill

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

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

The recoverable amount is the highest of the net selling price and the value in use. The net selling price is the amount that would be obtained with the sale of the asset, in a transaction between independent and knowledgeable entities, less expenses directly attributable to the sale. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

In situations where the use of the asset will be expectedly discontinued (stores to be closed or on the refurbishment processes) the Group performs a review of the assets useful life after considering its impact on the value of use of that asset far terms of impairment analysis, particularly on the net book value of the assets to 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 income statement as «Other income». However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.10. Financial expenses relating to loans obtained

Financial expenses related to loans obtained directly attributable to the acquisition, construction or production of property, plant and equipment and intangible assets, are 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.

2.11. Inventories

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

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

2.12. Provisons

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

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

2.13. Financial instruments

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

2.13. a) Financial assets

Recognition

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

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

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

Financial assets may be classified in the following measurement categories:

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

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

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

Measurement

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

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

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

Impairment losses

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

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

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

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

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

Derecognition of financial assets

MC 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.

2.13. b) Loans granted

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

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

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

Balances are classified as current assets when collection is estimated within 12 months. The balances are classified as non-current if the estimated charge occurs more than 12 months after the reporting date. These financial assets are included in the caption presented in Note 5.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in Note 2.13.a). As at 31 December 2022, when there was evidence that they were impaired, the corresponding adjustment to profit and loss was recorded.

2.13. c) Trade receivables and Other receivables

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

«Trade receivables» and «Other receivables» captions are initially recognised at fair value and are subsequently measured at amortised cost, net of impairment adjustments.

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

2.13. d) 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.

2.13. e) Classification as equity or liabilities

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

Equity instruments 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.

2.13. f) Financial liabilities

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

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

As at 31 December 2022, MC has only recognised liabilities classified as «Financial liabilities at amortised cost».

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

2.13. g) Loans

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

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

2.13. h) Trade payables and other payables

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

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

2.13. i) Confirming

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

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

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

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

2.13. j) 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:

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

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

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

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

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

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

In specific situation, MC may enter into derivatives on exchange rates in order to hedge the risk of fluctuations in future cash flows caused by changes in those exchange rates, which may not qualify as hedging instruments in accordance with IFRS 9, being the effect of revaluation at fair value of such derivatives recorded under «Financial income and gains» or «Financial expenses and losses» in the income statement.

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

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

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

2.13. k) Own shares

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

2.14. Contingent assets and liabilities

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

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

2.15. Income tax and other taxes

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

MC is covered by the Special Taxation Regime for Groups of Companies («Regime Especial de Tributação dos Grupos de Sociedades» – RETGS), of which Sonae, SGPS, S.A. is dominant society since 1 January 2014. The calculated balances of tax receivable or payable are included in the caption in the statement of financial position «Income tax».

Current income tax is 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 used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each statement of financial position date, a review is made of the deferred tax assets recognised, being reduced whenever their future use is no longer probable.

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

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

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

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

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

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

2.16. Revenue

Revenue corresponds to the fair value of the amount received or receivable from transactions with customers in the normal course of the Group's activity. Revenue is recorded net of any taxes, commercial discounts and other costs inherent to its 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 consulting projects, developed in the area of information systems, which are recognised, in each year, in accordance with the performance obligation to which they relate, according to the percentage of performance. The group recognises revenue over time by measuring progress towards full compliance with that performance obligation.

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

2.17. Accrual basis

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

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

2.18. Commercial revenue

Commercial revenues, which includes amounts relating to supplier's agreements are based of carrying out an in-store service (flyers, product placement, advertising, etc. ...) or contribution in promotional campaigns for supplier products. These amounts affect the value of goods inventories and are deducted from the «Cost of sales» as the respective goods are sold. Commercial revenues are to be formally agreed, with the identification of the dates of the service or for the promotional campaign and value agreement with the supplier, and their recognition depends on the fulfilment of performance obligations. Commercial revenue agreements lead to the issuance of financial document(s) to suppliers, which are discounted in future invoice payments or through direct collection to partners. The amounts that have not yet been invoiced to the supplier are recorded under «Other current assets».

2.19. Balances and transactions expressed in foreign currencies

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

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

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

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

2.20. Subsequent events

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

2.21. Judgements and estimates

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

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

a) Depreciation and amortisation of the property, plant and equipment, intangible assets and right of use assets (Notes 2.3, 2.4, 2.5, 6, 7 and 8);

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

c) Impairment analysis of goodwill in investments in associated companies and jointly controlled entities and of property, plant and equipment and intangible assets (Notes 2.2.b), 2.2.c), 2.3, 2.4, 2.9, 6, 7 and 9);

d) Recognition of adjustments on assets, provisions and contingent liabilities (Notes 2.15, 30 and 32);

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

f) Recoverability of deferred tax assets (Note2.15 and 19);

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

h) Impairment of financial assets (Note2.13.a) and 30);

i) Financial assets at fair value through other comprehensive income or profit and loss (Notes 2.13 a) and 11);

j) Entities included in the consolidation perimeter (Note 2.2.a) and 2.2.b)).

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

Terms of rights of use assets

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

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

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

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

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

Impairment of financial assets

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

Recognition of provisions and analysis of contingent liabilities

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

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

Recoverability of deferred tax assets

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

Tax impacts of applying IFRS 16

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

Entities included in the consolidation perimeter

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

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

2.22. Legal reserves, other reserves and retained earnings

Legal reserves:

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

Cash flow hedging reserve:

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

Currency translation reserve:

The 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 2.2.d).

3. Financial risk management

3.1. Introduction

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

3.2. Credit risk

Credit risk is defined as the probability of a counterparty defaulting on its contractual obligations resulting in a financial loss. It is shown in two major ways:

3.2.1. Credit risk arising from Financial Instruments, financial investments, derivatives and loans to related entities

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

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

- Additionally, regarding the amounts considered in Note 20, cash and cash equivalents, reinforce that the applications made are always for short periods, coinciding whenever possible with scheduled payments and maximum exposure limits are defined for each of the counterparties in order to avoid significant concentration of counterparty risk;

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

- In addition, in relation to treasury surpluses: i) these are preferably used, whenever possible and where it is most efficient, either in the repayment of existing debt, or invested preferably in relationship banks, thus reducing the net exposure these Institutions; and ii) can only be applied to previously 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.

3.2.2. 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.

3.3. Liquidity risk

MC has a regular need to use external funds to finance its current activity and its expansion plans and has a diversified portfolio of long-term financing, consisting of inter alia loans and structured transactions, but which also includes a variety other short-term financing operations, in the form of commercial paper and credit lines. As at 31 December 2022, the total consolidated gross debt (excluding supplies and lease liabilities) is 610.5 million euro (as at 31 December 2021 it was 585.4 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 2022, the average maturity of MC's debt is approximately 4.6 years (2021: 4.5 years);

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

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

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

The analysis of the maturity of each of the passive financial instruments is presented in Notes 23, 27 and 28, with undiscounted values and based on the most pessimistic scenario, that is, the shortest period in which the liability becomes due.

MC maintains a liquidity reserve in the form of credit lines together with the banks with which there are activities. This is to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms. In 31 December 2022, as described in Note 23, the consolidated loan amount maturing in 2023 is of 62.7 million euro (73.4 million euro maturing in 2021) and in 31 December 2022 MC had 161 million euro available in consolidated credit lines (96 million euro in 2021) with commitment less than or equal to one year and 275 million euro (190 million euro in 2021) with a commitment greater than one year.

Additionally, as at 31 December 2022, MC had a liquidity reserve consisting of cash and cash equivalents of 201,6 million euro (198.7 million euro as at 31 December 2021) (Note 20).

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

3.4. Interest rate risk

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

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

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

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

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

- Since the beginning of the transaction, the maximum cost of indebtedness, resulting from the hedging operation carried out, is known and limited, even in scenarios of extreme changes in market interest rates, trying to ensure that the resulting level of rates is compatible the cost of funds considered in the respective company's business plan, or at least in extreme interest rate hike scenarios does not exceed the cost of financing indexed to the underlying variable rate;

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

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

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

- All transactions which do not follow the rules mentioned above have to be individually approved by Board of Directors, namely transactions entered into with the purpose of 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.

3.4.1. Sensitivity analysis

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

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

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

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

- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IFRS 9 affect other financial income or expense (gain/loss in change of the derivatives fair value) therefore it has taken into consideration in the sensitivity calculations for changes in interest rate;

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

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

Under these assumptions, if euro interest rate of denominated financial instruments had been 100 basis points higher, the consolidated net profit before tax of MC for the period ended as at 31 December 2022 would decrease by approximately 4,2 million euro (4,2 million euro decrease as at 31 December 2021).

3.5. Exchange risk

3.5.1. Policies

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

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

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

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

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

3.5.2. Exposure and sensitivity analyses

As at 31 December 2022 and 2021 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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
British Pound	429	920	15,133	37,745
US Dollar	4,437,127	1,908,137	4,708,331	6,016,371
Other Currencies	1,071	6,064	–	–

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.

3.6. Energy price risk

MC is a consumer of electricity in its various businesses and also has a subsidiary that buys electricity in an 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 IS.A. – International Swaps and Derivatives Association.

3.7. Capital risk

The capital structure of MC, determined by the proportion of equity and net debt is managed in order to ensure continuity and development of its operations, 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.

4. Changes occurred in the consolidation perimeter

Disposals of subsidiaries that occurred in 2021

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

As of 31 December 2021, the caption «Earnings after tax from discontinued operations» in the amount of 49.9 million euros includes 42 million euros of capital gain related to this sale.

5. Classes of financial instruments

As at 31 December 2022 and 2021, the categories and fair value of the financial instruments were classified as follows:

Financial assets – 31 Dec 2022

	Notes	Financial assets at amortised cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statement	Other non-financial assets	Total
Non-current assets						
Assets at fair value through profit and loss	11	–	–	12,068,685	–	12,068,685
Other non-current assets	12	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	14	59,513,496	–	–	–	59,513,496
Other receivables	15	73,497,482	18,242,079	–	1,804,557	93,544,118
Other investments	11	–	591,578	–	–	591,578
Other current assets	18	17,462,346	–	–	26,092,482	43,554,828
Cash and cash equivalents	20	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 – 31 Dec 2022

	Notes	Financial liabilities at amortised cost	Liabilities at fair value through the other comprehensive income	Liabilities at fair value through the income statement	Other non-financial liabilities	Total
Non-current liabilities						
Bank loans	23	323,658,221	–	–	–	323,658,221
Bonds	23	224,086,295	–	–	–	224,086,295
Other non-current liabilities	25	1,477,476	–	–	18,258,429	19,735,905
		549,221,992	–	–	18,258,429	567,480,421
Current liabilities						
Bank loans	23	62,718,236	–	–	–	62,718,236
Trade payables	27	896,850,499	–	–	–	896,850,499
Other payables	28	101,409,870	–	–	–	101,409,870
Other current liabilities	29	–	–	–	203,649,998	203,649,998
		1,060,978,605	–	–	203,649,998	1,264,628,603
		1,610,200,597	–	–	221,908,427	1,832,109,024

Financial assets – 31 Dec 2021

	Notes	Financial assets at amortised cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statement	Other non-financial assets	Total
Non-current assets						
Assets at fair value through profit and loss	11	–	–	16,205,006	–	16,205,006
Other non-current assets	12	8,555,496	–	–	4,489,601	13,045,097
		8,555,496	–	16,205,006	4,489,601	29,250,103
Current assets						
Trade receivables	14	59,968,030	–	–	–	59,968,030
Other receivables	15	66,449,927	21,726,007	–	2,076,965	90,252,899
Other investments	11	–	7,106,548	–	–	7,106,548
Other current assets	18	20,514,130	–	–	22,689,156	43,203,286
Cash and cash equivalents	20	198,802,965	–	–	–	198,802,965
		345,735,052	28,832,555	–	24,766,121	399,333,728
		354,290,548	28,832,555	16,205,006	29,255,722	428,583,831

Financial liabilities – 31 Dec 2021

	Notes	Financial liabilities at amortised cost	Liabilities at fair value through the other comprehensive income	Liabilities at fair value through the income statement	Other non-financial liabilities	Total
Non-current liabilities						
Bank loans	23	288,414,334	–	–	–	288,414,334
Bonds	23	223,620,524	–	–	–	223,620,524
Other non-current liabilities	25	1,436,783	–	–	21,438,909	22,875,692
		513,471,641	–	–	21,438,909	534,910,550
Current liabilities						
Bank loans	23	810,133	–	–	–	810,133
Bonds	24	72,423,939	–	–	–	72,423,939
Other loans	23, 24	74,764	–	–	–	74,764
Trade payables	27	795,493,038	–	–	–	795,493,038
Other payables	28	89,749,738	–	–	–	89,749,738
Other current liabilities	29	–	–	–	189,927,732	189,927,732
		958,551,612	–	–	189,927,732	1,148,479,344
		1,472,023,253	–	–	211,366,641	1,683,389,894

Financial Instruments recognised at fair value

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

	31 Dec 2022			31 Dec 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Other non-current assets[1, 2]	–	14,011,577	–	–	–	–
Assets at fair value through profit and loss[3]	–	–	12,068,685	–	–	16,205,006
Other receivables[4, 2]	–	18,242,079	–	–	–	–
Other investments[3, 2]	–	591,578	–	–	28,832,555	–
	–	**32,845,234**	**12,068,685**	**–**	**28,832,555**	**16,205,006**
Financial liabilities measured at fair value						
Other current liabilities[5, 2]	–	1,743,200	–	–	71,668	–
	–	**1,743,200**	**–**	**–**	**71,668**	**–**

1. Note 12 2. Note 24 3. Note 11 4. Note 15 5. Note 29

6. Property, plant and equipment

During the periods ended as at 31 December 2022 and 2021, the movements in Property, plant and equipment as well accumulated depreciation and impairment losses are made up as follows:

Property, plant and equipment	Land and buildings	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Tangible assets in progress	Total property, plant and equipment
Gross assets							
Opening balance at 1 Jan 2021	1,093,044,101	1,408,316,669	26,317,349	132,061,868	46,662,051	32,346,955	2,738,748,993
Investment	9,720,739	3,956,190	34,929	2,174,375	333,673	135,982,604	152,202,510
Acquisitions of subsidiaries	21,459,036	–	–	–	–	–	21,459,036
Disposals	(384,725)	(28,139,681)	(672,056)	(3,013,630)	(1,457,999)	(6,142,885)	(39,810,976)
Disposals of subsidiaries	(34,124,727)	(23,836,170)	(1,839,627)	(1,244,794)	(1,199,098)	(25,963)	(62,270,379)
Exchange rate effect	–	–	–	31	–	–	31
Transfers	2,974,528	112,032,255	2,711,188	11,037,621	2,034,635	(135,172,852)	(4,382,625)
Opening balance at 1 Jan 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)
Closing balance at 31 Dec 2022	**1,105,147,579**	**1,561,516,420**	**28,088,497**	**127,127,687**	**47,009,827**	**30,913,916**	**2,899,803,926**
Accumulated depreciation and impairment losses							
Opening balance at 1 Jan 2021	371,741,713	842,137,938	18,718,719	92,860,489	37,235,912	–	1,362,694,771
Depreciation of period	16,191,142	98,062,361	1,801,623	12,234,768	3,324,282	–	131,614,176
Impairment losses of the period[1]	5,332,361	5,177,646	–	7,601	–	–	10,517,608
Acquisitions of subsidiaries	756,164	–	–	–	–	–	756,164
Disposals	(681,388)	(24,170,294)	(613,868)	(2,871,497)	(1,439,128)	–	(29,776,175)
Disposals of subsidiaries	(10,175,614)	(16,260,536)	(1,312,611)	(969,538)	(969,635)	–	(29,687,934)
Exchange rate effect	–	–	–	11	–	–	11
Transfers	(425,213)	(268,472)	(3,788)	(265,019)	(19,972)	–	(982,464)
Opening balance at 1 Jan 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[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)
Closing balance at 31 Dec 2022	**396,355,177**	**961,114,821**	**18,867,860**	**88,653,085**	**39,640,528**	**–**	**1,504,631,471**
Carrying amount at 31 Dec 2021	**709,949,787**	**567,650,620**	**7,961,708**	**40,018,656**	**8,241,803**	**26,987,859**	**1,360,810,433**
Carrying amount at 31 Dec 2022	**708,792,402**	**600,401,599**	**9,220,637**	**38,474,602**	**7,369,299**	**30,913,916**	**1,395,172,455**

1. Note 30

The investment includes the acquisition of assets of approximately 165 million euro (135 million euro in 2021), mainly associated with the opening and remodelling of stores.

Disposal in the years 2022 and 2021 can be analysed as follow:

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							
Disposals	(6,266,627)	(54,739,465)	(1,394,614)	(24,846,960)	(1,519,933)	(991,892)	(89,759,491)
Sale and Leaseback	–	–	–	–	–	–	–
Closing balance at 31 Dec 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)
Sale and Leaseback	–	–	–	–	–	–	–
Closing balance at 31 Dec 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	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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							
Disposals	(384,725)	(28,139,681)	(672,056)	(3,013,630)	(1,457,999)	(6,142,885)	(39,810,976)
Sale and Leaseback	–	–	–	–	–	–	–
Closing balance at 31 Dec 2021	**(384,725)**	**(28,139,681)**	**(672,056)**	**(3,013,630)**	**(1,457,999)**	**(6,142,885)**	**(39,810,976)**
Accumulated depreciation and impairment losses							
Disposals	(681,388)	(24,170,294)	(613,868)	(2,871,497)	(1,439,128)	–	(29,776,175)
Sale and Leaseback	–	–	–	–	–	–	–
Closing balance at 31 Dec 2021	**(681,388)**	**(24,170,294)**	**(613,868)**	**(2,871,497)**	**(1,439,128)**	**–**	**(29,776,175)**
Carrying amount							
Disposals	**296,663**	**(3,969,387)**	**(58,188)**	**(142,133)**	**(18,871)**	**(6,142,885)**	**(10,034,801)**
Sale and Leaseback	**–**	**–**	**–**	**–**	**–**	**–**	**–**

As at 31 December 2021, the caption «Non-current assets held for sale» relates to a retail property located in Portugal, which was sold in January 2022.

Most of MC's real estate assets as of 31 December 2022 and 2021, 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 6.75% and 9.00% (6.75% and 9.00%, also in 2021), 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 2022.

The most significant amounts included under the caption «Tangible fixed assets in progress» include approximately 25 million euros (22 million euros as at 31 December 2021) 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	Tangible assets in progress	Total property, plant and equipment
Impairment losses							
Opening balance at 1 Jan 2021	82,218,253	8,120,406	13,273	338,869	37,825	–	90,728,626
Discontinued operations	(562,338)	(3,393)	–	(4)	–	–	(565,735)
Impairment losses of the period[1]	5,332,361	5,177,646	–	7,601	–	–	10,517,608
Disposals[1]	(587,038)	(261,212)	–	(8,207)	(977)	–	(857,434)
Opening balance at 1 Jan 2022	**86,401,238**	**13,033,447**	**13,273**	**338,259**	**36,848**	**–**	**99,823,065**
Discontinued operations	–	–	–	–	–	–	–
Impairment losses of the period[1]	2,216,500	5,111,678	117,741	343,133	69,682	–	7,858,734
Disposals[1]	(4,266,271)	(1,687,150)	(4,005)	(13,281)	(7,672)	–	(5,978,379)
Closing balance at 31 Dec 2022[1]	**84,351,467**	**16,457,975**	**127,009**	**668,111**	**98,858**	**–**	**101,703,420**

1. Note 30

7. Intangible assets

In the years ended at 31 December 2022 and 2021, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

Intangible assets	Industrial property	Software	Premium paid for property occupation	Other intangible assets	Intangible assets in progress	Total intangible assets
Gross assets						
Opening balance at 1 Jan 2021	152,184,418	370,669,588	8,435,595	773,312	24,849,887	556,912,800
Investment	120	580,551	–	–	31,442,068	32,022,739
Disposals	(12,347)	(14,811,577)	(6,815)	–	(410,751)	(15,241,490)
Transfers	88,234	33,936,016	–	–	(33,010,820)	1,013,430
Opening balance at 1 Jan 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
Closing balance at 31 Dec 2022	**150,840,432**	**400,533,562**	**8,428,780**	**773,312**	**31,177,167**	**591,753,253**
Accumulated amortisation and impairment losses						
Opening balance at 1 Jan 2021	18,444,330	272,739,767	7,312,382	621,436	–	299,117,915
Amortisation of the period	153,900	28,527,853	14,079	2,683	–	28,698,515
Impairment losses of the period[1]	–	39,569	–	–	–	39,569
Disposals	(12,347)	(14,809,967)	–	–	–	(14,822,314)
Disposals of subsidiaries[2]	(1,472,367)	(258,743)	–	–	–	(1,731,110)
Transfers	(1,380)	(15,535)	–	–	–	(16,915)
Opening balance at 1 Jan 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[1]	–	1,129,112	–	–	–	1,129,112
Disposals	(5,089)	(18,405,820)	–	–	–	(18,410,909)
Transfers	(244)	(167)	–	–	–	(411)
Closing balance at 31 Dec 2022	**17,253,752**	**298,301,980**	**7,340,540**	**626,802**	**–**	**323,523,074**
Carrying amount at 31 Dec 2021	**133,675,906**	**103,841,059**	**1,102,319**	**149,193**	**22,870,384**	**261,638,861**
Carrying amount at 31 Dec 2022	**133,586,680**	**102,231,582**	**1,088,240**	**146,510**	**31,177,167**	**268,230,179**

1. Note 30 2. Note 4

As at 31 December 2022 the investment related to intangible assets in progress includes 35.8 million euro related to IT projects and development software (31 million euro at 31 December 2021). Within that amount it is included 16.3 million euro of capitalizations of personnel costs (about 11.1 million euro in 31 December 2021) (Note 37).

Additionally, the caption «Patents and other similar rights» include the acquisition cost of a group of brands with indefinite useful lives among which the «Continente» brand, acquired in previous years, amounting to 75 million euro and Arenal brand amounting to 58.4 million euro, previously mentioned valued in the acquisition process.

MC performs annual impairment tests on the value of brands, supported by internal valuations based on the Royalty Relief methodology. As the related valuations more than support the carrying amount of the assets as at 31 December 2022, no impairment was booked during the year.

8. Right-of-use assets

During the years ended on 31 December 2022 and 2021, 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	Other tangible assets	Total tangible assets
Gross assets				
Opening balance at 1 Jan 2021	1,337,205,872	84,420,686	952,544	1,422,579,102
Additions	81,502,784	5,449,107	1,108,156	88,060,047
Disposals of subsidiaries	(6,014,072)	(143,133)	–	(6,157,205)
Write-offs and decreases	(25,369,374)	(1,165,269)	(396,659)	(26,931,302)
Opening balance at 1 Jan 2022	**1,387,325,210**	**88,561,391**	**1,664,041**	**1,477,550,642**
Additions[1]	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)
Closing balance at 31 Dec 2022	**1,444,402,625**	**89,815,943**	**8,451,183**	**1,542,669,751**
Accumulated amortisation and impairment losses				
Opening balance at 1 Jan 2021	421,940,095	40,529,836	422,692	462,892,623
Depreciation of period	79,476,045	21,316,410	186,576	100,979,031
Disposals of subsidiaries	(3,984,530)	(72,093)	–	(4,056,623)
Impairment losses of the period	22,677	–	–	22,677
Write-offs and tranfers	(14,776,208)	(610,474)	(396,658)	(15,783,340)
Opening balance at 1 Jan 2022	**482,678,079**	**61,163,679**	**212,610**	**544,054,368**
Depreciation of 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)
Closing balance at 31 Dec 2022	**518,214,528**	**78,686,990**	**701,840**	**597,603,358**
Carrying amount at 31 Dec 2021	**904,647,131**	**27,397,712**	**1,451,431**	**933,496,274**
Carrying amount at 31 Dec 2022	**926,188,097**	**11,128,953**	**7,749,343**	**945,066,393**

1. Note 31

In the consolidated income statement, 104 million euro were recognised for depreciation of the period (101 million euro in 2021) and 69.5 million euro of interest relating to the adjusted debt (68.9 million euro in 2021) (Note 31 and 36).

The responsibilities related to Right of use assets were recorded under the caption Non-current and current Lease Liabilities, in the amount respectively of 1.038 million euro and 71.5 million euro (1.001 million euro and 80.9 million euro in 31 December 2021).

The repayment plan for lease liabilities, as at 31 December 2022 and 2021, can be analysed as follows:

	31 Dec 2022			31 Dec 2021		
	Capital	Interests	Updated liabilities	Capital	Interests	Updated liabilities
N+1	139,841,684	68,313,201	71,528,483	147,527,211	66,625,579	80,901,632
N+2	134,339,475	64,101,477	70,237,998	125,439,225	62,724,749	62,714,476
N+3	131,311,676	59,717,867	71,593,809	121,503,504	58,855,441	62,648,063
N+4	129,084,763	55,143,011	73,941,752	118,598,716	54,832,838	63,765,878
N+5	124,120,039	50,424,982	73,695,057	116,566,088	50,637,282	65,928,806
After N+5	1,003,030,837	254,492,819	748,538,018	1,015,796,944	269,742,795	746,054,149
	1,661,728,474	**552,193,357**	**1,109,535,117**	**1,645,431,688**	**563,418,684**	**1,082,013,004**

9. Goodwill

Goodwill is allocated to each of the homogeneous groups of cash generating units, namely to each of the insignia of the segment distributed by country and each of the properties.

As at 31 December 2022 and 2021, the caption «Goodwill» was made up as follows by country:

	31 Dec 2022	31 Dec 2021
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 2022 and 2021, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2022	31 Dec 2021
Gross value		
Opening balance	476,627,337	476,627,337
Goodwill generated in the period	–	–
Closing balance	**476,627,337**	**476,627,337**
Accumulated impairment losses		
Opening balance	21,727,270	14,291,918
Increases[1]	–	7,435,352
Closing balance	**21,727,270**	**21,727,270**
Net value	**454,900,067**	**454,900,067**

1. Note 30

The evaluation of the existence, or not, of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis prepared with cash flow projections for periods of 5 years, 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 2022	31 Dec 2021
Recoverable amount basis	Value in use	Value in use
Weighted average cost of capital	8.1%	10%
Growth rates in perpetuity	≤2%	≤2%
Composite rate of sales growth	0.9% to 3.7%	-0.6% to 2.2%

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 2022 (7.4 million euros as at 31 December 2021).

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

10. Joint ventures and associated companies

10.1. Detail of book value of investments in joint ventures and associates

Joint ventures and associates, their head offices, proportion of capital held and value in the statement of financial position as at 31 December 2022 and 2021 are as follows:

Company	Head office	Percentage of capital held				Statement of financial position	
		31 Dec 2022		31 Dec 2021			
		Direct*	Total*	Direct*	Total*	31 Dec 2022	31 Dec 2021
Sohi Meat Solutions – Distribuição de Carnes, S.A.	Santarém	50.00%	50.00%	50.00%	50.00%	3,403,859	3,639,130
Maremor Beauty & Fragances, S.L.	Madrid	50.00%	30.00%	50.00%	30.00%	180,275	170,499
Investments in joint ventures						**3,584,134**	**3,809,629**
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Lisboa	25.00%	25.00%	25.00%	25.00%	1,294,262	910,323
Insco – Insular de Hipermercados, S.A.	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	4,488,724	–
Sportessence – Sport Retail, S.A.	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	300,881	–
Investment in associates companies			–	–		**6,083,867**	**910,323**
Total						**9,668,001**	**4,719,952**

*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.

