Management Report, 2018

Sonae MC, SGPS, SA

(*Translation from the Portuguese original)*

00.

Introduction

Sonae MC, SGPS, SA (hereinafter referred to as Sonae MC) is the Sonae Group company which aggregates the Group's food retail business, as well as the management and operation of real estate assets to support this activity. Sonae MC, formerly known as Sonae Investimentos, SGPS, SA, is the result of a reorganization of shareholdings and a restructuring of the perimeter (currently composed of Sonae MC, Maxmat and Sonae RP's operating assets) carried out in the context of the process of preparing admission to listing on the regulated market of Euronext Lisbon.

Sonae MC is a leader in the food retail sector in Portugal, and is present in several business areas through a diversified portfolio of brands and formats, including: Continente (urban hypermarkets), Continente Modelo (large supermarkets), Continente Bom Dia (Proximity supermarkets), Continente Online (e-commerce platform) and Meu Super (franchise stores) in food retail, and Well's (health, well-being, cosmetics and optics), Go Natural (supermarkets and organic restaurants), Bagga (coffee shops), Note! (stationery, books and gifts), ZU (articles and services for pets and veterinary), and Maxmat (DIY, retail building materials) as adjacent businesses.

01.

Market context

Uncertainty and volatility have marked 2018, a year with major stock markets' corrections, large fluctuations in oil prices and heightening geopolitical tensions. Last year the World saw a protectionist shift, with USA and China escalating a trade war and imposing mutual trade tariffs to import goods, contributing to the rise on risk aversion.

In Europe, the European Union and the UK government signed a withdrawal agreement for the UK exit but it failed to get the UK's parliament's support, adding more ambiguity regarding Brexit as the deadline approaches. Moreover, the European Commission and the Italian government clashed over its deficit proposal due to doubts over Italy's commitment to the consolidation of its public finances.

In Portugal, economic activity has remained robust with GDP growing by +2.1%, driven mainly by the domestic demand and particularly by the continued growth in private spending. Growth was backed by a gradual improvement of labour market conditions, with solid rates of job creation and unemployment reaching the lowest level in 16 years (7.0%).

Nevertheless, growth decelerated last year reflecting a natural moderation as the economy approaches a more mature phase of the cycle. After a notable performance in 2017, both investment and exports growth returned to more sustainable levels.

Private consumption remained particularly dynamic, taking advantage of the high levels of consumer confidence and the favourable financing conditions. Overall, consumer credit conditions continued largely supportive with interest rates remaining at low levels. The hike in real estate prices also contributed to a strong wealth effect providing an additional boost to private consumption growth.

Although private spending in durable goods remained strong, it started to show some signs of moderation. Retail sales lost some strength in comparison with the past year (+4.6%), namely in non-food categories (+4.3%), while retail sales of food and beverage accelerated (+4.9%). Moreover, spending in hotels and restaurants remained strong (+7.7% and +5.3%), boosted by non-resident's spending.

Analysing in greater detail the food retail sector in Portugal, last year was characterized by: i) growth in supply, observed in the evolution of total sales area, ii) diversification of trade formats, with an emphasis on convenience and proximity, iii) increase in the level of demand of customers and change in their consumption patterns; and iv) stabilization of the weight of promotional activity in the sector's sales, despite remaining at high levels when compared with other references in the European context.

Specifically, in 2018, the evolution of the installed base of supply registered a slower growth pace when compared to previous years, having increased by about 1.8%, with the opening of an additional 41,000 sqm of retail area. Contrary to the previous year, the increase in supply occurred at a slower pace than the nominal growth of demand, benefiting from the dynamism of the latter.

02.

Key activity highlights

In 2018, Sonae MC's consolidated turnover amounted to 4,308 million euros (of which 4,191 million euros related to sales and 116 million euros related to services), corresponding to a growth of 6.2% over the same period of last year. Growth in turnover was driven by the expansion of the portfolio, particularly in proximity formats, and by a 3.0% increase in sales in the comparable universe of stores (LFL).

In the full year, Sonae MC consolidated its market share and leading position in the Portuguese food retail sector, benefiting from the implementation of a set of actions to improve the value proposition for customers, namely:

- Continuous commitment to competitiveness and improvement of value perception, both in price and in promotions;
- Increased consistency in the quality of perishables, in particular in fruits and vegetables;
- Continuous innovation and extension of the ranges of own brand (food and non-food);
- Exploration of new opportunities in the proximity segment, through the accelerated expansion of the Continente Bom Dia stores (13 units opened in 2018);
- Double-digit growth in online channel sales, supported by sustained improvement in efficiency and effectiveness throughout the supply chain;
- Strengthened presence in the "Health & Wellness" segment through organic development efforts (e.g. opening of 24 Well's stores in 2018, double-digit sales growth in the Bio & Healthy range), complemented by surgical acquisitions (e.g. purchase of biological supermarkets Amor Bio).

During 2018, the Group continued to develop its real estate monetization strategy, completing two sale and leaseback transactions in the fourth quarter, which generated a total cash-in of 77 million euros and an accounting gain of 37 million euros. At the year-end, the Group's freehold stood at 45%.

In 2018, the Group's underlying EBITDA totalled 319 million euros, increasing by 18 million euros compared to 2017, corresponding to a stable underlying EBITDA margin of 7.4% and maintaining best-in-class profitability levels. This performance capitalized on a continuous effort of operational excellence and consequent gains in efficiency and agility, thus accommodating the reflexes of the highly competitive environment found in the Portuguese food retail sector, the strong investment in the optimization and expansion of the Group's store portfolio and respective impacts on wage costs, namely an increase in personnel costs to 523 million euros, a 7.1% rise compared to 2017.

Sonae MC's EBIT also posted a solid performance, growing 14.1% year-on-year to 194 million euros in 2018, representing an increase of 24 million euros and an EBIT margin of 4.5%, despite of a 9.3% increase in depreciation and amortization, which amounted to 146 million euros, reflecting the strong investment in expansion and remodelling carried out in previous years, and an increase in provisions and impairment losses amounting to 13 million, resulting from one-off effects.

Consolidated net income for the year attributable to shareholders amounted to 649 million euros, of which 152 million euros refers to continuing operations (36 million euro higher than the same period last year) and 497 million euros to discontinued operations, mostly related to the aforementioned "carve-out" process.

03.

Investment

Throughout 2018, Sonae MC materialized a global investment of 241 million euros, fulfilling its ambitious plan of openings and refurbishments, including:

- Investment aimed at delivering the Group's expansion program, particularly in proximity formats, enabling it to finish the year with a global portfolio of 1,108 units (including franchises) and a total sales area of 853 thousand square meters (growth of 3.6% on the basis at the end of previous year);

- Investment aimed at the planned refurbishment effort of a selective set of retail units, in order to leverage productivity gains and ensure that these units remain as a reference in their respective areas of implementation, which included more than 30 relevant interventions during the period.

04.

Capital structure

As at 31 December 2018, Sonae MC presented a total net working capital of 1,368 million euros. This amount includes the Group's net assets, which totalled 747 million euros at the year-end.

In the same period, the Group strengthened its capital structure, which remained robust, benefiting from a reduction of 6.0% in net financial debt, that totalled 607 million euros. This amount implies a one-off reference to the operational cash-flow of the year of 1.9x, in line with the Group's medium-term objective.

The financing of the activity also benefited from the optimization of costs and the extension of the average term of maturity of the debt, resulting from a series of successful refinancing operations carried out throughout the year.

05.

Outlook

In 2019, global growth is expected to weaken to +3.5% as the expansionary cycle closes amid concerns of escalating trade conflicts. The carry-over of the softer momentum in 2018 will translate into a decline from above trend growth, with slower labour market improvements, nevertheless it seems unlikely to materialise into a recession. A stronger synchronization in growth is expected with the gap between advanced and emerging economies narrowing.

In the Eurozone growth is set to moderate marked by a softer private consumption and weaker industrial production in Germany as well as by the slowdown in Italy and France. Yet, prolonged uncertainty on Brexit may accentuate the expected moderation.

The outlook for Portugal is globally positive, but a slowdown in economic activity is expected while labour market improvements become marginal and the mood among consumers becomes less positive. In 2019, real GDP will decelerate to +1.8%, nonetheless, domestic demand is expected to remain relatively stable benefiting from the recovery of private investment.

Private consumption in real terms will remain buoyant at +2.0% driven by wage gains and further employment growth in a context of low inflationary pressures. The savings rate is expected to stay relatively stable at historically low levels.

In what concerns the Portuguese food retail sector, the year 2019 will be marked by an increase in competitiveness among the main operators, due to an expected increase in installed capacity and consequent density of supply in the market, as well as by the maintenance of the price and of promotions as determining factors, with inevitable consequences on the pressure placed on margins and overall profitability.

In 2019, Sonae MC will continue to focus on market leadership and profitable growth by: i) increasing differentiation in critical attributes and preferences for consumer decision-making, aiming to foster store traffic and the value of the average basket per transaction (ii) optimizing and leveraging the Group's main operational processes in order to maintain a benchmark efficiency profile; and (iii) exploring new opportunities and avenues of growth through the anticipation of industry trends and movements.

06.

Financial risk management

The Group's general financial risk management principles are described in detail in Note 3 of the Appendix to the Consolidated Financial Statements and in Note 4 of the Appendix to the Separate Financial Statements.

07.

Disclosure of non-financial information

Under paragraph 7 of articles 66-B and 508-G of the Commercial Companies Code, the Group is exempted from the obligation to present an individual or consolidated non-financial statement, as this information is included in the consolidated report and sustainability report presented by its parent company Sonae, SGPS, SA.

08.

Subsequent events

On January 4, 2019, Sonae MC, through one of its subsidiaries, concluded the transaction related to the acquisition of a 60% stake in Tomenider SL, which holds 100% of Arenal Perfumarias SLU.

09.

Own shares

On January 1, 2018, Sonae MC, SGPS, SA held, through its subsidiary Modelo Continente, SGPS, SA, 100,000,000 shares representative of its share capital. This subsidiary sold the mentioned shares on September 17, 2018 to Sonae, SGPS, SA.

As of December 31, 2018, Sonae MC, SGPS, SA does not directly or indirectly hold any shares representative of its share capital.

10.

Proposal for profit distribution

Sonae MC, SGPS, S.A. net profit for the year, as a standalone company, totalled 61,230,651.79 euros, for which the Board of Directors propose the following distribution:

Legal reserve:	3.061.533,00 euros
Dividends:	58.169.118,79 euros
Total:	**61.230.651,79 euros**

The Board of Directors also proposes to distribute to shareholders Free reserves in the amount of 16,830,881.21 euros, thus making an aggregate gross dividend of 75,000,000 euros.

Shares that were acquired or are held by the company, or by any of its subsidiaries, at the dividend distribution date are excluded from the distribution of dividends.

11.

Acknowledgements

We thank all of our customers, suppliers, financial institutions and shareholders for their support and preferences demonstrated.

The Audit Committee, auditors and statutory auditors are also due the recognition of the cooperation evidenced over the period.

Finally, a special word of thanks to all of Sonae MC employees for their enthusiasm, dedication and competence once again demonstrated.

Matosinhos, 29th of March 2019

The Board of Directors,

Ângelo Gabriel Ribeirinho dos Santos Paupério

Maria Cláudia Teixeira de Azevedo

João Pedro Magalhães da Silva Torres Dolores

Álvaro José Barrigas do Nascimento

António Carlos Merckx de Menezes Soares

Ricardo Emanuel Mangana Monteiro

Luís Miguel Mesquita Soares Moutinho

Rui Manuel Teixeira Soares de Almeida

Isabel Sofia Bragança Simões Barros

José Manuel Cardoso Fortunato

Maria Inês Martins Valadas

A.

Glossary

Turnover

Total revenue from sales and services rendered

Like-for-like (LFL)

Sales from owned stores that operated under the same conditions in comparable months in both the current period and the prior comparative period, and excludes stores opened, closed or that underwent major upgrade works in one of the periods. LFL sales growth is the change in LFL sales compared to the prior period, expressed as a percentage.

Freehold

Freehold share calculated as stores sales area ownership in percentage of total stores sales area (year-end figures)

EBITDA

EBIT before depreciation and amortization expenses, provisions and impairments losses, gains/losses on the disposal of subsidiaries, losses on the disposal of assets and gains on sales of assets excluding non-recurring items (net capital gains/losses on the sale-and-leaseback transactions of real estate assets)

Underlying EBITDA

EBITDA excluding non-recurring items, defined as net capital gains/losses from sale-and leaseback transactions of real estate assets

Underlying EBITDA margin

Underlying EBITDA as percentage of turnover

EBIT

Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates

EBIT margin

EBIT as percentage of turnover

Investments (CAPEX)

Investments in tangible and intangible assets and investments in acquisitions

Net debt

Gross debt (loans, bonds and other loans, leases and derivatives) less cash and cash balances and other current investments

Net invested capital

Total net debt plus total shareholder funds

Article 447 of the Portuguese Companies Act and Article 14, paragraph 7, of the Portuguese Securities Commission (CMVM) Regulation no. 05/2008

	Fiscal year 2018				
	Acquisitions		Disposals		Balance as of 31/12
	Quantity	Average price	Quantity	Average price	Quantity
Board of Directors					
Ângelo Gabriel Ribeirinho dos Santos Paupério					
Shares Sonae, SGPS	212 987	1.15 €	212 987	1.15 €	2 684 842
Maria Cláudia Teixeira de Azevedo					
Shares Sonae, SGPS	-	-	-	-	566 632
João Pedro Magalhães da Silva Torres Dolores					
Shares Sonae, SGPS	-	-	-	-	-
Álvaro José Barrigas do Nascimento					
Shares Sonae, SGPS	-	-	-	-	5 200
António Carlos Merckx de Menezes Soares					
Shares Sonae, SGPS	-	-	-	-	-
Ricardo Emanuel Mangana Monteiro					
Shares Sonae, SGPS	-	-	-	-	-
Luís Miguel Mesquita Soares Moutinho					
Shares Sonae, SGPS	127 361	1.10 €	-	-	759 198
Rui Manuel Teixeira Soares de Almeida					
Shares Sonae, SGPS	102 811	0.98 €	50 000	1.20 €	231 507
José Manuel Cardoso Fortunato					
Shares Sonae, SGPS	186 175	1.03 €	60 000	0.84 €	443 598
Isabel Sofia Bragança Simões Barros					
Shares Sonae, SGPS	6 891	1.10 €	-	-	7 279
Maria Inês Martins Valadas					
Shares Sonae, SGPS	69 224	1.10 €	69 224	1.12 €	-
Statutory Audit Board					
Armando Luís Vieira de Magalhães					
Shares Sonae, SGPS	-	-	-	-	-
Maria José Martins Lourenço da Fonseca					
Shares Sonae, SGPS	-	-	-	-	-
António Augusto Almeida Trabulo					
Shares Sonae, SGPS	-	-	-	-	-

Consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)

				Unauditaded Values	
ASSETS	Notes	31 Dec 2018	31 Dec 2017	31 Dec 2018 Pro Forma	31 Dec 2017 Pro Forma
NON-CURRENT ASSETS:					
Property, plant and equipment	8	1,293,140,018	1,647,932,405	1,293,140,018	1,263,984,481
Intangible assets	9	211,150,982	342,916,302	211,150,982	215,040,754
Goodwill	10	446,613,429	553,339,386	446,613,429	446,876,814
Investments in joint ventures and associates	11	4,084,814	41,442,483	4,084,814	9,341,889
Other investments	7 and 12	16,589,032	12,323,383	16,589,032	11,837,012
Deferred tax assets	20	31,025,591	56,857,992	31,025,591	22,055,190
Other non-current assets	7 and 13	9,345,776	20,152,898	9,345,776	10,651,331
Total Non-Current Assets		2,011,949,642	2,674,964,849	2,011,949,642	1,979,787,471
CURRENT ASSETS:					
Inventories	14	396,767,259	713,020,919	396,767,259	396,285,126
Trade receivables	7 and 15	123,073,991	85,264,416	51,302,580	54,582,698
Other receivables	7 and 16	50,360,094	61,201,495	50,360,094	44,407,168
Income tax assets	18	43,820,498	32,179,395	43,820,498	36,703,056
Other tax assets	17	21,839,668	39,932,718	21,839,668	20,732,550
Other current assets	19	32,001,165	54,251,965	31,133,496	31,687,868
Other investments	7 and 12	1,231,414	179,881	1,231,414	98,217
Cash and bank balances	21	78,235,498	162,378,843	98,818,948	93,691,425
Total Current Assets		747,329,587	1,148,409,632	695,273,957	678,188,108
Assets classified as held for sale		-	782,540	-	782,540
TOTAL ASSETS		2,759,279,229	3,824,157,021	2,707,223,599	2,658,758,119
EQUITY AND LIABILITIES					
EQUITY:					
Share capital	22	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Own shares	22	-	(320,000,000)	-	-
Legal reserve		174,887,958	174,845,768	174,887,958	174,845,768
Other Reserves		(1,093,993,237)	(188,932,350)	(1,093,993,240)	(558,137,616)
Profit/(Loss) for the period attributable to the equity holders of the Parent Company		648,954,594	27,632,093	648,954,594	115,295,622
Equity attributable to the equity holders of the Parent Company		729,849,315	693,545,511	729,849,312	732,003,774
Non-controlling interests	23	31,145,956	92,016,336	31,145,958	29,040,505
TOTAL EQUITY		760,995,271	785,561,847	760,995,270	761,044,279
LIABILITIES:					
NON-CURRENT LIABILITIES:					
Loans	7 and 24	403,000,000	337,457,361	403,000,000	313,373,475
Bonds	7 and 24	254,870,409	282,306,545	254,870,409	257,306,545
Other loans, leases and derivatives	7, 24 and 25	11,569	720,507	11,569	23,405
Other non-current liabilities	27	23,143,388	415,789,765	22,874,677	20,689,508
Deferred tax liabilities	20	95,559,665	122,806,483	95,501,059	91,242,878
Provisions	32	9,570,442	14,659,973	9,570,442	7,358,151
Total Non-Current Liabilities		786,155,473	1,173,740,634	785,828,156	689,993,962
CURRENT LIABILITIES:					
Loans	7 and 24	45,579,391	121,452,497	45,579,391	115,212,229
Bonds	7 and 24	2,996,380	57,970,806	2,865,144	52,970,806
Other loans, leases and derivatives	7, 24 and 25	265,457	1,814,832	265,457	349,356
Trade payables	7 and 29	832,109,114	1,177,803,571	783,057,489	708,851,882
Other payables	7 and 30	80,479,676	117,850,258	79,361,588	76,734,037
Income tax liabilities	18	39,779,882	31,153,884	39,779,882	50,602,930
Other tax liabilities	17	65,407,359	80,980,619	65,343,090	63,466,252
Other current liabilities	31	144,602,825	270,217,690	143,239,731	134,707,440
Provisions	32	908,401	5,610,383	908,401	4,824,946
Total Current Liabilities		1,212,128,485	1,864,854,540	1,160,400,173	1,207,719,878
Liabilities directly associated with assets classified as held for sale		-	-	-	-
TOTAL LIABILITIES		1,998,283,958	3,038,595,174	1,946,228,329	1,897,713,840
TOTAL EQUITY AND LIABILITIES		2,759,279,229	3,824,157,021	2,707,223,599	2,658,758,119

The accompanying notes are part of these consolidated financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENTS VERSUS PRO FORMA FOR THE PERIOD ENDED 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017 Restated	Unaudited values: 31 Dec 2018 Pro Forma	Unaudited values: 31 Dec 2017 Pro Forma
Sales	36	4,191,168,639	3,934,946,407	4,191,168,639	3,934,959,958
Services rendered	36	116,335,901	119,576,585	116,335,901	119,578,707
Gains and losses on investments	37	(2,384,454)	(199,963)	(2,384,454)	(199,963)
Gains and losses on investments recorded at fair value through results	12	4,327,175	-	4,327,175	-
Other income	39	102,549,139	82,905,917	102,549,139	84,182,287
Cost of goods sold and materials consumed	14	(3,003,067,240)	(2,838,920,772)	(3,003,067,240)	(2,839,098,817)
External supplies and services	40	(488,382,505)	(455,310,721)	(488,382,505)	(459,852,564)
Employee benefits expense	41	(522,970,216)	(488,206,878)	(522,970,216)	(488,206,878)
Other expenses	42	(44,565,613)	(43,778,755)	(44,565,613)	(43,964,041)
Depreciation and amortisation expenses	8 and 9	(146,210,542)	(133,748,415)	(146,210,542)	(133,777,768)
Provisions and impairment losses	32	(13,232,978)	(1,845,514)	(13,232,978)	(3,974,377)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax		193,567,306	175,417,891	193,567,306	169,646,544
Dividends received during the year		100,450	130,450	100,450	130,450
Share of profit or loss of joint ventures and associates	11.3	(446,603)	(5,760,973)	(446,603)	(5,760,972)
Financial income	38	3,776,300	3,220,224	2,748,573	648,431
Financial expense	38	(72,717,552)	(50,070,308)	(15,830,181)	(17,191,031)
Profit from continuing operations before tax		124,279,901	122,937,284	180,139,545	147,473,422
Income tax expense	43	(13,065,287)	(39,368,341)	(25,809,160)	(29,622,244)
Profit from continuing operations for the year		111,214,614	83,568,943	154,330,385	117,851,178
Profit/(Loss) from descontinued operations after taxation	4.1, 4.2, 4,4 and 5	540,456,346	(47,893,418)	497,340,575	-
Consolidated profit/(Loss) for the period		651,670,960	35,675,525	651,670,960	117,851,178
Attributable to owners of the Company:					
Continuing operations	4 and 5	108,607,597	80,965,870	151,723,368	115,295,622
Discontinued operations	4 and 5	540,346,997	(53,333,777)	497,231,226	-
		648,954,594	27,632,093	648,954,594	115,295,622
Attributable to non-controlling interests:					
Continuing operations		2,607,017	2,603,073	2,607,017	2,555,556
Discontinued operations		109,349	5,440,359	109,349	-
	23	2,716,366	8,043,432	2,716,366	2,555,556
Profit/(Loss) per share					
From continuing operations					
Basic	45	0.117414	0.089962	0.163789	0.128106
Diluted	45	0.117414	0.089962	0.163789	0.128106
From descontinued operations					
Basic	45	0.584159	(0.059260)	0.537784	-
Diluted	45	0.584159	(0.059260)	0.537784	-

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017 Restated
Net Profit / (Loss) for the period		651,670,960	35,675,525
Items that maybe reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		3,879,991	2,173,444
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	11.3	6,076,188	(1,554,325)
Changes in hedge and fair value reserves		(163,384)	(2,270,604)
Deferred taxes related with other components of comprehensive income		8,310	498,915
Others		(343,778)	-
Other comprehensive income for the period		9,457,327	(1,152,570)
Items that were reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations related to discontinued operations	4	(74,790)	-
		(74,790)	-
Total other comprehensive income for the period		9,382,537	(1,152,570)
Total comprehensive income for the period		661,053,497	34,522,955
Attributable to:			
Equity holders of parent company		658,553,101	26,458,799
Non controlling interests		2,500,396	8,064,156

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2018 AND 2017

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

			Reserves and Retained Earnings									
	Share Capital	Own Shares	Legal Reserve	Currency translation Reserve	Hedging Reserve	Legal Reserves in accordance with article 342º CSC	Other Reserves and Retained Earnings	Total of reserves and retained earnings	Net Profit/ (Loss)	Total	Non controlling Contolling Interests (Note 23)	Total Equity
(Amounts expressed in euro)	Attributable to Equity Holders of Parent Company											
Balance as at 1 January 2017 Published	1,000,000,000	(320,000,000)	170,940,266	541,768	1,948,405	320,000,000	(546,738,326)	(224,248,153)	80,471,632	707,163,745	85,020,788	792,184,533
Restatement effect	-	-	-	-	-	-	-	-	-	-	(1,731,680)	(1,731,680)
Balance as at 1 January 2017 Restated	1,000,000,000	(320,000,000)	170,940,266	541,768	1,948,405	320,000,000	(546,738,326)	(224,248,153)	80,471,632	707,163,745	83,289,108	790,452,853
Total compreensive income for the period	-	-	-	2,161,540	(1,780,509)	-	(1,554,325)	(1,173,294)	27,632,093	26,458,799	8,064,156	34,522,955
Appropriation of profit of 2016												
Transfer to legal reserves and retained earnings	-	-	3,905,502	-	-	-	76,566,130	76,566,130	(80,471,632)	-	-	-
Dividends distributed	-	-	-	-	-	-	(40,000,000)	(40,000,000)	-	(40,000,000)	(1,162,225)	(41,162,225)
Income distribution	-	-	-	-	-	-	-	-	-	-	(2,244,305)	(2,244,305)
Aquisitions of affiliated companies	-	-	-	-	-	-	-	-	-	-	3,772,948	3,772,948
Creation of affiliated companies	-	-	-	-	-	-	-	-	-	-	400,000	400,000
Variation in pecentage of affiliated companies	-	-	-	-	-	-	(32,565)	(32,565)	-	(32,565)	(110,864)	(143,429)
Others	-	-	-	-	-	-	(44,468)	(44,468)	-	(44,468)	7,518	(36,950)
Balance as at 31 December 2017	1,000,000,000	(320,000,000)	174,845,768	2,703,308	167,896	320,000,000	(511,803,554)	(188,932,350)	27,632,093	693,545,511	92,016,336	785,561,847
Balance as at 1 January 2018	1,000,000,000	(320,000,000)	174,845,768	2,703,308	167,896	320,000,000	(686,649,322)	(188,932,350)	27,632,093	693,545,511	92,016,336	785,561,847
Total comprehensive income for the period	-	-	-	3,791,634	(57,734)	-	5,864,607	9,598,507	648,954,594	658,553,101	2,500,396	661,053,497
Appropriation of profit of 2017												
Transfer to legal reserves and retained earnings	-	-	42,190	-	-	-	27,547,713	27,589,903	(27,632,093)	-	-	-
Dividends distributed (Note 22)	-	-	-	-	-	-	(473,360,297)	(473,360,297)	-	(473,360,297)	(1,393,908)	(474,754,205)
Income distribution	-	-	-	-	-	-	-	-	-	-	(1,738,459)	(1,738,459)
Refund of capital increase	-	-	-	-	-	-	(372,000,000)	(372,000,000)	-	(372,000,000)	-	(372,000,000)
Disposal of own shares (Note 22)	-	320,000,000	-	-	-	-	(96,889,000)	(96,889,000)	-	223,111,000	-	223,111,000
Deactivation of reserves in accordance with art. 324 of the CSC	-	-	-	-	-	(320,000,000)	320,000,000	-	-	-	-	-
Creation of affiliated companies	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Disposal of affiliated companies (Note 4.1)	-	-	-	-	-	-	-	-	-	-	(58,907,371)	(58,907,371)
Change in consolidation method (Note 23)	-	-	-	-	-	-	-	-	-	-	(1,211,038)	(1,211,038)
Balance as at 31 December 2018	1,000,000,000	-	174,887,958	6,494,942	110,162	-	(1,275,486,299)	(1,093,993,237)	648,954,594	729,849,315	31,145,956	760,995,271

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	31 Dec 2018	31 Dec 2017
OPERATING ACTIVITIES			
Cash receipts from trade debtors		4,312,720,607	5,603,698,511
Cash paid to trade creditors		(3,405,088,525)	(4,500,977,597)
Cash paid to employees		(516,977,292)	(696,749,457)
Cash flow generated by operations		390,654,790	405,971,457
Income taxes (paid) / received		(24,642,535)	(23,205,539)
Other cash receipts and (payments) relating to operating activities		5,323,089	(10,934,409)
Net cash flow from operating activities (1)		371,335,344	371,831,509
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	46	29,275,821	21,553,039
Property, plant and equipment		93,858,560	39,862,508
Intangible assets		642,276	130,463
Interests and similar income		2,894,607	1,035,684
Loans granted		-	651,118
Dividends	11.3 and 37	642,744	130,450
Others		-	9,258
		127,314,008	63,372,520
Cash Payments arising from:			
Investments	46	(28,120,703)	(11,124,773)
Property, plant and equipment		(189,802,057)	(233,179,297)
Intangible assets		(33,726,302)	(46,871,036)
		(251,649,062)	(291,175,106)
Net cash used in investment activities (2)		(124,335,054)	(227,802,586)
FINANCING ACTIVITIES			
Cash receipts arising from:			
Investments	46	-	1,213,187
Loans obtained		5,567,269,577	5,527,621,977
Capital increases, additional paid in capital and share premiums		-	400,000
Others		-	2,287
		5,567,269,577	5,529,237,451
Cash Payments arising from:			
Investments	46	-	(1,504,253)
Loans obtained		(5,597,763,674)	(5,520,590,308)
Shareholders owns		(400,000,000)	-
Interests and similar charges		(70,533,154)	(49,794,134)
Reimbursement of capital and paid in capital		(372,000,000)	-
Dividends		(472,405,352)	(43,406,530)
		(6,912,702,180)	(5,615,295,225)
Net cash used in financing activities (3)		(1,345,432,603)	(86,057,774)
Transactions with discontinued operations:			
Receipts from discontinued operations	44	2,768,391,717	-
Payments to discontinued operations	44	(1,682,731,135)	-
Discontinued Activity Flows(4)		1,085,660,582	-
Net increase in cash and cash equivalents (5) = (1) + (2) + (3)+ (4)		(12,771,731)	57,971,149
Effect of foreign exchange rate		39,238	404,557
Effect of discontinued operations		(68,576,014)	-
Cash and cash equivalents at the beginning of the period	21	159,563,205	101,996,613
Cash and cash equivalents at the end of the period	21	78,176,222	159,563,205

The accompanying notes are part of these consolidated financial statements.

SONAE MC, SGPS, SA

(Former SONAE INVESTIMENTOS, SGPS, SA)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

(Amounts stated in euro)

1 INTRODUCTION

Sonae MC, SGPS, S.A., formerly referred to as Sonae Investimentos, SGPS, S.A., has its head-office at Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Portugal, and is the parent company of a group of companies, as detailed in Notes 11, 12 and 49 as Sonae MC Group ("Sonae MC").

During this period, the reorganization of participations was completed and the restructuring of the new scope Sonae MC, assuring the objectives of autonomy and agility defined and allowing it to operate with a governance model fully aligned with the best practices of listed companies. The impacts of this reorganization are detailed in Notes 4.1 and 5.

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, except as the resulting from the adoption of IFRS 9 and IFRS 15.

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 2018, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as at the consolidated financial statements issuance date.

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

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

Although these estimates are based on the best experience of the Board of Directors and their best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas that involve a greater degree of judgment or complexity, or areas where assumptions and estimates are significant are presented in Note 2.20.

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 2018:

With mandatory application during the year 2018:		Effective date (for financial years beginning on or after)
IFRS 9	Financial instruments (establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules)	01 Jan 2018
IFRS 15	Revenue from contracts with customers (introduces a principles-based revenue recognition framework based on a template to be applied to all contracts with customers)	01 Jan 2018
IFRS 15 (amendment)	Revenue from contracts with customers (various clarifications are introduced in the standard to eliminate the possibility of divergent interpretations of various topics)	01 Jan 2018
IFRS 4 (amendment)	Insurance contracts (provides guidance on the application of IFRS 4 in together with IFRS 9)	01 Jan 2018
IFRS 2 (amendment)	Share-based payment (include a number of clarifications in the standard related to recording share-based payment transactions that are settled with cash, (ii) recording changes in share-based payment transactions (of cash settled for settlement with equity instruments), (iii) the classification of transactions with cleared liquidation characteristics)	01 Jan 2018
	Annual Improvements to international financial reporting standards (cycle 2014-2016)	01 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration (establish the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue).	01 Jan 2018
IFRS 40 (amendment)	Investment properties (clarify that the change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset)	01 Jan 2018

These standards were applied by the Group in 2018, however there were no significant impacts on these financial statements.

a) Adoption of IFRS 9 – Financial Instruments

In accordance with IFRS 9 transitional requirements, the Group choose the retrospective application with adjustment to retained earnings, at the date of initial adoption (1 January 2018), and comparative values were not restated.

