



Sonae MC, SGPS, S.A.

(a *sociedade anónima* organized under the laws of Portugal)

Head office: Rua João Mendonça, 529, 4464-501, Matosinhos, Porto

Registered with the Portuguese Commercial Registry (*Conservatória do Registo Comercial*) under the sole taxpayer and legal person number 501532927

Share Capital: € 1,000,000,000.00

(the “Company”)

Sonaecenter, Serviços, S.A.

(a *sociedade anónima* organized under the laws of Portugal)

Head office: Lugar do Espido, Via Norte 4470 177 Maia, Portugal

Registered with the Portuguese Commercial Registry (*Conservatória do Registo Comercial*) under the sole taxpayer and legal person number 506440613

Share Capital: €1,836,550,000.00

(the “Selling Shareholder”)

PROSPECTUS

Offering of up to 217,360,000 ordinary nominative registered shares, with a nominal value of €1.00 each, representing 21.736% of the share capital of the Company and admission to trading of 1,000,000,000 ordinary nominative registered shares, with a nominal value of €1.00 each, representing 100% of the share capital of the of the Company on Euronext Lisbon

This prospectus (the “**Prospectus**”) provides information in relation to the offering of up to 217,360,000 Shares representing 21.736% of the share capital of Sonae MC, SGPS, S.A. and to the admission to trading on Euronext Lisbon (“**Euronext Lisbon**”), which constitutes a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments, as amended (the “**Admission to Trading**”) of all 1,000,000,000 ordinary nominative registered shares, with a nominal value of €1.00 each (the “**Shares**”), in the share capital of Sonae MC, SGPS, S.A., a *sociedade anónima* organized under the laws of Portugal (the “**Company**”), representing the entire share capital of the Company issued by the Company under the laws of Portugal. Application has been made for the Shares to be admitted to trading on Euronext Lisbon.

Sonaecenter, Serviços, S.A. (the “**Selling Shareholder**”) is offering up to 217,360,000 existing Shares (the “**Firm Shares**”). The Offering consists of: (i) a public offering of up to 50,000,000 Shares that represent up to 5% of the share capital of the Company to institutional and retail investors in Portugal (the “**Retail Offering**”) and (ii) a private placement of up to 167,360,000 Shares that represent up to 16.736% of the share capital of the Company to certain institutional investors in various jurisdictions (the “**Institutional Offering**”). The Retail Offering and the Institutional Offering are collectively referred to herein as the “**Offering**”. The Offer Price (defined below) and the final number of Firm Shares will be determined after the Offering, at the sole discretion of the Selling Shareholder. The Selling Shareholder may, up to October 18, at its sole discretion, in consultation with the Company following recommendations from the Joint Global Coordinators, and taking also into account market conditions and factors, increase the Institutional Offering up to a total aggregate of 87,000,000 Shares that represent up to 8.7% of the share capital of the Company.

The Selling Shareholder has granted to Barclays Bank PLC, BNP Paribas and Deutsche Bank AG, London Branch, as Joint Global Coordinators and Joint Bookrunners for the Institutional Offering (the “**Joint Global Coordinators**”), on behalf of the Underwriters, an option to purchase up to an additional 32,600,000 existing Shares, comprising up to 15% of the total number of Firm Shares (the “**Additional Shares**”) at the Offer Price (less agreed commissions) to cover potential over-allotments or other short positions, if any, in connection with the Offering (such option, the “**Over-Allotment Option**”). The Over-Allotment Option is exercisable, in whole or in part, by BNP Paribas as stabilization manager, for a period of 30 days from the date of conditional dealings of the Shares on Euronext Lisbon. The Firm Shares and the Additional Shares, if any, sold hereunder, shall be referred to as the “**Offer Shares**.”

The Company will not receive any proceeds from the sale of the Shares, the net proceeds of which will be received by the Selling Shareholder.

Prior to the Offering, there has been no public market for our Shares. Application has been made for the admission of our Shares to trading on Euronext Lisbon under the trading symbol “SONMC”. The Shares will trade on an “if-and-when-delivered” basis under a single trading line “SONAE MC SGPS AIW”, ISIN code PTMOC0AE0007 and trading symbol “SONMC”. After settlement date, Shares

will be traded under the product name “SONAE MC SGPS” and both the ISIN code and trading symbol will remain the same. Subject to Euronext Lisbon’s decision, the first day of trading in, and the official listing of, the Shares is expected to commence, on an unconditional basis, on or about October 23, 2018. Subject to Euronext Lisbon’s decision, the Shares are however expected to commence trading, on an “if-and-when-delivered” basis, on or about October 19, 2018. Investors wishing to trade prior to the settlement date of the Offering, which is expected to be on or about October 23 2018, should check with their financial intermediaries if and at what point in time they will be able to trade on such basis.

The Offer Price (the “**Offer Price**”) is expected to be set within the range set forth below. The Offer Price will be announced publicly on or about October 18, 2018.

Offer Price Range: €1.40 to €1.65 per Offer Share

Investing in the Offer Shares involves risks. See “Risk Factors” beginning on page 24 for a discussion of certain risks you should consider before investing in the Offer Shares.

This Prospectus constitutes a prospectus for the purposes of Article 3 and Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended (the “**Prospectus Directive**”), and Portuguese legislation implementing the Prospectus Directive in Portugal, including Decree-law 486/99 of 13 November, as amended (*Código dos Valores Mobiliários*) (the “**Portuguese Securities Code**”), and has been prepared in accordance with the Portuguese Securities Code and Commission Regulation (EC) 809/2004 of April 29, 2004, as amended. This Prospectus was approved by the *Comissão do Mercado de Valores Mobiliários* (the “**CMVM**”), the Portuguese securities market supervisory authority.

The entities that, under the provisions of articles 149 and 243 of the Portuguese Securities Code, are responsible for the completeness, veracity, validity, clarity, objectivity and legality of the information in this Prospectus are indicated in “Entities Responsible for the Information”.

Under the provisions of article 118(5) of the Portuguese Securities Code, the approval of the Prospectus “includes verification of its compliance with the requirements of completeness, veracity, validity, clarity, objectivity, and legality of the information”. According to article 118(7) of the Portuguese Securities Code, the approval of this Prospectus does not involve “any guarantees with respect to information content, the economic or financial situation of the offeror, issuer, or guarantor, the viability of the offer, or the quality of securities”.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any of the Offer Shares in any jurisdiction to or from any person to whom it would be unlawful to make such an offer in such a jurisdiction.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any securities laws of any state of the United States, and may be offered and sold in the United States only to qualified institutional buyers (“**QIBs**”) as defined in Rule 144A (“**Rule 144A**”) under the Securities Act, in reliance on Rule 144A or pursuant to another available exemption from the registration requirements of the Securities Act, directly or through United States broker-dealer affiliates or through a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended (“**Exchange Act**”) to the extent permitted by Rule 15A-6 under the Exchange Act. All offers and sales outside the United States will be made in reliance on Regulation S under the Securities Act (“**Regulation S**”). Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. For a description of certain restrictions on resale or transfer, see “*Transfer and Selling Restrictions*.”

The Offer Shares are expected to be delivered on or about October 23, 2018, through the book-entry facilities of Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“**Interbolsa**”), as the operator of the Portuguese central securities clearing system (“*Central de Valores Mobiliários*”). The Shares will be eligible for clearing through the facilities of Interbolsa, as the operator of the Portuguese central securities clearing system.

“Financial Intermediaries” for the Retail Offering

CaixaBI

Millennium investment banking

The date of this Prospectus is October 4, 2018.

IMPORTANT INFORMATION

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO PURCHASE ANY OF THE OFFER SHARES IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT WOULD BE UNLAWFUL TO MAKE SUCH AN OFFER IN SUCH A JURISDICTION.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND MAY BE OFFERED AND SOLD IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN RULE 144A (“RULE 144A”) UNDER THE SECURITIES ACT, IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ALL OFFERS AND SALES OUTSIDE THE UNITED STATES WILL BE MADE IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE OFFER SHARES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALE OR TRANSFER, SEE “TRANSFER AND SELLING RESTRICTIONS.”

THE DELIVERY OF THIS PROSPECTUS SHALL NOT UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH HEREIN IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF, WITHOUT PREJUDICE TO THE OBLIGATION TO SUPPLEMENT THE PROSPECTUS IF AND TO THE EXTENT REQUIRED UNDER APPLICABLE LAWS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY, INCLUDING THE MERITS AND RISKS INVOLVED WITH RESPECT TO AN INVESTMENT IN THE OFFER SHARES. ANY DECISION SHOULD BE BASED ON THE INFORMATION OF THE PROSPECTUS AS A WHOLE AND BE EFFECTED AFTER CAREFUL EVALUATION, INDEPENDENTLY FROM THE ECONOMIC CONDITION, FINANCIAL SITUATION AND OTHER ELEMENTS IN RELATION TO THE COMPANY. NO DECISION SHALL BE TAKEN BY THE POTENTIAL INVESTOR AND BY ITS POTENTIAL ADVISORS WITHOUT PREVIOUS ANALYSIS OF THE PROSPECTUS AS A WHOLE OR OF THE OTHER DOCUMENTS INCORPORATED HEREIN, EVEN IF THE RELEVANT INFORMATION IS MADE AVAILABLE THROUGH INCORPORATION BY REFERENCE OR CROSS REFERENCE.

The format and content of this Prospectus are in accordance with the Portuguese Securities Code and the Prospectus Regulation.

This Prospectus relates to (i) a public offering to institutional and retail investors in Portugal (the “Retail Offering”), and (ii) the admission to trading on Euronext Lisbon of all of the Company’s Shares.

The financial intermediaries for the Retail Offering are responsible for assisting in the Retail Offering, being responsible, under the terms and for the purposes of article 149 of the Portuguese Securities Code, for the provision of the assistance services provided in article 337 of the Portuguese Securities Code and ensuring the compliance with the regulatory and legal provisions, in particular in relation to the quality of the information.

In the “Risk Factors” chapter, certain risks associated to the activity of the Company, to the Offering and to the securities subject to the Offering are described. Potential investors shall carefully analyse the risks associated with the holding of the securities, as well as the other notices of this Prospectus before taking any decision to accept the terms of the Offering. For any doubts that may arise regarding this subject, potential investors shall consult with their legal, financial or other advisers. Potential investors shall also be informed regarding the legal and tax implications existing in their country of residence arising because of the acquisition, holding, charging or selling of shares of the Company.

The Retail Offering is governed by the Portuguese Securities Code, and is only directed at the Portuguese territory, not being directed at any other markets, notably the United States of America, Australia, Canada, Japan or South Africa, without prejudice that any recipient which participation is not prohibited by law can participate in the Retail Offering.

This Prospectus was approved by the CMVM and can be consulted in electronic format on the CMVM website at www.cmvm.pt, and on the Company's website at www.sonaemc.com.

Under the provisions of article 118(5) of the Portuguese Securities Code, the approval of the Prospectus “includes verification of its compliance with the requirements of completeness, veracity, validity, clarity, objectivity, and legality of the information”. Article 118(7) of the Portuguese Securities Code establishes that approval of the Prospectus does not involve “any guarantees with respect to information content, the economic or financial situation of the offeror, issuer, or guarantor, the viability of the offer, or the quality of securities”.

Under the terms of article 234(2) of the Portuguese Securities Code, the decision to list securities on the Euronext Lisbon regulated market operated by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., “does not entail any guarantee as to the information content, the economic or financial situation of the issuer, the viability thereof, or the quality of securities listed”.

The entities that, under the provisions of articles 149 and 243 of the Portuguese Securities Code, are responsible for the completeness, veracity, validity, clarity, objectivity and legality of the information in this Prospectus are indicated in “*Entities Responsible for the Information*”.

The information contained in this Prospectus is accurate only as of the date of this Prospectus or such other date stated in this Prospectus. However, the existence of this Prospectus does not ensure that the information contained herein is unaltered since the date of this availability. Nevertheless, if between the date of its approval and the date of the admission to trading of the Offer Shares any inconformity is detected in the Prospectus or any new facts occur or any previous fact that was not considered in the Prospectus becomes known, and if said information is deemed relevant for the decision of the recipients of the Retail Offering, then the Company shall immediately request the CMVM to approve a supplement to correct the Prospectus.

The distribution of this Prospectus is restricted by law in certain jurisdictions. Other than in relation to the Retail Offering in Portugal, no action has been or will be taken in any jurisdiction by us, the Selling Shareholder or the Underwriters that would permit an offer to the public of the Offer Shares or possession or distribution of a prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus may come are required by us to inform themselves about and to observe these restrictions. Neither the Company, the Selling Shareholder or the Underwriters accepts any responsibility for any violation by any person, whether or not such person is a prospective purchaser of Offer Shares, of any of these restrictions. For further information, see “Transfer and Selling Restrictions.”

Neither the Company, the Selling Shareholder or the Financial Intermediaries for the Retail Offering make any representation to any offeree or purchaser of Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Any investor should only rely on the information in this Prospectus. None of the Company, the Selling Shareholder, the Financial Intermediaries for the Retail Offering or any of their respective representatives, is making any representation other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised.

The investors also acknowledge that: (i) they have not relied on the Financial Intermediaries for the Retail Offering or any person affiliated with the Financial Intermediaries for the Retail Offering in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholder or the Financial Intermediaries for the Retail Offering.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, or any other investment vehicle directly or indirectly related thereto, may take up a portion of the Offer Shares in the

Institutional Offering as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements with investors. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“MiFID II”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that such Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

Stabilization

IN CONNECTION WITH THE OFFERING, BNP PARIBAS (THE “STABILIZATION MANAGER”) OR PERSONS ACTING ON BEHALF OF THE STABILIZATION MANAGER MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SHARES FOR UP TO 30 DAYS FROM THE DATE OF THE COMMENCEMENT OF CONDITIONAL DEALINGS OF THE SHARES. SPECIFICALLY, THE STABILIZATION MANAGER MAY OVER-ALLOT SHARES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. THE STABILIZATION MANAGER AND ITS AGENTS ARE NOT REQUIRED TO ENGAGE IN ANY OF THESE ACTIVITIES AND, AS SUCH, THERE IS NO ASSURANCE THAT THESE ACTIVITIES WILL BE UNDERTAKEN; IF UNDERTAKEN, THE STABILIZATION MANAGER OR ITS AGENTS MAY END ANY OF THESE ACTIVITIES AT ANY TIME AND THEY MUST BE BROUGHT TO AN END AT THE END OF THE 30-DAY PERIOD MENTIONED ABOVE. SAVE AS REQUIRED BY LAW OR REGULATION, THE STABILIZATION MANAGER DOES NOT INTEND TO DISCLOSE THE EXTENT OF ANY STABILIZATION TRANSACTIONS UNDER THE OFFER.

Notice to Investors in the United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction in the United States. The Offer Shares may not be offered or sold in the United States, except to QIBs, in reliance on the

exemption from the registration requirements of the Securities Act provided by Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, directly or through United States broker-dealer affiliates or through a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) to the extent permitted by Rule 15a-6 under the Exchange Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Shares, see “Transfer and Selling Restrictions.” This document does not constitute nor forms part of an offer or solicitation to buy securities in the United States.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offence.

Notice to Investors in the European Economic Area

This Prospectus has been prepared on the basis that any offer of the Offer Shares in any Member State of the European Economic Area (except Portugal) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the Offer Shares. Accordingly, any person making or intending to make an offer in that Member State of the Offer Shares which are the subject of the Offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or any of the Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Company, the Selling Shareholder nor the Underwriters have authorized, nor do they authorize, the making of any offer of the Offer Shares in circumstances in which an obligation arises for the Company, the Selling Shareholder or the Underwriters to publish or supplement a prospectus for such offer (except in what concerns the Retail Offer in Portugal).

Notice to Investors in Portugal

The Retail Offering in Portugal is being conducted in accordance with Portuguese laws and regulations, namely the Portuguese Securities Code, pursuant to the Portuguese Prospectus, and is only addressed to persons to whom it may lawfully be made. The prospectuses used for the Retail Offering and Institutional Offering are substantially similar.

Notice to Investors in the United Kingdom

This Prospectus is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the “Financial Promotion Order”); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; (iii) are outside the United Kingdom; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Offer Shares may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Investors in Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

THIS PROSPECTUS CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE OFFER SHARES.

Trademarks and Trade Names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this Prospectus is the property of the respective holder.

Certain Definitions

In this Prospectus:

- "Additional Shares" refers to the additional 32,600,000 existing Shares that may be offered and sold by the Joint Global Coordinators, on behalf of the Underwriters, to cover potential over-allotments or other short positions, if any, in connection with the Offering;
- "Admission" refers to the admission to trading of the Shares on Euronext Lisbon;
- "Articles of Association" refers to the articles of association of the Company, as amended from time to time;
- "Audited Combined Annual Financial Statements" refers to the audited combined annual financial statements of the Company and its subsidiaries as of and for the years ended December 31, 2017, 2016, and 2015, and accompanying notes, prepared in accordance with the basis of preparation disclosed in Note 1 of the combined annual financial statements and consistent with IFRS-EU applicable as at January 1, 2017;
- "Banco BPI CaixaBank" means CaixaBank, S.A.;
- "Co-lead Managers" for the Institutional Offering refers to Haitong Bank, S.A., JB Capital Markets, Sociedad de Valores, S.A.U. and Mediobanca – Banca di Credito Finanziario S.p.A.;
- "Co-lead Managers" for the Retail Offering refers to Banco ActivoBank, S.A., Banco BIC Português, S.A., Banco BPI, S.A., Banco de Investimento Global, S.A., Banco Santander Totta, S.A., Bankinter, S.A. – Sucursal em Portugal, BEST – Banco Electrónico de Serviço Total, S.A., Caixa Geral de Depósitos, S.A., Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A., Novo Banco, S.A., and Novo Banco dos Açores, S.A.;
- "Combined Financial Statements" refers to the Audited Combined Annual Financial Statements together with the Combined Interim Financial Statements;
- "Combined Interim Financial Statements" refers to the interim condensed unaudited combined financial statements of the Company and its subsidiaries as of and for the six-month periods ended June 30, 2018, and accompanying notes, prepared in accordance with the basis of preparation disclosed in

Note 1 of the Combined Interim Financial Statements and IAS 34 “Interim Financial Reporting”, consistent with IFRS-EU;

- “Company”, or “Sonae MC” refers to Sonae MC, SGPS, SA, a limited liability company (*sociedade anónima*), duly incorporated and validly existing under the laws of Portugal, having its registered office at Rua João Mendonça, 529, 4464-501, Matosinhos, Porto and registered with the Portuguese Commercial Registry under number 501532927;
- “CMVM” means the *Comissão do Mercado de Valores Mobiliários*, the Portuguese securities market supervisory authority;
- “EU” refers to the European Union;
- “euro” or “€” refers to the single currency of the EU Member States participating in the European Monetary Union;
- “Eurozone” refers to the member states of the European Union participating in the European Monetary Union;
- “Exchange Act” refers to the U.S. Securities Exchange Act of 1934, as amended;
- “Financial Intermediaries”, “Joint Lead Managers” and “Joint Bookrunners” for the Retail Offering refers to CaixaBI and Millennium investment banking;
- “Firm Shares” refers to the existing Shares being offered by the Selling Shareholder, the final number of which will be determined after the Offering, at the sole discretion of the Selling Shareholder;
- “Group” refers to the Company and its selected subsidiaries included in the Combined Financial Statements, except where the context otherwise requires;
- “IFRS” is defined as International Financial Reporting Standards Standards and Interpretations issued by the International Accounting Standards Board. They comprise (a) International Financial Reporting Standards; (b) International Accounting Standards; (c) IFRIC Interpretations; and (d) SIC Interpretations.
- “IFRS-EU” refers to IFRS as adopted by the European Union;
- “Institutional Offering” refers to the private placement to certain institutional investors in various jurisdictions made in the context of the Offering;
- “Joint Bookrunners” for the Institutional Offering refers to Barclays Bank PLC, BNP Paribas, Deutsche Bank AG, London Branch, Banco Santander, S.A., CaixaBank, S.A. and CaixaBI;
- “Joint Global Coordinators” refers to Barclays Bank PLC, BNP Paribas and Deutsche Bank AG, London Branch;
- “Member States” refers to countries belonging to the EU or European Economic Area, as the context requires;
- “Offering” refers to the offering by the Selling Shareholder of up to 217,360,000 Firm Shares in the share capital of the Company through the Retail Offering and the “Institutional Offering, and the admission to listing and trading of the “Shares on Euronext Lisbon.
- “Offer Shares” refers to the Firm Shares and the Additional Shares, if any;
- “Over-Allotment Option” refers to the option granted by the Selling Shareholder to the Joint Global Coordinators, on behalf of the Underwriters, to purchase up to 32,600,000 Shares, comprising up to

15% of the total number of Firm Shares, to cover over-allotments or short positions, if any, and to facilitate stabilization activities;

- “Parent” refers to Sonae, SGPS, S.A.;
- “Pound sterling” refers to the lawful currency of the United Kingdom;
- “Portuguese Securities Code” means Decree-Law no. 486/99 of 13 November, as amended;
- “Prospectus Directive” refers to Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended from time to time;
- “Prospectus Regulation” means Commission Regulation no. 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended;
- “Retail Offering” refers to the public offering to institutional and retail investors in Portugal made in the context of the Offering;
- “Securities Act” refers to the U.S. Securities Act of 1933, as amended;
- “Selling Shareholder” refers to Sonaecenter, Serviços, S.A.;
- “Shares” refers to the ordinary shares, nominal value €1.00 each, in the capital of the Company;
- “Sonae Group” refers to the Parent and its consolidated subsidiaries;
- “Stabilization Manager” refer to BNP Paribas;
- “Underwriters” refers to the Joint Global Coordinators, the Joint Bookrunners and the Co-lead Managers for the Institutional Offering;
- “Underwriting Agreement” refers to the underwriting agreement to be entered into among the Company, the Selling Shareholder and the Underwriters on or around October 18, 2018;
- “United Kingdom” or the “U.K.” refers to the United Kingdom of Great Britain and Northern Ireland;
- “United States” or the “U.S.” refers to the United States of America;
- “Upsize” refers to the right of the Selling Shareholder to increase the Institutional Offering up to a total aggregate of 87,000,000 Shares that represent up to 8.7% of the share capital of the Company up to October 18, at its sole discretion, in consultation with the Company following recommendations from the Joint Global Coordinators, and taking also into account market conditions and factors;
- “USD” “\$” “U.S. dollars” or “dollars” refers to the lawful currency of the United States; and
- “we,” “us,” “our” and other similar terms refer to the Company and its consolidated subsidiaries, except where the context otherwise requires.

Market and Industry Data

We have generally obtained the market and competitive position data in this Prospectus from industry publications and from surveys or studies conducted by third-party sources that we believe to be reliable, including PlanetRetail RGD, Eurostat, the International Money Fund (“IMF”), the *Instituto Nacional de Estatística* (“INE”), Nielsen and Euromonitor. We have accurately reproduced the market and industry data, and as far as we are aware and able to ascertain from information published by the third-party sources identified

above, no facts have been omitted which, to our knowledge, would render the reproduced information inaccurate or misleading. Generally, industry publications, surveys and studies contain forecasts, predictions and other forward-looking statements, which are subject to risks and uncertainties.

In addition, certain statements in this Prospectus regarding our industry and our position in the industry have been based on our experience and our own investigation of market conditions, though generally subject to assumptions and estimates. We cannot assure you that any of these assumptions or estimates are reasonable or that these statements correctly reflect our position in the industry, and none of our internal surveys or information have been verified by any independent sources.

Responsibility Statement

The entities that, under the provisions of articles 149 and 243 of the Portuguese Securities Code, are responsible for the completeness, veracity, validity, clarity, objectivity and legality of the information in this Prospectus are indicated in “*Entities Responsible for the Information*”.

Forward-Looking Statements

This Prospectus includes “forward-looking statements” within the meaning of the securities laws of certain jurisdictions. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “target,” “believe,” “estimate,” “anticipate,” “expect,” “aim,” “plan,” “seek,” “intend,” “may,” “might,” “will,” “could,” “continue,” “estimate,” or “should” or, in each case, their negative, or other variations or comparable terminology. Forward-looking statements include all statements that are not historical facts. Forward-looking statements appear in a number of places in this Prospectus, including, without limitation, under the headings “*Summary of the Prospectus*,” “*Risk Factors*,” “*Dividends and Dividend Policy*,” “*Operating and Financial Review and Prospects*,” “*Industry*” and “*Business*,” and include, among other things, statements addressing matters such as:

- our strategy, outlook and growth prospects, including on a segment basis;
- our financial condition;
- our accounting working capital, cash flow and capital expenditures,
- our dividend policy;
- our business strategy, plans and objectives for future products and services, future operations and events;
- our management targets;
- the impact of regulation on our operations;
- general economic trends and trends in our industry; and
- the competitive environment in which we operate.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, by nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. You should not place undue reliance on these forward-looking statements. In addition, even if our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements include, among others:

- global economic conditions and political events;
- industry conditions, including cyclicalities in the prices of our products and competition;
- the highly competitive nature of our industry;
- difficulty in accurately forecasting customer demand;
- our ability to achieve management targets;
- our ability to realize cost reductions and efficiency improvements;
- the impact of change in rental expenses on own profitability;
- increase in inventories and employee costs;
- development of new technologies;
- our ability to retain key employees;
- risks related to our structure;
- other risks and uncertainties inherent to our business and to general local and global economic conditions;
- the consequences of our financial profile and indebtedness;
- our ability to generate sufficient cash to satisfy our commitments and fund our capital expenditures;
- risks related to new store openings;
- risks related to current and future acquisitions;
- risks related to fluctuations in foreign currency exchange rates and interest rates;
- changes in employment obligations;
- the impact of adverse tax events;
- risks associated with our labor relations;
- the cost of compliance with environmental, health and safety and other laws and regulations;
- the supervision of public administrative authorities;
- our limited insurance coverage; and
- other factors discussed under “*Risk Factors*” and elsewhere in this Prospectus.

These risks and others described under “*Risk Factors*” are not exhaustive. Other sections of this Prospectus describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the sectors in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. We urge investors to read the sections of this Prospectus entitled “*Risk Factors*,” “*Industry and Market Overview*,” “*Business*,” “*Operating and Financial Review and Prospects*,” and “*Combined Financial Statements*” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.

We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events, except as required by law or by the rules and regulations of Euronext Lisbon. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

None of the forward-looking statements included in this Prospectus constitute a profit forecast within the meaning of Commission Regulation (EC) 809/2004 of April 29, 2004, as amended.

Availability of Prospectus

This Prospectus will be published on the Company's website at www.sonaemc.com. The Company's website is not intended to be, and should not be construed as being, part of this Prospectus. Furthermore, this Prospectus will be available free of charge as of this date during regular business hours at the registered office of the Company at Rua João Mendonça, 529, 4464-501 Senhora da Hora, Porto, Portugal. This Prospectus will also be published on the website of the CMVM (www.cmvm.pt).

Inspection of Documents and Availability of Future Financial Information

For the life of this Prospectus, copies of the following documents will, when published, be available for inspection free of charge during regular business hours on any weekday (Saturdays, Sundays and Portuguese public holidays excluded) at the registered office of the Company at Rua João Mendonça, 529 – 4464-501 Senhora da Hora, Porto, Portugal.

- the Articles of Association;
- the Audited Combined Annual Financial Statements; and
- the Combined Interim Financial Statements.

These documents will, when published, also be available on the Company's website at www.sonaemc.com.

Nothing on the Company's website or on any other website to which reference is made in this Prospectus is intended to be, or should be construed as being, part of this Prospectus.