On 31 December 2022, the Group reviewed the classification of financial assets at fair value through profit or loss. As a result, MC concluded that it has significant influence over Insco and Sportessence in accordance with point 6.a) and c) of IAS 28.

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

10.2. Financial indicators of participations

Joint ventures

As at 31 December 2022 and 2021, summary financial information of joint ventures of the group can be analysed as follows:

Joint ventures	31 Dec 2022		31 Dec 2021	
	Sohi Meat	Maremor	Sohi Meat	Maremor
Assets				
Property, plant and equipment	15,641,094	549	15,272,162	1,573
Intangible assets	–	53	4,829	111
Right-of-use assets	6,136,327	–	7,379,196	–
Investments in joint ventures and associates	–	21,954	–	21,954
Other non-current assets	1,553,523	–	1,833,962	–
Non-current assets	23,330,944	22,556	24,490,149	23,638
Cash and cash equivalents	360,727	332,308	359,175	305,457
Other current assets	50,550,530	54,528	42,003,320	57,799
Current assets	50,911,257	386,836	42,362,495	363,256
Total assets	**74,242,201**	**409,392**	**66,852,644**	**386,894**
Liabilities				
Other non-current liabilities	6,747,424	–	9,407,653	–
Non-current liabilities	6,747,424	–	9,407,653	–
Loans	–	26	–	15
Other current liabilities	61,431,995	73,929	50,911,666	55,282
Current liabilities	61,431,995	73,955	50,911,666	55,297
Total liabilities	**68,179,419**	**73,955**	**60,319,319**	**55,297**
Shareholders' funds excluding non-controlling interests	6,062,782	335,437	6,533,325	331,597
Non-controlling interests	–	–	–	–
Total equity	6,062,782	335,437	6,533,325	331,597
Total equity and liabilities	**74,242,201**	**409,392**	**66,852,644**	**386,894**

Joint ventures	31 Dec 2022		31 Dec 2021	
	Sohi Meat	Maremor	Sohi Meat	Maremor
Total revenue	359,535,205	528,000	299,888,852	528,000
Other income	1,001,204	403	6,692,289	–
	360,536,409	**528,403**	**306,581,141**	**528,000**
Cost of goods sold and materials consumed	(329,244,168)	–	(271,291,380)	–
External supplies and services	(14,164,335)	–	(13,080,195)	–
Depreciation and amortisation	(5,094,377)	(1,081)	(4,675,350)	(1,098)
Other operating costs	(9,897,849)	(501,254)	(14,868,284)	(464,058)
	(358,400,729)	**(502,335)**	**(303,915,209)**	**(465,156)**
Financial results	(961,799)	–	(899,121)	–
Income taxation	(66,326)	(6,517)	(105,654)	–
Consolidated profit/(Loss) for the period	**1,107,555**	**19,551**	**1,661,157**	**62,844**

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

Joint ventures	31 Dec 2022		31 Dec 2021	
	Sohi Meat	Maremor	Sohi Meat	Maremor
Equity	6,062,782	335,437	6,533,325	331,597
Percentage of share capital held	50%	30%	50%	30%
Share of the net assets	3,031,391	100,631	3,266,663	99,479
Goodwill recognised in financial investments	–	–	–	–
Other effects	372,468	79,644	372,468	71,020
Financial investment	**3,403,859**	**180,275**	**3,639,130**	**170,499**

Associates

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

Associated companies	Sempre a Postos		Insco		Sportessence	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Non-current assets	140,053	191,389	77,721,658	72,792,057	1,087,659	943,182
Current assets	6,477,961	7,437,198	30,043,451	30,127,393	4,491,824	4,733,894
Total assets	**6,618,014**	**7,628,587**	**107,765,109**	**102,919,450**	**5,579,483**	**5,677,076**
Non-current liabilities	4,456	6,294	11,455,187	14,617,518	108	441
Current liabilities	1,439,541	3,984,034	52,848,569	46,044,095	2,372,100	3,079,346
Total liabilities	**1,443,997**	**3,990,328**	**64,303,756**	**60,661,613**	**2,372,208**	**3,079,787**
Equity	**5,174,017**	**3,638,259**	**43,461,353**	**42,257,837**	**3,207,275**	**2,597,289**

Associated companies	Sempre a Postos		Insco		Sportessence	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Total revenue	5,995,013	66,420,193	219,720,871	198,278,040	9,042,713	8,475,824
Other operational income	(553,714)	4,618,096	11,644,375	11,502,349	109,282	50,751
Operational expenses	(1,571,569)	(69,217,923)	(226,555,615)	(204,805,814)	(7,949,819)	(7,411,939)
Net finantial expense	(2,620)	(1,082)	(137,196)	(222,601)	–	–
Income tax assets	(946,444)	(437,406)	(769,069)	42,316	(190,404)	(181,129)
Consolidated profit/(Loss) for the period	**2,920,666**	**1,381,878**	**3,903,366**	**4,794,290**	**1,011,772**	**933,507**
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income for the period	**2,920,666**	**1,381,878**	**3,903,366**	**4,794,290**	**1,011,772**	**933,507**

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

Associated companies	Sempre a Postos		Insco		Sportessence	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Equity	5,174,017	3,638,259	43,461,353	–	3,207,275	–
Percentage of share capital held	25.00%	25.00%	10.00%	–	10.00%	–
Share of the net assets	1,293,504	909,565	4,346,135	–	320,728	–
Other effects	758	758	142,589	–	(19,847)	–
Financial investment	**1,294,262**	**910,323**	**4,488,724**	**–**	**300,881**	**–**

10.3. Movements occured in the period

During the year ended at 31 December 2022 and 2021, movements in investments in joint ventures and associates are as follows:

	31 Dec 2022			31 Dec 2021		
	Proportion on equity	Goodwill	Total investment	Proportion on equity	Goodwill	Total investment
Investments in joint ventures						
Balance at 1 Jan	3,809,629	–	3,809,629	3,503,713	–	3,503,713
Equity method						
Effect in gain/losses in joint controlled and associated companies	563,554	–	563,554	862,000	–	862,000
Dividends distributed	(789,049)	–	(789,049)	(556,084)	–	(556,084)
	3,584,134	**–**	**3,584,134**	**3,809,629**	**–**	**3,809,629**
Investment in associates companies						
Balance at 1 Jan	910,323	–	910,323	564,095	–	564,095
Change of consolidation method[1]	5,344,708	–	5,344,708	–	–	
Effect in gain/losses in associated companies	1,334,258	–	1,334,258	346,228	–	346,228
Dividends distributed	(646,227)	–	(646,227)	–	–	–
Effect in equity capital	(859,195)	–	(859,195)	–	–	–
	6,083,867	**–**	**6,083,867**	**910,323**	**–**	**910,323**
Total	**9,668,001**	**–**	**9,668,001**	**4,719,952**	**–**	**4,719,952**

1. Note 11

11. Financial assets at fair value through profit and loss and other investments

Financial assets at fair value through profit and loss, their registered offices, proportion of capital held and value of the statement of financial position as at 31 December 2022 and 2021 are as follows:

Company	Head office	Percentage of capital held				Statement of financial position	
		31 Dec 2022		31 Dec 2021			
		Direct	Total	Direct	Total	31 Dec 2022	31 Dec 2021
Dispar – Distrib. de Participações, SGPS, S.A.	Lisboa	14.28%	14.28%	14.28%	14.28%	9,976	9,976
Insco – Insular de Hipermerc., S.A.	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	–	4,748,744
Sportessence – Sport Retail, S.A.	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	–	595,964
Other financial assets						12,058,711	10,850,322
Total						**12,068,687**	**16,205,006**

As at 31 December 2022 the caption «Other investments» related to «Assets at fair value through profit and loss», includes 7,231,644 euro (7,238,916 euro in 31 December 2021), related to deposited amounts on an Escrow Account which is applied in investment funds with superior rating, which is a guarantee for contractual liabilities assumed in the disposal of a Brazil Retail business and for which provisions were recorded in the applicable situations (Note 30 and 32).

As at 31 December 2022, 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 2022 and 2021, the movements in «Assets at fair value through profit and loss» and «Other investments» made up as follows:

	31 Dec 2022		31 Dec 2021	
	Non-current	Current	Non-current	Current
Assets at fair value through profit and loss				
Opening balance at 1 Jan	16,205,006	–	15,583,705	–
Acquisitions in the period	2,023,485	–	1,465,639	–
Transfer to «Associated companies»[1]	(5,344,708)	–	–	–
Disposals in the period	(815,098)	–	(842,198)	–
Others	–	–	(2,140)	–
Closing balance at 31 Dec	**12,068,685**	**–**	**16,205,006**	**–**
Derivative financial instruments				
Fair value at 1 Jan	–	7,106,548	–	2,663,026
Increase/(decrease) in fair value[2]	–	(6,514,970)	–	7,106,548
Disposals of subsidiaries	–	–	–	(90,716)
Transfer to «Other receivables»[3]	–	–	–	(2,572,310)
Fair value at 31 Dec[4, 2]	**–**	**591,578**	**–**	**7,106,548**
Total of other investments[5]	**12,068,685**	**591,578**	**16,205,006**	**7,106,548**

1. Note 10 2. Note 36 3. Note 15 4. Note 24 5. Note 5

12. Other non-current assets

As at 31 December 2022 and 2021, «Other non-current assets» are detailed as follows:

	31 Dec 2022	31 Dec 2021
Other receivables		
Derivative contracts associated with commercial activities[1]	14,011,577	–
Cautions	1,792,442	1,710,601
Sublease receivables	4,212,765	4,329,245
Legal deposits	419,673	2,460,981
Special regime for payment of tax and social security debts	2,717,279	4,489,601
Others	55,223	54,669
	23,208,960	**13,045,097**
Accumulated impairment losses in other debtors	–	–
Total trade accounts receivable and other debtors	**23,208,960**	**13,045,097**
Total financial instruments[2]	**23,208,960**	**13,045,097**
Other non-current assets	–	–
	23,208,960	**13,045,097**

1. Note 24 2. Note 5

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

The Special regime for payment of tax and social security debts corresponds to taxes paid, voluntarily, relating to corporate income tax (IRC) settlements that were already in the judicial process, with the judicial processes continuing to be processed, having, however, the guarantees provided for the aforementioned processes have been cancelled. It is the understanding of the Board of Directors that the complaints presented will have a favorable outcome to MC, which is why they are not provisioned.

13. Inventories

As at 31 December 2022 and 2021, this caption was made up as follows:

	31 Dec 2022	31 Dec 2021
Raw materials and consumables	3,997,341	2,535,741
Goods for resale	459,638,993	393,560,331
	463,636,334	**396,096,072**
Accumulated adjustments in inventories	(8,252,310)	(8,690,030)
	455,384,024	**387,406,042**

Cost of goods sold as at 31 December 2022 and 2021 amounted to 4,208,686,664 euro and 3,757,387,710 euro, respectively, and may be detailed as follows:

	31 Dec 2022	31 Dec 2021
Opening balance	396,096,072	407,795,340
Disposals of subsidiaries[1]	–	(22,582,177)
Purchases	4,307,078,073	3,796,189,071
Inventory regularizations	(30,413,428)	(24,943,685)
Closing balance	463,636,334	396,096,072
	4,209,124,383	**3,760,362,477**
Inventory adjustments	(437,720)	(2,974,767)
	4,208,686,663	**3,757,387,710**

1. Note 4

As at 31 December 2022 and 2021, the caption Adjustments refers essentially to regularizations resulting from offers to social solidarity institutions.

14. Trade receivables

As at 31 December 2022 and 2021, «Trade receivables» are detailed as follows:

	31 Dec 2022	31 Dec 2021
Trade accounts receivable	59,508,262	59,962,796
Doubtful receivables	2,536,456	3,146,080
	62,044,718	63,108,876
Accumulated impairment losses on trade accounts receivable[1]	(2,531,222)	(3,140,846)
	59,513,496	59,968,030

1. Note 30

The caption Current customers includes 19,086,730 euro (22,941,226 euro as at 31 December 2021), on wholesale sales to related companies (Note 42).

	31 Dec 2022			31 Dec 2021		
	Expected credit loss rate	Trade Receivables	Accumulated impairment losses on trade accounts receivable	Expected credit loss rate	Trade Receivables	Accumulated impairment losses on trade accounts receivable
Not due	0%-0.23%	25,706,992	–	0%-0.30%	26,762,263	–
Due but not impaired						
0-30 days	0%-0.34%	23,919,629	503,375	0%-0.45%	27,603,576	329,112
30-90 days	0%-1.71%	8,880,359	151,854	0%-1.93%	4,598,737	88,756
90-180 days	0%-5.92%	1,766,311	104,566	0%-6.37%	1,518,020	96,699
180-360 days	0%-100%	343,260	343,260	0%-100%	201,751	201,751
+360 days	0%-100%	1,428,168	1,428,168	0%-100%	2,424,529	2,424,529
Total		36,337,726	2,531,222		36,346,613	3,140,846
		62,044,718	2,531,222		63,108,876	3,140,846

At 31 December 2022, impairment losses are calculated based on the expected credit loss, the calculation of which results from the application of expected losses based on receipts from sales and services rendered and from historical credit losses. We also consider that there are amounts for which there is no credit risk and as such the expected credit loss is null, namely balances with letters of credit, sureties, credit insurance and balances with related entities. Current balances approximate their fair value.

15. Other receivables

As at 31 December 2022 and 2021, «Other receivables» are detailed as follows:

	31 Dec 2022	31 Dec 2021
Granted loans and other receivables to related companies	254,070	1,428,875
Other debtors		
Trade creditors – debtor balances	33,676,023	33,334,640
Derivative contracts associated with commercial activities[1]	18,242,079	21,726,007
Vouchers and gift cards	18,706,120	15,174,077
Accounts receivable resulting from promotional campaigns developed with partnerships	7,423,059	6,680,647
Disposal of financial investments	–	400,000
Disposal of property, plant and equipment	145,894	128,215
Other current assets	15,258,818	11,643,721
	93,451,992	89,087,307
Accumulated impairment losses in receivables[2]	(1,966,501)	(2,340,248)
Total other debtors	91,485,491	86,747,059
Total financial instruments[3]	91,739,561	88,175,934
VAT recoverable on real estate assets and vouchers discounts	156,859	646,890
Advances to suppliers of property, plant and equipment	1,647,698	1,430,075
Other current assets	1,804,557	2,076,965
	93,544,118	90,252,899

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

At 31 December 2022, the amounts disclosed as «Trade payables – debtor balances» relate with commercial discounts billed to suppliers, to be net settled with future purchases.

At 31 December 2022 impairment losses relating to other receivables are calculated based on the expected credit loss based on the non-existence of credit risk for balances with public sector entities, sureties, subsidies and related entities and as such the expected loss is considered null. Current balances approximate their fair value.

16. Other tax assets and liabilities

As at 31 December 2022 and 2021, «Other tax assets» and «Other tax liabilities» are made up as follows:

	31 Dec 2022	31 Dec 2021
Debtors values		
VAT	2,291,914	18,481,673
Social security contributions	1,251	3,971
Other taxes	924,166	756,515
	3,217,331	**19,242,159**
Creditors values		
VAT	64,288,786	52,195,223
Staff income taxes withheld	4,494,797	3,569,347
Social security contributions	13,261,875	12,552,766
Other taxes	136,716	157,311
	82,182,174	**68,474,647**

17. Income tax

As at 31 December 2022 and 2021, «Income tax assets» and «Income tax liabilities» are made up as follows:

	31 Dec 2022	31 Dec 2021
Debtors values		
Income taxation with participating entity	25,232,011	15,972,269
Income taxation	17,981,181	10,883,268
	43,213,192	**26,855,537**
Creditors values		
Income taxation with participating entity	27,220,770	29,148,064
Income taxation	5,627,535	6,585,060
	32,848,305	**35,733,124**

As of 31 December 2022, the debt amounts under the heading «Income tax with participating entity» include:

- 14.7 million euros (12.3 million euros as of 31 December 2021) 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.
- 10.5 million euros (3.6 million euros as of 31 December 2021) payable to consolidated tax companies in Spain, of which the Modelo Continente Hipermercados, S.A. is the parent company.

As of 31 December 2022, the credit amounts under the heading «Income tax with participating entity» include:

- 11.3 million euros (22.0 million euros as of 31 December 2021) 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.
- 15.9 million euros (7.0 million euros as of 31 December 2021) of amounts payable to consolidated tax companies in Spain, of which the Modelo Continente Hipermercados, S.A. is the parent company.

18. Other current assets

As at 31 December 2022 and 2021, «Other current assets» is made up as follows:

	31 Dec 2022	31 Dec 2021
Commercial discounts	17,226,622	20,345,443
Insurance premiums paid in advance	4,534,257	2,619,085
Software licenses	3,042,268	3,707,874
Deferred costs – Rents	829,399	781,608
Interests to be received	235,724	168,687
Other current assets	17,686,558	15,580,589
	43,554,828	**43,203,286**

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

19. Deferred taxes

Deferred tax assets and liabilities as at 31 December 2022 and 2021 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Difference between fair value and acquisition cost	4,770,933	4,336,205	18,549,894	18,772,534
Temporary differences on property, plant and equipment and intangible assets	6,397	19,463	91,360,924	83,725,975
Provisions and impairment losses not accepted for tax purposes	11,777,312	12,785,491	–	–
Valuation of hedging derivatives	630,272	17,917	7,806,093	5,009,877
Amortisation of goodwill for tax purposes in Spain	–	–	45,370,003	39,553,323
Tax losses carried forward	17,856,816	9,475,989	–	–
Right-of-use assets	250,541,399	243,454,070	216,821,700	213,930,128
Tax benefits	19,000,703	10,540,031	2,705,283	–
Others	2,508,202	2,024,025	565,796	632,774
	307,092,034	**282,653,191**	**383,179,693**	**361,624,611**

During the periods ended 31 December 2022 and 2021, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Opening balance	282,653,191	273,911,572	361,624,611	356,491,211
Effects in net income[1]				
Difference between fair value and acquisition cost	434,728	413,988	(222,640)	(140,071)
Temporary differences on property, plant and equipment and intangible assets	(13,066)	3,978	7,634,949	2,027,220
Provisions and impairment losses not accepted for tax purposes	(1,008,179)	1,264,868	–	–
Revaluation of tangible assets	–	–	(54,617)	(61,355)
Constitution/(reversal) of deferred tax assets over tax losses	2,405,965	466,943	–	–
Amortisation of goodwill for tax purposes in Spain	–	–	5,816,680	5,816,680
Reinvested capital gains/(losses)	–	–	(37,290)	(23,222)
Right-of-use assets	7,087,329	(2,440,303)	2,891,572	(6,021,882)
Tax benefits	8,460,672	10,136,395	2,705,283	–
Others	484,177	(115,069)	24,929	–
	17,851,626	**9,730,800**	**18,758,866**	**1,597,369**
Effects in equity				
Valuation of hedging derivatives	612,355	(175,213)	2,796,216	4,996,410
Others	–	–	–	–
	612,355	**(175,213)**	**2,796,216**	**4,996,410**
Constitution of deferred tax assets on tax losses fiscal consolidation perimeter in Spain	5,974,862	–	–	–
Acquisitions of subsidiaries	–	14,330	–	–
Disposals of subsidiaries	–	(728,527)	–	(1,458,464)
Others	–	(99,771)	–	(1,915)
Closing balance	**307,092,034**	**282,653,191**	**383,179,693**	**361,624,611**

1. Note 41

As at 31 December 2022, the tax rate to be used in Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate to be used to calculate deferred taxes in temporary differences in Portuguese companies is 22.5% increased by the state surcharge in companies in which the expected reversal of those deferred taxes will occur when those rates will be applicable. For companies or branches located in other countries, rates applicable in each jurisdiction were used.

In 2016 and in a new decision occurred in 2018, the Spanish Supreme Court decided in favour of MC considering that goodwill amortisation for tax purposes in 2008 was applicable. During 2017, the Group recognised 17.5 million euro in deferred tax liabilities related to the tax deduction of the amortisation of the years 2008 and , 2016, 2017 and following the recognition of 5.8 million euro annually.

Taking into account the tax proceedings pending before the court in Spain for the financial years 2008 to 2011, as well as for the fact that the Group was prevented from recognizing the tax depreciation of goodwill for the financial years 2012 to 2015, the right of the entity to deduct tax depreciation of goodwill amounting to 69.8 million euro might be given in the future.

As at 31 December 2022 and 2021, 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 2022			31 Dec 2021		
		Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use							
Generated in 2014	Portugal	18,326	3,849	2028	18,326	3,849	2028
Generated in 2015	Portugal	69,903	14,679	2029	69,903	14,679	2029
Generated in 2016	Portugal	243,591	51,154	2030	243,591	51,154	2030
Generated in 2017	Portugal	335,279	70,408	2024	–	–	2024
Generated in 2018	Portugal	263,142	55,260	2025	263,142	55,260	2025
Generated in 2020	Portugal	1,954,862	410,521	2032	2,023,098	424,851	2032
Generated in 2021	Portugal	2,339,089	491,209	2033	2,339,089	491,209	2033
		5,224,192	**1,097,080**		**4,957,150**	**1,041,002**	
Without limited time use							
	Spain	66,428,672	16,607,168		33,739,949	8,434,987	
Generated in 2022	Portugal	726,519	152,568		–	–	
		67,155,191	**16,759,736**		**33,739,949**	**8,434,987**	
		72,379,383	**17,856,816**		**38,697,099**	**9,475,989**	

As at 31 December 2022 and 2021, the deferred taxes to be recognised arising from tax losses were evaluated. In the cases in which they originated deferred tax assets, they were only recorded to the extent that it is probable that future taxable income will occur that could be used to recover the tax losses or tax differences that reverted in the same period and considering the limit of compensation existing by law in the applicable cases. This assessment was based on the business plans of MC companies, which are periodically reviewed and updated.

As at 31 December 2022, the Group had an amount of 16.6 million euro (8.4 million euro as at 31 December 2021) of deferred tax assets related to tax losses for this and previous years of the Spanish Tax Group and which can be recovered by it in Spain. The Modelo Continente Hipermercados, S.A. branch in Spain was, on 31 December 2022 and 2021 the representative entity of the Tax Group in Spain, whose dominant entity is Sonae SGPS, S.A.

The recoverability of the above mentioned deferred tax assets, regarding Sonae operations in Spain is supported by the analysis of the recoverable amount of the cash-generating units for the specialized retail formats in Spain based on their value in use, obtained from business plans with a 5-year projection period.

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in consolidation, are essentially based on a compound growth rate of 3.8% over a 5-year period (2.7% in 2021).

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

It is the Board of Directors understanding, considering the existing business plans for each of the companies, that such deferred tax assets are fully recoverable, including those which were reversed in previous years likely to be recoverable in a longer period than the 5 years of the business plan.

As at 31 December 2022, there are reportable tax losses in the amount of 93.1 million euro (97.7 million euro as at 31 December 2021), whose deferred tax assets are not recorded for prudence purposes.

		31 Dec 2022			31 Dec 2021		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Generated in 2014	Portugal	112,213	23,565	2028	112,213	23,565	2028
Generated in 2015	Portugal	41,183	8,648	2029	41,183	8,648	2029
Generated in 2016	Portugal	633,610	133,058	2030	633,610	133,058	2030
Generated in 2017	Portugal	1,278,464	268,477	2024	1,278,464	268,477	2024
Generated in 2018	Portugal	1,429,325	300,158	2025	1,429,325	300,158	2025
Generated in 2019	Portugal	2,681,355	563,085	2026	2,681,355	563,085	2026
Generated in 2020	Portugal	460,869	96,782	2032	460,869	96,782	2032
		6,637,019	**1,393,774**		**6,524,806**	**1,370,208**	
Without limited time use							
	Brazil	28,756,146	9,777,090		25,177,595	8,560,382	
	Spain	56,509,512	14,127,378		65,880,552	16,470,138	
Generated in 2022	Portugal	1,173,849	246,508		–	–	
		86,439,507	**24,150,976**		**91,058,147**	**25,030,520**	
		93,076,526	**25,544,750**		**97,582,953**	**26,400,728**	

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 to 2022.

During the 2022 financial year, the National Court in Spain («*Audiência Nacional em España*») issued a sentence partially favorable to the Group, recognizing the right to deduct the amortization of goodwill for tax purposes, denying, however, the deduction of the financial charges related to the acquisition of Continente Hipermercados, S.A.. The tax authorities Spanish companies filed a cassation appeal, which is in the process of being admitted, before the Supreme Court of the partial decision favorable to the Group.

20. Cash and cash equivalents

As at 31 December 2022 and 2021, Cash and cash equivalents are as follows:

	31 Dec 2022	31 Dec 2021
Cash at hand	13,157,859	10,883,999
Bank deposits	188,469,645	187,904,929
Treasury applications	14,037	14,037
Cash and cash equivalents on the statement of financial position[1]	**201,641,542**	**198,802,965**
Bank overdrafts[2]	(72,908)	(110,172)
Cash and cash equivalents in the statement of cash flows	**201,568,634**	**198,692,793**

1. Note 5 2. Note 23

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

21. Capital

As at 31 December 2022, 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 2022 and 2021, the subscribed share capital was held as follows:

Entity	31 Dec 2022	31 Dec 2021
Sonae Holdings, S.A.	51.827%	51.827%
Sonae – SGPS, S.A.	10.039%	10.039%
Camoen Investments, S.à.r.l.	24.990%	24.990%
Sonae Investments, BV	13.144%	13.144%

As at 31 December 2022 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.