Classification and measurement of financial instruments

With the adoption of IFRS 9, the Group assessed the business models that applied to its financial assets and the characteristics of contractual cash flows, at the date of initial application of IFRS 9 (1 January 2018). The Group classified financial instruments in the categories provided by IFRS 9, which resulted in reclassifications of unlisted equity instruments from available-for-sale financial assets to fair value through profit or loss (4.3 million euro).

Financial assets classified in 2017 in the caption of IAS 39 "Loans and accounts receivable" are classified in 2018 as financial assets measured at amortized cost. The reclassification of these assets had no impact on equity as of 1 January 2018, because the application of the new classification criteria of IFRS 9 did not change the asset measurement model before impairment losses, and the continued to be applied cost amortised.

Impairment of financial assets

The application of IFRS 9 requires the determination of impairment losses based on the estimated credit losses model, rather than the valuation made on the basis of the incurred losses in accordance with IAS 39. Subjected to the new credit impairment model set forth in IFRS 9 the debt instruments recognized at amortized cost (customers, other debtors, loans to related entities) and assets of contracts with customers.

For debt instruments at amortized cost, customers and other debts, the group applies the simplified approach of IFRS 9. Estimated impairment losses are recognized since the initial recognition of the balances and of the period of maturity considering a matrix of historical default rates for the maturity of the balances, adjusted by prospective estimates.

Loans to related entities and debt instruments were considered as having low risk. Impairment losses were determined by assessing the estimated losses over the next 12 months, according to the general model of estimated credit losses.

The total impact on the group retained earnings by the adoption of the IFRS 9 model of impairment at 1 January 2018 was considered immaterial and was not recorded in the accounts.

b) Adoption of IFRS 15 – Revenue from contracts with customers

IFRS 15 – Revenue from contracts with customers is based on the principle that revenue is recognized on the date that the transfer occurs, with the transaction value being allocated to the different performance obligations and subject to measurement adjustment whenever the consideration is variable or subject to a significant financial effect.

In adopting IFRS 15 the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018, with the use of the following practical records: application only for contracts not completed on 1 January 2018 and non-restatement of modified contracts before 1 January 2017.

This analysis concludes that the adoption of IFRS 15 in the consolidated financial statements of the Group had an immaterial estimated net impact on consolidated equity on 1 January 2018.

These standards were applied by the Group in 2018, however there were no significant impacts in these financial statements, in addition to the disclosures.

The following standards, interpretations, amendments and revisions were endorsed by the European Union and have mandatory application in future economic exercises:

With mandatory application after 2018		Effective date (for financial years beginning on or after)
IFRS 9 (amendment)	Prepayment features with negative compensation	01 Jan 2019
IFRIC 23	Uncertainly over income tax treatments (clarifies the accounting for uncertainties in income taxes)	01 Jan 2019
IFRS 16	Leases - (recognition and measurement principles)	01 Jan 2019
IAS 28 (amendment)	Long-term interests in associates and joint ventures	01 Jan 2019
IAS 19 (amendment)	Amendments, reductions or liquidation of employee benefit plans	01 Jan 2019
	Annual Improvements to international financial reporting standards (cycle 2015-2017)	01 Jan 2019

The Group did not proceed to the early adoption of any of these standards on the financial statements for the year ended on the 31 December 2018, since their application is not yet mandatory. There is no estimated significant impact on the financial statements resulting from their application, except in what related to IFRS 16.

The estimated impacts of the application of IFRS 16 in the consolidated financial statements may be analyzed as follows:

c) IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance.

IFRS 16 distinguishes leases and service contracts taking into account whether there is an identified asset that is controlled or not. Distinctions between operating leases (off-balance sheet) and finance leases (included in the balance sheet) are eliminated at the level of the lessee and are replaced by a model in which an identified asset with a right of use and a corresponding liability are registered for all lease contracts, except for short-term (up to 12 months) and low value contracts.

The "right of use" is initially measured at cost and subsequently at the cost net of depreciation and impairment, adjusted by the remeasurement of the lease liability. The lease liability is initially measured based on the present value of the lease responsibilities at the date and subsequently is adjusted by the financial update of that amount, as well as the possible modifications of the lease contracts.

During 2018, Sonae MC undertook the inventory of existing leases, and carried out its analysis and technical framework taking into consideration the provisions of IFRS 16. About 2,400 lease contracts were analyzed, of which about 1,300 related to rental of real estate. The analyzes carried out focused in particular on the lease terms to be used according to the nature of the leases, the options available in the contractual agreements and the implementation of an interest rate methodology that meets the requirements of the new standard.

In addition, existing information systems have been reviewed and adopted in order to meet the requirements of the standard.

After the analysis of impact carried out during 2018, the Group decided to apply IFRS 16 in accordance with the retrospective complete approach from 1 of January of 2019. This approach allows for a more comprehensive and the financial statements for 2018 will be restated as if this standard had been applied since the beginning of the lease contracts.

The estimated impacts of applying IFRS 16 to the Group as at 31 December 2018 are an increase in the asset value by approximately 780 million euro relating to “Right of use”, an increase in the liability value of approximately 859 million euro relating to "Lease Liabilities" and a reduction of equity by approximately 79 million euro. Regarding income financial statements of 2018, the Group estimates a reduction of 105 million euro in “External supplies and services”, an increase by approximately of 52 million euro and 66 million in "Financial expenses " and "Depreciation and amortization", respectively.

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2018 due to the fact that their application is not mandatory. There is no estimated significant impact on the financial statements resulting from their application, except in what related to IFRS 16.

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

With mandatory application after 2018		Effective date (for financial years beginning on or after)
IFRS 17	(Insurance contracts)	01 Jan 2021
	Amendments to references to the Conceptual Framework in IFRS Standards	01 Jan 2020
IAS 1 and IAS 8 (amendment)	Disclosure material items	01 Jan 2020
IFRS 3 (amendment)	Business Combinations (clarifies what is a business activity)	01 Jan 2020

2.2 Consolidation Principles

The consolidation methods adopted by Sonae MC are as follows:

a) Investments in Sonae MC companies

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

Sonae 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.

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

Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated statement of financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 49.

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

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

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

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

b) Investments in the joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement instead of rights to the assets and obligations for the liabilities of the joint arrangement. Joint control is obtained by contractual provision and exists only when the associated decisions have to 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 2018 and 2017 the Group did not held jointly controlled operations.

Financial investments in associates are investments where Sonae 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.

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

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

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

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

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

Sonae MC's share in not performed gains, not related to business activities arising from transactions with jointly controlled and associated companies are eliminated in proportion to Sonae 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, Sonae MC, taking into account the defined in amendment to IFRS 10 and IAS 28 proceeds to full gain/loss recognition in situations where there is loss of control of that business activity as a result of a transaction with a joint venture.

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

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

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

c) Goodwill

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

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

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

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

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

When the Group reorganizes its activities, implying a change in the composition of its cash generating units, 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 reason. The reallocation is done through a relative value approach, of the new cash-generating units that result from the reorganization.

Impairment losses related with to Goodwill recognized during the acquisition of subsidiaries may not be reversed, unlike Goodwill recognized with the acquisition of jointly controlled companies and associated companies.

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

d) Translation of financial 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, jointly controlled and associated companies are listed below:

	31 Dec 2018		31 Dec 2017	
	End of exercice	Average of exercise	End of exercice	Average of exercise
US Dollar	0.87336	0.84753	0.83382	0.88717
British Pound	1.11791	1.13038	1.12710	1.14142
Turquish Lira	0.16505	0.17953	0.21995	0.24336
Mozambican Metical	0.01422	0.01406	0.01418	0.01399
Brazilian Real	0.22502	0.23289	0.25171	0.27834
Colombian Peso	0.00027	0.00029	0.00028	0.0003
Mexican Peso	0.04446	0.04408	0.04226	0.04696
Polish Zloty	0.23248	0.23472	0.23941	0.23494

2.3 Property, plant and equipment

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

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

The acquisition cost includes the purchase price of the asset, the expenses directly attributable to its acquisition and the costs incurred with the preparation of the asset so that it is placed in its condition of use.

Qualified financial costs incurred on loans obtained for the construction of Property, plant and equipment assets are recognized as part of the construction cost of the asset.

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

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

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

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

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

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

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

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

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

2.4 Intangible assets

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

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

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

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

Expenditure on development is recognized as an intangible asset if Sonae MC demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. 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. Only costs directly attributable to projects for which the generation of future economic benefits for Sonae MC is probable are capitalized as intangible assets. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by mean of “Own work capitalized” (Note 39).

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

Brands and patents are recorded at their acquisition cost and are amortized on a straight-line basis over their respective estimated useful life. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

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

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

2.5 Accounting for leases

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 analysis of the transfer of risks and rewards of ownership of the asset takes into account several factors, including whether or not ownership is contractually conditioned to assume ownership of the asset, the value of minimum future payments over the contract, nature of the leased asset and the duration of the contract taking into consideration the possibility of renewal, when that renewal is considered to be probable.

Whether a lease is classified as finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

a) Accounting for leases where Sonae MC is the lessee

Financial leases are capitalized at the beginning of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the commencement date of the lease.

Assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method, the assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of minimum lease payments. In addition, interests included in lease payments and the depreciation of the assets are recognized as expenses in the income statement during the period to which they relate. Property, plant and equipment acquired through finance leases are depreciated at the lower of the useful life of the asset and the period of the lease when the Group does not have a purchase option at the end of the agreement or for the estimated useful life when the Group intends to acquire the assets at the end of the contract.

In operating leases, rents are recognized as expenses in the income statement on a straight-line basis over the lease period.

Possible incentives received related with leases are recorded as liabilities and recognized in a straight line over the lease period. Similarly amounts to be offset against future income are recognized as assets and reversed over the lease period.

b) Accounting for leases where Sonae MC is the lessor

The accounting for leases where Sonae MC is the lessor, the value of allocated goods is kept on Sonae MC statement of financial position and income is recognized on a straight-line basis over the period of the lease contract.

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 previously on lease agreements. In case of sale of assets followed by operating lease contracts, the Company recognizes a gain related with the fair value of the asset sold deducted from the book value of the leased asset. In situations where the assets are sold for an amount higher than its fair value or when the Group receives a higher price as compensation for expenses to be incurred, namely with costs that are traditionally the owner's responsibility, such amounts is deferred over the lease period.

2.6 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´s date in this caption. The non-current assets and liabilities recorded as held for sale are booked at the lower amount of the historical cost of sell or the fair value deducted from costs, not being subject to depreciation or amortisation after being classified as held for sale.

2.7 Government grants and other public entities

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

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

Grants related to depreciable assets are disclosed as "Other non-current liabilities" and are recognised as income on a straight-line basis over the expected useful lives of those underlying assets.

2.8 Impairment of non-current assets, except for goodwill

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

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

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

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

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

2.9 Financial expenses relating to loans obtained

Financial expenses related to loans obtained are usually recognised as an expense in the period in which they are incurred.

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 costs of loans obtained are recognised as an expense in the period in which they are incurred.

2.10 Inventories

Goods for resale are stated at the lower of cost deducted from the related quantity discounts granted by suppliers and net realizable value. Cost is determined on a weighted average basis.

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".

2.11 Provisions

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

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

2.12 Financial instruments

Sonae MC classifies the financial instruments in the categories presented and conciliated with the combined statement of financial position disclosed in Note 7.

a) Financial assets

Accounting policy adopted from 1 January 2018

Recognition

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

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

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

Financial assets may be classified in the following measurement categories:

(i) *Financial assets at 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 amortized cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

Measurement

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

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

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

Impairment losses

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

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

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

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

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

Derecognition of financial assets

Sonae 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.

Accounting policy adopted until 31 December 2017

Held to maturity investments were classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and Sonae has the intention and ability to hold them until the maturity date.

The *investments measured at the fair value through profit or loss* included the investments held for trading that Sonae acquired with the purpose of trading in the short term. They were classified in the consolidated balance sheet as current investments.

Sonae MC classifies as available-for-sale investments those that were neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets were classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

Recognition and measurement

All purchases and sales of investments were recognised on the trade date, independently of the settlement date.

Investments were initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs apart from investment measured at fair value through results, in which the investments were initially recognised at fair value and transaction costs were recognised in the income statement.

Held to maturity investments were recorded at amortized cost using the effective interest rate, net of amortization of principal and interest received.

Available-for-sale investments and investments measured at fair value through profit or loss were subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments not listed and whose fair value cannot be reliably measured, are stated at cost less impairment losses.

Gains or losses arising from a change in the fair value of investments measured at fair value through profit or loss were recorded under the caption "Gains and losses on investments recorded at fair value through results in the consolidated income statement.

Impairment losses

Sonae assessed at each financial reporting date the existence of impairment indicators for financial assets that were not measured at fair value through profit or loss. If there was objective evidence of impairment, the Company recognized an impairment loss in the income statement under "Provisions and impairment losses".

Gains or losses arising from a change in the Investments fair value of available-for-sale investments were recorded in equity, until the investment is sold, received or otherwise disposed of, in caption "Fair value reserves" or until the fair value of the investment is below its cost of acquisition and that this corresponds to an impairment loss, at which time the accumulated gain or loss was recorded in the income statement. Significant or prolonged decline in the fair value of an investment in an equity instrument below its cost was also objective evidence of impairment.

In the case of investments in equity securities classified as available for sale, an investment was considered to be impaired when a significant or prolonged decline in its fair value below its cost of acquisition occurred.

Derecognition

The group derecognised financial assets when and only when contractual rights to cash flows had expired or had been transferred and the group had transferred substantially all the risks and benefits arising from the ownership of the asset.

b) Loans and accounts receivable

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

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

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

Loans and receivables are recorded as current assets, when the estimated collection is 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 captions presented in Note 7.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in Note 2.12.a). As at 31 December 2017, when there was evidence that they were impaired, the corresponding adjustment to profit and loss was recorded.

c) Trade receivables and other receivables

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

Accounting policy adopted from 1 January 2018

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

Impairment losses of trade receivables and other receivables are recorded in accordance with the principles described in Note 2.12.a).

Accounting policy adopted until 31 December 2017

"Trade receivables" and "Other receivables" were recorded at their nominal value and presented in the combined statement of financial position net of accumulated impairment losses, recognized under the caption "Provisions and impairment losses". These captions, when classified as current, do not include interests because the effect of discounting would be immaterial.

As at 31 December 2017, impairment was recognized if there was objective and measurable evidence that, because of one or more events that occurred, the amount would not be fully received. Therefore, each company of Sonae MC took into consideration market information that indicated:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments;

- becoming probable that the borrower would enter bankruptcy or financial re-organization.

When it is not feasible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis. Objective evidence of impairment of a portfolio of receivables could include Sonae MC's experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year, the discount is considered null, as it is immaterial.

d) Classification as equity or liability

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

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

e) Financial liabilities

Accounting policy adopted from 1 January 2018

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

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

As at 31 December 2018, Sonae MC has only recognized liabilities classified as "Financial liabilities at amortized cost".

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

Accounting policy adopted until 31 December 2017

Financial liabilities were classified into two categories: (iii) Financial liabilities at fair value through profit or loss; and iv) Other financial liabilities.

The category "Other financial liabilities" includes liabilities presented under "Loans", "Bonds", "Other loans", "Other non-current liabilities", "Trade payables" and "Other payables". These liabilities were initially recognized at fair value and subsequently measured at amortized cost at the effective interest rate.

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

f) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in caption "Financial income" and "Financial expenses" in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.10. 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.

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

h) 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.

i) Derivatives

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

Accounting policy adopted from 1 January 2018

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

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

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

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

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

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

Sonae MC may agree to become part of a derivative transaction in order to hedge cash-flows related to exchange rate risk. In some cases, these derivatives may not fulfil the criteria for hedging accounting under IAS 39 and, if so, changes in their fair value are recognized in the income statement.

In some derivative transactions Sonae MC does not apply “hedge accounting”, although they intend to hedge cash-flows (currency “forward”, interest’s rate option or derivatives including similar clauses). They are initially accounted for at cost, which is equal to fair value, if any, and subsequently adjusted to the corresponding fair value, determined by specialized software. Changes in fair value of these instruments are recognized in the income statement under “Financial income” and “Financial expenses”.

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

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

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

Accounting policy adopted until 31 December 2017

Sonae MC's criteria for classifying a derivative instrument as a cash flow hedge instrument include: i) the hedge transaction was expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk; ii) the effectiveness of the hedge can be reliably measured; iii) there were adequate documentation of the hedging relationships at the inception of the hedge; iv) the transaction being hedged was highly probable.

Cash flow hedge instruments used by the Sonae MC to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost, if any, which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption "Cash Flow Hedging reserves", and then recognized in the income statement over the same period in which the hedged instrument affects profit or loss.

For derivatives designated as hedging in line of IAS 39 were found to comply with the coverage under IFRS 9, therefore no adjustment was made on 1 January 2018.

j) 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".

k) Cash and bank balance

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

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

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

l) Shared based-payments

Share-based payments result from deferred performance bonus plans which were attributed by Sonae MC, SGPS, S.A., and are indexed to the evolution of Sonae SGPS, S.A. shares' price (Parent Company of Sonae MC, SGPS, S.A.) and vest within a period of 3 years after being granted.

The value of these responsibilities is determined on the grant date (usually in April of each year) and subsequently re-measured at the end of each reporting period, based on the number of shares or options granted and the corresponding fair value at the closing date. These obligations are stated as staff costs and other current and non-current liabilities on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, in proportion to the time elapsed between these dates in the case of assignment rights on redeemable shares in cash according to their fair value at the statement of financial position date.

2.13 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.

2.14 Income tax and other tax

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

Sonae MC by the Special Regime of Taxation of Groups of Companies (RETGS), of which the Sonae SGPS, SA has been a dominant company since 1 January 2014. The balances of the tax receivable or payable are included in the statement of financial position "Income tax".

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

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

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

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

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

The value of taxes recognised in the financial statements correspond to the understanding of Sonae 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 your interpretation is distinct from Sonae MC, such a situation is the subject of review. If such a review, reconfirm the positioning of the Group concluded that the probability of loss of certain tax process is less than 50%

Sonae MC treats the situation as a contingent liability, i.e. is not recognized any amount of tax since the decision more likely is that there will be no place for the payment of any tax. In situations where the probability of loss is greater than 50% is recognized a provision, or if the payment is recognized the cost associated.

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

2.15 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.

Accounting policy adopted from 1 January 2018

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

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

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

Revenue associated with extended warranties operations, which are granted for a period of 1 to 3 years, after the legally binding warranty of 2 years, by the specialized retail operating Segment, and are recognized in a straight-line basis over the warranty lifetime period. The revenue associated with warranties sold but for which the legal binding warranty hasn´t yet expired is accounted under the captions of the Statement of Financial Position "Other non-current liabilities" and “Other current liabilities “(Notes 27 and 31).

Services rendered include the income from consulting projects, developed in the area of information systems, which are recognized, in each year, in accordance with the performance obligation to which they relate, according to the percentage of performance. The group recognizes 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".

Accounting policy adopted until 31 December 2017

Revenue from the sale of goods is recognized in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognized net of sales taxes and discounts and other expenses arising from the sale and are measured as the fair value of the amount received or receivable.

Regarding loyalty programs and dividends, there was no change in policy compared to 2017.

2.16 Accrual basis

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

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

2.17 Commercial revenues

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

2.18 Balances and transactions expressed in foreign currencies

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

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

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

When Sonae MC wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.12.i)).

2.19 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.

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

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

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

d) Determining the fair value of derivative financial instruments;

e) Recoverability of deferred tax assets;

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

g) Impairment of financial assets;

h) Recognition of contract revenue;

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

Estimates used are based on the best information available during the preparation of consolidated financial statements and are based on best knowledge of past and present events. Although future events are neither controlled by Sonae 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 recognized in net income, in accordance with IAS 8 – “Accounting policies, changes in accounting estimates and errors”.

For accounting policies that have changed as of 1 January 2018, the main estimates and assumptions regarding future events included in the preparation of the consolidated financial statements are as follows:

Impairment of financial assets

Accounting policies of 2018:

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Group assesses, among other factors, the duration and extent of the circumstances under which the recoverable value of these assets may be lower than their book value. The balances of "Trade receivables", "Other receivables" and "Other current assets" are valued taking into account the history of default, current market conditions, and estimated prospective information by reference to the end of each reporting period, while the most critical evaluation elements for the purpose of analyzing estimated credit losses.

Accounting policies of 2017:

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Group assesses, among other factors, the duration and extent of circumstances in which the recoverable value of these assets is lower than their cost. The balances of " Trade receivables ", " Other receivables " and "Other current assets" were valued taking into account the frequency of default, recovery of previously recognized impairments and financial situation of the debtor, as more critical valuation elements for analysis purposes impairment.

The main estimates and assumptions for future events included in the preparation of the consolidated financial statements are described in the related notes.

2.21 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 2.12.i)) and is not distributable or used to cover losses.

Currency translation reserve:

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

Fair value reserve:

This caption includes the positive and negative effects of revaluation on the fair value of financial assets at fair value through comprehensive income.

3 FINANCIAL RISK MANAGEMENT

3.1 Introduction

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

3.2 Credit risk

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

3.2.1 Credit risk arising from Financial Instruments

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

- Only carry out transactions (short term investments and derivatives) with counterparties that have a high national and international prestige and based on their respective rating notations taking into consideration the nature, maturity and size of the operations;

- Sonae MC only enters into eligible and approved financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made in a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);

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

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

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

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

3.2.2 Credit risk in operational and commercial activities of each business

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

The group applies the simplified approach to calculate and record the estimated credit losses required by IFRS 9, which allows the use of estimated impairment losses for all "Trade receivables" and "Other receivables" balances. As mentioned in Note 2.1.a) given the immateriality of the impact in relation to the model of credit losses incurred in 2017, no additional amount of impairment losses was recorded in the balances of " Trade receivables" and "Other receivables". The amount related to customers and other debtors represents maximum Sonae MC exposure to credit risk.

3.3 Liquidity risk

Sonae MC has the need, regularly, to raise external funds to finance its activities and investing plans. It holds a long term diversified portfolio, essentially made of, loan´s and structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2018, the total gross debt (excluding shareholders loans) was 706,7 million euro (on 31 December 2017 was 801,7 million euro).

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

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

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

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

- Diversification of financing sources and counterparties;

- Ensuring an adequate average debt maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. In 2018, Sonae´s average debt maturity was approximately 3.5 years (2017: 4.2 years);

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

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

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

The maturity of each major class of financial liabilities is disclosed in Notes 24, 25, 29, and 30, based on the undiscounted cash flows of financial liabilities based on the earliest date on which Sonae can be required to pay ("worst case scenario").

Sonae 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 unfavorable terms. In 31 December 2018, the consolidated loan amount maturing in 2018 is of 48,8 million euro (181,2 million euro maturing in 2017) and in 31 December 2018 Sonae MC had 94 million euro available in consolidated credit lines (94,4 million euro in 2017) with commitment less than or equal to one year and 202 million euro (242,7 million euro in 2017) with a commitment greater than one year.

Additionally, Sonae MC held, as at 31 December 2018, cash and cash equivalents and current investments amounting to 78,2 million euro (162,4 million euro as at 31 December 2017).

Consequentially, Sonae MC expects to meet all its obligations by means of its operating cash flows and its financial assets as well as from drawing existing available credit lines, if needed.

3.4 Interest rate risks

Sonae MC exposure to interest rates arises mainly from long term loans which bear interests at Euribor plus spread.

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

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

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

- In determining the fair value of hedging operations Sonae 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 the respective Executive Committee Board of Directors, and reported to Finance Committee, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

The exposure of the business to the interest rate stems essentially from long-term loans that are mostly comprised of debt indexed to Euribor.

The purpose of these holding companies is to limit the volatility of cash flows and results taking into account the profile of their operating activity through the use of a suitable combination of fixed and variable rate debt. Sonae MC policies allows the use of interest rate derivatives to reduce exposure to Euribor variations and not for speculative purposes.

3.4.1.) Sensitivity analysis

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

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

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

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

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

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

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

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

Under these assumptions, if euro interest rate of denominated financial instruments had been 75 basis points higher, the consolidated net profit before tax of Sonae MC for the period ended as at 31 December 2018 would decrease by approximately 6 million euro (6 million euro decrease as at 31 December 2017).

3.5 Exchange rate risk

3.5.1) Policies

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

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

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

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

3.5.2) Exposure and sensitivity analysis

As at 31 December 2018 and 2017 Sonae MC amounts of assets and liabilities (in euro) denominated in a currency different from the subsidiary functional currency were the following:

	Assets		Liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Brazilian Real	-	-	-	2,166
British Pound	6,488	3,817	1,936	78,232
US Dollar	2,871,337	5,870,858	21,775,557	26,959,880
Other Currencies	2,952	227,759	2,546	107,749

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

3.6 Capital risk

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

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

4 CHANGES IN THE CONSOLIDATION SCOPE

4.1 Corporate reorganization

Sonae MC, with the aim of becoming a group exclusively for food retail and adjacent businesses, developed in 2018 a reorganization of participations, having caused the disposal to related parties of Worten, Sonae Sports Fashion, Sonae FS, Tlantic group, Real estate not related to the food retail business and participation in MDS SGPS, SA.

During the year ended 31 December 2018, Sonae MC has restructured its perimeter, ensuring the objectives of autonomy and agility defined and allowing it to operate with a governance model fully aligned with the best practices of listed companies.

The disposal companies can be analysed as follows:

COMPANY	Head Office	Direct	Total
Sonae Sports & Fashion			
Bright Brands SportsGoods, SA	Matosinhos (Portugal)	100.00%	100.00%
Comercial Losan Polonia SP Z.O.O	Warsaw (Poland)	100.00%	100.00%
Comercial Losan, S.L.U.	Zaragoza (Spain)	100.00%	100.00%
Fashion Division, SA	Maia (Portugal)	100.00%	100.00%
Fashion Division Canarias, SL	Tenerife (Spain)	100.00%	100.00%
Irmãos Vila Nova, SA	Vila Nova de Famalicão (Portugal)	100.00%	50.00%
Irmãos Vila Nova III - Imobiliária, SA	Vila Nova de Famalicão (Portugal)	100.00%	50.00%
IVN – Serviços Partilhados, SA	Vila Nova de Famalicão (Portugal)	50.00%	50.00%
IVN Asia Limited	Hong Kong (China)	100.00%	50.00%
Losan Colombia, S.A.S	Bogota (Colombia)	100.00%	100.00%
Losan Overseas Textile, S.L.	Zaragoza (Spain)	100.00%	100.00%
Losan Rusia	Moscow (Russia)	100.00%	100.00%
Losan Tekstil Urunleri V e Dis Ticaret, L.S.	Istanbul (Turkey)	100.00%	100.00%
Modalfa - Comércio e Serviços, SA	Maia (Portugal)	100.00%	100.00%
Modalfa Canarias, SL	Tenerife (Spain)	60.00%	60.00%
Modalloop - Vestuário e Calçado, SA	Matosinhos (Portugal)	100.00%	100.00%
Salsa Jeans Canarias SL	Tenerife (Spain)	60.00%	30.00%
Salsa DE Gmbh	Dusseldorf (Germany)	100.00%	50.00%
Salsa Distribution USA LLC	New York (USA)	100.00%	50.00%
Salsa France, S.A.R.L.	Paris (France)	99.99%	50.00%
Salsa Luxembourg, Sàrl	Luxembourg	100.00%	50.00%
SLS Salsa – Comércio e Difusão de Vestuário, S.A.	Vila Nova de Famalicão (Portugal)	100.00%	50.00%
SLS Salsa España – Comercio y Difusión de Vestuario, S.A.U.	Pontevedra (Spain)	100.00%	50.00%
SONAESR – Serviços e Logística, SA	Matosinhos (Portugal)	100.00%	100.00%
Têxtil do Marco, SA	Marco de Canaveses (Portugal)	92.76%	92.76%
Usebti Textile México S.A. de C.V.	Mexico City (Mexico)	100.00%	100.00%
Zippy - Comércio e Distribuição, SA	Matosinhos (Portugal)	100.00%	100.00%
Zippy - Comércio Y Distribución, SA	Madrid (Spain)	100.00%	100.00%

COMPANY	Head Office	Direct	Total
Worten			
HighDome PCC Limited (Cell Europe)	La Valletta (Malta)	100.00%	100.00%
Infofield – Informática, SA	Maia (Portugal)	100.00%	100.00%
Sonae SR Malta Holding Limited	La Valletta (Malta)	100.00%	100.00%
Worten Canarias, SL	Tenerife (Spain)	60.00%	60.00%
Worten - Equipamento para o Lar, SA	Matosinhos (Portugal)	100.00%	100.00%
Worten España Distribución, S.L.	Madrid (Spain)	100.00%	100.00%
Wrt Business – Distribuição de Eletrodomésticos, Eletrónica e Infor	Matosinhos (Portugal)	100.00%	100.00%

COMPANY	Head Office	Direct	Total
Sonae RP			
Arat Inmuebles, SA	Madrid (Spain)	100.00%	100.00%
Chão Verde - Sociedade de Gestão Imobiliária, SA	Maia (Portugal)	100.00%	100.00%
Fundo de Investimento Imobiliário Fechado Imosede	Maia (Portugal)	100.00%	100.00%
Sesagest - Proj.Gestão Imobiliária, SA	Porto (Portugal)	100.00%	100.00%
Sonaegest- Sociedade Gestora de Fundos de Investimento, SA	Maia (Portugal)	80.40%	80.40%

COMPANY	Head Office	Direct	Total
Sonae FS			
SFS – Gestão e Consultoria, SA	Maia (Portugal	100.00%	100.00%
Sonae Financial Services, S.A.	Maia (Portugal)	100.00%	100.00%

COMPANY	Head Office	Direct	Total
Others			
MCCARE - Serviços de Saúde, SA	Matosinhos (Portugal)	100.00%	100.00%
SK Skin Health Cosmetics, SA	Oeiras (Portugal)	100.00%	100.00%
Sonae Corporate, SA	Matosinhos (Portugal)	100.00%	100.00%
Tlantic, BV	Amsterdam (Netherlands)	70.71%	70.71%
Tlantic Portugal - Sistemas de Informação, SA	Maia (Portugal)	100.00%	70.71%
Tlantic Sistemas de Informação, Ltda	Porto Alegre (Brazil)	100.00%	70.71%

The effects of these disposal in the consolidated financial statements can be analysed as follows:

	At disposal date					
Amounts in euro	Worten	Sonae Sports & Fashion	Sonae RP	Sonae FS	Others	Total
Net assets disposals						
Property, plant and equipment and intangible assets (Note 8 and 9)	103,018,877	181,567,347	170,136,292	2,584,680	4,616,232	461,923,428
Deferred tax assets (Note 20)	10,848,244	6,670,164	21,735	256,427	401,961	18,198,531
Investments in joint ventures and associates	-	-	-	31,034,533	-	31,034,533
Inventories	183,307,693	80,305,604	-	-	859,106	264,472,403
Trade receivables	21,601,304	67,349,291	-	3,171,055	2,556,670	94,678,320
Other assets	315,791,126	174,751,868	41,625,169	24,752,947	16,353,449	573,274,559
Cash and bank balances	35,901,934	6,134,896	8,386,796	8,571,844	120,213	59,115,683
Bank loans long terme	(4,803,308)	(42,645,523)	-	-	-	(47,448,831)
Deferred tax liabilities (Note 20)	(2,736,817)	(26,261,631)	(1,003,529)	(4,419)	(54,430)	(30,060,826)
Bank loans short terme	(2,002,908)	(8,054,982)	(3,380,000)	-	-	(13,437,890)
Trade payables	(390,800,468)	(90,147,234)	(2,554)	(1,758,903)	(2,344,859)	(485,054,018)
Other liabilities	(165,840,838)	(278,051,837)	(7,151,978)	(30,511,434)	(9,187,072)	(490,743,160)
Total of net assets disposals	104,284,839	71,617,963	208,631,931	38,096,730	13,321,270	435,952,732
Non-controlling interests (Note 23)	(893,727)	(29,875,908)	(27,835,350)	-	(302,386)	(58,907,370)
Goodwill (Note 10)	53,643,325	46,759,717	341,129	-	-	100,744,172
Gain/ (Loss) in operation	383,963,571	129,928,360	17,478,627	53,059,138	(9,486,884)	574,942,812
Selling price	540,998,008	218,430,133	198,616,337	91,155,868	3,532,000	1,052,732,346
Effective cash received	540,998,008	218,430,133	198,616,337	91,155,868	2,332,000	1,051,532,346
Amounts receivable	-	-	-	-	1,200,000	1,200,000
	540,998,008	218,430,133	198,616,337	91,155,868	3,532,000	1,052,732,346

Amounts in euro	31 Dec 2017 Worten	Sonae Sports & Fashion	Sonae RP	Sonae FS	Others	Total
Net assets disposals						
Property, plant and equipment and intangible assets	100,555,617	181,092,640	154,830,810	2,441,648	2,949,945	441,870,660
Deferred tax assets	12,468,883	7,332,515	21,735	257,865	344,558	20,425,556
Investments in joint ventures and associates	-	-	-	32,100,593	-	32,100,593
Inventories	176,352,297	84,306,453	-	-	-	260,658,750
Trade receivables	26,444,240	58,605,661	24,200	3,430,206	1,115,382	89,619,689
Other assets	290,262,021	37,724,445	51,489,677	19,930,332	3,038,217	402,444,692
Cash and bank balances	33,882,878	13,192,363	4,617,408	9,864,306	450,922	62,007,877
Bank loans long terme	(5,156,295)	(39,517,528)	-	-	-	(44,673,823)
Deferred tax liabilities	(2,417,632)	(26,856,478)	(1,265,211)	(4,003)	(21,173)	(30,564,497)
Bank loans short terme	(2,294,581)	(7,088,537)	-	-	-	(9,383,118)
Trade payables	(404,666,773)	(77,791,764)	(10,965)	(7,064,869)	(1,334,876)	(490,869,247)
Other liabilities	(162,439,394)	(178,320,571)	(10,279,604)	(25,361,738)	(3,050,517)	(379,451,824)
Total of net assets disposals	62,991,261	(22,796,578)	240,651,358	35,594,340	3,260,664	354,185,308

Amounts in euro	At disposal date Worten	Sonae Sports & Fashion	Sonae RP	Sonae FS	Others	Total
Sales and services rendered	795,596,179	376,065,572	9,225,537	23,236,680	7,991,719	1,212,115,687
Other income	64,913,627	5,669,932	56,915	1,443,028	102,453	72,185,955
Cost of goods sold and materials consumed	(648,595,979)	(203,827,259)	-	-	(114,605)	(852,537,843)
External supplies and services	(132,018,479)	(115,145,384)	(1,197,926)	(14,134,349)	(7,998,585)	(270,494,723)
Other expenses	(92,401,211)	(85,725,289)	(3,425,743)	(11,368,172)	(4,898,081)	(197,818,496)
Net financial income	803,596	(2,238,266)	243,267	100,218	53,945	(1,037,240)
Profit/ (Loss) before taxation	(11,702,267)	(25,200,693)	4,902,051	(722,595)	(4,863,154)	(37,586,659)
Income tax expense	(2,324,464)	(1,810,953)	4,903	(75,012)	25,723	(4,179,803)
Profit/(Loss) from discontinued operations after taxation	(14,026,731)	(27,011,646)	4,906,954	(797,607)	(4,837,431)	(41,766,462)

Amounts in euro	31 Dec 2017 Worten	Sonae Sports & Fashion	Sonae RP	Sonae FS	Others	Total
Sales and services rendered	1,004,904,706	335,212,830	2,277,324	21,573,757	2,891,130	1,366,859,747
Other income	(57,227,131)	(23,520,402)	10,549,624	(7,622,793)	4,251,778	(73,568,924)
Cost of goods sold and materials consumed	(741,677,332)	(119,132,905)	-	-	-	(860,810,237)
External supplies and services	(112,664,617)	(90,138,873)	(669,956)	(12,122,393)	(3,433,533)	(219,029,372)
Other expenses	(113,457,140)	(105,699,835)	(4,388,381)	(5,118,697)	(5,619,702)	(234,283,755)
Net financial income	1,265,798	(2,056,399)	276,190	(467,255)	(21,331)	(1,002,997)
Profit/ (Loss) before taxation	(18,855,716)	(5,335,584)	8,044,801	(3,757,381)	(1,931,658)	(21,835,538)
Income tax expense	1,150,049	(558,606)	(101,305)	(15,636)	44,994	519,496
Consolidated profit/(Loss) for the period	(17,705,667)	(5,894,190)	7,943,496	(3,773,017)	(1,886,664)	(21,316,042)

Following this corporate reorganization, and to make the financial statements comparable, pro forma information was presented, which is analysed in Note 6.