Available Information

For so long as any Offer Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Presentation of Financial Information

Unless otherwise indicated, financial information in this Prospectus is presented in euro and has been prepared in accordance with the basis of preparation disclosed in Note 1 of the Audited Combined Annual Financial Statements and consistent with IFRS-EU.

This Prospectus includes the Audited Combined Annual Financial Statements and the unaudited Combined Interim Financial Statements.

This Prospectus is in compliance with the European Securities and Markets Authority Guidelines on Alternative Performance Measures as amended on October 15, 2015 and the Q&A on Alternative Performance Measures Guidelines published in October 2017.

Some financial information and other numerical data in this Prospectus have been rounded, and, as a result, the numerical figures shown as totals or percentages in this Prospectus may vary from the exact arithmetic

aggregation or calculation of the figures that precede them, as they have been computed based on unrounded figures.

Basis of Preparation of the Combined Financial Statements

The financial data as at and for the years ended December 31, 2015, 2016 and 2017 included in this Prospectus have been derived from our Audited Combined Annual Financial Statements, which are included elsewhere in this Prospectus. The financial data as at and for the six-month periods ended June 30, 2018 and 2017 included in this Prospectus have been derived from our unaudited Combined Interim Financial Statements, which are included elsewhere in this Prospectus.

Our Audited Combined Annual Financial Statements included in this Prospectus have been prepared in accordance with the basis of preparation disclosed in Note 1 of the Audited Combined Annual Financial Statements and consistent with IFRS-EU, applicable as at January 1, 2017, and have been audited by Deloitte & Associados, SROC S.A., an independent registered public accounting firm. Our unaudited Combined Interim Financial Statements included in this Prospectus have been prepared in accordance with the basis of preparation disclosed in Note 1 of the Combined Interim Financial Statements and IAS 34 “Interim Financial Reporting”, consistent with IFRS-EU, and have been reviewed by PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., an independent registered public accounting firm.

The Combined Financial Statements represent an aggregation of the financial information of the food retail, adjacent formats and related real estate assets and have been prepared based on the financial information used for Sonae Investimentos, SGPS, S.A. (renamed Sonae MC, SGPS, S.A.) consolidated financial statements for the purpose of presenting the financial position, results of operations and cash flows of the food retail, adjacent formats and related real estate assets on a stand-alone basis (the “Carve-Out”). The Combined Financial Statements have been derived from the accounting records of Sonae MC, SGPS, S.A. and its subsidiaries, on a bottom-up approach, and are prepared in euro using principles consistent with IFRS-EU, as the IFRS-EU provide no guidelines for the preparation of Combined Financial Statements, by aggregating the historical results of operations, and the historical basis of assets and liabilities, of the food retail, adjacent formats and related real estate assets. Certain expenses, as well as debt and related interest expense and tax impact have been allocated to the Parent considering that these are not related to the Group perimeter. All transactions and balances between combined entities have been eliminated on combination. All transactions and balances with Parent entities outside the perimeter of the Group are reflected as related-party transactions and balances. Certain income, expenses, assets and liabilities of certain non-operating companies in the Group have not been included in the Combined Financial Statements because the activities did not relate to the operating activities of the food retail businesses, and such assets and liabilities were transferred out of the Group to the Parent prior to the Admission to Trading. Please refer to Note 1 to the Audited Combined Annual Financial Statements.

The Combined Financial Statements may not be indicative of either the actual results of our operations had the Group been operating as an independent entity for the periods presented or the amounts that will be incurred by us in the future, and different allocation methods could have resulted in different outcomes. However, we believe the Combined Financial Statements are meaningful to investors because they present the historical financial condition and results of operations of the businesses comprising the Group, and therefore are relevant to an understanding of the historical development of the businesses comprising the Group. In addition, we believe the allocation methods applied in the Combined Financial Statements to be a reasonable reflection of the financial situation and activities of the food retail, adjacent formats and related retail real estate activities.

The Combined Financial Statements reflect the substance of the activities, assets and liabilities attributable to the food retail, adjacent formats and related retail real estate activities. The legal structure was not considered the key factor in determining the perimeter of the Combined Financial Statements, but rather the basis of the economic activities as better detailed in note 1 to our Audited Combined Annual Financial Statements.

There are limitations inherent in the preparation of all combined financial statements due to the fact that our business was previously part of a larger group. The basis of preparation included in note 1 to our Audited Combined Annual Financial Statements for the years ended December 31, 2017, 2016 and 2015 provides a detailed description of the treatment of historical transactions.

The following financial measures included in this Prospectus are not measures of financial performance or liquidity under IFRS-EU and should not be used instead of, or considered as alternatives to, our historical

financial results prepared in accordance with the basis of preparation disclosed in Note 1 of the Audited Combined Annual Financial Statements and consistent with IFRS-EU:

- 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). EBITDA is used by investors, analysts and our management to evaluate our profitability.
- Underlying EBITDA: means EBITDA excluding non-recurring items, defined as net capital gains/losses from sale-and-leaseback transactions of real estate assets. Underlying EBITDA is adjusted for these items as it impacts comparability and thus provides an understanding of our underlying profitability.
- Underlying EBITDAR: means underlying EBITDA before rental costs from leased real estate assets. Underlying EBITDAR excludes rental costs from leased real estate assets and thus provides an understanding of our underlying performance.
- EBITDA margin, underlying EBITDA margin and underlying EBITDAR margin: mean EBITDA, underlying EBITDA and underlying EBITDAR, respectively, as a percentage of turnover. EBITDA margin, underlying EBITDA margin and underlying EBITDAR margin are measures of profitability used by investors, analysts and our management to evaluate our profitability.
- EBIT: means profit before interests, tax, dividends and share of profit or loss of joint ventures and associates. EBIT is used by investors, analysts and our management to evaluate our profitability.
- Turnover: means total revenue from sales and services rendered.
- Like-for-like (“LFL”) sales: means 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 is used by investors, analysts and our management to evaluate the underlying operating performance of our stores isolated from growth from new stores opened. LFL sales growth is the change in LFL sales compared to the prior period, expressed as a percentage.
- Commercial margin: means turnover less cost of goods sold and materials consumed and advertising expenses, plus payment discounts received, supplementary income and net operating gains/losses from exchange differences. Commercial margin is used by investors, analysts and our management to evaluate our operating performance.
- Selling, general and administrative (“SG&A”) expenses: means underlying EBITDAR less commercial margin and employee benefits expense.
- Maintenance capital expenditure: means investments to maintain and refurbish existing stores, as well as investments in non-store areas such as IT, warehousing, logistics and e-commerce.
- Optimization capital expenditure: means investments to significantly change existing stores or the customer experience. This type of investment goes beyond a typical shop refurbishment.
- Capital Expenditure: means expenses incurred during the year classified as Property, plant or equipment or intangible assets.
- Expansion capital expenditure: means investments to open new stores in the period (including associated real estate investments) recorded as property plant or equipment, or intangible assets incurred in the year, for stores opened in the following years, the year or in the previous year.
- Gross capital expenditure: means maintenance capital expenditure plus optimization capital expenditure plus expansion capital expenditure.

- Gross margin: means Turnover minus the cost of goods sold and materials consumed over Turnover
- Net capital expenditure: means gross capital expenditure less sale-and-leaseback divestments (net book value of retail properties sold in sale-and-leaseback transactions, including net assets of Imoconti excluding debt, and related Goodwill).
- Accounting working capital: means the inventories, trade payables and other assets and liabilities (excluding loans obtained from non-controlling interests, items included in the computation of net debt and Shareholders attributed dividends).
- Cash conversion: means (i) underlying EBITDA, less maintenance capital expenditure and optimization capital expenditure, divided by (ii) underlying EBITDA. Cash conversion is used by investors, analysts and our management to evaluate our liquidity and ability to generate cash flow.
- Free cash flow before dividends, interest and net financial investments: means underlying EBITDA, less income tax expense and total net capital expenditure, less change in accounting working capital, plus other items (non-recurring items, share of profit or loss of joint ventures and associates, non-controlling interests and dividends received during the year). Free cash flow before net interest and dividends is used by investors, analysts and our management to evaluate our liquidity and ability to generate cash flow.
- Net debt: means gross debt (Loans, bonds and other loans, leases and derivatives), less cash and bank balances and other current investments.
- Turnover: means the total of sales and services rendered as disclosed in the combined income statements.

For a reconciliation of each of the above alternative performance measures to the most directly reconcilable line item, subtotal or total presented in the Combined Financial Statements, please see “*Selected Combined Financial and Other Data— Other Unaudited Financial and Operating Data.*”

The non-IFRS-EU financial measures presented herein are not recognized measures of financial performance under IFRS, but measures used by management to monitor the underlying performance of our business and operations. In particular, the non-IFRS financial measures should not be viewed as substitutes for turnover, profit/loss for the period, cash flows from operating activities or other income statement or cash flow statement items presented in the Combined Financial Statements. The non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirements and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results.

We have presented these non-IFRS measures in this Prospectus because we consider them to be important supplemental measures of our performance and believe that they are widely used by investors comparing performance between companies. Since not all companies compute these or other non-IFRS financial measures in the same way, the manner in which our management has chosen to compute the non-IFRS financial measures presented herein may not be comparable with similarly defined terms used by other companies.

Exchange Rate Information

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the Combined Financial Statements and other financial information appearing in this Prospectus. Neither the Company nor the Underwriters represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on October 3, 2018 was \$1.1478 per €1.00.

	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Period End</u>
	(U.S. dollars per €1.00)			
Year				
2013.....	1.3804	1.2772	1.3283	1.3789
2014.....	1.3925	1.2100	1.3283	1.2100
2015.....	1.2010	1.0492	1.1096	1.0866
2016.....	1.1527	1.0384	1.1069	1.0547
2017.....	1.2026	1.0427	1.1300	1.2022
Month				
December 2017.....	1.2022	1.1724	1.1837	1.2022
January 2018.....	1.2492	1.1921	1.2204	1.2415
February 2018.....	1.2479	1.2209	1.2348	1.2209
March 2018.....	1.2444	1.2212	1.2336	1.2327
April 2018.....	1.2390	1.2101	1.2278	1.2101
May 2018.....	1.2017	1.1546	1.1820	1.1671
June 2018.....	1.1808	1.1570	1.1688	1.1658
July 2018	1.1751	1.1639	1.1686	1.1684
August 2018.....	1.1714	1.1313	1.1550	1.1635
September 2018	1.1777	1.1553	1.1660	1.1604
October 2018 (through to October 3)	1.1578	1.1478	1.1534	1.1478

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SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements, referred to as “Elements.” These Elements are numbered in Sections A - E (A.1 - E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Since a number of points do not need to be addressed, there may be gaps in the numbering sequence. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a brief description of the point with “not applicable” is included.

A.–Introduction and Warnings		
A.1	General disclaimer regarding the summary	<p>This summary should be read as an introduction to the prospectus (the “Prospectus”) relating to the offering (the “Offering”) by Sonaecenter, Serviços, S.A. (the “Selling Shareholder”) of up to 217,360,000 existing ordinary shares (the “Firm Shares”), in the share capital of Sonae MC, SGPS, S.A. (the “Company”) through (i) a public offering to institutional and retail investors in Portugal (the “Retail Offering”) and (ii) a private placement to certain institutional investors in various other jurisdictions (the “Institutional Offering”), and the admission to listing and trading of the ordinary shares with a nominal value of €1.00 each (the “Shares”) on Euronext Lisbon (as defined below). Any decision to invest in the existing ordinary shares (the Firm Shares and the Additional Shares, if any, as defined below, shall be referred to as the “Offer Shares”) in the Company sold by the Selling Shareholder should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the member states of the European Union, have to bear the costs of translating the Prospectus before legal proceedings are initiated.</p> <p>Civil liability in relation to this summary, including any translation thereof, attaches only to the Company or the Selling Shareholder but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares.</p>
A.2	Information regarding the subsequent use of the Prospectus	Not applicable. The Company does not consent to the use of the Prospectus for the subsequent resale or placement of the Offer Shares by financial intermediaries.
B.–Company		
B.1	Legal and commercial name of the Company	The legal name of the Company is Sonae MC, SGPS, S.A. (formerly named Sonae Investimentos, SGPS, S.A.). In this summary, references to “we,” “us” and “our” are to the Company and, unless otherwise indicated, its consolidated subsidiaries. The Company, together with its consolidated subsidiaries, is referred to herein as the “Group.”
B.2	Domicile and legal form of the Company, legislation under which the Company operates and	The Company is a limited liability company (<i>sociedade anónima</i>) organized under the laws of Portugal, duly incorporated and validly existing under the laws of Portugal, having its registered office in Portugal.

	country of incorporation	
B.3	Description of, and key factors relating to, the nature of the Company's current operations and its principal activities, main products sold and/or services performed and identification of the principal markets in which the Company competes	<p>The Company is the market leader in food retail in Portugal, as measured by sales based on publicly available information and Company estimates, with a market share of 22% as at December 2017, as measured by Planet Retail. In 2017 we have achieved revenues from sales and services rendered of €4,055 million and underlying EBITDA¹ of €301 million, resulting in an underlying EBITDA margin² of 7.4%. We have a track record of over 30 years of consistent growth on the back of expanding our store footprint, managing a highly diversified portfolio of banners, formats and channels and maintaining a culture of continuous improvement and efficiency.</p> <p>Our Company consists of distinctive business lines that offer a wide range of high quality products and services at competitive prices, namely through operations in:</p> <ul style="list-style-type: none"> • food, with <i>Continente</i> (urban hypermarkets), <i>Continente Modelo</i> (large stores), <i>Continente Bom Dia</i> (proximity stores), <i>Continente online</i> (e-commerce) and <i>Meu Super</i> (franchised proximity stores) as well as adjacent formats, such as health & wellness, with <i>Well's</i> (para-pharmacies, including health, beauty products, well-being and eye care), and <i>Go Natural</i> (organic stores and restaurants); <i>Bagga</i> (coffee shops), <i>Note!</i> (stationery, books and gifts), <i>ZU</i> (pet care and vet services) and <i>Maxmat</i> (do-it-yourself, "DIY" retail); and • management and operation of the real estate assets of our owned stores across formats and banners, with 49% of our real estate being owned by us as of June 30, 2018. <p>We target the daily and weekly shopping of a wide and diverse range of Portuguese consumers as well as international tourists through an omnichannel and multi-format strategy, based on a well-invested and modern food retail and adjacent format network of 1,054 stores (567 food retail stores; 487 adjacent formats retail stores), including franchised stores, covering an aggregate sales area of around 834,000 sqm³ (as of June 30, 2018), and a fast growing e-commerce platform (#1 in Portugal according to CaixaBank BPI research, as of 2018⁴). Our business is underpinned by a strong, real estate portfolio in prime urban locations that we believe would be difficult to replicate, with a significant freehold share of 49% as of June 30, 2018.</p> <p>Having started our operations in 1985, we have a consistent track record of growth throughout economic cycles. Our success is based on (i) a highly experienced management team with over 20 years of experience in Portuguese retail; (ii) a long-term partnership approach with employees, suppliers, authorities and other partners; and (iii) a highly engaged workforce of approximately 30,000 employees. We have a leading position in Portuguese retail and the <i>Continente</i> brand has been voted by consumers for 16 consecutive years as one of the most trusted brands in Portugal⁵.</p> <p>In 2017, our Turnover (which corresponds to total revenue from sales and services rendered) reached €4,055 million, an increase of 5.5% over the previous year. This growth reflects both a robust like-for-like sales performance of 1.3% and the strong</p>

¹ Underlying EBITDA is defined as EBITDA excluding certain non-recurring items (net capital gains/losses on the sale-and-leaseback transactions of real estate assets).

² Underlying EBITDA margin is calculated as underlying EBITDA as a percentage of turnover.

³ Including franchised stores.

⁴ CaixaBank BPI, Iberian Retail research, 29th January 2018.

⁵ Reader's Digest.

		<p>expansion plan of our proximity store network.</p> <p>The 2017 underlying EBITDA was 7.4% of Turnover, corresponding to €301 million. Underlying EBITDA increased 3.1% in comparison to 2016.</p>
B.4	<p>Most significant recent trends affecting the Company and the industries in which it operates</p>	<p><i>Ability to sustain and grow like-for-like sales</i></p> <p>Our sales are primarily driven by the performance of our existing store network, as measured by growth in like-for-like sales, and the pace at which we open new stores.</p> <p>Our like-for-like sales performance is determined by sales volumes and sales prices. Like-for-like sales refers to sales from own stores that operated under the same conditions in comparable months year-on-year, and excludes stores opened, closed or which suffered major upgrade works in one of the periods. The changes in price levels for our products are generally consistent with price inflation for food retail in Portugal and are also affected, to a lesser extent, by competition and promotional activity.</p> <p>In recent years, the food retail market in Portugal has been characterized by intense competition, with significant increases in supply driven by growth in the number of total stores and sales area in the Portuguese food retail market. The intense competition in the market has had the effect of limiting price increases, in part through increasing levels of promotional activity. Against this backdrop, maintaining or slightly increasing our like-for-like volumes has enabled us, together with the expansion of our store network, to continue to grow our market share. Our ability to maintain and grow our like-for-like volumes is dependent upon our understanding of the Portuguese consumer, gained from years of experience and enhanced by data from our loyalty program, which allows us to continually anticipate trends in consumer preferences and tailor our value proposition accordingly. Our value proposition strategy is composed of three primary elements: offering the right prices and the right promotions, through leveraging data from our loyalty program; improving the range, assortment, quality and price of our offering of fresh products, as well as healthy, organic and prepared products; and continuing to develop and improve our private label products.</p> <p><i>Pace of opening new stores</i></p> <p>We also seek to grow our sales through our store network expansion strategy. In particular, in recent years, we have been focusing on rebalancing our store portfolio through expanding our network of proximity format stores under the brand <i>Continente Bom Dia</i>, in response to the shift in consumer demand toward greater convenience. In response to this trend, we have also undertaken an optimization of our larger format stores to adapt them to a value proposition emphasizing convenience, for example by making improvements to our assortment offered and to the space within these stores.</p> <p>We support the expansion of our food retail network through the continual sourcing of locations for new stores, which may be either standalone (i.e., properties with only our branded retail stores) or mixed-use (i.e., properties with housing, office space or other commercial uses co-located with our branded retail stores), with the aim of enhancing the intrinsic value of the real estate assets and the store potential.</p> <p><i>Sale-and-leaseback of real estate assets</i></p> <p>In recent years, we have entered into sale-and-leaseback transactions as a key part of our strategy for actively managing our portfolio of real estate assets and generating cash flow to fund our growth. We launched our sale-and-leaseback program in 2009 with the goal of reducing the level of properties owned from 85% to 50%. We have taken advantage of recent strong demand for real estate investments offering attractive</p>

	<p>yields to enter into sale-and-leaseback transactions, thereby generating significant cash inflows to fuel growth. We recognize a capital gain on the sale of real estate assets in sale-and-leaseback transactions, followed by an operating lease, as the difference between the fair value of the property and its book value, when the transaction price at which the property is sold does not differ from fair value. Otherwise and if the transaction price is higher than the property's fair value, the difference is recognized as a liability. Going forward, we plan to consider selective sale-and-leaseback transactions of our real estate assets in order to recycle capital if market conditions are considered favorable.</p> <p>Furthermore, store optimization, alternative use of real property assets and development and transformation of properties are undertaken with a view to improving near-term profitability, through increasing sales per square meter and improving the value proposition, ultimately also attracting greater customer footfall.</p> <p><i>Purchasing power and gross margins</i></p> <p>Like all food retailers, our results are determined by the difference between the price we charge our customers for products and the price at which we purchase those products from our suppliers. In the three-year period from 2015 to 2017, gross margins (defined as Turnover, which corresponds to revenue from sales and services rendered, minus the cost of goods sold and materials consumed over Turnover) have remained relatively stable, declining by 55 basis points over the period, largely reflecting our strategy of investing to become a price leader.</p> <p><i>Employee benefits expenses</i></p> <p>Our profitability during the period under review has been naturally affected by the salaries and wages we pay to our employees. In the year ended December 31, 2016, our employee benefits expenses increased by 9.1% compared to the previous year, which was significantly higher than the inflation rate, as a result of the expansion of our store network, as well as increases in the national minimum wage and the reintroduction of public holidays in 2016. Our employee benefits expense ratio, which we define as the ratio of employee benefits expenses to Turnover has risen both as a result of the increase in the number of new stores opened, as it takes some time for a new store to achieve targeted levels of efficiency and productivity during the ramp-up phase, as well as the shift in our store portfolio to a higher proportion of smaller format stores, as larger store formats, such as hypermarkets, have relatively higher productivity in terms of sales per full time-equivalent employee. Against this trend of an increasing employee benefits expense ratio, we have implemented operational efficiency measures to improve employee productivity, which we measure as the growth in sales volumes per employee. Recent measures have included the automation of ordering processes, the optimization of in-store logistics flows and the improvement of shelf-ready packaging.</p> <p><i>Macroeconomic conditions and trends in Portugal</i></p> <p>Our businesses and operations are conducted almost entirely in Portugal. For this reason, Portugal's macroeconomic conditions, driven by the economic environment in the region and the global economy, have significant importance for our results of operations. Changes in macroeconomic conditions in Portugal, including the gross domestic product ("GDP") growth rate, unemployment rate, wages (including minimum wages), individual consumption, consumer confidence, interest rates and inflation, impact the overall affluence of the society, consumers' purchasing power and disposable income, thus shaping consumer spending habits. These factors also affect our product prices and value of sales, and thus affect our financial performance.</p>
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	<p>Portugal's near-term outlook remains solid. GDP growth is expected to decelerate slightly to +2.4% in 2018, while the economy continues to shift towards a more sustainable growth model, supported by buoyant exports and the recovery of investment, in a favorable global context. Private consumption in real terms is expected to remain robust at +2.0% in 2018, in line with the evolution of disposable income. As the savings rate is expected to remain at historically low levels, spending will be supported by solid job creation in a context of moderate wage gains.</p> <p><i>Seasonality</i></p> <p>While most of our costs are fixed and are generally spread evenly throughout the year, we experience higher sales in the second half of the calendar year, reflecting increased demand during the Christmas and summer seasons in the third and fourth financial quarters, and our EBITDA margins⁶ also tend to be higher during these periods (despite our gross margins being broadly stable across periods). We use our capital resources, in particular our credit lines with our third-party lenders, to manage our liquidity through annual seasonal peaks and troughs.</p> <p><i>Ability to execute our near-term strategy</i></p> <p>Our results of operations in the near term will be affected by our ability to execute our strategy. In particular:</p> <p><i>Value proposition</i></p> <p>We plan to continue to strengthen our value proposition through a combination of continuous improvement in customers' price perception as well as increased efficiency of targeted promotions. We also expect to drive our customer value proposition with a focus on fresh produce and private label. Increased focus on fresh produce also reflects the increased awareness of customers towards health and wellness and is seen as potentiating the "identity" of a store, underpinning its quality and variety of products offered to customers.</p> <p><i>Store network expansion</i></p> <p>Given the low penetration of the proximity sector in the Portuguese food retail market, we believe there is a clear opportunity to continue to expand the store estate with particular emphasis on the <i>Continente Bom Dia</i>, smaller, formats.</p> <p><i>E-commerce</i></p> <p>We plan to pursue the potential for growth in our e-commerce offering, which, although it currently accounts for only a very small portion of our total sales, has had a trajectory of strong growth in recent years. To date, our e-commerce business has had a negative contribution to our profit, due to higher costs than our traditional food retail business. Our near-term objective is to continue to grow and enhance our e-commerce offering in order to achieve positive profitability, driven by scale, efficiency improvement and revenue optimization.</p> <p><i>Health & wellness</i></p> <p>Outside the food retail space, we have identified health and wellness as a key growth area, which we believe remains an underpenetrated market in Portugal compared to the rest of the EU. According to IQVIA, the health and beauty market in Portugal is forecast to grow at a 2017-2022 compound annual growth rate of approximately</p>
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⁶ EBITDA margin is calculated as EBITDA as a percentage of turnover.