22. Non-controlling interests

As at 31 December 2022 and 2021, «Non-controlling interests» are detailed as follows:

Non-controlling interests – 31 Dec 2022

	Equity	Net Profit/(Loss)	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends/ Income received
Arenal	86,185,725	9,948,893	34,506,400	3,983,467	–
Tomenider	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)	–	–
	233,339,590	**20,876,531**	**32,316,824**	**3,691,674**	**(234,490)**

Non-controlling interests – 31 Dec 2021

	Equity	Net Profit/(Loss)	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends/ Income received
Elergone	27,629,415	(3,644,681)	–	(288,667)	–
Arenal	76,160,281	5,232,683	30,492,312	2,105,642	–
Tomenider	45,929,723	(338,295)	(6,614,292)	(135,318)	–
Real Estate Investment Fund ImosonaeDois	102,130,633	7,630,530	5,027,829	357,857	(120,104)
Maxmat	–	8,234,412	–	3,967,008	–
Others	(2,867,138)	(3,757,645)	(6)	–	–
	248,982,914	**13,357,004**	**28,905,843**	**6,006,522**	**(120,104)**

Movements in non-controlling interests during the periods ended as at 31 December 2022 and 2021 are as follows:

Movements in non-controlling interests – 31 Dec 2022

	Tomenider	Arenal	ImosonaeDois*	Others	Total
Opening balance at 1 Jan	(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 at 31 Dec	**(6,754,272)**	**34,506,400**	**4,564,702**	**(6)**	**32,316,824**

* Real Estate Investment Fund ImosonaeDois

Movements in non-controlling interests – 31 Dec 2021

	Elergone	Tomenider	Arenal	ImosonaeDois*	Maxmat	Others	Total
Opening balance at 1 Jan	3,719,181	(6,478,973)	28,386,237	2,011,749	22,325,286	(8)	49,963,472
Income distribution from investment funds	–	–	–	(120,104)	–	–	(120,104)
Acquisition of the remaining 25% of capital and price adjustments	(3,430,513)	–	–	–	–	–	(3,430,513)
Disposals of subsidiaries	–	–	–	–	(26,326,525)	–	(26,326,525)
Changes in hedging reserves	–	–	–	–	34,231	–	34,231
Decreased shareholding by disposals	–	–	–	2,778,328	–	–	2,778,328
Other variations	(1)	(1)	433	(1)	–	2	432
Profit for the period attributable to non-controlling interests	(288,667)	(135,318)	2,105,642	357,857	3,967,008	–	6,006,522
Closing balance at 31 Dec	**–**	**(6,614,292)**	**30,492,312**	**5,027,829**	**–**	**(6)**	**28,905,843**

* Real Estate Investment Fund ImosonaeDois

As at 31 December 2022 and 2021, the aggregate financial information of subsidiaries with non-controlling interests is as follows:

Subsidiaries with non-controlling interests – 31 Dec 2022

	Tomenider	Arenal	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**

* Real Estate Investment Fund ImosonaeDois

Subsidiaries with non-controlling interests – 31 Dec 2021

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

* Real Estate Investment Fund ImosonaeDois

Subsidiaries with non-controlling interests – 31 Dec 2022

	Tomenider	Arenal	ImosonaeDois*	Others	Total
Turnover	–	192,737,238	12,138,500	–	204,875,738
Other operational 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**

* Real Estate Investment Fund ImosonaeDois

Subsidiaries with non-controlling interests – 31 Dec 2021

	Elergone	Tomenider	Arenal	ImosonaeDois*	Maxmat	Others	Total
Turnover	103,891,944	–	156,681,994	11,529,997	–	–	272,103,935
Other operational income	12,154,748	–	4,438,977	16,085	–	–	16,609,810
Operational expenses	(120,864,196)	(196,967)	(149,689,276)	(4,311,613)	–	(2,396,016)	(277,458,068)
Net financial expenses	15,024	(254,093)	(4,396,252)	(17,927)	–	(1,361,629)	(6,014,877)
Income or expense relating to investments	–	–	–	–	–	–	–
Income tax expense	1,157,799	112,765	(1,802,760)	413,988	–	–	(118,208)
Profit/(Loss) after taxation	**(3,644,681)**	**(338,295)**	**5,232,683**	**7,630,530**	**–**	**(3,757,645)**	**5,122,592**
Profit/(Loss) of discontinued operations	**–**	**–**	**–**	**–**	**8,234,412**	**–**	**8,234,412**
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	**(3,644,681)**	**(338,295)**	**5,232,683**	**7,630,530**	**8,234,412**	**(3,757,645)**	**13,357,004**

* Real Estate Investment Fund ImosonaeDois

23. Loans

As at 31 December 2022 and 2021, loans are made up as follows:

	31 Dec 2022		31 Dec 2021	
	Outstanding amount		Outstanding amount	
	Current	Non-current	Current	Non-current
Bank loans				
MCretail, SGPS, S.A. – commercial paper	–	103,131,600	–	105,950,400
MCretail, SGPS, S.A. – ESG-linked commercial paper	–	100,000,000	–	–
Subsidiary of MC 2014/2023	50,000,000	–	–	50,000,000
MC Green Loan 2018/2031	6,111,111	48,888,889	–	55,000,000
Subsidiary of MC Green Loan / 2020/2025	–	55,000,000	–	55,000,000
Subsidiary of MC / 2021/2028	3,333,333	16,666,667	–	20,000,000
Others	3,200,884	–	699,961	2,500,000
	62,645,328	**323,687,156**	**699,961**	**288,450,400**
Bank overdrafts[1]	72,908	–	110,172	–
Up-front fees beard with the issuance of borrowings	–	(28,935)	–	(36,066)
Bank loans	**62,718,236**	**323,658,221**	**810,133**	**288,414,334**
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 / July 2020/2025	–	–	50,000,000	–
Bonds MC / July 2020/2025	–	–	22,500,000	–
Bonds MC ESG-Linked / December 2021/2024	–	40,000,000	–	40,000,000
Up-front fees beard with the issuance of borrowings	–	(913,705)	(76,061)	(1,379,476)
Bonds	**–**	**224,086,295**	**72,423,939**	**223,620,524**
Other loans	–	–	74,764	–
Other loans	**–**	**–**	**74,764**	**–**
	62,718,236	**547,744,516**	**73,308,836**	**512,034,858**

1. Note 20

Bonds and bank loans bear an average interest rate of 2.29% as at 31 December 2022 (1.85% as at 31 December 2021). 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 2022		31 Dec 2021	
	Capital	Interests	Capital	Interests
N+1	62,718,236	14,646,754	73,384,897	4,532,099
N+2	152,576,047	12,788,674	61,944,444	4,038,381
N+3	83,444,444	9,732,022	155,394,846	3,383,502
N+4	138,444,444	8,257,647	83,444,444	2,506,600
N+5	146,444,444	3,871,677	118,444,444	1,934,670
After N+5	27,777,777	1,025,609	94,222,222	1,508,825
	611,405,392	**50,322,383**	**586,835,297**	**17,904,077**

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 2022 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 2022 and 2021, MC had as detailed in Note 20, «Cash and bank balance equivalents» in the amount of 201,568,634 euro (198,692,793 euro as at 31 December 2021) and credit lines as follows:

	31 Dec 2022		31 Dec 2021	
	Commitments of less than 1 year	Commitments of more than 1 year	Commitments of less than 1 year	Commitments of more than 1 year
Unused credit facilities[1]	161,000,000	275,000,000	96,000,000	190,000,000
Agreed credit facilities	161,000,000	375,000,000	96,000,000	290,000,000

1. Note 3.3

24. Derivatives

Exchange rate derivatives

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

Therefore, MC entered several exchange rates forwards in order to manage its exchange rate exposure.

The fair value of exchange rate derivatives hedging instruments based on current market values of equivalent exchange rate financial instruments is a liability of 1,743,200 euro and an asset of 1,082,952 euro (71,668 euro in liabilities and 8,337,942 euro in assets, as at 31 December 2021) (Note 11).

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 «Gains from derivative financial instruments» or «Financial expenses and losses».

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».

Interest rate derivatives

As at 31 December 2022 no contracts existed, related to interest rate derivatives.

Energy price derivatives

MC buys electricity on an organized market (OMIE), sells it to third parties and is a consumer of electricity in its various businesses.

Electricity price management can be done through the contracting of transactions, with financial or physical settlement, on the forward energy markets. The financial instruments traded can include bilateral agreements and price-fixing futures.

The fair value of derivative instruments hedging the price of energy calculated based on current market values of equivalent financial instruments is 14,011,577 euro in non current assets and in current assets 17,750,705 euro (20,494,613 euro in current assets at 31 December 2021) (Notes 12 and 15).

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

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

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

Fair value of derivative financial instruments

The fair value of derivatives is detailed as follows:

	Assets			Liabilities	
	31 Dec 2022		31 Dec 2021	31 Dec 2022	31 Dec 2021
	Current	Non-current	Current		Current
Derivatives not qualified as hedging[1]					
Electricity	17,750,705	14,011,577	20,494,613	–	–
Exchange rate	491,374	–	1,231,394	1,743,200	71,668
	18,242,079	**14,011,577**	**21,726,007**	**1,743,200**	**71,668**
Hedging financial derivatives[2]					
Exchange rate	591,578	–	7,106,548	–	–
	591,578	**–**	**7,106,548**	**–**	**–**

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

25. Other non-currents liabilities

As at 31 December 2022 and 2021 «Other non-current liabilities» are made up as follows:

	31 Dec 2022	31 Dec 2021
Creditors for acquisition of financial investments	1,000,000	1,000,000
Fixed assets suppliers	95,021	95,021
Other non-current liabilities	382,455	341,762
Total financial instruments[1]	**1,477,476**	**1,436,783**
Share based payments[2]	2,947,619	2,973,665
Charges made on the sale of real estate[3]	15,220,698	18,538,982
Other accruals and deferrals	90,113	(73,738)
Other non-current liabilities	**19,735,905**	**22,875,692**

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

The amount included in the caption «Charges assumed on the sale of properties» is related to the expenses to be incurred, which are traditionally the responsibility of the owner, who in the case of Sale and Leaseback these amounts were paid at the time of the transaction and MC assumed future responsibility.

26. Share based payment

MCretail , SGPS granted, in 2022 and in previous years, in accordance with the remuneration policy described in the corporate governance report granted deferred performance bonus to its directors and eligible employees. These are either based on shares to be acquired at nil cost or with discount, three years after they were attributed to the employee, or based on share options with the period price equal to the share price at the grant date, to be exercised three years later.

In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the right to deliver, in lieu of shares, the equivalent amount in cash. The exercise of rights only occurs if the employee is in the service of company of Sonae Group on the due date.

As at 31 December 2022 and 2021, the number of attributed shares related to the assumed responsibilities arising from share-based payments, which have not yet vested, can be detailed as follows:

	Grant year	Vesting year	Number of participants	Number of shares		Fair value	
				31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Shares							
	2019	2022	–	–	1,898,873	–	1,904,570
	2020	2023	37	3,936,647	3,149,216	3,680,765	2,091,854
	2021	2024	41	3,544,044	2,620,699	2,193,696	881,811
	2022	2025	47	2,251,776	–	697,676	–
Total				**9,732,467**	**7,668,788**	**6,572,137**	**4,878,235**

As at 31 December 2022 and 2021 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 2022	31 Dec 2021
Recorded in employee benefits expense in the current period	4,023,513	3,627,479
Recorded in previous years	2,685,069	1,250,755
	6,708,582	**4,878,234**
Recorded in other non-current liabilities[1]	2,947,619	2,973,665
Recorded in other current liabilities[2]	3,760,963	1,904,570
	6,708,582	**4,878,235**

1. Note 25 2. Note 29

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

27. Trade payables

As at 31 December 2022 and 2021, trade payables are as follows:

	31 Dec 2022	31 Dec 2021
Trade payables – current account	833,179,227	736,258,016
Trade payables – Invoice Accruals	63,671,272	59,235,022
	896,850,499	**795,493,038**

As at 31 December 2022 and 2021 this caption includes amounts payable to suppliers resulting from MC operating activity. MC believes that the book value of these balances is approximate to their fair value.

MC maintains cooperation agreements with financial institutions in order to enable the suppliers of retail segment, to access to an advantageous tool for managing their working capital, upon confirmation by MC of the validity of credits that suppliers hold on it. Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these companies. These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to suppliers until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry , and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument.

28. Other payables

As at 31 December 2022 and 2021, the caption «Other payables» is detailed as follows:

Other payables – 2022

		Payable to		
	31 Dec 2022	up to 90 days	90 to 180 days	> 180 days
Fixed asset suppliers	73,923,156	73,811,884	97,689	13,583
Other payables	27,486,714	27,486,714	–	–
	101,409,870	**101,298,598**	**97,689**	**13,583**
Related undertakings	–			
	101,409,870			

Other payables – 2021

		Payable to		
	31 Dec 2021	up to 90 days	90 to 180 days	> 180 days
Fixed asset suppliers	63,038,959	62,802,648	62,343	173,967
Other payables	26,710,779	26,695,186	5,138	10,455
	89,749,738	**89,497,834**	**67,481**	**184,422**
Related undertakings	–			
	89,749,738			

The caption «Other payables» includes:

- 13,879,297 euro (9,430,467 euro as at 31 December 2021) of attributed discounts not yet redeemed related to the loyalty card «*Cartão Cliente*»;
- 2,180,689 euro (2,434,117 euro as at 31 December 2021) relating to vouchers, gift cards and discount tickets not yet redeemed;

As at 31 December 2022 and 2021, this caption includes payable amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors understands that the fair value of these payables is similar to its book value and the result of discounting these amounts is immaterial.

29. Other current liabilities

As at 31 December 2022 and 2021, «Other current liabilities» are made up as follows:

	31 Dec 2022	31 Dec 2021
Holiday pay and bonus	126,570,925	112,130,445
Software access licenses	9,660,023	9,623,277
Other external supplies and services	28,078,841	36,332,525
Marketing expenses	11,112,377	12,250,512
Lease liabilities	3,893,818	1,053,851
Municipal property tax	1,567,549	1,615,702
Charges made on the sale of real estate[1]	1,446,358	1,190,053
Fixed income charged in advance	2,270,326	3,527,944
Share based payments obligations[2]	3,760,963	1,904,570
Interest expenses	3,585,225	1,129,010
Others	11,703,593	9,169,845
	203,649,998	**189,927,732**

1. Notes 2.6 and 25 2. Note 26

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

30. Provisions and impairment losses

Movements in «Provisions» and «Impairment losses» during the period ended 31 December 2022 and 2021 are as follows:

Provisions and impairment losses – 2022

	Balance at 1 Jan	Increases	Decrease	Transfers and other movements	Balance at 31 Dec
Accumulated impairment losses on investments	769,213	–	–	–	769,213
Accumulated impairment losses on goodwill[1]	21,727,270	–	–	–	21,727,270
Impairment losses on property, plant and equipment[2]	99,823,065	7,858,734	(5,978,379)	–	101,703,420
Impairment losses on intangible assets[3]	6,628,282	1,129,112	(1,734,383)	–	6,023,011
Accumulated impairment losses on trade receivables[4]	3,140,846	411,262	(1,020,886)	–	2,531,222
Accumulated impairment losses on other current debtors[5]	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**

1. Note 9 2. Note 6 3. Note 7 4. Note 14 5. Note 15

Provisions and impairment losses – 2021

	Balance at 1 Jan	Increases	Decrease	Transfers and other movements	Balance at 31 Dec
Accumulated impairment losses on investments	769,213	–	–	–	769,213
Accumulated impairment losses on goodwill[1]	14,291,918	7,435,352	–	–	21,727,270
Impairment losses on property, plant and equipment[2]	90,728,626	10,517,608	(857,434)	(565,735)	99,823,065
Impairment losses on intangible assets[3]	6,664,435	39,569	(75,722)	–	6,628,282
Accumulated impairment losses on trade receivables[4]	3,877,529	2,363,682	(3,100,298)	(67)	3,140,846
Accumulated impairment losses on other current debtors[5]	2,933,585	554,458	(1,141,968)	(5,827)	2,340,248
Non-current provisions	6,334,819	350,980	–	67,236	6,753,035
Current provisions	1,361,548	364,903	(239,847)	–	1,486,604
	126,961,673	**21,626,552**	**(5,415,269)**	**(504,393)**	**142,668,563**

1. Note 9 2. Note 6 3. Note 7 4. Note 14 5. Note 15

As at 31 December 2022 and 2021 the amount of «increases» and «decreases» in Provisions and impairment losses are as follows:

	31 Dec 2022	31 Dec 2021
Increase/(decrease) on provisions and impairment losses in the income statement	8,562,250	(4,032,061)
Uses and reversions recorded in property, plant and equipment and intangible assets	(7,525,986)	(279,783)
Direct use of impairments on accounts receivable	(556,296)	(1,141,792)
Impairment losses net of reversals	–	21,883,641
Others	(167,131)	(218,722)
	312,837	**16,211,283**

The caption «Non-current provisions» and «Current provisions» includes 7,557,109 euro (6,753,035 euro as at 31 December 2021) relating to non-current contingencies assumed by the Company, when selling its subsidiary Sonae Distribuição Brasil, S.A. in 2005. The evolution of the provision between years is associated with the evolution of the real against the euro. This provision is being used in the moment at the liabilities are materialized, being constituted based on the best estimate of the expenses to be incurred with such liabilities and that result from a significant set of processes of a civil and labour nature and of small value.

In 2021, the caption «Impairment losses net of reversals» includes the reversal of an amount payable to related parties, arised from the Spanish tax consolidation perimeter, since it was assumed that this amount will not be charged.

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

31. Reconciliation of liabilities arising from financing activities

As at 31 December 2022 the reconciliation of liabilities arising from financing activities are as follows:

	Bank loans[1]	Derivative financial instruments[2]	Right-of-use[3]
Balance at 1 Jan 2022	585,343,694	(28,760,887)	1,082,013,004
Cash flows			
Receipts relating to financial debt	984,266,713	–	–
Payments relating to financial debt	(951,189,709)	–	(159,974,598)
Bank overdrafts	(37,264)	–	–
Financial debt update	–	–	69,475,419
Increase/(decrease) in fair value	–	(2,341,147)	–
Costs of setting up the financing	548,963	–	–
Unpaid rents	–	–	(2,452,757)
Rental discounts related to the impact of the pandemic[4]	–	–	(8,442)
Increases/(decrease) in leases[3]	–	–	119,822,582
Exchange rate	(8,336,397)	–	–
Others	(133,248)	–	659,909
Balance at 31 Dec 2022	**610,462,752**	**(31,102,034)**	**1,109,535,117**

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

32. Contingent assets and liabilities

As at 31 December 2022 and 2021, contingent liabilities to which Group is exposed can be detailed as follows:

Guarantees and sureties gives

	31 Dec 2022	31 Dec 2021
Guarantees and securities givens		
On tax claims	725,936,275	822,554,165
On judicial claims	36,392,831	172,437
On municipal claims	6,152,236	7,911,731
For proper agrement fulfillment	37,352,200	17,225,317
Other guarantees	228,867	296,778
Guarantees and securities given in favour of carve-out entities		
On tax claims	26,622,020	26,622,020

Tax claims

The main tax claims with bank guarantees given or sureties associated are as follows:

- 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 (411.7 million euro as at 31 December 2021). 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, 11.6 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 18 million euro (101.4 million Brazilian real). The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

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

Within the framework of regularization of tax debts to Tax Authorities, (Outstanding Debts Settlement of Tax and Social Security (Decree of law 67/2016 of November 3rd, 151-A/2013 and 248-A/2002), the Group made tax payments in the amount of, approximately, 13.5 million euro, having the respective guarantees been eliminated. The related tax appeals continue in courts, having the maximum contingencies been reduced through the elimination of fines and interests related with these tax assessments.

As permitted by law, the Group maintains the legal proceedings, in order to establish the recovery of those amounts, having recorded as an asset the amounts related with income taxes paid under those plans.

Other contingent liabilities

Contingent liabilities related to subsidiaries sold in Brazil

Following the disposal of a subsidiary in Brazil, Sonae guaranteed to the buyer of the subsidiary all the losses incurred by that company arising on unfavourably decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. The amount claimed by the Brazilian Tax Authorities, concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, plus the amounts already paid 18.3 million euro (16.4 million euro at 31 December 2021) related to programs for the Brazilian State of tax recovery, amount to near 17 million euro at 31 December 2022 (15.2 million euro at 31 December 2021). Furthermore, there are other tax assessments totalling 85.3 million euro (76.2 million euro as at 31 December 2021) 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.

Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority («Autoridade da Concorrência»- AdC) notified MCretail SGPS, S.A. (former – Sonae MC SGPS, S.A.), Modelo Continente SGPS (Former MC) and Modelo Continente Hipermercados, for the purpose of presenting a defence, in the context of a misconduct proceeding under the agreement entered into between Modelo Continente and EDP Comercial campaign known as «EDP Continente Plan» (Plano EDP Continente). It should be noted that the Edp/Continente Plan took place during 2012 having been extended through the first months of 2013 to allow the use of discounts that had been granted to customers until 31 December 2012. The development of this type of business promotion agreement is a common practice in the Portuguese market. In 2017, the AdC imposed fines of 2.8 million euro on Sonae Investments and 6.8 million euro on Modelo Continente. AdC also condemned MC, but it did not impose any fine on it since that company does not present any turnover. These companies challenged the AdC's decision in court. As of 30 September 2020 a decision was handed down that confirmed the AdC's understanding of the illegality of the behaviour in question, although reducing the amounts of the fine to, respectively, 2.52 million euro and 6.12 million euro. The companies appealed this decision to the Lisbon Court of Appeal (TRL), where it is pending. On 5 April 2021, this Court suspended the proceedings and formulated a dozen of preliminary judicial questions to the Court of Justice of the Union (TJUE).

The companies have already submitted their written observations to the TJUE and the oral hearing and the general conclusions of the Advocate General have already been read. Awaiting the final decision (judgment) of the TJUE.The Board of Directors expects, based on the opinion of their legal advisors, maintains the expectation that there will be no liability for these companies in this proceeding.

In the context of the AdC's condemnatory decisions and the consequent challenges before the Competition Court, MCretail has been providing guarantees in favor of MCH, in an amount defined by the Court. During 2022, guarantees were provided for 4 of the cases opened by the AdC and, during 2023, guarantees were provided for 3 other cases.

Research in progress by the Competition Authority

In 2017, a Modelo Continente Hipermercados, S.A. was subject to search and seizure of documents by the Competition Authority (AdC), as part of an investigation publicly reported by AdC as involving 21 entities in the retail sector of consumer goods (for example, hypermarkets, supermarkets, hard-discounts and its suppliers).

In the context of 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 euros. Condemnatory decisions can and will be challenged before the Competition Authority, within the due legal time limits.

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

33. Operational lease – lessor

Minimum lease payments (fixed income) arising from operational leases, in which the MC acts as a lessor, recognised as income during the period ended 31 December 2022 and 2021 amounted to 35,782,666 euros and 30,880,564 euro, respectively.

Additionally, at 31 December 2022 and 2021, MC had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2022	31 Dec 2021
Due in		
N+1 automatically renewal	1,945,361	843,489
N+1	31,413,915	29,912,190
N+2	28,224,208	25,643,503
N+3	26,771,760	22,696,454
N+4	24,409,999	21,202,793
N+5	11,329,197	18,877,740
After N+5	37,286,295	27,466,217
	161,380,735	**146,642,384**

34. Revenue

As at 31 December 2022 and 2021, Revenue is made up as follows:

	31 Dec 2022	31 Dec 2021
Sale of goods	5,837,016,889	5,234,350,867
Services rendered	141,319,947	127,281,079
	5,978,336,836	**5,361,631,946**

35. Gains and losses on investments

As at 31 December 2022 and 2021, Gain and losses on investments are as follows:

	31 Dec 2022	31 Dec 2021
Acquisition cost correction	425,243	(1,091,200)
Gains/(losses) on the sale of investments in subsidiaries	**425,243**	**(1,091,200)**
Gains/(losses) on investments recorded at fair value through results	–	–
Others	32,086	2,597
Total income/(expenses) related to investments	**457,329**	**(1,088,603)**
Dividends	**488**	**200,488**

36. Net financial expenses

As at 31 December 2022 and 2021, Net financial expenses are as follows:

	31 Dec 2022	31 Dec 2021
Expenses		
Interest expenses		
Related with bank loans and overdrafts	(5,070,070)	(3,487,509)
Related with non convertible bonds	(3,019,156)	(3,654,762)
Related with leases[1]	(69,475,419)	(68,948,352)
Others	(185,504)	(815,296)
	(77,750,149)	(76,905,919)
Foreign exchange losses	(43,997,801)	(19,674,402)
Foreign exchange losses related to loans	(2,266,035)	(6,979,350)
Gains from derivative financial instrument[2]	(9,420,046)	–
Up front fees and commissions related to loans	(2,195,348)	(2,509,842)
Others	(846,971)	(1,380,283)
	(136,476,350)	(107,449,796)
Income		
Interests receivable		
Related with bank deposits	316,905	1,978
Relating to loans	1,834,115	370,852
Others	49,833	115,998
	2,200,853	488,828
Foreign exchange gains	44,498,525	20,283,404
Fair value of the inefficient portion of hedging derivatives[2]	591,578	7,106,548
Gains with derivative financial instrument[2]	2,313,498	–
Favorable exchange differences relating to loans	10,602,432	–
Other financial income	746,142	16,168
	60,953,028	27,894,948
Net financial expenses	**(75,523,322)**	**(79,554,848)**

1. Note 8 2. Notes 11 and 24

37. Other income

As at 31 December 2022 and 2021, the caption «Other Income» is made up as follow:

	31 Dec 2022	31 Dec 2021
Supplementary income	41,167,380	36,241,878
Prompt payment discounts received	25,279,438	24,305,536
Own work capitalised[1]	16,258,686	11,112,343
Gains with derivative financial instrument[2]	11,879,746	12,095,993
Exchange differences	20,032,366	6,635,277
Gains on sales of assets	2,392,908	1,917,544
Subsidies	2,835,618	2,601,810
Others	8,889,739	4,113,053
	128,735,881	**99,023,434**

1. Note 7 2. Notes 15 and 24

38. External supplies and services

As at 31 December 2022 and 2021, «External supplies and services» are as follows:

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

	31 Dec 2022	31 Dec 2021
Services	84,858,023	77,400,831
Electricity	116,311,206	86,587,839
Advertising expenses	63,603,915	60,456,504
Transports	54,257,480	45,440,207
Cleaning up services	35,489,533	41,184,916
Maintenance	33,856,557	29,182,100
Rents	28,738,973	24,976,456
Security	21,254,784	22,427,690
Costs with automatic payment terminals	15,783,890	14,207,074
Home delivery	15,024,377	14,548,695
Consumables	13,415,897	12,323,271
Communications	6,538,401	6,640,434
Insurances	6,851,091	5,795,952
Travel expenses	5,779,744	3,190,939
Subcontracts	1,932,192	2,246,302
Others	48,047,474	44,666,962
	551,743,537	**491,276,172**

39. Employee benefit expense

As at 31 December 2022 and 2021, Employee benefits expense are as follows:

	31 Dec 2022	31 Dec 2021
Salaries	558,166,165	491,442,394
Social security contributions	110,957,288	100,841,321
Insurance	10,808,755	10,123,416
Welfare	4,234,386	4,854,254
Other staff costs	20,902,006	15,189,726
	705,068,600	**622,451,111**

40. Other expenses

As at 31 December 2022 and 2021, «Other expenses» are as follows:

	31 Dec 2022	31 Dec 2021
Galp/Continente loyalty program	12,753,640	12,075,603
Exchange differences	20,494,480	6,954,024
Donations	29,138,274	19,712,928
Other taxes	9,662,861	8,159,892
Losses on the disposal of assets	4,164,475	3,830,361
Municipal property tax	2,040,106	2,057,142
Other	2,889,658	3,845,223
	81,143,494	**56,635,173**

41. Income tax expense

As at 31 December 2022 and 2021, income tax is made up as follows:

	31 Dec 2022	31 Dec 2021
Current tax	25,006,504	28,984,406
Deferred tax[1]	907,240	(8,133,431)
	25,913,744	**20,850,975**

1. Note 19

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2022 and 2021 is as follows:

	31 Dec 2022	31 Dec 2021
Profit before income tax	208,847,400	198,921,619
Income tax rate in Portugal 21%	**43,857,954**	**41,773,540**
Effect of different income tax rates in other countries	6,657,762)	(10,048,064)
Difference between capital (losses)/gains for accounting and tax purposes	(96,039)	186,504
Gains or losses in jointly controlled and associated companies[1]	(398,540)	(253,728)
Provisions and impairment losses not accepted for tax purposes	–	(3,034,140)
Use of tax losses that have not originated deferred tax assets	(25,172)	–
Amortisation of goodwill for tax pruposes in Spain[2]	5,816,680	5,816,680
Effect of constitution or reversal of deferred taxes	(14,863,915)	–
Donations unforeseen or beyond the legal limits	602,501	496,193
Use of tax benefits	(6,791,324)	(13,922,923)
Under/(over) Income tax estimates	(120,554)	(2,820,058)
Autonomous taxes and tax benefits	1,397,726	2,497,240
Municipality surcharge	3,162,073	4,482,133
Others	30,117	(4,322,403)
Income tax assets	**25,913,744**	**20,850,975**

1. Note 10 2. Note 19

42. Related parties

Balances and transactions with related parties during the periods ended 31 December 2022 and 2021 are as follows:

	Parent company		Jointly controlled companies	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Sales & Services rendered	2,753,791	2,474,542	4,256,064	3,181,085
Other income	179,432	235,274	278,809	129,093
Cost of goods sold and materials consumed	–	–	(355,000,917)	(290,346,345)
External supplies and services	(5,842,128)	(5,714,483)	(1,195,688)	(1,274,954)
Other expenses	(2,988)	(751)	(0)	(328)
Financial expense	(5,261)	(28,721)	–	–

	Associated companies		Other related parties	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Sales & Services rendered	40,452,070	44,512,020	74,502,809	95,982,841
Other income	9,736	125,056	13,987,521	14,177,863
Cost of goods sold and materials consumed	(9,815)	–	(25,072,341)	(21,590,502)
External supplies and services	(5,340)	1	(24,992,882)	(26,917,825)
Other expenses	–	–	(601,058)	(378,712)
Financial expense	–	–	(8,394,177)	(8,728,163)

	Parent company		Jointly controlled companies	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Trade receivables	287,839	269,095	242,981	580,518
Other receivables	11,527	1,375,290	108,795	288,574
Income tax assets	14,992,149	12,337,647	–	–
Other current assets	40,352	40,352	75,766	39,124
Trade payables	(699,300)	(736,260)	(82,500,394)	(66,700,498)
Other payables	(9,234)	(23,647)	(7)	–
Income tax liabilities	(11,349,387)	(22,103,430)	–	–
Other current liabilities	(1,171,584)	(1,225,432)	(203,961)	(204,458)
Property, plant and equipment acquisitions	1,715	1,280	–	17,364
Property, plant and equipment disposals	(40,755)	(24,916)	(268)	(4,527)

	Associated companies		Other related parties	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Other non-current assets	–	–	3,841,638	4,027,030
Trade receivables	9,161,947	173,031	9,924,783	22,941,226
Other receivables	129,456	–	21,914,587	17,603,639
Income tax assets	–	–	8,994,086	3,585,846
Other current assets	–	–	2,252,821	3,377,404
Trade payables	(69,271)	(2,097)	(23,821,551)	(6,792,559)
Other payables	(5,277)	–	(4,295,321)	(2,499,788)
Income tax liabilities	–	–	(15,065,967)	(6,946,674)
Other current liabilities	–	–	(13,805,222)	(14,134,332)
Property, plant and equipment acquisitions	–	–	2,748,224	2,839,642
Property, plant and equipment disposals	(2,409)	–	(100,084)	(145,229)
Intangible Assets acquisitions	–	–	1,485,721	1,534,115

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 2022 and 2021, is composed as follows:

	31 Dec 2022		31 Dec 2021	
	Administrative Council	Direction Strategic[a]	Administrative Council	Direction Strategic[a]
Short-term benefits	37,177	3,075,920	111,300	2,986,494
Share benefits	–	1,177,300	–	1,170,500
	37,177	4,253,220	111,300	4,156,994

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

43. Earnings per share

Earnings per share for the periods ended 31 December 2022 and 2021 were calculated taking into consideration the following amounts:

	31 Dec 2022		31 Dec 2021	
	Continuing Operations	Operações Descontinuadas	Continuing Operations	Operações Descontinuadas
Net profit				
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	179,241,981	–	176,031,131	45,975,360
Net profit taken into consideration to calculate diluted earnings per share	**179,241,98**	**–**	**176,031,131**	**45,975,360**
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	0.179242	–	0.176031	0.045975
Diluted	0.179242	–	0.176031	0.045975

As at 31 December 2022 and 2021, there are no dilutive effects on the number of shares outstanding.