4.2 Completion of the agreement for the combination of Sport Zone with JD Sprinter Holdings

On March 9th 2017, Sonae through one of its subsidiaries, signed a Memorandum of Understanding (MoU) with JD Sports Fashion Plc (JD Group), UK's leading retailer of sports, fashion and outdoor brands, and JD Sprinter Holdings 2010 (JD Sprinter), which provides the combination of the JD Group´s existing businesses in Iberia and JD Sprinter, with SDSR – Sports Division SR, SA (Sport Zone). This MoU establishes the key parameters for the creation of an Iberian Sports Retail Group that will have as shareholders the JD Group, Sonae and the family shareholders of JD Sprinter, with shareholdings of approximately 50%, 30% and 20%, respectively. Under the agreement reached, the procedures for determining the assets, liabilities and transactions to be the object of this transaction were initiated

As at 14 September 2017, Sonae MC Modelo Continente SGPS, SA entered into an agreement with JD Sports Fashion Plc, Balaico Firaja Invest SL and JD Sprinter Holdings 2010, SL (JD Sprinter) which provides for the combination of JD Sprinter and Sport Zone under the terms described above. However, the execution of this transaction was subject to the fulfilment of suspensive conditions dependent on third parties, namely approval by the General Directorate of Competition of the European Commission, the authorization of the shareholder alteration by the owners of the leased stores of the Sport Zone business as well as of bank guarantees.

The approval by the General Directorate of Competition occurred on 18 January 2018 and compliance with the remaining conditions precedent occurred until 31 January 2018, the date on which the Group considered that the transaction and the respective loss of control.

Considering the loss of control in Sport Zone, Sport Zone and its subsidiaries were no longer included by the full consolidation method in Sonae's consolidated financial statements, being the investment in the new partnership, Iberian Sports Retail Group, included by the equity method. At the date of loss of control, the amount of this investment amounts 78.1 million euros, which represents the fair value of the participation at the date of the transaction. This partnership with loss of control in Sport Zone generated a capital gain in the amount of 11 million euro.

The companies included in the transaction can be detailed as follows:

COMPANY	Head Office	Direct	Total
Sonae S&F			
SDSR – Sports Division SR, SA	Matosinhos (Portugal)	100.00%	100.00%
Sport Zone Canárias, SL	Tenerife (Spain)	60.00%	60.00%
Sport Zone España - Comércio de Articulos de Deporte, SA	Madrid (Spain)	100.00%	100.00%

The effects of this transaction in the income statement can be analysed as follows:

	Sport Zone and subsidiaries	
Amounts in euro	31 jan 2018 Loss control date	31 Dec 2017
Net assets disposals		
Property, plant and equipment and intangible assets (Note 8 and 9)	54,333,772	54,659,282
Deferred tax assets (Note 20)	6,878,552	6,593,675
Inventories	53,757,633	54,408,789
Trade account receivables and other assets	8,162,466	9,836,456
Cash and bank balances	6,062,386	6,679,540
Bank loans long terme	(6,445,557)	(45,948,953)
Deferred tax liabilities (Note 20)	(973,004)	(963,072)
Bank loans short terme	(2,236,375)	(21,619,782)
Trade payables and other liabilities	(49,075,680)	(52,809,981)
Shareholder's loans	-	60,883,601
Total of net assets disposals	70,464,193	71,719,555
Goodwill (Note 10)	5,722,037	-
Price adjustment	(5,039,083)	
Fair value of future estimated receivables	5,000,000	
Gain in operation	9,005,702	
Finantial investment retained at fair value	85,152,849	

	31 Dec 2018
Finantial Investment in ISRG	78,085,756
Amounts Receivable	5,000,000
Amounts Received	2,067,093
	85,152,849

Amounts in euro	31 Jan 2018 Loss control date	31 Dec 2017
Sales and services rendered	19,075,708	225,204,616
Other income	409,025	2,841,993
Cost of goods sold and materials consumed	(11,911,628)	(131,701,289)
External supplies and services	(4,966,459)	(64,999,689)
Other expenses and losses	(4,536,678)	(48,798,968)
Net financial income	(58,079)	(1,208,847)
Profit/loss before taxation	(1,988,111)	(18,662,184)
Income tax expense	262,640	167,312
Profit/loss after taxation	(1,725,471)	(18,494,872)
Income or expenses related to loss control	9,005,702	-
Profit/(Loss) from discontinued operations after taxation	7,280,231	(18,494,872)

The fair value of the retained investment was based on an internal valuation through annual planning methodologies, based on business plans where the respective cash flows for 5-year periods are projected using a weighted average cost of capital of 11 % and a perpetuity growth rate of 1%.

4.3 The main acquisitions of subsidiaries in the period ended 31 December 2018

The acquisitions of companies included in the full consolidation can be analysed as follows:

COMPANY	Head Office	Direct	Total
Amor Bio, Mercado Biológico, Lda	Lisbon (Portugal)	100.00%	100.00%

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

	On the date of acquisition	31 Dec 2018
Net assets		
Property, plant and equipment and intangible assets (Note 8 and 9)	323,987	309,541
Inventories	134,878	143,160
Other assets	55,936	64,030
Cash and bank balances	6,266	201,134
Loans	(206,821)	-
Other liabilities	(364,334)	(300,600)
	(50,088)	417,265
Goodwill (Note 10)	668,055	
Acquisition cost	617,967	
Effective cash payment	577,967	
Consideration to be paid	40,000	
	617,967	
Net cash-flow arising from acquisition		
Effective cash payment	577,967	
Cash and cash equivalents acquired	(6,266)	
	571,701	

	On the date of acquisition	31 Dec 2018
Sales and services rendered	381,111	2,129,934
Other income	-	16,477
Cost of goods sold and materials consumed	(322,327)	(1,736,224)
External supplies and services	(60,597)	(301,082)
Other expenses	(41,292)	(240,154)
Net financial expenses	(1,110)	(7,610)
Profit/(Loss) before taxation	(44,215)	(138,659)
Income tax expense	-	26,440
Profit/(Loss) after taxation	(44,215)	(112,219)

4.4 Discontinued activities

Modelo Continente International Trade, SA and Modelo Continente - Serviços Partilhados, SA, have economic activities related to businesses not related to the food retail, and therefore these operations were considered as discontinued in the consolidated income statements.

These effects can be analyzed as follows:

Amounts in euro	31 Dec 2018	31 Dec 2017
Sales and services rendered	195,760,592	226,876,605
Other income	16,165,533	22,836,961
Cost of goods sold and materials consumed	(181,909,898)	(209,192,568)
External supplies and services	(3,314,545)	(6,021,915)
Other expenses	(18,249,607)	(21,643,297)
Employee benefits expense	(9,856,467)	(12,364,938)
Depreciation and amortisation expenses	(39,988)	-
Others	(84)	(242,606)
Net financial income	444,525	182,402
Income tax expense	(482,763)	(153,909)
	(1,482,703)	276,735

5 Restatement of consolidated income statements

According to predicted by IFRS 5, changes were made in the Consolidated Income Statements by nature for the years ended at 31 December 2018 and 2017 to reflect in a single line (Net income for discontinued operations), in the face of Statement of profit or loss, after-tax profit or loss from discontinued operations. The transactions mentioned in Notes 4.1, 4.2 and 4.4 and some transactions that are in the process of being liquidated were considered as discontinued operations.

Additionally, commercial revenues, which includes amounts relating to supplier’s agreements that have the objective of carrying out an in-store service (flyers, product placement, in store advertising, etc. ...) or contribution in promotional campaigns for partner´s products, are recorded as a deduction in the cost of goods sold, caption “Cost of goods sold and materials consumed”. This reclassification only had an impact on the consolidated income statement.

The impact on the consolidated income statement as at 31 December 2017 is as follows:

Amounts in thousands of euros	Before the restatement	Reclassification of commercial revenue	Discontinued operations	After the restatement
Sales	5,473,297,856	-	(1,538,351,449)	3,934,946,407
Services rendered	116,259,162	-	3,317,423	119,576,585
Income or expense relating to investments	(9,347,882)	-	9,147,919	(199,963)
Dividends	130,450	-	-	130,450
Financial income	2,993,358	-	226,866	3,220,224
Other income	788,709,425	(663,824,955)	(41,978,553)	82,905,917
Cost of goods sold and materials consumed	(4,547,847,163)	663,824,955	1,045,101,436	(2,838,920,772)
External supplies and services	(706,832,046)	-	251,521,325	(455,310,721)
Employee benefits expense	(706,354,910)	-	218,148,032	(488,206,878)
Depreciation and amortisation	(187,990,954)	-	54,242,539	(133,748,415)
Provisions and impairment losses	(8,773,550)	-	6,928,036	(1,845,514)
Financial expense	(54,064,729)	-	3,994,421	(50,070,308)
Other expenses	(81,718,300)	-	37,939,545	(43,778,755)
Share of results of joint ventures and associetad companies	(3,554,143)	-	(2,206,830)	(5,760,973)
Profit/(Loss) before taxation from continuing operations	**74,906,574**	**-**	**48,030,710**	**122,937,284**
Income tax expense	(39,231,049)	-	(137,292)	(39,368,341)
Profit/(Loss) before taxation from continuing operations	**35,675,525**	**-**	**47,893,418**	**83,568,943**
Profit/(Loss) from discontinued operations after taxation	-	-	(47,893,418)	(47,893,418)
Consolidated profit/(Loss) for the period	**35,675,525**	**-**	**-**	**35,675,525**
Attributable to equity holders of the Parent Company:	-	-	-	-
Continuing operations	27,632,093	-	53,333,777	80,965,870
Discontinued operations	-	-	(53,333,777)	(53,333,777)
	27,632,093	-	-	27,632,093
Attributable to non-controlling interests				
Continuing operations	8,043,432	-	(5,440,359)	2,603,073
Discontinued operations	-	-	5,440,359	5,440,359
	8,043,432	-	-	8,043,432

6 PRO FORMA CONSOLIDATED FINANCIAL STATMENTS

In order to present consolidated financial statements that are comparable to the consolidated financial statements of Sonae MC after the end of the corporate reorganization process mentioned in Note 4, pro forma consolidated financial statements were prepared.

These pro forma consolidated financial statements have retroactively reversed all movements of the sale or carve-out of activities for the period prior to 2017, which implied:

- no inclusion in this pro forma financial statement of the contributions of all the disposal activities;

- non-existence of accounts receivable or payable to disposal entities;

- anticipation of amortization of subordinated bond loan, in the amount of 400,000,000 euro, and cancellation of the related interest at 31.12.2017.

The reconciliations for the Pro Forma Consolidated Statement of Financial Position and for the Pro Forma Consolidated Income Statements of 31 December 2018 and 2017 are presented below:

	31 Dec 2018	Adjustments Unaudited	31 Dec 2018 Pro-Forma Unaudited
Net assets			
Property, plant and equipment and intangible assets (Note 8 and 9)	1,504,291,000	-	1,504,291,000
Goodwill	446,613,429	-	446,613,429
Investments	20,673,846	-	20,673,846
Deferred tax assets	31,025,591	-	31,025,591
Other non-current assets	9,345,776	-	9,345,776
Total Non-Current Assets	2,011,949,642	-	2,011,949,642
Inventories	396,767,259	-	396,767,259
Trade receivables	123,073,991	(71,771,411)	51,302,580
Other current assets	148,021,425	(867,669)	147,153,756
Investments	1,231,414	-	1,231,414
Cash and bank balances	78,235,498	20,583,450	98,818,948
Total Current Assets	747,329,587	(52,055,630)	695,273,957
Non-current assets held for sale	-	-	-
TOTAL ASSETS	2,759,279,229	(52,055,630)	2,707,223,599
EQUITY AND LIABILITIES			
EQUITY:			
Equity attributable to the equity holders of the Parent Company	729,849,315	-	729,849,315
Non-controlling interests	31,145,956	-	31,145,956
TOTAL EQUITY	760,995,271	-	760,995,271
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Loans	657,881,978	-	657,881,978
Other non-current liabilities	23,143,388	(268,711)	22,874,677
Deferred tax liabilities	95,559,665	(58,606)	95,501,059
Provisions	9,570,442	-	9,570,442
Total Non-Current Liabilities	786,155,473	(327,317)	785,828,156
CURRENT LIABILITIES:			
Loans	48,841,228	(131,236)	48,709,992
Trade payables	832,109,114	(49,051,625)	783,057,489
Other current liabilities	331,178,143	(2,545,452)	328,632,691
Total Current Liabilities	1,212,128,485	(51,728,313)	1,160,400,172
Liabilities directly associated with assets classified as held for sale	-	-	-
TOTAL LIABILITIES	1,998,283,958	(52,055,630)	1,946,228,328
TOTAL EQUITY AND LIABILITIES	2,759,279,229	(52,055,630)	2,707,223,599

	31 Dec 2017	Adjustments Unaudited	31 Dec 2017 Pro-Forma Unaudited
Net assets			
Property, plant and equipment and intangible assets (Note 8 and 9)	1,990,848,707	(511,823,472)	1,479,025,235
Goodwill	553,339,386	(106,462,572)	446,876,814
Investments	53,765,866	(32,586,965)	21,178,901
Deferred tax assets	56,857,992	(34,802,802)	22,055,190
Other non-current assets	20,152,898	(9,501,567)	10,651,331
Total Non-Current Assets	2,674,964,849	(695,177,378)	1,979,787,471
Inventories	713,020,919	(316,735,793)	396,285,126
Trade receivables	85,264,416	(30,681,718)	54,582,698
Other current assets	187,565,573	(54,034,931)	133,530,642
Other investments	179,881	(81,664)	98,217
Cash and bank balances	162,378,843	(68,687,418)	93,691,425
Total Current Assets	1,148,409,632	(470,221,524)	678,188,108
Assets classified as held for sale	782,540	-	782,540
TOTAL ASSETS	3,824,157,021	(1,165,398,902)	2,658,758,119
EQUITY AND LIABILITIES			
EQUITY:			
Equity attributable to the equity holders of the Parent Company	693,545,511	38,458,263	732,003,774
Non-controlling interests	92,016,336	(62,975,831)	29,040,505
TOTAL EQUITY	785,561,847	(24,517,568)	761,044,279
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Loans	620,484,413	(49,780,988)	570,703,425
Other non-current liabilities	415,789,765	(395,100,257)	20,689,508
Deferred tax liabilities	122,806,483	(31,563,605)	91,242,878
Provisions	14,659,973	(7,301,822)	7,358,151
Total Non-Current Liabilities	1,173,740,634	(483,746,672)	689,993,962
CURRENT LIABILITIES:			
Loans	181,238,135	(12,705,744)	168,532,391
Trade payables	1,177,803,571	(468,951,689)	708,851,882
Other current liabilities	505,812,834	(175,477,229)	330,335,605
Total Current Liabilities	1,864,854,540	(657,134,662)	1,207,719,878
Liabilities directly associated with assets classified as held for sale	-	-	-
TOTAL LIABILITIES	3,038,595,174	(1,140,881,334)	1,897,713,840
TOTAL EQUITY AND LIABILITIES	3,824,157,021	(1,165,398,902)	2,658,758,119

	Dec 2018Restate	Adjustments Unaudited	31 Dec 2018 Pro forma Unaudited
Turnover	4,307,504,540	-	4,307,504,540
Gains and losses on investments	1,942,721	-	1,942,721
Other income	102,549,139	-	102,549,139
Cost of goods sold and materials consumed	(3,003,067,240)	-	(3,003,067,240)
External supplies and services	(488,382,505)	-	(488,382,505)
Employee benefits expense	(522,970,216)	-	(522,970,216)
Other expenses	(44,565,613)	-	(44,565,613)
Depreciation and amortisation expenses	(146,210,542)	-	(146,210,542)
Provisions and impairment losses	(13,232,978)	-	(13,232,978)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax	193,567,306	-	193,567,306
Dividends received during the year	100,450	-	100,450
Share of profit or loss of joint ventures and associates	(446,603)	-	(446,603)
Financial income	3,776,300	(1,027,727)	2,748,573
Financial expense	(72,717,552)	56,887,371	(15,830,181)
Profit from continuing operations before tax	124,279,901	55,859,644	180,139,545
	-	-	-
Income tax expense	(13,065,287)	(12,743,873)	(25,809,160)
Profit from continuing operations for the year	111,214,614	43,115,771	154,330,385
Profit/(Loss) from discontinued operations after taxation	540,456,346	(43,115,771)	497,340,575
Consolidated profit/(Loss) for the period	651,670,960	-	651,670,960
Attributable to owners of the Company:			
Continuing operations	108,607,597	43,115,771	151,723,368
Discontinued operations	540,346,997	(43,115,771)	497,231,226
	648,954,594	-	648,954,594
Attributable to non-controlling interests:			
Continuing operations	2,607,017	-	2,607,017
Discontinued operations	109,349	-	109,349
	2,716,366	-	2,716,366

CONDENSED CONSOLIDATED INCOME STATEMENTS VERSUS PRO FORMA FOR THE PERIOD ENDED 31 DECEMBER 2017

	31 Dec 2017	Adjustments Unaudited	31 Dec 2017 Pro forma Unaudited
Turnover	5,589,557,018	(1,535,018,353)	4,054,538,665
Gains and losses on investments	(9,347,882)	9,147,919	(199,963)
Other income	120,024,810	(35,842,523)	84,182,287
Cost of goods sold and materials consumed	(3,884,374,078)	1,045,269,143	(2,839,104,935)
(Increase) /Decrease in prodution	351,870	(345,752)	6,118
External supplies and services	(706,832,046)	246,979,482	(459,852,564)
Employee benefits expense	(706,354,910)	218,148,032	(488,206,878)
Other expenses	(81,718,301)	37,754,260	(43,964,041)
Depreciation and amortisation expenses	(187,975,646)	54,197,878	(133,777,768)
Provisions and impairment losses	(3,929,199)	(45,178)	(3,974,377)
Profit from continuing operations before interests, dividends, share of profit or loss of joint ventures and associates and tax	129,401,636	40,244,908	169,646,544
Dividends received during the year	130,450	-	130,450
Share of profit or loss of joint ventures and associates	(3,554,143)	(2,206,829)	(5,760,972)
Financial income	2,993,358	(2,344,927)	648,431
Financial expense	(54,064,730)	36,873,699	(17,191,031)
Profit from continuing operations before tax	74,906,571	72,566,851	147,473,422
		-	-
Income tax expense	(39,231,049)	9,608,805	(29,622,244)
Profit from continuing operations for the year	35,675,522	82,175,656	117,851,178
	-	-	-
Attributable to owners of the Company:	-	-	-
Continuing operations	27,632,094	87,663,528	115,295,622
Discontinued operations	-	-	-
	27,632,094	87,663,528	115,295,622
Attributable to non-controlling interests:	-	-	-
Continuing operations	8,043,428	(5,487,872)	2,555,556
Discontinued operations	-	-	-
	8,043,428	(5,487,872)	2,555,556

7 FINANCIAL INSTRUMENTS BY CLASS

At 31 December 2018, the categories and fair value of financial instruments were classified as follows:

Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statment	Others non-financial assets	Total
As at 31 December 2018						
Non-current assets						
Other investments	12	-	-	16,589,032	-	16,589,032
Other non-current assets	13	9,345,776	-	-	-	9,345,776
		9,345,776	-	16,589,032	-	25,934,808
Current assets						
Trade receivables	15	123,073,991	-	-	-	123,073,991
Other receivables	16	50,360,094	-	-	-	50,360,094
Investments	12	-	1,231,414	-	-	1,231,414
Cash and bank balances	21	78,235,498	-	-	-	78,235,498
		251,669,583	1,231,414	-	-	252,900,997
		261,015,359	1,231,414	16,589,032	-	278,835,805

Financial liabilities	Notes	Passivos ao custo amortizado	Passivos registados ao justo valor através de outro rendimento integral	Passivos registados ao justo valor através de resultados	Outros passivos não financeiros	Total
As at 31 December 2018						
Non-current liabilities						
Bank loans	24	403,000,000	-	-	-	403,000,000
Bonds	24	254,870,409	-	-	-	254,870,409
Obligations under finance	24 and 25	11,569	-	-	-	11,569
Other non-current liabilities	27	833,587	-	-	22,309,801	23,143,388
		658,715,565	-	-	22,309,801	681,025,366
Current liabilities						
Bank loans	24	45,579,391	-	-	-	45,579,391
Bonds	24	2,996,380	-	-	-	2,996,380
Obligations under finance	24 and 25	17,170	-	-	-	17,170
Other loans	24	66,582	181,705	-	-	248,287
Trade payables	29	832,109,114	-	-	-	832,109,114
Other payables	30	80,479,676	-	-	-	80,479,676
		961,248,313	181,705	-	-	961,430,018
		1,619,963,878	181,705	-	22,309,801	1,642,455,384

At 31 December 2017, the categories and fair value of financial instruments were classified as follows:

Financial assets	Notes	Loans and accounts receivable	Available for sale	Derivates (Note 26)	Sub-total	Assets not convered by IFRS 7	Total
As at 31 December 2017							
Non-current assets							
Other investments	12	9,919,677	2,403,706	-	12,323,383	-	12,323,383
Other non-current assets	13	19,884,724	-	-	19,884,724	268,174	20,152,898
		29,804,401	2,403,706	-	32,208,107	268,174	32,476,281
Current assets							-
Trade receivables	15	85,264,416	-	-	85,264,416	-	85,264,416
Other receivables	16	61,201,495	-	-	61,201,495	-	61,201,495
Investments	12	-	-	179,881	179,881	-	179,881
Cash and bank balances	21	162,378,843	-	-	162,378,843	-	162,378,843
		308,844,754	-	179,881	309,024,635	-	309,024,635
		338,649,155	2,403,706	179,881	341,232,742	268,174	341,500,916

Financial liabilities	Notes	Derivates (Note 26)	Financial liabilities recorded at amortised cost	Sub-total	Liabilities not covered by IFRS 7	Total
As at 31 December 2017						
Non-current liabilities						
Bank loans	24	-	337,457,361	337,457,361	-	337,457,361
Bonds	24	-	282,306,545	282,306,545	-	282,306,545
Obligations under finance	24 and 25	-	708,477	708,477	-	708,477
Other loans	24	-	12,030	12,030	-	12,030
Other non-current liabilities	27	-	402,889,842	402,889,842	12,899,923	415,789,765
		-	1,023,374,255	1,023,374,255	12,899,923	1,036,274,178
Current liabilities						
Bank loans	24	-	121,452,497	121,452,497	-	121,452,497
Bonds	24	-	57,970,806	57,970,806	-	57,970,806
Obligations under finance	24 and 25	-	491,416	491,416	-	491,416
Other loans	24	1,248,119	75,297	1,323,416	-	1,323,416
Trade payables	29	-	1,177,803,570	1,177,803,570	-	1,177,803,570
Other payables	30	-	117,850,258	117,850,258	-	117,850,258
		1,248,119	1,475,643,844	1,476,891,963	-	1,476,891,963
		1,248,119	2,499,018,099	2,500,266,218	12,899,923	2,513,166,141

Financial Instruments recognized at fair value

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

	31 Dec 2018			31 Dec 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Investments (Note 12)	-	-	16,589,032	-	-	-
Derivatives (Note 12 and 26)	-	1,231,414	-	-	179,881	-
	-	1,231,414	16,589,032	-	179,881	-
Financial liabilities measured at fair value						
Derivatives (Note 26)	-	181,705	-	-	1,248,119	-
	-	181,705	-	-	1,248,119	-

8 PROPERTY, PLANT AND EQUIPMENT

During the periods ended as at 31 December 2018 and 2017, the movements in Property, plant and equipment as well accumulated depreciation and impairment losses are made up as follows:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Gross assets:							
Opening balance as at 1 January 2017	1,364,266,242	1,424,680,843	25,532,902	130,151,241	46,267,312	30,457,184	3,021,355,724
Investment	10,675,277	4,923,220	300,025	547,006	553,520	221,463,889	238,462,937
Acquisitions of subsidiaries	1,443,695	2,624,130	115,936	272,562	61,597	-	4,517,920
Disposals	(33,512,680)	(83,685,531)	(1,363,557)	(4,903,884)	(3,733,628)	(1,307,543)	(128,506,823)
Exchange rate effect	(9,741)	(2,067)	(9,037)	(104,841)	(3,627)	-	(129,313)
Transfers	24,614,675	162,297,952	2,234,762	14,475,160	3,968,151	(210,890,793)	(3,300,093)
Opening balance as at 1 January 2018	1,367,477,468	1,510,838,547	26,811,031	140,437,244	47,113,325	39,722,737	3,132,400,352
Discontinued operations (Note 4.1 and 4.2)	(255,685,471)	(430,544,251)	(5,224,786)	(39,100,364)	(9,800,505)	(11,547,541)	(751,902,918)
Investment	24,664,513	5,421,932	268,576	515,164	353,534	209,519,011	240,742,730
Acquisitions of subsidiaries (Note 4.3)	77,979	155,399	18,450	50,776	84,692	-	387,296
Disposals	(61,720,398)	(48,681,372)	(1,227,340)	(5,615,509)	(2,975,569)	(6,920,226)	(127,140,414)
Exchange rate effect	(6,271)	1,189	(4,326)	(91,932)	(3,956)	-	(105,296)
Transfers	12,749,473	165,680,482	2,152,996	14,072,929	3,935,780	(202,144,666)	(3,553,006)
Closing balance as at 31 December 2018	1,087,557,293	1,202,871,926	22,794,601	110,268,308	38,707,301	28,629,315	2,490,828,744
Accumulated depreciation and impairment losses							
Opening balance as at 1 January 2017	397,006,243	869,466,288	19,585,347	94,171,195	38,615,360	110,824	1,418,955,257
Depreciation of period	22,146,037	112,539,407	1,549,869	12,773,646	3,578,133	-	152,587,092
Impairment losses of the period (Note 32)	507,782	297,594	-	10,991	15,066	22,164	853,597
Acquisitions of subsidiaries	1,173,261	1,542,374	62,161	245,035	208,206	-	3,231,037
Disposals	(7,517,315)	(73,220,963)	(1,297,747)	(4,593,733)	(3,680,413)	-	(90,310,171)
Exchange rate effect	(4,611)	-	(3,592)	(75,729)	(2,564)	-	(86,496)
Transfers	382,921	(231,994)	(230,077)	(430,709)	(252,510)	-	(762,369)
Opening balance as at 1 January 2018	413,694,318	910,392,706	19,665,961	102,100,696	38,481,278	132,988	1,484,467,947
Discontinued operations (Note 4.1 and 4.2)	(67,420,152)	(257,245,574)	(3,701,449)	(26,503,408)	(7,374,844)	(177,319)	(362,422,746)
Depreciation	21,557,515	106,233,077	1,667,968	12,249,216	3,525,169	-	145,232,945
Impairment losses of the period (Note 32)	12,985,845	632,289	-	242,270	-	44,331	13,904,735
Reversals of impairment losses (Note 32)	(7,385,495)	(18,857)	-	(25)	-	-	(7,404,377)
Acquisitions of subsidiaries (Note 4.3)	9,928	45,430	5,439	16,365	10,048	-	87,210
Disposals	(22,872,942)	(42,850,057)	(1,197,740)	(5,339,853)	(2,938,021)	-	(75,198,613)
Exchange rate effect	(3,906)	42	(1,834)	(72,719)	(3,317)	-	(81,734)
Transfers	(143,309)	(351,281)	(612)	(381,883)	(19,556)	-	(896,641)
Closing balance as at 31 December 2018	350,421,802	716,837,775	16,437,733	82,310,659	31,680,757	-	1,197,688,726
Carrying amount							
As at 31 December 2017	953,783,150	600,445,841	7,145,070	38,336,548	8,632,047	39,589,749	1,647,932,405
As at 31 December 2018	737,135,491	486,034,151	6,356,868	27,957,649	7,026,544	28,629,315	1,293,140,018

The investment includes the acquisition of assets of approximately 209 million euro (221 million euro in 2017), associated with the openings and remodelling of stores.