		<p>11.5%. The number of our <i>Well's</i> stores has grown from 167 (including 15 franchised) as at December 31, 2015 to 222 stores (including 28 franchised) as of December 31, 2017. In addition, we intend to make our stores a key destination for healthy nutrition in Portugal by implementing a “Bio & Healthy” concept, with a wide variety, dedicated space and a wide range of fresh products. We have invested in, and plan to continue to invest in, growing our health and wellness and “Bio & Healthy” offering because these offerings have supported our like-for-like sales growth in food formats, and we believe these areas have potential for solid long term growth.</p>																																												
B.5	Description of the group and the Company’s position within the group	<p>The Company is the parent holding company of the Group. The following chart sets forth the corporate structure of the Group as of the date of this Prospectus.</p> <div><pre>graph TD Efanor["Efanor Investimentos, SGPS, SA (and affiliated companies) (3)"] -- 52.48% --> SonaeSGPS["Sonae, SGPS, SA (2)"] Other["Other shareholders"] -- 47.52% --> SonaeSGPS SonaeSGPS --> Sonaecenter["Sonaecenter, Serviços, SA"] SonaeSGPS --> SonaeInvest["Sonae Investments BV"] SonaeInvest -- 13% --> SonaeMC["Sonae MC, SGPS, SA (1)"] SonaeMC -- 35% --> SonaeSGPS SonaeMC --> ModeloCont["Modelo Contínente, SGPS, SA"] ModeloCont --> Subs1["Subsidiaries"] ModeloCont --> ModeloContHiper["Modelo Contínente Hipermercados, SA"] ModeloContHiper --> Subs2["Subsidiaries"] ModeloCont --> Pharmacont["Pharmacontínente – Saúde e Higiene, SA"] ModeloCont --> Sonaerp["Sonaerp – Retail Properties, SA"] Sonaerp --> Subs3["Subsidiaries"] ModeloCont -- 50% --> ModeloDist["Modelo – Distribuição De Materiais De Construção, SA"] ModeloDist --> Subs4["Subsidiaries"]</pre></div> <p>(1) As at June 30, 2018, Sonae, SGPS, S.A. (the “Parent”) held directly and indirectly 100% of the Company. The Parent and its consolidated subsidiaries are referred to as the “Sonae Group”.</p> <p>(2) To the best of the Company’s knowledge, Efanor Investimentos, SGPS, S.A. (and affiliated companies) held 52.48% of the Parent’s share capital as at June 30, 2018. To the best of the Company’s knowledge, no other person (legal or natural) held more than 10% of the Company’s share capital and voting rights as at June 30, 2018.</p> <p>(3) To the best of the Company’s knowledge, as at November 29, 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder pursuant to Articles 20 and 21 of the Portuguese Securities Code.</p>																																												
B.6	Persons who, directly or indirectly, have a (notifiable) interest in the Company’s capital or voting rights or have control over the Company	<p>The following table presents our ownership structure at the date of this Prospectus and immediately after completion of the Offering. To the best of the Company’s knowledge, no other person (legal or natural) held more than 10% of the Company’s share capital and voting rights as at June 30, 2018.</p> <table><tr><th rowspan="2">Shareholder</th><th colspan="2">Shareholding prior to the Offering</th><th colspan="2">Shareholding after the Offering (assuming the Over-Allotment Option⁽⁴⁾ is not exercised)</th><th colspan="2">Shareholding after the Offering (assuming the Over-Allotment Option⁽⁴⁾ is exercised in full)</th><th colspan="2">Shareholding after the Offering (assuming the Over-Allotment Option⁽⁴⁾ and the Upsize are exercised in full)</th></tr><tr><th>Number</th><th>%</th><th>Number</th><th>%</th><th>Number</th><th>%</th><th>Number</th><th>%</th></tr><tr><td>Efanor Investimentos, SGPS, S.A.⁽¹⁾</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Sonae, SGPS, S.A.⁽²⁾</td><td>350,286,683</td><td>35.03</td><td>350,286,683</td><td>35.03</td><td>350,286,683</td><td>35.03</td><td>350,286,683</td><td>35.03</td></tr><tr><td>Sonaecenter, Serviços, S.A. ⁽³⁾</td><td>518,269,127</td><td>51.83</td><td>300,909,127</td><td>30.09</td><td>268,309,127</td><td>26.83</td><td>181,309,127</td><td>18.13</td></tr></table>	Shareholder	Shareholding prior to the Offering		Shareholding after the Offering (assuming the Over-Allotment Option ⁽⁴⁾ is not exercised)		Shareholding after the Offering (assuming the Over-Allotment Option ⁽⁴⁾ is exercised in full)		Shareholding after the Offering (assuming the Over-Allotment Option ⁽⁴⁾ and the Upsize are exercised in full)		Number	%	Number	%	Number	%	Number	%	Efanor Investimentos, SGPS, S.A. ⁽¹⁾									Sonae, SGPS, S.A. ⁽²⁾	350,286,683	35.03	350,286,683	35.03	350,286,683	35.03	350,286,683	35.03	Sonaecenter, Serviços, S.A. ⁽³⁾	518,269,127	51.83	300,909,127	30.09	268,309,127	26.83	181,309,127	18.13
Shareholder	Shareholding prior to the Offering			Shareholding after the Offering (assuming the Over-Allotment Option ⁽⁴⁾ is not exercised)		Shareholding after the Offering (assuming the Over-Allotment Option ⁽⁴⁾ is exercised in full)		Shareholding after the Offering (assuming the Over-Allotment Option ⁽⁴⁾ and the Upsize are exercised in full)																																						
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Sonae, SGPS, S.A. ⁽²⁾	350,286,683	35.03	350,286,683	35.03	350,286,683	35.03	350,286,683	35.03																																						
Sonaecenter, Serviços, S.A. ⁽³⁾	518,269,127	51.83	300,909,127	30.09	268,309,127	26.83	181,309,127	18.13																																						

		<p>Sonae Investments B.V.⁽³⁾</p> <p>Total attributable to Efanor Investimentos, SGPS, S.A.</p> <p>(1) To the best of the Company's knowledge, as at November 29, 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder pursuant to Articles 20 and 21 of the Portuguese Securities Code.</p> <p>(2) To the best of the Company's knowledge, Efanor Investimentos, SGPS, S.A. (and affiliated companies) held 52.48% of Sonae, SGPS, S.A.'s (i.e., the "Parent") share capital as at June 30, 2018.</p> <p>(3) Sonaecenter, Serviços, S.A. (i.e., the "Selling Shareholder") and Sonae Investments B.V. are both owned by the Parent.</p> <p>(4) As defined in element B.5 below.</p> <p>The Selling Shareholder</p> <p>The Selling Shareholder is Sonaecenter, Serviços, S.A., a limited liability company (<i>sociedade anónima</i>) organized under the laws of Portugal, with head office at Lugar do Espido, Via Norte 4470 177 Maia, Portugal and registered with the Portuguese Commercial Registry (<i>Conservatória do Registo Comercial</i>) under the sole taxpayer and legal person number 506440613 and with the share capital of €1.836.550.000,00. As indicated in the table above, the Selling Shareholder will own 300,909,127 Shares after the Offering assuming the Over-Allotment Option (defined in element B.5 below) is not exercised and 268,309,127 Shares after the Offering assuming the Over-Allotment Option is exercised in full. Furthermore, the Selling Shareholder will own 181,309,127 Shares if the Over-Allotment Option and the Upsize are exercised in full.</p> <p>Relationship with the Parent</p> <p>Sonaecenter, Serviços, S.A. and Sonae Investments BV are wholly-owned by the Parent. Consequently, the Parent owns, directly and indirectly all of the Shares and the voting rights in the Company.</p> <p>With a view to ensuring the independence of the Company <i>vis-a-vis</i> its shareholders and to ensure that their control over the Company is not exercised in an abusive manner, the Company procures to ensure total transparency in mutual relationships through the strict compliance with the regulatory and legal provisions applicable to it, notably the provisions relating to information obligations, information rights of the shareholders, related party transactions and safeguard of potential conflicts of interest.</p> <p>To the best of the Company's knowledge, Efanor Investimentos, SGPS, S.A. (and affiliated companies) held 52.48% of the Parent's share capital as at June 30, 2018. To the best of the Company's knowledge, no other person (legal or natural) held more than 10% of the Company's share capital and voting rights as at June 30, 2018. To the best of the Company's knowledge, as at November 29, 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder pursuant to Articles 20 and 21 of the Portuguese Securities Code.</p>	<p>131,444,190 13.14 131,444,190 13.14 131,444,190 13.14 131,444,190 13.14</p> <p>1,000,000,00 100.00 782,640,000 78.26 750,040,000 75.00 663,040,000 66.30</p> <p>0</p>
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B.7	Selected historical key financial information	<p>The following tables contain our selected historical combined financial information. Our selected historical combined financial information as of and for the years ended December 31, 2017, 2016 and 2015 is extracted or derived from the Audited Combined Annual Financial Statements. Our selected historical combined financial information as of and for the six months ended June 30, 2017 and 2018 is extracted or derived from the Combined Interim Financial Statements. The Audited Combined Annual Financial Statements and the Combined Interim Financial Statements (together, the “Combined Financial Statements”) have been presented in euro and prepared in accordance with the basis of preparation disclosed in note 1 to the Audited Combined Annual Financial Statements and consistent with IFRS-EU.</p> <p>The Combined Financial Statements reflect the assets, liabilities, revenues, expenses and cash flows of the businesses retained within the Group perimeter in the Carve-Out, namely the food retail activities, adjacent formats and related retail real estate activities. Certain income, expenses, assets and liabilities of certain non-operating companies in the Group have not been included in the Combined Financial Statements because the activities did not relate to the operating activities of the food retail, adjacent formats and related real estate businesses. Please refer to note 1 of the Audited Combined Annual Financial Statements for additional detail.</p> <p>Selected Combined Income Statement Data</p> <table><tr><th></th><th colspan="3">Year ended December 31,</th><th colspan="2">Six months ended June 30,</th></tr><tr><th></th><th>2015</th><th>2016</th><th>2017</th><th>2017</th><th>2018</th></tr><tr><th></th><th colspan="3">(audited)</th><th colspan="2">(non-audited)</th></tr><tr><th></th><th colspan="5">(€ in millions)</th></tr><tr><td>Sales</td><td>3,543.1</td><td>3,739.7</td><td>3,935.0</td><td>1,807.3</td><td>1,925.6</td></tr><tr><td>Services rendered</td><td>94.2</td><td>102.9</td><td>119.6</td><td>54.8</td><td>55.7</td></tr><tr><td>Gains and losses on investments</td><td>0.0</td><td>6.5</td><td>(0.2)</td><td>-</td><td>0.0</td></tr><tr><td>Other income.....</td><td>99.0</td><td>114.4</td><td>83.0</td><td>28.9</td><td>29.3</td></tr><tr><td>Cost of goods sold and materials consumed</td><td>(2,525.9)</td><td>(2,678.2)</td><td>(2,837.9)</td><td>(1,296.3)</td><td>(1,371.7)</td></tr><tr><td>External supplies and services.....</td><td>(400.0)</td><td>(432.8)</td><td>(459.9)</td><td>(214.7)</td><td>(231.2)</td></tr><tr><td>Employee benefits expense</td><td>(426.8)</td><td>(465.6)</td><td>(488.2)</td><td>(243.1)</td><td>(263.1)</td></tr><tr><td>Other expenses</td><td>(45.0)</td><td>(38.2)</td><td>(44.0)</td><td>(17.6)</td><td>(17.9)</td></tr><tr><td>Depreciation and amortization expenses</td><td>(120.1)</td><td>(123.1)</td><td>(133.8)</td><td>(64.9)</td><td>(72.1)</td></tr><tr><td>Provisions and impairment losses.....</td><td>(6.3)</td><td>5.2</td><td>(4.0)</td><td>(1.6)</td><td>0.4</td></tr><tr><td>Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates.....</td><td>212.2</td><td>230.8</td><td>169.6</td><td>52.8</td><td>55.1</td></tr><tr><td>Dividends received during the year ...</td><td>0.2</td><td>0.1</td><td>0.1</td><td>0.1</td><td>0.1</td></tr><tr><td>Share of profit or loss of joint ventures and associates.....</td><td>(0.1)</td><td>(2.0)</td><td>(5.8)</td><td>(1.5)</td><td>(0.6)</td></tr><tr><td>Financial income</td><td>13.4</td><td>1.3</td><td>0.6</td><td>0.4</td><td>0.6</td></tr><tr><td>Financial expense</td><td>(32.9)</td><td>(24.0)</td><td>(17.2)</td><td>(8.5)</td><td>(8.6)</td></tr><tr><td>Profit before tax</td><td>192.8</td><td>206.2</td><td>147.5</td><td>43.2</td><td>46.6</td></tr><tr><td>Income tax expense</td><td>(45.2)</td><td>(24.9)</td><td>(29.6)</td><td>(7.9)</td><td>(7.3)</td></tr><tr><td>Profit for the year.....</td><td>147.6</td><td>181.4</td><td>117.9</td><td>35.3</td><td>39.4</td></tr><tr><td>Attributable to:</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Owners of the Company</td><td>146.7</td><td>179.6</td><td>115.3</td><td>34.6</td><td>38.4</td></tr><tr><td>Non-controlling interests</td><td>0.9</td><td>1.8</td><td>2.6</td><td>0.8</td><td>1.0</td></tr><tr><td></td><td>147.6</td><td>181.4</td><td>117.9</td><td>35.3</td><td>39.4</td></tr></table> <p>Selected Combined Statement of Financial Position</p> <table><tr><th></th><th colspan="3">As at December 31,</th><th>As at June 30,</th></tr><tr><th></th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr><tr><th></th><th colspan="3">(audited)</th><th>(non-audited)</th></tr><tr><th></th><th colspan="4">(€ in millions)</th></tr><tr><td>ASSETS</td><td></td><td></td><td></td><td></td></tr><tr><td>NON-CURRENT ASSETS:</td><td></td><td></td><td></td><td></td></tr><tr><td>Property, plant and equipment</td><td>1,196.1</td><td>1,230.0</td><td>1,264.0</td><td>1,285.8</td></tr></table>		Year ended December 31,			Six months ended June 30,			2015	2016	2017	2017	2018		(audited)			(non-audited)			(€ in millions)					Sales	3,543.1	3,739.7	3,935.0	1,807.3	1,925.6	Services rendered	94.2	102.9	119.6	54.8	55.7	Gains and losses on investments	0.0	6.5	(0.2)	-	0.0	Other income.....	99.0	114.4	83.0	28.9	29.3	Cost of goods sold and materials consumed	(2,525.9)	(2,678.2)	(2,837.9)	(1,296.3)	(1,371.7)	External supplies and services.....	(400.0)	(432.8)	(459.9)	(214.7)	(231.2)	Employee benefits expense	(426.8)	(465.6)	(488.2)	(243.1)	(263.1)	Other expenses	(45.0)	(38.2)	(44.0)	(17.6)	(17.9)	Depreciation and amortization expenses	(120.1)	(123.1)	(133.8)	(64.9)	(72.1)	Provisions and impairment losses.....	(6.3)	5.2	(4.0)	(1.6)	0.4	Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates.....	212.2	230.8	169.6	52.8	55.1	Dividends received during the year ...	0.2	0.1	0.1	0.1	0.1	Share of profit or loss of joint ventures and associates.....	(0.1)	(2.0)	(5.8)	(1.5)	(0.6)	Financial income	13.4	1.3	0.6	0.4	0.6	Financial expense	(32.9)	(24.0)	(17.2)	(8.5)	(8.6)	Profit before tax	192.8	206.2	147.5	43.2	46.6	Income tax expense	(45.2)	(24.9)	(29.6)	(7.9)	(7.3)	Profit for the year.....	147.6	181.4	117.9	35.3	39.4	Attributable to:						Owners of the Company	146.7	179.6	115.3	34.6	38.4	Non-controlling interests	0.9	1.8	2.6	0.8	1.0		147.6	181.4	117.9	35.3	39.4		As at December 31,			As at June 30,		2015	2016	2017	2018		(audited)			(non-audited)		(€ in millions)				ASSETS					NON-CURRENT ASSETS:					Property, plant and equipment	1,196.1	1,230.0	1,264.0	1,285.8
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External supplies and services.....	(400.0)	(432.8)	(459.9)	(214.7)	(231.2)																																																																																																																																																																																												
Employee benefits expense	(426.8)	(465.6)	(488.2)	(243.1)	(263.1)																																																																																																																																																																																												
Other expenses	(45.0)	(38.2)	(44.0)	(17.6)	(17.9)																																																																																																																																																																																												
Depreciation and amortization expenses	(120.1)	(123.1)	(133.8)	(64.9)	(72.1)																																																																																																																																																																																												
Provisions and impairment losses.....	(6.3)	5.2	(4.0)	(1.6)	0.4																																																																																																																																																																																												
Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates.....	212.2	230.8	169.6	52.8	55.1																																																																																																																																																																																												
Dividends received during the year ...	0.2	0.1	0.1	0.1	0.1																																																																																																																																																																																												
Share of profit or loss of joint ventures and associates.....	(0.1)	(2.0)	(5.8)	(1.5)	(0.6)																																																																																																																																																																																												
Financial income	13.4	1.3	0.6	0.4	0.6																																																																																																																																																																																												
Financial expense	(32.9)	(24.0)	(17.2)	(8.5)	(8.6)																																																																																																																																																																																												
Profit before tax	192.8	206.2	147.5	43.2	46.6																																																																																																																																																																																												
Income tax expense	(45.2)	(24.9)	(29.6)	(7.9)	(7.3)																																																																																																																																																																																												
Profit for the year.....	147.6	181.4	117.9	35.3	39.4																																																																																																																																																																																												
Attributable to:																																																																																																																																																																																																	
Owners of the Company	146.7	179.6	115.3	34.6	38.4																																																																																																																																																																																												
Non-controlling interests	0.9	1.8	2.6	0.8	1.0																																																																																																																																																																																												
	147.6	181.4	117.9	35.3	39.4																																																																																																																																																																																												
	As at December 31,			As at June 30,																																																																																																																																																																																													
	2015	2016	2017	2018																																																																																																																																																																																													
	(audited)			(non-audited)																																																																																																																																																																																													
	(€ in millions)																																																																																																																																																																																																
ASSETS																																																																																																																																																																																																	
NON-CURRENT ASSETS:																																																																																																																																																																																																	
Property, plant and equipment	1,196.1	1,230.0	1,264.0	1,285.8																																																																																																																																																																																													

Intangible assets.....	186.5	204.3	215.0	218.9
Goodwill	438.3	437.9	446.9	447.7
Investments in joint ventures and associates ...	4.5	9.7	9.3	8.2
Other investments	11.9	10.9	11.8	12.2
Deferred tax assets	23.0	17.5	22.1	33.1
Other non-current assets	6.0	7.1	10.7	10.2
Total Non-Current Assets.....	1,866.3	1,917.4	1,979.8	2,016.2
CURRENT ASSETS:				
Inventories	329.7	372.1	396.3	385.1
Trade receivables	43.8	57.1	54.6	44.1
Other receivables	43.8	61.4	44.4	40.5
Income tax assets	39.4	50.7	36.7	26.1
Other tax assets	12.8	13.2	20.7	23.4
Other current assets.....	52.9	42.9	31.7	85.0
Other investments	0.4	0.7	0.1	0.3
Cash and bank balances	47.5	64.2	93.7	56.7
Total Current Assets	570.3	662.5	678.2	661.3
Assets classified as held for sale	114.0	19.5	0.8	-
TOTAL ASSETS	2,550.5	2,599.4	2,658.8	2,677.4
EQUITY AND LIABILITIES				
EQUITY:				
Equity attributable to owners of the Company.....	725.1	710.2	732.0	645.1
Non-controlling interests.....	21.9	23.2	29.0	30.0
TOTAL EQUITY	746.9	733.3	761.0	675.2
LIABILITIES:				
NON-CURRENT LIABILITIES				
Loans	289.7	260.7	313.4	485.4
Bonds.....	297.7	310.0	257.3	257.5
Other loans, leases and derivatives	0.0	-	0.0	0.0
Other non-current liabilities	14.3	19.0	20.7	20.4
Deferred tax liabilities.....	78.1	68.6	91.2	97.6
Provisions	8.3	8.5	7.4	6.5
Total Non-Current Liabilities.....	688.1	666.8	690.0	867.5
CURRENT LIABILITIES				
Loans	81.4	170.6	115.2	126.7
Bonds.....	50.0	3.0	53.0	3.0
Other loans, leases and derivatives	2.1	0.1	0.3	0.2
Trade payables	689.7	681.8	708.9	708.0
Other payables	64.5	85.8	76.7	60.3
Income tax liabilities.....	47.9	69.5	50.6	51.0
Other tax liabilities.....	51.2	51.4	63.5	46.0
Other current liabilities	127.3	123.9	134.7	135.7
Provisions	1.5	1.5	4.8	3.8
Total Current Liabilities.....	1,115.5	1,187.6	1,207.7	1,134.7
Liabilities directly associated with assets classified as held for sale	-	11.7	-	-
TOTAL LIABILITIES.....	1,803.6	1,866.1	1,897.7	2,002.3
TOTAL EQUITY AND LIABILITIES.....	2,550.5	2,599.4	2,658.8	2,677.4

Selected Combined Cash Flow Data

	Year ended December 31,			Six months ended	
	2015	2016	2017	2017	2018
	(audited)			(non-audited)	
	(€ in millions)				
OPERATING ACTIVITIES					
Receipts from customers.....	3,618.2	3,823.7	4,065.0	1,888.8	1,995.0
Payments to suppliers.....	(2,929.4)	(3,149.5)	(3,239.6)	(1,586.0)	(1,645.0)
Payments to employees	(430.3)	(457.8)	(483.0)	(232.6)	(251.6)
Cash generated from operations.....	258.5	216.4	342.4	70.1	98.3
Income taxes (paid)/received	(21.6)	(19.4)	(32.1)	(2.9)	(0.8)
Other cash receipts and (payments) relating to operating activities.....	(10.1)	11.3	(23.5)	(16.6)	(16.7)
Net cash generated by operating activities (1).....	226.9	208.3	286.8	50.6	80.9
INVESTMENT ACTIVITIES					
Receipts arising from:					

		Investments - - 21.0 21.0 - Property, plant and equipment 186.5 211.4 40.5 1.8 1.6 Intangible assets 1.0 4.3 6.4 2.3 0.8 Interests and similar income 5.2 1.0 0.2 0.1 0.0 Loans granted 42.7 36.2 5.2 - - Dividends 0.4 0.5 1.0 0.1 0.5 Others - - 0.0 - - Payments arising from: Investments (4.5) (7.1) (9.1) (3.3) (0.6) Property, plant and equipment (117.7) (174.2) (172.9) (85.4) (99.0) Intangible assets (34.9) (30.7) (43.2) (25.8) (19.5) Loans granted (42.7) (36.2) (5.2) (1.5) - Net cash used in/generated by investment activities (2) 36.1 5.1 (156.1) (90.8) (116.1) FINANCING ACTIVITIES Receipts arising from: Investments 1.2 0.2 1.1 - - Loans, bonds and finance leases 4,141.4 5,885.3 5,660.9 2,991.0 2,508.0 Payments arising from: Investments - (0.0) (1.5) (1.3) (0.5) Loans, bonds and finance leases (4,221.6) (5,869.3) (5,651.8) (2,849.0) (2,376.9) Interests and similar charges (28.6) (23.1) (15.3) (7.1) (6.7) Dividends paid by subsidiaries (0.9) (0.6) (0.4) (0.1) (0.2) Transactions with the Parent Group: Dividends paid (40.0) (40.0) (40.0) - - Withdrawals to Parent Group (2,056.5) (2,539.1) (2,319.0) (2,580.7) (1,905.2) Contributions from Parent Group 1,893.6 2,384.9 2,279.8 2,471.5 1,777.6 Net cash used in financing activities (3) (311.4) (201.7) (86.2) 24.3 (3.9) Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3) (48.4) 11.7 44.5 (15.9) (39.1) Effect of exchange rate changes on the balance of cash held in foreign currencies 0.0 (0.1) 0.2 0.1 0.0 Cash and cash equivalents at the beginning of the year 83.4 34.9 46.6 46.6 91.0 Cash and cash equivalents at the end of the year 34.9 46.6 91.0 30.7 51.8
B.8	Selected key pro forma financial information	Not applicable. The Prospectus does not contain <i>pro forma</i> financial information.
B.9	Profit forecasts or estimates	Not applicable. The Prospectus does not contain profit forecasts or estimates.
B.10	Any qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications in the auditor's report on the Combined Annual Financial Statements.
B.11	Explanation of insufficiency of the Company's working capital	As is normal in the retail industry, we operate with negative accounting working capital, as our net trade payables to our suppliers and other assets and liabilities included in accounting working capital exceed our inventories as a result of low inventory days and minimal debtors. For the years ended December 31, 2017, 2016 and 2015, our negative accounting working capital was approximately 13-15% of turnover, and this level is expected to remain stable in the short term. Furthermore, as is normal in the food retail industry, our accounting working capital is seasonal, with higher accounting working capital needs in the first half of the year and higher cash inflows from operations in the second half of the year. Our food retail business typically benefits from net cash inflows as a result of creditors days being longer than

		<p>those of inventory and receivables.</p> <p>Although we operate with negative accounting working capital, we are of the opinion that, considering the industry in which the Group operates and taking into account the timing of our payments and receivables, as well as current liquidity position and the borrowing facilities available to the Group, the Group has sufficient working capital (i.e., access to cash and other available liquid resources to enable the Group to meet its liabilities as they fall due) for its present requirements, that is, for at least the next twelve months from the date of the Prospectus.</p>
C.–Securities		
C.1	Type of securities and securities code	<p>The securities to be admitted to trading are all of the ordinary shares of the Company (the “Shares”). The Shares are in registered form, and all Shares carry the same economic and voting rights.</p> <p>The Shares will trade on an “if-and-when-delivered” basis under a single trading line “SONAE MC SGPS AIW”, ISIN code PTMOC0AE0007 and trading symbol “SONMC”. After the Settlement Date (as defined in element E.3 below) Shares will be traded under the product name “SONAE MC SGPS” and both the ISIN code and trading symbol will remain the same.</p>
C.2	Currency of the Shares	Euro.
C.3	Number of issued and fully paid Shares and par value of the Shares	The Company’s issued share capital consists of 1,000,000,000 Shares, each representing an identical fraction of the Company’s share capital. All of the issued Shares are fully paid and each Share has a par value of €1.00.
C.4	Rights attached to the Shares	Each Share is entitled to one vote at all general meetings of the shareholders. There are no restrictions on voting rights. All the Shares carry full dividend rights.
C.5	Restrictions on the free transferability of the Shares	Not applicable. Pursuant to the Company’s Articles of Association, there are no restrictions on the transferability of the Shares. With respect to any contractual restrictions on transferability, please see “— <i>Lock-up arrangements</i> ” in element E.5. below.
C.6	Admission to trading on a regulated market	We have applied for the admission to trading of the Shares on Euronext Lisbon (“Euronext Lisbon”), which is a regulated market within the meaning of article 4(1) point 14 of the Prospectus Directive (the “Admission to Trading”). Subject to Euronext Lisbon’s decision, trading of the Shares on Euronext Lisbon is expected to commence, on unconditional basis, on October 23, 2018. It is expected that admission to trading on an “if-and-when-delivered” basis occurs on or about October 19, 2018.
C.7	Dividend policy	<p>Under Portuguese law the distribution of dividends is decided and approved by the Shareholders' Meeting.</p> <p>It is our Board of Directors’ view that the dividend policy of the Company should target a dividend payout ratio of approximately 40-50% of the Company’s consolidated net profit adjusted for non-recurring items.</p> <p>As the Company’s business scope is the management of equity in other companies, as</p>

		<p>an indirect form of operating business, its ability to pay dividends depends substantially on its operating subsidiaries making profits and distributing these to the Company. There can be no assurance that a dividend will be declared in a given year. If a dividend is declared, there can be no assurance that the dividend amount or the dividend payout ratio will be as described above.</p>
D.–Risks		
D.1	Risks related to the Company and the Company's industry and business	<ul style="list-style-type: none"> • The markets in which we operate are highly competitive, and such competitive pressures from direct and indirect, existing and new competitors may have a material adverse effect on our business and result in reductions in our market shares and profitability. • A failure to communicate or implement our business strategies effectively could adversely affect our businesses. • We may not timely anticipate, gauge and effectively react to market trends or consumer preferences, which could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business. • Our continued success is dependent on positive perceptions of our company and our brands, and any failure to adequately protect our reputation could adversely affect our business and our relationships with our customers and employees. • We may be subject to product liability claims and adverse publicity, including claims and adverse publicity concerning food and prepared food products and other non-food products, which could adversely affect our reputation with existing and potential customers and lead to a decrease in our profitability. • Increases in prices charged by food and non-food suppliers, limitations in the availability of products or loss of any key suppliers or procurement partners may have a material adverse effect on our profitability. • Disruptions to, or the insufficiency of, our supply and logistics systems and infrastructure management, including as a result of supply disruptions, poor infrastructure conditions, adverse climate, natural disasters, human error or acts of terrorism, could materially and adversely affect our supply and logistics system and lead to a loss of our customer base and market share and materially affect our business. • Unfavorable macroeconomic conditions in Portugal, as well as developments in regional and global economic conditions, may have a material adverse effect on our business, financial condition and results of operations. • If we fail to adjust the composition, format mix and management of our store portfolio to respond to trends in consumer buying habits or store profitability or as part of a restructuring or change in strategy of our respective businesses or otherwise, our performance and results of operation may be negatively affected. • We are dependent on the experience and leadership of our senior management, and any loss of key personnel could adversely affect our business. • A competitive labor market, changes in labor conditions or labor disruptions