44. Cash receipts and cash payments of investments

As at 31 December 2022 and 2021, cash receipts related to investments can be detailed as follows:

Receipts	31 Dec 2022	31 Dec 2021
Disposal of Imosonae II fund units	–	3,839,290
Receipt related to the sale of Tlantic to Parseya	400,000	400,000
Disposal of Maxmat[1]	–	39,743,871
Compensation Fund Work	798,161	750,819
Others	32,086	–
	1,230,247	**44,733,980**

1. Note 4

As at 31 December 2022 and 2021, cash payments related to investments can be detailed as follows:

Payments	31 Dec 2022	31 Dec 2021
Acquisition of Portimativo	–	20,215,007
Acquisition of 25% Elergone	–	1,500,000
Compensation Fund Work	1,702,974	1,462,947
Others	554,750	100,000
	2,257,724	**23,277,954**

45. Approval of financial statements

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 23 March 2023, however, they are still subject to approval at the Shareholders Annual General Meeting.

46. Group companies included in the consolidated financial statements

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by MC as at 31 December 2022 and 31 December 2021 are as follows:

Company		Head office	Percentage of capital held			
			31 Dec 2022		31 Dec 2021	
			Direct*	Total*	Direct*	Total*
MCretail, SGPS, S.A.[1]		Matosinhos	HOLDING	HOLDING	HOLDING	HOLDING
Mundo Note – Papelaria, Livraria e Serviços, S.A.[2]	a)	Matosinhos	100.00%	100.00%	–	–
Arenal Perfumerias SLU	a)	Lugo (Spain)	100.00%	60.00%	100.00%	60.00%
Asprela – Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Azulino Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
BB Food Service, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Bertimóvel – Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Bom Momento – Restauração, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Brio – Produtos de Agricultura Biológica, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Canasta – Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Chão Verde – Sociedade de Gestão Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Citorres – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Closer Look Design, Lda	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%
Zu, Produtos e Serviços para Animais, S.A.[2]	a)	Matosinhos	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 Investment Imobiliário Imosonae Dois	a)	Maia	98.00%	98.00%	98.00%	98.00%
Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	a)	Lisbon	100.00%	100.00%	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.[3]	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%
Marcas MC, zRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%	100.00%
MC Shared Services, S.A.[4]	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%
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%
ODACREMSO – Retalho, S.A.[2]	a)	Matosinhos	100.00%	100.00%	–	–
Pharmacontinente – Saúde e Higiene, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Pharmaconcept – Atividades em Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
Ponto de Chegada – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
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%
SCBrasil Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
Selifa – Empreendimentos Imobiliários de Fafe, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
Sempre à Mão – Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
SIAL Participações,Ltda.	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
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.[2]	a)	Matosinhos	100.00%	100.00%	–	–
Soflorin, B.V.	a)	Amesterdam (Netherlands)	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)	Amesterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
Tomenider	a)	Lugo (Spain)	60.00%	60.00%	60.00%	60.00%
Valor N, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%

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

a) Control held by majority of voting rights which gives power of relevant activities;
b) Control held by majority of Board members.

1. Formerly known as Sonae MC, SGPS, S.A.
2. Subsidiary constituted in the year;
3. Formerly known as Sonaerp – Retail Properties, S.A.;
4. Formerly known as Sonae MC – Serviços Partilhados, S.A..

These entities are consolidated using the full consolidation method.

47. Subsequent events

No significant events have occurred after 31 December 2022 until this date.

The accompanying consolidated financial statements were approved by the Board of Directors and Approved at the Board of Directors meeting on 23 March 2023.

The Board of Directors,

- Maria Cláudia Teixeira de Azevedo
- Ângelo Gabriel Ribeirinho dos Santos Paupério
- João Pedro Magalhães da Silva Torres Dolores
- João Nonell Günther Amaral
- Jan Reinier Voûte
- Alan David Roux
- Luís Miguel Mesquita Soares Moutinho
- Rui Manuel Teixeira Soares de Almeida
- Isabel Sofia Bragança Simões de Barros
- José Manuel Cardoso Fortunato

Separate financial statements

Separate statements of financial position

as at 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Assets			
Non-current assets			
Investments	5	2,167,048,679	2,143,969,373
Income tax	8	2,185,033	2,916,832
Intangible assets		4,210	–
Deferred tax assets		–	3
Other non-current assets	4, 6	405,587,753	405,587,753
Total non-current assets		**2,574,825,675**	**2,552,473,961**
Current assets			
Other accounts receivable	4, 7	309,080,113	272,146,245
Income tax	8	8,337,004	7,694,548
Other current assets	4, 9	8,674,806	7,401,337
Derivative financial instruments	4, 11	591,578	7,106,548
Cash and cash equivalents	4, 15	102,376,725	137,021,419
Total current assets		**429,060,226**	**431,370,097**
Total assets		**3,003,885,901**	**2,983,844,058**
Equity and liabilities			
Equity			
Share capital	10	1,000,000,000	1,000,000,000
Legal reserve	10	200,000,000	198,366,897
Other reserves	10	116,007,062	197,944,055
Net Profit/(Loss) for the period		135,753,315	162,696,110
Total equity		**1,451,760,377**	**1,559,007,062**
Liabilities			
Non-current liabilities			
Bonds	4, 11	224,086,295	223,620,524
Bank loans	4, 11	252,020,489	160,950,400
Other non-current liabilities	4	50,021	50,021
Total non-current liabilities		**476,156,805**	**384,620,945**
Current liabilities			
Bonds	4, 11	–	72,423,939
Bank loans	4, 11	6,111,111	–
Trade payables	4	102,331	113,988
Other accounts payable	4, 12	1,059,449,490	962,610,269
Income tax	8	2,101,152	2,101,152
Other current liabilities	4, 13	8,204,635	2,966,703
Total current liabilities		**1,075,968,719**	**1,040,216,051**
Total equity and liabilities		**3,003,885,901**	**2,983,844,058**

The accompanying notes are part of these separate financial statements.

Separate profit and loss and comprehensive income statements

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Gains or losses from investments	5	144,972,386	171,271,358
Financial income	17	24,254,324	15,906,505
Other income		1,460,458	1,238,542
External supplies and services	16	(2,361,512)	(2,600,815)
Staff costs		(91,593)	(175,757)
Depreciation and amortisation		(1,114)	–
Provisions and impairment losses		–	(24)
Financial expense	17	(34,599,071)	(24,166,539)
Other expenses		(29,466)	(32,288)
Profit before income tax		**133,604,412**	**161,440,982**
Income tax	8	2,148,903	1,255,128
Net Profit/(Loss) for the period		**135,753,315**	**162,696,110**
Comprehensive income (net of tax) for the period		**135,753,315**	**162,696,110**
Earnings per share (basic and diluted)	**10**	**0.1358**	**0.1627**

The accompanying notes are part of these separate financial statements.

Separate statements of changes in equity

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Net Profit/ (Loss)	Total equity
Balance at 1 Jan 2021		1,000,000,000	186,480,406	105,020,218	7,080,512	237,729,816	1,536,310,952
Total comprehensive income for the year		–	–	–	–	162,696,110	162,696,110
Appropriation of the 2020 net profit							
Transfer to reserves	10	–	11,886,491	85,843,325	–	(97,729,816)	–
Dividends distributed	10	–	–	–	–	(140,000,000)	(140,000,000)
Transfers		–	–	7,080,512	(7,080,512)	–	–
Balance at 31 Dec 2021	**10**	**1,000,000,000**	**198,366,897**	**197,944,055**	**–**	**162,696,110**	**1,559,007,062**
Balance at 1 Jan 2022	10	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 the 2021 net profit							
Transfer to reserves	10	–	1,633,103	–	–	(1,633,103)	–
Dividends and reserves distributed	10	–	–	(81,936,993)	–	(161,063,007)	(243,000,000)
Balance at 31 Dec 2022	**10**	**1,000,000,000**	**200,000,000**	**116,007,062**	**–**	**135,753,315**	**1,451,760,377**

The accompanying notes are part of these separate financial statements.

Separate statements of cash flows

for the periods ended 31 December 2022 and 2021

(Amounts expressed in euro)	Notes	31 Dec 2022	31 Dec 2021
Operating activities			
Payments to suppliers		(2,476,762)	(2,623,624)
Payments to employees		(96,926)	(186,771)
Cash flow generated by operations		(2,573,688)	(2,810,395)
Income taxes (paid)/received		1,506,450	2,817,312
Other cash receipts/(payments) relating to operating activities		2,383,624	1,590,557
Cash flow from operating activities (1)		**1,316,386**	**1,597,474**
Investment activities			
Receipts arising from			
Investments	5, 15	32,086	68,034,480
Intangible assets		–	5,963
Interests and similar income		9,558,249	9,632,146
Dividends	5	139,120,387	137,844,283
Others		4,406	10,060
Loans granted		3,709,465,367	3,863,374,251
		3,858,180,495	4,078,901,183
Payments arising from			
Investments	5, 15	(17,114,000)	(9,500,000)
Intangible assets		(5,323)	–
Loans granted		(3,746,728,935)	(3,801,264,683)
		(3,763,848,258)	(3,810,764,683)
Cash flow from investing activities (2)		**94,332,237**	**268,136,500**
Financing activities			
Receipts arising from			
Loans obtained	15	4,575,763,724	5,744,894,899
		4,575,763,724	5,744,894,899
Payments arising from			
Interests and similar charges		(17,055,111)	(16,745,602)
Dividends		(243,000,000)	(140,000,000)
Loans obtained	15	(4,446,001,930)	(5,800,561,100)
		(4,706,057,041)	(5,957,306,702)
Cash flow from financing activities (3)		**(130,293,317)**	**(212,411,803)**
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		**(34,644,694)**	**57,322,171**
Cash and cash equivalents at the beginning of the period	15	137,021,419	79,699,248
Cash and cash equivalents at the end of the period	**15**	**102,376,725**	**137,021,419**

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 2022 and 2021
(Amounts expressed in euro)

1. Introduction

MCretail, SGPS, S.A. (hereon «MC» or «Company») 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 5).

Consolidated financial statements are also presented pursuant to applicable legislation.

2. Main accounting policies

The main accounting policies adopted in preparing the accompanying separate financial statements are as follows. These policies were consistently applied in the comparative period.

2.1. 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. Areas with the highest degree of judgement or complexity, or areas where assumptions and estimates are significant are presented in Note 2.2. k).

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.

Standards, interpretations, amendments, and revisions that became effective in the year

The following standards, interpretations, amendments, and revisions were endorsed by the EU and became effective for the first time in the year ended as of 31 December 2022:

- **IAS 16 – Proceeds before intended use**
  This amendment changes the accounting treatment of the proceeds obtained from the sale of products that resulted from the production test phase of property, plant, and equipment, prohibiting their deduction to the acquisition cost of assets. This amendment is applied retrospectively without restating comparatives.

- **IAS 37 – Onerous contracts – Cost of fulfilling a contract**
  This amendment specifies that when assessing whether a contract is onerous or not, only expenses directly related to the performance of the contract, such as incremental costs related to direct labour and materials and the allocation of other expenses directly related to the allocation of depreciation expenses of tangible assets used to carry out the contract, can be considered. This amendment must be applied to contracts that, at the beginning of the first annual reporting period to which the amendment is applied, still include contractual obligations to be satisfied, without restating comparatives.

- **Annual Improvements 2018–2020**
  The 2018-2020 annual improvements impact: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

- **IFRS 3 – Reference to the conceptual framework**
  This amendment updates the references to the Conceptual Framework in the text of IFRS 3, without changing the accounting requirements for business combinations. This amendment also clarifies the accounting treatment to be given to contingent liabilities and liabilities under IAS 37 and IFRIC 21, incurred separately versus within a business combination. This amendment is applied prospectively.

There were no materially relevant impacts to the separate financial statements when from adopting these standards.

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 years and have been endorsed by the EU:

- **IFRS 17 – 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.

- **IAS 1 – 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 – 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).

- **IAS 12 – 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.

- **IFRS 17 – 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.

- **IFRS 17 (amendment) – 'Insurance contracts'**
  This amendment relates to eight specific changes in eight areas of IFRS 17, such as: i) scope; ii) level of aggregation of insurance contracts; iii) recognition; iv) measurement; v) modification and derecognition; vi) presentation in the Statement of financial position; vii) recognition and measurement of Profit and loss statement; and viii) disclosures. This amendment also includes clarifications with the objective of simplifying some requirements of this standard and allow for a swift implementation.

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

Standards, interpretations, amendments, and revisions that are not yet endorsed by the EU

The following standards, interpretations, amendments, and revisions, with mandatory application in future years, have not, up to the date of approval of this report, been endorsed by the EU:

- **IAS 1 – amendment: Non-current liabilities with covenants**
  This amendment clarifies that liabilities are classified as either current or non-current balances depending on the rights that an entity must defer its settlement for at least 12 months after the reporting date. It clarifies also that the 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 the covenants are only assessed after the entity's reporting date. When an entity classifies liabilities arising from loan arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that the liabilities could become repayable within 12 months, such as: a) the carrying amount of the liabilities; b) the nature of the covenants and the compliance date; and c) the facts and circumstances that indicate the entity may have difficulty complying with covenants when it is required to do so. This amendment is applied retrospectively.

- **IFRS 16 – amendment: Lease liability in a sale and leaseback**
  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.

These standards have not been endorsed by the EU, and the Company did not adopt them early to the separate financial statements of 2022.

2.2. Main recognition and measurement criteria

The main recognition and measurement criteria used by the Company in the preparation of accompanying separate financial statements are as follows:

2.2. a) Investments

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

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

2.2. b) Financial instruments

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

A. Financial assets

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 may be classified in the following measurement categories:

(i) Financial assets at amortised cost includes financial assets that correspond only to the payment of nominal value and interest, and for which the business model followed by management is receiving contractual cash flows.

(ii) Financial assets at fair value through other comprehensive income may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual stake in an entity):

a) for debt instruments, this category includes financial assets that only correspond to the payment of nominal value and interest, for which the business model followed by management is receiving contractual cash flows or eventually their sale proceeds.
b) for equity instruments this category includes the percentage held in entities over which the Company does not exercise control, joint control or significant influence, and that the Company has irrevocably chosen, at initial recognition, to register the fair value through other comprehensive income.

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

Measurement

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.

Financial assets at fair value through other comprehensive income that constitute equity instruments, are measured at fair value on the initial record date and subsequently, and their fair value changes are recorded directly in the other comprehensive income, in equity, without any future reclassification even after derecognition of the investment.

Impairment losses

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.

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.

i) 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.

ii) Cash and cash equivalents

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

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

These financial assets are included in the classes identified in Note 4.

B. Classification as equity or liability

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

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

C. Financial liabilities

Financial liabilities are classified in two categories:

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

(ii) Financial liabilities at amortised cost.

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

As at 31 December 2022, the Company has only recognised liabilities classified as «Financial liabilities at amortised cost».

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

i) 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.

Financial expenses are calculated based on the effective interest rate and are recorded in the separate profit and loss statement on an accruals basis, in accordance with the accounting policy in Note 2.2. g). The portion of the effective interest charge relating to up-front fees and commissions is added to the book value of the loan, if it is not paid in the year.

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

ii) 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.

iii) 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.

2.2. c) Derivative financial instruments

The Company uses derivatives in the management of its financial risks to hedge such risks and not with speculative purposes.

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

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

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

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

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

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

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

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

An analysis was performed to assess the impact on the separate financial statements resulting from the application of the interest rate benchmark («IBOR») reform which relate to interest rates used in several financial instruments, such as loans, bank deposits or derivative financial instruments, as is the example of Euribor and Libor. Some IBOR are being reformulated, however, regarding Euribor, to which the Company financial instruments are indexed, there is no indication that it will be replaced in the near future, after its reestructuring in 2019.

2.2. d) Balances and transactions stated in foreign currency

Transactions in foreign currency are recorded in the functional currency (Euro) using the exchange rates in force at the transaction date. Assets and liabilities are translated into the functional currency, using the exchange rates prevailing at the separate statement of financial position date for each period. Exchange gains and losses arising from differences between historical exchange rates and those prevailing at collection or payment date or at the separate statement of financial position date, are recorded as income or expenses of the period in the separate income statement.

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

2.2. e) Contingent assets and liabilities

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.

2.2. f) Income tax

Current income tax is determined based on the Company's taxable income, pursuant to current Portuguese tax rules and takes into consideration, when relevant, deferred taxation.

Deferred taxes are calculated using the statement of financial position liability method and reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their amount used for taxable purposes. Deferred tax assets and liabilities are calculated and annually remeasured using tax rates that have been enacted or substantively enacted to be in force when the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences exist that will offset deductible temporary differences in the period of their reversal. At each statement of financial position date, an assessment of the deferred tax assets recognised (and not recognised) is made, being reduced whenever their future use is no longer likely or up until the amount that taxable profits that allow for their use are probable.

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

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

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.

2.2. g) Accrual basis

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

Dividends received or due from investments are recognised as income in the year they are attributed by the shareholders of the held companies.

2.2. h) Subsequent events

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.

2.2. i) Equity – legal reserve

The Portuguese commercial legislation establishes that, at least 5% of the annual net profit must be used to increase «Legal reserves» 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.

2.2. j) Transactions with related entities

Transactions with related entities are at arm's length conditions, and gains or losses from those transactions are recognised and their disclosure is made in Note 18.

2.2. k) 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 (Note 5);

(b) Recognition of impairments to asset values (notes 6 e 7);

(c) Measurement of derivate financial instruments fair value (Note 11);

(d) Recognition of provisions and contingent liabilities analysis (Note 14).

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.

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 on Note 5.

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.

Recognition of provisions and contingent liabilities analysis

Provisions are recognised when, and only when, the Company has a present obligation (legal or implicit) derived from a past event and it is likely that, to fulfil such obligation, an outflow occurs, and the amount of the obligation can be reasonably estimated.

Contingent liabilities estimated at each reporting date are disclosed in the notes to the financial statements, unless the probability of a cash outflow affecting future economic benefits is remote.

3. 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.

3.1. Market risks

3.1. 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.

Sensitivity analysis

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;

- In the case of fair value interest hedges, changes in the fair value of the hedging item and the hedged financial instrument related to interest rate fluctuations are almost completely offset in the separate income statement of the same year, therefore these financial instruments are also not exposed to interest rate risk;

- Changes in market interest rate of financial instruments designated as cash flow hedging instruments (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the sensitivity analysis with impact in equity (other reserves);

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

- For sensitivity analysis purposes all financial instruments outstanding during the year are considered.

Under these assumptions, MC exposure to this risk is deemed insignificant, since if in the last 12 months Euro interest rates had been 100 basis points higher, the Company separate profit before tax for the year ended 31 December 2022 would decrease by approximately 4.2 million euro (an increase of 75 basis points in 2021 would decrease separate profit before tax by 1.3 million euro), considering the contractual fixing dates and excluding other effects arising on the Company operations.

3.1. b) Exchange rate risk

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

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

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

As at 31 December 2022 the amount in euros of the liabilities denominated in USD was 103.1 million euro (106 million euro in 2021).

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

3.2. Liquidity risk

The main purpose of liquidity risk management is to ensure 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 2022 MC's average debt maturity, adjusted for cash and cash equivalents and pre-financed long-term credit lines available, was approximately 4.7 years (2021: 5 years).

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

The Company maintains a liquidity reserve in the form of credit lines with its relationship banks to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms. As at 31 December 2022 there were 6.1 million euro of loans with maturity in 2023 (72.5 million euro of loans with maturity in 2022 as at 31 December 2021) and the Company had 93 million euro (96 million euro in 31 December 2021) committed credit facilities for a period of up to one year, and 275 million euro (125 million euro in 2021) committed for a period of over one year (Note 11). Furthermore, MC maintains as at 31 December 2022 a liquidity reserve that includes cash and cash equivalents as described on Note 15.

Considering the previous comments, although current assets are lower than current liabilities, MC expects to meet all its obligations using its operational cash flows (namely, dividends from its investments) and its financial assets, and, if needed, drawing existing available credit lines as well as extending the maturity of loans to related entities.

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

3.3. Credit risk

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

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

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

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

3.4. Capital risk

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

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

4. Financial instruments by classes

According to the accounting policies disclosed in Note 2.2. b) the financial instruments were classified, as at 31 December 2022 and 2021, as shown below:

Financial assets – 31 Dec 2022

	Notes	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Others not covered by IFRS 9	Total
Non-current assets					
Other non-current assets	6	405,587,753	–	–	405,587,753
		405,587,753	**–**	**–**	**405,587,753**
Current assets					
Other accounts receivable	7	308,427,047	–	653,066	309,080,113
Other current assets	9	7,972,912	–	701,894	8,674,806
Derivative financial instruments	11	–	591,578	–	591,578
Cash and cash equivalents	15	102,376,725	–	–	102,376,725
		418,776,684	**591,578**	**1,354,960**	**420,723,222**
		824,364,437	**591,578**	**1,354,960**	**826,310,975**

Financial liabilities – 31 Dec 2022

	Notes	Financial liabilities at amortised cost	Others not covered by IFRS 9	Total
Non-current liabilities				
Bonds	11	224,086,295	–	224,086,295
Bank loans	11	252,020,489	–	252,020,489
Other non-current liabilities		50,021	–	50,021
		476,156,805	**–**	**476,156,805**
Current liabilities				
Bonds	11	–	–	–
Bank loans	11	6,111,111	–	6,111,111
Trade payables		102,331	–	102,331
Other payables	12	1,059,449,419	71	1,059,449,490
Other current liabilities	13	8,097,007	107,628	8,204,635
		1,073,759,868	**107,699**	**1,073,867,567**
		1,549,916,673	**107,699**	**1,550,024,372**

Financial assets – 31 Dec 2021

	Notes	Financial assets at amortised cost	Financial assets at fair value through profit and loss	Others not covered by IFRS 9	Total
Non-current assets					
Other non-current assets	6	405,587,753	–	–	405,587,753
		405,587,753	**–**	**–**	**405,587,753**
Current assets					
Other accounts receivable	7	271,493,208	–	653,037	272,146,245
Other current assets	9	6,619,086	–	782,251	7,401,337
Derivative financial instruments	11	–	7,106,548	–	7,106,548
Cash and cash equivalents	15	137,021,419	–	–	137,021,419
		415,133,713	**7,106,548**	**1,435,288**	**423,675,549**
		820,721,466	**7,106,548**	**1,435,288**	**829,263,302**

Financial liabilities – 31 Dec 2021

	Notes	Financial liabilities at amortised cost	Others not covered by IFRS 9	Total
Non-current liabilities				
Bonds	11	223,620,524	–	223,620,524
Bank loans	11	160,950,400	–	160,950,400
Other non-current liabilities		50,021	–	50,021
		384,620,945	**–**	**384,620,945**
Current liabilities				
Bonds	11	72,423,939	–	72,423,939
Bank loans	11	–	–	–
Trade payables		113,988	–	113,988
Other payables	12	962,604,877	5,392	962,610,269
Other current liabilities	13	2,917,881	48,822	2,966,703
		1,038,060,685	**54,214**	**1,038,114,899**
		1,422,681,630	**54,214**	**1,422,735,844**

5. Investments

As at 31 December 2022 and 2021 the detail of the Company's investments was as follows:

Investments – 31 Dec 2022

Entity	% owned	Acquisition cost: Opening balance	Acquisition cost: Increases	Acquisition cost: Decreases	Acquisition cost: Closing balance	Accumulated impairment losses	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 BV	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%	13,940,377	–	–	13,940,377	(2,800,000)[d]	11,140,377
Elergone Energias, Lda	100%	4,663,062	2,000,000[a]	–	6,663,062	–	6,663,062
Soflorin BV	100%	8,342,933	–	–	8,342,933	(2,600,000)[d]	5,742,933
Go Well, S.A.	100%	10,459,657	1,114,000[a]	–	11,573,657	(7,460,000)	4,113,657
Sohi Meat Solutions – Dist. de Carnes, S.A.	50%	2,340,000	–	–	2,340,000	–	2,340,000
Fundo Invest. Imobiliário Imosonae Dois	0.09%	143,429	–	–	143,429	(14,742)	128,687
Mundo Note – Papelaria, Livraria e Serviços, 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
Odacremso – Retalho, S.A.	100%	–	50,000[b]	–	50,000	–	50,000
SCBrasil Participações, Ltda.	62.51%	34,700,308	–	–	34,700,308	(34,700,308)	–
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	100%	3,591,619	–	–	3,591,619	(3,591,619)	–
Brio – Produtos de Agricultura Biológica, S.A.	–	988,003	–	(988,003)[c]	–	–	–
		2,201,939,352	**17,264,000**	**(988,003)**	**2,218,215,349**	**(51,166,669)**	**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 the society;
c) Sale of 0,004% share capital held in Brio — Produtos de Agricultura Biológica, S.A.;
d) During 2022 previously recorded impairments we partially reversed in Farmácia Selecção, S.A. and Soflorin BV investments.