The caption "Depreciation for the year" of Property, plant and equipment and intangible assets includes 35.9 million euro (54.2 million euro as at 31 December 2017) transferred to discontinued operations.

Disposal in the years 2018 and 2017 can be analysed as follow:

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

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Gross assets:							
Disposals	(3,388,192)	(82,691,672)	(1,363,557)	(4,903,884)	(3,733,628)	(1,307,543)	(97,388,476)
Sale and Leaseback	(30,124,488)	(993,859)	-	-	-	-	(31,118,347)
Closing balance as at 31 December 2017	(33,512,680)	(83,685,531)	(1,363,557)	(4,903,884)	(3,733,628)	(1,307,543)	(128,506,823)
Accumulated depreciation and impairment losses							
Disposals	(2,118,643)	(72,348,866)	(1,297,747)	(4,580,740)	(3,680,413)	-	(84,026,409)
Sale and Leaseback	(5,398,672)	(872,097)	-	-	-	-	(6,270,769)
Closing balance as at 31 December 2017	(7,517,315)	(73,220,963)	(1,297,747)	(4,580,740)	(3,680,413)	-	(90,297,178)
Carrying amount							
Disposals	(1,269,549)	(10,342,806)	(65,810)	(323,144)	(53,215)	(1,307,543)	(13,362,067)
Sale and Leaseback	(24,725,816)	(121,762)	-	-	-	-	(24,847,578)

During the period ended at 31 December 2018 and 31 December 2017, several sale and leaseback transactions were accounted for by the Group. The accounting values of the disposed assets, approximately, 36.6 million euro (24.8 million euro as at 31 December 2017), corresponds to 6 real estate food retail assets located in Portugal (5 real estate food retail assets located in Portugal in 2017). These operations resulted in a cash inflow of 82.8 million euro (36.9 million euro as at 31 December 2017) and generated a net capital gain of approximately, 37.4 million euro (10.8 million euro as at 31 December 2017) (Note 39).

The lease agreements for the assets in question, were considered as operating leases, taking into account the indicators traditionally used to determine the nature of the lease agreements as defined in IAS 17. These assets have an initial period of 20 years, and the lease term can be extended, with market conditions, by four additional periods of 10 years, and it was considered by the Board of Directors that only the initial which is less than the remaining useful life of the assets subject to the transaction. It was also considered that there is no type of obligation to repurchase the assets subject to leasing, and the Group's current call options are exercisable based on market prices, as well as the present value of the minimum lease payments location.

Disposal in 2017 also includes about 9.6 million euro related to the restructuring process of the new store concepts, of Worten (around 3.9 million euro) and of the Sonae MC (around 6 million euro), resulting in the use of impairment losses in the amount of 2.8 million euro and 1.2 million euro respectively.

Most real estate assets from Sonae RP (real estate retail stores), as at 31 December 2018 and 2017, which are recorded at acquisition cost deducted of amortization and impairment charges, were evaluated by independent appraisers (Jones Lang LaSalle). These evaluations were performed using the income method, using yields between 6.75% and 9.00 % (6.75% and 9.00 % in 2017), where the fair value of the property is in “Level 3” hierarchy - according to the classification given by IFRS 13. Such assessments support the value of the assets as at 31 December 2018.

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

	31 Dec 2018	31 Dec 2017
Refurbishment and expansion of stores in Portugal	21,492,707	33,490,064
Refurbishment and expansion of stores in Spain	-	1,473,742
Projects "Continente" stores for which advance payments were made	1,996,471	1,296,000
Others	5,140,137	3,329,943
	28,629,315	39,589,749

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

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Other Tangible Assets	Tangible assets in progress	Total property, plant and equipment
Impairment losses							
Opening balance as at 1 January 2017	90,802,912	28,067,641	37,906	371,617	145,914	110,824	119,536,814
Impairment losses of the period (Note 32)	507,782	297,593	-	10,991	15,066	22,165	853,597
Disposals (Note 32)	(383,872)	(5,062,789)	(16,324)	(102,479)	(178,586)	-	(5,744,050)
Acquisitions of subsidiaries	-	-	-	-	169,243	-	169,243
Opening balance as at 1 January 2018	90,926,822	23,302,445	21,582	280,129	151,637	132,989	114,815,604
Discontinued operations (Note 4.1 and 4.2)	(360,735)	(16,930,569)	(20,701)	(163,744)	(41,266)	(177,320)	(17,694,335)
Impairment losses of the period (Note 32)	12,985,845	632,289	-	242,270	-	44,331	13,904,735
Disposals (Note 32)	(24,806,126)	(1,498,873)	(116)	(41,600)	(88,532)	-	(26,435,247)
Closing balance as at 31 December 2018 (Note 32)	78,745,806	5,505,292	765	317,055	21,839	-	84,590,757

9 INTANGIBLE ASSETS

In the years ended at 31 December 2018 and 2017, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

Intangible Assets	Industrial property	Software	um paid for property occu	Others intangible assets	Intangible assets in progress	Total Intangible Assets
Gross cost						
Opening balance as at 1 January 2017	166,652,955	313,832,129	14,655,288	50,108,524	27,309,726	572,558,622
Investment	1,000	512,513	54,000	2,716	46,697,816	47,268,045
Acquisitions of subsidiaries	13,500	138,687	-	-	-	152,187
Disposals	(153,310)	(5,854,361)	(621,963)	-	(600,298)	(7,229,932)
Exchange rate effect	(64,257)	(90,014)	-	(17,557)	-	(171,828)
Transfers	332,808	44,257,488	-	6,982	(45,807,424)	(1,210,146)
Opening balance as at 1 January 2018	166,782,696	352,796,442	14,087,325	50,100,665	27,599,820	611,366,948
Discontinued operations (Note 4.1 and 4.2)	(73,140,332)	(41,586,098)	(6,530,601)	(49,265,318)	(5,377,410)	(175,899,759)
Investment	46,240	227,165	534,079	-	42,300,372	43,107,856
Acquisitions of subsidiaries (Note 4.3)	-	31,511	-	11,930	-	43,441
Disposals	(87,391)	(8,756,072)	-	-	(1,097,729)	(9,941,192)
Exchange rate effect	(70,750)	(60,401)	-	(19,355)	-	(150,506)
Transfers	148,086	35,349,502	-	-	(37,609,481)	(2,111,893)
Closing balance as at 31 December 2018	93,678,549	338,002,049	8,090,803	827,922	25,815,572	466,414,895
		-				
Accumulated depreciation and impairment losses						
Opening balance as at 1 January 2017	28,141,659	195,413,770	13,934,368	2,116,390	-	239,606,187
Depreciation of the period	2,012,177	29,633,448	35,492	3,722,745	-	35,403,862
Acquisitions of subsidiaries	6,222	79,637	-	-	-	85,859
Disposals	(108,769)	(5,950,918)	(338,254)	-	-	(6,397,941)
Exchange rate effect	(51,693)	(74,338)	-	(16,255)	-	(142,286)
Transfers	(1,051)	(103,984)	-	-	-	(105,035)
Opening balance as at 1 January 2018	29,998,545	218,997,615	13,631,606	5,822,880	-	268,450,646
Discontinued operations (Note 4.1 and 4.2)	(13,121,187)	(21,437,739)	(6,330,901)	(8,232,904)	-	(49,122,731)
Depreciation of the period	1,475,464	32,603,539	3,375	2,811,768	-	36,894,146
Impairment losses of the period (Note 32)	-	5,401,878	-	-	-	5,401,878
Acquisitions of subsidiaries (Note 4.3)	-	19,540	-	-	-	19,540
Disposals	(87,274)	(5,922,005)	-	-	-	(6,009,279)
Exchange rate effect	(59,978)	(53,675)	-	(17,920)	-	(131,573)
Transfers	-	(244,138)	-	5,424	-	(238,714)
Closing balance as at 31 December 2018	18,205,570	229,365,015	7,304,080	389,248	-	255,263,913
Carrying amount						
As at 31 December 2017	136,784,151	133,798,827	455,719	44,277,785	27,599,820	342,916,302
As at 31 December 2018	75,472,979	108,637,034	786,723	438,674	25,815,572	211,150,982

As at 31 December 2018 the Investment related to intangible assets in progress includes 42 million euro related to IT projects and development software (47 million euro at 31 December 2017). Within that amount it is included 9 million euro of capitalizations of personnel costs related to own work (about 9 million euro in 31 December 2017) (Note 39).

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.

Sonae performs annual impairment tests over the brands and obtained for this purpose an independent assessment of Continente brand made by independent appraisers (Interbrand). As at 31 December 2018, the external evaluation performed at the beginning of 2016 was internally updated and the value more than supports the accounting value of the asset as at 31 December 2018, and no impairment was recorded in the year.

10 GOODWILL

Goodwill is allocated to each operating segment and within each segment to each of the homogeneous groups of cash generating units.

As at 31December 2017 Goodwill is allocated to each operating business segment, Sonae MC, Worten, Sonae Sports & Fashion and Maxmat being afterwards distributed by each homogenous group of cash generating units, namely to each insignia within each segment and country, distributed by country and each of the properties in case of operating segment Sonae RP.

As at 31 December 2018 and 2017, the caption Goodwill had the following composition:

	31 Dec 2018	31 Dec 2017
Sonae MC	444,937,430	444,654,444
Worten	-	53,422,018
Sports and fashion	-	52,699,423
Sonae RP	1,675,999	2,563,501
	446,613,429	553,339,386

During the year ended in 31 December 2018 and 2017, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2018	31 Dec 2017
Gross value:		
Opening balance	560,981,054	551,714,855
Discontinued operations (Note 4.1 and 4.2)	(106,904,658)	-
Goodwill generated in the period (Note 4.3)	668,055	9,546,335
Decreases	(546,373)	(525,952)
Others variations	(381,431)	245,816
Closing balance	453,816,647	560,981,054
Accumulated impairment losses:		
Opening balance	7,641,668	7,641,668
Discontinued operations (Note 4.1 and 4.2)	(438,450)	-
Closing balance	7,203,218	7,641,668
Carrying amount	446,613,429	553,339,386

The evaluation of the existence, or not, of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis prepared with cash flow projections for periods of five years, unless there is evidence of impairment, in which case the analysis is done in shorter periods of time

During the periods ended at 31 December 2018 and 2017, Sonae MC performed analysis in order to test any impairment on Goodwill, As a result of that analysis, the Group didn´t record impairment losses in 2018 and 2017.

For this purpose, the Sonae MC, use internal valuation of its business concepts, using annual planning methodologies, supported in business plans that consider cash flow projections for each unit which depend on detailed and properly supported assumptions. These plans take into consideration the impact of the main actions that will be carried out by each business concept as well as a study of the resources 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 2018	31 Dec 2017
Recoverable amount basis	value in use	value in use
Weighted average cost of capital	9% to 10%	9% to 10%
Growth rates in perpetuity	<=2%	<=2%
Composite rate of sales growth	0,1% a 2,17%	-1%

The analyses of the impairment indices and the review of the impairment projections and tests of Sonae MC have not lead to the account of losses, during the year ended at 31 December 2018. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoverable value. Therefore, this results in immaterial additional impairments.

11 JOINT VENTURES AND ASSOCIATED COMPANIES

11.1 Detail of book value of investments in joint ventures and associates

Joint ventures and associates, their head offices, percentage of share capital held and their value in the statement of financial position as at 31 December 2018 and 31 December 2017 are as follows:

			Percentage of capital held				Statment of financial position	
			31 Dec 2018		31 Dec 2017			
	Company	Head Office	Direct*	Total*	Direct*	Total*	31 Dec 2018	31 Dec 2017
	Sohi Meat Solutions - Distribuição de Carnes, SA	Santarém	50.00%	50.00%	50.00%	50.00%	3,006,331	2,361,045
1)	MDS SGPS, SA (consolidado)	Maia	-	-	50.00%	50.00%	-	32,100,593
	Investments in joint ventures						3,006,331	34,461,638
2)	APOR- Agência para a Modernização do Porto, SA	Porto	-	-	22.75%	22.75%	-	290,475
	MOVVO, SA	Porto	25.58%	25.58%	25.58%	25.58%	-	-
	S2 Mozambique, SA	Maputo	30.00%	30.00%	30.00%	30.00%	-	1,592,748
	Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	25.00%	1,078,483	1,050,793
	Ulabox, S.L.	Barcelona	36.00%	36.00%	41.89%	41.89%	-	4,046,829
	Investment in associates companies						1,078,483	6,980,845
	Total						4,084,814	41,442,483

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

1) Joint venture disposal in December of 2018;

2) Associate liquidated in the period.

The joint ventures and associated companies were included in the consolidation by the equity method.

11.2 Financial indicators of participations

11.2.1 Joint ventures

As at 31 December 2018, summary financial information of joint ventures of the group can be analysed as follows:

	31 Dec 2018
Joint Ventures	Sohi Meat
Assets	
Property, plant and equipment	19,454,900
Intangible assets	789,101
Investments in joint ventures and associates	7,475
Other non-current assets	34,519
Non-current assets	20,285,994
Trade receivables	46,125,085
Cash and bank balances	408,471
Other current assets	3,597,963
Current assets	50,131,519
Total assets	70,417,513
Liabilities	
Trade payables	62,591,866
Other current liabilities	2,429,932
Total current liabilities	65,021,799
Total liabilities	65,021,799
Equity attributable to the equity holders of the Parent Company	5,395,715
Non-controlling interests	-
Total Equity	5,395,715
Total Equity and Liabilities	70,417,513

	31 Dec 2017	
Joint Ventures	Sohi Meat	MDS SGPS, SA (Consolidated)
Assets		
Investment properties	-	857,259
Property, plant and equipment	20,771,255	2,376,935
Intangible assets	309,299	9,605,565
Goodwill	-	29,202,474
Investments in joint ventures and associates	-	9,098,383
Other non-current assets	204,757	3,426,579
Non-current assets	21,285,311	54,567,195
Trade receivables	26,859,097	4,916,146
Cash and bank balances	367,901	10,448,200
Other current assets	9,110,188	3,981,786
Current assets	36,337,186	19,346,132
Total assets	57,622,497	73,913,327
Liabilities		
Loans	-	15,575,000
Other non-current liabilities	-	9,357,967
Non-current liabilities	-	24,932,967
Loans	-	6,419,272
Trade payables	50,874,796	2,590,507
Other current liabilities	2,642,558	13,197,002
Total current liabilities	53,517,354	22,206,781
Total liabilities	53,517,354	47,139,748
Equity attributable to the equity holders of the Parent Cor	4,105,143	24,734,144
Non-controlling interests	-	2,039,435
Total Equity	4,105,143	26,773,579
Total Equity and Liabilities	57,622,497	73,913,327

	31 Dec 2018
Joint Ventures	Sohi Meat
Turnover	272,777,578
Other operating income	23,465,026
	296,242,604
Cost of goods sold and materials consumed	(263,028,955)
External supplies and services	(14,282,149)
Depreciation and amortisation	(3,791,345)
Other operating costs	(13,287,173)
	(294,389,622)
Financial results	(238,814)
Results of associated companies	-
Income tax expense	(323,595)
Consolidated net income/(loss) for the year	1,290,572

	31 Dec 2017	
Joint Ventures	Sohi Meat	MDS SGPS, SA (Consolidated)
Turnover	270,805,753	48,759,980
Other operating income	42,431,164	724,108
	313,236,917	49,484,088
Cost of goods sold and materials consumed	(253,593,835)	-
External supplies and services	(9,181,542)	(24,476,991)
Depreciation and amortisation	(2,099,216)	(3,815,644)
Other operating costs	(48,325,516)	(21,502,449)
	(313,200,109)	(49,795,084)
Financial results	(41)	(794,999)
Results of joint ventures and associated companies	-	12,112
Income tax expense	5,323	158,077
Consolidated net income/(loss) for the year	42,090	(935,806)

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

	31 Dec 2018	31 Dec 2017	
Joint ventures	Sohimeat, SA	Sohimeat, SA	MDS,SGPS,SA (consolidado)
Equity	5,395,715	4,105,143	24,734,144
Percentage of share capital held	50%	50%	50%
Share of the net assets	2,697,857	2,052,572	12,367,072
Goodwill recognized in financial investments	-	-	17,160,451
Other effects	308,474	308,474	2,573,070
Financial investment	3,006,331	2,361,045	32,100,593

11.2.2 Associates

Summary financial information of associated companies can be analysed as follows:

	31 Dec 2018			
Associated Companies	Sempre a Postos	S2 Mozambique	Ulabox	APOR
Non-current assets	436,165	5,896,621	1,868,023	13,671
Current assets	9,785,087	2,206,536	1,133,210	1,172,883
	-	-		
Current liabilities	5,907,317	5,589,119	1,284,421	33,741
Equity	4,313,935	2,514,038	1,716,811	1,152,813

	31 Dec 2017			
Associated Companies	Sempre a Postos	S2 Mozambique	Ulabox	Others
Non-current assets	725,966	5,677,724	1,654,169	678,593
Current assets	10,326,802	2,383,755	1,253,456	2,356,130
Non-current liabilities	-	-	-	1,955,112
Current liabilities	6,849,597	2,959,516	1,284,421	831,108
Equity	4,203,171	5,101,963	1,623,204	248,503

	31 Dec 2018			
Associated Companies	Sempre a Postos	S2 Mozambique	Ulabox	APOR
Turnover	58,009,329	4,647,478	10,194,390	179,594
Other operational income	3,184,584	152,441	472,612	-
Operational expenses	(58,188,760)	(4,764,999)	(14,698,419)	(277,015)
Net finantial expense	3,175	(301,396)	-	986
Income tax expense	(728,390)	-	-	(29)
Consolidated net income/(loss) for the year	2,279,937	(2,892,046)	(4,031,417)	(96,466)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	2,279,937	(2,892,046)	(4,031,417)	(96,466)

	31 Dec 2017			
	Sempre a Postos	S2 Mozambique	Ulabox	Others
Turnover	55,921,357	5,663,675	9,245,815	669,254
Other operational income	3,200,459	272,509	477,435	15,294
Operational expenses	(56,167,963)	(8,839,842)	(13,542,972)	(2,381,661)
Net finantial expense	6,153	(286,954)	-	(1,194)
Income tax expense	(790,832)	(48,398)	-	(100)
Consolidated net income/(loss) for the year	2,169,174	(3,239,010)	(3,819,722)	(1,698,407)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	2,169,174	(3,239,010)	(3,819,722)	(1,698,407)

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

	31 Dec 2018			
Associates	Sempre a Postos	S2 Mozambique	Ulabox	APOR
Equity	4,313,935	2,514,038	1,716,811	1,152,813
Percentage of share capital held	25.00%	30.00%	36.00%	0.00%
Share of the net assets	1,078,484	754,211	618,052	-
Other effects	(1)	(754,211)	(618,052)	-
Financial investment	1,078,483	-	-	-

	31 Dec 2017			
Associates	Sempre a Postos	S2 Mozambique	Ulabox	APOR
Equity	4,203,171	5,101,963	1,623,204	1,276,812
Percentage of share capital held	25.00%	30.00%	41.89%	22.75%
Share of the net assets	1,050,793	1,530,589	679,960	290,475
Goodwill recognized in financial investments	-	-	1,549,408	-
Other effects	-	62,159	1,817,461	-
Financial investment	1,050,793	1,592,748	4,046,829	290,475

11.3 Movements occurred in the period

During the year ended at 31 December 2018 and 2017, movements in investments in joint ventures and associates are as follows:

	31 Dec 2018			31 Dec 2017		
	Propotion on equity	Goodwill	Total investment	Propotion on equity	Goodwill	Total investment
Investments in joint ventures						
Initial balance as at 1 January	17,301,187	17,160,451	34,461,638	-	-	-
Change of consolidation method	-	-	-	2,703,451	-	2,703,451
Transfer of "Investments in associates companies"	-	-	-	15,243,880	17,160,451	32,404,331
Discontinued operations (Note 4.1)	(13,874,082)	(17,160,451)	(31,034,533)	-	-	-
Equity method:						
Effect in gain or losses in joint controlled and associated companies	645,286	-	645,286	12,444	-	12,444
Effect in equity capital	6,203,340	-	6,203,340	(658,588)	-	(658,588)
Results of Discontinued operations	(7,269,400)	-	(7,269,400)			
	3,006,331	-	3,006,331	17,301,187	17,160,451	34,461,638
Investments in associates companies						
Initial balance as at 1 January	5,431,437	1,549,408	6,980,845	22,403,095	28,658,523	51,061,618
Acquisitions during the period	-	-	-	768,143	846,657	1,614,800
Capital increase	118,745	-	118,745	3,163,333	303,423	3,466,756
Transfer to "Joint ventures"	-	-	-	(15,243,880)	(17,160,451)	(32,404,331)
Disposals during the period	-	-	-	(11,464)	(2,492)	(13,956)
Equity method:	-	-	-	-	-	-
Discontinued operations	-	-	-	(636,606)	-	(636,606)
Effect in gain/losses in associated companies	(1,091,889)	-	(1,091,889)	(2,929,980)	(2,843,437)	(5,773,417)
Distributed dividends	(542,293)	-	(542,293)	(829,823)	-	(829,823)
Effect in equity capital	(127,152)	-	(127,152)	(895,737)	-	(895,737)
Results of Discontinued operations	(858,339)	-	(858,339)	-	-	-
Impairment in associated companies (Note 32 and 3	(1,852,026)	(1,549,408)	(3,401,434)	(355,644)	(8,252,815)	(8,608,459)
	1,078,483	-	1,078,483	5,431,437	1,549,408	6,980,845
Total	4,084,814	-	4,084,814	22,732,624	18,709,859	41,442,483

The “Effect on shareholders' equity” in Investments in joint ventures includes 7 million euro relating to the recycling of foreign currency translation reserves that existed in discontinued operations.

In 2018, the caption “Discontinued operations" in Investments in joint ventures refers to the disposal of MDS as a result of the corporate reorganization (Note 4.1).

In 2017 the value of “change of consolidation method due to loss of control” relates to Sohi Meat Solutions-Distribuição de Carnes, SA, following the agreement signed on January 3, 2017, the date on which a Joint Venture was formed between Sonae MC and Hilton Food Group PLC through a capital increase of this Group in Sohimeat. Since then, Sohimeat has been consolidated using the equity method.

In 2017 the value of “Transfer of Investments in associates companies” results from the transfer of the participation in MDS for joint venture because of the increase of the holding percentage to 50%. This acquisition was based on internal valuation through annual planning methodologies, based on business plans where the respective cash flows for 5-year periods are projected, using a weighted average cost of capital of 12.24% and a perpetuity growth rate of 3%. This assessment implied an impairment loss in 2017 amounting to 8.6 million euro.

12 OTHER INVESTMENTS

Other non-current investments, their head offices, percentage of share capital held and book value as at 31 December 2018 and 2017, are as follows:

		Percentage of capital held				Statment of financial position	
		31 Dec 2018		31 Dec 2017			
Company	Head Office	Direct	Total	Direct	Total	31 Dec 2018	31 Dec 2017
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	14.28%	14.28%	9,976	9,976
Insco - Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	5,252,372	925,197
Other investments						11,326,684	11,388,210
						16,589,032	12,323,383

As at 31 December 2018 the caption “Other investments” includes, among others, 9,872,807 euro (9,919,677 euro in 31 December 2017) 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 32 and 34).

As at 31 December 2018, with the exception of Escrow Account, these amounts represent financial investments of immaterial value in unlisted companies and in which the Group does not hold significant influence.

Under IFRS 9 these investments are classified as ‘Investments at fair value through other comprehensive income’ or ‘Investments at fair value through profit or loss’, as explained in note 2.12.a) ii) and iii)

As at 31 December 2017, before IFRS 9 implementation, the cost of acquisition of these investments was considered a reasonable approximation of their respective fair value, adjusted, whenever applicable, for the identified impairment losses.

As at 31 December 2018 and 2017, the movements in "Other investments" made up as follows:

	31 Dec 2018		31 Dec 2017	
	Non Current	Current	Non Current	Current
Other investments:				
Opening balance as at 1 January	12,323,383	-	10,910,648	-
Acquisitions in the period	1,144,576	-	1,459,291	-
Disposals in the period	(667,493)	-	(46,556)	-
Increase/(Decrease) in fair value	4,327,176	-	-	-
Others	(538,610)	-	-	-
Closing balance as at 31 December	16,589,032	-	12,323,383	-
Derivative financial instruments				
Fair value as at 1 January	-	179,881	-	4,207,972
Acquisitions in the period	-	18,244	-	-
Changes in perimeter	-	(241,220)	-	-
Increase/(Decrease) in fair value	-	1,274,509	-	(4,028,091)
Fair value as at 31 December (Note 26)	-	1,231,414	-	179,881
Total of Other Investments (Note 7)	16,589,032	1,231,414	12,323,383	179,881

13 OTHER NON-CURRENT ASSETS

As at 31 December 2018 and 2017, "Other non-current assets" are detailed as follows:

	31 Dec 2018	31 Dec 2017
Trade accounts receivable and other debtors		
Cautions (a)	66,189	5,120,591
Legal deposits (b)	3,502,069	3,916,334
Special regime for payment of tax and social security debts (c)	4,527,309	6,181,878
Amount receivable for selling subsidiary companies	900,000	1,000,000
Amount receivable for selling the Modelo Cont.Seguros	-	1,000,000
Amount retained on the acquisition of the Salsa group	-	2,463,875
Rent deposits from tenants	-	787,615
Others	350,209	(585,569)
	9,345,776	19,884,724
Accumulated impairment losses in other debtors	-	-
Total trade accounts receivable and other debtors	9,345,776	19,884,724
Total financial instruments (Note 7)	9,345,776	19,884,724
Other non-current assets	-	268,174
	9,345,776	20,152,898

Most significant values included in "Trade accounts receivable and other debtors" refers to:

a) The values of the 31 December 2017 were related to guarantees of lease contracts of real estate group stores in Spain of Worten and Sonae SF;

b) Amounts related to legal deposits made by a Brazilian subsidiary, for which are recorded the correspondent liabilities in the caption "Other non-current liabilities" (Note 27), with no defined maturity;

c) The amount disclosed as Special Regime for Payment of Tax and Social Security Debts corresponds to taxes paid, voluntarily, related to settlements of income tax on corporate income, which were already in judicial process. The judicial processes are still in progress, however the guarantees provided for the said processes were cancelled. No impairment loss was recorded since it is the Board of Directors understanding that the claims presented will have a favourable end to Sonae MC, reason why they were not object of provision.

14 INVENTORIES

As at 31 December 2018 and 2017, "Inventories" are detailed as follows:

	31 Dec 2018	31 Dec 2017
Raw materials and consumables	288,621	2,882,589
Goods for resale	412,886,114	731,894,928
Finished and intermediate goods	-	11,393,255
Work in progress	-	1,763,375
	413,174,735	747,934,147
Accumulated adjustments in inventories	(16,407,476)	(34,913,228)
	396,767,259	713,020,919

Cost of goods sold as at 31 December 2018 and 2017 amounted to 3,003,067,240 euro and 2,838,926,890 euro, respectively, and may be detailed as follows:

	31 Dec 2018	31 Dec 2017 Restated
Opening balance	734,777,518	716,557,264
Exchange rate effect	6,518	(51,540)
Discontinued operations (Notes 4.1 and 4.2)	(333,163,893)	(3,254,297)
Acquisitions of subsidiaries (Note 5)	134,878	586,950
Purchases	3,019,147,843	2,870,029,189
Adjustments	(4,355,023)	(11,575,670)
Closing balance	413,174,736	734,777,518
	3,003,373,105	2,837,514,378
Adjustments in inventories	(305,865)	1,406,394
	3,003,067,240	2,838,920,772

As at 31 December 2018 and 2017, the caption Regularization of inventories refers essentially to regularizations resulting from offers to social solidarity institutions carried out by retail.

15 TRADE RECEIVABLE

As at 31 December 2018 and 2017, “Trade receivable” are detailed as follows:

	31 Dec 2018	31 Dec 2017
Trade accounts receivable	123,097,010	85,503,751
Doubtful receivables	2,930,900	8,087,807
	126,027,910	93,591,558
Accumulated impairment losses on Trade accounts receivable (Note 32)	(2,953,919)	(8,327,142)
	123,073,991	85,264,416

The caption Current Trade receivable includes 9,241,546 euro (17,696,359 euro as at 31 December 2017), related to wholesale sales to related companies.

At 31 December 2018, impairment losses are calculated based on the expected credit loss, the calculation of which results from the application of expected losses based on receipts from sales and services rendered and from historical credit losses. We also consider that there are amounts for which there is no credit risk and as such the expected credit loss is null, namely balances with letters of credit, sureties, credit insurance and balances with related entities.

16 OTHER RECEIVABLES

As at 31 December 2018 and 2017, Other debtors are detailed as follows:

	31 Dec 2018	31 Dec 2017
Granted loans and other receivables to related companies	6,425	6,425
Other debtors		
Trade creditors - debtor balances	25,071,018	37,998,176
Disposal of financial investments	300,000	-
VAT recoverable on real estate assets and vouchers discounts	2,516,735	6,248,946
Disposal of property, plant and equipment	235,820	2,141,299
Vouchers and gift cards	4,496,588	2,449,037
Other current assets	21,498,524	19,487,510
	54,118,685	68,324,968
Accumulated impairment losses in receivables (Note 32)	(3,765,016)	(7,129,898)
Total of other debtors	50,353,669	61,195,070
Total of Financial Instruments (Note 7)	50,360,094	61,201,495
Other current assets	-	-
	50,360,094	61,201,495

At 31 December 2018, 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 2018, 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 entities, sureties, subsidies and related entities and as such the expected loss is considered null.

17 INCOME TAX

As at 31 December 2018 and 2017, “Other tax assets”, and “Other tax liabilities” are made up as follows:

	31 Dec 2018	31 Dec 2017
Debtors values		
VAT	20,772,096	38,358,788
Other taxes	1,067,572	1,573,930
	21,839,668	39,932,718
Creditors values		
VAT	51,806,570	61,983,481
Staff income taxes withheld	3,578,640	5,104,663
Social security contributions	9,886,354	13,519,326
Other taxes	135,795	373,149
	65,407,359	80,980,619

The reduction in the value of “Income tax" and "Social security contributions" is mainly due to the amounts related to companies that were disposal under the corporate reorganization process (Note 4.1 and 4.2).

18 INCOME TAX EXPENSE

As at 31 December 2018 and 2017, "Income Tax Expense" are as follows:

	31 Dec 2018	31 Dec 2017
Debtors values		
Income taxation with participating entity	23,427,538	4,402,358
Income taxation	20,392,960	27,777,037
	43,820,498	32,179,395
Creditors values		
Income taxation with participating entity	36,139,436	27,107,138
Income taxation	3,640,446	4,046,746
	39,779,882	31,153,884

As at 31 December 2018, the amounts payable included 36.1 million euro (27.1 million euro as at 31 December 2017) in the credit amounts under the caption "Income tax with a participating entity" to Sonae SGPS, SA resulting from the inclusion of the companies of the Sonae MC group in the tax consolidation, of which Sonae SGPS, SA is the parent company.

19 OTHER CURRENT ASSETS

As at 31 December 2018 and 2017, “Other current assets” is made up as follows:

	31 Dec 2018	31 Dec 2017
Commercial discounts	11,290,106	25,214,880
Rents	6,750,415	8,802,076
Insurance premiums paid in advance	3,950,267	4,557,941
Software licenses	2,630,616	2,225,055
Commissions to be received	5,069	1,077,520
Interests to be received	285,641	514,994
Insurance indemnities	67,020	122,335
Condominium management fee's	318,417	115,382
Other current assets	6,703,615	11,621,783
	32,001,165	54,251,965

The caption "Commercial discounts" refers to promotional campaigns carried out in stores and reimbursed by Sonae MC suppliers (Note 39).