		<p>such as strikes, work stoppages and slowdowns may increase our costs or negatively affect our financial performance.</p> <ul style="list-style-type: none"> • Our business is subject to seasonal peaks, with higher sales and EBITDA margins generated during certain peak trading periods. Weak sales during such peak trading periods, or as a result of extreme or unseasonal weather conditions, could adversely affect us. • If our business does not generate sufficient cash flow to operate and execute on our strategy, or if any of our debt-related agreements are terminated, this could result in disruptions in the supply of products to our stores and could damage our relationships with our partners, and we may also not be able to grow our business, respond to competitive challenges or fund our other capital expenditure needs. • We face risks associated with our indebtedness and financing needs, including the risks of higher interest payments and being able to access adequate financing on acceptable terms, and we may not be able to generate sufficient cash to service such indebtedness. • Any breach in the privacy and security of information of our customers, particularly relating to our loyalty program, employees and suppliers, as well as other business information, could damage our reputation with customers, incur substantial additional costs and subject us to litigation. • We may fail to invest adequately and appropriately in operational systems and processes, including key software applications and hardware, to keep pace with technological changes and consumer trends and behavior, which may negatively affect our competitive position and profitability. In addition, any failure or disruption in our software applications and hardware and IT systems could materially and adversely impact our reputation with current and potential customers, employees and suppliers and could lead to litigation, fines or the loss of competitive advantage. • Complaints and litigation, even if successfully resolved without material financial cost to us, could damage our brand and reputation and divert management resources, which could have a material adverse effect on our business. • We are subject to antitrust and similar legislation in the jurisdictions in which we operate, which could limit our ability to expand. Notably, negotiations and information exchanged with suppliers may involve a risk of prohibited anti-trust practices, and the Portuguese competition authority (the <i>Autoridade da Concorrência</i>, “AdC”) has initiated an investigation concerning the fast moving consumer goods retail sector. • Any write-downs or impairments of our assets, including goodwill and real estate, may have a material adverse effect on our business, financial condition and results of operations as well as our ability to pay dividends. • Natural disasters, climate change and geopolitical events could materially adversely affect our operations and financial performance. • We have a potential risk of environmental liability associated with prior, existing or future store sites that we own or lease, which could affect our operations and lead to a reduction of our profitability. • Our actual performance may differ materially from the 2018 and medium-
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		<p>term financial targets included in this Prospectus and investors should not place undue reliance on them.</p> <ul style="list-style-type: none"> • The loss of important intellectual property rights as well as third party claims that we have infringed on the intellectual property rights of others could significantly harm our business, results of operations, financial condition or prospects. • Currency fluctuations and hedging risks could materially adversely affect our results of operations. • An increase or changes to governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety, advertising or trade could negatively affect our sales, profitability and financial position in different ways. In addition, public authorities may find us to be in violation of any of these laws and regulations, which could result in various civil and criminal penalties, seizure of our inventory, or monetary fines and could materially affect our business and reputation. • Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results. • We may sustain substantial losses not covered by, or exceeding the coverage limits of, our insurance policies, and our insurance premiums may increase. • We are exposed to changes in tax legislation and its interpretation, the tax rates to which we are subject could increase in the future and we are currently involved in tax proceedings with the Portuguese and Brazilian tax authorities, which could have a material adverse effect on our business, reputation and profitability. • The failure of, or any disruption to, our e-commerce platform could lead to a loss of customers and have a material adverse impact on our reputation, business and prospects. • We face certain risks related to operating our stores as franchises, any of which could result in a material adverse effect on our business. <p>Risks specifically relating to the Carve-Out:</p> <ul style="list-style-type: none"> • We may lose some of the benefits from being fully owned by the Parent, and we may be unable to achieve some or all of the benefits that we expect to achieve as an independent, publicly traded company, and this could have a material adverse effect on our business, financial condition and results of operations. • We face the risk that following the proposed transaction, we may not be able to continue to provide services to the Parent and related parties within the Sonae Group and rely on the Parent and related parties within the Sonae Group to supply us certain services to support our operations, which could have an adverse effect on our business. • Our combined financial information is not necessarily indicative of our future results of operations, financial condition or cash flows, and does not necessarily reflect what our results of operations, financial condition or cash flows would have been, assuming the Carve-Out had been implemented during the periods presented.
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		<ul style="list-style-type: none"> • We face the risk that the Company is held liable in relation to obligations pertaining to previously wholly-owned subsidiaries or previously directed companies, which could negatively impact the Company. • We will incur costs associated with the Admission to Trading and will be required to make the changes necessary to operate as an independent, publicly traded company subject to the requirements of the CMVM and Portuguese law. These new processes and structure to be implemented in order for the Company to comply with legal and regulatory requirements may not function effectively at first, and their implementation may require substantial time and resources and divert management's attention. • We face the risk that the Company and its controlled subsidiaries could cease to be a part of its current special tax group both in Portugal and Spain following the Offering, which could negatively impact the tax contributions of the Company.
D.2	Risks Relating to the Offering and the Shares	<ul style="list-style-type: none"> • The interests of the Parent may conflict with your interests and expectations as well as those of the Board of Directors of the Company, which could have a material adverse effect on our business. • The Offer Price of the Shares may not correspond to the price at which trading in the Shares will develop and continue after the Offering. In particular, an illiquid market for the Shares may result in lower trading prices and increased volatility, which could adversely affect the value of your investment. • The market price of the Shares may be volatile and may decline regardless of our actual operating performance, which could have a material adverse effect on the market price of the Shares. • The market price of the Shares and our ability to raise capital through a future offering of Shares may be adversely affected if sales of a substantial number of Shares occur, or by the perception that such sales could occur. • We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings. • Our ability to pay dividends may be constrained by applicable law. • Shareholders with functional currencies other than the euro may face additional investment risk from exchange rate fluctuations in connection with their holdings of Shares. • You may be unable to effect service of process on us or members of our Board of Directors or management in the United States or to enforce judgments obtained in U.S. courts for U.S. securities laws violations, and there is doubt as to the enforceability in Portugal of civil liabilities based on the civil liability provisions of U.S. federal securities laws. • U.S. and other non-Portuguese holders of Shares may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers. • The Shares will be listed and traded on Euronext Lisbon on an "if-and-when-delivered" basis from the First Trading Date until the Settlement Day. • If closing of the Offering does not take place, subscriptions for the Shares will be disregarded and transactions effected in the Shares will be annulled,

		<p>which may lead to losses for potential investors in the Shares.</p> <ul style="list-style-type: none"> Potential investors of Shares may face tax consequences resulting from an investment in the Shares.
E.–Offer		
E.1	Total net proceeds and estimate of the total expenses incurred in connection with the Offering	<p>Estimated gross proceeds from the Offering (assuming the highest Offer Price Range): €358.644 million.</p> <p>Estimated expenses incurred in connection with the Offering, which will be borne by the Selling Shareholder: €14.624 million.</p> <p>Estimated net proceeds from the Offering: €344.020 million.</p> <p>The Company will not receive any proceeds from the sale of the Offer Shares, which will be received by the Selling Shareholder.</p> <p>We estimate the total expenses of the Offering and the Admission to Trading to be €17.864 million, including underwriting fees and commissions relating to the Offer Shares sold by the Selling Shareholder pursuant to the Offering (assuming full payment of the Underwriters' fees).</p> <p>Investors will not be charged with expenses by the Company, the Selling Shareholder or the Underwriters in connection with the Offering. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution or other financial intermediaries. The amount of these commissions is available on the <i>Comissão do Mercado de Valores Mobiliários</i>, the Portuguese securities market supervisory authority ("CMVM") website at www.cmvm.pt.</p>
E.2	Reasons for the Offering and use of proceeds	<p>Reasons for the Offering</p> <p>Becoming a publicly listed company is expected to provide certain advantages to the Group, including the enhancement of our value proposition through an increased level of autonomy, an independent capital structure and allowing for the release of a stream of dividends, as well as a corporate governance structure in line with public companies' best practices. The Offering is also expected to unlock shareholder value, principally by providing visibility on the Company's standalone valuation and also by potentially reducing the Parent's holding discount.</p> <p>Use of Proceeds</p> <p>The Company will not receive any proceeds from the sale of the Offer Shares, which will be received by the Selling Shareholder. The net proceeds of the Offering will be applied by the Selling Shareholder for its general corporate purposes.</p>
E.3	Terms and conditions of the Offering	<p>Type and amount of shares</p> <p>The Retail Offering comprises the offer by the Selling Shareholder of up to 50,000,000 Offer Shares, all of the same class, fully subscribed and paid and with a nominal value of €1.00 per share, that represent up to 5% of the share capital of the Company.</p> <p>The Retail Offering is subject to the satisfaction of the condition, customary for transactions of this type, of at least 217,360,000 Shares being effectively purchased under the Global Offering. If this condition is not verified, the closing of the Global Offering will also not take place.</p>

	<p>The Selling Shareholder, in consultation with the Company and Barclays Bank PLC, BNP Paribas and Deutsche Bank AG, London Branch, as Joint Global Coordinators and Joint Bookrunners of the Institutional Offer (the “Joint Global Coordinators”), reserves the right to change the Offer Price Range and/or increase or decrease the number of Shares being offered prior to the date on which Allocation (as defined below) takes place. Any change in the Offer Price Range and/or the number of Shares being offered will be published as a supplement to the Prospectus on the CMVM information disclosure system at www.cmvm.pt and on the Company’s website. Investors will be entitled to revoke the orders submitted before the publication of such supplement to the Prospectus, within no less than two business days following such publication.</p> <p>The allocation of Shares in the Institutional and Retail Offering (the “Allocation”) may be subject to claw-back or claw-forward arrangements depending on relative demand from institutional investors on the one hand and retail investors on the other. Subject to demand on Offering, the Selling Shareholder may reallocate up to 25,000,000 Shares of the Retail Offering to the Institutional Offering, thus reducing the size of the Retail Offering by that amount of Shares or conversely, reallocate up to 25,000,000 Shares of the Institutional Offering to the Retail Offering, thus reducing the size of the Institutional Offering by that amount of Shares.</p> <p>The decision to exercise either of the mechanisms described in the above paragraph will be taken by the Selling Shareholder and by the Company after the analysis of the demand recorded for the Retail Offer and the Institutional Offer and of the recommendations made by the Joint Global Coordinators and the Joint Lead Managers for the Retail Offering.</p> <p>Any Shares not acquired in the Retail Offering until the end of the Offering Period may be acquired in the Institutional Offering.</p> <p>All investors must inform themselves regarding the investment restrictions of the Offering.</p> <p>Over-allotment / Stabilization and Greenshoe Option</p> <p>The Selling Shareholder has granted to the Joint Global Coordinators, on behalf of the Underwriters an option (the “Over-Allotment Option”) to purchase up to an additional 32,600,000 existing Shares, comprising up to 15% of the total number of Firm Shares (the “Additional Shares”) at the Offer Price (less agreed commissions), to cover over-allotments or short positions, if any, and to facilitate stabilization activities, if any, exercisable for a period of 30 calendar days after the first day of trading of the Shares on Euronext Lisbon.</p> <p>Structure of the Offering and Trading</p> <p>The Offering consists of the Retail Offering and the Institutional Offering. Eligible retail investors who wish to purchase Shares in the context of the Retail Offering should instruct their financial intermediary (<i>i.e.</i>, any member of the bank’s syndicate for the placement of the Retail Offering or any other financial intermediary legally allowed to provide the services of registry and deposit of book-entry securities).</p> <p>Regarding the Retail Offering, purchase orders must be placed individually in multiples of 10 Shares with a minimum amount of 10 Shares and up to a maximum amount of 175,000 Shares. Each investor may only place one purchase order for the Retail Offering. If several orders are placed by the same investor, only the order with higher quantity will be considered valid, and under equal circumstances, priority will be given to the purchase order of higher quantity presented in the 1st period of the Retail Offering. If equality of circumstances is maintained, only the purchase order presented in first place will be considered valid.</p>
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	<p>In case of oversubscription the orders placed during the 1st period of Retail Offering will benefit from an allotment coefficient that is higher than the other orders, in the percentage of 100%, unless those orders can be fully satisfied with the application of a lower allotment coefficient. Each order will be assigned a number of Shares equal to the largest number that is a multiple of 10 contained in the multiplication of the respective coefficient by quantity of Shares indicated in such order. The Shares not allotted as a result of the Allocation process provided for in the previous paragraphs will be allocated in sets of 10 shares, by lottery, first among all the acquisition orders placed during the 1st period of the Retail Offering and afterwards, among the other acquisition orders.</p> <p>If an order placed during the 1st period of the Retail Offering is changed to a higher number of Shares during the 2nd period of the Retail Offering, the preferential conditions of the 1st period of the Retail Offering will only apply to the Shares in relation to which an order was placed during the 1st period of the Retail Offering.</p> <p>Orders may be revoked no later than five days before the end of the Offer Period, which is October 12, 2018. After this date, orders can only be changed to increase the initial purchase order.</p> <p>The Offer Price must be paid by retail investors in cash upon remittance of their purchase order or, alternatively, by authorizing their financial intermediary to debit their bank account with such amount on or about the Settlement Date (or earlier in the case of an early closing of the Offer Period and consequent acceleration of pricing, Allocation, first trading and payment and delivery).</p> <p>Should payment for allocated Offer Shares in the Retail Offering not be made when due, such Offer Shares will not be delivered to the applicants and Allocation of the Retail Offering will be made as if the corresponding purchase orders were not issued.</p> <p>Listing of the Shares can only occur after the term of the Offer Period. Subject to Euronext Lisbon's decision, the Shares are expected to be admitted to trading on Euronext Lisbon on an unconditional basis, on or about October 23, 2018.</p> <p>Prior to the admission to trading on an unconditional basis, we expect that the Shares will previously be admitted to listing and that trading in the Shares will commence prior to the settlement of the Offering on the First Trading Date on an "if-and-when-delivered" basis (a conditional trading basis) during two days, under the terms and conditions set forth in section 6801 of Regulation I of Euronext. Subject to Euronext Lisbon's decision, the Shares are expected to commence trading, on an "if-and-when-delivered" basis, on or about October 19, 2018.</p> <p>The date on which the settlement of the Offering is scheduled to take place, is expected to occur on or about October 23, 2018, the second business day following the First Trading Date (i.e. on a "T+2" basis) (the "Settlement Date"). All dealings in the Shares prior to settlement and delivery on an "if-and-when-delivered" basis will be settled on or after the Settlement Date.</p> <p>The settlement of the Offering may not take place if certain conditions are not satisfied or waived or if certain termination events occur on or prior to the Settlement Date. Trading in the Shares before the Settlement Date will take place subject to the condition that, if closing of the Offering does not take place, the Offering will be withdrawn, all applications for the Shares will be disregarded, any allotments made will be deemed not to have been made, any application payments made will be returned without interest or other compensation and transactions on Euronext Lisbon will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Lisbon will not be responsible or liable for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions on Euronext Lisbon.</p> <p>Notwithstanding the information duties of the financial intermediaries, investors should</p>
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	<p>consult with their financial intermediary prior to submitting their purchase orders to confirm that it is able to ensure to such investors trading over the Shares acquired during the period of trading on an “if-and-when-delivered” basis, as it is possible that not all financial intermediaries are able to ensure so.</p> <p>The Underwriters expect to deliver the Offer Shares on or about October 23, 2018 through the book-entry facilities of Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. (“Interbolsa”), as the operator of the Portuguese central securities clearing system (“Central de Valores Mobiliários”), against payment for the Offer Shares in immediately available funds. The Shares will be eligible for clearing through the facilities of Interbolsa, as the operator of the Portuguese central securities clearing system. The Offering is subject to the satisfaction of conditions which are customary for transactions of this type as set out in the Underwriting Agreement (as defined below), including Admission to Trading becoming effective no later than October 23, 2018 and the Underwriting Agreement not having been terminated prior to the Admission to Trading. In such cases, the Offering (which includes the Retail Offering and the Institutional Offering) will lapse.</p> <p>None of the Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Shares may be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration (other than in Portugal).</p> <p>Indicative Price Range</p> <p>Between €1.40 and €1.65 (inclusive) per Share (the “Offer Price Range”).</p> <p>Method used in setting the Offer Price</p> <p>The Offer Price and the actual number of Shares offered in the Offering will be determined after the Offer Period has ended by the Selling Shareholder, in consultation with the Company following recommendations from the Joint Global Coordinators, taking into account market conditions and other factors. The final Offer Price and the actual number of Shares offered in the Offering will be set out in a statement issued by the Selling Shareholder (the “Pricing Statement”) that will be filed with the CMVM and published in a press release on the Company’s website and on CMVM’s website, all in accordance with no. 2 of article 159 of the Portuguese Securities Code.</p> <p>Delivery and Payment</p> <p>An amount corresponding to the highest amount of the Offer Price Range multiplied by the number of Shares referred to in the investor’s purchase order will be blocked (<i>cativado</i>) in the investor’s account until settlement of the Retail Offering, although the amount effectively charged to the investor may not correspond to such blocked amount. Delivery and payment for Offer Shares is expected to take place on or about October 23, 2018, being the Settlement Date. The settlement of the Offering will be effected through the clearing and settlement system of Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.</p> <p>Underwriting</p> <p>The Company and the Selling Shareholder will enter into the Underwriting Agreement on or about October 18, 2018 with the Underwriters named below with respect to the Offer Shares. Barclays Bank PLC, BNP Paribas and Deutsche Bank AG, London Branch are acting as the Joint Global Coordinators of the Offering. Pursuant to the terms of the Underwriting Agreement, each Underwriter severally and not jointly will agree to purchase the number of Offer Shares indicated in the table below.</p>
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	Maximum aggregate number of Offer Shares	Percentage
Underwriters		
Barclays Bank PLC.....	57,969,913	26.67
BNP Paribas	57,969,913	26.67
Deutsche Bank AG, London Branch.....	57,969,912	26.67
CaixaBank, S.A.....	11,585,289	5.33
Banco Santander, S.A.	11,585,289	5.33
CaixaBI	11,585,288	5.33
Haitong Bank, S.A.	2,890,889	1.33
JB Capital Markets, Sociedad de Valores, S.A.U.	2,890,889	1.33
Mediobanca – Banca di Credito Finanziario S.p.A	2,890,888	1.33
Total.....	217,360,000	100%

The allocation of Shares in the Institutional and Retail Offering may be subject to claw-back or claw-forward arrangements depending on relative demand from institutional investors on the one hand and retail investors on the other. Subject to demand on Offering, the Selling Shareholder may reallocate up to 25,000,000 Shares of the Retail Offering to the Institutional Offering, thus reducing the size of the Retail Offering by that amount of Shares or conversely, reallocate up to 25,000,000 of the Shares of the Institutional Offering to the Retail Offering, thus reducing the size of the Institutional Offering by that amount of Shares.

The decision to exercise either of the mechanisms described in the above paragraph will be taken by the Selling Shareholder and by the Company after the analysis of the demand recorded for the Retail Offering and the Institutional Offering and of the recommendations made by the Joint Global Coordinators and the Joint Lead Managers for the Retail Offering.

Any Shares not acquired in the Retail Offering until the end of the Offering Period may be acquired in the Institutional Offering.

In consideration of the agreement by the Underwriters to purchase the Offer Shares, the Company and the Selling Shareholder have agreed to pay to the Underwriters commissions totaling 2% of the aggregate of the issue price multiplied by the number of Offer Shares sold in the Offering. In addition, the Selling Shareholder agreed that it may, in its sole discretion, pay to the Underwriters a discretionary fee of up to 1% of the aggregate of the issue price multiplied by the number of Offer Shares sold in the Offering (including any Additional Shares, if and to the extent the Over-Allotment Option is exercised) to be distributed among the Underwriters as determined by the Selling Shareholder. The Selling Shareholder has agreed to reimburse the Underwriters for certain fees, expenses, disbursements and other costs incurred in connection with the Offering.

The Selling Shareholder has granted to the Underwriters an option to purchase Additional Shares representing up to 15% of the total number of Firm Shares to cover over-allotments, if any, made in connection with the Offering. The Selling Shareholder may, up to 18 October 2018, at its sole discretion, in consultation with the Company following recommendations from the Joint Global Coordinators, and taking also into account market conditions and factors, increase the Institutional Offering up to a total aggregate of 87,000,000 Shares that represent up to 8.7% of the share capital of the Company.

The Underwriting Agreement will provide that the obligations of the Underwriters are subject to certain customary conditions precedent. The Underwriting Agreement may be terminated by the Underwriters upon the occurrence of certain events. If this right is exercised, the Offering, which includes the Retail Offering and the Institutional Offering (and the arrangements associated with it), will lapse and any

	<p>moneys received in respect of the Offering by us or the Selling Shareholder will be returned to applicants without interest.</p> <p>We and the Selling Shareholder have each given certain representations, warranties and undertakings to the Underwriters and have agreed to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.</p> <p>CaixaBI and Millennium investment banking are the Financial Intermediaries responsible for the assistance and arrangement of the Retail Offering and for the services pertaining to the preparation, filing and follow-up of the Admission, under the terms and for the purposes of paragraph a) of number 1 of article 113 of the Portuguese Securities Code.</p> <p>Indicative Timetable</p> <table> <tr> <th>Event</th><th>Date</th></tr> <tr> <td>Publication of the Prospectus</td><td>October 4, 2018</td></tr> <tr> <td>Offer period of the Retail Offering and Institutional Offering commences</td><td>October 8, 2018</td></tr> <tr> <td>1st period of the Retail Offering</td><td>From October 8, 2018 to October 12, 2018</td></tr> <tr> <td>2nd period of the Retail Offering</td><td>From October 13, 2018 to October 17, 2018</td></tr> <tr> <td>Orders within the Retail Offering become irrevocable</td><td>October 13, 2018</td></tr> <tr> <td>Expiration of Offer Period for the Retail Offering.....</td><td>October 17, 2018</td></tr> <tr> <td>Expiration of Offer Period for the Institutional Offering</td><td>October 18, 2018</td></tr> <tr> <td>Pricing.....</td><td>October 18, 2018</td></tr> <tr> <td>Determination of the final number of Shares</td><td>October 18, 2018</td></tr> <tr> <td>Special Regulated Market Session for the Retail Offering and publication of the results of the Retail Offering.....</td><td>October 18, 2018</td></tr> <tr> <td>Admission to Trading of the Shares on an “if-and-when” basis</td><td>October 19, 2018</td></tr> <tr> <td>First day of trading of the Shares on Euronext Lisbon on an “if-and-when” basis</td><td>October 19, 2018</td></tr> <tr> <td>First day of Over-Allotment Option</td><td>October 19, 2018</td></tr> <tr> <td>Settlement of the Offering</td><td>October 23, 2018</td></tr> <tr> <td>First day of unconditional trading of the Shares on Euronext Lisbon</td><td>October 23, 2018</td></tr> <tr> <td>Last day of Over-Allotment Option.....</td><td>November 18, 2018</td></tr> </table> <p>Each of the dates in the above timetable is indicative only and subject to change without further notice. All time references are to Lisbon time.</p> <p>Subject to acceleration or extension of the timetable for the Offering, prospective retail investors may purchase Shares: (i) during the period commencing on October 8, 2018, at 8:30am (Lisbon time) and ending on October 17, 2018, at 3:00pm (Lisbon time). The 1st period of the Retail Offering, which is relevant for the purposes of preferential conditions for Allocation of Shares with the highest coefficient in case of oversubscription, commences on October 8, 2018 and ends on October 12, 2018. The 2nd period of the Retail Offering will run from October 13, 2018 to October 17, 2018. The Offer Period for retail and institutional investors may differ and the Retail Offering Period may be accelerated or extended. In the event of an acceleration or extension of the Offer Period, pricing, Allocation, listing and first trading and payment for and delivery of the Shares may be advanced or extended accordingly</p> <p>Subject to Euronext Lisbon’s decision, trading of the Shares on Euronext Lisbon is</p>	Event	Date	Publication of the Prospectus	October 4, 2018	Offer period of the Retail Offering and Institutional Offering commences	October 8, 2018	1 st period of the Retail Offering	From October 8, 2018 to October 12, 2018	2 nd period of the Retail Offering	From October 13, 2018 to October 17, 2018	Orders within the Retail Offering become irrevocable	October 13, 2018	Expiration of Offer Period for the Retail Offering.....	October 17, 2018	Expiration of Offer Period for the Institutional Offering	October 18, 2018	Pricing.....	October 18, 2018	Determination of the final number of Shares	October 18, 2018	Special Regulated Market Session for the Retail Offering and publication of the results of the Retail Offering.....	October 18, 2018	Admission to Trading of the Shares on an “if-and-when” basis	October 19, 2018	First day of trading of the Shares on Euronext Lisbon on an “if-and-when” basis	October 19, 2018	First day of Over-Allotment Option	October 19, 2018	Settlement of the Offering	October 23, 2018	First day of unconditional trading of the Shares on Euronext Lisbon	October 23, 2018	Last day of Over-Allotment Option.....	November 18, 2018
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		<p>expected to commence, on unconditional basis, on October 23, 2018. The first day of trading in, and the official listing of, the Shares on an “if-and-when-delivered” basis, is expected to commence on or about October 19, 2018. Investors wishing to trade prior to the Settlement Date, which is expected to be on or about October 23, 2018, should check with their financial intermediaries if and at what point in time they will be able to trade on such basis.</p> <p>Financial Intermediaries for the Retail Offering</p> <p>Financial Intermediaries and Joint Bookrunners for the Retail Offering: CaixaBI and Millennium investment banking.</p>
E.4	Interests material to the Offering	<p>The Selling Shareholder has an interest in the Offering because it is expected to receive upon settlement net proceeds from the offering of the Offer Shares.</p> <p>In connection with the Offering, the Underwriters are in a contractual relationship with the Selling Shareholder. The Underwriters may receive a discretionary fee in addition to their base fee upon successful completion of the transaction, and will be reimbursed for their expenses.</p> <p>Certain of the Underwriters and/or their respective affiliates have in the past provided, and may in the future, from time to time, provide, commercial banking, investment banking and financial advisory or other services to the Company, the Selling Shareholder, or any parties related to any of them, in the ordinary course of their respective businesses. The Underwriters have received and will receive customary fees and commissions for these transactions and services. In the ordinary course of their various business activities, certain of the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments.</p> <p>In addition, in the ordinary course of their respective businesses, the Underwriters, the Company, the Selling Shareholder or any parties related to any of them, transact business and enter into commercial agreements.</p>
E.5	Lock-up arrangements	<p>Lock-up applicable to the Company</p> <p>The Company has undertaken to the Joint Global Coordinators that it will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Managers) during the period of 180 days from the Admission to Trading, directly or indirectly: (i) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise. The foregoing undertaking by the Company will not apply to (i) share pledges in connection with the lending arrangements and (ii) employee stock option plans to the extent such plans are disclosed in the Prospectus.</p>

		<p>Lock-up applicable to the Parent and its subsidiaries, including the Selling Shareholder</p> <p>The Parent has also undertaken to the Joint Global Coordinators that neither it nor any of its subsidiaries or other affiliates, including the Selling Shareholder and Sonae Investments BV, over which it exercises management or voting control, nor any person acting on its or their behalf will, directly or indirectly, for a period of 180 days after the date of the Underwriting Agreement, without the prior written consent of the Joint Global Coordinators, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale, pledge or disposal) any Shares (or any interest therein or in respect thereof) or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including (but without limitation to) equity swaps, forward sales and options, whether any such transaction described above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, or demand that the Company file any prospectus under the Prospectus Directive or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing, except that the foregoing provision shall not apply to (i) the sale of Shares as contemplated by the Underwriting Agreement, (ii) the sale of Shares in the Retail Offering, (iii) the sale or transfer of Shares to the Company for the purpose of satisfying existing obligations existing under stock incentive plans, (iv) share pledges in connection with lending arrangements, and (v) entering into equity swaps, forward sales and option agreements relating to the Shares, provided that no such swaps, forward sales or option agreements may vest, be exercised or mature earlier than 180 days after the date of the Underwriting Agreement.</p>
E.6	The amount and percentage of dilution resulting from the Offering	<p>There will be no new shares in the Offering.</p> <p>If the Offering is successful, the Selling Shareholder will own 300,909,127 Shares after the Offering assuming the Over-Allotment Option is not exercised and 268,309,127 Shares after the Offering assuming the Over-Allotment Option is exercised in full. Furthermore, the Selling Shareholder will own 181,309,127 Shares if the Over-Allotment Option and the Upsize are exercised in full.</p>
E.7	Estimated expenses charged to the investors	<p>Not applicable. Investors will not be charged with expenses by the Company, the Selling Shareholder or the Underwriters in connection with the Offering. Investors may, however, have to bear customary transaction and handling fees charged by their account-keeping financial institution or other financial intermediaries. The amount of these commissions is available on the CMVM website at www.cmvm.pt.</p>

RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks described below are not the only ones we face. Additional risks not presently known or currently deemed immaterial may also impair our business, results of operations and financial condition. Our business, results of operations and financial condition could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks we face that are described below and elsewhere in this Prospectus.