Investments – 31 Dec 2021

Entity	% owned	Acquisition cost: Opening balance	Acquisition cost: Increases	Acquisition cost: Decreases	Acquisition cost: Closing balance	Accumulated impairment losses	Balance in the financial position statement
Modelo Continente Hipermercados, S.A.	100%	1,345,763,096	–	(988,003)	1,344,775,093	–	1,344,775,093
IGI Investimentos Gestão Imobiliária, S.A.	100%	359,363,564	–	–	359,363,564	–	359,363,564
Sonvecap BV	100%	155,573,113	–	–	155,573,113	–	155,573,113
Marcas MC, zRT	100%	146,943,000	–	–	146,943,000	–	146,943,000
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%	13,940,377	–	–	13,940,377	(3,860,377)	10,080,000
Elergone Energias, Lda	100%	1,196,862	3,500,000[a]	(33,800)	4,663,062	–	4,663,062
Go Well, S.A.	100%	4,459,657	6,000,000[b]	–	10,459,657	(7,460,000)[g]	2,999,657
Sohi Meat Solutions –Dist. de Carnes, S.A.	50%	2,340,000	–	–	2,340,000	–	2,340,000
Brio – Produtos de Agricultura Biológica, S.A.	0.004%	–	988,003[c]	–	988,003	–	988,003
Fundo Invest. Imobiliário Imosonae Dois	0.09%	143,429	–	–	143,429	(14,742)	128,687
SCBrasil Participações, Ltda.	62.51%	19,600,308	15,100,000[d]	–	34,700,308	(34,700,308)	–
Soflorin BV	100%	8,342,933	–	–	8,342,933	(8,342,933)	–
Zippy Cocuk Malz.Dag.Ith.Ve Tic.Ltd.Sti	100%	3,591,619	–	–	3,591,619	(3,591,619)	–
Maxmat – Dist.de Mat. de Construção,S.A.	–	22,790,614	–	(22,790,614)[e]	–	–	–
Sonae MC S2 Africa Limited	–	67,880	–	(67,880)[f]	–	–	–
		2,200,231,646	**25,588,003**	**(23,880,297)**	**2,201,939,352**	**(57,969,979)**	**2,143,969,373**

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) Acquisition of remaining stake and share capital increase of deducted of non-realised acquisition price adjustment;
b) Share capital increases and losses coverage;
c) Spin off of a Go Natural supermarket merged in Brio — Produtos de Agricultura Biológica, S.A., resulting in a shareholding of 0,004%;
d) Share capital increase through the conversion of voluntary capital contributions;
e) Sale of 50% share capital held in Modelo — Distribuição de Materiais de Construção, S.A.;
f) Conclusion of the liquidation of Sonae MC S2 Africa Limited, which was fully impaired in previous years;
g) During 2021 an impairment loss was recorded in relation to the investment in Go Well, S.A..

The Company's investments main financials as at 31 December 2022 and 2021 were the following:

Company's investments main financials – 31 Dec 2022

Entity	% owned	Assets	Liabilities	Equity	Income	Net Profit/(Loss)
Modelo Continente Hipermercados, S.A.[a]	100%	4,211,543,409	3,423,679,158	787,864,251	5,045,290,752	15,438,307
IGI Investimentos Gestão Imobiliária, S.A.[a]	100%	790,529,925	495,280,236	295,249,689	22,055,234	7,291,746
Sonvecap BV[a]	100%	159,947,518	36,349	159,911,169	–	4,411,754
Marcas MC, zRT[a]	100%	374,783,304	11,462,211	363,321,093	76,944,866	63,079,777
MC Shared Services, S.A.[a]	100%	160,605,361	83,368,966	77,236,395	89,009,555	7,297,481
Pharmacontinente – Saúde e Higiene, S.A.[a]	100%	128,551,806	98,412,398	30,139,408	261,907,850	9,066,783
Farmácia Selecção, S.A.[a]	100%	11,065,419	1,852	11,063,567	–	51,311
Elergone Energias, Lda[a]	100%	62,371,034	37,249,784	25,121,250	167,625,959	1,049,537
Soflorin BV[a]	100%	80,752,701	75,006,380	5,746,321	–	109,631
Go Well, S.A.[a]	100%	6,724,062	5,122,119	1,601,943	7,195,016	(1,083,616)
Sohi Meat Solutions – Dist. de Carnes, S.A.[a]	50%	74,242,201	68,179,418	6,062,782	359,535,205	1,107,555
Fundo Invest. Imobiliário Imosonae Dois[a]	0.09%	164,856,403	2,997,231	161,859,172	12,138,500	15,066,123
Mundo Note – Papelaria, Livraria e Serviços, S.A.[a]	100%	–	–	50,000	–	–
Zu, Produtos e Serviços para Animais, S.A.[a]	100%	–	–	50,000	–	–
Odacremso – Retalho, S.A.[a]	100%	–	–	50,000	–	–
SCBrasil Participações, Ltda.[a]	62.51%	11,264,874	14,941,715	(3,676,841)	–	(578,991)
Zippy cocuk malz.dag.ith.ve tic.ltd.sti[b]	100%	–	–	–	–	–

a) Financials from the financial statements included in the consolidated accounts, which are prepared according to IFRS

b) Not available

Company's investments main financials – 31 Dec 2021

Entity	% owned	Assets	Liabilities	Equity	Income	Net Profit/(Loss)
Modelo Continente Hipermercados, S.A.[a]	100%	4,043,514,654	3,275,088,710	768,425,944	4,569,313,563	24,636,452
IGI Investimentos Gestão Imobiliária, S.A.[a]	100%	782,200,734	477,266,195	304,934,539	26,792,493	30,939,462
Sonvecap BV[a]	100%	160,639,180	62,205	160,576,975	–	5,082,797
Marcas MC, zRT[a]	100%	370,649,527	11,462,701	359,186,826	71,034,704	59,099,997
MC Shared Services, S.A.[a]	100%	160,820,357	58,881,443	101,938,914	84,965,584	6,855,448
Pharmacontinente – Saúde e Higiene, S.A.[a]	100%	107,251,623	78,978,998	28,272,625	217,040,995	7,464,683
Farmácia Selecção, S.A.[a]	100%	11,013,183	927	11,012,256	–	433,053
Elergone Energias, Lda[a]	100%	54,146,574	28,027,481	26,119,093	103,777,013	(3,698,932)
Soflorin BV[a]	100%	80,683,510	75,046,820	5,636,690	–	(19,556)
Go Well, S.A.[a]	100%	5,398,318	2,644,083	2,754,235	5,057,676	(1,716,295)
Sohi Meat Solutions – Dist. de Carnes, S.A.[a]	50%	66,852,644	60,319,319	6,533,325	299,888,851	1,661,157
Fundo Invest. Imobiliário Imosonae Dois[a]	0.09%	154,644,527	2,851,484	151,793,043	11,529,997	11,755,761
Brio – Produtos de Agricultura Biológica, S.A.[a]	0.004%	10,060,368	5,126,899	4,933,469	10,128,816	(2,478,630)
SCBrasil Participações, Ltda.[a]	62.51%	11,781,217	14,569,722	(2,788,505)	–	(3,746,829)
Zippy cocuk malz.dag.ith.ve tic.ltd.sti[b]	100%	–	–	–	–	–

a) Financials from the financial statements included in the consolidated accounts, which are prepared according to IFRS

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 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 2022	31 Dec 2021
Basis of recoverable amount	Value in use	Value in use
Weighted average cost of capital	8.1%	10%
Perpetuity growth rate	1.5%	1.5%
Income compounded growth rate	0.9% a 6.1%	–0.1% a 12.4%

IGI Investimentos e Gestão Imobiliária, S.A. impairment test was based on real estate valuations at the reporting date performed by independent specialised entities and the remaining investments impairment test was performed based on the equity value.

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

Gains and losses on investments:

In the years ended 31 December 2022 and 2021 gains or losses on investments are detailed as follows:

	31 Dec 2022	31 Dec 2021
Dividends		
Marcas MC, zRT	58,945,509	62,200,000
MC Shared Services, S.A.	32,000,000	11,591,158
IGI Investimentos Gestão Imobiliária, S.A.	26,976,596	46,667,636
Elergone Energias, Lda	8,131,673	–
Pharmacontinente – Saúde e Higiene, S.A.	7,200,000	–
Sonvecap BV	5,077,560	16,829,405
Sohi Meat Solutions -Dist. de Carnes, S.A.	789,049	556,084
	139,120,387	**137,844,283**
Financial investments income		
Fundo Invest. Imobiliário Imosonae Dois	4,406	5,287
	4,406	**5,287**
Impairment reversals/(losses)		
Soflorin BV	5,742,933	–
Farmácia Selecção, S.A.	1,060,377	–
Go Well, S.A.	–	(7,460,000)
SCBrasil Participações, Ltda.	–	(4,366,850)
	6,803,310	**(11,826,850)**
Investment sale gains/(losses)		
Maxmat – Dist.de Mat. de Construção,S.A.	–	45,243,866
Sonae MC S2 Africa Limited	–	4,772
Liquidação APOR	32,086	–
Brio – Produtos de Agricultura Biológica, S.A.	(987,803)	–
	(955,717)	**45,248,638**
	144,972,386	**171,271,358**

6. Other non-current assets

As at 31 December 2022 and 2021 non-current assets were as follows:

	31 Dec 2022	31 Dec 2021
Loans granted to related parties[1]	418,229,070	418,229,070
Impairment on loans granted	(12,691,338)	(12,691,338)
Other financial assets	50,021	50,021
	405,587,753	**405,587,753**

1. Note 19

Loans granted to related parties have long-term maturity, render interest at market rates indexed to Euribor and their fair value is similar to their carrying amount. Impairment of loans granted to related parties is assessed in accordance with Note 2.2. b) A.

7. Other accounts receivable

As at 31 December 2022 and 2021 this caption is as follows:

	31 Dec 2022	31 Dec 2021
Loans granted to related parties[1]	308,337,000	271,073,432
Interests to be received	188,927	398,304
State and other public entities	653,066	653,037
Other accounts receivable	90,071	210,423
Accumulated impairment losses	(188,951)	(188,951)
	309,080,113	**272,146,245**

1. Note 19

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 2022 and 2021. The fair value of granted loans is similar to their carrying amount. Impairment of loans granted to related parties is assessed in accordance with Note 2.2. b) A.

8. Income tax

According to prevailing legislation, tax declarations are subject to review by the Tax Authorities for four years (five for Social Security) except when there have been tax losses, tax benefits conceded, or there are ongoing inspections or claims, in which cases these terms may the increased or suspended. Therefore, the tax declaration of the Company for 2019 and following years may yet be reviewed

As at 31 December 2022 and 2021 «Income tax» in the separate statement of financial position is composed of:

	31 Dec 2022	31 Dec 2021
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)	376,900	1,108,699
Additional tax payment	17,721	17,721
Non-current assets	**2,185,033**	**2,916,832**
Income tax for years when the company was not dominant of the tax group	3,370,829	2,743,690
Income tax for years when the company was dominant of the tax group	4,966,175	4,950,858
Current assets	**8,337,004**	**7,694,548**
Income tax for years when the company was dominant of the tax group	2,101,152	2,101,152
Current liabilities	**2,101,152**	**2,101,152**

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

Current assets caption «Income tax for years when the company was not dominant of the tax group» includes the income tax estimate and withholding tax 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 2022 and 2021 is detailed as follows:

	31 Dec 2022	31 Dec 2021
Current tax	(2,148,906)	(1,256,260)
Deferred tax	3	1,132
Income tax	**(2,148,903)**	**(1,255,128)**

Reconciliation of income tax for the years ended at 31 December 2022 and 2021 is as follows:

	31 Dec 2022	31 Dec 2021
Profit before income tax	133,604,412	161,440,982
Theorical income tax rate	21%	21%
Theorical income tax	**28,056,927**	**33,902,606**
Non taxable profit or loss		
Dividends	(29,215,281)	(28,947,299)
Impairment (reversal)/loss	(1,428,695)	2,468,767
(Gains)/losses in investment sales	207,439	(9,502,214)
Social realisations	–	30,792
Impairment losses on assets	–	1,415
Difference between tax and accounting capital gains/losses	–	1,252
Excess/(insufficient) tax estimate	207,524	757,860
Others	23,183	31,693
Total income tax	**(2,148,903)**	**(1,255,128)**
Effective income tax rate	**–1.61%**	**–0.78%**

9. Other current assets

As at 31 December 2022 and 2021 «Other current assets» can be detailed as follows:

	31 Dec 2022	31 Dec 2021
Interests to be received	6,930,728	5,532,782
Guarantees	1,006,829	1,050,950
Indemnity interest	35,354	35,354
Accrued income	**7,972,911**	**6,619,086**
Loans up-front fees	530,673	716,194
Prepaid insurance	160,084	66,057
Other prepayments	11,138	–
Prepayments	**701,895**	**782,251**
	8,674,806	**7,401,337**

10. Equity

Share capital

As at 31 December 2022 and 2021 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 2022 and 2021 the subscribed share capital of MC was held as follows:

	31 Dec 2022	31 Dec 2021
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

Pursuant to the Portuguese commercial legislation and as mentioned in Note 2.2. i), during 2022 the Company transferred 1,633,103 euro to its legal reserve, having reached the legal minimum amount of 20% of the share capital.

Other reserves and retained earnings

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

The movements that occurred in 2022 and 2021 in these reserves are detailed in the separate statement of changes in equity.

Earnings per share

Earnings per share for the years ended 31 December 2022 and 2021 were calculated considering the following amounts:

	31 Dec 2022	31 Dec 2021
Earnings		
Earnings used to calculate basic and dilluted earnings per share (profit for the period)	135,753,315	162,696,110
Number of shares		
Number of shares used to calculate basic and dilluted earnings per share	1,000,000,000	1,000,000,000
Earnings per share (basic and diluted)	**0.1358**	**0.1627**

11. Bonds and bank loans

As at 31 December 2022 and 2021, this caption included the following loans:

	31 Dec 2022		31 Dec 2021	
	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 / July 2020/2025		–	50,000,000	–
Bonds MC / July 2020/2025		–	22,500,000	–
Bonds MC ESG-Linked / December 2021/2024		40,000,000	–	40,000,000
Up-front fees not yet charged to profit or loss statement		(913,705)	(76,061)	(1,379,476)
Bond loans		**224,086,295**	**72,423,939**	**223,620,524**
Commercial paper		103,131,600	–	105,950,400
Commercial paper ESG-Linked		100,000,000	–	–
MC 2018/2031	6,111,111	48,888,889	–	55,000,000
Bank loans	**6,111,111**	**252,020,489**	**–**	**160,950,400**
	6,111,111	**476,106,784**	**72,423,939**	**384,570,924**

In May 2022 the MC 2019/2024 programme 120,000,000 USD commercial paper issued by the Company in April 2021 became due together with the exchange hedging derivative. In June 2022 MC issued commercial paper of 110,000,000 USD of the MC 2019/2024 programme (above value for 103,131,600 euro) and simultaneously contracted a new exchange rate hedging derivative. This derivative was, as at 31 December 2022, an asset recorded as «Derivative financial instruments» in the separate statement of financial position for 591,578 euro. The gains and losses from exchange rate fluctuations and the derivative financial instrument fair value are both detailed in Note 17.

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

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

	31 Dec 2022		31 Dec 2021	
	Capital	Interests	Capital	Interests
N+1	6,111,111	11,039,442	72,500,000	3,404,446
N+2	149,242,711	10,940,091	6,111,111	2,860,860
N+3	25,111,111	9,262,033	152,061,511	2,772,933
N+4	135,111,111	8,212,022	25,111,111	2,322,565
N+5	143,111,111	3,841,260	115,111,111	1,889,045
After N+5	24,444,445	1,010,359	87,555,556	1,463,158
	483,131,600	**44,305,207**	**458,450,400**	**14,713,007**

The aforementioned maturities were estimated according to the loans contractual clauses and considering MC's expectation of its amortisation date. Interest amounts were calculated considering financing rates as at 31 December 2022 and 2021, respectively.

As at 31 December 2022 and 2021 there were financial covenants included in borrowing agreements, negotiated as per market practices, and which were in regular compliance as at the date of this report.

As at 31 December 2022 in addition to «Cash and cash equivalents» (Note 15) the Company had 368 million euro of available credit facilities (221 million as at 31 December 2021) that can be summarised as follows:

	31 Dec 2022		31 Dec 2021	
	Commitments of less than 1 year	Commitments of more than 1 year	Commitments of less than 1 year	Commitments of more than 1 year
Agreed credit facilities	93,000,000	375,000,000	96,000,000	225,000,000
Unused credit facilities	93,000,000	275,000,000	96,000,000	125,000,000

The 2022 average interest rate of bonds and bank loans was 2.26% (0.85% in 2021).

12. Other accounts payable

As at 31 December 2022 and 2021 this caption is detailed as follows:

	31 Dec 2022	31 Dec 2021
Loans from related parties[1]	1,059,290,000	962,603,900
Fixed assets suppliers	150,000	–
Other payables	9,490	6,369
	1,059,449,490	**962,610,269**

1. Note 19

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

13. Other current liabilities

As at 31 December 2022 and 2021 «Other current liabilities» were composed as follows:

	31 Dec 2022	31 Dec 2021
Accrued interest	7,190,084	1,911,433
Guarantees	828,305	835,946
Insurance	84,870	31,198
Financing costs	78,618	170,502
Other accruals	22,758	17,624
	8,204,635	**2,966,703**

14. Contingent liabilities

As at 31 December 2022 and 2021 guarantees in favour of third parties are as follows:

Guarantees and securities given	31 Dec 2022	31 Dec 2021
Financial institutions guarantees regarding judicial claims awaiting outcome	86,800,069	88,711,121
Guarantees received provided by the parent company		
Regarding tax claims awaiting outcome	236,316,955	236,316,955
Regarding judicial claims awaiting outcome	1,400,000	1,400,000
Guarantees given in favour of related parties		
Regarding tax claims awaiting outcome	226,920,031	299,730,194
Regarding judicial claims awaiting outcome	31,478,000	–
Others	28,250,000	8,250,000

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 2022 the outstanding amount is 4,367,631 euro and the related tax appeals continued in courts.

During the year ended 31 December 2022 guarantees granted on tax claims against some subsidiaries in the amount of 72.8 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. During 2022 guarantees were given regarding 4 proceedings and in January 2023 additional guarantees were granted related to 3 similar judicial claims.

15. Cash flow statement

As at 31 December 2022 and 2021 «Cash and cash equivalents» can be detailed as follows:

	31 Dec 2022	31 Dec 2021
Bank deposits	102,376,725	137,021,419
Cash and cash equivalents on the statement of financial position	**102,376,725**	**137,021,419**
Cash and cash equivalents on the statement of cash flows	**102,376,725**	**137,021,419**

Collections and payments related with investments and divestments

	31 Dec 2022			31 Dec 2021		
	Investments/ (divestments)	Received amount	Paid amount	Investments/ (divestments)	Received amount	Paid amount
IGI Investmentos e Gestão Imobiliária, S.A.	10,000,000	–	10,000,000	–	–	–
Modelo Continente Hipermercados, S.A.	4,000,000	–	4,000,000	–	–	–
Elergone Energias, Lda	2,000,000	–	2,000,000	3,500,000	–	3,500,000
Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	1,114,000	–	1,114,000	6,000,000	–	6,000,000
Maxmat – Distribuição de Materiais de Construção, S.A.	–	–	–	(22,790,614)	68,034,480	–
APOR – liquidation	–	32,086	–	–	–	–
	17,114,000	**32,086**	**17,114,000**	**(13,290,614)**	**68,034,480**	**9,500,000**

Reconciliation of liabilities arising from financing activities

	Financial institutions	Related parties
Balance at 1 Jan 2021	517,500,000	952,538,000
Receipts from bank loans	679,267,899	–
Payments of bank loans	(720,000,000)	–
Exchange rate fluctuation impact	6,682,501	–
Receipts from bond loans	40,000,000	–
Payments of bond loans	(65,000,000)	–
Receipts from related parties	–	5,025,627,000
Payments to related parties	–	(5,015,561,100)
Balance at 31 Dec 2021	**458,450,400**	**962,603,900**
Balance at 1 Jan 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)	–
Payments of bond loans	(72,500,000)	–
Receipts from related parties	–	3,631,498,321
Payments to related parties	–	(3,534,812,221)
Balance at 31 Dec 2022	**483,131,600**	**1,059,290,000**

16. External services and supplies

External services and supplies in 2022 and 2021 are as follows:

	31 Dec 2022	31 Dec 2021
Guarantees fees	860,473	874,042
Bank fees and services	648,703	938,539
Specialised services	581,409	479,925
Insurance	258,286	302,594
Others	12,641	5,715
	2,361,512	**2,600,815**

17. Financial income and expenses

During the years ended 31 December 2022 and 2021 financial income and expenses were as follows:

	31 Dec 2022	31 Dec 2021
Interest expenses related to		
Loans to related parties	(14,000,794)	(9,034,318)
Bonds	(3,019,156)	(3,654,762)
Bank loans and overdrafts	(3,725,351)	(2,207,475)
Others	(111,968)	(128,557)
Up-front fees and commissions related to loans	(2,140,893)	(2,434,911)
Foreign exchange losses	(11,600,242)	(6,704,883)
Stamp duty tax over loans	(667)	(1,633)
Financial expense	**(34,599,071)**	**(24,166,539)**
Interest income from		
Loans to related parties	9,721,489	8,799,415
Bank deposits	295,707	542
Foreign exchange gains	10,602,432	–
Gains with derivative financial instruments	2,905,075	7,106,548
Indemnity and late payment interest	729,621	–
Financial income	**24,254,324**	**15,906,505**
Net financial results	**(10,344,747)**	**(8,260,034)**

As mentioned in Note 11, MC agreed a loan in USD and, simultaneously, contracted an exchange rate hedging derivative. The abovementioned foreign exchange losses and gains with derivative financial instruments are related to these operations.

18. Related parties

Main transactions with related parties during the years ended 31 December 2022 and 2021 can be summarised as follows:

Transactions	External supplies and services		Other income	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Parent company	921,914	885,542	41,962	41,962
Subsidiaries	380,060	377,066	1,020,525	1,118,569
Other related parties	256,757	280,717	52,852	52,852
	1,558,731	1,543,325	1,115,339	1,213,383

Transactions	Interest income		Interest expenses	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Parent company	–	–	5,261	28,721
Subsidiaries	9,721,489	8,799,450	13,995,533	9,005,597
	9,721,489	8,799,450	14,000,794	9,034,318

Main outstanding balances with related parties as at 31 December 2022 and 2021 can be summarised as follows:

Balances	Accounts receivable		Accounts payable	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Parent company	3,176,753	2,671,847	906,686	906,036
Subsidiaries	7,826,245	6,811,339	4,018,091	706,393
Other related parties	202,574	116,082	185,735	102,677
	11,205,572	9,599,268	5,110,512	1,715,106

Balances	Loans obtained		Loans granted	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Subsidiaries	1,059,290,000	962,603,900	726,566,070	689,302,501
	1,059,290,000	962,603,900	726,566,070	689,302,501

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 2022 and 2021 no transactions occurred, nor loans were granted to the Company's Directors. Additionally, as at 31 December 2022 and 2021, there were no balances with the Company's Directors. The Board of Directors compensation for the years ended 31 December 2022 and 2021 is detailed as follows:

	31 Dec 2022	31 Dec 2021
Short-term compensation	37,177	111,300

19. Information required by law

Decree-Law n.º 318/94 art.º 5º n.º 4

During the year ended 31 December 2022 the Company did not enter into any new shareholders' long-term loan agreements.

During the year ended 31 December 2022 short-term loans were agreed, including a centralised cash management contract with the following entities:

- Asprela – Sociedade Imobiliária, S.A.
- Azulino – Imobiliária, S.A.
- BB Food Service, S.A.
- Bertimóvel – Sociedade Imobiliária, S.A.
- Bom Momento – Restauração, S.A.
- Brio – Produtos de Agricultura Biológica, S.A.
- Canasta – Empreendimentos Imobiliários, S.A.
- Citorres – Sociedade Imobiliária, S.A.
- Closer Look Design, Lda
- Contimobe – Imobiliária do Castelo de Paiva, S.A.
- Continente Hipermercados, S.A.
- Cumulativa – Sociedade Imobiliária, S.A.
- Elergone Energia, Lda
- Farmácia Selecção, S.A.
- Fozimo – Sociedade Imobiliária, S.A.
- Go Well, 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.
- MJLF – Empreendimentos Imobiliários, S.A.
- Modelo Continente Hipermercados, S.A.
- Modelo Continente Hipermercados – Sucursal en España
- Modelo Hiper Imobiliária, S.A.
- Pharmaconcept – Actividades em Saúde, S.A.
- Pharmacontinente – Saúde e Higiene, S.A.
- Ponto de Chegada – Sociedade Imobiliária, S.A.
- Predicomercial – Promoção Imobiliária, S.A.
- Predilugar – Sociedade Imobiliária, S.A.
- Selifa – Sociedade de Empreendimentos Imobiliários, S.A.
- Sempre à Mão – Sociedade Imobiliária, S.A.
- Socijofra – Sociedade Imobiliária, S.A.
- Sociloures – Sociedade Imobiliária, S.A.
- Sondis Imobiliária, S.A.
- Valor N, S.A.

During 2022 short-term loans were also agreed with the following entities:

- Sonae SGPS, S.A.
- H&W – Mediadora de Seguros, S.A.
- Portimão Ativo – Sociedade Imobiliária, S.A.