20 DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2018 and 2017 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2018	31 Dec 2017 Restated	31 Dec 2018	31 Dec 2017 Restated
Difference between fair value and acquisition cost	3,897,779	4,933,142	4,063,924	33,865,461
Temporary differences on property, plant and equipment and intangible asset	8,867	1,350,735	68,282,906	69,893,479
Provisions and impairment losses not accepted for tax purposes	12,179,279	20,751,517	-	-
Write off of property, plant and equipment and intangible assets	3,942	28,517	-	-
Valuation of hedging derivatives	45,311	11,702	85,641	41,952
Amortisation of goodwill for tax purposes in Spain	-	-	22,103,284	17,457,039
Revaluation of property, plant and equipment	-	-	746,894	916,509
Tax losses carried forward	6,791,868	25,703,398	-	-
Reinvested capital gains/(losses)	-	-	277,016	302,963
Tax Benefits	6,354,690	402,854	-	-
Others	1,743,855	3,676,127	-	329,080
	31,025,591	56,857,992	95,559,665	122,806,483

During the periods ended 31 December 2018 and 2017, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2018	31 Dec 2017 Restated	31 Dec 2018	31 Dec 2017 Restated
Opening balance	56,857,992	49,861,522	122,806,483	102,014,515
Effects in net income:				
Difference between fair value and acquisition cost	314,375	408,534	(2,242,497)	(1,101,591)
Temporary differences on property, plant and equipment and intangible assets	(322,058)	(197,293)	1,429,058	5,577,496
Provisions and impairment losses not accepted for tax purposes	(4,314,896)	(392,123)	-	-
Write-off of property, plant and equipment and intangible assets	(5,258)	(10,247)	-	(44,232)
Revaluation of tangible assets	-	-	(167,809)	(116,394)
Constitution / reversal of deferred tax assets over tax losses	(1,706,137)	6,868,072	-	-
Amortisation of goodwill for tax purposes in Spain	-	-	5,816,679	17,457,039
Reinvested capital gains/(losses)	-	-	(25,947)	(26,647)
Effect of change of tax rate	(7)	(9,330)	(13,512)	(220,405)
Tax Benefits	5,951,836	(129,013)	-	-
Discontinued operations (Note 4.1 and 4.2)	1,848,212	(2,216,888)	628,408	1,214,537
Others	(383,545)	278,703	(1,170,435)	72,026
	1,382,522	4,600,415	4,253,945	22,811,829
Effects in equity:				
Valuation of hedging derivatives	35,596	(75,230)	43,689	(584,099)
Others	-	(18,245)	(9,140)	(8,291)
	35,596	(93,475)	34,549	(592,390)
Acquisitions of subsidiaries	-	353,206	-	-
Discontinued operations (Note 4.1 and 4.2)	(26,925,295)	2,216,888	(31,662,238)	(1,214,537)
Others	(325,224)	(80,564)	126,926	(212,934)
Closing balance	31,025,591	56,857,992	95,559,665	122,806,483

As at 31 December 2018, the tax rate to be used in Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate to be used to calculate deferred taxes in temporary differences in Portuguese companies is 22.5% increased by the state surcharge in companies in which the expected reversal of those deferred taxes will occur when those rates will be applicable. For companies or branches located in other countries, rates applicable in each jurisdiction were used.

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

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

As at 31 December 2018 and 2017, 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 2018			31 Dec 2017 Restated		
		Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use							
Generated in 2013	Portugal	-	-	2018	622,068	130,634	2018
Generated in 2014	Portugal	18,326	3,849	2026	1,673,556	351,447	2026
Generated in 2015	Portugal	69,902	14,680	2027	69,902	14,680	2027
Generated in 2016	Portugal	243,591	51,154	2028	243,591	51,154	2028
Generated in 2017	Portugal	1,278,464	268,476	2022	5,638,684	1,184,124	2022
Generated in 2018	Portugal	1,299,779	272,953	2023	-	-	2013
		2,910,062	611,112		8,247,801	1,732,039	
Without limited time use							
	Spain	24,723,024	6,180,756		95,885,439	23,971,359	
		27,633,086	6,791,868		104,133,240	25,703,398	

As at 31 December 2018 and 2017, the deferred taxes to be recognized arising from tax losses were evaluated. In the cases in which they originated deferred tax assets, they were only recorded to the extent that it is probable that future taxable income will occur that could be used to recover the tax losses or tax differences that reverted in the same period and considering the limit of compensation existing by law in the applicable cases. This assessment was based on the business plans of Sonae MC companies, which are periodically reviewed and updated. The main assumptions used in those business plans are described in Note 10 with the exception of Retail operations in Spain.

As at 31 December 2018, the Group had an amount of 6.2 million euro (20 million euro as at 31 December 2017) in the Retail segment of deferred tax assets related to tax losses for this and previous years of the Spanish Tax Group and which can be recovered by it in Spain. The Modelo Continente Hipermercados, SA branch in Spain was, on 31 December 2018 and 2017, the representative entity of the Tax Group in Spain, whose dominant entity is Sonae SGPS, S.A.

The recoverability of the above mentioned deferred tax assets, regarding Sonae operations in Spain is supported by the analysis of the recoverable amount of the cash-generating units for the specialized retail formats in Spain based on their value in use, obtained from business plans with a 10-year projection period, assuming it is the most realistic and appropriate deadline for the implementation of the strategy of internationalization of Sonae MC in the specialized retail segment, taking into consideration not only the nature of the products in question (more discretionary character) but also the current macro-economic conditions.

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in consolidation, are a compound growth rate of 6.5% over a 10-year period (8.4% in 2017).

Although these tax losses do not expire, the analysis of their recoverability was limited to a 10-year term, also considering the deferred tax liabilities recognized.

It is the Board of Directors understanding, considering the existing business plans for each of the companies, that such deferred tax assets are fully recoverable, including those which were reversed in previous years likely to be recoverable in a longer period than the 10 years of the business plan.

As at 31 December 2018, there are reportable tax losses in the amount of 53.7 million euro (343.4 million euro as at 31 December 2017), whose deferred tax assets are not recorded for prudence purposes.

		31 Dec 2018			31 Dec 2017 Restated		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Generated in 2016	Portugal	-	-	2028	412	87	2028
		-	-		412	87	
With a time limit different from the above mentioned							
	Holland	-	-	2022-2026	93,389	18,678	2022-2026
		-	-		93,389	18,678	
Without limited time use							
	Brazil	17,416,580	5,921,637		16,560,133	5,630,445	
	Malta	44,040	15,414		12,752	4,463	
	Spain	36,233,788	9,058,447		326,774,660	81,693,665	
		53,694,408	14,995,498		343,347,545	87,328,573	
		53,694,408	14,995,498		343,441,346	87,347,338	

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 (Tribunal Economico-Administrativo Central España). Tax reports for 2012 to 2015 were corrected. During 2018, as a result of the unfavourable decision of the Central Economic-Administrative Court of Madrid, an appeal was lodged against the National Audience in Spain.

In 2015 and 2016, the decision of the National Court in Spain regarding the reduction of tax losses arising from the tax depreciation of goodwill in the years ended at 31 December 2008 and 2009 respectively was contrary to the Group's claims, and despite the Branch appealing to the Supreme Court, the Group prudently annulled deferred tax assets from 2008 to 2011, recognized in the accompanying financial statements, amounting to 36 million euro, and the deferred tax liabilities corresponding to the amortization of goodwill for tax purposes amounting to 18.6 million euro.

In 2016 and in a new decision in 2018, the Supreme Court gave a positive opinion to the Group's pretensions regarding tax amortization of Goodwill, with reference to 2008, and the Group corrected the tax return for 2016, and it is its intention to also consider such amortization in the tax return for the next years. Consequently, it recognized the corresponding deferred tax liability for fiscal years 2008, 2016, 2017 and 2018.

21 CASH AND CASH EQUIVALENTS

As at 31 December 2018 and 2017, Cash and cash equivalents are as follows:

	31 Dec 2018	31 Dec 2017
Cash at hand	9,240,759	10,443,119
Bank deposits	68,994,739	151,925,814
Treasury applications	-	9,910
Cash and bank balances on the statement of financial position (Note 7)	78,235,498	162,378,843
Bank overdrafts (Note 24)	(23,141)	(2,815,638)
Cash and bank balances in the statement of cash flows	78,212,357	159,563,205

Bank overdrafts are disclosed in the statement of financial position under “Loans”.

22 SHARE CAPITAL

As at 31 December 2018, 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 2018 and 2017, the subscribed share capital was held as follows:

Company	31 December 2018	31 December 2017
Sonae, SGPS, S.A.	35.029%	25.029%
Sonaecenter Serviços, SA	51.827%	51.827%
Sonae Investments, BV	13.144%	13.142%
Sonae MC - Modelo Continente, SGPS, SA	-	10.000%
Libra Serviços, Lda	-	0.002%

As at 31 December 2018 Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae's share capital. Sonae held directly or indirectly 100% of the company.

On 17 September 2018, the subsidiary, Modelo Continente, SGPS, SA (Ex Sonae MC - Modelo Continente, SGPS, SA) disposal 100,000,000 shares of Sonae MC. SGPS, SA to Sonae SGPS, SA, generating a loss of 96,889,000 euro recorded in "Other Reserves and Retained Earnings". Following this sale, the free reserves of an amount equal to equal shares became available.

By deliberation of the Extraordinary General Meeting of Shareholders held at 26 September 2018, free reserves were distributed in the amount of 472,000,000 euro and the repayment of optional entries of capital amounting to 372,000,000 euro.

23 NON-CONTROLLING INTEREST

As at 31 December 2018 and 2017, “Non-controlling interests” are detailed as follows:

	31 Dec 2018				
	Equity	Net Profit/ (Loss)	Book value of non-controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Elergone	4,302,437	1,409,307	1,023,963	352,327	-
Gowell	(251,531)	(370,432)	3,520,072	(181,512)	-
Real Estate Investment Funds	114,985,651	12,703,768	2,301,712	254,582	(405,352)
Maxmat	48,600,431	4,363,239	24,300,216	2,181,620	-
Others	(13,386,695)	(6,220,044)	(7)	-	-
Discontinued activities	-	(1,545,138)	-	109,349	(2,727,015)
Total	154,250,293	10,340,700	31,145,956	2,716,366	(3,132,367)

	31 Dec 2017				
	Equity	Net Profit/ (Loss)	Book value of non-controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Elergone	3,316,874	681,481	777,572	170,370	-
Gowell	350,014	85,472	3,814,830	41,881	-
Real Estate Investment Funds	265,873,142	15,752,069	30,837,270	315,319	(380,962)
Maxmat	44,229,227	4,151,006	22,114,613	2,075,503	-
Discontinued activities	71,348,872	17,117,341	34,472,051	5,440,359	(3,025,568)
Total	385,118,129	35,675,522	92,016,336	8,043,432	(3,406,530)

Movements in non-controlling interests during the periods ended as at 31 December 2018 and 2017 are as follows:

	31 Dec 2018						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds	Maxmat	Others	Total
Opening balance as at 1 January	777,572	3,814,830	35,021,489	30,287,831	22,114,613	-	92,016,335
Dividends distributed	-	-	(1,393,908)	-	-	-	(1,393,908)
Income distribution from investment funds	-	-	(1,333,107)	(405,352)	-	-	(1,738,459)
Change in currency translation reserve	-	-	13,567	-	-	-	13,567
Constitution of subsidiaries	-	-	(120,000)	-	-	-	(120,000)
Disposal of subsidiaries (Note 4.1.1)	-	-	(31,072,022)	(27,835,349)	-	-	(58,907,371)
Changes in hedging reserves	(105,936)	-	4,614	-	3,983	-	(97,339)
Change of consolidation method	-	-	(1,211,039)	-	-	-	(1,211,039)
Others	-	(113,246)	(18,943)	-	-	(7)	(132,196)
Profit for the period attributable to non-controlling interests	352,327	(181,512)	109,349	254,582	2,181,620	-	2,716,366
Closing balance as at 31 December	1,023,963	3,520,072	-	2,301,712	24,300,216	(7)	31,145,956

	31 Dec 2017						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds	Maxmat	Others	Total
Opening balance as at 1 January	526,934	-	31,675,013	31,013,770	20,073,395	-	83,289,112
Dividends distributed	-	-	(1,162,226)	-	-	-	(1,162,226)
Income distribution from investment funds	-	-	(1,863,343)	(380,962)	-	-	(2,244,305)
Change in percentage of subsidiaries	-	-	-	(110,864)	-	-	(110,864)
Change in currency translation reserve	-	-	11,904	-	-	-	11,904
Acquisition of subsidiaries	-	3,772,948	-	-	-	-	3,772,948
Constitution of subsidiaries			400,000				400,000
Changes in hedging reserves	78,909	-	(35,804)	-	(34,285)	-	8,820
Others	1,359	1	6,148	7	-	-	7,515
Profit for the period attributable to non-controlling interests	170,370	41,881	5,440,359	315,319	2,075,503	-	8,043,432
Closing balance as at 31 December	777,572	3,814,830	34,472,051	30,837,270	22,114,613	-	92,016,336

As at 31 December 2018 and 2017, aggregate financial information of subsidiaries with non-controlling interests is as follows:

	31 Dec 2018						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds	Maxmat	Others	Total
Total Non-Current Assets	26,197	1,083,082	-	116,398,078	32,316,211	13,557,657	163,381,225
Total Current Assets	11,190,698	2,100,972	-	724,499	41,340,204	1,327,855	56,684,228
Total Non-Current Liabilities	-	611,569	-	-	851,882	24,983,928	26,447,379
Total Current Liabilities	6,914,458	2,824,016	-	2,136,926	24,204,102	3,288,279	39,367,781
Equity	4,302,437	(251,531)	-	114,985,651	48,600,431	(13,386,695)	154,250,293

	31 Dec 2017						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds	Maxmat	Others	Total
Total Non-Current Assets	29,032	658,325	133,079,317	262,927,550	30,731,921	-	427,426,145
Total Current Assets	7,457,740	1,296,793	65,432,201	7,168,407	36,052,543	-	117,407,684
Total Non-Current Liabilities	-	23,405	77,411,930	814,576	846,731	-	79,096,642
Total Current Liabilities	4,169,898	1,581,699	49,750,716	3,408,239	21,708,506	-	80,619,058
Equity	3,316,874	350,014	71,348,872	265,873,142	44,229,227	-	385,118,129

	31 Dec 2018						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds	Maxmat	Others	Total
Turnover	58,871,128	9,431,661	-	12,706,710	85,548,976	-	166,558,475
Other operating income	1,317,361	275,458	-	4,237,651	3,178,118	83	9,008,671
Operational expenses	(58,383,457)	(10,047,252)	-	(4,355,571)	(82,844,277)	(4,718,596)	(160,349,153)
Net financial expenses	(25,070)	(10,117)	-	(1)	(106,813)	(1,501,531)	(1,643,532)
Income or expense relating to investments	-	381	-	-	-	-	381
Income tax expense	(370,655)	(20,563)	-	114,979	(1,412,765)	-	(1,689,004)
Profit/(Loss) after taxation	1,409,307	(370,432)	-	12,703,768	4,363,239	(6,220,044)	11,885,838
Profit/(Loss) after taxation from discontinuing operations		-	(1,545,138)				(1,545,138)
Other comprehensive income for the period	(105,936)	(113,246)	(14,337)	-	3,983	-	(229,536)
Total comprehensive income for the period	1,303,371	(483,678)	(1,559,475)	12,703,768	4,367,222	(6,220,044)	10,111,164

	31 Dec 2017						
	Elergone	Gowell	Discontinued operations	Real Estate Investment Funds	Maxmat	Others	Total
Turnover	50,085,908	5,638,813	-	12,857,330	78,126,929	-	146,708,980
Other operating income	1,048,268	163,548	-	7,222,896	3,236,320	(808)	11,670,224
Operational expenses	(50,249,297)	(5,654,206)	-	(4,087,264)	(76,624,716)	(1,160,191)	(137,775,674)
Net financial expenses	(13,066)	(3,125)	-	(1)	(30,757)	(950,848)	(997,797)
Income or expense relating to investments	-	37	-	-	-	-	37
Income tax expense	(190,332)	(59,595)	-	(240,892)	(556,770)	-	(1,047,589)
Profit/(Loss) after taxation	681,481	85,472	-	15,752,069	4,151,006	(2,111,847)	18,558,181
Profit/(Loss) of discontinued operations	-	-	17,117,341	-	-	-	17,117,341
Other comprehensive income for the period	80,268	1	(29,653)	7	(34,285)	-	16,338
Total comprehensive income for the period	761,749	85,473	17,087,688	15,752,076	4,116,721	(2,111,847)	35,691,860

24 LOANS

As at 31 December 2018 and 2017, loans are made up as follows:

	31 Dec 2018		31 Dec 2017	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae Investimentos, SGPS, S.A. - commercial paper	15,500,000	313,000,000	7,500,000	182,500,000
Subsidiary of Sonae Investiments 2014/2023	-	50,000,000	-	50,000,000
Subsidiary of Sonae Investiments 2015/2023	-	20,000,000	-	20,000,000
Subsidiary of Sonae Investiments 2015/2019	30,000,000	-	5,000,000	30,000,000
Subsidiary of Sonae Investiments 2017/2022	-	-	-	31,000,000
Subsidiary of Sonae Investiments 2017/2025	-	20,000,000	-	-
Sonae Investiments 2017/2018	-	-	100,000,000	-
Others	91,323	-	6,144,402	24,093,006
	45,591,323	403,000,000	118,644,402	337,593,006
Bank overdrafts (Note 21)	23,141	-	2,815,638	-
Up-front fees beard with the issuance of borrowings	(35,073)	-	(7,543)	(135,645)
Bank loans	45,579,391	403,000,000	121,452,497	337,457,361
Bonds				
Bonds Sonae Investimentos /June 2013/ 2018	-	-	50,000,000	-
Bonds Sonae Investimentos / December 2015/2020	-	50,000,000	-	50,000,000
Bonds Sonae Investimentos / May 2015/2022	-	75,000,000	-	75,000,000
Bonds Sonae Investimentos / December 2015/2020	-	30,000,000	-	30,000,000
Bonds Sonae Investimentos / June 2016/2021	-	95,000,000	-	95,000,000
Bonds Sonae Investimentos / September 2016/2021	3,000,000	6,000,000	3,000,000	9,000,000
Bonds IVN 2016/2023	-	-	5,000,000	25,000,000
Up-front fees beard with the issuance of borrowings	(3,620)	(1,129,591)	(29,194)	(1,693,455)
Bonds	2,996,380	254,870,409	57,970,806	282,306,545
Other loans	66,582	-	75,297	12,030
Derivative (Note 26)	181,705	-	1,248,119	-
Other loans	248,287	-	1,323,416	12,030
Obligations under finance leases (Note 25)	17,170	11,569	491,416	708,477
	48,841,228	657,881,978	181,238,135	620,484,413

Bonds and bank loans bear an average interest rate of 1.18% (1.32% as at 31 December 2017). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

It is estimated that the book value of all loans does not differ significantly from its fair value, determined based on discounted cash flows methodology.

The loans face value, maturities and interests are as follows (including obligations under financial leases):

	31 Dec 2018		31 Dec 2017	
	Capital	Interests	Capital	Interests
N+1	48,698,217	7,696,734	180,026,753	9,702,686
N+2	159,344,902	6,726,851	50,721,362	8,357,428
N+3	251,333,333	4,009,765	165,550,634	7,473,557
N+4	138,333,333	1,968,101	193,121,884	4,032,582
N+5	93,333,333	1,178,685	165,669,633	1,897,110
After N+5	16,666,667	316,380	47,250,000	772,760
	707,709,786	21,896,516	802,340,266	32,236,123

The maturities above were estimated in accordance with the contractual terms of the loans and taking into account Sonae MC best estimated regarding their reimbursement date.

As at 31 December 2018 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 2018 and 2017, Sonae MC had as detailed in Note 21, "Cash and cash equivalents", the amount of 78,212,357 euro (159,563,205 euro as at 31 December 2017) and available credit lines as follows:

	31 Dec 2018		31 Dec 2017	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Unused credit facilities (Note 3.3)	94,000,000	202,000,000	94,443,125	242,750,000
Agreed credit facilities	101,500,000	515,000,000	105,760,000	537,500,000

25 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2018 and 2017, Finance lease liabilities are as follows:

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
Amounts under finance leases:	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
N+1	8,292	506,077	-	491,416
N+2	20,446	413,698	17,170	406,798
N+3	-	197,784	11,569	195,524
N+4	-	84,963	-	84,297
N+5	-	21,927	-	21,858
After N+5	-	-	-	-
	28,738	1,224,449	28,739	1,199,893
Future Interests	(495)	(24,555)		
	28,243	1,199,894		
Current obligations under finance leases			17,170	491,416
Obligations under finance leases - net of the short-term portion			11,569	708,477

Finance leases contracts are agreed at market interest rates, have defined periods and include an option for the acquisition of the related assets at the end of the period of the agreement.

As at 31 December 2018 and 2017, the fair value of finance leases is close to its carrying amount.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2018 and 2017, accounting net value of assets acquired under finance leases can be detailed as follows:

	31 Dec 2018	31 Dec 2017
Property leasing object		
Lands and buildings	-	83,707
Plant and Machinery	10,306	831,141
Vehicles	15,822	666,754
Total tangible assets	26,128	1,581,602

As at 31 December 2018, the acquisition cost of Property, plant and equipment amounted to 62,113 euro (2,394,135 euro as at 31 December 2017).

26 DERIVATIVES

Exchange rate derivatives

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

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

The fair value of exchange rate derivatives hedging instruments, calculated based on present market value of equivalent financial instruments of exchange rate, is 181,705 euro as liabilities (1,248,119 euro as at 31 December 2017) and 1,231,414 euro as assets (179,881 euro as at 31 December 2017).

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

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

Gains and losses associated with changes in the market value of derivative instruments are recorded under the caption "Cash-flow hedging reserves", when considered as cash flow hedges and under "Exchange rate differences" when considered to be fair value hedges. The change in market value of derivative instruments when considered speculation is recorded in the income statement under "Other expenses"

Interests rates derivatives

Sonae MC does not have any interest rate hedging derivatives recorded as at 31 December 2018.

27 OTHERS NON-CURRENTS LIABILITIES

As at 31 December 2018 and 2017 “Other non-current liabilities” are made up as follows:

	31 Dec 2018	31 Dec 2017
Shareholders loans (Note 44)	-	400,003,610
Fixed assets suppliers	348,332	1,151,347
Other non-current liabilities	485,255	1,734,885
Total of financial instruments (Note 7)	833,587	402,889,842
Share based payments (Note 28)	1,453,027	2,949,568
Warranties extention to trade receivables (2.15)	1,600	7,551,397
Charges made on the sale of real estate (Note 2.5.c)	20,453,191	-
Other accruals and deferrals	401,983	2,398,958
Other non-current liabilities	23,143,388	415,789,765

The caption "Shareholder loans" relates to the early repayment, as at 27 September 2018, of the total subordinated debenture loan, amounting to 400,000,000 euro, issued on 28 December 2010, by Sonae MC, SGPS, SA, this loan had a maturity of 10 years.

The amount included in the caption "Charges assumed in the disposal of real estate" refers to expenses that are traditionally the responsibility of the owner, which in the case of Sale & Leaseback these amounts were paid at the time of the transaction and Sonae MC assumed the future responsibility.

28 SHARE BASED PAYMENT

In 2018 and in previous years, in accordance with the remuneration policy described in the corporate governance report, Sonae MC granted deferred performance bonuses to its directors and eligible employees based on Sonae SGPS, SA shares to be acquired at null cost or discounted, three years after they were attributed to the employee. The acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. Sonae MC has the right to deliver, instead of shares, the equivalent in cash. These rights only exist if the employee is employed by a company of Sonae Group at maturity date.

As at 31 December 2018 and 2017, the number of attributed shares related to the assumed responsibilities arising from share based payments, which have not yet vested, can be detailed as follows:

				Number of shares		Fair Value	
	Grant year	Vesting year	Number of participants	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Shares							
	2015	2018	69	-	1,737,573	-	1,956,507
	2016	2019	76	1,515,719	2,196,307	1,608,118	2,494,525
	2017	2020	79	1,775,373	3,427,809	2,161,516	3,859,715
	2018	2021	78	1,681,427	-	2,088,711	-
Total				4,972,519	7,361,689	5,858,344	8,310,747

As at 31 December 2018 and 2017 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 2018	31 Dec 2017
Recorded in employee benefits expense in the current period	706,960	3,387,203
Recorded in previous years	1,942,932	1,504,078
	2,649,892	4,891,281
Recorded in other non-current liabilities (Note 27)	1,453,027	2,949,568
Recorded in other current liabilities (Note 31)	1,196,865	1,941,713
	2,649,892	4,891,281

The share based payment plan costs are recognized during the years between the grant and vesting date as employee benefits expense costs.

29 TRADE PAYABLES

As at 31 December 2018 and 2017 Trade payables are as follows:

		Payable to	
	31 Dec 2018	Up to 90 days	More than 90 days
Trade payables - current account	777,571,055	776,834,455	736,600
Trade payables - Invoice Accruals	54,538,059	54,538,059	-
	832,109,114	831,372,514	736,600

		Payable to	
	31 Dec 2017	Up to 90 days	More than 90 days
Trade payables - current account	1,098,778,923	1,097,183,121	1,595,802
Trade payables - Invoice Accruals	79,024,647	79,024,647	-
	1,177,803,570	1,176,207,768	1,595,802

As at 31 December 2018 and 2017 this caption includes amounts payable to trade payables resulting from Sonae MC operating activity. The Sonae MC believes that the fair value of these balances does not differ significantly from its book value.

The change in Trade payables balance from 2017 to 2018 results mainly from the discontinued operations mentioned in Note 4.1 and 4.2.

The Sonae 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 Sonae 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.

30 OTHER PAYABLES

As at 31 December 2018 and 2017, the caption “Other payables” is detailed as follows:

		Payable to		
	31 Dec 2018	Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	54,500,369	53,271,144	558,151	671,074
Other payables	25,979,307	25,967,310	43	11,954
	80,479,676	79,238,454	558,194	683,028
Related undertakings	-			
	80,479,676			

	31 Dec 2017	Payable to Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	69,345,981	68,278,019	709,290	358,672
Other payables	48,504,277	48,229,776	139,470	135,031
	117,850,258	116,507,795	848,760	493,703
Related undertakings	-			
	117,850,258			

The caption "Other payables" includes:

- 9,980,132 euro (10,421,939 euro as at 31 December 2017) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente"

- 798,360 euro (16,150,935 euro as at 31 December 2017) related to vouchers, gift cards and discount tickets not yet redeemed;

- 3,080,487 euro (3,447,882 euro as at 31 December 2017) related to amounts payable to Sonae Distribuição Brasil. S.A. buyer as result of responsibilities assumed with that entity (Note 32);

As at 31 December 2018 and 2017, 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.

31 OTHER CURRENT LIABILITIES

As at 31 December 2018 and 2017, "Other current liabilities" are made up as follows:

	31 Dec 2018	31 Dec 2017
Holiday pay and bonus	91,766,856	116,998,013
Other external supplies and services	24,619,409	39,795,241
Warranties extention to trade receivables (Note 2.15)	-	57,862,718
Marketing expenses	13,791,639	15,347,936
Charges made on the sale of real estate (Note 2.5.c and Note 27)	1,314,235	17,728,428
Fixed income charged in advance	3,845,852	6,914,805
Share based payments obligations (Note 28)	1,196,865	1,941,713
Interests payable	915,488	1,632,754
Municipal property tax	1,709,241	2,097,284
Others	5,443,240	9,898,798
	144,602,825	270,217,690

The change in the value of the caption "Other current liabilities" between the years ended 31 December 2018 and 2017 results essentially from the amounts related to the companies that were sold under the corporate restructuring process (Note 4.1 and 4.2).

32 PROVISIONS AND IMPAIRMENT LOSSES

Movements in "Provisions and impairment losses" during the period ended 31 December 2018 and 2017 are as follows:

Caption	Balance as at 1 January 2018	Increase	Decrease	Transfers and other movements	Balance as at 31 December 2018
Accumulated impairment losses on investments (Note 11.3)	11,451,896	3,401,434	-	(11,451,896)	3,401,434
Impairment losses on property, plant and equipment (Note 8)	114,815,604	13,904,735	(26,435,249)	(17,694,333)	84,590,757
Impairment losses on intangible assets (Note 9)	1,519,949	5,401,878	-	(91)	6,921,736
Accumulated impairment losses on trade receivables (Note 15)	8,327,142	2,239,085	(2,895,475)	(4,716,833)	2,953,919
Accumulated impairment losses on other current debtors (Note 16)	7,129,898	1,095,462	(1,050,051)	(3,410,293)	3,765,016
Non current provisions	14,659,973	3,122,173	(1,005,409)	(7,206,295)	9,570,442
Current provisions	5,610,383	2,222,645	(5,514,083)	(1,410,544)	908,401
	163,514,845	31,387,412	(36,900,267)	(45,890,285)	112,111,705

Caption	Balance as at 1 January 2017	Increase	Decrease	Transfers and other movements	Balance as at 31 December 2017
Accumulated impairment losses on investments (Note 11)	-	11,451,896	-	-	11,451,896
Impairment losses on on property, plant and equipment (Note 8)	119,536,814	853,597	(5,744,050)	169,243	114,815,604
Accumulated impairment losses on intangible assets	1,497,024	-	-	22,925	1,519,949
Accumulated impairment losses on other non current assets (Note 13)	2,450,000	-	(2,450,000)	-	-
Accumulated impairment losses on trade receivables (Note 15)	7,543,512	2,412,256	(1,628,626)	-	8,327,142
Accumulated impairment losses on other current debtors (Note 16)	7,436,976	1,224,158	(1,531,236)	-	7,129,898
Non current provisions	16,006,272	88,421	(1,434,720)	-	14,659,973
Current provisions	3,204,001	4,172,357	(1,765,975)	-	5,610,383
	157,674,599	20,202,685	(14,554,607)	192,168	163,514,845

As at 31 December 2018 and 2017 increases and decreases in Provisions and impairment losses are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Provisions and impairment losses in the income statement	13,232,978	1,845,514
Impairment losses on investments in joint ventures (Notes 11 and 37)	3,401,434	11,451,896
Direct use of impairments on accounts receivable	(2,090,442)	(1,516,773)
Reversal of impairment of debtors by disposal of financial investments in MDS	-	(1,000,000)
Impairment reversal in property, plant and equipment related to the assets disposed of (Nota 8)	(18,955,567)	(1,644,103)
Closing of Turkey	378,000	-
Exchange rate changes	(872,349)	(1,166,018)
Increases and decreases in provisions and impairment losses on discontinued operations	(563,444)	(2,071,568)
Others	(43,466)	(250,871)
	(5,512,855)	5,648,078

At 31 December 2018, the value of "Transfers and other movements" refers essentially to activities that were discontinued (Note 4.1 and 4.2).

The caption “Non-current provisions” and “Current provisions” includes 9,570,442 euro (7,358,151 euro as at 31 December 2017), 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.

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

33 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

As at 31 December 2018 the reconciliation of liabilities arising from financing activities are as follows:

	Obligations under finance leases (Note 25)	Bank loans (Note 24)	Derivative financial instruments (Note 26)	Loans from related parties (Note 44)
Balance as at 1 January 2018	1,199,894	799,274,535	1,068,238	400,000,000
Cash flows:				
Receipts relating to financial debt	-	5,567,269,577	-	-
Payments relating to financial debt	-	(5,597,763,674)	-	(400,000,000)
Bank overdrafts	-	(2,792,496)	-	-
Capital Leasing Depreciation	(1,171,154)	-	-	-
Increase/(decrease) in fair value	-	-	(2,325,223)	-
Interest and similar costs	-	697,552	-	-
Acquisitions during the exercice	-	-	(18,244)	-
Descontinuing operations	-	(60,172,732)	241,220	-
Others	-	-	-	-
Balance as at 31 December 2018	28,740	706,512,762	(1,034,009)	-

34 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2018 and 2017, contingent liabilities to which Group is exposed can be detailed as follows:

- Guarantees and sureties given

	31 Dec 2018	31 Dec 2017
Guarantees and securities given:		
on tax claims	923,944,717	957,564,770
on judicial claims	126,583	327,624
on municipal claims	9,692,172	9,126,363
for proper agrement fulfillment	10,469,261	13,078,087
other guarantees	4,469,261	5,911,363

a) Tax Claims

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

- Tax claims for additional VAT payment for which guarantees or sureties were provided in the amount of 503.9 million euro (503.9 million euro as at 31 December 2017) for the periods from 2004 to 2013, and for which the Group presented or intends to present a tax appeal. The tax claims result from the Tax Administration's understanding that the Group should have invoiced VAT related to promotional discounts granted by suppliers, based on purchases amounts, since Tax Authorities claims it corresponds to alleged services rendered to those entities. Tax authorities also claim that the Group should not have deducted VAT from discount vouchers used by its non-corporate clients.