Risks Related to Our Industry and Business

The markets in which we operate are highly competitive, and such competitive pressures from direct and indirect, existing and new competitors may have a material adverse effect on our business and result in reductions in our market shares and profitability.

We compete with a wide variety of retailers of different sizes and face increased competition from established Portuguese retailers, as well as from growing international low-cost operators in Portugal who have gained market share in recent years. As competition in the retail markets becomes increasingly intense, unilateral price increases may lead to declines in sales, loss of market share and other adverse consequences. Accordingly, we may be significantly constrained in our pricing policy by the actions of our direct and indirect competitors. As a result, we may be forced to reduce the selling price for products in our stores in order to maintain our market share, which may significantly reduce our profitability. Failure to successfully compete with our competitors in areas such as price, product range, quality and service could have a material adverse effect on our business. Additionally, in the context of rising promotional activity by competitors in the market, in order to limit the effect of such price reductions on our margins, we may put pressure on our suppliers to obtain additional discounts, which might have a negative impact on our relationships with key suppliers. See “—Increases in prices charged by food and non-food suppliers, limitations in the availability of products or loss of any key suppliers or procurement partners may have a material adverse effect on our profitability.” for a discussion regarding the risks relating to our suppliers.

In the past, we have been able to successfully compete by differentiating our customers’ shopping experience through a careful combination of price, merchandise assortment, store environment, convenience, customer service, loyalty programs, marketing efforts and value perception management. Our ability to create a optimized customer experience through the collection and use of accurate and relevant customer data, collected principally as part of our loyalty program, based on big data and analytics, is important in differentiating our offering from other retailers. Customer perceptions regarding the cleanliness and safety of our stores, the functionality, reliability, and speed of our digital channels and fulfillment options, our in-stock levels, the effectiveness of our promotions, the attractiveness of our product offerings and other factors also affect our ability to compete. No single competitive factor is dominant, and actions by our competitors on any of these factors or the failure to successfully execute our strategy could have a material adverse effect on our performance.

The continuing migration of retailing to digital channels has increased our challenges in differentiating ourselves from other retailers. In particular, consumers are able to quickly and conveniently make comparisons and determine real-time product availability using digital tools, which can lead to decisions based solely on price, product availability, the functionality of the digital tools or a combination of factors. We must compete by offering a consistent, convenient shopping experience, while offering an attractive value proposition for our customers regardless of sales channel and by providing our customers and team members with reliable, effective and easy-to-use digital tools. Any difficulties in executing our differentiation initiatives, actions by our competitors in response to these efforts, or failures by vendors in managing their own channels, content and technology systems could impair our ability to differentiate ourselves from other retailers and could have a material adverse effect on our business, financial condition and results of operations.

A failure to communicate or implement our business strategies effectively could adversely affect our businesses.

The successful execution of our business strategies and realization of the associated benefits are based on a variety of assumptions and variables, including among other things, future macroeconomic and microeconomic conditions and the trading performance of our company. Our assumptions underpinning our plans for the future may prove incorrect. In particular, the implementation of our strategic priorities in response to perceived trends, such as the expansion of our network of proximity stores, may require significant capital expenditures. Our response to perceived trends may not be cost-effective, efficient or capable of addressing consumer preferences, and such response may not be implemented according to anticipated schedules, perform according to expectations or achieve commercial acceptance. Effective management of trading is key to the achievement of our strategy. The outlook for the sectors in which we operate has been, and is set to remain, challenging. The challenging trading environment and intensifying competitive environment, including increasing promotional activity, may adversely affect our performance, in terms of sales, gross margins, costs and operations.

As part of our strategy, we may continue to reinforce our presence in the geographic locations where we currently operate, and in adjacent regions, by opening new stores, refurbishing and renovating our existing stores and selectively pursuing acquisition opportunities. For the past few years we have pursued a strong investment program to enhance our stores and open new stores, focusing in particular on the expansion of our network of proximity format stores. We may also occasionally consider opportunities to expand into new regions. Realization of the anticipated benefits of a store renovation and remodeling, store optimization, store opening or acquisition could take several years and may not occur at all. We face risks and challenges commonly encountered with growth through conversion as well as organic and inorganic expansion. These risks and challenges include:

- identifying and purchasing or leasing properties that are suitable for our needs on commercially reasonable terms, particularly in metropolitan areas where the real estate market is highly competitive;
- obtaining all necessary licenses, permits or authorizations required for the development and occupation of our stores, as well as those required for carrying on our business;
- targeting suitable acquisition opportunities or regions in which to expand;
- diverting management's time and focus from operating the businesses to store openings, store modernization or optimization, integration or acquisition challenges;
- obtaining necessary financing on satisfactory terms;
- losing customers of an acquired business;
- cannibalizing sales through new store openings;
- failing to install and integrate all necessary systems and controls; and
- facing litigation or other claims or liabilities in connection with an acquired company, including claims from terminated employees, customers, former shareholders, regulators and/or other third parties.

We may not be able to execute successfully on our store network expansion strategy or our investment program to enhance our stores. Additionally, we may not be able to maintain our distinctiveness in critical consumer preference attributes, such as value perception and fresh, private label and healthy nutrition offerings, or to expand our e-commerce and health and wellness businesses. The failure to address these risks or other problems encountered in connection with past or future investments could have a material adverse effect on our business, financial condition and results of operations.

Moreover, a challenging economic climate, as well as the need to carry out significant changes to support our strategy, including changes to digital and technological platforms or changes to our supply chain and distribution infrastructure to support our expanding proximity network, e-commerce offering and expansion of our health and wellness offering, may make it more difficult than expected for us to implement plans effectively or to achieve expected financial and operational benefits even if they are implemented effectively. Should we

fail fully to implement our plans, or if the estimated and expected future financial and operational benefits are not achieved, this could have a material adverse effect on our business, financial condition and results of operations.

We may not timely anticipate, gauge and effectively react to market trends or consumer preferences, which could negatively affect our relationship with our customers, demand for the products and services we sell, our market share and the growth of our business.

To remain competitive, we must constantly and accurately anticipate short term, long term and seasonal trends in consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment, whether for customers purchasing products at our stores, through our digital retail businesses or through the combination of both. In particular, our store and e-commerce offerings must be constantly adapted to respond to shifts in consumer preferences due to factors such as, over shorter periods, competition in promotional activities and seasonality, and, over longer periods, economic conditions and consumer trends. We must also anticipate longer-term trends in consumer buying habits, such as consumer demand for greater convenience. The success of our business depends in part on our ability to compete in terms of price transparency, assortment and quality of products, customer experience, online and digital channels, quality of our private label offering, convenience and the speed and cost of shipping, which are of primary importance to consumers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. In particular, we expect that future market developments will be shaped by investment in small stores and convenience stores, increased online shopping and demand for higher quality of fresh products, increased offering of health and wellness products, as well as the addition of foodservice offerings in stores, such as cafés and restaurants. We may be unable to continue to successfully identify or effectively respond to market trends or consumer preferences, which could negatively affect our relationship with our customers and demand for the products and services we sell, which could have a material adverse effect on our business, financial condition and results of operations.

In line with our culture of innovation, we seek to continually develop and enhance our operating systems and processes to anticipate and react to changing market conditions. This may require the acquisition and development of new software and technology (particularly in e-commerce), knowledge and expertise (which may require us to hire new employees), store remodelings and other customer initiatives, and may require us to rely to a greater extent on comparable store sales and e-commerce for growth. For example, we are currently using data collected and intelligence tools to define several customer segments, each showing dissimilar purchasing preferences, shopping motivations and lifestyles. We aim to address these customer segments with a focused product development, targeted marketing campaigns and a customized promotional activity. We may be unable to continue to successfully design, develop, implement and utilize new information systems and processes that will allow us to compete effectively. Any strategic misjudgments, or failure of these investments or initiatives to adequately or effectively respond to changing consumer tastes, preferences and shopping patterns, or any other failure on our part to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could have a material adverse effect on our business, financial condition and results of operations.

Our continued success is dependent on positive perceptions of our company and our brands, and any failure to adequately protect our reputation could adversely affect our business and our relationships with our customers and employees.

We own several high value brands, including *Continente*, which are some of our main assets. An *Instituto de Marketing Research* study found that we had 100% brand awareness in Portugal as of March 31, 2018, which is the highest in the country among corporate brands. Maintaining the reputation and value of, and successfully developing, supporting and evolving, our brands is central to our success, and we believe that one of the reasons that approximately 85% of Portuguese families currently make regular purchases in our stores (according to Company estimates of the number of active users of its loyalty card together with *Instituto Nacional de Estatística* (INE) data based on the number of total households), that our team members choose us as a place of employment and that our vendors choose to do business with us is the reputation we have built over many years.

Our reputation is subject to various risks, many of which are beyond our control. In particular, the quality and safety of our products and services, competitive pricing and inspiring shopping experience customized for

our customers' needs are of critical importance. We face risks including, among other things, deterioration of our public image or reputation as a result of unfavorable publicity concerning our company and the products that we sell or services we provide. We are particularly exposed to risks relating to hazards or contaminations of our products, our processing and distribution centers or stores and our employees, or other negative publicity, unsuccessful or insufficient marketing efforts, as well as any inability to adequately respond to consumer tastes and preferences. Additionally, any of our ongoing and future tax litigations could lead to adverse tax decisions, which could result in a deterioration of our public image or reputation. See “—*We are exposed to changes in tax legislation and its interpretation, the tax rates to which we are subject could increase in the future and we are currently involved in tax proceedings.*” below for information regarding the risks relating to our ongoing tax litigations. Our public image or reputation could also be negatively affected as a result of unfavorable publicity following any breach or misuse of our customers’ data, or as a result of the negative perception of the way we use this data. In light of the increased public focus on employment, health and safety and environmental matters, a violation, or allegations of a violation, of such laws or regulations, or a failure to achieve particular standards by any of our suppliers or manufacturers, could lead to unfavorable publicity. Furthermore, our businesses also comprise a range of food and non-food private label items. While our policies set out standards for ethical business practices, and our auditing practices seek to confirm compliance with such policies, we do not control these manufacturers or their labor or other business practices. Maintaining broad market acceptance of our private label items depends on many factors, including pricing, costs, quality and customer perception, and we may not achieve or maintain expected sales for our private label items, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, social media can influence our reputation. Criticism in blogs, forums and other social media, relating to ecological, ethical or other considerations may rapidly spread online and damage our reputation and brands, regardless of whether such criticism is based in fact. Any deterioration of the strength and reputation of our brands and products or the brands and products of our suppliers could require us to incur expenditure or make changes to our supply chain to ensure compliance and rectify any reputational damage, and could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to product liability claims and adverse publicity, including claims and adverse publicity concerning food and prepared food products and other non-food products, which could adversely affect our reputation with existing and potential customers and lead to a decrease in our profitability.

We may be subject to product liability claims and adverse publicity with respect to the sale of food and prepared food products and other non-food products that are recalled, defective or otherwise alleged to be harmful or do not conform to the descriptions provided. Injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling, packaging and transportation phases. Our endeavors to comply with applicable laws and regulations may not be adequate to ensure that consumption or use of our products will not cause a health-related illness or injury in the future or that we will not be subject to claims, lawsuits or government investigations relating to such matters resulting in costly product recalls and other liabilities that could adversely affect our business and results of operations. In certain cases we may be required to respond to claims or complaints from customers as if we were the manufacturer, and even if a product liability claim is unsuccessful or is not fully pursued, or if it is covered with adequate insurance and indemnification, the negative publicity surrounding such claims could adversely affect our reputation with existing and potential customers.

Allegations, whether or not founded, relating to concerns about the quality or safety of food products and the tracing of supply chains used in the preparation of food products sold by us, could cause customers to avoid purchasing certain products from us, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the allegations is outside of our control. Any lost confidence on the part of our customers would be difficult and costly to re-establish.

Any issue regarding the safety or quality of any food items or non-food items sold by us, regardless of the cause, and any issue regarding the safety or quality of any products sold by us, regardless of the cause, could have a material adverse effect on our business, financial condition and results of operations.

Increases in prices charged by food and non-food suppliers, limitations in the availability of products or loss of any key suppliers or procurement partners may have a material adverse effect on our profitability.

The success of our business depends heavily on the procurement terms, including purchase prices of the products we offer for sale and the timely availability of these products or products of similar quality, particularly given that the markets in which we operate are characterized by relatively high inventory turnover and relatively low profit margins. Volatile prices therefore directly affect our margins and profitability. In many cases, our large purchasing volumes have a positive effect on price and ability to source products. However, product prices and availability are dependent on a number of factors, including the availability of the required raw materials, which may temporarily become scarce, changes in economic and monetary policy affecting inflation rates, increased energy costs, increased transportation costs or transportation disruptions resulting from increases in fuel costs or scarcity of fuel supply, work slowdowns or interruptions, weather conditions, competitive demand, crop conditions and natural disasters or other catastrophic events. This can drive up purchase prices, lead to price volatility or affect the availability of products. In particular, global issues such as climate change, overfishing of the world's oceans or access to clean water may result in constrained supply of certain resources such as specific types of fish.

In particular, although variances between different product categories and regional markets exist, the prices at which we purchase products from our suppliers have generally tended to increase in recent years. For example, the cost of basic agricultural commodities has continued to increase globally, which has contributed to, among other things, increases in prices of food products. If prices at which we purchase products from our suppliers increase, we need to pass on all or a large portion of these additional costs to our customers to be able to maintain our margins. However, we may be unable to increase the selling price of products to fully or partially offset the price increases by our suppliers (some of which have considerable negotiating power), particularly if our main competitors choose not to implement such price increases.

Moreover, we may lose key suppliers, in particular as a result of putting pressure on them to obtain additional discounts in the context of rising promotional activity in the market, or fail to develop relationships with new suppliers or be unsuccessful in obtaining products from alternative sources that are of the quality demanded by us, competitively priced and available in large volumes. Disruptions due to labor stoppages, strikes or slowdowns, or other disruptions involving our suppliers, or any bankruptcy or insolvency proceedings involving our suppliers, may affect our ability to receive products in a timely manner and thus may adversely affect our sales and profitability. Furthermore, some of our domestic suppliers import their products or components, directly or indirectly, from countries and foreign suppliers that may be affected by political and economic instability, financial, labor, availability and cost of raw material issues, inflation, and other factors, any of which could affect the cost and availability of the products we sell and could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to obtain high quality products in sufficient quantities in a timely manner and at competitive prices or to pass on increases for the products that we sell to our customers, this could have a material adverse effect on our business, financial condition and results of operations.

Disruptions to, or the insufficiency of, our supply and logistics systems and infrastructure management, including as a result of supply disruptions, poor infrastructure conditions, adverse climate, natural disasters, human error or acts of terrorism, could materially and adversely affect our supply and logistics system and lead to a loss of our customer base and market share and materially affect our business.

As a retailer, we depend on external producers and providers for the supply of our goods and services. Thus, the delivery of products to our processing centers, distribution centers and stores is dependent on our supply and logistics systems, including transportation services provided by third parties. If our supply and logistics systems were to experience a sustained disruption due to, among other things, poor infrastructure conditions or disrupted infrastructure because of inclement weather, natural disasters, labor issues, pandemics or acts of war or terror, we could face difficulties transporting, processing or distributing products to our warehouses and logistics depots as well as our stores or be unable to do so at a reasonable cost. Furthermore, in such cases, we might need to make changes to our supply chain and enter into alternative business arrangements to ensure the supply of products. This could result in additional costs and temporary supply shortages or disruptions. In particular, our supply chain is dependent on a small number of key facilities. Any such

disruptions in our supply chain may result in a severe depletion of our inventories and an inability to offer our customers our full product assortment. This could in turn lead to a loss of our customer base and market share.

The risk of disruptions to our supply and logistics systems is further intensified due to the growing variety of items in our product range and high merchandise turnover, the internationalization of our suppliers, increasing focus on regional and local product assortments by our customers, as well as the demand for consistent availability of high quality fresh products at stable prices, as well as, dependencies on individual suppliers or service providers, including, for example, third-party providers of logistics services on which we depend for our e-commerce offering. Disruptions to our supply logistics systems could result in higher operating costs and delays, and, if alternative arrangements are not available at a reasonable cost or at all, such disruptions could have a material adverse effect on our business.

Furthermore, fluctuations in fuel prices may affect the demand for our products and services and our operations. The costs of delivering products to and from our distribution centers, processing centers and stores could be affected by an increase in fuel prices, which we may not be able to pass on to our customers. In addition, energy costs represent a considerable part of our overall fixed cost base. Any significant and sustained increase in energy costs could thus have a material adverse effect on our business, financial condition and results of operations. Additionally, any increase in fuel prices will affect the costs for customers to visit our stores, which may cause a decline in sales.

In addition, a lack of appropriate and active inventory management conducted on the basis of adequate planning parameters could result in significantly higher warehousing costs and above-average write-downs on products. Thus, failure to control the amount and quality of stock could reduce profitability and result in losses. For example, constraints in our inventory management systems or processes may lead to excess inventory in one location and insufficient inventory in another. Furthermore, failure to order enough stock or problems in the delivery and distribution of stock could result in unfilled orders and missed sales opportunities. Inefficiencies of, or disruptions to, our supply and logistics chain may also lead to spoilage of products and, consequently, higher cost of sales. In particular, fresh food items with a short shelf life require an uninterrupted supply and logistics chain to ensure optimal quality and availability. We may face the risk that we have to discard certain of these or other products if, for example, our inventory and product group management fails.

Inadequate or incorrect projections regarding future product volume can also result in insufficient product availability and inefficiencies in supply and logistics. In particular, incomplete or poorly managed product and customer master data can lead to serious delays and disruptions to the inclusion and removal of products from our stock as well as the product supply to our customers.

Any disruptions to, or insufficiency of, our supply and logistics systems and infrastructure management, including as a result of supply disruptions, poor infrastructure conditions, adverse climate, natural disasters, human error or acts of terrorism, could have an adverse effect on our business, financial condition and results of operations.

Unfavorable macroeconomic conditions in Portugal, as well as developments in regional and global economic conditions, may have a material adverse effect on our business, financial condition and results of operations.

As we currently conduct our business primarily in Portugal, our performance is influenced by the level and cyclical nature of business activity in Portugal, which is in turn affected by both domestic and international economic and political developments. According to the flash estimate published by the Portuguese National Statistics Office on 30 May 2018, Portuguese gross domestic product (“GDP”) recorded a year-over-year increase in volume terms of 2.1% in the first quarter of 2018, and the general government deficit was 3.0% of GDP in 2017. After falling to 125.7% at the end of 2017, Portugal’s gross public debt-to-GDP ratio is forecast to further decline to 122.5% in 2018 and to 119.5% in 2019 according to the European Commission’s Spring 2018 Economic Forecast for Portugal, mainly due to primary budget surpluses and high nominal GDP growth.

Despite signs of economic recovery, several challenges still persist, as fiscal consolidation is still unfolding, private and public debt levels remain high and it is still unclear whether the Portuguese economy will continue to recover in a sustainable way, particularly through a continued and sustainable increase in investment. In the

event of negative developments in the financial markets, our ability to access the capital markets and obtain the necessary funding to support our business activities on acceptable terms may be adversely affected.

Our activities are in the food retail, para-pharmacy, organic supermarkets and restaurants, coffee shop, stationery, pet care and DIY retail sectors. As a result, our business is vulnerable to periods of economic recession, notably, by the deterioration of consumption levels per household, which, in turn, is affected by prevailing levels of social assistance, wage policies and unemployment rates, among other factors. Household consumption has benefitted from improvements in labor market conditions and a slight easing in the pace of private sector deleveraging, as well as an increase in consumer confidence. However, both consumption and investment continue to be constrained by weak labor productivity growth.

The current economic environment remains a challenge for our business and could adversely affect our liquidity and our ability to meet our debt obligations. A rise in geopolitical tensions that results in significant upward pressure on oil prices would adversely impact the Portuguese economy given it is a net importer of oil, which may affect our business. Negative economic or financial developments could affect the economy especially hard at present given that the high stock of public debt limits the capacity of fiscal policy to respond.

If we fail to adjust the composition, format mix and management of our store portfolio to respond to trends in consumer buying habits or store profitability or as part of a restructuring or change in strategy of our respective businesses or otherwise, our performance and results of operation may be negatively affected.

The quality and location of our stores, as well as the format mix of our store portfolio, are key contributors to our performance. The type of store, location of stores, their design (both internally and externally), store surroundings and the type of other retailers adjacent to the store locations are among the variety of factors that impact the quality of the store portfolio in the eyes of our customers and thus their performance and results of operations. In order to remain competitive, we must anticipate trends in consumer buying habits and timely adjust the format mix of our store portfolio, as well as the store layout and experience, in response to such trends, such as the shift to smaller store formats driven by consumer demand for greater convenience. If we fail to correctly anticipate and respond to trends in consumer buying habits, we may lose customer traffic or fail to capture potential customer traffic. Additionally, we may not be able to find optimal locations for our new stores, which might impact our ability to grow and achieve our business strategy.

In particular, with regard to the stores that we lease, if we do not successfully enter into new leases or renew existing leases on terms acceptable to us, this could materially affect our business. We also monitor the quality and profitability of our stores and may decide to reformat existing stores at an acceptable return on investment and assign, sublease or terminate lease obligations at an acceptable cost for those stores we no longer wish to operate. These changes may be subject to the consent of the landlord or public authorities. Such landlord or public (which may be central, regional or local) authority consents may not be forthcoming or, in the case of landlord consents, may not be given on terms that are commercially acceptable to us, who might hinder us from maximizing the use of the store in the way that we had intended.

From time to time, we may seek to dispose of, or close, certain of our stores, whether in response to any reduction in the profitability of a store, a shift in sales to other distribution channels or as part of a restructuring or change in strategy of our respective businesses or otherwise. In such circumstances, we may not be successful in finding purchasers for the identified stores on commercially acceptable terms or at all, and any termination or modification of a lease over any such property may not be obtained on commercially acceptable grounds or at all or may cause us to incur significant dilapidation expenditure. Any failure to find purchasers for such stores or a failure to dispose of the required number or the incurrence of any significant expenditure in connection with any termination or exit of a lease (including in relation to dilapidation expenditure), could have a material adverse effect on our business, financial condition and results of operations. To the extent that we are unable to realize the sale or disposal of any unprofitable or unwanted stores or remain obligated under leases for unprofitable or vacant stores, or to the extent that the termination or modification of leases results in significant costs, this could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on the experience and leadership of our senior management, and any loss of key personnel could adversely affect our business.

We are dependent upon key senior management employees who have extensive experience and knowledge of the Portuguese food retail industry. The successful implementation of our strategy depends, in particular, on the continuing availability of suitable senior management and our ability to continue to attract, motivate and retain other highly qualified employees.

If members of our senior management depart, it may prove difficult to replace those senior managers that are required to implement such identified strategies or prevent any adverse impact on our businesses, in a timely manner, or at all, and our businesses may be disrupted or damaged. In addition, the loss of key members of senior management to competitors could impact our competitive position, which could have a material adverse effect on our business, financial condition and results of operations.

A competitive labor market, changes in labor conditions or labor disruptions such as strikes, work stoppages and slowdowns may increase our costs or negatively affect our financial performance.

We face the challenge of attracting, developing, training and retaining the right caliber of employees for our stores, offices and distribution centers while controlling our labor costs, as well as maintaining good relations with such employees. The turnover rate in the retail and distribution industry is relatively high, and individuals of the required quality and caliber to fill positions may be in short supply, particularly in certain geographies and in certain periods. For example, we typically have to resort to using temporary staff in the Algarve region during the peak summer holiday period. Our ability to support our strategy, including the development of any new business, and to progress our multi-channel and digital offerings, may also be limited by our ability to employ, train, motivate and retain sufficient employees of the right caliber and capability for our particular needs.

Our ability to meet our labor needs, while controlling labor costs, is subject to many external factors, including competition for and availability of employees, unemployment levels, prevailing wage rates, minimum wage laws, laws relating to temporary workers' rights, health and other insurance costs, union membership levels and activity among our employees and changes in employment and labor laws or other workplace regulation. Any shortage of qualified employees may require increases in wage and benefit offerings to compete effectively in the hiring and retention of qualified employees or to retain more expensive temporary employees.

A number of our employees are members of unions. Relations with the unionized portion of some or our entire workforce could deteriorate, and our unionized workforce could initiate a strike, work stoppage or slowdown in the future. Similar actions by our non-unionized workforces could also occur. A relatively small number of employees, whether unionized or not, could initiate such actions, which could result in negative widespread media coverage. In such an event, our business, reputation, cash flows, financial condition and results of operations could be adversely affected, and we may not be able to adequately meet the needs of customers by utilizing the remaining unaffected workforce. In addition, as existing collective bargaining agreements expire, our respective subsidiaries which are signatory to such agreements may not be able to negotiate extensions to, or replacements for, such agreements on acceptable terms, which could result in work stoppages or other costs, which could be disruptive to business, lead to adverse publicity and have a material adverse effect on our business, financial condition and results of operations.

While we believe that relations with our employees are good, we will always face the risk that legislative bodies may approve laws that liberalize the procedures for union organization, and our non-unionized employees could become unionized. If more of our company's workforce becomes unionized, this is likely to result in a strengthening of our workforce's collective bargaining power and might lead to increases in salaries, which could affect our operating expenses. We may be unable to fully absorb any increased labor costs through efforts to increase efficiencies in other areas of operations, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to seasonal peaks, with higher sales and EBITDA margins generated during certain peak trading periods. Weak sales during such peak trading periods, or as a result of extreme or unseasonal weather conditions, could adversely affect us.

Our business is subject to seasonal peaks, with higher sales and EBITDA margins in the last two quarters of the year, although our gross margins remain relatively stable across the year. In connection with these peak

trading seasons, we incur additional expenses in anticipation of higher sales during such periods, including costs of sourcing additional inventory, increases in advertising spend and, in the case of the Christmas trading period, costs associated with hiring additional employees. Procurement of inventory for these periods is done well in advance and we must anticipate trends in consumer preferences and the level of likely demand for our products in these periods to avoid an excess or a shortage of inventory.

If sales during peak trading periods prove to be significantly lower than expected for any reason, we may be unable to adjust our respective expenses in a timely fashion and may be left with substantial amounts of unsold inventory, especially in seasonal merchandise that is difficult to liquidate. In that event, we may be forced to rely on markdowns or promotional sales to dispose of excess inventory, which may not offset additional inventory and wage costs, and could have a material adverse effect on our business, financial condition and results of operations. Additionally, we often resort to using temporary labor during the peak summer holiday period such as in the Algarve region and across Portugal during the Christmas season and there may from time to time be labor shortages, in particular in regions that experience high holiday season demand.

Our sales are also sensitive to periods of extreme weather conditions. We may see a reduction of sales during periods of inclement weather due to reduced customer footfall. The number of customers visiting our stores may also decline during periods of extreme weather conditions affecting the relevant local catchment area. Extreme weather conditions may also result in orders placed online being unable to be delivered. Prolonged unseasonal weather conditions, or temporary severe weather during our peak trading periods, could have a material adverse effect on our business, financial condition and results of operations.