As at 31 December 2022 balances payable related to these agreements can be detailed as follows[1]:

Loans obtained	31 Dec 2022
Modelo Continente Hipermercados, S.A.	418,180,000
Marcas MC, zRT	281,337,000
Continente Hipermercados, S.A.	134,502,000
Contimobe – Imobiliária de Castelo de Paiva, S.A.	80,922,000
Predicomercial – Promoção Imobiliária, S.A.	13,409,000
Modelo Hiper Imobiliária, S.A.	11,475,000
Imoestrutura – Sociedade Imobiliária, S.A.	7,273,000
Bertimóvel – Sociedade Imobiliária, S.A.	6,968,000
BB Food Service, S.A.	6,762,000
Selifa – Empreendimentos Imobiliários de Fafe, S.A.	6,498,000
Citorres – Sociedade Imobiliária, S.A.	6,439,000
Farmácia Selecção, S.A.	6,409,000
MJLF – Empreendimentos Imobiliários, S.A.	5,944,000
Imoresultado – Sociedade Imobiliária, S.A.	5,918,000
Valor N – Sociedade Imobiliária, S.A.	5,393,000
Fozimo – Sociedade Imobiliária, S.A.	5,369,000
Imosistema – Sociedade Imobiliária, S.A.	5,352,000
Socijofra – Sociedade Imobiliária, S.A.	4,945,000
Closer Look Design, Lda	4,916,000
Sociloures – Sociedade Imobiliária, S.A.	4,265,000
Pharmaconcept – Atividades em Saúde, S.A.	4,236,000
Iginha – Sociedade Imobiliária, S.A.	4,048,000
Canasta – Empreendimentos Imobiliários, S.A.	3,972,000
Ponto de Chegada – Sociedade Imobiliária, S.A.	3,701,000
Portimão Ativo – Sociedade Imobiliária, S.A.	3,392,000
Imomuro – Sociedade Imobiliária, S.A.	3,359,000
Azulino Imobiliária, S.A.	2,961,000
Bom Momento – Restauração, S.A.	2,823,000
Igimo – Sociedade Imobiliária, S.A.	2,643,000
Brio – Produtos de Agricultura Biológica, S.A.	1,746,000
Go Well, S.A.	1,686,000
Cumulativa – Sociedade Imobiliária, S.A.	1,627,000
Predilugar – Sociedade Imobiliária, S.A.	475,000
H&W – Mediadora de Seguros, S.A.	345,000
	1,059,290,000

1. Note 12;

As at 31 December 2022 gross receivable balances related to these agreements were the following[2]:

Loans granted	31 Dec 2022
IGI Investmentos e Gestão Imobiliária, S.A.	470,893,731
Modelo Continente Hipermercados, S.A.	176,978,000
MC – Shared Services, S.A.	20,632,000
Elergone Energias, Lda	18,375,000
Sempre à Mão – Sociedade Imobiliária, S.A.	8,265,000
Pharmacontinente – Saúde e Higiene, S.A.	8,207,000
SCBrasil Participações, Ltda.	7,242,722
Zippy cocuk malz.dag.ith.ve tic.ltd.sti	5,448,617
MCCare – Serviços de Saúde, S.A.	4,993,000
Sondis Imobiliária, S.A.	2,155,000
Chão Verde – Sociedade de Gestão Imobiliária, S.A.	1,872,000
Asprela – Sociedade Imobiliária, S.A.	904,000
Go Well, S.A.	600,000
	726,566,070

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

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

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

2. Notes 6 and 7

20. Subsequent events

There were no significant events after 31 December 2022 and until this date that need disclosure.

21. Translation note

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

The accompanying separate financial statements were approved by the Board of Directors on 23 March 2023. These separate financial statements will be presented to the Shareholders' General Meeting for final approval.

The Board of Directors,

- Maria Cláudia Teixeira de Azevedo
- Ângelo Gabriel Ribeirinho dos Santos Paupério
- João Pedro Magalhães da Silva Torres Dolores
- João Nonell Günther Amaral
- Jan Reinier Voûte
- Alan David Roux
- Luís Miguel Mesquita Soares Moutinho
- Rui Manuel Teixeira Soares de Almeida
- Isabel Sofia Bragança Simões de Barros
- José Manuel Cardoso Fortunato

Statutory Audit Report

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of MCRetail, SGPS, SA (the Group), which comprise the consolidated statement of financial position as at 31 December 2022 (which shows total assets of Euros 4,316,066,881 and total shareholders' equity of Euros 867,147,731 including a profit for the period attributable to the equity holders of the parent company of Euros 179,241,981), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of MCRetail, SGPS, SA as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the consolidated financial performance and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors’ report in accordance with the applicable law and regulations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article Nº 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

28 March 2023

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 2022 (which shows total assets of Euros 3,003,885,901 and total shareholders' equity of Euros 1,451,760,377, including a net profit of Euros 135,753,315), the separate statement of income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of MCRetail, SGPS, SA as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' report in accordance with the applicable law and regulations;

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Directors' report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

28 March 2023

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 2022, which are the responsibility of the Board of Directors.

1.2 – Supervision

During the year, the Statutory Audit Board, in accordance with its competence and in accordance with its Regulations, accompanied the strategic lines and risk policy approved by the management of the Company and its subsidiaries, from which didn´t arises any issue, and has oversaw, with the required scope, the activity of the Board of Directors and its committees, evolution of the operations, the adequacy of accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies and valuation criteria used, as well as verified compliance with legal and statutory regulatory requirements.

In the exercise of its competences, the Statutory Audit Board obtained from the Board of Directors, the necessary information to carry out its supervision activity and proceeded with the necessary interactions to fulfil the competencies listed in the law and its Internal Regulation.

The Audit Board verified the effectiveness of the risk management and internal control systems, analyzed the planning and results of the external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities and oversaw the reports issued by Sonae's Ombudsman, assessed the process of preparing the individual and consolidated accounts, provided the Board of Directors with information on the conclusions and quality of the financial statements audit and its intervention in this process, approved, previously, the rendering of non-audit services by the Statutory and External Auditor permitted under the law, and also having exercised its mandate in what concerns the evolution of the competence and independence of the Statutory and External Auditor, as well as to the supervision of the establishment of their remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that materially influenced the evolution of the activity expressed in the consolidated and individual financial position of MCRetail, SGPS, S.A. and, in this point of view, highlights the positive evolution of the businesses segments and the main partnerships, whose effects are evident in Group´s salutary economic and financial development.

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

The Statutory Audit Board complied with the Recommendations of the Corporate Governance Code of the IPCG I.2.2, I.2.3, I.2.4, I.3.1, I.3.2, I.5.1, I.5.2, III.1.6 (with incidence on the risk policy in accordance with and within its competence), VII.1.1, VII.2.1., VII.2.2., VII.2.3..

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

In the fulfilment of its duties, the Statutory Audit Board held regular quarterly meetings, in addition to other extraordinary ones, with the presence of, depending on the matters in the agenda, the Board of Directors, the officers in charge of Management Planning and Control, Administrative and Accounting Services, Treasury and Finance, Tax, Internal Audit, Risk Management, the Statutory and External Auditor and Sonae's Ombudsman. Additionally, the Statutory Audit Board participated in the Board of Directors' meeting where the Report of the Board of Directors and the financial statements for the year were approved and, during the year, had access to all the documental or personal information that appeared appropriate to the exercise of its audit action.

Still, in the fulfilment of its duties, the Statutory Audit Board reviewed the Report of the Board of Directors, and remaining individual and consolidated documents of account prepared by the Board of Directors, concluding that these information was prepared in accordance with the applicable legislation and that it is appropriate to the understanding of the financial position and results of the Company and the consolidation perimeter, and has reviewed the Statutory Audit and Auditors' Report issued by the Statutory Auditor and agreed with its content.

2 – Opinion

Considering the above, in the opinion of the Statutory Audit Board, that all the necessary conditions are fulfilled in order to be approve in the Shareholders' General Meeting:

- The Report of the Board of Directors.

- The individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2022.
- The proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance with article 8º, number 1 paragraph a) of the CMVM nr. 5/2008 Regulation a and with the terms defined in the article 29º-G, paragraph c) nº 1 of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained in the individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the 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, 28 March 2023

The Statutory Audit Board

António Augusto Almeida Trabulo

Maria José Martins Lourenço da Fonseca

Carlos Manuel Pereira da Silva

Appendix

Non-financial information supplement

The Non-Financial Information Supplement was prepared in accordance with the GRI Standards, covering the time period from 1st January 2022 to 31st December 2022, for the activity scope covered in the chapter «Business at a glance» of the Annual Report, sub-chapter «About MC», which includes Arenal (Tomenider).

This Supplement 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), in addition to responding to the requirements of Portuguese Decree-Law no. 89/2017, published on 28th July 2017, and Spanish law no. 11/2018, dated 28th December.

This Supplement complements the information reported in the «Sustainable development» chapter of the 2022 Annual Report.

The information included in the Non-Financial Information Supplement was subject to verification by an external entity – KPMG.

Table GRI Content

Statement of use	MC reported in accordance with the GRI Standards, covering the time period from 1st January 2022 to 31st December 2022
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 «Business 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 «Business at a glance»; Supplier 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	FB-FR-000.B - Store Area and Warehouses
2-7			6		
2-8					
Governance					
2-9	Chapter «Governing principles and practices»				
Strategy, policies and practices					
2-22	Sub-chapter «Message from the CEO» and chapter «Sustainable development»				
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					

CONTINUES

1. Sustainable development goals; 2. UN Global Compact Principles; 3. SASB — Food retailers & distributors

GRI	References	SDG[1]	UNGC[2]	SASB[3]	
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
Material topics					
Material aspects					
3-1	Chapter «Sustainable development»				
3-2	Chapter «Sustainable development»				
3-3	Chapters «Sustainable development», «Governing principles and practices», «Business at a glance», sub-chapter «Strategic priorities»				

Strategic agenda	Material topics	Management of material topics
Climate action	GHG emissions scope 1 and 2 GHG emissions scope 3	As stated in the «Sustainable development» 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: • Reduce own GHG emissions (scope 1+2) by 55% until 2030, compared to 2018; • Achieve carbon neutrality of our operations (scope 1+2 GHG emissions) by 2040, ten years ahead of the EU target; • Submission of SBTi GHG emission reduction target (SBTi near-term target); • To have resilient and climate friendly facilities, by integrating the climate dimension in the selection of locations, and 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 the fleet is fully electric, through tree planting and conservation actions; • Promote the reduction of emissions in the supply chain.

CONTINUES

1. Sustainable development goals; 2. UN Global Compact Principles; 3. SASB — Food retailers & distributors

Strategic agenda	Material topics	Management of material topics
Circularity	Packaging of products and waste Food waste	MC intends to guide its actions towards greater efficiency in resource consumption and strengthen circularity, as mentioned in the «Sustainable Development» chapter, through the following commitments and targets: • Develop sustainable packaging for products, 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; • Integrate circularity into operations management, with the aim of boosting the efficient consumption of resources; • Implement waste collection systems for recovery and/or reintegration of materials into the 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.
Sustainable production	Sustainable farming Deforestation Water consumption Animal Welfare and sustainable 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 «Sustainable development», the MC has established the following commitments and targets: • Ensure Zero Deforestation in direct operations and supply chains by 2030, ensuring sustainable sourcing of raw materials through the adoption of certification schemes and/or other control and monitoring mechanisms; • 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 the adoption of 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); • Encourage the decarbonisation of production and the adoption of agricultural, livestock and aquaculture practices that are resilient to extreme climate events; • Implement policies promoting socially sustainable production, leveraging practices to safeguard human rights and dignity.
Responsible offering	Product labelling and marketing Quality and nutrition Customer experience and services	MC has the ambition of progressively contributing to the democratisation of access to a healthier and more sustainable basket, as mentioned in the «Sustainable development» chapter, and has set the following commitments and targets: • Ensure a broad, high quality offer at competitive prices; • Promote responsible consumption; • Make available a nutritious and healthy offer, leveraging the nutritional optimisation of own--brand products, and having alternatives in line with the multiple existing dietary restrictions.

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.

GRI	References	SDG[1]	UNGC[2]	SASB[3]	
Economic disclosures					
Economic performance					
201-1	Chapter «Financial statements»				
201-2	Chapter «Governing principles and practices», sub-chapter «Risk management»				
201-3					
201-4					
Market presence					
202-2			6		
Indirect economic impacts					
203-1	Chapter «Sustainable development»				
203-2	Chapter «Sustainable development»				
Procurement practices					
204-1					
Anti-corruption					
205-1	Chapter «Governing principles and practices», sub-chapter «Risk management»		10		
205-2	Employee Code of Ethics and Conduct		10		
205-3			10		
Environmental disclosures					
Materials					
301-1	Chapter «Sustainable development»		7, 8	FB-FR-430a.4	Discussion of strategies to reduce the environmental impact of packaging
301-2			7, 8		
301-3			7, 8		

CONTINUES

1. Sustainable development goals; 2. UN Global Compact Principles; 3. SASB — Food retailers & distributors

GRI	References	SDG[1]	UNGC[2]	SASB[3]	
Energy					
302-1	Chapter «Sustainable development»	7, 8, 12, 13	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		7, 8, 12, 13	8		
302-4	Chapter «Sustainable development»	7, 8, 12, 13	8, 9		
Water and effluents					
303-1		6	7, 8		
303-2		6	7, 8		
303-3	Chapter «Sustainable development»	6, 12	8		
303-4		6, 12	8		
303-5		6, 12	8		
Biodiversity					
304-1		6, 14, 15	8		
304-2	Chapter «Sustainable development»	6, 14, 15	8		
304-3	Chapter «Sustainable development»	6, 14, 15	8		
Emissions					
305-1	Chapter «Sustainable development»	3, 12, 13, 14, 15	7, 8	FB-FR-110b.1	Greenhouse Gas emissions (scope 1)
305-2	Chapter «Sustainable development»	3, 12, 13, 14, 15	7, 8		
305-3	Chapter «Sustainable development»	3, 12, 13, 14, 15	7, 8		
305-4		13, 14, 15	8		
305-5	Chapter «Sustainable development»	13, 14, 15	8, 9		
305-6		3, 12, 13	7, 8	FB-FR-110b.2	Percentage of refrigerants consumed with zero ozone-depleting potential.
305-7		3, 12, 13, 15	7, 8		

CONTINUES

1. Sustainable development goals; 2. UN Global Compact Principles; 3. SASB — Food retailers & distributors

GRI	References	SDG[1]	UNGC[2]	SASB[3]	
Waste					
306-1		3, 6, 12	8		
306-2		3, 6, 12	8		
306-3	Chapter «Sustainable development»	3, 6, 12	8		
306-4	Chapter «Sustainable development»	3, 6, 12	8	FB-FR-150a.1	(1) Amount of food waste generated (2) percentage diverted from the waste stream
306-5		3, 6, 12	8		
Social performance					
Employment					
401-1		5, 8			
401-3		5, 8	6		
Occupational health and safety					
403-1		3, 8			
403-2	Chapter «Sustainable development»	3, 8			
403-3	Chapter «Sustainable development»	3, 8			
403-4		3, 8			
403-5		3, 4, 8			
403-6	Chapter «Sustainable development»	3, 8			
403-7		3, 8			
403-8		3, 8			
403-9		3, 8			
Training					
404-1	Chapter «Sustainable development»	4, 5, 8	6		
404-2	Chapter «Sustainable development»	4, 8			
404-3		5, 8			
Diversity and equal opportunities					
405-1	Chapter «Sustainable development» Plan for Gender Equality	5, 8	6		
Non discrimination					
406-1		5, 8, 16	6		

CONTINUES

1. Sustainable development goals; 2. UN Global Compact Principles; 3. SASB — Food retailers & distributors

GRI	References	SDG[1]	UNGC[2]	SASB[3]	
Freedom of association and collective bargaining					
407-1			3		
Child labour					
408-1	Supplier Code of Ethics and Conduct		5		
Forced or compulsory labour					
409-1	Supplier Code of Ethics and Conduct		4		
Security practices					
410-1			1		
Human rights assessment					
412-1			1		
412-2			1		
412-3	Human Rights Policy		1, 2		
Local communities					
413-1	Chapter «Sustainable development»				
Supplier social and environmental assessment					
414-1 & 308-1				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				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				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. UN Global Compact Principles; 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. 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 2022 through to 31st December 2022.	Contact point for questions regarding this report: rpsonaemc@sonaemc.com
2-4 V	**Restatements of information**	1. This report updates the data reported for the indicators 301-2 and 412-2 in the 2021 Annual Report. The following indicators were also updated 302-1, 302-3, 305-1, 305-3, 305-4 and 305-7, as a result of changes in measurement methodology used for consolidating information and calculation.	Previous years' reported figures for indicator 404-2 have been restated, following a review of the skills improvement programmes that took place in 2022 (data migration between programmes). 2. Regarding the 2021 indicators presented in a comparative way, on 1st September 2021 Maxmat no longer comprised MC's portfolio, hence we only consolidated the environmental information until 31st August 2021.
2-5 V	**External assurance**	The non-financial information included in the 2022 Annual Report and the respective «Non-financial information supplement» was subject to verification	by an external entity, KPMG & *Associados – Society 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 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. The 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 «Business at a glance». **Size of the organisation:** for additional information, consult chapter «Business at a glance».

CONTINUES

2. Activities and workers

2-7
V

Employees

Countries with operations by number of Employees

	2021	2022
Portugal	35,531	37,025
Spain	1,076	1,195

Countries with operations by contract type

	PC	TC	T	PC	TC	T
			2021			2022
Portugal	26,930	8,601	35,531	27,622	9,403	37,025
Spain	636	440	1,076	925	270	1,195

PC Permanent Contract TC Temporary Contract T Total

No. of contracts by type

	M	W	T	M	W	T
			2021			2022
Permanent contract	8,380	19,186	27,566	8,718	19,829	28,547
Temporary contract	3,106	5,935	9,041	3,455	6,218	9,673
Total	**11,486**	**25,121**	**36,607**	**12,173**	**26,047**	**38,220**
Full-time	9,275	18,750	28,025	9,654	19,055	28,709
Part-time	2,211	6,371	8,582	2,519	6,992	9,511
Total	**11,486**	**25,121**	**36,607**	**12,173**	**26,047**	**38,220**
Non-guaranteed hours	–	–	–	–	–	–

M Men W Women T Total

CONTINUES

2. Activities and workers

2-7
V

Employees

Average contracts by type – Permanent / Temporary

		2021						2022					
		M	W	T	M	W	T	M	W	T	M	W	T
		Permanent			Temporary			Permanent			Temporary		
Executives	<30 years old	–	–	–	–	–	–	–	–	–	–	–	–
	30-50 years old	20	5	25	–	–	–	24	6	30	–	–	–
	≥50 years old	24	3	27	–	1	1	19	5	24	–	–	–
	Total	**44**	**8**	**52**	**–**	**1**	**1**	**43**	**11**	**54**	**–**	**–**	**–**
Senior & Middle Managers	<30 years old	2	3	5	–	–	–	4	1	5	–	–	–
	30-50 years old	270	199	469	–	–	–	288	214	502	–	–	–
	≥50 years old	137	71	208	–	–	–	143	85	228	–	–	–
	Total	**409**	**273**	**682**	**–**	**–**	**–**	**435**	**300**	**735**	**–**	**–**	**–**
Coordinators & Supervisors	<30 years old	71	129	200	7	47	54	76	158	234	1	15	16
	30-50 years old	535	969	1,504	3	34	37	545	1,065	1,610	5	16	21
	≥50 years old	133	219	352	–	6	6	148	259	407	–	2	2
	Total	**739**	**1,317**	**2,056**	**10**	**87**	**97**	**769**	**1,482**	**2,251**	**6**	**33**	**39**
Technicians & Specialists	<30 years old	188	423	611	15	58	73	210	491	701	9	37	46
	30-50 years old	378	836	1,214	1	8	9	384	859	1,243	5	10	15
	≥50 years old	79	186	265	–	–	–	88	189	277	–	1	1
	Total	**645**	**1,445**	**2,090**	**16**	**66**	**82**	**682**	**1,539**	**2,221**	**14**	**48**	**62**
Representatives	<30 years old	2,304	3,859	6,163	2,534	4,398	6,932	2,463	4,095	6,558	2,697	4,362	7,059
	30-50 years old	3,270	8,850	12,120	513	1,241	1,754	3,297	8,739	12,036	692	1,545	2,237
	≥50 years old	947	3,334	4,281	31	136	167	1,029	3,663	4,692	46	230	276
	Total	**6,521**	**16,043**	**22,564**	**3,078**	**5,775**	**8,853**	**6,789**	**16,497**	**23,286**	**3,435**	**6,137**	**9,572**

M Men W Women T Total

Note: in previous years, Go Natural Restaurants employees were not included in this indicator.

CONTINUES

V Verified

2. Activities and workers

2-7
V

Employees

Average contracts by type – Full-time / Part-time

		2021						2022					
		M	W	T	M	W	T	M	W	T	M	W	T
		Full-time			Part-time			Full-time			Part-time		
Executives	<30 years old	–	–	–	–	–	–	–	–	–	–	–	–
	30-50 years old	20	5	25	–	–	–	24	6	30	–	–	–
	≥50 years old	24	3	27	–	1	1	19	5	24	–	–	–
	Total	**44**	**8**	**52**	**–**	**1**	**1**	**43**	**11**	**54**	**–**	**–**	**–**
Senior & Middle Managers	<30 years old	2	3	5	–	–	–	4	1	5	–	–	–
	30-50 years old	270	197	467	–	2	2	286	213	499	2	1	3
	≥50 years old	137	71	208	–	–	–	142	85	227	1	–	1
	Total	**409**	**271**	**680**	**–**	**2**	**2**	**432**	**299**	**731**	**3**	**1**	**4**
Coordinators & Supervisors	<30 years old	78	183	261	–	–	–	77	170	247	–	3	3
	30-50 years old	540	981	1,521	–	1	1	548	1,057	1,605	2	24	26
	≥50 years old	131	214	345	–	–	–	148	259	407	–	2	2
	Total	**749**	**1,378**	**2,127**	**–**	**1**	**1**	**773**	**1,486**	**2,259**	**2**	**29**	**31**
Technicians & Specialists	<30 years old	202	478	680	1	3	4	219	526	745	–	2	2
	30-50 years old	378	839	1,217	1	5	6	388	865	1,253	1	4	5
	≥50 years old	78	186	264	1	–	1	88	190	278	–	–	–
	Total	**658**	**1,503**	**2,161**	**3**	**8**	**11**	**695**	**1,581**	**2,276**	**1**	**6**	**7**
Representatives	<30 years old	3,093	4,950	8,043	1,745	3,320	5,065	3,181	4,684	7,865	1,979	3,773	5,752
	30-50 years old	3,388	7,958	11,346	395	2,129	2,524	3,535	8,088	11,623	454	2,196	2,650
	≥50 years old	910	2,580	3,490	68	881	949	995	2,906	3,901	80	987	1,067
	Total	**7,391**	**15,488**	**22,879**	**2,208**	**6,330**	**8,538**	**7,711**	**15,678**	**23,389**	**2,513**	**6,956**	**9,469**

M Men W Women T Total

Note: In previous years, Go Natural Restaurants employees were not included in this indicator.

2-8
V

Workers who are not employees

No. of workers who are not Employees 2022

	M	W	T
No. of workers who are not Employees	734	375	1,109

M Men W Women T Total

Note: the indicator includes temporary workers and interns.

CONTINUES

V Verified

3. Governance

2-9 V	**Governance structure and composition**	For more information on Corporate Governance, see chapter «Governing principles and practices».	

4. Strategy, policies and practices

2-22 V	**Statement on sustainable development strategy**	For more information, see the sub-chapter «Message from the CEO» and the chapter «Sustainable development».	
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. 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; Plan for Gender Equality; Supplier Code of Ethics and Conduct; Sustainability Declaration of Continente Producer's Club (CPC); 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 environmental offense (Law number 114/2015, of 28th August)	In 2022, MC was issued with an administrative fine 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	2	1	24,000
In previous reporting periods – 2020 and 2021	11	0	0

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.

CONTINUES

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 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

5. Stakeholder engagement

Stakeholders		Channels	Topics
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 2022, we registered, analysed and dealt with more than 166 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, 95.8% of total Employees are covered by collective bargaining agreements through their employment contract.	In 2022, 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

Material topics

3-1 V	**Process to determine material topics**	Throughout the years we have worked closely with our stakeholders to welcome their contributions regarding the impacts of our business activities. In 2022 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 topics**	• Climate Action (GHG emissions scopes 1 and 2; GHG emissions scope 3); • Circularity (Product packaging, Waste and Food Waste); • Sustainable Production (Sustainable Agriculture, Deforestation, Water Consumption, Animal Welfare and Sustainable Fisheries, Supply Chain Management and Human Rights); • Responsible Product Offering (Product Labelling and Marketing, Quality and Nutrition, Customer Service and Experience).	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.
3-3 V	**Management of material topics**	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 will be 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».

201: Economic performance			
201-1 V	**Direct economic value generated and distributed**	The direct economic value generated and distributed comprises the following parts: economic value generated (revenues), economic value distributed (operating costs, Employee salaries and benefits, payments to investors, payments to the State, donations and other investments in the Community) and accumulated economic value.	For additional information, see chapter «Financial statements».
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».
201-3 V	**Defined benefit plan obligations and other retirement plans**	MC does not have a pension fund.	
201-4 V	**Financial assistance received from government**	In 2022, MC received circa €60 million. These figures refer to the amount received within the scope of tax credits and represent MC's best estimates considering that, in the closing date for this report, applications for SIFIDE (Tax Incentives Scheme for Business R&D) were not yet completed.	It is worth highlighting that the Government is not part of the Company shareholder structure.
202: Market presence			
202-2 V	**Proportion of senior management hired from the local community**	100% of MC top management is hired locally.	
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 2022, circa €29.8 million were donated to the Community, spanning more than 1,276 institutions across the country.
203-2 V	**Significant indirect economic impacts**	For additional information, see chapter «Sustainable development».	
204: Procurement practices			
204-1 V	**Proportion of spending on local suppliers**		

Percentage of costs on Suppliers

	2021	2022
Foreign	15%	16%
National	85%	84%

CONTINUES

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 for the year 2022, which is currently being finalised and will cover the entire organisation and MC business activity and its subsidiaries and affiliates, has not identified any critical risks. No complaints were received regarding corruption cases in 2022.
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 2022, a total of 10,000 Employees received anti-corruption training.
205-3 V	**Confirmed incidents of corruption and actions taken**	No corruption cases were recorded in 2022.	

CONCLUSION

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 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.

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 2022, our plastic packaging recycling rate was circa 80%, in accordance with our recycling matrix, which represents a 5.3 pp increase compared to 2021, and our recycled raw-materials incorporation rate stood at 14.1% (+2.3 pp compared to 2021).

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

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

Use materials (t)	2021 Virgin	2021 Recycled	2021 Total	2022 Virgin	2022 Recycled	2022 Total
Plastic Packaging	13,810	1,895	15,706	14,967	2,462	17,429
Plastic Product	2,054	3,289	5,343	1,924	3,653	5,578
Paper and cardboard	6,438	2,846	9,284	8,741	671	9,412
Glass	NA	NA	9,880	NA	NA	11,606
Metal	NA	NA	4,020	NA	NA	4,298
Wood (t)	NA	NA	66	NA	NA	69

Note 1: values for 2021 were restated due to changes in calculation methodology.

Note 2: the consumption of plastic used in the product has a less expressive value, due to the fact that the mapping work of this typification is still in progress.

CONTINUES

301: Materials

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

Reclaimed products and packaging (t)	2021	2022
Paper and cardboard	40,299	39,935
Plastic	3,018	2,565
Wood	622	645
Apparel	591	629
Cork	30	25
Coffee capsules	2	5
Cooking oil	121	75
Batteries and stacks	39	30
Light bulbs	7	9
IT consumables	12	10

Under the Deposit and Refund System pilot programme, in the 21 machines installed in our stores, we collected circa 2.3 million packages in 2022. This figure is lower than the one recorded in 2021 and we believe this is related to the change in the incentive model.

In the pilot programme we secured the collection of a total of 14.7 million packages.

302: Energy

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

Energy consumption per source (GJ)	2021	2022
Fossil fuels – Fleet	433,824	535,188
Fossil fuels – Facilities	34,982	29,136
Energy consumption	1,583,098	1,630,972
Thermal energy consumption	66,708	52,394
Total	2,118,612	2,247,690

Renewable energy produced (GJ)	2021	2022
Produced and consumed	86,238	101,736
Produced and sold	26,622	26,895
Total	112,860	128,631

	2021	2022
Acquired Renewable Energy – PPA (GJ)	143,715	391,381

Note: figures for previous years have been updated due to changes in methodology for consolidating information.