- Sureties in the amount of, approximately, 60 million euro as a result of a tax appeal presented by the Company Sonae MC SGPS, S.A. concerning an additional tax assessment by Tax authorities, relating to 31 December 2005, corresponding to a prior coverage of tax losses accrued by the company held, which was taken to the cost of the participation, moreover, as is already understood by the Tax Administration itself, it was understood that now and in the concrete case it should not consider the amount of the cost of participation , including, therefore, the coverage of losses, upon the liquidation of the company held;

- Fiscal lawsuit related to rent tax, concerning a subsidiary of the Company in Brazil, in the amount of, approximately, 14.7 million euro (65.3 million Brazilian real), which is being judged by a tax court, for which there were granted guarantees in the amount of 45.8 million euro (203.5 million Brazilian real). The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

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

Within the framework of regularization of tax debts to Tax Authorities, (Outstanding Debts Settlement of Tax and Social Security – (Decree of law 67/2016 of 3/11, 151-A/2013 of 31/10 and 248-A/2002 of 14/11), the Group made tax payments in the amount of, approximately, 21 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 provided for in the supporting documents for these programs, the Group maintains the judicial procedures in order to be justified in relation to the specific situations, and the amount paid under those plans for income taxes has been recognized as an asset.

c) Others contingent liabilities

- Contingent liabilities related to discontinued activities in subsidiaries in Brazil

Following the disposal of a subsidiary in Brazil, Sonae guaranteed to the buyer of the subsidiary all the losses incurred by that company arising on unfavorably decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. The amount claimed by the Brazilian Tax Authorities, concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, plus the amounts already paid 24.6 million euro (27.5 million euro at 31 December 2017) related to programs for the Brazilian State of tax recovery, amount to near 21.6 million euro (24.1 million euro at 31 December 2017). Furthermore, there are other tax assessments totaling 42 million euro (38 million euro as at 31 December 2017) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiary.

- Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority (AdC) notified Sonae MC SGPS, SA (Former Sonae Investimentos), Modelo Continente SGPS (Former Sonae MC) and Modelo Continente Hipermercados, for the purpose of presenting a defense, in the context of a misconduct proceeding under the agreement entered into between Modelo Continente and EDP Comercial campaign known as the “EDP Continente Plan”. It should be noted that the Edp / Continent Plan took place during 2012 and was extended in the first months of 2013 to allow the use of discounts that had been allocated to customers until 31 December 2012. The development of this type of business promotion agreement is a common practice in the Portuguese market. In 2017, the AdC imposed fines of 2.8 million euros on Sonae Investimentos and 6.8 million on Modelo Continente. AdC also condemned Sonae MC, but it did not impose any fine on it since that company does not present any turnover. These companies challenged the decision in court, and the Board of Directors expects, based on the opinion of their legal advisors, that there will be no liability for these companies in this proceeding.

- Current investigation by the Competition Authority.

In 2017, Modelo Continente Hipermercados, SA was subjected to search and seizure of documents by the Competition Authority (AdC), as part of an investigation publicly reported by the AdC as involving 21 entities in the retail sector of consumer goods (for example, hypermarkets, supermarkets, hard-discounts and their trade payables).

On March 22, 2019, in the context of this investigation, the AdC published on its website that it issued notes of unlawfulness to Modelo Continente Hipermercados, S.A., regarding alleged practices restrictive of competition. The notes of unlawfulness do not represent the final result of the investigation, but an interim stage and that is still subject to the exercise of the right of defense of the visa. These notes are being analysed with all rigor and care, being sure that Modelo Continente Hipermercados, S.A. will not abdicate to safeguard its rights, namely the one of defence in its proper place. Taking into account the initial stage of the process, it is not possible to estimate its outcome, however, it is the expectation of the Board of Directors that in this process there will be no relevant responsibilities for those company.

No provision has been recorded to face risks arising from events related to guarantees given, as the Board of Directors considers that no liabilities will result for Sonae MC SGPS.

35 OPERATIONAL LEASE

As at 31 December 2018 was recognized as expense of the exercise the amount for 99,268,868 euro (148,917,387 euro as at 31 December 2017) related to rents paid under operating lease agreements, related to real estate, values that do not include rents variables given their immateriality.

Additionally, as at 31 December 2018 and 2017, Sonae MC had, operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2018	31 Dec 2017
Due in:		
N+1 automatically renewal	17,938,782	22,474,950
N+1	88,882,044	124,407,735
N+2	85,072,003	120,258,987
N+3	76,769,361	115,628,225
N+4	72,764,059	109,566,701
N+5	70,147,735	100,669,793
After N+5	644,983,515	666,390,892
	1,056,557,499	1,259,397,283

At the end of the lease period, the Group has, in certain contracts, the possibility of exercising the option to acquire the assets as its fair value.

During the year ended at 31 December 2018, the amount of 30,677,860 euro (31,747,997 euro as at 31 December 2017) related to rents received under operating leases, mainly related to commercial galleries operated by third parties in stores owned by Sonae MC.

Additionally, at 31 December 2018 and 2017, Sonae MC had, operational lease contracts, as a lessor, whose minimum lease payments had the following payment schedule:

	31 Dec 2018	31 Dec 2017
Due in:		
N+1 automatically renewal	3,448,527	4,909,783
N+1	27,669,588	5,662,797
N+2	26,621,911	5,148,034
N+3	25,179,378	4,265,464
N+4	24,345,150	3,243,195
N+5	21,456,387	2,697,356
After N+5	45,977,241	10,654,331
	174,698,182	36,580,960

At the end of the lease period, the Group has, in certain contracts, the possibility of exercising the option to acquire the assets at its fair value.

36 TURNOVER

As at 31 December 2018 and 2017, Turnover is made up as follows:

	31 Dec 2018	31 Dec 2017 Restated
Sale of goods	4,191,168,639	3,934,946,407
Services rendered	116,335,901	119,576,585
	4,307,504,540	4,054,522,992

37 GAINS AND LOSSES ON INVESTMENTS

As at 31 December 2018 and 2017, Gain or losses Investment is made up as follows:

	31 Dec 2018	31 Dec 2017 Restated
Dividends	130,450	130,450
Acquisition cost correction	-	(200,000)
Others	502	37
Gains / (losses) on the sale of investments in subsidiaries	502	(199,963)
Gains / (losses) on the sale of investments on available for sale	-	-
Others	-	-
Impairment losses on investments in associated companies	(2,384,956)	-
Impairment of reversal/(losses) on investments	(2,384,956)	-
Total income and (expenses) related to investments	(2,384,454)	(199,963)

38 NET FINANCIAL EXPENSES

As at 31 December 2018 and 2017, Net financial expenses are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Expenses:		
Interests payable		
related with bank loans and overdrafts	(4,339,216)	(4,150,404)
related with non convertible bonds	(4,848,469)	(5,983,003)
related with other loans	(23,901,112)	(32,444,444)
related with financial leases	-	(953)
others	(1,728,339)	(2,187,785)
	(34,817,136)	(44,766,589)
Foreign exchange losses	(1,589,218)	(590,241)
Early termination	(32,000,000)	-
Up front fees and commissions related to loans	(2,767,250)	(3,338,461)
Others	(1,543,948)	(1,375,017)
	(72,717,552)	(50,070,308)
Income:		
Interests receivable		
related with bank deposits	27,106	21,493
others	1,063,006	2,705,834
	1,090,112	2,727,327
Foreign exchange gains	882,770	427,343
Other financial income	1,803,418	65,554
	3,776,300	3,220,224
Net financial expenses	(68,941,252)	(46,850,084)

The amount recorded under "Early termination" relates to the early amortization of the subordinated debenture loan, amounting to 400,000,000 euro (Notes 24 and 44).

39 OTHER INCOME

As at 31 December 2018 and 2017, the caption “Other Income” is made up as follow:

	31 Dec 2018	31 Dec 2017 Restated
Supplementary income	22,789,108	21,912,371
Gains on sales of assets	37,993,012	13,478,930
Exchange differences	6,426,352	7,564,910
Prompt payment discounts received	23,205,453	22,044,372
Own work capitalised (Note 9)	8,952,255	8,983,732
Benefits from contractual penalties	283,090	4,105,539
Insurance claims	104,939	862,943
Subsidies	578,300	427,605
Others	2,216,630	3,525,515
	102,549,139	82,905,917

As at 31 December 2018 under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback” amounting to 37.4 million euro (10.8 million euro as at 31 de December 2017) (Note 8).

40 EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2018 and 2017, "External supplies and services" are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Advertising expenses	64,243,024	63,111,600
Rents	125,700,546	118,142,333
Transports	44,175,577	35,848,035
Electricity	63,598,872	55,184,603
Services	52,268,045	48,568,802
Maintenance	23,452,374	21,533,142
Costs with automatic payment terminals	10,072,459	9,381,941
Security	15,901,741	15,165,880
Cleaning up services	22,508,839	20,824,544
Communications	5,447,351	6,058,026
Travel expenses	6,295,029	6,054,627
Consumables	9,303,241	9,039,714
Insurances	4,743,610	5,049,579
Home delivery	7,514,904	7,115,707
Subcontracts	6,095,437	7,098,378
Others	27,061,456	27,133,810
	488,382,505	455,310,721

41 EMPLOYEE BENEFITS EXPENSE

As at 31 December 2018 and 2017, Employee benefits expense are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Salaries	407,295,593	386,076,735
Social security contributions	82,895,079	80,254,650
Insurance	9,268,477	8,755,730
Welfare	3,484,753	3,405,398
Other staff costs	20,026,314	9,714,365
	522,970,216	488,206,878

42 OTHER EXPENSES

As at 31 December 2018 and 2017, "Other expenses" are as follows:

	31 Dec 2018	31 Dec 2017 Restated
Exchange differences	5,503,829	7,044,877
Galp/Continente loyalty program	12,608,328	12,952,899
Losses on the disposal of assets	3,461,993	6,663,024
Other taxes	5,285,301	5,719,100
Donations	7,987,730	6,440,050
Municipal property tax	1,979,276	2,038,617
Others	7,739,156	2,920,188
	44,565,613	43,778,755

43 INCOME TAX EXPENSE

As at 31 December 2018 and 2017, income tax is made up as follows:

	31 Dec 2018	31 Dec 2017 Restated
Current tax	10,193,864	21,156,927
Deferred tax (Note 20)	2,871,423	18,211,414
	13,065,287	39,368,341

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2018 and 2017 is as follows:

	31 Dec 2018	31 Dec 2017 Restated
Profit before income tax	124,279,903	122,937,284
Income tax rate in Portugal (21%)	26,098,780	25,816,830
Effect of different income tax rates in other countries	(9,394,329)	(9,705,893)
Difference between capital (losses)/gains for accounting and tax purposes	(1,201,150)	(461,880)
Gains or losses in jointly controlled and associated companies (Note 11)	594,627	1,209,804
Registration of tax losses / tax credits without the corresponding deferred tax asset (account receivable from parent company RETGS)	-	17,455,438
Use of tax losses that have not originated deferred tax assets	1,312,162	(112,184)
Amortization of goodwill for tax pruposes in Spain (Note 20)	5,816,679	17,457,039
Effect of constitution or reversal of deferred taxes	(4,940,115)	(3,888,599)
Donations unforeseen or beyond the legal limits	88,724	594,783
Use of tax benefits	(10,100,850)	(2,624,030)
Under/(over) Income tax estimates	(766,766)	(10,997,351)
Autonomous taxes and tax benefits	2,518,242	2,895,176
Municipality surcharge	2,371,232	5,892,382
Others	668,051	(4,163,174)
Income tax	13,065,287	39,368,341

44 RELATED PARTIES

Balances and transactions with related parties during the periods ended 31 December 2018 and 2017 are as follows:

	Parent company		Jointly controlled companies		Associated companies	
	31 Dec 2018	31 Dec 2017 Restated	31 Dec 2018	31 Dec 2017 Restated	31 Dec 2018	31 Dec 2017 Restated
Sales & Services rendered	1,349,603	1,320,928	3,175,132	12,447,850	37,448,862	36,110,083
Other income	62,740	57,185	131,066	4,173,563	209,613	214,267
Financial income	-	186	-	-	-	10,332
Cost of goods sold and materials consumed	-	-	262,955,285	220,672,480	990	36
External supplies and services	1,626,596	1,547,498	65,805	2,577,415	-	-
Other expenses	3	145	8,748	26,816	-	1,423
Financial expense	438,464	613,776	-	-	-	-
	3,477,405	3,539,717	266,336,036	239,898,124	37,659,465	36,336,140

	Other Related Parties		Discontinued Operations	
	31 Dec 2018	31 Dec 2017 Restated	31 Dec 2018	31 Dec 2017 Restated
Sales & Services rendered	44,374,532	43,445,849	68,442,840	67,789,018
Other income	1,708,270	2,349,085	11,385,827	8,362,243
Financial income	-	-	948,970	1,431,624
Cost of goods sold and materials consumed	1,999,287	2,498,767	35,091,002	37,581,377
External supplies and services	44,034,755	38,510,196	14,624,014	15,078,697
Other expenses	907,573	410,403	3,927,297	95,211
Financial expense	55,911,111	32,491,891	1,008,452	1,236,069
	148,935,527	119,706,192	135,428,402	131,574,239

	Parent company		Jointly controlled companies		Associated companies	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Other non-current assets	-	-	-	-	-	-
Trade receivables	104,189	244,501	312,350	4,748,044	1,411,382	2,391,021
Other receivables	30,863	13,597	591,594	7,969	(8)	4,743
Income tax assets	21,435,437	4,402,358	-	-	-	-
Other current assets	49,320	44,843	(102,136)	(83,504)	-	-
Other non-current liabilities	-	-	-	-	-	-
Trade payables	154,049	191,303	69,610,827	26,137,966	2,097	1,107
Other payables	-	-	-	-	-	-
Income tax liabilities	16,816,833	26,837,408	-	-	-	-
Other current liabilities	1,510,506	1,387,051	167,719	124,389	-	-
	40,101,198	33,121,061	70,580,355	30,934,864	1,413,471	2,396,871
Property, plant and equipment acquisitions	-	7,036	1,790	17,122	-	-
Property, plant and equipment disposals	-	890	1,790	43,107	4,223	-
Intangible Assets acquisitions	-	-	-	-	-	-
Intangible Assets disposals	-	-	-	33,408	-	-
	-	7,926	3,580	93,638	4,223	-

	Other Related Parties		Discontinued Operations	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Other non-current assets	-	146,156	-	996,727
Trade receivables	9,241,546	17,715,567	89,900,452	1,372,779
Other receivables	6,054,400	2,575,082	9,734,256	247,927
Income tax assets	-	-	1,992,101	-
Other current assets	2,035,528	1,619,866	1,202,186	850,973
Other non-current liabilities	239,447	400,273,765	152,112	(8,359)
Trade payables	2,114,238	7,208,483	7,049,159	315,300
Other payables	12,776,952	10,962,656	499,618	8,959
Income tax liabilities	538,414	264,765	18,739,884	-
Other current liabilities	2,215,790	2,854,600	1,844,159	45,019
	35,216,315	443,620,940	131,113,928	3,829,326
Property, plant and equipment acquisitions	35,613,067	36,282,444	-	-
Property, plant and equipment disposals	4,970,719	313,011	13,010	-
Intangible Assets acquisitions	3,308,763	4,293,009	-	-
Intangible Assets disposals	-	3,434	6,041,129	-
	43,892,549	40,891,898	6,054,139	-

	31 Dec 2018	
	Receipts	Payments
Parent company and discontinued operations	-	-
Movements related to Financial	1,342,836,448	(66,183,601)
Movements related to debt and interest	1,229,808,400	(1,416,172,044)
Transactions related to discontinued operations that were not separated into a single legal entity	194,673,737	(200,375,490)
Dividends obtained	1,073,132	-
	-	-
Total	2,768,391,717	(1,682,731,135)

1) "Other related parties" are considered to be related party affiliates or companies under joint control of Efanor SGPS, SA that are not included in Sonae MC, including companies belonging to the Sonae Group, Sonae Indústria and Sonae Capital, and minority shareholders of subsidiaries of the Group.

The remuneration of the members of the Board of Directors of the parent company and of the employees with strategic management responsibility, earned in all Sonae MC companies for the years ended at 31 December 2018 and 2017, is composed as follows:

	31 Dec 2018		31 Dec 2017	
	Administrative Council	Direction Strategic (a)	Administrative Council	Direction Strategic (a)
Short-term benefits	93,750	3,308,141	-	7,664,224
Share Benefits	-	1,012,400	-	2,344,500
	93,750	4,320,541	-	10,008,724

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

45 EARNING PER SHARE

Earnings per share for the periods ended 31 December 2018 and 2017 were calculated taking into consideration the following amounts:

	31 Dec 2018		31 Dec 2017 Restated	
	Continuing Operations	Discontinuing Operations	Continuing Operations	Discontinuing Operations
Net profit				
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	108,607,597	540,346,997	80,965,870	(53,333,777)
Net profit taken into consideration to calculate diluted earnings per share	108,607,597	540,346,997	80,965,870	(53,333,777)
Number of shares				
Weighted average number of shares used to calculate basic earnings per share	925,000,000	925,000,000	900,000,000	900,000,000
Effect of dilutive potential ordinary shares from	-	-	-	-
				-
Weighted average number of shares used to calculate diluted earnings per share	925,000,000	925,000,000	900,000,000	900,000,000
Earnings per share				
Basic	0.117414	0.584159	0.089962	(0.059260)
Diluted	0.117414	0.584159	0.089962	(0.059260)

As at 31 December 2018 and 2017 there are no dilutive effects on the number of outstanding shares.

46 CASH RECEIPTS AND CASH PAYMENTS OF INVESTMENTS

As at 31 December 2018 and 2017, cash receipts and cash payments related to investments can be detailed as follows:

- Investment Activities

Receipts	31 Dec 2018	31 Dec 2017
Receipt of disposal of Imoconti, in 2016	-	21,009,032
Receipt relating to the sale of Raso SGPS	-	537,500
Receipt relating to the sale of MDS SGPS	-	6,507
Price adjustment of Losan Group	-	-
Disposal of Sport Zone participation (Note 4.2)	28,628,150	-
Settlement of Apor	254,796	-
Compensation Fund Work	392,874	-
	647,670	21,553,039

Payments	31 Dec 2018	31 Dec 2017
Acquisition of Gowell- Promoção Eventos, Catering e	-	3,788,464
Capital increase in Ulabox	-	2,007,819
Acquisition of participation on MDS SGPS, SA	-	1,614,800
Subscription of JD Sprinter Shares (Note 4.2)	26,546,230	-
Compensation Fund Work	871,499	1,323,730
Additional paid in capital in S2 Mozambique SA	118,745	1,078,154
Acquisition of Brio- Prod. Agricultura Biológica, SA (Note 5)	584,229	931,023
Capital increase in Movvo	-	380,783
	1,574,473	11,124,773

Receipts	31 Dec 2018	31 Dec 2017
Disposal of Imosonae II fund units	-	1,124,447
Others	-	88,740
	-	1,213,187

Payments	31 Dec 2018	31 Dec 2017
Acquisition of Imosonae II fund units	-	1,267,876
Others	-	236,377
	-	1,504,253

47 SUBSEQUENT EVENTS

As at 28 September 2018, Sonae SGPS, SA informed that its subsidiary Modelo Continente Hipermercados SA, a subsidiary in Spain, entered into an agreement with Corpfin Capital to acquire 60% of Tomenider SL ("Company"), which holds 100% of Arenal Perfumarias SLU ("Arenal"), for the total estimated value of approximately 45 million euro. Arenal is a retailer of para-pharmacies and perfumeries with a network of 41 stores in the north of Spain. Founded in 1971 by the Vázquez family, Arenal generated a turnover of 97 million euro in 2017

At 11 December 2018, the transaction was approved by the competent competition authorities. The conclusion of this operation, scheduled for January 2019, will enable Sonae MC to significantly enhance the joint assets and competences of Well's and Arenal, reinforcing its position in the Health Wellness segment, one of its main strategic development pillars.

48 APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors and authorized for issue on 29 March 2019. Nevertheless, they are still subject to approval at the Shareholders Annual General Meeting.

49 GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by Sonae as at 31 December 2018 and 31 December 2017 are as follows:

				Percentage of capital held			
				31 Dec 2018		31 Dec 2017	
	COMPANY		Head Office	Direct*	Total*	Direct*	Total*
1)	**Sonae Investimentos- SGPS, S.A.**		Matosinhos	HOLDING	HOLDING	HOLDING	HOLDING
	Sonae MC						
2)	Amor Bio, Mercado Biológico, Lda	a)	Maia	100.00%	100.00%	-	-
	BB Food Service, S.A.	a)	Maia	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%
	Continente Hipermercados, S.A.	a)	Oeiras	100.00%	100.00%	100.00%	100.00%
	Elergone Energias, Lda	a)	Matosinhos	75.00%	75.00%	75.00%	75.00%
	Farmácia Selecção, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Go Well – Promoção de Eventos, Catering e Consultoria, S.A.	a)	Lisboa	51.00%	51.00%	51.00%	51.00%
	MCCARE – Serviços de Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Make Notes Design, Lda	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Marcas MC, zRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%	100.00%
	Modelo Continente Hipermercados, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Pharmacontinente - Saúde e Higiene, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Pharmaconcept – Atividades em Saúde, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
3)	SK Skin Health Cosmetics, S.A.	a)	Oeiras	-	-	100.00%	100.00%

	Worten						
3)	HighDome PCC Limited (Cell Europe)	a)	La Valletta (Malta)	-	-	100.00%	100.00%
3)	Infofield - Informática, S.A.	a)	Maia	-	-	100.00%	100.00%
3)	Worten Canarias, S.L.	a)	Tenerife (Spain)	-	-	60.00%	60.00%
3)	Worten - Equipamento para o Lar, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
3)	Worten España Distribución, S.L.	a)	Madrid (Spain)	-	-	100.00%	100.00%
	Sonae Sports & Fashion						
3)	Bright Brands Sports Goods, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
3)	Comercial Losan Polonia SP. Z.O.O.	a)	Warsaw (Poland)	-	-	100.00%	100.00%
3)	Comercial Losan, S.L.U.	a)	Zaragoza (Spain)	-	-	100.00%	100.00%
3)	Fashion Division, S.A.	a)	Maia	-	-	100.00%	100.00%
3)	Fashion Division Canárias, SL	a)	Tenerife (Spain)	-	-	100.00%	100.00%
3)	Irmãos Vila Nova, S.A.	b)	Vila Nova de Famalicão	-	-	100.00%	50.00%
3)	Irmãos Vila Nova III - Imobiliária, S.A.	b)	Vila Nova de Famalicão	-	-	100.00%	50.00%
3)	IVN – Serviços Partilhados, S.A.	b)	Vila Nova de Famalicão	-	-	100.00%	50.00%
3)	IVN Asia Limited	b)	Hong Kong (China)	-	-	100.00%	50.00%
3)	Losan Colombia, S.A.S.	a)	Bogotá (Colombia)	-	-	100.00%	100.00%
3)	Losan Overseas Textile, S.L	a)	Zaragoza (Spain)	-	-	100.00%	100.00%
3)	Losan Tekstil Urun.V E Dis Ticaret, L.S.	a)	Istanbul (Turkey)	-	-	100.00%	100.00%
3)	Modalfa - Comércio e Serviços, S.A.	a)	Maia	-	-	100.00%	100.00%
3)	Modalloop – Vestuário e Calçado, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
3)	Salsa Canarias SL	b)	Tenerife (Spain)	-	-	60.00%	30.00%

3)	Salsa DE Gmbh	b)	Dusseldorf (Germany)	-	-	100.00%	50.00%
3)	Salsa Distribution USA LLC	b)	New York (USA)	-	-	100.00%	50.00%
3)	Salsa France, S.A.R.L.	b)	Paris (France)	-	-	99.99%	50.00%
3)	Salsa Luxembourg, Sàrl	b)	Luxembourg	-	-	100.00%	50.00%
3)	SDSR – Sports Division SR, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
3)	SLS Salsa – Comércio e Difusão de Vestuário, S.A.	b)	Vila Nova de Famalicão	-	-	100.00%	50.00%
3)	SLS Salsa España – Comercio y Difusión de Vestuario, S.A.U.	b)	Pontevedra (Spain)	-	-	100.00%	50.00%
3) 4)	Sport Zone Canarias, SL	a)	Tenerife (Spain)	-	-	60.00%	60.00%
3) 4)	Sport Zone España - Comércio de Articulos de Deporte, SA	a)	Madrid (Spain)	-	-	100.00%	100.00%
5)	Sport Zone Sport Maiz.Per.Satis Ith.Ve tic Ltd Sti	a)	Istanbul (Turkey)	-	-	100.00%	100.00%
3)	Têxtil do Marco, S.A.	a)	Marco de Canaveses	-	-	92.76%	92.76%
3)	Usebti Textile México S.A. de C.V.	a)	City of México (Mexico)	-	-	100.00%	100.00%
3)	Zippy – Comércio e Distribuição, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
3)	Zippy - Comércio Y Distribución, S.A.	a)	Madrid (Spain)	-	-	100.00%	100.00%
5)	Zíppy Cocuk Maiz.Dag.Satis Ith.Ve Tic Ltd Sti	a)	Istanbul (Turkey)	-	-	100.00%	100.00%
3) 6) 7)	ZYEvolution – Investig.e Desenvolvimento, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
	Sonae RP						
3)	Arat Inmuebles, S.A.	a)	Madrid (Spain)	-	-	100.00%	100.00%
	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%
	Bertimóvel - Sociedade Imobiliária, 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%
3)	Chão Verde - Sociedade de Gestão Imobiliária, S.A.	a)	Maia	-	-	100.00%	100.00%

	Citorres - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Contimobe - Imobiliária de Castelo de Paiva, S.A.	a)	Castelo de Paiva	100.00%	100.00%	100.00%	100.00%
	Cumulativa - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
3)	Fundo de Investimento Imobiliário Fechado Imosede	a)	Maia	-	-	80.40%	80.40%
	Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia	98.00%	98.00%	97.91%	97.91%
	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%
	MJLF - Empreendimentos Imobiliários, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Modelo Hiper Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Ponto de Chegada – Sociedade Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Predicomercial - Promoção Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Predilugar - Sociedade Imobiliária, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	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%
3)	Sesagest - Proj.Gestão Imobiliária, S.A.	a)	Porto	-	-	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%
3)	Sonaegest- Sociedade Gestora de Fundos de Investimento, S.A.	a)	Maia	-	-	60.00%	60.00%
	Sonaerp – Retail Properties, S.A.	a)	Porto	100.00%	100.00%	100.00%	100.00%
	Sondis Imobiliária, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Valor N, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Maxmat						

	Modelo - Distribuição de Materiais de Construção, S.A.	b)	Maia	50.00%	50.00%	50.00%	50.00%
	Sonae FS						
3) 8)	SFS – Gestão e Consultoria, S.A.	a)	Maia	-	-	100.00%	100.00%
3)	Sonae Financial Services, S.A.	a)	Maia	-	-	100.00%	100.00%
	Others						
	Modelo Continente International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	SCBrasil Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	SIAL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	Soflorin, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
9)	Modelo Continente, SGPS, S.A.	a)	Matosinhos	100.00%	100.00%	100.00%	100.00%
	Sonae MC S2 Africa Limited	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
3)	Sonae SR Malta Holding Limited	a)	Malta	-	-	100.00%	100.00%
3)	Sonae SR – Serviços e Logística, S.A.	a)	Matosinhos	-	-	100.00%	100.00%
10)	Sonae MC – Serviços Partilhados, S.A.	a)	Maia	100.00%	100.00%	100.00%	100.00%
	Sonvecap, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
3)	Tlantic BV	a)	Amsterdam (Netherlands)	-	-	70.71%	70.71%
3)	Tlantic Portugal - Sistemas de Informação, S.A.	a)	Matosinhos	-	-	100.00%	70.71%
3)	Tlantic Sistemas de Informação, Ltda	a)	Porto Alegre (Brazil)	-	-	100.00%	70.71%

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

a) Control held by majority of voting rights which gives power of relevant activities;

b) Control held by majority of Board members.

1) Former Sonae Investimentos- SGPS, S.A.;

2) Company acquired during the period;

3) Company disposal during the period;

4) After the conclusion of the agreement for the combination between Sport Zone and JD Sprinter on31 January 2018, Sport Zone and its subsidiaries are no longer included in the consolidation method and are now consolidated using the equity method;

5) Company in liquidation process reason why it is classified in discontinued operations in the period;

6) Former ZYEvolution – Investig.e Desenvolvimento, S.A.;

7) Former Sonae – Shared Service Center, S.A.;

8) Former SFS – Serviços de Gestão e Marketing, S.A.;

9) Former Sonae MC – Modelo Continente, SGPS, S.A.;

10) Former Sonaecenter Serviços II, S.A..

These entities are consolidated using the full consolidation method.

Approved at the Board of Directors meeting on 29 March 2019

The Board of Directors,

Ângelo Gabriel Ribeirinho dos Santos Paupério

Maria Cláudia Teixeira de Azevedo

João Pedro Magalhães da Silva Torres Dolores

Álvaro José Barrigas do Nascimento

António Carlos Merckx de Menezes Soares

Ricardo Emanuel Mangana Monteiro

Luís Miguel Mesquita Soares Moutinho

Rui Manuel Teixeira Soares de Almeida

Isabel Sofia Bragança Simões Barros

José Manuel Cardoso Fortunato

Maria Inês Martins Valadas

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	31.December.2018	31.December.2017
ASSETS			
NON-CURRENT ASSETS:			
Intangible assets	7	-	86
Investments	6	1,524,967,499	1,636,342,459
Deferred tax assets		6,211	3,042
Other non-current assets	5, 8	819,906,686	1,444,692,956
Total non-current assets		2,344,880,396	3,081,038,543
CURRENT ASSETS:			
Other debtors	5, 9	783,916,162	1,215,249,146
Taxes recoverable	10	5,619,332	5,619,332
Other current assets	5, 11	2,348,966	3,234,157
Cash and cash equivalents	5, 12	17,382,396	475,958
Total current assets		809,266,856	1,224,578,593
TOTAL ASSETS		3,154,147,252	4,305,617,136
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	13	1,000,000,000	1,000,000,000
Legal reserves	14	174,887,958	174,845,768
Hedging reserve, fair value reserve and other reserves	15	778,740,908	1,621,939,314
Profit for the period		61,230,652	843,784
TOTAL EQUITY		2,014,859,518	2,797,628,866
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bonds	5, 16	254,870,409	257,306,545
Bank loans	5, 16	313,000,000	213,500,000
Other non-current liabilities	5, 17	-	400,000,000
Total non-current liabilities		567,870,409	870,806,545
CURRENT LIABILITIES:			
Bonds	5, 16	2,996,380	52,970,806
Bank loans	5, 16	15,500,000	110,012,621
Trade accounts payable	5, 18	262,304	168,320
Other creditors	5, 19	548,239,160	469,514,996
Taxes and contributions payable	10	1,960,091	1,893,882
Other current liabilities	5, 20	2,459,390	2,621,100
Total current liabilities		571,417,325	637,181,725
TOTAL EQUITY AND LIABILITIES		3,154,147,252	4,305,617,136

The accompanying notes are part of these separate financial statements.

