Financial performance

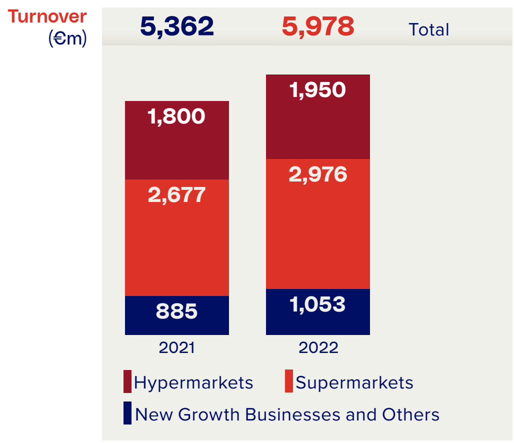
Solid trading performance

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.



11.5%
Total growth vs. 2021

9.6%
Like-for-Like growth vs. 2021

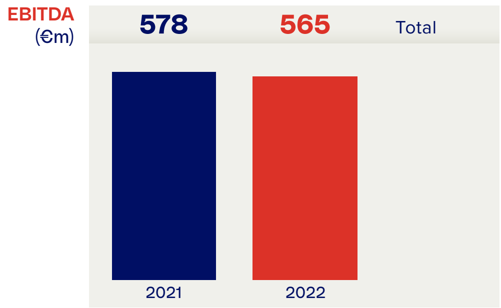
Resilient operational profile

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.



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.

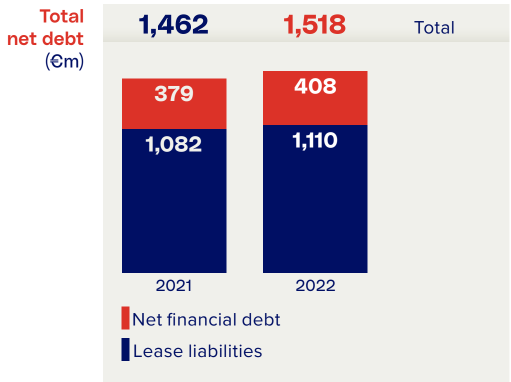
851 k sqm
Sales area company-operated stores in 2022

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.



2.7x
Total net debt / EBITDA in 2022

Financial statements

Financial statements index

Consolidated financial statements 66

31 December 2022 and 2021

A.	**Consolidated statements of financial position**	**68**
B.	**Consolidated income statements**	**70**
C.	**Consolidated statements of comprehensive income**	**71**
D.	**Consolidated statements of changes in equity**	**72**
E.	**Consolidated statement of cash flows**	**74**
F.	**Notes to the consolidated financial statements**	**76**
1.	Introduction	76
2.	Principal accounting policies	76
3.	Financial risk management	92
4.	Changes occurred in the consolidation perimeter	95
5.	Classes of financial instruments	96
6.	Property, plant and equipment	99
7.	Intangible assets	102
8.	Right-of-use assets	103
9.	Goodwill	105
10.	Joint ventures and associated companies	106
11.	Financial assets at fair value through profit and loss and other investments	111
12.	Other non-current assets	112
13.	Inventories	113
14.	Trade receivables	114
15.	Other receivables	115
16.	Other tax assets and liabilities	116
17.	Income tax	117
18.	Other current assets	118
19.	Deferred taxes	118
20.	Cash and cash equivalents	122
21.	Capital	122
22.	Non-controlling interests	123
23.	Loans	126
24.	Derivatives	128
25.	Other non-currents liabilities	130
26.	Share based payment	131
27.	Trade payables	132
28.	Other payables	133
29.	Other current liabilities	134
30.	Provisions and impairment losses	135
31.	Reconciliation of liabilities arising from financing activities	137
32.	Contingent assets and liabilities	138
33.	Operational lease – lessor	140
34.	Revenue	141
35.	Gains and losses on investments	141
36.	Net financial expenses	142
37.	Other income	143
38.	External supplies and services	143
39.	Employee benefit expense	144
40.	Other expenses	144
41.	Income tax expense	145
42.	Related parties	146
43.	Earnings per share	148
44.	Cash receipts and cash payments of investments	149
45.	Approval of financial statements	149
46.	Group companies included in the consolidated financial statements	150
47.	Subsequent events	152

Separate financial statements 155

31 December 2022 and 2021

A.	**Separate statements of financial position**	**156**
B.	**Separate profit and loss and comprehensive income statements**	**157**
C.	**Separate statements of changes in equity**	**158**
D.	**Separate statements of cash flows**	**159**
E.	**Notes to the separate financial statements**	**160**
1.	Introduction	160
2.	Main accounting policies	160
3.	Risk management	168
4.	Financial instruments by classes	170
5.	Investments	172
6.	Other non-current assets	178
7.	Other accounts receivable	178
8.	Income tax	179
9.	Other current assets	180
10.	Equity	181
11.	Bonds and bank loans	182
12.	Other accounts payable	183
13.	Other current liabilities	184
14.	Contingent liabilities	184
15.	Cash flow statement	185
16.	External services and supplies	186
17.	Financial income and expenses	187
18.	Related parties	188
19.	Information required by law	189
20.	Subsequent events	191
21.	Translation note	191

Statutory Audit Report 193

Report and Opinion of the Statutory Audit Board 201

Consolidated financial statements

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

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.

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

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 annualy.

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.

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

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;

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Porto Office Park, Avenida de Sidónio Pais, 153 - piso 1, 4100-467 Porto, Portugal
Tel: +351 225 433 000, Fax: +351 225 433 499, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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;

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.
Porto Office Park, Avenida de Sidónio Pais, 153 - piso 1, 4100-467 Porto, Portugal
Tel: +351 225 433 000, Fax: +351 225 433 499, www.pwc.pt
Matriculada na CRC sob o NIPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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