CONTINUES

302: Energy

302-3 V **Energy intensity**

Energy intensity	2021	2022
Total energy consumption (GJ)	2,118,612	2,247,690
Sales Area (m²)	828,000	850,000
Energy intensity ratio (GJ/m²)	**2.56**	**2.64**

Note: figures for previous years have been updated due to changes in methodology for consolidating information.

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

In 2022, 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 €29 million (figure collected under the scope of the european taxonomy reporting, representing a more exhaustive collection in 2022 compared to last year - growth of €2 million under the internal Trevo programme, with the remaining value relating to other items concerning the refurbishment of stores).

See chapter «Sustainable development».

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 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.

CONTINUES

303: Water and effluents

303-3 V **Water withdrawal**

Total water withdrawal per Source (m³)	2021	2022
Third-party water	793,812	818,006
Groundwater	93,104	105,682
Surface water and rainwater	–	–
Greywater	–	–
Other sources	–	–
Total	**886,916**	**923,689**

Note: Maxmat was not considered for the scope of this indicator in the reporting period.

Water withdrawal in water stress areas (m³)	–	169,392

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. Benchmark performed from 2022 onwards.

303-4 V **Water discharge**

Total volume of effluent per Source (m³)	2021	2022
Third-party water	676,735	716,286
Groundwater	1,561	8,141
Surface water and rainwater	–	–
Greywater	–	–
Other sources	–	–
Total	**678,295**	**724,427**

Note: Maxmat was not considered for the scope of this indicator in the reporting period.

Volume of effluent discharged in water stress areas (m³)	–	135,514

303-5 V **Water consumption**

Total water consumption (m³)	2021	2022
Total water consumption	**208,620**	**199,262**

Water consumption in water stress areas (m³)	–	33,878

Note 1: Maxmat was not considered for the scope of this indicator in this reporting period.

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.

CONTINUES

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 operational sites in areas classified as biodiversity rich habitats in its direct operation.

304-2 V **Significant impacts of activities, products, and services on biodiversity**

In 2022 we continued to collaborate with the Science Based Targets Network to develop a common framework for action that can be used by companies from different sectors and geographic regions to assess their impacts on nature, outline priority areas for action and define science-based targets.

We have simultaneously launched a number of actions that enable us to mitigate the impacts of our supply chains and promote the adoption of more sustainable production practices. The Continente Producer's Club (CPC) is an important platform through which we have been promoting high standards of quality, sustainability and safety, supporting national producers in a structured manner in the adoption of best production practices and ensuring their appreciation and recognition.

The Sustainability Declaration of Continente Producer's Club (CPC) launched last year has already been endorsed by 37% of Club members, and aims to ensure sustainable production through a range of initiatives to support our producers in meeting the targets of the «Farm to Fork» Strategy. This Declaration is based on eleven principles covering all categories of products produced by CPC members, ranging from principles of regenerative agriculture, to methods for gauging and measuring sustainability, sustainable livestock farming, valorisation of by-products and biodiversity, always with a view to commitment and continuous improvement.

Correspondingly, we have worked on the development of specific standards, such as Eco XT for the sustainable production of beef and small ruminants, and on raising awareness and supporting our Producers and Suppliers in the adoption of more sustainable production practice standards (Certifications GLOBAL G.A.P., MSC/ASC, Zero Waste, Animal Welfare, among others).

With the Sustainable Fishing Policy we aim to minimise the impacts of fishing activities on marine biodiversity. We also aim to promote the adoption of sustainable fishing practices taking into account a number of strict operating principles that foster protection of our ecosystems. Thus, over the past few years, we have developed several improvement measures that help to stimulate the commercialisation of healthy fisheries and the reduction of unsustainable fishing practices. MC makes use of the Traffic Light System tool, which was developed with the purpose of promoting the sale of species in a sustainable way and to easily assess the level of sustainability of the products we sell. In using this tool, the colour red, yellow or green is assigned according to the fishing method used, thus simplifying the assessment of the main fishing practices. Thus we grant priority to Suppliers who use fishing methods with minimal impact on species and ecosystems.

In 2022, via Sonae, we became a signatory to the United Nations Sustainable Ocean Principles, announced during the Sustainable Blue Economy Investment Forum at the UN Oceans Conference in Lisbon. By signing up to these principles of protecting the oceans and promoting a sustainable blue economy, we reaffirmed our commitment to assess the impact of our business activity on the oceans and integrate this dimension into our global strategy.

See chapter «Sustainable development».

CONTINUES

304: Biodiversity

304-2 V **Significant impacts of activities, products, and services on biodiversity**

Fishing «Traffic Light System» (Fish purchase volume (%) per classification)	2021	2022
Use of methods/type of fishing gear with reduced potential impact on biodiversity or marine ecosystems	36.3%	39.7%
Use of methods/type of fishing gear with moderate potential impact on biodiversity or marine ecosystems	30.0%	30.4%
Use of methods/type of fishing gear with significant potential impact on biodiversity or marine ecosystems	0.9%	0.8%
Aquaculture production certified in accordance with Continente quality standards	32.7%	29.1%

304-3 V **Habitats protected or restored**

Areas monitored and/or subjected to intervention	2022
Circus pygargus Projects	700 hectares
Zero Waste Certification Programme	1,670 hectares
Agroecology Programme	544 hectares
Zerya Regenerative programme	15 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. Over the next 10 years we will reforest over 1,100 hectares to offset the emissions associated with the consumption of fossil fuels by our light vehicles fleet.

In 2022 MC secured the necessary funding to reforest circa 39 hectares.

See chapter «Sustainable development».

305: Emissions

305-1 V **Direct GHG emissions (scope 1)**

Emissions scope 1 (t CO_2e)	2021	2022
Total direct GHG emissions	**49,452**	**60,838**

Note 1: in 2018 we considered the value of scope 1 emissions totalling 63,340 ton CO_2e

Note 2: figures for previous years have been updated due to changes in calculation methodology

305-2 V **Indirect GHG emissions (scope 2)**

Emissions scope 2 (t CO_2e)	2021	2022
Indirect GHG emissions linked to electricity consumption (market based)	106,527	87,526
Indirect GHG emissions linked to electricity consumption (location based)	114,862	116,379
Indirect GHG emissions linked to thermal energy consumption	4,334	3,471

Note: in 2018 we considered the value of scope 2 emissions (market based) totalling 154,396 ton CO_2e.

CONTINUES

305: Emissions

305-3 V

Indirect GHG emissions (scope3)

Emissions scope 3 (t CO_2e)	2021	2022
Indirect GHG emissions linked to		
purchased goods and services	–	3,884,122
capital goods	–	91,369
fuel and energy-related activities	–	25,116
upstream transportation and distribution	–	34,390
waste generated in operations	10,118	10,092
business travel	–	1,335
Employee commuting	–	57,337
downstream transportation and distribution	–	149,909
use of sold products	–	140,876
end-of-life treatment of sold products	–	97,196
franchises	–	25,965
Total emissions	**10,118**	**4,517,705**

Note: Figures for previous years have been updated due to changes in calculation methodology.

In 2022, we completed mapping MC's Carbon Footprint, and extended it to all applicable categories under scope 3, in accordance with the GHG Protocol. This was the first step towards the establishment of a science-based reduction target (Science Based Targets Initiative – SBTi), and, consequently, the definition of an emissions reduction action plan more structured and robust.

Notwithstanding, MC has already been working to reduce the scope 3 carbon footprint, by implementing a set of initiatives, such as the definition of an action plan to decarbonize customers' shopping basket, the development of plant-based alternatives to animal protein, initiatives included in the «Continente Producers Club» agenda, the transformation of our own or exclusive-brand packaging so that it is recyclable, reusable or compostable by 2025, the promotion of electric mobility with the expansion of «Plug&Charge» charging stations at Continente stores, the fight against food waste and the optimization of waste management, among others.

Total GHG emissions per scope (t CO_2e)	2021	2022
Scope 1	49,452	60,838
Scope 2	110,861	90,997
Scope 3	10,118	4,517,705
Total emissions	**170,431**	**4,669,541**

Note 1: figures for previous years have been updated due to changes in calculation methodology

Note 2: information on emission factors can be found in the methodological notes section.

MC has committed to reducing own emissions (scope 1+2) by 55% by 2030, compared to 2018 figures. A roadmap, which is monitored, was defined. Own emission targets measurement assessment is carried out annually. The calculation of the indicator follows the methodology and guidelines per the GHG Protocol.

CONTINUES

305: Emissions

305-3 V

Indirect GHG emissions (scope3)

	2022	
	Target	Performance
Own GHG Emissions (Scope 1 + 2) (t CO_2e)	169,213	151,835
Measuring Target achievement	The target defined for own emissions was met. An additional reduction of 17,378 tCO_2e was recorded, circa 10% compared to the target defined for 2022.	

305-4 V

GHG emissions intensity

Emissions intensity	2021	2022
Total GHG emissions (t CO_2e)	170,431	4,669,541
Sales Area (m²)	828,000	850,000
GHG emissions intensity ratio (t CO_2/m^2)	**0.21**	**5.49**

Note 1: in 2018 the total emissions value of 217,736 ton CO_2e was considered. Sales area (m²): 776,000. GHG emissions intensity ratio (tCO_2/m^2) = 0.28

Note 2: figures for previous years have been updated due to changes in calculation methodology.

Note 3: In 2022, we completed the mapping of MC's Carbon Footprint, extending it to all applicable categories under scope 3, in accordance with the GHG Protocol. For this reason, the figure is not comparable to previous years. Maintaining the same scope, the carbon intensity would be 0.18, representing a reduction of 13% compared to 2021.

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 2022, the production of electricity from renewable sources (photovoltaic plants) used for self-consumption stood at 28 GWh, with an increase in self-consumption of 18% compared to 2021. Furthermore, MC maintained its commitment to acquiring energy free of GHG emissions, through the establishment of new, long-term Power Purchase Agreement (PPA) agreements. With this investment in renewable energy, circa 30% of MC's electricity consumption came from renewable sources, resulting in a 36,525 tonnes CO_2e reduction compared to the potential emission without these options.

See chapter «Sustainable development».

305-6 V

Emissions of ozone-depleting substances

In 2022, there were no emissions of ozone-depleting substances. MC has not used any ozone-depleting potential gases since 2012.

305-7 V

Nitrogen oxides (NOx), sulphur oxides (SO_2), and other significant air emissions

Emissions (t)	2021	2022
Total NOx emissions	320	373
Total SO_2 emissions	86	111
Total CH_4 emissions	13	18
Total F-Gas emissions	17,918	22,307

Note 1: figures for previous years have been updated due to changes in calculation methodology

Note 2: information on emission factors can be found in the methodological notes section.

CONTINUES

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 products and services, 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)	2021	2022
Hazardous waste	61	75
Non-hazardous waste	72,673	73,012
Total weight of waste generated	**72,734**	**73,087**

Note: Maxmat was not considered for the scope of this indicator in the reporting period.

306-4 V — Waste diverted from disposal

Waste diverted from disposal (t)	2021	2022
Recycled hazardous waste	61	58
Hazardous waste prepared for reuse	–	–
Other recovery operations for hazardous waste	–	–
Total weight of hazardous waste diverted from disposal	**61**	**58**
Recycled non-hazardous waste	45,172	44,719
Non-hazardous waste prepared for reuse	–	–
Other recovery operations for non-hazardous waste*	15,648	17,183
Total weight of non-hazardous waste diverted from disposal	**60,820**	**61,902**

*composting, anaerobic digestion and energy recovery.

Note: Maxmat was not considered for the scope of this indicator in the reporting period.

CONTINUES

306: Waste

306-5 V — Waste directed to disposal

Waste directed to disposal (t)	2021	2022
Hazardous waste incineration (with energy recovery)	–	–
Hazardous waste incineration (without energy recovery)	–	–
Hazardous waste directed to landfill	–	–
Other disposal operations for hazardous waste	–	17
Total disposal of hazardous waste	**–**	**17**
Non-hazardous waste incineration (with energy recovery)	–	–
Non-hazardous waste incineration (without energy recovery)	–	–
Non-hazardous waste directed to landfill	11,853	10,573
Other disposal operations for non-hazardous waste	–	537
Total disposal of non-hazardous waste	**11,853**	**11,110**

Note: Maxmat was not considered for the scope of this indicator in the reporting period.

CONCLUSION

401: Employment

401-1
V

New Employee hires and Employee turnover

New hires and Employee turnover (no.)

	2021		2022	
	New hires	Employee turnover	New hires	Employee turnover
Men	6,919	6,145	8,398	7,829
Women	12,021	10,697	13,929	13,147
Total	**18,940**	**16,842**	**22,327**	**20,976**
<30 years old	15,221	12,691	16,850	15,234
30-50 years old	3,412	3,559	4,909	4,992
≥50 years old	307	592	568	750
Total	**18,940**	**16,842**	**22,327**	**20,976**
Portugal	18,428	16,454	21,611	20,411
Spain	512	388	716	565
Total	**18,940**	**16,842**	**22,327**	**20,976**

New hires & Employee turnover ratio (%)

	2021		2022	
	New hires	Employee turnover	New hires	Employee turnover
Men	19%	17%	22%	20%
Women	33%	29%	36%	34%
Total	**52%**	**46%**	**58%**	**55%**
<30 years old	42%	35%	44%	40%
30-50 years old	9%	10%	13%	13%
≥50 years old	1%	2%	1%	2%
Total	**52%**	**46%**	**58%**	**55%**
Portugal	50%	45%	57%	53%
Spain	1%	1%	2%	1%
Total	**52%**	**46%**	**58%**	**55%**

Total number of new hires and Employee turnover

	2021	2022
Total Employees	**36,607**	**38,220**
New hires	18,940	22,327
New hires (%)	**52%**	**58%**
Employee turnover	16,842	20,976
Turnover rate (%)	**46%**	**55%**

CONTINUES

401: Employment

401-1
V

New Employee hires and Employee turnover

New hires and Employee turnover (no.) – 2021

		M	W	T	M	W	T
		Voluntary departures			Involuntary departures		
Executives	<30 years old	-	-	-	-	-	-
	30-50 years old	1	-	1	-	-	-
	≥50 years old	1	-	1	-	-	-
	Total	**2**	**-**	**2**	**-**	**-**	**-**
Senior & Middle Managers	<30 years old	-	-	-	-	-	-
	30-50 years old	15	5	20	5	-	5
	≥50 years old	-	-	-	10	6	16
	Total	**15**	**5**	**20**	**15**	**6**	**21**
Coordinators & Supervisors	<30 years old	-	-	-	-	1	1
	30-50 years old	4	3	7	2	5	7
	≥50 years old	-	-	-	5	6	11
	Total	**4**	**3**	**7**	**7**	**12**	**19**
Technicians & Specialists	<30 years old	49	102	151	8	28	36
	30-50 years old	59	91	150	14	29	43
	≥50 years old	1	1	2	13	17	30
	Total	**109**	**194**	**303**	**35**	**74**	**109**
Representatives	<30 years old	1,907	3,190	5,097	2,897	4,509	7,406
	30-50 years old	498	1,109	1,607	543	1,176	1,719
	≥50 years old	28	82	110	85	337	422
	Total	**2,433**	**4,381**	**6,814**	**3,525**	**6,022**	**9,547**
Total		**2,563**	**4,583**	**7,146**	**3,582**	**6,114**	**9,696**

M Men W Women T Total

CONTINUES

401: Employment

401-1 V

New Employee hires and Employee turnover

New hires and Employee turnover (no.) – 2022

		M	W	T	M	W	T
			Voluntary departures			Involuntary departures	
Executives	<30 years old	-	-	-	-	-	-
	30-50 years old	-	-	-	-	-	-
	≥50 years old	-	-	-	4	1	5
	Total	**-**	**-**	**-**	**4**	**1**	**5**
Senior & Middle Managers	<30 years old	-	-	-	-	-	-
	30-50 years old	20	13	33	5	8	13
	≥50 years old	1	-	1	13	2	15
	Total	**21**	**13**	**34**	**18**	**10**	**28**
Coordinators & Supervisors	<30 years old	1	2	3	1	-	1
	30-50 years old	3	4	7	1	3	4
	≥50 years old	-	1	1	4	7	11
	Total	**4**	**7**	**11**	**6**	**10**	**16**
Technicians & Specialists	<30 years old	81	144	225	13	32	45
	30-50 years old	77	160	237	12	31	43
	≥50 years old	3	4	7	11	16	27
	Total	**161**	**308**	**469**	**36**	**79**	**115**
Representatives	<30 years old	2,480	3,954	6,434	3,525	5,001	8,526
	30-50 years old	789	1,771	2,560	642	1,453	2,095
	≥50 years old	45	190	235	98	350	448
	Total	**3,314**	**5,915**	**9,229**	**4,265**	**6,804**	**11,069**
Total		**3,500**	**6,243**	**9,743**	**4,329**	**6,904**	**11,233**

M Men W Women T Total

CONTINUES

401: Employment

401-3 V

Parental leave

Total number of Employees (no.)	2021 M	2021 W	2021 T	2022 M	2022 W	2022 T
Entitled to parental leave	11,486	25,121	36,607	12,173	26,047	38,220
Who benefitted from parental leave	392	1,257	1,649	481	1,445	1,926
Who returned to work after parental leave	392	1,258	1,650	470	1,396	1,866
Who returned to work after parental leave and remained at the company 12 months after their return	391	1,069	1,460	303	1,004	1,307
Take-up rate (%)	**3%**	**5%**	**5%**	**4%**	**6%**	**5%**
Rate of return (%)	**100%**	**100%**	**100%**	**98%**	**97%**	**97%**
Rate of retention (%)	**100%**	**85%**	**89%**	**63%**	**69%**	**68%**

M Men W Women T Total

Note: Employees who benefitted from parental leave in year N-1 and remained at the company 12 months after their return are not accounted for. For this reason, the rate of retention may exceed 100%, considering that the denominator refers to the take-up rate in year N and not N-1.

403: Occupational health and safety

403-1 V

Occupational health and safety management system

MC's occupational health and safety management methodologies and processes are not formalised per a certified system.

403-2 V

Hazard identification, risk assessment and incident investigation

At MC, the procedures of hazard identification and risk assessment are carried out by a team of Occupational Health and Safety (OHS) technicians. These procedures are periodically updated and reviewed when new incidents occur or new procedures or machines are introduced that could affect the risk level. The incident investigation procedure is based on the «5 Whys methodology» (identify the cause and implement countermeasures), which is then developed into an action plan.

We believe that raising awareness and communicating the risks and the measures Employees should take to eliminate or reduce risks to manageable levels is a decisive step towards improving existing conditions and consequently improving the working environment.

Therefore, in addition to OHS training and information shared with Employees, an annual consultation for Employees on OHS issues is ensured through a questionnaire whereby Employees provide feedback on all OHS related topics. Employees' responses are analysed as a means to assess their perception of the working conditions.

Workers can also report incidents through store audits, in-house platforms and applications, or through direct contact with OHS technicians or safety animators.

CONTINUES

403: Occupational health and safety

403-3 V	**Occupational health services**	MC provides occupational health services that contribute to identifying and eliminating hazards and minimising risks. These services, provided for by law, include: a medical examination at the admission stage upon joining the Company; periodic medical examinations and every 2 years for all employees between the ages of 18 and 50; and annual medical examinations for employees aged less than 18 or over 50, Employees on teleworking and night shifts; occasional medical examinations are also carried out at the request of the Employee, the Company, the Occupational Doctor, upon returning following a work related accident or absence due to illness for a period of more than 30 days. Other services include monitoring store refurbishments and openings, training, safety procedures and safety norms, annual audit plans for all establishments, claim monitoring (cause, participation) and ergonomic studies. All services are provided by qualified Occupational Health and Safety technicians.
403-4 V	**Worker participation, consultation, and communication on occupational health and safety**	At MC, an annual Employee's consultation on Occupational Health and Safety (OHS) is ensured through a questionnaire whereby Employees provide feedback on all OHS related topics. This questionnaire is periodically reviewed and adapted. Complementarily, a survey is carried out to ascertain satisfaction levels of those injured regarding the health activity carried out by the health insurer.
403-5 V	**Worker training on occupational health and safety**	During the admission process, Employees undertake mandatory online training on workplace risks and emergency organisation and response. MC has an in-house portal available to Employees containing information related to Occupational Health and Safety (OHS) such as occupational accidents, risks at work, individual protection equipment, emergency plan, to name a few. At the follow-up and monitoring visits which take place at our facilities, educational audits are carried out by OHS technicians and occupational physicians.
403-6 V	**Promotion of worker health**	In addition to the Occupational Health service, MC offers its Employees a Curative Medicine service, vaccination against seasonal flu, preventive health programmes (e.g., combating overweight & obesity and well-being) and promotes various health raising awareness initiatives.
403-7 V	**Prevention and mitigation of occupational health and safety impacts directly linked by business relationships**	Health and safety impacts attributable to commercial relations are not considered relevant.
403-8 V	**Workers covered by an occupational health and safety management system**	MC's occupational health and safety management methodologies and processes are not formalised in a certified system.

CONTINUES

403: Occupational health and safety

403-9 V **Work-related injuries**

Employees

	2021			2022		
	M	W	T	M	W	T
Working hours	20,703,103	44,076,994	64,780,097	21,758,460	45,861,875	67,620,335
Work injuries	240	531	771	239	522	761
Fatalities	-	-	-	-	-	-

M Men W Women T Total

Workers who are not Employees but whose job and/or place of work is controlled by the organisation

	2021			2022		
	M	W	T	M	W	T
Work injuries	72	40	112	47	39	86
Fatalities	0	0	0	0	0	0

M Men W Women T Total

CONTINUES

404: Training

404-1 V Average number of training hours per year and per employee

Average number of training hours per Employee	2021[1]	2022[2]	2022[1]
Total Employees (no.)	46,084	62,329	42,013
Total Training hours (h)	851,840	639,151	639,151
Average number of training hours per category and gender (h/employee)	**18**	**10**	**15**

Total number Employees by employee category and gender	2021[1]			2022[2]			2022[1]		
	H	M	T	H	M	T	H	M	T
Executives	40	8	48	46	12	58	26	9	35
Senior & Middle Managers	119	815	934	469	416	885	403	386	789
Coordinators & Supervisors	1,085	1,276	2,361	706	1,070	1,776	673	1,039	1,712
Technicians & Specialists	712	1,601	2,313	893	1,974	2,867	664	1,546	2,210
Representatives	12,544	27,884	40,428	18,108	38,635	56,743	10,856	26,411	37,267
Total Employees (no.)	**14,500**	**31,584**	**46,084**	**20,222**	**42,107**	**62,329**	**12,622**	**29,391**	**42,013**
Executives	389	52	441	901	208	1,109	901	208	1,109
Senior & Middle Managers	24,916	31,646	56,562	10,939	9,467	20,406	10,939	9,467	20,406
Coordinators & Supervisors	448	2,725	3,173	20,858	32,068	52,926	20,858	32,068	52,926
Technicians & Specialists	10,883	23,069	33,952	12,856	26,448	39,304	12,856	26,448	39,304
Representatives	275,428	482,284	757,712	194,353	331,053	525,406	194,353	331,053	525,406
Total Training hours (h)	**312,064**	**539,776**	**851,840**	**239,907**	**399,244**	**639,151**	**239,907**	**399,244**	**639,151**
Executives	10	7	9	20	17	19	20	17	19
Senior & Middle Managers	23	25	24	23	23	23	23	23	23
Coordinators & Supervisors	4	3	3	30	30	30	30	30	30
Technicians & Specialists	15	14	15	14	13	14	14	13	14
Representatives	22	17	19	11	9	9	11	9	9
Average number of training hours per category and gender (h/employee)	**22**	**17**	**18**	**12**	**9**	**10**	**19**	**14**	**15**

M Men W Women T Total

1. Includes all participants in training sessions, regardless of whether they were actively employed on 31st December.

2. Includes all employees, regardless of whether they were actively employed on 31st December and of the time they remained in the organization.

CONTINUES

404: Training

404-2 V Programs for upgrading employee skills and transition assistance programs

Programs and number of training hours by programme	2021		2022	
	Total Programs (no.)	Total Hours (no.)	Total Programs (no.)	Total Hours (h)
Management	643	1,275	1,430	2,056
Leadership	9,499	17,902	6,637	16,331
Continuous improvement	1,617	10,546	1,563	5,256
Occupational Health and Safety	15,507	58,450	11,059	33,807
Sustainability	1,222	4,407	3,253	2,499
Technical	40,577	68,569	4,092	17,778
Transversal	583	3,039	10,040	36,150
Others	174,929	687,653	51,081	525,278
Total	**244,577**	**851,841**	**89,155**	**639,155**

Note 1: includes all participants in training sessions, regardless of whether they were actively employed on 31st December.

Note 2: the Skills Improvement Programmes were reviewed in 2022 resulting in restating historical data for previous years (data migration between programmes).

Note 3: the difference in the number of training events is due to the change in methodology from 2022 onwards (each training event is accounted for as a single event, regardless of the number of participants).

404-3 V **Percentage of employees receiving regular performance and career development reviews**

In 2022, at MC, a total of 82.8% of the Employees received performance and career development reviews. This percentage is impacted by the fact that the turnover in 2022 was higher than in 2021.

CONTINUES

405: Diversity and equal opportunities

405-1 V **Diversity of governance bodies and employees**

Percentage of Employees by job category – 2022 (%)

		M	W	T
Executives	<30 years old	0.0%	0.0%	0.0%
	30-50 years old	44.4%	11.1%	55.6%
	≥50 years old	35.2%	9.3%	44.4%
	Total	**79.6%**	**20.4%**	**100.0%**
Senior & Middle Managers	<30 years old	0.5%	0.1%	0.7%
	30-50 years old	39.2%	29.1%	68.3%
	≥50 years old	19.5%	11.6%	31.0%
	Total	**59.2%**	**40.8%**	**100.0%**
Coordinators & Supervisors	<30 years old	3.4%	7.6%	10.9%
	30-50 years old	24.0%	47.2%	71.2%
	≥50 years old	6.5%	11.4%	17.9%
	Total	**33.8%**	**66.2%**	**100.0%**
Technicians & Specialists	<30 years old	9.6%	23.1%	32.7%
	30-50 years old	17.0%	38.1%	55.1%
	≥50 years old	3.9%	8.3%	12.2%
	Total	**30.5%**	**69.5%**	**100.0%**
Representatives	<30 years old	15.7%	25.7%	41.4%
	30-50 years old	12.1%	31.3%	43.4%
	≥50 years old	3.3%	11.8%	15.1%
	Total	**31.1%**	**68.9%**	**100.0%**
Governance bodies	<30 years old	0.0%	0.0%	0.0%
	30-50 years old	20.0%	10.0%	30.0%
	≥50 years old	60.0%	10.0%	70.0%
	Total	**80.0%**	**20.0%**	**100.0%**

M Men W Women T Total

Employees with disabilities (no.)	2021	2022
Employees with disabilities	184	266

Note: Employees with a disability level equal or greater than 60%.

CONTINUES

405: Diversity and equal opportunities

405-1 V **Diversity of governance bodies and employees**

Women in leadership positions (%)	2021	2022
Women in leadership positions	38.8%	39.7%

Note: the measurement scope does not include Arenal. Broadening to Arenal the indicator scope, the % of women in leadership positions was 39.4%

MC established the goal of reaching 40% of leadership positions occupied by women by 2023. A Diversity and Inclusion Strategy and the Plan for Gender Equality were developed to help meet this goal.

	2022	
	Target	Performance
% of Women in leadership positions	38.9%	39.7%
Measuring target achievement	The target defined for the % of women in leadership positions was achieved, exceeding by 0.8 percentage points the target defined for 2022.	