If our business does not generate sufficient cash flow to operate our business and execute on our strategy, or if any of our debt-related agreements are terminated, this could result in disruptions in the supply of products to our stores and could damage our relationships with our partners, and we may also not be able to grow our business, respond to competitive challenges or fund our other capital expenditure needs.

Our business has significant liquidity and capital resources requirements. Our ability to fund working capital and capital expenditures depends on our operating performance and our ability to generate sufficient cash, which in turn are affected by general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in these “Risk Factors” and elsewhere in this Prospectus.

We require significant liquidity to pay our suppliers, to pay wages to our employees and to make rental payments on the properties we lease. If our business does not generate sufficient cash flow from operations to fund these requirements, and if we do not have access to adequate liquidity under our financing arrangements, we may be unable to meet our payment obligations on a timely basis, which could result in disruptions in the supply of products to our stores and could damage our relationships with our partners and lead to a material adverse effect on our business, financial condition and results of operations and harm our reputation.

We also require and will continue to require significant amounts of capital to successfully execute on our strategy, including to acquire real estate, to construct and open new stores, to modernize and refurbish existing stores and to develop our e-commerce offering. If we do not generate sufficient cash flow from operations or are unable to access financing on acceptable terms, or at all, to fund these needs, we may not be able to grow our business, respond to competitive challenges or fund our other capital expenditure needs, which could have a material adverse effect on our business, financial condition and results of operations and harm our reputation.

The termination of any of our debt-related agreements, for example as a result of our failure to respect the financial covenants or if the change of control provisions contained in these agreements are triggered, could adversely affect our ability to satisfy our working capital and other liquidity needs, and in turn could have a material adverse effect on our business, financial condition and results of operations. See “—We face risks associated with our indebtedness and financing needs, including the risks of higher interest payments and being able to access adequate financing on acceptable terms, and we may not be able to generate sufficient cash to service such indebtedness.” below for information regarding the risks relating to our indebtedness and financing needs.

If our future cash flows from operations and other capital resources are insufficient to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. The realization of any of these cash flow risks could have a material adverse effect on our business, financial condition and results of operations as well as in the investor's holdings. See "*—We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings*". For a discussion of our cash flows and liquidity, see "*Operating and Financial Review and Prospects—Liquidity and Capital Resources*."

We face risks associated with our indebtedness and financing needs, including the risks of higher interest payments and being able to access adequate financing on acceptable terms, and we may not be able to generate sufficient cash to service such indebtedness.

As of June 30, 2018, our net debt amounted to €816 million and our borrowings (including current and non-current loans, bonds and other loans, leases and derivatives) amounted to €873 million.

Although we actively manage our liquidity risk as described below, our cash flow from operating activities may not be sufficient to repay all of our outstanding debt, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance the debt. The amount of debt that we carry may limit our flexibility to respond to future events and could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our actual and future cash requirements may be higher than currently expected.

The ability to repay or refinance maturities depends on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow from operating activities, the cost savings, sales growth and operating improvements currently anticipated may not be realized, and future debt and equity financing may not be available to us on satisfactory terms or at all in an amount sufficient to enable us to pay our debts when due, or to fund our other liquidity needs. The amount of debt that we intend to incur could significantly affect us and our investors. We may be required to use a substantial portion of our cash flows from operations to make interest payments on this debt, which in turn reduces the cash flows available to fund capital expenditures and other corporate purposes or to grow our business.

In addition, because almost all of our indebtedness bears interest at floating rates, our interest expense is significantly impacted by the volatility of interest rates. Interest rates are sensitive to many factors beyond our control, including the policies of the European Central Bank and central banks of other jurisdictions, domestic and international economic conditions and political factors. While we may employ risk management strategies, such as derivatives, to manage our interest rate risk, these strategies may not achieve the desired effect. Furthermore, such hedging instruments may result in us paying higher interest rates than the prevailing variable interest rates from time to time. Movements in interest rates could have a material adverse effect on any unhedged borrowing exposure, or the market value of existing hedges, or on the returns generated by our investments, and consequently could have a material adverse effect on our business, financial condition and results of operations.

In addition, future debt costs could increase, and thus restrict our future access to debt financing, limiting our ability to borrow additional funds as needed or take advantage of business opportunities as they arise. This could also limit our flexibility in planning for, or reacting to, changes in our business and the industry.

The realization of any of these financing and rating related risks could have a material adverse effect on our business, financial condition and results of operations.

Any breach in the privacy and security of information of our customers, particularly relating to our loyalty program, employees and suppliers, as well as other business information, could damage our reputation with customers, incur substantial additional costs and subject us to litigation.

Maintaining the security of our customers', employees' and suppliers' personal and financial data, intellectual property, and other confidential and sensitive data is essential to our business. We collect, store and transmit our customers' and our employees' personal data, and transfer the data to third-party business associates, including cloud service providers who process the data for us. Our stores, online business and loyalty program, which as of December 31, 2017 had 3.7 million active accounts, depend on the secure transmission of encrypted confidential information over public networks, including information for electronic payments. Despite controls to ensure the confidentiality, availability and integrity of customer, employee and supplier data, we may be subject to breaches or to internal or external fraud, or to attacks from computer programs that attempt to penetrate our network security and misappropriate confidential information or interfere with our ability to service our customers and interact with other stakeholders. Our service providers may also hold customer data, and there is a risk that, as a result of a breach in security, such data may become public. In addition, we may be subject to denial of service or other coordinated attacks that may cause company websites or other systems to experience service outages or other interruptions. In common with other high-profile businesses which are targeted for cyber-attack, attempts to infiltrate our networks and systems have been made in the past and may continue to occur in the future. We do not carry insurance for cybersecurity breaches. A compromise of our security systems or those of our business associates, that results in the information we hold being accessed by unauthorized persons, could adversely affect our reputation with our customers and other stakeholders, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation against us or the imposition of penalties. In addition, a breach could require that we expend significant additional resources related to the security of information systems and could disrupt our operations.

The use of data by our business and our business associates is regulated at the EU and national level. These laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and they may be interpreted and applied in ways that will adversely affect our business. As of May 25, 2018, the Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April 2016, also known as General Data Protection Regulation ("GDPR"), came into effect, and it is directly enforceable in Portugal. A significant increase in the amount of resources required to comply with this new regulation, and any others that may be implemented in the future, could have an adverse effect on our business. We are currently in the process of implementing controls to comply with all GDPR rules and obligations. In the event that we are found to have breached any of the obligations set out in GDPR, we could face fines up to up to €20 million or 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher. In addition, the application of data protection laws to the internet is in a state of change, and there is a risk that these laws may be interpreted and applied in conflicting ways from jurisdiction to jurisdiction, and in a manner that is not consistent with our current data protection practices. Changes to such data protection laws may impose more stringent requirements for compliance and impose significant penalties for non-compliance. If we or those with whom we share information fail to comply with these laws and regulations, our reputation could be damaged, possibly resulting in lost future business.

We may fail to invest adequately and appropriately in operational systems and processes, including key software applications and hardware, to keep pace with technological changes and consumer trends and behavior, which may negatively affect our competitive position and profitability. In addition, any failure or disruption in our software applications and hardware and IT systems could materially and adversely impact our reputation with current and potential customers, employees and suppliers and could lead to litigation, fines or the loss of competitive advantage.

We are currently making, and will continue to make, acquisition and development of new software, knowledge or expertise to improve or replace critical information systems and processing capabilities in order to achieve strategic priorities and remain competitive, in particular in connection with our growing e-commerce platform. No assurance can be given that we can continue to successfully design, develop, implement and utilize new information systems and processes that will allow us to compete effectively. If we fail to adapt quickly, our competitive position may be harmed.

Furthermore, the risk of system disruption is increased when significant system changes are undertaken. Excessive technological change could impact the effectiveness of adoption and could make it more difficult for us to realize benefits. Targeting the wrong opportunities, failing to make the best investments, or making an investment commitment significantly above or below our needs could result in the loss of our competitive position and have a material adverse effect on our business, financial condition and results of operations. Additionally, the potential problems and interruptions associated with implementing technology initiatives could disrupt or reduce the efficiency of our operations. These initiatives might not provide the anticipated benefits or may provide them on a delayed schedule or at a higher cost, and have a material adverse effect on our business, financial condition and results of operations.

Given the very high volume of transactions we process each year, it is important that we maintain uninterrupted operation of our business-critical IT systems. Our systems, including our back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, catastrophic events such as fires, earthquakes, tornadoes and hurricanes, and errors by our employees. Due to the increasing sophistication and proliferation of cyber criminality and both internal and external threats, and because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these techniques, timely discover or counter them or implement adequate preventative measures. If our systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. Our recovery and contingency plans may prove ineffective or may not be sufficient in the event that they need to be activated. Any failure of, or disruption to, IT systems, whether caused by failings in key software applications, of underlying equipment or of communication networks or otherwise could delay or otherwise affect our ability to take and fulfil orders, to provide customer support, to manage our sales, warehousing, distribution and logistics, product buying, planning and replenishment, financial reporting and payroll functions and to maintain in-stock positions, or otherwise affect our day-to-day decision-making. Any such breach or compromise of security could materially and adversely impact our reputation with current and potential customers, employees and suppliers and could lead to litigation, fines or the loss of competitive advantage, any of which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we outsource the maintenance of some of our core information technology systems, and some applications and hardware are provided by third parties. Such outsourced maintenance arrangements, applications, hardware and support operations may not be carried out to our satisfaction or operate as expected, may not fulfil their intended purpose or may not be of sufficient quality, which could lead to business-critical IT systems failures and could have a material adverse effect on our business, financial condition and results of operations.

Complaints and litigation, even if successfully resolved without material financial cost to us, could damage our brand and reputation and divert management resources, which could have a material adverse effect on our business.

From time to time, we may be the subject of complaints and litigation from our customers, employees, suppliers and other third parties, alleging product, injury, health, environmental, safety, data protection or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations (including, in the case of employees, in relation to equal pay, discrimination and unfair or wrongful dismissal). Any such complaints and claims could become publicly known and could result in costs to us and even if successfully resolved without material financial cost to us, could have a material adverse effect on our brands and reputation and divert our financial and management resources. If we were to be found liable under any such complaints or claims, this could have a material adverse effect on our business, financial condition and results of operations.

We are subject to antitrust and similar legislation in the jurisdictions in which we operate, which could limit our ability to expand. Notably, negotiations and information exchanged with suppliers may involve a risk of prohibited anti-trust practices, and the Portuguese competition authority (the Autoridade da Concorrência, “AdC”) has initiated an investigation concerning the fast moving consumer goods retail sector.

We are subject to a variety of antitrust and similar legislation. We have market positions in Portugal which may make future significant acquisitions more difficult and may limit our ability to expand by acquisition or merger, if we should wish to do so. In addition, we are subject to legislation relating to competition, antitrust and unfair competitive practices. We may be subject to allegations of, or further regulatory investigations or proceedings into, such practices. The defense of such allegations, investigations or proceedings, irrespective of merit, may divert management attention and resources. In the event that we are found to have violated such laws, we could face significant fines, damages, awards and other expenses, and our reputation could be materially harmed, any of which could have a material adverse effect on our business, financial condition and results of operations.

Retailers of fast moving consumer goods, such as several of the Company's subsidiaries, acquire products for resale from thousands of suppliers. Commercial negotiations take place daily between our personnel and our suppliers, concerning, among other things, the scope of goods to be bought, their acquisition price (gross price), marketing and promotion. As part of these negotiations, information may also be exchanged regarding sales performance, the competitiveness of gross prices and retail prices charged by retailers.

Whenever a reseller and a supplier agree upon fixed or minimum resale prices (or upon other indirect means of achieving a similar resale price effect) to be complied with by the reseller when reselling the supplier's products or when, absent an agreement, they engage in a commercial practice with that same purpose, practices usually referred to as resale price maintenance, or RPM – such conduct will be prohibited by anti-trust law to the extent that it has the object or effect of restricting competition. A finding of infringement may entail the payment of fines and compensation for damages suffered by third parties.

If we or any of the Company's subsidiaries were subject to review by competition authorities for suspected infringements of competition law, increased legal costs may accrue for us. If we are found to have engaged in unlawful competition restrictions, the Company could become liable to pay fines or damages.

If, for example, AdC found that we have infringed competition law, AdC would issue a "statement of objections", and we would be given an opportunity to comment on the facts and on the application of the law as set out by AdC in its statement. The AdC would then decide whether to declare that an infringement had occurred and whether to impose a fine on us. The maximum amount of a penalty fine under the Competition Act, including for example, a prohibited resale price maintenance practice, is 10% of the turnover of the infringing undertaking during the year prior to the date of the AdC's decision. This percentage may be increased to 20% if the same offender commits several offences simultaneously or successively before a final decision is taken, including in different procedures of the same nature.

AdC's decisions may be challenged before the Portuguese Tribunal de Concorrência, Regulação e Supervisão ("TCRS") in order to annul the decision or to reduce the fine. According to Portuguese competition law, challenging a decision of the AdC does not alleviate the obligation to pay a fine immediately, although the fined company may apply to the judge to suspend the obligation until a final court decision to pay against providing adequate security. The TCRS' jurisdiction permits it to dismiss the case or, alternatively, reduce, maintain or increase the fine previously imposed by the AdC. The TCRS judgment can in certain circumstances be appealed to the Tribunal da Relação de Lisboa.

Third parties that have suffered damages arising out of a competition law infringement could claim compensation from the infringing undertaking, notably following a final and non-appealable sanctioning decision or judgement.

In 2017, two of the Company's subsidiaries (Modelo Continente Hipermercados, S.A. and Continente Hipermercados, S.A.) were subject to a search and/or seizure of digital and paper documents by AdC, as part of an investigation that was publicly reported by AdC as involving 21 entities in the fast moving consumer goods retail sector (e.g., hypermarkets, supermarkets, hard-discounts and their suppliers). The investigation is currently subject to strict confidentiality requirements imposed under the applicable competition law and procedure, which will last until a statement of objections or a final decision is notified to the parties concerned. We cannot rule out the possibility that the AdC may find these subsidiaries (and the Company as their parent company) as having infringed competition law and therefore subject to one or more of the processes and/or fines described above. If, in the course of this investigation, the Company and/or any entities controlled by the Company, is condemned to pay any fines, pursuant to a decision that becomes final and non-appealable by 31

December 2023, the Parent, while it remains a shareholder of the Company, undertakes not to participate, and to ensure that no entities controlled by the Parent or which control the Parent participate, in any distribution of assets (including dividends) by the Company, until the amount to which such entities would otherwise have been entitled equals the amount of the fine or fines imposed on the Company and/or any of its subsidiaries.

If we were to be found to have infringed competition law the requirement to pay fines or damages could have a material adverse effect on our business, financial condition and results of operations.

Any write-downs or impairments of our assets, including goodwill and real estate, may have a material adverse effect on our business, financial condition and results of operations as well as our ability to pay dividends.

We are active in an industry that requires significant investments, in particular, in the construction, ramp-up, operation and maintenance of our processing centers, distribution centers and stores, including corresponding properties, logistics facilities and IT infrastructure. Any such property, plant and equipment associated with our operations and recorded on our balance sheet, as well as the existing intangible assets, including goodwill, are subject to impairments.

As of June 30, 2018, property, plant and equipment recorded on the combined balance sheet amounted to €1,286 million, while goodwill amounted to €448 million and intangible assets totaled €219 million. Assets with a determined useful life are depreciated and amortized, as applicable, on a straight-line basis. A quantitative impairment test is performed if there is an indication of possible impairment. Goodwill is quantitatively tested for impairment on an annual basis or if there is an indication of possible impairment. If the carrying amount of an asset or cash generating unit is not recoverable, impairment losses may be recorded in accordance with applicable accounting standards, in particular, IAS 36. Impairment charges could become necessary in the future if, for example, our prospects deteriorate such that the carrying amounts of our assets are no longer recoverable under applicable group or statutory accounting rules, in particular, IAS 36.

Any impairment test resulting in a write-down or additional impairment could have a material adverse effect on our business, financial condition and results of operations as well as on our ability to pay dividends.

Natural disasters, climate change and geopolitical events could materially adversely affect our operations and financial performance.

The occurrence of one or more natural disasters, such as hurricanes, cyclones, typhoons, tropical storms, floods, earthquakes and tsunamis, or severe weather conditions, such as major or extended winter storms or droughts, whether as a result of climate change or otherwise, could adversely affect our operations and financial performance, as could geopolitical events, such as civil unrest or terrorist attacks in Portugal or in countries or regions where our suppliers are located.

Such events could result in:

- the closure, physical damage to, or the complete loss of, one or more of our stores, distribution facilities or properties,
- the temporary or long-term disruption in the transport of goods or in the supply of products from some local and overseas suppliers,
- the lack of an adequate work force in a market,
- the inability of customers and employees to reach or have transportation to our stores, or
- the unavailability of our retail websites and mobile commerce applications to our customers.

Although we maintain coverages for losses from physical damage in excess of certain amounts to protect against catastrophic losses from such causes, we still bear the risk of losses incurred as a result of any physical damage to, or the destruction of, any stores and distribution facilities, loss or spoilage of inventory, and business interruption caused by any such events, to the extent they exceed our aggregate limits of applicable coverage.

Significant losses caused by such events could have a material adverse effect on our business, financial condition and results of operations.

We have a potential risk of environmental liability associated with prior, existing or future store sites that we own or lease, which could affect our operations and lead to a reduction of our profitability.

We are subject to laws, regulations and ordinances that govern activities and operations that may have adverse environmental effects and impose liabilities for the costs of cleaning, and certain damages arising from sites of past spills, disposals or other releases of hazardous materials. In fact, we are the holders of certain permits, which make us subject to the application of the Portuguese environmental liability regime, approved by Decree-Law no. 147/2008, of July 29. Moreover, under applicable environmental laws, we could be responsible for the remediation of environmental conditions and could be subject to associated liabilities relating to our own or our respective subsidiaries' stores, gas stations, processing and distribution centers and offices, as well as the land on which they are situated, including being subject to administrative proceedings filed by environmental entities. Environmental conditions relating to prior, existing or future store sites could harm us through, for example, business interruption, cost of remediation or harm to reputation, which could have a material adverse effect on our business, financial condition and results of operations.

Our actual performance may differ materially from the 2018 and medium-term financial targets included in this Prospectus and investors should not place undue reliance on them.

In this Prospectus, we include the financial targets that we aim to achieve in the year ended December 31, 2018 and medium-term financial targets. All of these management targets constitute forward-looking information that is subject to considerable uncertainty. We have not defined, and do not intend to define, "medium term" and these management targets should not be read as indicating that we are targeting such metrics for any particular fiscal year. The financial year trends and targets are based upon a number of assumptions, including the success of our business strategy, which is inherently subject to significant business, operational, economic and other risks, many of which are outside of our control. In particular, our assumptions include our ability to find attractive locations and continue our store expansion at the pace that we target, the successful execution of our strategy to enhance our customer value proposition through a focus on fresh produce and private label products as well as the stability of the competitive landscape. See "*—Full-Year 2018 Trends and Medium-Term Financial Targets*" for a complete list of our assumptions.

Accordingly, such assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect the actual results that we achieve in future periods whether or not our assumptions relating to the financial year 2018 or future periods otherwise prove to be correct. As a result, our actual results may vary materially from these targets and investors should not place undue reliance on them. If one or more of these assumptions is inaccurate, we may be unable to achieve one or more of our targets, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The loss of important intellectual property rights as well as third party claims that we have infringed on the intellectual property rights of others could significantly harm our business, results of operations, financial condition or prospects.

Our key trademarks and design rights are important to our businesses. While we seek to establish and protect our intellectual property rights, third parties may in the future try to challenge their ownership or the validity of our intellectual property rights. We may not always be successful in securing protection for or stopping infringements of our intellectual property rights. Any litigation to enforce our intellectual property could result in substantial costs and a diversion of resources. Our failure to obtain, protect and enforce our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may not adequately identify third-party intellectual property rights or assess the scope and validity of these third-party rights, which may lead to claims that we have infringed the intellectual property rights of others, who may challenge our right to continue to sell certain products or seek damages. We might not prevail in any such litigation. Any such claims could be expensive and time-consuming and could cause us to cease offering products that incorporate the challenged intellectual property or require us to pay significant damages or obtain licenses from the holders of such intellectual property, which may not be available on commercially

reasonable terms, any of which could have a material adverse effect on our business, financial condition and results of operations.

Currency fluctuations and hedging risks could materially adversely affect our results of operations.

We are present in international markets through procurement, subsidiaries, services to third parties, representative offices, franchise agreements and partnerships. These transactions are subject to the risk of exchange rate variation both in terms of commercial transactions carried out in currencies other than the euro and in the value of the capital invested in foreign subsidiaries outside the Euro zone. For the year ended December 31, 2017, approximately USD 36 million of the Group's purchases were denominated in currencies other than the euro, primarily in U.S. dollars. We are also exposed indirectly to fluctuations in foreign currencies—for example, energy and transportation costs are affected by the price of crude oil on international markets, which is traded in U.S. dollars.

Although it is our policy to manage our currency exposures as we consider appropriate, through the use of hedging instruments such as forward foreign exchange contracts and other derivative instruments, such hedging or other derivative arrangements may not be effective, and we may be unable or unwilling to hedge all of our currency exposure. Any significant fluctuations in the value of the euro relative to other currencies could have an adverse effect on our business, financial condition and results of operations.

An increase or changes to governmental regulation of our operations and products, including regulation concerning the protection of the environment, health and safety, advertising or trade could negatively affect our sales, profitability and financial position in different ways. In addition, public authorities may find us to be in violation of any of these laws and regulations, which could result in various civil and criminal penalties, seizure of our inventory, or monetary fines and could materially affect our business and reputation.

We are generally subject to supervision by a number of public authorities, including labor, environment, consumer protection, competition and tax, among others. Our business is also affected by general laws and regulations, including those regarding taxes, levies and other charges, which may be amended, or subject to varying interpretations, from time to time. Rapid or significant modification in such laws and regulations could impose additional costs on us, such as compliance costs or restrict our business opportunities, among others.

Additionally, an extensive legal and regulatory framework applies to our business in relation to our stores, our products, sale of our goods and service provision, sale of medicines and health services provision. This legislation includes, but is not limited to, the legal framework for the anti-economic and public health offenses, complaints book, alternative dispute resolution mechanisms, alcohol and tobacco, advertising, environment, customer service, private security and safety, operating hours, online services, intellectual property rights, consumer rights, prices, labelling, product safety and quality, cosmetics, sale of medicines not subject to prescription, optometry and nutrition appointments, health advertising practices, rights and obligations of the health services user, medical devices as well as other relevant laws, notably laws establishing the legal framework of access to and exercise of the economic activities of commerce, services and restaurants, on the deadlines for the payment of the price in contracts for the sale and purchase of food products, energy certification systems and performance of housing and trade and services buildings, external defibrillation by non-medics and personal data.

The laws and regulations applicable to our business often require subjective interpretation, and we cannot be certain that our efforts to comply with these regulations will be deemed sufficient by the appropriate regulatory agencies and other relevant entities. Public authorities may decide to audit, review or inspect our activities, and if we are found to be in violation of any laws and regulations, this could result in various civil and criminal penalties, including suspension or revocation of our licenses or registrations, seizure of our inventory, or monetary fines, any of which could harm our business, financial condition, or operating results. In particular, if we fail to obtain, maintain, update (if required) or renew (as applicable) all necessary licenses, permits or authorizations required for the development and occupation of our stores and of our responsibility (including, without limitation, use permits), as well as those required for carrying on our business (for instance, and most notably, the activity license), we face the risk of being subject to the consequences set forth in applicable law. In the case of use permits and activity licenses, such consequences may include, among others, (i) application of fines, (ii) the seizure of objects belonging to the agent that have been used as an instrument in the practice of the infraction; (iii) prohibition of the exercise, in the municipality, up to a maximum of four years, of the activity

related to the infraction practiced (iv) withdrawal of the right to subsidies granted by public entities or services, (v) closure of the establishment for a period of up to two years and (vi) suspension of authorizations or other administrative permissions related to the exercise of the activity (the latter two examples being foreseen for the lack of activity license only). Other consequences and sanctions may exist for other applicable licenses in accordance with their respective legal framework.

The laws and regulations affecting our activities may also be subject to modifications, including those resulting from ordinary expiry of regulatory periods, unilateral imposition by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions. Furthermore, additional laws and regulations may be implemented. Any such change may make such laws and regulations more restrictive or in other ways less favorable to us and compliance with new laws or regulations could increase our expenses or lead to delays as we adjust our physical and online stores, all of which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, as our website is accessible over the Internet in other countries, and if and when we expand our marketing strategies to other countries, we may be subject to their laws and regulations or may be required to qualify to do business in those locations. Our failure to qualify in a country in which we are required to do so could subject us to taxes and penalties and we could be subject to legal actions and liability in those jurisdictions. Furthermore, our ability to enforce contracts and other obligations in countries in which we are not qualified to do business could be hampered, which could harm our business. The restrictions or penalties imposed by, and costs of complying with, these laws and regulations could harm our business, operating results, and financial condition.

In addition, there are certain laws and regulations which, as of the date of this Base Prospectus, do not apply to our activities since the conditions for its application are not currently satisfied. However, said conditions may, in the future, become satisfied and thus trigger the application of such laws and regulations.

Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results.

The International Accounting Standards Board (IASB), or other regulatory bodies, periodically introduce modifications to financial accounting and reporting standards under which we prepare our consolidated financial statements. A number of new accounting standards and amendments and interpretations to existing standards are or will be effective for periods beginning on or after January 1, 2019, including IFRS 16 regarding leases and IFRS 23 regarding uncertain tax positions on income tax.

With regard to IFRS 16, we lease a substantial part of our facilities and the majority of these leases have been classified as operating leases and were recorded off-balance sheet with the associated rent being recorded as selling expenses in our combined income statement. As at December 31, 2017, the Group had non-cancelable operating lease commitments amounting to an undiscounted amount of €905 million. According to the new leasing accounting standard, with only selected exceptions of short-term leases and the leasing of assets with low value, all leases are to be recognized on the balance sheet of the lessee. Accordingly, regardless of economic ownership of the leased asset, the lessee must capitalize a right of use for the asset and recognize a corresponding liability in the amount of the present value of the binding lease payments. Regarding sale & leaseback transactions, the required assessment of the sale transactions in light of IFRS 15 – ‘Revenue from contracts with customers’ may impact significantly in the future accounting of these types of transactions, not giving rise, ultimately, to the recognition of capital gains. With the publication of IFRS 16 in January 2016 the IASB decided that the mandatory application date of the new lease accounting standard would be for annual periods beginning on or after January 1, 2019. In the endorsement process by the EU the effective date was maintained, which permits the early adoption on the financial year beginning January 1, 2018. Such an application will affect our reported financial position and results of operations as of the financial year beginning January 1, 2019 with a restatement of comparative periods, if we apply the full retrospective transition option or with an accumulated impact in January 1, 2019 retained earnings if we adopt the retrospective modified transition option. Also, our reported financial position and results of operations as of and for the financial year beginning January 1, 2018, would be different if we opt for an early adoption of the new standard. At this stage, it is not possible to accurately estimate the magnitude of the impacts inherent to its adoption. However, the implementation of this new standard will have a material effect on our results of operations and, in particular, on

our financial position. While the change will not affect the cash flows related to our leased facilities nor the substance of our activity or our risk profile, it will have a significant impact on our financial statements, including a decrease in selling expenses and an increase of our balance sheet total and the annual depreciable amount. Factors such as the average lease term could cause year-on-year fluctuations in the aforementioned effects which consequently could have a material effect on our results of operations.