SEPARATE INCOME STATEMENT FOR THE YEARS ENDED AS AT 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	31.December.2018	31.December.2017
Gains or losses on investments	24	99,201,216	19,996,081
Financial income	25	28,416,374	30,705,118
Other income	26	628,807	628,244
External supplies and services	27	(4,649,546)	(2,941,642)
Staff costs	28	(159,693)	(44,307)
Depreciation and amortisation	7	(86)	(129)
Provisions and impairment losses	21	(27,794)	(13,522)
Financial expenses	25	(70,110,029)	(47,756,635)
Other expenses		(78,727)	(115,540)
Profit/(Loss) before taxation		53,220,522	457,668
Taxation	29	8,010,130	386,116
Profit/(Loss) after taxation		61,230,652	843,784
Profit/(Loss) per share	30	0.0659	0.0009

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED AS AT 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	31.December.2018	31.December.2017
Net Profit / (Loss) for the period	61,230,652	843,784
Total comprehensive income for the period	61,230,652	843,784

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AS AT 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	Share capital	Legal reserve	Legal reserve in accordance with article 324 of Commercial Companies Code	Other reserves	Total reserves and retained earnings	Net Profit/(Loss)	Total
Balance as at 1 January 2017		1,000,000,000	170,940,266	320,000,000	1,267,734,789	1,587,734,789	78,110,026	2,836,785,081
Total comprehensive income for the year		-	-	-	-	-	843,785	843,785
Appropriation of profit of 2016:								
Transfer to legal reserve and other reserves	13, 14, 15	-	3,905,502	-	34,204,525	34,204,525	(38,110,027)	-
Dividends distributed	13	-	-	-	-	-	(40,000,000)	(40,000,000)
Balance as at 31 december 2017		1,000,000,000	174,845,768	320,000,000	1,301,939,314	1,621,939,314	843,784	2,797,628,866
Balance as at 1 January 2018		1,000,000,000	174,845,768	320,000,000	1,301,939,314	1,621,939,314	843,784	2,797,628,866
Total comprehensive income for the year		-	-	-	-	-	61,230,652	61,230,652
Appropriation of profit of 2017:								
Transfer to reserves	13, 14, 15	-	42,190	-	801,594	801,594	(843,784)	-
Reimbursement supplementary capital		-	-	-	(372,000,000)	(372,000,000)	-	(372,000,000)
Reserves distributed	13, 15	-	-	-	(472,000,000)	(472,000,000)	-	(472,000,000)
Deactivation of reserves in accordance article 324 of Commericlal Companies Code	15	-	-	(320,000,000)	320,000,000	-	-	-
Balance as at 31 december 2018		1,000,000,000	174,887,958	-	778,740,908	778,740,908	61,230,652	2,014,859,518

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED AS AT 31 DECEMBER 2018 AND 2017

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

(Amounts expressed in euro)	Notes	31.December.2018	31.December.2017
OPERATING ACTIVITIES			
Cash paid to trade creditors		(4,212,143)	(3,168,438)
Cash paid to employees		(93,186)	(44,349)
Cash flow generated by operations		(4,305,329)	(3,212,787)
Income tax (paid) / received		(1,151,475)	3,147,927
Other cash receipts and (payments) relating to operating activities		2,325,965	477,432
Net cash flow from operating activities (1)		(3,130,839)	412,572
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	31	217,078,035	39,288,084
Interest and similar income		29,962,935	42,805,004
Dividends		67,225	1,611,750
Others		7,364,871	9,857,867
Loans granted		4,981,451,096	5,526,563,482
		5,235,924,162	5,620,126,187
Cash payments arising from:			
Investments	31	(1,800,000)	(42,029,068)
Loans granted		(3,932,548,312)	(5,444,946,246)
		(3,934,348,312)	(5,486,975,314)
Net cash used in investment activities (2)		1,301,575,850	133,150,873
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained	32	7,604,502,973	7,394,553,858
		7,604,502,973	7,394,553,858
Cash payments arising from:			
Loans obtained	32	(7,969,848,277)	(7,439,953,213)
Interest and similar charges		(69,680,651)	(47,859,012)
Dividends	13, 15	(472,000,000)	(40,000,000)
Capital decrease and supplementary capital	13, 15	(372,000,000)	-
		(8,883,528,928)	(7,527,812,225)
Net cash used in financing activities (3)		(1,279,025,955)	(133,258,367)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		19,419,057	305,079
Cash and cash equivalents at the beginning of the period	12	(2,036,661)	(2,341,740)
Cash and cash equivalents at the end of the period	12	17,382,396	(2,036,661)

The accompanying notes are part of these separate financial statements.

SONAE MC, SGPS, SA
(Ex SONAE INVESTIMENTOS, SGPS, SA)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

(Amounts expressed in euro)

1 INTRODUTION

As at 24th July 2018 the Company changed its name from Sonae Investimentos, SGPS, SA to Sonae MC, SGPS, SA.

Sonae MC, SGPS, SA, “the Company” or “Sonae MC” it’s a Portuguese Corporation, with head-office in Rua João Mendonça nº 529, 4464-501 Senhora da Hora, Matosinhos, Portugal.

The separate financial statements are presented as required by Commercial Companies Code. According to Decree-Law 158/2009 of 13 July, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU).

Consolidated financial statements are also presented in accordance with applicable legislation.

The Company’s main activity is the management of shareholdings (note 6).

2 BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. These standards were issued by the International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Interpretations Committee ("IFRS-IC") or by the previous Standing Interpretations Committee ("SIC"), that have been adopted by the European Union.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments which are stated at fair value.

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

New accounting standards and their impact in the financial statements

Up to the approval date of these financial statements, the European Union endorsed standards, interpretations, amendments and revisions, some of which have become effective during the year 2018. These changes are presented in note 2 of the notes to the consolidated financial statements. The adoption, during 2018, of the mentioned standards did not produce relevant impacts on the Company financial statements, since they aren't applicable to the separate financial statements of the Company.

IFRS 9 and IFRS 15 impacts

The impacts of IFRS 9 and IFRS 15 that became effective at 1 January 2018, are as follows:

IFRS 9 – Financial instruments

IFRS 9 establishes the requirements relating classification, measurement and derecognition of financial instruments, introducing changes regarding financial assets classification, financial assets impairment calculation and the application of hedge accounting rules.

With the adoption of IFRS 9, the Company assessed the business models that applied to its financial assets and the characteristics of contractual cash flows, at the date of initial application of IFRS 9 (1 January 2018) and has classified financial instruments in the categories provided for in IFRS 9.

In accordance with IFRS 9 transition requirements, the Company opted for retrospective application with adjustment to retained earnings, at the date of initial adoption (1 January 2018), and comparative values were not restated.

Financial assets classified in 2017 in the "Loans and accounts receivable" category of IAS 39 are classified in 2018 as financial assets measured at amortized cost. The reclassification of these assets had no impact on equity as of 1 January 2018, since the application of the new classification criteria of IFRS 9 did not change the asset measurement model before impairment losses, and the amortized cost continued to be applied.

Impairment of financial assets

The application of IFRS 9 requires the determination of impairment losses based on the estimated credit losses model, rather than the valuation made on the basis of the incurred losses in accordance with IAS 39. Subject to the new credit impairment model set forth in IFRS 9 are debt instruments recognized at amortized cost (customers, other debtors, loans to related entities) and assets of contracts with customers. The Company applies the simplified approach of IFRS 9. Estimated impairment losses are recognized since the initial recognition of the balances and by the period of maturity considering a matrix of historical default rates for the maturity of the balances, adjusted by prospective estimates.

Loans to related entities and debt instruments were considered as having low risk. Impairment losses were determined by assessing the estimated losses over the next 12 months, according to the general model of estimated credit losses.

The total impact on the Company retained earnings by the adoption of the IFRS 9 model of impairment at 1 January 2018 was considered immaterial and was not recorded in the accounts.

IFRS 15 – Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognized on the date that the control transfer occurs, with the transaction value being allocated to the different performance obligations and subject to measurement adjustment whenever the consideration is variable or subject to a significant financial effect.

Additionally, there are standards that have been approved for adoption in the periods started on or after 1 January 2019, and standards not yet approved by the European Union. The Company did not early adopt any of the mentioned standards and do not expect significant impacts in the separate financial statements of the Company from the application of those standards. The Company is still reviewing the impacts of IFRS 16 which is expected to be immaterial. The description of these standards is presented in note 2.1 of the notes to the consolidated financial statements.Significant accounting policies

3 PRINCIPAL ACCOUNTIG POLICIES

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

3.1 Investments in subsidiaries and associates

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

Impairment analyses is performed on the basis of fair value estimate of its net assets, mainly equity investments in other Company's subsidiaries, less the subsidiaries' liabilities measured at fair value.

The above-mentioned estimate is based on the fair value computation of the value in use of its holdings by means of discounted cash flow models in order to estimate the value in use of such investments. Subsidiaries or joint ventures which main assets are investments in real estate companies or real estate assets are valued with reference to the fair 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 financial statements.

3.2 Tangible assets

Tangible assets are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation charges for the year are calculated on a straight-line basis over the useful life of each asset in the caption depreciation and amortisation.

The impairment losses in the realisable value of tangible assets are recorded in the year they arise in the caption of the Income Statement - "Provisions and impairment losses”.

3.3 Intangible assets

Intangible assets are stated at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are only recognized if it is probable that future economic benefits will flow from them, if they are controlled by the Company and if their cost can be reliably measured.

Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortization.

3.4 Financial instruments

The Company classifies the financial instruments in the categories presented and conciliated with the statement of financial position disclosed in note 5.

a) Financial assets

Accounting policy adopted from 1 January 2018

Recognition:

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

Classification:

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

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

Financial assets may be classified in the following measurement categories:

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

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

a) in the case of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, for which the business model followed by the management is the receipt of contractual cash flows or punctually that of their sale;

b) in the case of equity instruments, this category includes the percentage of interest held in entities over which the Company does not exercise control, joint control or significant influence, and that the Company has irrevocably chosen on the date of initial recognition to designate the fair value through other comprehensive income;

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

At 31 December 2018 the classification of financial assets by category is disclosed in Note 5.

Measurement:

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

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

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

Impairment losses:

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

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

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

In cases where the amount receivable is immediately 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 Company only assesses the probability of a default occurring for the cash flows that mature in the next 12 months.

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

Derecognition of financial assets:

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

Accounting policy adopted until 31 December 2017:

Classification:

Held to maturity investments were classified as non-current assets unless they mature within 12 months of the statement of financial position date. Investments classified as held to maturity have defined maturities and the Company has the intention and ability to hold them until the maturity date.

The investments measured at fair value through profit or loss, included the investments held for trading that the Company acquires for sale in a short period of time. They were classified in the statement of financial position as current investments.

The Company classifies as available-for-sale investments those that were neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets were classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

Recognition and measurement:

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments were initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs apart from investment measured at fair value through results, in which the investments were initially recognised at fair value and transaction costs were recognised in the income statement.

Held to maturity investments were recorded at amortized cost using the effective interest rate, net of amortization of principal and interest received.

After its initial recording, investments measured at fair value through profit or loss and available for sale investments were subsequently carried at fair values, by reference to their quoted market price at statement of financial position date, without any deduction for transaction costs which may be incurred on sale. Investments available for sale that do not have a quoted market price and whose fair value cannot be reliably measured were stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of investments measured at fair value through profit or loss were recorded under the caption “Gains and losses on investments” in the income statement.

Impairment losses:

The Company assessed at each financial reporting date the existence of impairment indicators for financial assets that were not measured at fair value through profit or loss. If there was objective evidence of impairment, the Company recognized an impairment loss in the income statement under "Provisions and impairment losses".

Gains or losses arising from a change in the fair value of available for sale investments were recorded in equity, until the investment is sold, received or otherwise disposed of, in caption "Fair value reserves" or until the fair value of the investment is below its cost of acquisition and that this corresponds to an impairment loss, at which time the accumulated gain or loss was recorded in the income statement. Significant or prolonged decline in the fair value of an investment in an equity instrument below its cost was also objective evidence of impairment.

In the case of investments in equity securities classified as available for sale, an investment was considered to be impaired when a significant or prolonged decline in its fair value below its cost of acquisition occurred.

Derecognition:

The Company derecognised financial assets when and only when contractual rights to cash flows had expired or had been transferred and the Company had transferred substantially all the risks and benefits arising from the ownership of the asset.

b) Loans and accounts receivable

Loans and accounts receivable are recorded at amortised cost using the effective rate method net of accumulated impairment losses, in order to reflect its realisable value.

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 the Company provides money or services directly to a debtor with no intention of trading the receivable.

Loans are recorded as current assets, except when its maturity is greater than 12 months from the statement of financial position date, situations when they are classified as non-current assets.

Receivables are recorded at their nominal value net of eventual impairment losses, recognized under the caption Provisions and impairment losses, reflecting their net realizable value..

Impairment losses of loans and account receivable are recognized according the accounting polices described on the note 3.4 k).

As at 31 December 2017, impairment was recognized if there were objective and measurable evidence that, because of one or more events that occurred, the amount would not be fully or partially received. Therefore, the Company had into consideration market information that indicated:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments;

- becoming probable that the borrower would enter bankruptcy or financial re-organization.

When it is not feasible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis. Objective evidence of impairment of a portfolio of receivables could include past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses equals the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year, the discount is considered null, as it is immaterial.

These financial assets are included in the captions presented in note 5.

c) Classification as equity or liability

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

d) Financial liabilities

Accounting policy adopted from 1 January 2018

Financial liabilities are classified into two categories:

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

ii) Financial liabilities at amortized cost.

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

As at 31 December 2018, the Company has only recognized liabilities classified as "Financial liabilities at amortized cost".

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

Accounting policy adopted until 31 December 2017

Financial liabilities were classified into two categories:

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

(ii) Other financial liabilities.

The category "Other financial liabilities" includes liabilities presented under "Loans", ", "Trade payables" and "Other creditors". These liabilities were initially recognized at fair value and subsequently measured at amortized cost at the effective interest rate.

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

e) Loans

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

Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in note 3.6. 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.

f) Trade account payable and other creditors

Trade accounts payable and other creditors are stated at their nominal value, since it relates to short term debt, and its discount effect is estimated to be immaterial.

g) Derivatives

The Company uses derivatives in the management of its financial risks to hedge such risks and-or to optimize the “funding costs”, not being used with speculative purposes.

Accounting policy adopted from 1 January 2018

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 the Company, in each transaction is the amount of the hedged item and the amount of the hedging instrument that the entity effectively uses to cover that amount of the hedged item.

The inefficiencies, if any, are accounted under “Financial income” or “Financial expenses” in the individual income statement.

The Company may agree to become part of a derivative transaction in order to hedge cash-flows related to exchange rate risk. In some cases, these derivatives may not fulfil the criteria for hedging accounting under IFRS 9 and, if so, changes in their fair value are recognized in the income statement.

In some derivative transactions the Company does not apply “hedge accounting”, although they intend to hedge cash-flows (currency “forward”, interest’s rate option or derivatives including similar clauses). They are initially accounted for at cost, which is equal to fair value, if any, and subsequently adjusted to the corresponding fair value, determined by specialized software. Changes in fair value of these instruments are recognized in the income statement under “Financial income” and “Financial expenses”.

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.

Accounting policy adopted until 31 December 2017

The Company’s criteria for classifying a derivative instrument as a cash flow hedge instrument include:

i) the hedge transaction was expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;

ii) the effectiveness of the hedge can be reliably measured;

iv) there was adequate documentation of the hedging relationships at the inception of the hedge;

iv) the transaction being hedged was highly probable.

Cash flow hedge instruments exposure to changes in interest and exchange rates of its loans are initially accounted for at cost, if any, which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption “Hedging reserves”, and then recognized in the income statement over the same period in which the hedged instrument affects profit or loss.

For derivatives designated as hedging in line of IAS 39 were found to comply with the coverage under IFRS9, therefore no adjustment was made on 1 January 2018.

h) Treasury shares

Treasury shares are recorded at acquisition cost as a reduction to equity.

Gains or losses arising from sales of treasury shares are directly recorded in other reserves.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the cash flows statement, cash and cash equivalents also include bank overdrafts, which are included in the statement of financial position caption of current bank loans.

j) Effetive interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense until the maturity of the financial instrument.

k) Impairment on financial assets

Accounting policy adopted from 1 January 2018

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Company assesses, among other factors, the duration and extent of the circumstances under which the recoverable value of these assets may be lower than their book value. The balances of “ Loans granted to related parties”; "Trade receivables" and “Other debtors" are valued taking into account the history of default, current market conditions, and estimated prospective information by reference to the end of each reporting period, while the most critical evaluation elements for the purpose of analyzing estimated credit losses, as described in 4.2

Accounting policy adopted until 31 December 2017

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Board assesses, among other factors, the duration and extent of circumstances in which the recoverable value of these assets is lower than their cost. The balances of “ Loans granted to related parties" Trade receivables "and " Other debtors " were valued taking into account the frequency of default, recovery of previously recognized impairments and financial situation of the debtor, as more critical valuation elements for analysis purposes impairment.

3.5 Contigent assets and liabilities

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

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

3.6 Revenue recognition and accrual basis

Revenue from services rendered is recognized in the income statement in the period they are performed.

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

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

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

3.7 Subsequent events

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

3.8 Judgements and estimatives

The most significant accounting estimates reflected in the financial statements are as follows:

a) Record of adjustments to the value of assets and provisions;

b) Impairment analysis of financial investments and loans granted to affiliated, jointly controlled companies and associated companies;

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Although future events, are not controlled by the Company are not foreseeable, some could occur and have impact on the estimates. Therefore, and due to this uncertainty the outcome of the transactions being estimated may differ from the initial estimate. Changes to the estimates used by management that occur after the approval date of these consolidated financial statements, will be recognized in net income prospectively, in accordance with IAS 8.

The main estimates and assumptions in relation to future events included in the preparation of these financial statements are disclosed in the correspondent notes, if applicable.

3.9 Income tax

Current income tax is determined on taxable income of Company, in accordance with the tax rules approved, and considers deferred taxation when existing.

Sonae MC is included in the group of companies dominated by Sonae, SGPS, SA, and it is taxed in accordance with the Special Regime of Taxing Groups of Companies since 1 January 2014. The balance of the income tax to be receive or pay by Company is included in the balance sheet caption Other debts/Other creditors respectively.

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

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

Deferred tax 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.

3.10 Transactions with related parties

Transactions with related parties are performed at arm’s length conditions, and the gains or losses arising on those transactions are recognized and disclosed in note 23.

4 FINANCIAL RISK MANAGEMENT

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

4.1 Market risk

The interest and exchange rate risk have a decisive importance in what concerns market risk management.

4.1.1 Interest rate risk

Sonae MC exposure to the interest rate risk arises mainly from the long term loans which bear interests indexed to Euribor.

The company's goal is to reduce cash-flows and income volatility, considering the profile of its operational activity, by using an appropriate mix of fixed and variable interest rate debt. Sonae MC's policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but not for speculation purposes.

Derivatives used to hedge interest risks are classified as cash flow hedging instruments because they qualify as perfect hedging. Conditions established for these cash flow hedging instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges.

Sensitivity analysis:

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

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

- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at 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 financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculation with impact in equity (other reserves);

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

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

Under these assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher, the net profit before tax for the period ended as at 31 December 2018 would increase by approximately 9 million euro (13 million euro as at 31 December 2017), considering the contractual fixing dates and excluding other effects arising from the Company operations.

4.1.2 Exchange rate risk

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the assets and liabilities are denominated in euro.

4.1.3 Liquidity risk

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

The Company follows an active policy of refinancing, guided by the maintenance of a high level of free financial resources, immediately available to deal with short-term needs, and by increasing or maintenance of the maturity of debt, in accordance with the expected cash flows and the ability to leverage its financial position. As at 31 December 2018 Sonae MC debt average maturity was of 3.3 years (4.0 years as at 31 December 2017).

Other important response instruments to liquidity risk are the limitation for contractual clauses capable of triggering the prepayment of loans, before its termination. The Company also guarantees, a high level of diversification in its relationships with financial institutions, which makes it easier to hire new loans and limits the negative impact of any discontinuation on relationship.

The Company maintains a liquidity reserve in the form of credit lines with its relationship banks, to ensure the ability to meet its commitments without having to refinance itself on unfavorable terms. As at 31 December 2018, the amount of loans with maturity in 2019 is of 19 million euro (163 million with maturity in 2018) and as at 31 December 2018, the Company had a total of 94 million euro committed credit facilities for a period of one year (94 million euro as at 31 December 2017), and 137 million euro (150 million euro as at 31 December 2017) committed for periods over than one year. Furthermore, Sonae MC maintains as at 31 December 2018 a liquidity reserve that includes cash and cash equivalents as described on note 12. Sonae MC expects to meet all its obligations by means of its investments cash flows and from its financial assets as well as from drawing existing available credit lines, if needed.

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

4.2 Credit risk

Sonae MC is primarily exposed to credit risk in its dealings with financing companies in which it participates.

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

Sonae MC is also exposed to the credit risk in its relationship with financial institutions, in result of bank deposits, debt instruments available facilities, derivates, among others.

The credit risk is limited to financial institutions, by risk concentration management and by a selection of counterparties, which have a high national and international prestige and based on their respective rating notations taking into account the nature, maturity and size of the operations.

5 FINANCIAL INSTRUMENTS BY CLASS

The accounting policies disclosed in note 3.4 as at 31 December 2018 and 2017, have been applied to the line items below:

	31.December.2018			
	Notes	Assets/liabilities at amortized cost	Other non-financial assts/liabilities	Total
Other non-current assets	8	819,906,686	-	819,906,686
Non-current assets		819,906,686	-	819,906,686
Other debtors	9	783,916,162	-	783,916,162
Other current assets	11	1,152,986	1,195,980	2,348,966
Cash and cash equivalents	12	17,382,396	-	17,382,396
Current assets		802,451,544	1,195,980	803,647,524
Financial Assets		1,622,358,230	1,195,980	1,623,554,210
Bonds	16	254,870,409	-	254,870,409
Bank loans	16	313,000,000	-	313,000,000
Non-current liabilities		567,870,409	-	567,870,409
Bonds	16	2,996,380	-	2,996,380
Bank loans	16	15,500,000	-	15,500,000
Trade accounts payable	18	262,304	-	262,304
Other payables accounts	19	548,239,160	-	548,239,160
Other current liabilities	20	2,459,390	-	2,459,390
Current liabilities		569,457,234	-	569,457,234
Financial Liabilities		1,137,327,643	-	1,137,327,643

		31.December.2017		
	Notes	Assets/liabilities at amortized cost	Other non-financial assets/liabilities	Total
Other non-current assets	8	1,444,692,956	-	1,444,692,956
Non-current assets		1,444,692,956	-	1,444,692,956
Other debtors	9	1,215,249,146	-	1,215,249,146
Other current assets	11	1,640,954	1,593,203	3,234,157
Cash and cash equivalents	12	475,958	-	475,958
Current assets		1,217,366,058	1,593,203	1,218,959,261
Financial Assets		2,662,059,014	1,593,203	2,663,652,217
Bonds	16	257,306,545	-	257,306,545
Bank loans	16	213,500,000	-	213,500,000
Other non-current liabilities	17	400,000,000	-	400,000,000
Non-current liabilities		870,806,545	-	870,806,545
Bonds	16	52,970,806	-	52,970,806
Bank loans	16	110,012,621	-	110,012,621
Trade accounts payable	18	168,320	-	168,320
Other payables accounts	19	469,514,996	-	469,514,996
Other current liabilities	20	2,621,100	-	2,621,100
Current liabilities		635,287,843	-	635,287,843
Financial Liabilities		1,506,094,388	-	1,506,094,388

6 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES COMPANIES

As at 31 December 2018 and 2017, the investments in subsidiaries and associates companies is made up as follows:

	31.December.2018								
Companies		Acquisition cost						Accumulated impairment	Amount of statament of financial position
	% held	Opening balance	Increases		Decreases		Final balance		
Apor - Agência para a Modernização do Porto, SA	-	300,000	-		300,000	(3)	-	-	-
Elergone Energia, Lda	75.00%	1,196,862	-		-		1,196,862	-	1,196,862
Fundo de Investimento Imobiliário Fechado Imosede	-	103,497,607	-		103,497,607	(2)	-	-	-
Fundo de Investimento Imobiliário Imosonae Dois	0.09%	143,429	-		-		143,429	-	143,429
MCCARE, Serviços de Saúde, SA	-	2,050,000	500,000	(1)	2,550,000	(2)	-	-	-
Modelo - Distribuição de Materiais de Construção, SA	50.00%	24,790,614	-		-		24,790,614	-	24,790,614
MOVVO, SA	25.58%	3,632,843	-		-		3,632,843	3,632,843	-
SFS - Gestão e Consultoria, SA (ex: SFS -Serviços de Gestão e Marketing, SA)	-	30,980,000	-		30,980,000	(2)	-	-	-
Sk - Skin Health Cosmetics, SA	-	2,050,000	-		2,050,000	(2)	-	-	-
SCBrasil Participações, Ltda	37.00%	19,600,308	-		-		19,600,308	19,600,308	-
Sonae MC - Serviços Partilhados, SA (ex: Sonae Center Serviços II, SA)	100.00%	60,032,319	-		-		60,032,319	-	60,032,319
Modelo Continente, SGPS, SA (ex:Sonae MC - Modelo Continente, SGPS, SA)	100.00%	1,438,804,276	-		-		1,438,804,276	-	1,438,804,276
Sonae Financial Services, SA	-	20,330,000	1,300,000	(1)	21,630,000	(2)	-	-	-
Sonae SR Malta Holding Limited	-	1	-		1	(2)	-	-	-
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	-	384,351	-		384,351	(2)	-	-	-
Total		1,707,792,609	1,800,000		161,391,958		1,548,200,650	23,233,151	1,524,967,499

(1) Cover losses;
(2) Disposal to related entities;
(3) Company liquidation;

During 2018 the Company recorded impairment losses on investments as described on note 21 and 24.

Companies	31.December.2017								
	Acquisition cost							Accumulated impairment	Amount of statament of financial position
	% held	Opening balance	Increases		Decreases		Final balance		
Apor - Agência para a Modernização do Porto, SA	22.75%	300,000	-		-		300,000	-	300,000
Chão Verde - Sociedade de Gestão Imobiliária, SA	-	2,394,591	-		2,394,591	(5)	-	-	-
Elergone Energia, Lda	75.00%	1,118,737	78,125	(1)	-		1,196,862	-	1,196,862
Fundo de Investimento Imobiliário Fechado Imosede	80.40%	103,497,607	-		-		103,497,607	-	103,497,607
Fundo de Investimento Imobiliário Imosonae Dois	-	-	1,267,876	(1)	1,124,447	(6)	143,429	-	143,429
MCCARE, Serviços de Sáude, SA	100.00%	50,000	2,000,000	(3)	-		2,050,000	-	2,050,000
MDS, SGPS, SA	-	59,766,920	-		59,766,920	(5) (6)	-	-	-
Modelo - Distribuição de Materiais de Construção, SA	50.00%	24,790,614	-		-		24,790,614	-	24,790,614
MOVVO, SA	25.58%	3,252,061	380,782	(2)	-		3,632,843	3,632,843	-
Ponto de Chegada - Promoção Imobiliária, SA	-	2,100,000	87,910	(2)	2,187,910	(5)	-	-	-
Selifa - Sociedade de Empreendimentos Imobiliários, SA	-	1,513,379	-		1,513,379	(5)	-	-	-
SFS - Gestão e Consultoria, SA (ex: SFS -Serviços de Gestão e Marketing, SA)	99.99%	50,000	30,930,000	(2) (3)	-		30,980,000	-	30,980,000
Sk - Skin Health Cosmetics, SA	100.00%	-	2,050,000	(3) (4)	-		2,050,000	-	2,050,000
SCBrasil Participações, Ltda	37.00%	19,600,308	-		-		19,600,308	19,600,308	-
Sonae MC - Serviços Partilhados, SA (ex: Sonae Center Serviços II, SA)	100.00%	58,032,319	2,000,000	(3)	-		60,032,319	-	60,032,319
Modelo Continente, SGPS, SA (ex:Sonae MC - Modelo Continente, SGPS, SA)	100.00%	1,438,804,276	-		-		1,438,804,276	48,217,000	1,390,587,276
Sonae Financial Services, SA	100.00%	17,330,000	3,000,000	(2) (3)	-		20,330,000	-	20,330,000
Sonae SR Malta Holding Limited	-	1	-		-		1	-	1
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	40.00%	384,351	-		-		384,351	-	384,351
Total		1,732,985,162	41,794,693		66,987,246		1,707,792,610	71,450,151	1,636,342,459

(1) Acquisition to unrelated enties;
(2) Cover losses;
(3) Capital increase;
(4) Created in the period;
(5) Disposal to related entities;
(6) Disposal to unrelated entities.

During 2017 the Company recorded impairment losses on investments as described on notes 21 and 24.

During 2017, as result of sales were reversed impairment losses recognized as profits as described on notes 21 and 24.

7 INTANGIBLE ASSETS

As at 31 December 2018 and 2017 the caption intangible assets can be described as follows:

Gross cost	Patents and other similar rights	Total intangible assets
Opening balance as at 1 January 2017	1,414,091	1,414,091
Opening balance as at 1 January 2018	1,414,091	1,414,091
Closing balance as at 31 December 2018	1,414,091	1,414,091
Accumulated depreciation		
Opening balance as at 1 January 2017	1,413,876	1,413,876
Increase	129	129
Opening balance as at 1 January 2018	1,414,005	1,414,005
Increase	86	86
Closing balance as at 31 December 2018	1,414,091	1,414,091
Carrying amount		
As at 31 December 2017	86	86
As at 31 December 2018	-	-

8 OTHER NON-CURRENT ASSETS

As at 31 December 2018 and 2017 the non-current assets were as follows:

	31.December.2018	31.December.2017
Loans granted (note 23 and 34)	819,906,686	1,443,692,956
Other debtors	-	1,000,000
	819,906,686	1,444,692,956

The loans granted have a long term maturity, bear interests at market rates indexed to Euribor and their fair value is similar to their carrying amount.

The impairment of loans granted to group companies is assessed in accordance with note 3.4.K.

As at 31 December 2018, the Company had accumulated impairment loss in the amount of 14,375,871 euro on loans granted to SCBrasil Participações, Ltda (3,241,916 euro in 2017) (note 21).

As at 31 December 2018 and 2017 the other loans granted are no past due.

In September 2018 the credit granted to MDS, SGPS, SA in the amount of 1,000,000 euros recorded under caption other debtors, was transferred to a related entity.

9 OTHER DEBTORS

As at 31 December 2018 and 2017, this caption is as follows:

	31.December.2018	31.December.2017
Short term loans (note 23 and 34)	752,392,528	1,188,643,000
Interests charged but not received	18,481,133	19,560,207
Taxes - Special Regime for taxation of groups of companies	9,972,890	2,255,524
Adicionnal tax payment	17,721	17,721
Special program of debt reduction to the state (DL 67/2016, 3 November)	1,002,114	1,002,114
Special regime for payment of tax and social security debts (DL 248-A/2002, 14 November)	1,108,699	2,763,268
Special regime for payment of tax and social security debts (DL 151-A/2013, 31 October)	788,298	788,298
Others	194,095	232,536
	783,957,478	1,215,262,668
Accumulated impairment losses (note 21)	(41,316)	(13,522)
	783,916,162	1,215,249,146

Loans granted to group companies return interest at variable market rates indexed to Euribor and have a maturity less than one year.

The amount of 9,972,890 euros (2,255,524 euros as of December 31, 2017), recorded in the caption Taxes – Special Regime for taxation of groups companies, corresponds to the income tax for the period receivable, in accordance with the special tax regime for groups of companies, to Sonae, SGPS, SA is the dominant Company.

The amount disclosed as Special regime for payment of tax and social security debts (DL 248-A/2002, of 14 November, DL 151-A/2013, of 31 October and DL 67/2017 of 3 November) relates to taxes paid which were previously disputed and subject to reimbursement claims. The tax litigations are still in progress, although, following the payment, the guarantees previously given were canceled. No impairment loss was recorded since it is Sonae MC understanding that the decisions over the appeals will be favorable to the Company.