406: Non discrimination

406-1 V	**Incidents of discrimination and corrective actions taken**	In 2022, a total of 53 discrimination cases were raised. The inquiry processes resulted in filing all cases.	

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 2022, 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.	

410: Security practices

410-1 V	**Security personnel trained in human rights policies or procedures**	In both Portugal and Spain, all security staff that offer their services through security companies must hold a professional license. To obtain and renew the license, security staff must carry out training which includes fundamental/constitutional rights, ethics and deontology.	

CONTINUES

412: Human rights assessment

412-1 V — **Operations that have been subject to human rights reviews**

No operations subject to Human Rights reviews and/or impact assessments were recorded in 2022.

412-2 V — **Employee training on human rights policies or procedures**

In 2022, Employees received training related to Human Rights policies and procedures as per the table

Training on Human Rights Policies and Procedures (no.)	2021	2022
Total number of Employees who received formal training related to Human Rights policies and practices	32,380	23,170
Total hours dedicated to training on Human Rights policies or procedures which are relevant to our operations	64,308	45,709

Note 1: includes all participants in training sessions, regardless of whether they were actively employed on 31st December

Note 2: data from previous years was rectified due to the readjustment of the parameters used to calculate the training hours, since now it is possible to obtain greater detail regarding training records.

412-3 V — **Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening**

In MC supply contracts, there is a Supplier obligation clause that mentions «Compliance with all applicable standards and legislation pertaining to work carried out by minors, human rights and the prohibition of discrimination of its employees, regardless of the reason».

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 2022, circa €29.8 million were donated to the Community, spanning more than 1,276 institutions across the country.

See chapter «Sustainable development».

414 & 308: Supplier social and environmental assessment

414-1 & 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 whose origin is not on our list of risk countries. Suppliers from risk countries must undergo this audit, regardless of their certification.

A set of requirements related to quality, ethics in supply, environment and hygiene and safety in factories, human rights, labour rights, among others, are verified. 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.

CONTINUES

414 & 308: Supplier social and environmental assessment

414-1 & 308-1 V — **New suppliers that were screened using social and environmental criteria**

Suppliers screened based on social and environmental criteria	2021		2022	
	Total	New	Total	New
National	582	58	710	43
International	529	72	1,375	124
Total number of Suppliers (no.)	**1,111**	**130**	**2,085**	**167**
National	501	30	641	23
International	410	33	672	26
Total number of qualified Suppliers (no.)	**911**	**63**	**1,313**	**49**
National (%)	86%	52%	90%	53%
International (%)	78%	46%	49%	21%
Percentage of qualified Suppliers (%)	**82%**	**48%**	**63%**	**29%**
National	155	6	148	4
International	219	13	221	2
Total audits performed on Suppliers (no.)	**374**	**19**	**369**	**6**

Note: inclusion of Arenal suppliers from 2022 onwards.

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 2022, 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 2022, a total of 603,775 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 2022, 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				
Category	**Unit**	**2021**	**2022**	**Source**
Energy				
Natural gas	$kgCO_2/GJ$	56.4	56.4	2021 and 2022: APA (2021) Portuguese National Inventory Report on Greenhouse Gases (NIR)
Propane gas	$kgCO_2/GJ$	63.1	63.1	
Diesel	$kgCO_2/GJ$	74.1	74.1	
Gasoline	$kgCO_2/GJ$	69.3	69.3	
Electricity				
Market Based Portugal	$kgCO_2e/GJ$	71.4	57.3	2021 and 2022: Elergone Data – The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective suppliers..
Market Based Spain	$kgCO_2e/GJ$	55.6	55.7	2021: Electricity Labelling Agreement Related to Energy Produced in 2020, issued by the CMNC. 2022: Electricity Labelling Agreement Related to Energy Produced in 2021, issued by the CMNC.
Location Based Portugal	$kgCO_2e/GJ$	77.4	76.7	2021 and 2022: ERSE Rotulagem
Location Based Spain	$kgCO_2e/GJ$	38.8	44.4	2021 and 2022: REE ree.es/es/datos/generacion/no-renovables-detalle-emisiones-CO2
Leakage of fluorinated gases				
Leakage of fluorinated gases	$kgCO_2e/kg$ gas	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. ANNEX B: ENERGY. Tables B3 to B6. April 2021.
Gasoline	$kgCO_2/GJ$	72	72	Based in APA, 2022. National GHG Inventory Submission to UNFCCC. National Inventory Report 2022. ANNEX B: ENERGY. Tables B3 to B6. April 2022.

CONTINUES

Emission factors				
Category	**Unit**	**2021**	**2022**	**Source**
Store supply and customer service transportation (online)				
Store supply and customer service transportation (online)	$kgCO_2/km$	–	NA	Based in APA, 2022. National GHG Inventory Submission to UNFCCC. National Inventory Report 2020. ANNEX B: ENERGY. Tables B3 to B6. April 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.
Purchased of goods and services				
Purchased of goods and services	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.
Capital goods				
Capital goods	$kgCO_2e$/€	–	NA	Emission factors for each type of capital goods obtained through the DEFRA, 2019. Greenhouse gas reporting: UK Footprint (Supply Chain); «Table 13» Indirect emissions from the supply chain.
Fuel and energy-related activities (not included in scopes 1 and 2)				
Natural gas	$kgCO_2e/kWh$	–	0.0311	DEFRA, 2019. Greenhouse gas reporting: conversion factors 2022 (WTT – fuels).
Liquefied Petroleum Gas (LPG)	$kgCO_2e/kWh$	–	0.025	
Diesel	$kgCO_2e/kWh$	–	0.063	
Gasoline	$kgCO_2e/kWh$	–	0.066	
Electricity	$kgCO_2e/kWh$	–	0.036	DEFRA, 2019. Greenhouse gas reporting: conversion factors 2022 (WTT – UK & overseas elec – Generation and Transmition and Distribution losses).
Cold Water	$kgCO_2e/kWh$	–	0.032	DEFRA, 2022. Greenhouse gas reporting: conversion factors 2022 (WTT – heat and steam).
Hot water	$kgCO_2e/kWh$	–	0.032	
Upstream transportation and distribution				
Cargo ship				
Container ship 0–999 TEU	$kgCO_2e/ton.km$	–	0.0368	DEFRA, 2022. UK Government GHG Conversion Factors for Company Reporting.
Refrigerated cargo	$kgCO_2e/ton.km$	–	0.0131	DEFRA, 2022. UK Government GHG Conversion Factors for Company Reporting.
Heavy goods vehicles				
without refrigeration	$kgCO_2e/km$	–	0.8120	Luis Simões, Lda., Sustainability Report 2019.
diesel	gCO_2/km	–	594.54	APA, 2020. National GHG Inventory Submission to UNFCCC. National Inventory Report 2020.Emission factor associated to the vehicle category: Buses – Diesel.
	$mgCH_4/km$	–	32.78	
	mgN_2O/km	–	18.36	

CONTINUES

Emission factors

Category	Unit	2021	2022	Source
Waste generated in the operation and End-of-life treatment of sold products				
Sanitary landfill	t CO_2e/t waste	0.615	0.615	2021 and 2022: APA (2019), Roadmap for Carbon Neutrality 2050
Incineration, with energy recovery	t CO_2e/t waste	0.395	0.395	
Biological treatment of organic waste – Composting / Anaerobic digestion	t CO_2e/t waste	0.064	0.064	
Wastewater treatment	t CO_2e/m³ water disposal	0.708	0.0003	2021: DEFRA (2020), Wastewater treament. 2022: DEFRA (2022), Wastewater treament.
Business travel				
Road transport				
Light weight passenger vehicle (diesel)	kgCO_2/l	–	2.5287	Based on APA, 2019. National GHG Inventory Submission to UNFCCC. National Inventory Report 2019. ANNEX B: ENERGY. Tables B3 a B6. April 2019.
	kgN_2O/l	–	0.0001	
Light weight passenger vehicle (gasoline)	kgCO_2/l	–	2.3636	
	kgCH_4/l	–	0.0002	
Flight				
short haul (< 1600 km)	kgCO_2e/passenger.km	–	0.2549	DEFRA, 2019 – Business travel-air: Domestic, to/from UK Average passenger.
medium haul (1600-4000 km)	kgCO_2e/passenger.km	–	0.1956	DEFRA, 2019 – Business travel-air: Long–haul, to/from UK Average passenger.
long haul (> 4000 km)	kgCO_2e/passenger.km	–	0.1808	DEFRA, 2019 – Business travel-air: International, to/from non-UK Average passenger.
Rail transport				
international	gCO_2e/pkm	–	19.67	CP Sustainability Report, 2019; INE (National Statistical Institute of Portugal) Transporters and Communications
national	gCO_2e/pkm	–	19.67	

CONTINUES

Emission factors

Category	Unit	2021	2022	Source
Employee commuting, and downstream transportation and distribution				
Road				
Light weight passenger vehicle (diesel)	gCO_2/km	–	197.88	APA, 2020. National GHG Inventory Submission to UNFCCC. National Inventory Report 2020.
	mgCH_4/km	–	1.62	
	mgN_2O/km	–	7.20	
Light weight passenger vehicle (gasoline)	gCO2/km	–	202.36	
	mgCH_4/km	–	32.85	
	mgN_2O/km	–	5.36	
Light weight passenger vehicle (LPG/LNG)	gCO_2/km	–	191.73	
	mgCH_4/km	–	35.86	
	mgN_2O/km	–	9.43	
Light weight passenger vehicle (hybrid)	gCO_2/km	–	142.14	
	mgCH_4/km	–	19.92	
	mgN_2O/km	–	2.04	
Light weight passenger vehicle (hybrid Plug-In)	gCO_2/km	–	105.94	
	mgCH_4/km	–	7.97	
	mgN_2O/km	–	0.484	
Motorbike (diesel)	gCO_2/km	–	126.23	
	mgCH_4/km	–	64.68	
	mgN_2O/km	–	2	
Light weight passenger vehicle (electric)	gCO_2/km	–	46.08	
Bus (diesel)	gCO_2/km	–	1224.17	
	mgCH_4/km	–	61.53	
	mgN_2O/km	–	16.49	
Metro	gCO_2e/pkm	–	39.84	

CONTINUES

Emission factors				
Category	**Unit**	**2021**	**2022**	**Source**
Use of sold products				
Natural gas	$kgCO_2/GJ$	–	56.4	APA, 2021. National GHG Inventory Submission to UNFCCC. National Inventory Report 2019. Table 3,119. April 2021.
	$kgCH_4/GJ$	–	0.001	
	kgN_2O/GJ	–	0.001	
Liquefied Petroleum Gas (LPG)	$kgCO_2/GJ$	–	63.1	
	$kgCH_4/GJ$	–	0.005	
	kgN_2O/GJ	–	0.0001	
Diesel	$kgCO_2/GJ$	–	74.1	
	$kgCH_4/GJ$	–	0.0007	
	kgN_2O/GJ	–	0.0004	
Heavy fuel oil	$kgCO_2/GJ$	–	77.4	
	$kgCH_4/GJ$	–	0.003	
	kgN_2O/GJ	–	0.0006	
Gasoline	$kgCO_2/GJ$	–	69.3	
	$kgCH_4/GJ$	–	0.01	
	kgN_2O/GJ	–	0.0006	
Propane	$kgCO_2/GJ$	–	63.1	
	$kgCH_4/GJ$	–	0.005	
	kgN_2O/GJ	–	0.0001	
ButanE	$kgCO_2/GJ$	–	74.1	
	$kgCH_4/GJ$	–	0.0007	
	kgN_2O/GJ	–	0.0004	
Electricity	$kgCO_2e/kWh$	–	0.2392	AIB, 2022. European Residual Mixes 2021 – Total Supplier Mix.
Franchises				
Electricity (Autonomous Region of the Azores)	gCO_2e/kWh	–	431	EDA (labelling), 2021 value for the Azore autonomous region

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**	**Source:**
Diesel	kg/GJ	0,21	IPCC, 2006.
Gasoline	kg/GJ	0,075	IPCC, 2006.

CONCLUSION

Legislation correspondence tables

The activity report responds to the legal requirements imposed by the Portuguese Decree-Law no. 89/2017, published on 28th July 2017, and to Spanish law no. 11/2018, dated 28th December, as shown below.

Table of correspondence to portuguese decree-law no. 89/2017 of 28th july

Contents of decree-law no. 89/2017 of 28th july

Art. No. 3 (refers to Art. No. 66-B and 508-G of the CSC):

The non-financial statement must contain enough information for an understanding of the development, performance, position, and impact of its activities, relating at least to environmental, social and employee-related issues, equality between men and women, non-discrimination, respect for human rights, fighting corruption and bribery, including:

Contents of decree-law no. 89/2017 of 28th july		
A brief description of the Company's Business model	GRI 2-1, 2-6 a 2-9, 2-22, 2-23	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
A description of the Company's policies in relation to these issues, including the due diligence procedures duly applied	GRI 3, 205, 301, 302, 303, 304, 305, 306, 401, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
The results of these policies	GRI 3, 205, 301, 302, 303, 304, 305, 306, 401, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
The main risks associated with these issues concerning the Company's activities, including, if relevant and proportionate, its business relationships, products or services that could negatively impact these areas and how the Company manages these risks	GRI 3	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Key performance indicators relevant to the specific activity	GRI 3, 205, 301, 302, 303, 304, 305, 306, 401, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
A description of the diversity policy the Company applies to its management and supervisory bodies, namely in terms of age, gender, educational and professional background, the diversity policy objectives, how it was implemented and the results in the reporting period	GRI 2-9, 3, 401, 405	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

Table of correspondence to the spanish law no. 11/2018 of 28th december

Contents of spanish law nº 11/2018, of 28th december		
Global The consolidated statement of non-financial information should include the information necessary to understand: • The development, • The financial results and situation of the Group, • The impact of its activity; **In relation to:** • Environmental issues, • Social issues, • Respect for Human Rights, • Respect for combating corruption and bribery; Regarding Employees, it should also include measures that, if applicable, have been adopted to comply with the principle of equal treatment and opportunities for women and men, the non-discrimination and inclusion of persons with disabilities and universal accessibility.	GRI 3, 205, 301, 302, 303, 304, 305, 306, 401, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • CHAP. «Governing principles and practices» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Our Business Model A brief description of the Group's business model, which should include the following: 1. The business environment; 2. The organisation and structure; 3. The markets in which it operates 4. Business objectives and strategies; 5. The main factors and trends that could affect its future development.	GRI 2-1, 2-6 a 2-9, 2-22, 2-23	«2022 Annual Report» • CHAP. «Business at a glance», «Operating market»; «Strategic priorities» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Policies A description of the policies that the group applies to these issues, including: 1. Due diligence procedures applied to the identification, assessment, prevention and mitigation of risks and significant impacts; 2. Verification and control procedures, including the measures taken	GRI 2-27, 3, 201-2, 205-1, 205-2, 406-1, 407-1, 408-1, 409-1, 410-1, 412-1, 412-2, 412-3, 414-1 e 308-1, 416-1, 417-1	«2022 Annual Report» • CHAP. «Governing principles and practices» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Policy outcomes and key performance indicators The results of those policies, including key non-financial result indicators that allow for: 1. Ways to monitor and assess progress 2. That favours comparability between sectors following national, European, or international benchmarks for each topic.	GRI 2-27, 3, 201-2, 205-1, 205-2, 406-1, 407-1, 408-1, 409-1, 410-1, 412-1, 412-2, 412-3, 414-1 e 308-1, 416-1, 417-1 Environmental Policy	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

CONTINUES

Contents of spanish law nº 11/2018, of 28th december		
Risks The main risks related to these issues concerning the business activities of the group, including, when relevant, business relations, products or services that may have negative effects on them: • How the Group manages these risks; • Explaining the procedures used to detect and assess risks following national, European or international reference frameworks for each topic; • Information should be included on the impacts detected, detailing the main risks in the short, medium and long term.	GRI 201-2, 205-1, 407-1, 408-1, 409-1, 413-1	«2022 Annual Report» • CHAP. «Governing principles and practices» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Key performance indicators Key non-financial performance indicators that are relevant to the business activity and that meet the criteria of comparability, materiality, relevance and reliability. To allow for the comparison of information over time and between entities, standards for non-financial key indicators that can be generally applied and comply with the European Commission's guidance on this topic and with the standards of the Global Reporting Initiative shall be used. The report will reference the national, European or international scope used for each topic. The main indicators of non-financial results should be applied to each of the non-financial information topics. Considering the circumstances, these indicators should be helpful and consistent with the parameters used in the in-house risk assessment and management procedures. In whichever case, the information submitted should be accurate, comparable and verifiable.	«Non-financial information supplement» — «GRI index and correspondence table»	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

CONTINUES

Environmental matters

Environmental matters		
Global environment • Detailed information about current and possible effects of the company's business activities on the environment and, where applicable, health and safety procedures, environmental assessment, or certification; • Resources dedicated to the prevention of environmental risks; • Applying the precautionary principle, the number of provisions and guarantees for environmental risks.	GRI 3, 201-2, 308-1 Environmental Policy	«2022 Annual Report» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Contamination • Measures to prevent, reduce or repair damage from carbon emissions that seriously affect the environment; • Taking into consideration any form of air pollution which is activity-specific, including noise and light pollution.	GRI 3, 305-5, 305-6, 305-7 MC does not have any significant impacts in terms of noise and light pollution	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Circular economy and waste management and prevention • Circular economy; • Waste: prevention, recycling, reuse, other forms of waste recovery and disposal; actions to combat food waste.	GRI 3, 301, 306	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

Promoting circularity is an increasingly visible dimension of our operations, through which we promote the collection and reintegration of materials at the end of their life cycle for reuse or recycling.

In 2022, we continued working on significantly transforming our packaging, taking as our starting point the principles of a circular economy and eco-design. The aim is to ensure that by 2025 all our own-brand or exclusive brand packaging is recyclable, reusable or compostable. In 2022 we also invested in proof of concept for different solutions that will enable us to understand better different reuse models and the respective likely consumer uptake.

On the other hand, regarding circularity, we have worked to ensure a more intelligent and assertive waste management process. We developed several procedures at the supply level that enabled us to reduce stockout. These range from introducing the concept of product expiration date in the store replenishment algorithms to changes in operating procedures and quality control to training and awareness-raising initiatives for our workforce. Several mechanisms complement these efforts to accelerate product flow and avoid tonnes of food waste, as well as food reuse and redistribution initiatives through the food surplus donation programme.

Sustainable use of resources • Water consumption and water supply according to local restrictions; • Consumption of raw materials and the measures adopted to improve the efficiency of use; • Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energy.	GRI 3, 301, 302, 303	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

We significantly invested in a continuous improvement of MC's environmental management, seeking to minimise the impact of our business activities on the environment. Thus, we invested in more efficient use of resources, optimising water and energy consumption, and minimising Greenhouse Gas (GHG) emissions without neglecting appropriate waste management.

The continuous improvement of the environmental management system is guaranteed through the Environmental Certification Programme, according to the international standard NP EN ISO 14001:2015. Implementing this programme allows us to minimise our environmental impact, improve our infrastructures and strengthen compliance with legal obligations from an environmental perspective.

CONTINUES

Environmental matters

Environmental matters		
Climate change • The major element of greenhouse gas emissions released as a result of the company's activities, including the use of the goods and services it produces; • The measures adopted to adapt to the consequences of climate change; • The reduction targets are set voluntarily for the medium and long term to reduce greenhouse gas emissions and the measures implemented to achieve this.	GRI 3, 201-2, 305	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

Combating climate change is central to the MC's sustainable development agenda. We believe that companies can and should play a relevant role in this matter.

In 2019, MC moved forward with defining targets for reducing its scope 1 and 2 greenhouse gas (GHG) emissions. As a result, MC committed to reducing scope 1 and 2 emissions by 55% (compared to 2018) in 2030.

In terms of concrete actions, we strengthened our efforts to promote efficient and flexible energy consumption, investing in installing more efficient equipment and systems, creating the conditions to monitor better and manage energy consumption, and developing procedures to leverage the investment made. Correspondingly, the decarbonisation of our energy matrix was boosted by producing electricity from renewable sources. We entered into new long-term renewable energy purchase agreements (PPA offsite) reinforcing the already established agreements.

Furthermore, MC adopted the recommendations the Task Force on Climate-related Financial Disclosure (TCFD) defined. This initiative promotes the recommendations for managing and disclosing financial risks associated with climate change.

In 2022, we continued assessing and identifying material climate risks for companies, as well as mapping out the management and mitigation measures that were implemented. Based on an analysis of climate scenarios and different time horizons, a qualitative and quantitative analysis of climate risks and potential monetary impacts was carried out.

Protecting biodiversity • Measures are taken to preserve and restore biodiversity; • Impacts caused by business activities or operations in protected areas.	GRI 3, 304 Sustainable Fishing Policy Environmental Policy Sustainability Declaration of Continente Producer's Club (CPC) Zero Deforestation Commitment	«2022 Annual Report» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

In its direct operation, MC does not have operational sites in areas classified as biodiversity-rich habitat areas. Although MC does not have operations that may negatively affect Biodiversity directly, it is conscious of this problem. It has been taking steps and reinforcing its action with its suppliers in all matters related to environmental sustainability, which naturally includes the protection of Biodiversity.

In 2022, no operations conducive to changes in the surrounding habitats required restoring them.

CONTINUES

Social and employee-related matters

Employment • Total number and distribution of employees by gender, age, country, and job category; • Total number and distribution of employment contract modalities; • The average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and job category; • Number of dismissals by gender, age and job category; • Average earnings and respective evolution, broken down by gender, age and job category or equivalent value; • Wage difference, remuneration of equal or average positions in the company; • The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term savings schemes and any other gender-disaggregated perceptions; • Implementation of labour disconnection policies; • Employees with disabilities.	GRI 2-7, 3, 401-1 (table: New hires and Employee turnover), 405-1	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • CHAP. «Governing principles and practices» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

MC has developed flexible working initiatives, leveraging in-house investment in innovation, technology, and training. Among the initiatives provided by MC are extra holiday days, flexible working hours, unpaid leave and reduced working hours or remote working.

These initiatives are the result of an analysis carried out at an international level to identify the best business practices to maximise productivity and the work-life balance of our People.

Work Organisation • The organisation of hours worked; • Number of absenteeism hours; • Measures to facilitate parental leave and encourage joint responsibility of both parents.	GRI 3, 401-3, 403-2, 403-9	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Health and Safety • Occupational Health and Safety conditions • Accidents at work, in particular frequency and severity; • Occupational diseases broken down by gender. • The health and safety impacts attributable to business relationships are not considered material.	GRI 3, 403 The health and safety impacts attributable to business relationships are not considered material.	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Social matters • The organisation of social dialogue, including procedures for informing and consulting employees and negotiating with them; • Percentage of employees covered by collective bargaining agreements by country; • The balance of collective bargaining agreements, especially regarding health and safety at work.	GRI 2-30, 3, 403-1, 407-1 Further information is available in the Employee Code of Ethics and Conduct	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Training • The policies implemented in terms of training; • The total number of training hours per job category.	GRI 3, 404	«2022 Annual Report» • CHAP. «Business at a glance», «2022 highlights» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

CONTINUES

Social and employee-related matters

Universal accessibility for people with disabilities.	GRI 405-1 At MC, we work continuously to provide an inclusive and non-discriminatory working environment. Our facilities are designed to ensure universal accessibility.	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Equality • Measures are taken to promote equal treatment and opportunities between women and men; • Equality plans (Chapter III of the Organic Act 3/2007 dated 22nd March for the effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender harassment, integration and universal accessibility for people with disabilities; • The policy against all types of discrimination and, where appropriate, diversity management.	GRI 3, 405-1, 406-1 Further information available at Plan for Gender Equality	«2022 Annual Report» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Human Rights • Application of due diligence procedures in the field of human rights; • Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and remedy possible abuses committed; • Reports on cases of human rights violations; • Promotion of and compliance with the provisions of the fundamental conventions of the international labour organisation concerning respect for freedom of association and the right to collective bargaining; • The elimination of discrimination in employment and occupation; • The elimination of forced or compulsory labour; • The effective abolition of child labour.	GRI 2-23, 3, 406-1, 407-1, 408-1, 409-1, 410-1, 412-1, 412-2, 412-3 Further information is available in the Employee Code of Ethics and Conduct and the Supplier Code of Ethics and Conduct	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Corruption and bribery • Measures taken to prevent corruption and bribery; • Anti-money laundering measures; • Contributions to Foundations and non-profit entities.	GRI 2-23, 2-27, 205, 413-1 Further information is available in the Employee Code of Ethics and Conduct	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

CONTINUES

Societal matters

Company commitments to sustainable development • The impact of the company's business activity on employment and local development; • The impact of the company's business activity on local populations and the territory; • The relations maintained with interpreters from local communities and the modalities of dialogue with them; • Association or sponsorship initiatives.	GRI 2-22, 2-23, 2-28, 2-29, 3, 203-1, 203-2, 413-1 Further information is available in the Employee Code of Ethics and Conduct. Sonae subscribes to the Universal Declaration of Human Rights and recognises the rights of Indigenous Peoples. These principles are incorporated into the qualification and evaluation processes of suppliers and partners.	«2022 Annual Report» • CHAP. «Sustainable development» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Subcontracted and Suppliers • The inclusion in the procurement policy of social issues, gender equality and environmental issues; • Social and environmental considerations in the relations with Suppliers and subcontractors of its responsibility; • Supervisory systems and audits and their results.	2-6, 3, 412-3, 414-1 e 308-1 Further information is available in the Employee Code of Ethics and Conduct and Supplier Code of Ethics and Conduct	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Consumers • Consumer health and safety measures; • Complaints systems, complaints received and their resolution.	2-29, 3, 416-1, 417-1	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»
Tax information • Benefits obtained country by country; • Taxes on benefits paid.	201-1, 201-4	«2022 Annual Report» • APPENDIX – «Non-financial information supplement», «GRI Disclosures»

CONCLUSION

Independent Limited Warranty Report

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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 "Non-financial information Supplement" of MC ("the Report") for the year ended 31 December 2022, identified in the "GRI Disclosures", "Correspondence Table" and "Methodological Notes" of the " Non-financial information Supplement" 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 Report in the "Non-financial information Supplement" identified in the "GRI Disclosures", "Correspondence Table" and "Methodological Notes" of the " Non-financial information Supplement" 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.

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 Report for the year ended 31 December 2022 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.

KPMG

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 in the Report for the year ended 31 December 2022 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, 4 May 2023

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 2022», 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 designated MC) develops its activity in the food and health, wellness and beauty retail markets, and in other complementary businesses, along with the management and operation of the real estate assets that support these activities.

MC operates throughout Portuguese territory and northern Spain. The Company is present across various sectors via a diversified portfolio of banners and formats which include: Continente (urban hypermarkets), Continente Modelo (large supermarkets), Continente Bom Dia (proximity supermarkets), Continente Online (e-commerce) and Meu Super (franchise proximity stores) on the food-based retail side of the Business; Wells (Health, beauty, well-being products, opticians and perfumery), Arenal (Health, beauty, well-being products and perfumery), Dr. Wells (dental and aesthetic medicine), and Go Natural (organic supermarkets and restaurants) on the health, well-being and beauty, side of the Business; Bagga (coffee shops), note! (stationary, books and convenience services), ZU (Pet store and service offering), and Home Story (home decor) on the complementary growth side of the Business. This Report refers to activities carried out during the 2022 financial year (1 January to 31 December 2022).

Information review

The financial information included in the chapter «Financial statements» is an integral part of the Annual Report and Accounts 2022 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 «Non-financial information supplement» was subject to verification by an external entity – KMPG.

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This report has been produced in a sustainable way.

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