With regards to IFRIC 23 – “Uncertainty over income tax treatments” this interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This interpretation requires an entity to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method. The adoption of this interpretation may affect the assessment made on the measurement of income tax provisions for tax litigations and identification of contingent liabilities/ assets.

We may sustain substantial losses not covered by, or exceeding the coverage limits of, our insurance policies, and our insurance premiums may increase.

Although we seek to obtain appropriate and mandatory insurance coverage in relation to the principal risks associated with each of our businesses, this insurance coverage may not be put in place in some cases or may not be sufficient to cover all of the possible losses we may face in the future. If we were to incur a serious uninsured loss or a loss that significantly exceeded the coverage limits established in our insurance policies, the resulting costs could have a material adverse effect on our business, financial condition and results of operations.

In addition, our insurance policies are subject to review by our insurers. The insurance market remains cyclical, and catastrophic events can change the state of the insurance market, leading to sudden and unexpected increases in premiums and deductibles and unavailability of coverage due to reasons totally unconnected with our business. If the level of premiums were to increase in the future, we might not be able to maintain insurance coverage comparable to those that are currently in effect at comparable cost, or at all. If we are unable to pass any increase in insurance premiums on to our customers, such additional costs could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to changes in tax legislation and its interpretation, the tax rates to which we are subject could increase in the future and we are currently involved in tax proceedings with the Portuguese and Brazilian tax authorities, which could have a material adverse effect on our business, reputation and profitability.

We are subject to corporate income tax, withholding tax, value added tax, payroll taxes and social security taxes and, in certain jurisdictions, local taxes on income or assets. Such taxes have an impact on our profit. Therefore, any change in the applicable tax laws or the interpretation thereof by tax authorities or courts can affect our profit. The jurisdictions in which we operate could either increase the applicable income tax rates or seek to enlarge the taxable base to generate more tax revenue, which would negatively affect our business, financial condition, results of operations and cash flows.

Tax laws are subject to interpretation from the courts and tax authorities. In this regard, we adopt generally accepted interpretations of tax regulations with the help of reputed tax firms. Tax authorities may take the view that our interpretations are inaccurate or disagree with our views. Additionally, we may, from time to time, vary the way we conduct our business to seek greater efficiency, which could entail a change in our tax policies, the correctness of which we may not be able to verify with the tax authorities. Any of the above could result in a reassessment of our tax situation and the imposition of late payment interest and penalties.

Tax authorities are currently implementing so-called “anti-base erosion” provisions to restrict the deduction of financing expenses in respect of financial debt and, more generally, avoid tax base erosion. Many of these measures arise from the OECD’s Action Plan on Base Erosion and Profit Shifting, which includes proposals to prevent base erosion through interest expenses, for example through the use of related-party and third-party debt to generate interest deductions. In particular, the European Union (in which all our companies are tax resident) adopted Directive EU/2016/1164 of 12 July 2016, laying down rules against tax avoidance practices that directly affect the functioning of the internal market. The aim of this directive is to coordinate the implementation in EU Member States of the 15 OECD action items against base erosion and profit shifting to

improve the effectiveness of the internal market as a whole in tackling tax avoidance practices, setting a common minimum level of protection for the internal market in specific fields. The Directive must be implemented by EU Member States prior to December 31, 2018. Although such measures have already been implemented in certain countries, any further restriction on the deductibility of our interest expense may adversely impact our future income tax expense. We pay income taxes in the jurisdictions in which we operate applying the international tax standards and the transfer pricing rules, where applicable. Our current corporate structure allows us to distribute dividends minimizing the withholding taxes to be applied, pursuant to dividend exemptions and capital gains rules. Therefore, any change to the tax laws in order to tighten up the requirements for the application of those exemptions could result in higher tax expenses, which would have a material adverse effect on our business, financial condition and results of operations.

Although we believe that we have interpreted relevant tax laws and regulations in a correct manner, relevant tax authorities may disagree with, and subsequently challenge, our positions. In the ordinary course of business, we have been, and may from time to time in the future, be named as a party in legal actions by tax authorities. We currently face a number of ongoing tax litigations with the Portuguese tax authority.

Certain subsidiaries granted guarantees in favour of the Portuguese Tax Authorities in relation with additional tax assessment for VAT amounting to €507.7 million as at December 31, 2017 (€509.4 million as at December 31, 2016 and €488.2 million as at December 31, 2015) in relation to the years 2002 to 2015. The Group has presented the corresponding tax appeals. These claims mainly relate with the fact that the Portuguese tax authorities claim that the Company should have invoiced VAT related to promotional discounts or other commercial income invoiced to suppliers, which depend on the purchases made by the Group during the year, as it considers that the mentioned discounts correspond to services rendered by the Company. Tax authorities also claim that the Company should not have deducted VAT from discount vouchers used by its non-corporate clients.

We are also involved in income tax claims, for which we have provided guarantees amounting to €342.3 million, as at December 31, 2017, in favour of the Portuguese Tax Authorities mainly regarding the years 2003 to 2013. The Company has presented the corresponding appeals. The most significant amount relates to capital losses on the sale of a subsidiary to a foreign subsidiary in 2002 amounting to €260 million which was considered tax deductible by the Group. The Portuguese Tax Authorities consider that the referred loss is not deductible for tax purposes and corrected the amount of tax losses used in subsequent years.

Additionally, we are involved in tax disputes with the Brazilian tax authorities relating to income tax in Brazil, with regard to a former subsidiary of the Company amounting to, approximately, €23.9 million as at December 31, 2017 (95.1 million Brazilian real), which is currently being judged by a tax court, for which there were granted guarantees totalling €48 million (190.9 million Brazilian real). The difference between the amount of the contingency and the amount of the guarantee relates with the update of the related responsibility, namely because of interest bearing.

See Note 33 to our Annual Combined Financial Statements for further details on the ongoing tax claims faced by the Group.

Any adverse tax decisions regarding our tax expose could result in significantly increased tax liabilities, including accrued interest and penalties, which could have a material adverse effect on our reputation, business, financial condition and results of operations.

The failure of, or any disruption to, our e-commerce platform could lead to a loss of customers and have a material adverse impact on our reputation, business and prospects.

We operate an e-commerce platform via dedicated websites and mobile applications, allowing our customers to order and purchase products online as well as providing them with click and collect and drive-through options. Our e-commerce platform represents a growing part of our business, and we have an approximate market share of 70% in Portugal according to CaixaBank BPI's research estimates as of December 31, 2017. Any failure or inadequacy in our systems resulting in our websites or applications not properly performing the functions that are required of them could lead to an inability to process customer orders or a disruption to the availability of the websites and applications. In addition, the effective use of such e-commerce platform is dependent on its connectivity with our other IT and operational systems to ensure that once orders

are taken they are then fulfilled. Any failure of, or disruption to the availability of, our e-commerce platform or in its connectivity with applicable IT and other operational systems resulting in a customer's order not being fulfilled, could also result in customers being less willing to use our e-commerce platform in the future, which could adversely affect our online businesses and could have a material adverse effect on our reputation, business, financial condition and results of operations.

We face certain risks related to operating our stores as franchises, any of which could result in a material adverse effect on our business.

We manage stores directly and under a franchise scheme, mainly with regard to *Meu Super* stores, but also with regard to certain *Well's* and *Note!* stores and other adjacent format stores, although our franchised operations do not currently contribute a significant amount to our total sales. In accordance with the franchise scheme operated by our Group, we enter into franchise agreements with third parties that include terms and conditions intended to protect our rights and our reputation.

Operating our stores as franchises involves certain operating risks, including:

- Risks associated with the use of “*Continente Modelo*”, “*Meu Super*”, “*Well's*”, “*Note*”, “*Bagga*” and “*Go Natural*”, and other trademarks of our Group: improper use of trademarks for activities other than those for which the license for use was granted, or sponsorship of activities not controlled by our Group;
- Risks associated with commercial policy: whereas franchisees are independent operators, and thus not controlled by the Group, their commercial policy may diverge from recommended prices by our Group. Although franchisees pricing policies can be limited by maximum price thresholds, they may result in different price levels from store to store. In addition, sales of products other than those in our Group product selection, which cannot be found in our stores or other franchised stores, could generate confusion in consumers;
- Risks associated with corporate image: management which is independent of, and different from that of, other stores, either those which are company owned or franchised, not respecting the standards of our Group stores. Any breach could have an adverse impact on the commercial and corporate image of our Group;
- Risks associated with lease agreements: loss of a point of sale due to termination or breach of lease agreements of stores signed by franchisees; and
- Risks associated with non-renewal of contracts: risk that franchisees will not be interested in renewing franchise agreements once their term has ended.

In addition, there is a risk that the franchisees will form associations enabling them to put pressure on our Group to achieve more favorable conditions.

Any of the risks referred to above could result in a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Carve-Out

We may lose some of the benefits from being fully owned by the Parent, and we may be unable to achieve some or all of the benefits that we expect to achieve as an independent, publicly traded company, and this could have a material adverse effect on our business, financial condition and results of operations.

As a result of the Parent divesting of a portion of its shareholding in the Company, there is a risk that we may be more susceptible to market fluctuations and other adverse events than we would have otherwise been. As a wholly-owned subsidiary of the Parent, we were able to benefit from the Parent's operating diversity and purchasing leverage, as well as economies of scope and scale in costs, employees, vendor relationships and customer relationships, and we also had more flexibility to leverage the assets of the Sonae Group. We plan to optimize the Company as a publicly listed company, through streamlining our processes and enhancing our operational efficiency to achieve cost savings. However, the realization of any anticipated operating

optimization and efficiencies, and the timing of such realization, will be affected by a number of factors beyond our control, and including the risks described in this “Risk Factors” section, and actual operating optimization and efficiencies may be materially different, or may be realized in a different timeframe, than we currently anticipate. If we are unable to achieve the benefits we currently anticipate, this could have a material adverse effect on our business, financial condition and results of operations.

We face the risk that following the proposed transaction, we may not be able to continue to provide services to the Parent and related parties within the Sonae Group and rely on the Parent and related parties within the Sonae Group to supply us certain services to support our operations, which could have an adverse effect on our business.

The Parent and related parties within the Sonae Group have relied on our Company and other parties within our Group for various financial, treasury, tax and other corporate services and IT systems to support their operations, and the Parent and related parties within the Sonae Group have supplied us with certain services, namely financing and imports-related services. After the proposed transaction, such relationships will remain in place through arm’s length, shared services agreements with the Parent, certain of its subsidiaries and the Sonae Group relating to, among other things, services and goods, real estate, our loyalty card program and financing.

The entities to which we provide such services might materially change their business relationship with us, or decide to discontinue these services in the future. Conversely, these entities may experience difficulties, materially change their business relationship with us or be unable for any reason to perform their obligations under the shared services agreements. Any such event could have a material adverse effect on our business, financial condition and results of operations. We may not be able to replace these services, provided either to or by these entities, in a timely or cost-effective manner or on terms and conditions as favorable as those we provide to them or receive from them. Such events could have an adverse effect on our business, financial condition and results of operations.

Our combined financial information is not necessarily indicative of our future results of operations, financial condition or cash flows, and does not necessarily reflect what our results of operations, financial condition or cash flows would have been, assuming the Carve-Out had been implemented during the periods presented.

In our current form, we have no operating history as a company giving effect to the Carve-Out. In the past, our businesses have been integrated with other businesses of the Sonae Group, including businesses that have been carved-out from the Group in the Carve-Out.

The Combined Financial Statements, and the financial information derived therefrom, included in this Prospectus do not necessarily reflect what our results of operations, financial condition or cash flows would have been as an independent public company during the periods presented and are not necessarily indicative of our future results of operations, future financial condition or future cash flows. There are limitations inherent in the preparation of all combined financial statements due to the fact that our business was previously part of a larger group.

Additionally, IFRS-EU provide no guidelines for the preparation of the Combined Financial Statements. Therefore, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices were considered when preparing the Combined Financial Statements, which were prepared in accordance with the principles established by management and discussed in note 1 of the Audited Annual Combined Financial Statements and consistent with the IFRS-EU, as applicable as at January 1, 2017 in the case of the Audited Annual Combined Financial Statements.

The Combined Financial Statements have been prepared based on a “bottom-up” approach, using the IFRS-EU financial information prepared for the purpose of inclusion in the Company’s historical statutory consolidated financial statements, whenever the activities remaining within the perimeter of the Group upon completion of the Carve-Out correspond to separate legal entities. In the remaining situations, the historical results of operations and basis of assets and liabilities allocated to the Group from the historical accounting records of the Company and its subsidiaries have been aggregated. Certain operations and financial liabilities, as well as the related interest expense and tax effect, have been allocated to the Parent where it was determined that these were not related to the Group perimeter.

Different allocation methods than those used by the Company in preparing the Combined Financial Statements could have resulted in different outcomes.

The Combined Financial Statements also may not be indicative of the future results of the Group. For example, the completion of the Carve-Out and becoming a publicly listed company may result in changes in personnel and cost structures of the Company as the holding company of the Group. As a result, there may be deviations in the financial position, results of operations and cash flows of the Group in the future compared with amounts shown in the Combined Financial Statements.

We face the risk that the Company is held liable in relation to obligations pertaining to previously wholly-owned subsidiaries or previously directed companies, which could negatively impact the Company.

Under Portuguese law, a parent or directing company is liable in relation to the obligations of its wholly-owned subsidiaries or directed companies, whether these obligations are constituted before or during the group (or direction) relationship, provided that they are constituted up until its term. To the extent that there have been disposals of shareholdings of companies wholly-owned by us, notably in the context of the Carve-Out, we may be held liable in relation to their obligations constituted up until the disposal, which could have a material adverse effect on our reputation as well as our business, financial condition and results of operations.

We will incur costs associated with the Admission to Trading and will be required to make the changes necessary to operate as an independent, publicly traded company subject to the requirements of the CMVM and Portuguese law. These new processes and structure to be implemented in order for the Company to comply with legal and regulatory requirements may not function effectively at first, and their implementation may require substantial time and resources and divert management's attention.

An application will be made for the public Admission to Trading of the Shares on Euronext Lisbon, which will generate additional costs. As a public entity, we will be required to implement effective controls, processes and procedures and may even have to establish new corporate functions necessary to ensure compliance with the regulatory requirements of the CMVM and Portuguese law applicable to Portuguese public companies listed on Euronext Lisbon, in particular with respect to financial reporting, disclosure obligations and corporate governance standards. We have internal controls in place in order to identify key risks, to provide assurance that the risks are fully understood and managed and to ensure that controls are in place in relation to financial reporting processes, operational and compliance controls. A failure of our internal controls could have a material adverse effect on our business, financial condition and results of operations.

We will operate in an environment that subjects us to greater scrutiny and more detailed financial and nonfinancial disclosure requirements. Our failure to successfully adapt our management approach to our new public-company status could result in sanctions imposed by regulatory authorities, including a termination of the trading of the Shares, or otherwise have a material adverse effect on our business. These new controls, procedures, processes and functions may not function effectively at first, and the implementation of the necessary framework may require substantial time and resources and divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations.

We face the risk that the Company and its controlled subsidiaries could cease to be a part of its current special tax group both in Portugal and Spain following the Offering, which could negatively impact the tax contributions of the Company.

Portuguese resident companies which are members of an economic group may, under certain conditions, opt to be taxed under the special tax group regime (*Regime Especial de Tributação de Grupos de Sociedades*).

The special tax group regime is only available where, among other requirements, a controlling company holds at least 75% of the share capital of other companies (controlled entities), and more than 50% of the voting rights, and it generally enables the group companies to offset losses incurred by one group company against the profits of another group company.

The Company and its controlled subsidiaries are currently part of a tax group, the controlling company of which is Sonae, SGPS, S.A. where, following the Offering, Sonae, SGPS, S.A. could cease to comply with the

abovementioned requirements, e.g. because it can no longer hold 75% or more of the Company's share capital, the Company and its controlled subsidiaries would cease to be a part of such tax group.

Hence, should that be the case, the Company and its controlled subsidiaries may lose the ability to offset respective profits against the other group companies' losses or respective losses against the other group companies' profits, which may negatively impact the current value of the Company, e.g. by decreasing the amount of any deferred tax assets.

Risks Relating to the Offering and the Shares

The interests of the Parent may conflict with your interests and expectations as well as those of the Board of Directors of the Company, which could have a material adverse effect on our business.

Following the Offering the Parent, directly or indirectly through its subsidiaries including the Selling Shareholder, will continue to be our majority shareholder. The Parent will have sufficient votes to approve resolutions of the shareholder's meetings of the Company, such as the distribution of dividends, and to appoint the majority of the members of the Board of Directors. In addition, and considering the Parent will hold the majority of the Company's share capital upon closing of the Offering, the Parent will be able to block the approval of resolutions of shareholders' meetings of the Company, including changes to the share capital or the by-laws. The Parent will have the power, among other things, to cast the determining votes regarding the management, business strategy and development, nominations to the Board of Directors of the Company and its subsidiaries.

In addition, upon closing of the Offering the Parent, as a majority shareholder of the Company, directly and indirectly through its subsidiaries including the Selling Shareholder, will be able to influence decisions relating to the payment of dividends at General Shareholders' Meetings. The Parent could prevent the distribution of dividends in any fiscal year, or could approve distributions of amounts in excess of the recommendations by the Board of Directors, which may conflict with your interests and expectations as well as those of the Board of Directors.

The Parent may not elect to exercise its influence over the business, strategy and financial condition of the Company in a manner that will not conflict with the interests of the other shareholders of the Company. Any potential conflict of interest could have a material adverse effect on our business, financial condition and results of operations.

The Offer Price of the Shares may not correspond to the price at which trading in the Shares will develop and continue after the Offering. In particular, an illiquid market for the Shares may result in lower trading prices and increased volatility, which could adversely affect the value of your investment.

The Offering constitutes our initial offering of Shares, and, prior to the Offering and the Admission to Trading, there has not been a public market for the Shares. We have applied for Admission to Trading of the Shares on Euronext Lisbon. If an active trading market does not develop, you may have difficulty selling any of the Shares that you buy. We cannot predict the extent to which investor interest in the Shares will lead to the development of an active trading market on Euronext Lisbon or otherwise or how liquid that market might become. The Offer Price of the Shares will be determined by negotiations among us, the Selling Shareholder and the Joint Global Coordinators based on a number of factors, including market conditions at the time of the Offering, and may not be indicative of the price at which the Shares will trade following completion of the Offering. The market price of the Shares could be subject to significant fluctuation. An illiquid market for the Shares may result in lower trading prices and increased volatility, which could adversely affect the value of your investment, may cause the Shares to trade at a discount to the Offer Price and may make it difficult for shareholders to sell the Shares at or above the price paid for them or at all. There can be no assurance that (i) an active and liquid trading market will develop or continue after this Offering, (ii) that the share price will not decline below the Offer Price or (iii) that prospective investors will be able to sell their Shares quickly.

The market price of the Shares may be volatile and may decline regardless of our actual operating performance, which could have a material adverse effect on the market price of the Shares.

The market price of the Shares may be volatile and significantly affected by the following factors, some of which are beyond our control and could result in significant fluctuations, including:

- investor perception of the success and impact of the Offering and the strategy described in this Prospectus;
- the failure of financial analysts to publish research about our company or the publication by analysts of unfavorable commentary regarding the Shares after this Offering, changes in financial estimates by analysts or any failure by us to meet or exceed any of these estimates;
- our actual or anticipated financial condition and results of operations;
- new services or products offered or announced by us or our competitors;
- negative publicity;
- the results of operations of our competitors;
- changes in the market valuations of our competitors or customers;
- announcements by us or our competitors of significant acquisitions, strategic partnerships or divestitures;
- announcements of investigations or regulatory scrutiny of our operations or lawsuits filed against us;
- developments affecting the regulation of one or more of the various sectors in which we operate or may in the future operate;
- capital commitments;
- recruitment or departure of key personnel;
- sales of Shares, including sales of Shares by our controlling shareholder, directors and senior management;
- short-selling or other similar trading activities in respect of the Shares or securities or other instruments linked to the Shares;
- investor perceptions of us and the business environment in which we operate;
- our success in entering new markets;
- overall perception of the Portuguese economy; and
- conditions in the financial and securities markets generally and other factors beyond our control.

During recent years, the securities markets in Portugal and worldwide have experienced significant volatility in prices and trading volumes. This volatility could have a material adverse effect on the market price of the Shares, irrespective of our financial condition and results of operations and the other factors referred to above.

Additionally, an active secondary market in respect of the Shares may never develop, or, if a market does develop, it may not be very liquid and such liquidity may be sensitive to changes in financial markets and in the financial condition of the Company. Lack of liquidity may have an adverse effect on the market price of the Shares.

The market price of the Shares and our ability to raise capital through a future offering of Shares may be adversely affected if sales of a substantial number of Shares occur, or by the perception that such sales could occur.

Sales of a substantial number of Shares in the public market following the Admission to Trading, or the perception that such sales will or might occur, could adversely affect the market price of the Shares and our ability to raise capital through a future offering of Shares.

In accordance with the Underwriting Agreement, the Company and the Selling Shareholder will both be subject to a lock-up period of 180 days, following the Admission to Trading, with regard to the Shares. After the expiry of the specified lock-up periods, the Selling Shareholder could sell all or part of its Shares, and we could offer to sell new Shares in public or private transactions. Any such future sales by us could dilute the ownership interests of our then-existing shareholders, and sales by our principal or management shareholders or by us could materially and adversely affect the trading price of the Shares.

We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings.

The Board of Directors or delegate(s) duly appointed by the board may from time to time issue Shares within the authorized share capital at such times and on such terms and conditions, including the issue price, as the board or its delegate(s) may in its or their discretion resolve. See *"Description of the Share Capital of the Company and Applicable Regulations—Share Capital—Authorized Capital."*

We may in the future seek to raise capital through public or private debt or equity financings by issuing additional Shares or other shares (by a resolution adopted at a meeting of shareholders), debt or equity securities convertible into Shares or rights to acquire these securities and, in certain circumstances, may, pursuant to a resolution adopted at a meeting of our shareholders, seek to exclude the preferential subscription rights pertaining to the then outstanding Shares, as consideration for, or to finance, future acquisitions or investments or for other capital needs. We may also issue Shares or other securities from time to time for the purpose of implementing employee shareholding or management incentive programs. Shares issued in these programs may be offered for free or at a discount. We cannot predict the size of future issuances of our Shares or the effect, if any, that future sales or issuances of Shares would have on the market price of our Shares. Any additional capital raised through the issue of additional Shares or other shares may dilute an investor's interest in the Company.

Our ability to pay dividends may be constrained by applicable law.

It is our Board of Directors' view that the dividend policy of the Company should target a dividend payout ratio of approximately 40-50% of the Company's adjusted consolidated net profit for the year after non-controlling interests, subject to the factors described in the *"Dividends and Dividend Policy"* section. However, even if our Board of Directors proposes to our shareholders to authorize the declaration and payment of a dividend at a general shareholders' meeting, our ability to pay dividends to our shareholders may be constrained by certain legal restrictions. For more information, see *"Dividends and Dividend Policy."*

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends to us. In addition, even if our subsidiaries generate sufficient cash from their operations, their ability to provide funds to the Company is subject to, among other things, local tax restrictions and local corporate law restrictions related to earnings, level of legal or statutory reserves, losses from previous years and capitalization requirements for our subsidiaries. As a result, although we may have sufficient resources, on a consolidated basis, to pay a dividend, our subsidiaries may not be able to make the necessary transfers to us to permit us to pay such dividend. For example, local law restricts our ability to pay dividends and our subsidiaries' ability to provide funds to the Company by, for instance, subjecting the allocation and payment of dividends to a resolution by the shareholders of the company, imposing funds retention for the constitution of a minimum legal reserve which restrict the amounts distributable as dividends, restrictions to interim payment of dividends (*"adiantamento sobre os lucros"*), which may occur only to the extent certain requirements are met or providing for the lapse of the right to receive dividends if, during a period of five years, the respective owners or possessors have not collected them, tried to collect them or, by any legitimate and unequivocal form, shown their right over such amounts.

Other limitations applicable to the distribution of dividends resulting from Portuguese law and/or the Company's Articles of Association include the following:

- distribution of the Company's assets (including through the distribution of dividends) is prohibited if (before or following the distribution) the Company's net worth (including the current financial year's net profit) is less than the sum of its share capital, the legal reserve and other similar reserves established by Portuguese law or by the Company's articles of association;
- at least 5% of net profit must be allocated to a legal reserve until such legal reserve amounts to 20% of the share capital of the Company;
- dividends to be distributed following a resolution by the shareholders of the Company (which can resolve, by a simple majority, to distribute them totally or partially or transfer them to reserves) are to be paid to shareholders in proportion to their holding of paid-up share capital;
- a percentage of the financial year net results, no higher than 5%, may be used to remunerate the directors and compensate the Company's employees, as resolved by the shareholders of the Company;
- shareholders may claim the respective attributed dividends once 30 days have lapsed from the resolution for dividend distribution (it may be extended to 60 days if so resolved by the shareholders of the Company).

As a result, our ability to pay dividends in the future may be limited and our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Shares would be investors' sole source of gains.

Shareholders with functional currencies other than the euro may face additional investment risk from exchange rate fluctuations in connection with their holdings of Shares.

Shareholders with functional currencies other than the euro face additional investment risk from currency exchange rate fluctuations in connection with their holdings of Shares. The Shares will be quoted only in euro, and any future payments of dividends on the Shares will be denominated in euro. Accordingly, the amount of any dividends paid on the Shares or the proceeds received in connection with any sale of Shares could be adversely affected by the fluctuation of the euro against the U.S. dollar or other currencies.

You may be unable to effect service of process on us or members of our Board of Directors or management in the United States or to enforce judgments obtained in U.S. courts for U.S. securities laws violations, and there is doubt as to the enforceability in Portugal of civil liabilities based on the civil liability provisions of U.S. federal securities laws.

The Company is organized under the laws of Portugal and substantially all of our assets are located outside the United States. It is anticipated that all or substantially all of the members of the Company's Board of Directors and senior management will be non-residents of the United States. In addition, the Company's auditors are also organized outside the United States. As a result, it may be difficult or impossible to serve process against any of these persons in the United States. Furthermore, as all or substantially all of the assets of these persons are located outside of the United States, it may not be possible to enforce judgments obtained in courts in the United States predicated upon the civil liability provisions of the U.S. federal securities laws against these persons. Additionally, there is doubt as to the enforceability in Portugal of civil liabilities based on the civil liability provisions of U.S. federal securities laws. See "Service of Process and Enforcement of Civil Liabilities."

U.S. and other non-Portuguese holders of Shares may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers.

Under Portuguese law, holders of Shares will have certain pre-emptive rights in respect of certain issues of Shares, unless those rights are disapplied by a resolution of the shareholders at a general meeting. Securities laws of certain jurisdictions may restrict our ability to allow participation by shareholders in such jurisdictions in any future issue of the Shares carried out on a pre-emptive basis in a rights offer.

For example, shareholders in the United States may be unable to exercise any such rights to subscribe for new Shares unless a registration statement under the Securities Act is effective in respect of such subscription

rights and Shares, or unless an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Portugal may similarly be affected if the rights and the new Shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. We are under no obligation to, and no assurances are given that we will, file a registration statement under the Securities Act or seek similar approvals or relevant exemptions for the sale of securities under the laws of any other jurisdiction outside Portugal in respect of any subscription rights and shares, and doing so in the future may be impractical and costly. To the extent that our shareholders in jurisdictions outside Portugal are not able to exercise their rights to subscribe for new Shares in any future rights issues, shareholders resident in such non-Portuguese jurisdictions may experience a dilution of their holding of our Shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights.