The fair value of loans granted is similar to its carrying amount.

There were no past due assets thus no impairment loss was recognized as at 31 December 2018 and 2017.

10 TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2018 and 2017, taxes recoverable and taxes and contributions payable are made up as follows:

	31.December.2018	31.December.2017
Income tax	5,619,212	5,619,212
Others	120	120
Assets	5,619,332	5,619,332

	31.December.2018	31.December.2017
Income tax	1,893,202	1,893,202
Social security	33,881	677
Withholding tax	33,008	3
Liabilities	1,960,091	1,893,882

The amount recorded under the caption Assets is related to income tax receivables, still not reimbursed.

11 OTHER CURRENT ASSETS

As at 31 December 2018 and 2017, the caption Other current assets can be detailed as follows:

	31.December.2018	31.December.2017
Interests receivable	696,151	1,163,639
Indemnity interests	187,030	187,030
Guarantees	269,805	245,285
Others	-	45,000
Accrued income	1,152,986	1,640,954
Insurances	29,620	120,334
Costs with credit facilities	1,166,360	1,472,869
Prepayments	1,195,980	1,593,203
	2,348,966	3,234,157

12 CASH AND CASH EQUIVALENTS

As at 31 December 2018 and 2017, cash and cash equivalents can be detailed as follows:

	31.December.2018	31.December.2017
Bank deposits	17,382,396	475,958
Cash and cash equivalents on the statement of financial position	17,382,396	475,958
Bank overdrafts	-	(2,512,621)
Cash and cash equivalents on the cash flow statement	17,382,396	(2,036,662)

Bank overdrafts are disclosed in the statement of financial position under the caption short term bank loans.

13 SHARE CAPITAL

As at 31 December 2018 and 2017, the share capital, which is fully subscribed and paid for, is made up by 1,000,000,000 ordinary shares (1,000,000,000 as at 31 December 2017), with a nominal value of 1 euro each.

As at 17 September 2018 a subsidiary Company, Modelo Continente, SGPS, SA (Ex: Sonae MC – Modelo Continente, SGPS, SA) sold 100,000,000 Sonae MC, SGPS, SA shares to Sonae, SGPS.

As deliberated in the Shareholders General Meeting held on 26th September 2018, the Company distributed free reserves amounting to 472,000,000 euro and refunded suplementary capital amounting to 372,000,000 euro (note 15).

As deliberated in the Shareholders General Meeting held on 3rd May 2018, the net profit for the year ended 31st December 2017, in the amount of 843,784 euro, was transferred the amount of 42,190 euro to legal reserves and the amount of 801,594 euro to other reserves .

As at 31 December 2018 and 2017, the subscribed share capital was held as follows:

	31.December.2018	31.December.2017
Sonae, SGPS, SA	35.0287%	25.0287%
Sonae Investments BV	13.1444%	13.1419%
Modelo Continente, SGPS, SA	-	10.0000%
Sonaecenter Serviços, SA	51.8269%	51.8269%
Libra Serviços, Sociedade Unipessoal, Lda	-	0.0025%

As at 31 December 2018 Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae's share capital. Sonae held directly or indirectly 100% of the Company.

14 LEGAL RESERVES

The Company has set up legal reserves in accordance with Commercial Companies Code.

15 Other reserves

As at 31 December 2018 and 2017, the other reserves detail is as follows:

	31.December.2018	31.December.2017
Legal Reserves in accordance with article 324 of Commercial Companies Code	-	320,000,000
Supplementary capital	-	372,000,000
Other reserves	778,740,908	929,939,314
	778,740,908	1,621,939,314

As at 17 September 2018 a subsidiary company, Modelo Continente, SGPS, SA (Ex: Sonae MC – Modelo Continente, SGPS, SA) sold 100,000,000 Sonae MC, SGPS, SA (Ex: Sonae Investimentos, SGPS, SA) shares to Sonae, SGPS. Therefore, in accordance with article 324 of Commercial Companies Code an unavailable free reserves amount of 320,000,000 euro became available.

As deliberated in the Shareholders General Meeting held on 26th September 2018, the Company distributed free reserves amounting to 472,000,000 euro and refunded suplementary capital amounting to 372,000,000 euro.

16 Borrowings

As at 31 December 2018 and 2017, this caption included the following loans:

	31.December.2018	31.December.2017
Bonds Sonae Investimentos / December 2015/2020	50,000,000	50,000,000
Bonds Sonae Investimentos / May 2015/2022	75,000,000	75,000,000
Bonds Sonae Investimentos / December 2015/2020	30,000,000	30,000,000
Bonds Sonae Investimentos / June 2016/2021	95,000,000	95,000,000
Bonds Sonae Investimentos / September 2016/2021	6,000,000	9,000,000
Up-front fees not yet charged to income statement	(1,129,591)	(1,693,455)
Bond loans	254,870,409	257,306,545
Commercial paper	313,000,000	182,500,000
Other bank loans	-	31,000,000
Bank loans	313,000,000	213,500,000
Non-current loans	567,870,409	470,806,545

	31.December.2018	31.December.2017
Bonds Sonae Investimentos / June 2013/2018	-	50,000,000
Bonds Sonae Investimentos / 2016/2021	3,000,000	3,000,000
Up-front fees not yet charged to income statement	(3,620)	(29,194)
Bond loans	2,996,380	52,970,806
Commercial paper	15,500,000	7,500,000
Other bank loans	-	100,000,000
Bank overdrafts (note 12)	-	2,512,621
Bank loans	15,500,000	110,012,621
Current loans	18,496,380	162,983,427

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

Loans and interests shall be reimbursed as follows:

	31.December.2018		31.December.2017	
	Capital	Interests	Capital	Interests
N+1	18,500,000	6,433,366	163,012,621	6,952,560
N+2	156,000,000	5,863,231	10,500,000	5,983,847
N+3	248,000,000	3,183,834	88,000,000	5,892,725
N+4	135,000,000	1,175,967	184,200,000	3,411,126
N+5	20,000,000	334,583	159,800,000	1,520,543
after N+5	10,000,000	248,417	30,000,000	583,000
	587,500,000	17,239,398	635,512,621	24,343,801

The aforementioned maturities were estimated according to the loans contractual clauses and taking into account Sonae MC expectation of its amortization date.

As at 31 December 2018 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 2018 and 2017 in addition to the amounts in cash and its equivalents (note 12) the Company has available credit facilities in order to manage liquidity risk that can be summarized as follows:

	31.December.2018		31.December.2017	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Agreed credit facilities amounts	101,500,000	450,000,000	105,500,000	432,500,000
Available credit facilities amounts	94,000,000	137,000,000	94,183,125	150,000,000

The interest rate as at 31 December 2018 of the bonds and bank loans was, on average, 1,21% (1,33% as at 31 December 2017).

17 OTHER NON-CURRENTS LIABILITIES

On the 27th September 2018, the Company proceeded to the early amortization in full of subordinated bond loan, amounting to 400,000,000 euro, issued on the 28th December 2010 (note 25).

18 TRADE ACCOUNTS PAYABLE

As at 31 December 2018 and 2017 the trade accounts payable caption presents amounts payable within 90 days, arising on the normal course of activity.

19 OTHER CREDITORS

As at 31 December 2018 and 2017, this caption is as follows:

	31.December.2018	31.December.2017
Group companies:		
Short term loans (notes 23 e 34)	547,974,423	467,819,727
Taxes - Special Regime for taxation of groups of companies	218,612	1,660,038
Payables on the acquisitions of investements	33,800	33,800
Others	12,325	1,431
	548,239,160	469,514,996

20 OTHER CURRENT LIABILITIES

As at 31 December 2018 and 2017 other current liabilities were made up as follows:

	31.December.2018	31.December.2017
Accrued interests	1,039,624	1,438,230
Guarantees	1,049,794	966,463
Others	369,972	216,407
Accruals	2,459,390	2,621,100

21 ACCUMULATED IMPAIRMENT LOSSES

As at 31 December 2018 and 2017 the movements in provisions and accumulated impairment losses were as follows:

2018	Opening balance	Increases	Decreases	Closing balance
Investments impairment (notes 6 and 24)	71,450,151	-	48,217,000	23,233,151
Other non-current assets impairment (notes 8 and 24)	3,241,916	11,133,956	-	14,375,872
Other debtors impairment (note 9)	13,522	27,794	-	41,316

The decrease in the caption Investments and the increases and decreases other non-current assets were recorded in the income statement in the caption Investments income / losses.

2017	Opening balance	Increases	Decreases	Transfers	Closing balance
Investments impairment (notes 6 and 24)	107,293,277	14,696,583	50,539,709	-	71,450,151
Other non-current assets impairment (note 8 and 24)	5,691,916	-	1,000,000	(1,450,000)	3,241,916
Other debtors impairment (note 9)	-	13,522	-	-	13,522

The increases and decreases in the caption Investments and other non-current assets were recorded in the income statement in the caption Investments income / losses.

22 CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2018 and 2017 the contingent liabilities were detailed as follows:

	31.December.2018	31.December.2017
Guarantees rendered:		
related to tax claims awaiting outcome		
Guarantees provided by financial institutions	91,944,064	91,997,043
Guarantees provided by parent company	244,707,426	245,298,495
others	1,770,000	1,770,000
Guarantees given in favour of subsidiaries (a)	62,887,051	62,888,849

a) Guarantees given to Tax Authorities in favour of subsidiaries to suspend claims from tax authorities.

The caption Guarantees provided on tax claims includes guarantees granted to Tax Authorities regarding income tax. The most significant amounts relate to an additional tax assessment made by Tax Authorities, relating the taxable period ending 2005, regarding the covering of losses made by the Company in a subsidiary, having Tax Authorities not considered the usage of taxable losses on this operation and subsequent liquidation of the Company's subsidiary, which is not in accordance with previous assessments made by Tax Authorities. The Company has presented an appeal against this tax claim, being the Board of Directors understanding, based on its advisors assessment, that such appeal will be favorable.

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 favorable, therefore with no additional liabilities to the Company.

Within the framework of regularization of tax debts to Tax Authorities (Outstanding Debts Settlement of Tax and Social Security - Decree of Law DL 248-A/2002, DL 151-A/2013 and DL67/2017), in previous years the Company made tax payments. As at 31 December 2018 the outstanding amount is 5,099,431,000 euro (6,754,000 euro as at 31 December 2017), having the respective guarantees been canceled and the related tax appeals continued in courts.

Following the disposal of a Brazilian subsidiary company, the group guaranteed to that subsidiary company buyer all the losses it will have as consequence of tax additional assessments as it is described in the note of contingent assets and liabilities in the consolidated financial statements.

23 RELATED PARTIES

Main balances and transactions with related parties as at 31 December 2018 and 2017 are detailed as follows:

Balance:	31.December.2018	31.December.2017
Shareolders	10,034,214	2,300,467
Subsidiaries	19,513,128	21,083,764
Jointly controlled companies	-	1,000,000
Associated companies	-	27,794
Accounts receivable	29,562,238	24,412,026
Shareolders	1,061,371	966,463
Subsidiaries	544,389	2,048,451
Jointly controlled companies	-	19,704
Other related parties	118,995	355,746
Accounts payable	1,724,755	3,390,365
Subsidiaries	1,586,675,087	2,635,577,873
Loans granted (notes 8 and 9)	1,586,675,087	2,635,577,873
Subsidiaries	547,974,423	467,819,727
Other related parties	-	400,000,000
Loans obtained (note 19)	547,974,423	867,819,727

Transactions:	31.December.2018	31.December.2017
Shareolders	1,090,067	1,025,537
Subsidiaries	224,290	4,201
Jointly controlled companies	-	13,217
Other related parties	38,138	143
Purchases and services obtained	1,352,495	1,043,098
Shareolders	51,115	47,302
Subsidiaries	213,200	298,805
Other income	279,608	346,107
Subsidiaries	26,469,151	30,639,034
Jointly controlled companies	-	8,751
Interest income (note 25)	26,634,013	30,647,785
Shareolders	438,464	613,322
Subsidiaries	2,346,029	2,912,917
Other related parties	24,848,032	32,487,993
Interest expenses (note 25)	27,632,525	36,014,232
Other related parties	32,000,000	-
Other financial expenses (note 25)	32,000,000	-
Subsidiaries	-	1,611,750
Dividend income (note 24)	67,225	1,611,750
Subsidiaries	7,364,871	9,857,867
Income from Investment Fund Participation Units (note 24)	7,364,871	9,857,867
Shareolders	140,074,991	-
Subsidiaries	8	37,539,630
Other related parties	75,748,240	-
Sale financial investments	215,823,239	37,539,630

All Sonae, SGPS, SA and Efanor Investimentos SGPS, SA subsidiaries, associates and joint ventures are considered related parties and are identified in Consolidated Financial Statements.

In 2018 and 2017 did not occur any transactions including granted loans with the Company's Directors.

During 2018 and 2017 the remuneration attributed to Board of Directors by the Company are as follows:

	31.December.2018	31.December.2017
Variable - short term	93,750	-
	93,750	-

As at 31 December 2018 and 2017 there were no balances with Company's Directors.

24 INVESTMENT INCOME/LOSSES

As at 31 December 2018 and 2017 investment income or losses are as follows:

	31.December.2018	31.December.2017
Dividends:		
Chão Verde - Sociedade de Gestão Imobiliária, SA	-	1,500,000
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	67,225	111,750
	67,225	1,611,750
Income of financial investments:		
Fundo de Investimento Imobiliário Fechado Imosede	7,346,137	9,840,439
Fundo de Investimento Imobiliário Imosonae Dois	18,735	17,428
	7,364,872	9,857,867
Impairment reverse /(losses) on investments:		
Chão Verde - Sociedade de Gestão Imobiliária, SA	-	2,394,591
MDS, SGPS, SA	-	17,770,000
Modelo - Distribuição de Materiais de Construção, SA	-	3,280,000
Modelo Continente, SGPS, SA (ex:Sonae MC - Modelo Continente, SGPS, SA)	48,217,000	15,083,000
MOVVO, SA	-	(3,632,843)
Selifa - Sociedade de Empreendimentos Imobililiários, SA	-	948,379
	48,217,000	35,843,127
Impairment reverse /(losses) on other non-current assets:		
MDS, SGPS, SA	-	1,000,000
SCBrasil Participações, Ltda	(11,133,956)	-
	(11,133,956)	1,000,000
Investments disposal income / (losses):		
Apor - Agência para a Modernização do Porto, SA	(45,203)	-
Chão Verde - Sociedade de Gestão Imobiliária, SA	-	(1,850,319)
Fundo de Investimento Imobiliário Fechado Imosede	18,298,083	-
MCCARE, Serviços de Saúde, SA	(1,470,000)	-
MDS, SGPS, SA	-	(28,841,210)
Ponto de Chegada - Promoção Imobiliária, SA	-	(219,377)
Selifa - Sociedade de Empreendimentos Imobililiários, SA	-	2,594,243
SFS - Gestão e Consultoria, SA (ex: SFS -Serviços de Gestão e Marketing, SA)	15,473,140	-
Sk - Skin Health Cosmetics, S.A	(798,000)	-
Sonae Financial Services, SA	23,070,000	-
Sonae SR Malta Holding Limited	6	-
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	158,049	-
	54,686,075	(28,316,663)
	99,201,216	18,996,081

25 FINANCIAL INCOME/EXPENSES

As at 31 December 2018 and 2017, net financial income and expenses are as follows:

	31.December.2018	31.December.2017
Interest receivable		
related to bank deposits	16,205	20,721
related to lans granted	26,634,013	30,647,786
Others	-	1,786
Others financial income	1,766,156	34,825
Financial income	28,416,374	30,705,118
Interest payable		
related to bank loans	(2,748,260)	(2,343,598)
related to non convertible bonds	(4,838,469)	(5,983,003)
related to loans obtained	(27,632,552)	(36,014,232)
Others financial expenses:		
Others financial expenses	(32,000,000)	-
Up front fees on the issuance of debt	(2,877,564)	(3,403,975)
Others	(13,184)	(11,827)
Financial expenses	(70,110,029)	(47,756,635)

The amount of 32,000,000 euro recorded in the caption other financial expenses is related to the early amortization of the subordinated bond loan, amounting to 400,000,000 euro (notes 17 and 23).

26 OTHER INCOME

As at 31 December 2018 and 2017, other income is as follows:

	31.December.2018	31.December.2017
Recovery of charges	8,491	93,155
Guarantees	279,575	258,718
Others incomes	340,741	276,371
	628,807	628,244

27 EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2018 and 2017, external supplies and services are as follows:

	31.December.2018	31.December.2017
Specialized services	1,800,356	243,679
Advertising	82,026	-
Bank services	1,141,269	1,182,143
Insurance	521,905	483,988
Legal support	6,839	5,645
Guarantees	1,089,811	1,025,537
Other services	7,340	650
	4,649,546	2,941,642

Of the amount recorded in caption specialized services, about 1,4 million euro are related to consulting services.

28 STAFF COSTS

As at 31 December 2018 and 2017 staff costs are as follows:

	31.December.2018	31.December.2017
Salaries	126,258	30,950
Social costs	27,739	6,728
Other staff costs	5,696	6,629
	159,693	44,307

29 INCOME TAX

Income tax charge for the year ended 31 December 2018 and 2017 is made up as follows:

	31.December.2018	31.December.2017
Current tax	894	(383,074)
Deferred tax	(8,011,024)	(3,042)
Total	(8,010,130)	(386,116)

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2018 and 2017 is as follows:

	31.December.2018	31.December.2017
Profit before income tax	53,220,522	457,668
Income tax rate	21.00%	21.00%
	11,176,310	96,110
Tax losses for which deferred tax assets were not recognized	-	2,059,362
Impairment losses not accepted for tax purposes	2,340,758	3,089,122
Reversal of impairment losses not accepted for tax purposes	(10,125,570)	(10,823,339)
Under/(over) taxation estimates	894	(383,074)
Difference between capital (losses)/gains for accounting and tax	(11,403,831)	5,911,347
Effect of non-tributable dividends	(14,117)	(338,468)
Other taxes	15,425	2,824
Income tax	(8,010,130)	(386,116)

30 EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2018 and 2017 were calculated taking into consideration the following amounts:

	31.December.2018	31.December.2017
Net Profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	61,230,652	843,784
Net profit taken into consideration to calculate diluted earnings per share	61,230,652	843,784
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	929,315,068	900,000,000
Weighted average number of shares used to calculate diluted earnings per share	929,315,068	900,000,000
Earnings per share (basic and diluted)	0.0659	0.0009

31 CASH RECEIPTS / PAYMENTS ARISING FROM INVESTMENTS

During 2018 and 2017, the following receipts and payments occurred:

	31.December.2018		
	Investments / (Divestments)	Amount received	Amount paid
Apor - Agência para a Modernização do Porto, SA	(254,797)	254,797	-
Fundo de Investimento Imobiliário Fechado Imosede	(121,795,691)	121,795,691	-
MCCARE, Serviços de Saúde, SA	500,000	-	500,000
MCCARE, Serviços de Saúde, SA	(1,080,000)	1,080,000	-
MDS, SGPS, SA	-	1,000,000	-
SFS - Gestão e Consultoria, SA (ex: SFS -Serviços de Gestão e Marketing, SA)	(46,453,140)	46,453,140	-
Sk - Skin Health Cosmetics, SA	(1,252,000)	1,252,000	-
Sonae Financial Services, SA	1,300,000	-	1,300,000
Sonae Financial Services, SA	(44,700,000)	44,700,000	-
Sonae SR Malta Holding Limited	(8)	8	-
Sonaegest - Soc. Gest. de Fundos de Investimentos, SA	(542,400)	542,400	-
	(214,278,035)	217,078,035	1,800,000

	31.December.2017		
	Investments / (Divestments)	Amount received	Amount paid
Chão Verde - Sociedade de Gestão Imobiliária, SA	(544,272)	544,272	-
Elergone - Energia Lda	78,125	-	312,500
Fundo de Investimento Imobiliário Imosonae Dois	1,267,876	-	1,267,876
Fundo de Investimento Imobiliário Imosonae Dois	(1,124,447)	1,124,447	-
MCCARE, Serviços de Saúde, SA	2,000,000	-	2,000,000
MDS, SGPS, SA	(30,925,710)	30,925,710	-
MOVVO, SA	380,782	-	380,782
Ponto de Chegada - Promoção Imobiliária, SA	87,910	-	87,910
Ponto de Chegada - Promoção Imobiliária, SA	(1,968,533)	1,968,533	-
Raso, SGPS, SA	-	537,500	-
Selifa - Sociedade de Empreendimentos Imobiliários, SA	(4,107,622)	4,107,622	-
SFS - Gestão e Consultoria, SA (ex: SFS -Serviços de Gestão e Marketing, SA)	30,930,000	-	30,930,000
Sk - Skin Health Cosmetics, SA	2,050,000	-	2,050,000
Soliférias - Operadores Turísticos, SA	-	80,000	-
Sonae MC - Serviços Partilhados, SA (ex: Sonae Center Serviços II, SA)	2,000,000	-	2,000,000
Sonae Financial Services, SA	3,000,000	-	3,000,000
	3,124,109	39,288,084	42,029,068

32 RECONCILIATION OF LIABITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities during 2018 is as follows:

	Borrowings (nota 16)	Group companies (notas 17 e 19)
Openning balance as at 1 January 2017	584,000,000	962,219,082
Receipts/ arising from bank loans	3,029,000,000	-
(Payments) arising from bank loans	(2,977,000,000)	-
(Payments)/arising from bond loans	(3,000,000)	-
Receipts/arising from group companies	-	4,365,178,858
(Payments) arising from group companies	-	(4,459,578,213)
Closing balance as at 31 december 2017	633,000,000	867,819,727
Openning balance as at 1 January 2018	633,000,000	867,819,727
Receipts/ arising from bank loans	3,369,300,000	-
(Payments) arising from bank loans	(3,361,800,000)	-
(Payments)/arising from bond loans	(53,000,000)	-
Receipts/arising from group companies	-	4,235,202,973
(Payments) arising from group companies	-	(4,555,048,277)
Closing balance as at 31 december 2018	587,500,000	547,974,423

33 APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorized for issue on 29th March 2019. These financial statements will be presented to the Shareholders' General Meeting for final approval.

34 INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

During the period ended as at 31 December 2018 shareholders' loan contracts were signed with the following companies:

SCBrasil Participações, Ltda

During the period ended as at 31 December 2018, treasury application agreements were signed with the following companies:

Amor Bio - Mercado Biológico Lda

Asprela - Sociedade Imobiliária, SA

Azulino - Imobiliária, SA

BB Food Service, SA

Bertimóvel - Sociedade Imobiliária, SA

Bom Momento - Restauração, SA

BRIO - Produtos de Agricultura Biológica, SA

Canasta - Empreendimentos Imobiliários, SA

Citorres - Sociedade Imobiliária, SA

Contimobe – Imobiliária do Castelo de Paiva, SA

Continente Hipermercados, SA

Cumulativa - Sociedade Imobiliária, SA

Elergone Energia, Lda

Farmácia Selecção, SA

Fozimo - Sociedade Imobiliária, SA

Go Well – Promoção de Eventos, Catering e Consultoria, SA

Igimo - Sociedade Imobiliária, SA

Iginha - Sociedade Imobiliária, SA

Imoestrutura - Sociedade Imobiliária, SA

Imomuro - Sociedade Imobiliária, SA

Imoresultado - Sociedade Imobiliária, SA

Imosistema- Sociedade Imobiliária, SA

Make Notes Design, Lda

Modelo Continente, SGPS, SA

Modelo Continente Hipermercados, SA

Modelo Hiper Imobiliária, SA

MJLF - Empreendimentos Imobiliários, SA

Pharmaconcept – Actividades em Saúde, SA

Pharmacontinente – Saúde e Higiene, SA

Ponto de Chegada - Sociedade Imobiliária, SA

Predilugar - Sociedade Imobiliária, SA

Predicomercial - Promoção Imobiliária, SA

Selifa - Sociedade de Empreendimentos Imobiliários, SA

Sempre à Mão - Sociedade Imobiliária, SA

SFS - Gestão e Consultoria, SA

SK Skin Health Cosmetics, SA

Socijofra - Sociedade Imobiliária, SA

Sociloures - Sociedade Imobiliária, SA

Sonae Financial Services, SA

Sonae MC – Serviços Partilhados, SA

Sonae SGPS, SA

Sonaerp – Retail Properties, SA

Sondis - Sociedade Imobiliária, SA

Textil do Marco, SA

Valor N, SA

WRT Business – Distribuição de Eletrodomésticos, Eletrónica e Informática, SA

As at 31 December 2018 amounts owed by subsidiaries can be detailed as follows:

Company	31.December.2018
Azulino - Imobiliária, SA	1,013,826
BB Food Service, SA	2,234,000
Bertimóvel - Sociedade Imobiliária, SA	9,636,000
Bom Momento - Comercio Retalhista, SA	1,604,000
Canasta - Empreendimentos Imobiliários, SA	1,978,000
Citorres - Sociedade Imobiliária, SA	3,524,000
Continente Hipermercados, SA	386,651,896
Contimobe - Imobiliária do Castelo de Paiva, SA	47,387,000
Cumulativa - Sociedade Imobiliária, SA	13,820,000
Elergone Energias, Lda	2,985,000
Farmácia Selecção, SA	3,957,000
Fozimo – Sociedade Imobiliária, SA	3,351,000
Iginha – Sociedade Imobiliária, SA	7,295,701
Imoestrutura - Sociedade Imobiliária, SA	3,734,000
Imomuro - Sociedade Imobiliária, SA	497,000
Imoresultado – Sociedade Imobiliária, SA	3,454,000
Imosistema - Sociedade Imobiliária, SA	3,550,000
MJLF - Empreendimentos Imobiliários, SA	2,681,000
Make Notes Design, Lda	1,744,000
Modelo Hiper Imobiliária, SA	9,955,000
Pharmaconcept - Actividades em Saúde, SA	1,986,000
Pharmacontinente - Saúde e Higiene, SA	8,495,000
Predicomercial - Promoção Imobiliária, SA	15,099,000
Ponto de Chegada - Promoção Imobiliária, SA	289,000
Selifa - Sociedade de Empreendimentos Imobiliários, SA	4,479,000
Socijofra - Sociedade Imobiliária, SA	4,118,000
Valor N, SA	2,456,000
	547,974,423

The amounts due to group companies as at 31 December 2018 related to the mentioned contracts were the following:

Company	31.December.2018
Amor Bio - Mercado Biológico, Lda	334,000
Asprela - Sociedade Imobiliária, SA	1,015,000
Bom Momento - Comércio Retalhista, SA	1,000
BRIO - Produtos de Agricultura Biológica, SA	2,167,000
Igimo – Sociedade Imobiliária, SA	276,000
Go Well,SA	200,000
Modelo Continente Hipermercados, SA	639,702,000
Predilugar - Sociedade Imobiliária, SA	319,000
Sempre à Mão - Sociedade Imobiliária, SA	1,103,000
Sociloures - Sociedade Imobiliária, SA	483,000
SCBrasil Participações, Ltda	14,375,872
Sonae MC - Serviços Partilhados, SA	22,360,000
Modelo Continente, SGPS, SA	890,686,687
Sonaerp - Retail Properties, SA	12,535,528
Sondis Imobiliária, SA	1,117,000
	1,586,675,087

35 SUBSEQUENTS EVENTS

There were no significant events after 31st December 2018 until this date that need disclosure.

Approved at the meeting of the Board of Directors held on 29th March 2019

Ângelo Gabriel Ribeirinho dos Santos Paupério

Maria Cláudia Teixeira de Azevedo

João Pedro Magalhães da Silva Torres Dolores

Álvaro José Barrigas do Nascimento

António Carlos Merckx de Menezes Soares

Ricardo Emanuel Mangana Monteiro

Luís Miguel Mesquita Soares Moutinho

Rui Manuel Teixeira Soares de Almeida

Isabel Sofia Bragança Simões de Barros

José Manuel Cardoso Fortunato

Maria Inês Martins Valadas

STATUTORY AUDIT REPORT' S
AND
REPORT AND OPINION OF SONAE MC SGPS STATUTORY AUDIT BOARD

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Sonae MC, SGPS, SA (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 (which shows total assets of Euros 2,759,279,229 and total shareholders' equity of Euros 760,995,271 including a net profit of Euros 648,954,594), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonae MC, SGPS, SA as at 31 December 2018, 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 financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

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

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

e) the assessment of the 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 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

Director's report

In compliance with paragraph 3 e) of article Nº 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

8 April 2019

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

Herminio António Paulos Afonso, R.O.C.

Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sonae MC, SGPS, SA (the Entity), which comprise the statement of financial position as at 31 December 2018 (which shows total assets of Euros 3,154,147,252 and total shareholders' equity of Euros 2,014,859,518, including a net profit of Euros 61,230,652), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonae MC, SGPS, SA as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

8 April 2019

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

Herminio António Paulos Afonso, R.O.C.

Report and Opinion of Sonae MC SGPS Statutory Audit Board

(Translation of a Report and Opinion originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

To the Shareholders

1 - Report

1.1 - Introduction

In compliance with the applicable legislation and statutory regulations, as well in accordance with the terms of our mandate, the Statutory Audit Board presents its report over the supervision performed and its Report and Opinion on the Report of the Board of Directors and the remaining individual and consolidated documents of accounts for the year ended 31 December 2018, which are the responsibility of the Board of Directors.

1.2 - Supervision

During the year, the Statutory Audit Board, in accordance with its competence and in accordance with its Regulations, accompanied the strategic lines and risk policy approved by the management of the Company and its subsidiaries, from which didn´t arises any issue, and has oversaw, with the required scope, the activity of the Board of Directors and its committees, evolution of the operations, the adequacy of accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies and valuation criteria used, as well as verified compliance with legal regulatory requirements.

In the exercise of its competences, the Statutory Audit Board obtained from the Board of Directors the necessary information to carry out its supervision activity and proceeded with the necessary interactions to fulfill the competencies listed in the law and its Internal Regulation.

The Audit Board verified the effectiveness of the risk management and internal control systems, analyzed the planning and results of the external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities and oversaw the reports issued by Sonae's Ombudsman, assessed the process of preparing the individual and consolidated accounts, provided the Board of Directors with information on the conclusions and quality of the financial statements audit and its intervention in this process, approved, previously, the rendering of non-audit services by the Statutory and External Auditor permitted under the law, and also having exercised its mandate in what concerns the evolution of the competence and independence of the Statutory and External Auditor, as well as to the supervision of the establishment of their remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that materially influenced the evolution of the activity expressed in the consolidated and individual financial position of Sonae MC, SGPS, S.A. and highlights the positive evolution of the business segments and the main joint ventures, which effects are visible in the good economic and financial development of the Group.

The Statutory Audit Board has complied with Recommendation I.5 of the Corporate Governance Code of the IPCG, in accordance with the criteria established in paragraphs 3 to 5 of article 4º of its Regulation, in order to characterize the relevant level of transactions with shareholders of qualifying holdings or entities with them in any of the relationships established in paragraph 1 of article 20 of the Portuguese Securities Market Code, neither having identified relevant transactions that complied with that criteria nor identified the presence of any conflict of interests.

The Statutory Audit Board complied with the Recommendations of the Corporate Governance Code of the IPCG I.2.2, I.2.3, 1,2,4, I.3.1,1.3.2, 1.5.1, 1.5.2, III.1.1, III. 8 (with incidence on the risk policy in accordance with and within its competence), III.11, III.12, IV.4, V.1.2 (with a focus on the assessment of budget compliance and risk management, in accordance with and within the scope of its legal competence) VII.1.1, VII.2.1, VII.2.2 and VII. 2.3.

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

In the fulfilment of its duties, the Statutory Audit Board held ten meetings, five of which in person, 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 for the Shareholders' General Meeting to approve:

a) the Report of the Board of Directors;

b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2018;

c) the proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in paragraph c) nº 1 of the article 245º of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonae MC, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of Sonae MC, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 8 April 2019

The Statutory Audit Board

Armando Luis Vieira de Magalhães

António Augusto Almeida Trabulo

Maria José Martins Lourenço da Fonseca