The Shares will be listed and traded on Euronext Lisbon on an “if-and-when-delivered” basis from the First Trading Date until the Settlement Date.

Application has been made for admission of the Shares to listing and trading on Euronext Lisbon under the ticker symbol “SONMC”. We expect that the Shares will first be admitted to listing and that trading in the Shares will commence prior to the settlement of the Offering on the First Trading Date on an “if-and-when-delivered” basis. The Shares will trade on an “if-and-when-delivered” basis under a single trading line “SONAE MC SGPS AIW”, ISIN code PTMOC0AE0007 and trading symbol “SONMC”. After settlement date, Shares will be traded under the product name “SONAE MC SGPS” and both the ISIN code and trading symbol will remain the same. The settlement date, on which the closing of the Offering is scheduled to take place, is expected to occur on or about October 23, 2018, the second business day following the First Trading Date (i.e. on a “T+2” basis).

The closing of the Offering may not take place if certain conditions are not satisfied or waived or if certain termination events occur on or prior to the settlement date. Trading in the Shares before the Settlement Date will take place subject to the condition that, if closing of the Offering does not take place, the Offering will be withdrawn, all applications for the Shares will be disregarded, any allotments made will be deemed not to have been made, any application payments made will be returned without interest or other compensation and transactions on Euronext Lisbon will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Lisbon will not be responsible or liable for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions on Euronext Lisbon.

If closing of the Offering does not take place, subscriptions for the Shares will be disregarded and transactions effected in the Shares will be annulled, which may lead to losses for potential investors in the Shares.

If listing of the Shares does not occur due to a fact attributable to the Company, the Selling Shareholder, the financial intermediaries or to those referred to in article 20(1) of the Portuguese Securities Code in relation to such entities, investors may cancel their orders by communicating such fact to the Selling Shareholder up to 60 days following listing refusal, and the Selling Shareholder must return the amounts received within 30 days of receiving such communication.

Under the Portuguese Securities Code, upon the occurrence of an unforeseeable and substantial change of circumstances that are integral to the decision to launch an offering and are known to the addressees of such offering, and which exceeds the risks inherent to the offer, the Selling Shareholder may, within a reasonable period and subject to the CMVM’s approval, modify or revoke the Offering.

A modification of the Offering requires the extension of the respective Offer Period. The length of the extension would be decided by the CMVM, either on its own initiative or at the request of the Selling Shareholder. In such circumstances, any declarations of acceptance of the Offering prior to its modification are deemed effective for the Offering in accordance with the modified Offering.

If the offer is revoked or withdrawn, the Offering and all acceptances are deemed ineffective, and the investors are entitled to restitution of the funds that have been delivered on their account. Under the Portuguese Securities Code, the CMVM must order the withdrawal of an offering or prohibit its launch if it concludes that the offering constitutes an irremediable legal or regulatory violation. A decision to withdraw or prohibit the

Offering under such circumstances would be published by the CMVM, at the expense of the Selling Shareholder, through the same means as the Prospectus.

Also, in accordance with the Portuguese Securities Code, the CMVM may suspend the Offering if any remediable legal or regulatory violation is discovered. If the Offering is suspended for any reason, investors may withdraw their acceptance in the five-day window following the suspension. These investors have the right to restitution of all funds delivered.

In addition, if, from the date of approval of the Prospectus to the end of the Offer Period (or to the date of the admission to trading of the Shares), any deficiency in the Prospectus is detected or any new fact occurs or any new fact not previously considered comes to light that would be relevant to an investment decision made by an addressee, the Selling Shareholder and the Company are obliged to immediately request CMVM to approve an amendment or supplement of the Prospectus disclosing these facts.

The investors who have accepted the Offering before the publication of the amendment or supplement have the right to withdraw their acceptance within no less than two business days after the disclosure of the amendment or supplement, as long as the deficiency or the previous or new fact is detected, known or happens before the end of the Offer Period and delivery of the securities.

Potential investors of Shares may face tax consequences resulting from an investment in the Shares.

Potential investors of Shares should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where dividends are paid or the Offer Shares are transferred, where the investors are resident for tax purposes and/or other jurisdictions.

Dividends paid by the Company in respect of the Offer Shares are generally subject to Portuguese income tax to be collected through withholding, subject to applicable exemptions or treaty relief. Capital gains on the sale of the Offer Shares are likewise generally subject to tax, to be declared through the filing of a tax return, subject to applicable exemptions or treaty relief. Under the terms of the Offering / the Offer Shares the Company is not required to pay any additional amounts to the extent any withholding or tax applies. Accordingly, if any such withholding or tax were to apply to income arising in respect of the Offer Shares, investors would receive less than the full amount which could otherwise be expected by such investors.

For a description of the material tax consequences resulting from an investment in the Offers Shares, please see the “*Taxation*” section. Potential investors are nonetheless advised not to rely upon the tax summary contained in this Prospectus and instead to consult their own tax advisers with respect to the potential tax consequences arising from the acquisition, ownership, and sale of the Offer Shares.

ENTITIES RESPONSIBLE FOR THE INFORMATION

The contents of the Prospectus are in accordance with the rules set out in the Portuguese Securities Code, Prospectus Regulation, as well as with further applicable legislation.

Identification of the responsible entities

The following entities are, in accordance with articles 149 and 243 of the Portuguese Securities Code, responsible for the damages caused by the incompatibility of the contents of the Prospectus with the provisions set out in article 135 of the Portuguese Securities Code as of this date:

The Selling Shareholder

Sonaecenter, Serviços, S.A., a limited liability company (*sociedade anónima*) organized under the laws of Portugal, with head office at Lugar do Espido, Via Norte 4470 177 Maia, Portugal and registered with the Portuguese Commercial Registry (*Conservatória do Registo Comercial*) under the sole taxpayer and legal person number 506440613 and with a share capital of €1,836,550,000.00.

The members of the management corporate body of the Selling Shareholder

Board of Directors

- Duarte Paulo Teixeira de Azevedo.
- Ângelo Gabriel Ribeirinho dos Santos Paupério.
- Maria Cláudia Teixeira de Azevedo.

The Company

Sonae MC, SGPS, S.A., a limited liability company (*sociedade anónima*) organized under the laws of Portugal, with head office at Rua João Mendonça, 529, 4460-334, Matosinhos, Porto and registered with the Oporto Commercial Registry (*Conservatória do Registo Comercial do Porto*) under the sole taxpayer and legal person number 501532927 and with the share capital of €1,000,000,000.00.

The members of the management corporate body of the Company

Board of Directors

The current members of the Board of Directors, which were also the members of the Board of Directors as of the approval of the audited consolidated financial statements of the Company for the years ended 31 December 2016 and 31 December 2017, are as follows:

- Duarte Paulo Teixeira de Azevedo (Chairman).
- Ângelo Gabriel Ribeirinho dos Santos Paupério.
- Luís Filipe Campos Dias de Castro Reis.
- Luís Miguel Vieira de Sá da Mota Freitas.
- Luís Miguel Mesquita Soares Moutinho.

As of the date of the approval of the audited consolidated financial statements of the Company for the years ended 31 December 2015, the members of the Board of Directors were the following:

- Duarte Paulo Teixeira de Azevedo
- Ângelo Gabriel Ribeirinho dos Santos Paupério

The members of the supervisory corporate body, accounting firms, chartered accountants and other persons who have certified or otherwise assessed the financial statements in which the Prospectus is based on

Statutory Audit Board of the Company

The current members of the Statutory Audit Board are as follows:

- Armando Luis Vieira de Magalhães (Chairman).
- Maria José Martins Lourenço da Fonseca.
- António Augusto Almeida Trabulo.
- Carlos Manuel Pereira da Silva (alternate).

As of the date of the approval of the audited consolidated financial statements of the Company for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, the members in office of the Statutory Audit Board were as follows:

- Armando Luis Vieira de Magalhães (Chairman).
- Maria José Martins Lourenço da Fonseca.
- António Augusto Almeida Trabulo.

Statutory external auditor

- The current Statutory External Auditor of the Company is: Effective Member: PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (“**PwC**”) with registered office at Palácio Sottomayor, Rua Sousa Martins, n.º 1, 3th, 1069-316 Lisboa, a member of the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*), registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 183 and with the CMVM with no. 20161485, and is represented by Hermínio António Paulos Afonso, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 712 and with the CMVM under no. 20160348, and by António Joaquim Brochado Correia, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1076 and with the CMVM under no. 20160688.
- Alternate Member: Joaquim Miguel de Azevedo Barroso, with professional address at Rua Francisco Araújo Dantas, no. 296, 3th, 4425-440 Maia, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1426 and with the CMVM under no. 20161036.

As of the date of the approval of the audited consolidated financial statements of the Company for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, the Statutory External Auditor of the Company was Deloitte & Associados, SROC, S.A., with registered office at Avenida Engenheiro Duarte Pacheco, no. 71070-100 Lisboa, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 43 and with the CMVM with no. 20161389 and represented by Nuno Miguel dos Santos Figueiredo (registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1272 and with the CMVM under no. 20160883).

The combined financial statements of the Company as of and for the years ended December 31, 2017, 2016 and 2015 included in this Prospectus have been audited by Deloitte & Associados, SROC, S.A., independent auditors, with registered office at Avenida Engenheiro Duarte Pacheco, no. 71070-100 Lisboa, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 43 and with the CMVM with no. 20161389, represented by Nuno Miguel dos Santos Figueiredo (registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1272 and with the CMVM under no. 20160883), as stated in its report appearing herein.

PwC has issued a limited review report on the unaudited combined financial statements of the Company of and for the six-month period ended June 30, 2018. PwC was appointed as the Company's Statutory External Auditor (*Revisor Oficial de Contas*) at the Shareholders' General Meeting held on May 3, 2018 for the 2018/2021 term-of-office, has registered office at Palácio Sottomayor, Rua Sousa Martins, 1, 3º, 1069-316 Lisboa, is a member of the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 183, is registered with the CMVM no. 20161485 and is represented by Hermínio António Paulos Afonso (member of the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 712 and is registered with the CMVM no. 20160348 and by António Joaquim Brochado Correia, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1076 and with the CMVM under no. 20160688. The Alternate Statutory External Auditor (*Revisor Oficial de Contas Suplente*) is Joaquim Miguel de Azevedo Barroso, appointed at the Shareholders' General Meeting held on May 3, 2018 for the 2018/2021 term-of-office and he is a member of the Portuguese Institute of Chartered Accountants under no. 1426 and registered with the CMVM no. 20161036.

The financial intermediaries responsible for assisting with the offer

Caixa – Banco de Investimento, S.A., a limited liability company with head office at Avenida João XXI, 63, in Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 501 898 417, with the share capital of 81,250,000.00 Euros (“CaixaBI”), and Banco Comercial Português, S.A., a limited liability company, with head office at Praça D. João I, 28, in Porto, registered at the *Conservatória do Registo Comercial do Porto* under the sole tax payer and registration number 501 525 882, with the share capital of 5,600,738,053.72 Euros, acting through its investment banking division (“Millennium investment banking”) are the financial intermediaries responsible for the assistance and arrangement of the Retail Offering and for the services pertaining to the preparation, filing and follow-up of the Admission.

Responsibility statement of the entities responsible for the information contained in the Prospectus

The people and entities mentioned above state that, to the best of their knowledge, after carrying out all reasonable diligences in order to attest such statement, the information contained in this Prospectus, or the parts of it for which each entity is responsible in accordance with the applicable legal provisions, is in accordance with the facts, there being no omissions likely to affect its import.

Relevant legal provisions regarding the responsibility for the information contained in the Prospectus

Under the terms of paragraph 3 of article 149 of the Portuguese Securities Code, applicable directly and *ex vi* article 243 of the same code, the responsibility of the entities indicated above is excluded should they prove that the recipient of the information had or should have had knowledge of the unconformity of the contents of the Prospectus as at the date of the issue of its contractual statement or in a moment in which its withdrawal was still possible.

Under the terms of paragraph 4 of the same article, the responsibility is further excluded should potential damages result only from the summary of the Prospectus or any of its translations, save if such summary contains misleading, inexact or inaccurate mentions when read in conjunction with the other documents part of the Prospectus or if it does not include any information which may be fundamental for investors to decide if and when to make invest in the relevant securities. Under the terms of paragraph 2 of article 149, potential liability shall be evaluated in accordance with high standards of professional diligence.

Under the terms foreseen in paragraphs a) and b) of article 150 of the Portuguese Securities Code, and regarding this Prospectus, the Selling Shareholder and the Company are strictly liable (i.e. independently of fault) if (i) in relation to the Selling Shareholder, any of the members of the management corporate body of the Selling Shareholder, the financial intermediaries responsible for assisting with the offer, or any other entity that accepts to be indicated as responsible in the Prospectus are held responsible and if (ii), in relation to the Company, the members of the management corporate body of the Company or the members of the supervisory corporate body, accounting firms, chartered accountants and other persons who have certified or otherwise assessed the Combined Financial Statements in which the Prospectus is based on are held responsible.

In what concerns the offer, under the terms of article 153 of the Portuguese Securities Code, the right to compensation should be exercised within six months after becoming aware of the unconformity of the

Prospectus and will cease, in any case, two years after the date of the end of the validity of the prospectus. In what concerns the admission to trading, under the terms of paragraph b) of article 243 of the Portuguese Securities Code, the right to compensation should be exercised within six months after becoming aware of the unconformity of the Prospectus or of its amendment, and will cease, in any case, two years after the date of the publication of this Prospectus or the date of the publication of the amendment which contains such deficient information or statement.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Reasons for the Offering

Becoming a publicly listed company is expected to provide certain advantages to the Group, including the enhancement of our value proposition through an increased level of autonomy, an independent capital structure and allowing for the release of a stream of dividends, as well as a corporate governance structure in line with public company best practices. The Offering is also expected to unlock shareholder value, principally by providing visibility on the Company's standalone valuation and also by potentially reducing the Parent's holding discount.

Use of Proceeds

The Company will not receive any proceeds from the sale of the Offer Shares, which will be received by the Selling Shareholder. The net proceeds of the Offering will be applied by the Selling Shareholder for its general corporate purposes.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy

The amount of the dividend per share paid out by the Company for the last three years ended December 31, 2015, 2016 and 2017 was €0.044 to the issued shares excluding treasury shares. Under Portuguese law the distribution of dividends is decided and approved by the Shareholders' Meeting.

It is our Board of Directors' view that the dividend policy of the Company should target a dividend payout ratio of approximately 40-50% of the Company's consolidated net profit adjusted for non-recurring items, subject to the factors described below.

The payment of dividends, if any, by the Company and the amounts and timing thereof will depend on a number of factors, including our capital structure, availability of distributable reserves, future sales, profits, financial condition, general economic and business conditions and future prospects; the ability of the Company's subsidiaries to pay dividends or otherwise transfer funds to the Company; and such other factors as the Board of Directors may deem relevant. There can be no assurance that a dividend will be declared in a given year. If a dividend is declared, there can be no assurance that the dividend amount or the dividend payout ratio will be as described above. Moreover, any dividend paid in a given year will not be indicative of any dividends to be paid in any subsequent year. If any dividend is distributed, all of the Shares will be entitled to the same dividend.

Portuguese Law

The conditions under which we may declare dividends based on Portuguese law and our Articles of Association are described under "*Description of the Share Capital of the Company and Applicable Regulations—Dividends*" above.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our cash and cash equivalents and total capitalization as of June 30, 2018 on an actual basis. This table should be read in conjunction with “Reasons for the Offering,” “Operating and Financial Review and Prospects” and our Combined Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

	As of June 30, 2018
	Actual
	(non-audited)
	(€ in millions)
Total current debt⁽¹⁾	130
Of which guaranteed	-
Of which secured	-
Unguaranteed/unsecured	130
Total non-current debt (including current portion of long-term debt)⁽¹⁾	743
Of which guaranteed	-
Of which secured	-
Unguaranteed/unsecured	743
Total shareholders' equity	675
Equity attributable to owners of the Company	645
Non-controlling interests	30
[A] Cash and bank balances	57
[B] Current other investments	0
[C] Trading securities ⁽²⁾	0
[D] Liquidity [A] + [B] + [C]	57
[F] Current Loans	127
[G] Current Bonds	3
[H] Current Other loans, leases and derivatives	0
[I] Total current debt [F] + [G] + [H]	130
[J] Net current debt [I] – [D]	73
[K] Non-current loans	485
[L] Non-current Bonds issued	258
[M] Non-current Other loans, leases and derivatives	0
[N] Total non-current debt [K] + [L] + [M]	743
[O] Net debt [J] + [N]	816

⁽¹⁾ None of our total current debt or total non-current debt is indirect or contingent indebtedness.

⁽²⁾ Refers to investments in debt or equity securities which are expected to be sold in the near-term.

Since April 2018, the Carve-Out is being performed, as described under “*The Carve-Out*”. The effects of the Carve-Out are reflected in the Combined Financial Statements. In order to ensure that the Combined Financial Statements represent a fair and accurate aggregation of the historical financial information of the food retail, adjacent formats and related retail real estate activities, the Subordinated Shareholder Loan (as defined under “*Operating and Financial Review and Prospects—The Carve-Out and Basis of Preparation of the Combined Financial Statements*”) was carved out, together with the related interest expense and tax impact, as it relates to the investments and activities of the carved-out specialized retail businesses not included in the scope of the Combined Financial Statements.

The treatment of net debt and thus the balance of borrowings (including finance leases and cash and bank balances as recorded in the combined statement of financial position) as well as financial investments is in line with how our management monitors the Group’s indebtedness, which consistently focuses on this balance rather than on the individual components. In addition, the allocation of net debt to the food retail, adjacent formats and related retail real estate activities properly reflects financing requirements in economic terms: these financing requirements relate almost exclusively to the food retail and adjacent formats businesses as well as the related real estate activities considering, in the opinion of the Company’s Board of Directors, an adequate and prudent capital structure for such activities.

Please see note 1 to our Audited Combined Annual Financial Statements included elsewhere in this Prospectus.

On September 27, 2018, we paid a dividend in the amount of €472 million, €372 million of which was funded from the proceeds of the transactions described under "The Carve-Out", and therefore had no impact either on shareholders' equity or net debt. The remaining €100 million was paid using cash on hand and/or drawdowns under our credit facilities (thereby increasing net debt by €100 million and reducing shareholders' equity by €100 million), in order to achieve a net debt-to-underlying EBITDA ratio of approximately 2x by December 31, 2018. After taking into effect these transactions, our total gross debt was €905 million as of September 27, 2018 (€873 million as of June 30, 2018).

SELECTED COMBINED FINANCIAL INFORMATION AND OTHER DATA

You are encouraged to read the information contained in this section in conjunction with the section entitled "Operating and Financial Review and Prospects" and our Combined Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

The following tables contain our selected historical combined financial information. Our selected historical combined financial information as of and for the years ended December 31, 2017, 2016 and 2015 is extracted or derived from the Audited Combined Annual Financial Statements. Our selected historical combined financial information as of and for the six months ended June 30, 2017 and 2018 is extracted or derived from the unaudited Combined Interim Financial Statements.

The Combined Financial Statements have been presented in euro and prepared in accordance with the basis of preparation disclosed in Note 1 to the Audited Combined Annual Financial Statements and consistent with IFRS-EU.

Selected Combined Income Statement Data

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
		(audited)		(non-audited)	
	(€ in millions)				
Sales	3,543.1	3,739.7	3,935.0	1,807.3	1,925.6
Services rendered	94.2	102.9	119.6	54.8	55.7
Gains and losses on investments	0.0	6.5	(0.2)	-	0.0
Other income	99.0	114.4	83.0	28.9	29.3
Cost of goods sold and materials consumed	(2,525.9)	(2,678.2)	(2,837.9)	(1,296.3)	(1,371.7)
External supplies and services	(400.0)	(432.8)	(459.9)	(214.7)	(231.2)
Employee benefits expense	(426.8)	(465.6)	(488.2)	(243.1)	(263.1)
Other expenses	(45.0)	(38.2)	(44.0)	(17.6)	(17.9)
Depreciation and amortization expenses	(120.1)	(123.1)	(133.8)	(64.9)	(72.1)
Provisions and impairment losses	(6.3)	5.2	(4.0)	(1.6)	0.4
Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates	212.2	230.8	169.6	52.8	55.1
Dividends received during the year	0.2	0.1	0.1	0.1	0.1
Share of profit or loss of joint ventures and associates	(0.1)	(2.0)	(5.8)	(1.5)	(0.6)
Financial income	13.4	1.3	0.6	0.4	0.6
Financial expense	(32.9)	(24.0)	(17.2)	(8.5)	(8.6)
Profit before tax	192.8	206.2	147.5	43.2	46.6
Income tax expense	(45.2)	(24.9)	(29.6)	(7.9)	(7.3)
Profit for the year	147.6	181.4	117.9	35.3	39.4
Attributable to:					
Owners of the Company	146.7	179.6	115.3	34.6	38.4
Non-controlling interests	0.9	1.8	2.6	0.8	1.0
	147.6	181.4	117.9	35.3	39.4

Selected Combined Statement of Financial Position Data

	As at December 31,			As at June 30,
	2015	2016	2017	2018
		(audited)		(non-audited)
	(€ in millions)			
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	1,196.1	1,230.0	1,264.0	1,285.8
Intangible assets	186.5	204.3	215.0	218.9
Goodwill	438.3	437.9	446.9	447.7
Investments in joint ventures and associates	4.5	9.7	9.3	8.2
Other investments	11.9	10.9	11.8	12.2
Deferred tax assets	23.0	17.5	22.1	33.1
Other non-current assets	6.0	7.1	10.7	10.2
Total Non-Current Assets	1,866.3	1,917.4	1,979.8	2,016.2
CURRENT ASSETS:				
Inventories	329.7	372.1	396.3	385.1
Trade receivables	43.8	57.1	54.6	44.1

	As at December 31,			As at June 30,
	2015	2016	2017	2018
		(audited)		(non-audited)
	(€ in millions)			
ASSETS				
Other receivables	43.8	61.4	44.4	40.5
Income tax assets	39.4	50.7	36.7	26.1
Other tax assets	12.8	13.2	20.7	23.4
Other current assets	52.9	42.9	31.7	85.0
Other investments	0.4	0.7	0.1	0.3
Cash and bank balances	47.5	64.2	93.7	56.7
Total Current Assets	570.3	662.5	678.2	661.3
Assets classified as held for sale	114.0	19.5	0.8	-
TOTAL ASSETS	2,550.5	2,599.4	2,658.8	2,677.4
EQUITY AND LIABILITIES				
EQUITY:				
Equity attributable to owners of the Company	725.1	710.2	732.0	645.1
Non-controlling interests	21.9	23.2	29.0	30.0
TOTAL EQUITY	746.9	733.3	761.0	675.2
LIABILITIES:				
NON-CURRENT LIABILITIES				
Loans	289.7	260.7	313.4	485.4
Bonds	297.7	310.0	257.3	257.5
Other loans, leases and derivatives	0.0	-	0.0	0.0
Other non-current liabilities	14.3	19.0	20.7	20.4
Deferred tax liabilities	78.1	68.6	91.2	97.6
Provisions	8.3	8.5	7.4	6.5
Total Non-Current Liabilities	688.1	666.8	690.0	867.5
CURRENT LIABILITIES				
Loans	81.4	170.6	115.2	126.7
Bonds	50.0	3.0	53.0	3.0
Other loans, leases and derivatives	2.1	0.1	0.3	0.2
Trade payables	689.7	681.8	708.9	708.0
Other payables	64.5	85.8	76.7	60.3
Income tax liabilities	47.9	69.5	50.6	51.0
Other tax liabilities	51.2	51.4	63.5	46.0
Other current liabilities	127.3	123.9	134.7	135.7
Provisions	1.5	1.5	4.8	3.8
Total Current Liabilities	1,115.5	1,187.6	1,207.7	1,134.7
Liabilities directly associated with assets classified as held for sale	-	11.7	-	-
TOTAL LIABILITIES	1,803.6	1,866.1	1,897.7	2,002.3
TOTAL EQUITY AND LIABILITIES	2,550.5	2,599.4	2,658.8	2,677.4

Selected Combined Cash Flow Statement Data

	Year ended December 31,			Six months ended	
	2015	2016	2017	2017	2018
		(audited)		(non-audited)	
	(€ in millions)				
OPERATING ACTIVITIES					
Receipts from customers	3,618.2	3,823.7	4,065.0	1,888.8	1,995.0
Payments to suppliers	(2,929.4)	(3,149.5)	(3,239.6)	(1,586.0)	(1,645.0)
Payments to employees	(430.3)	(457.8)	(483.0)	(232.6)	(251.6)
Cash generated from operations	258.5	216.4	342.4	70.1	98.3
Income taxes (paid)/received	(21.6)	(19.4)	(32.1)	(2.9)	(0.8)
Other cash receipts and (payments) relating to operating activities	(10.1)	11.3	(23.5)	(16.6)	(16.7)
Net cash generated by operating activities (1)	226.9	208.3	286.8	50.6	80.9
INVESTMENT ACTIVITIES					
Receipts arising from:					
Investments	-	-	21.0	21.0	-
Property, plant and equipment	186.5	211.4	40.5	1.8	1.6
Intangible assets	1.0	4.3	6.4	2.3	0.8
Interests and similar income	5.2	1.0	0.2	0.1	0.0
Loans granted	42.7	36.2	5.2	-	-
Dividends	0.4	0.5	1.0	0.1	0.5
Others	-	-	0.0	-	-

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	(audited)			(non-audited)	
	(€ in millions)				
Payments arising from:					
Investments.....	(4.5)	(7.1)	(9.1)	(3.3)	(0.6)
Property, plant and equipment	(117.7)	(174.2)	(172.9)	(85.4)	(99.0)
Intangible assets	(34.9)	(30.7)	(43.2)	(25.8)	(19.5)
Loans granted.....	(42.7)	(36.2)	(5.2)	(1.5)	–
Net cash used in/generated by investment activities (2).....	36.1	5.1	(156.1)	(90.8)	(116.1)
FINANCING ACTIVITIES.....					
Receipts arising from:					
Investments.....	1.2	0.2	1.1	–	–
Loans, bonds and finance leases	4,141.4	5,885.3	5,660.9	2,991.0	2,508.0
Payments arising from:					
Investments.....	–	(0.0)	(1.5)	(1.3)	(0.5)
Loans, bonds and finance leases	(4,221.6)	(5,869.3)	(5,651.8)	(2,849.0)	(2,376.9)
Interests and similar charges	(28.6)	(23.1)	(15.3)	(7.1)	(6.7)
Dividends paid by subsidiaries	(0.9)	(0.6)	(0.4)	(0.1)	(0.2)
Transactions with the Parent Group:					
Dividends paid	(40.0)	(40.0)	(40.0)		
Withdrawals to Parent Group	(2,056.5)	(2,539.1)	(2,319.0)	(2,580.7)	(1,905.2)
Contributions from Parent Group	1,893.6	2,384.9	2,279.8	2,471.5	1,777.6
Net cash used in financing activities (3)	(311.4)	(201.7)	(86.2)	24.3	(3.9)
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)	(48.4)	11.7	44.5	(15.9)	(39.1)
Effect of exchange rate changes on the balance of cash held in foreign currencies.....	0.0	(0.1)	0.2	0.1	0.0
Cash and cash equivalents at the beginning of the year	83.4	34.9	46.6	46.6	91.0
Cash and cash equivalents at the end of the year	34.9	46.6	91.0	30.7	51.8

Other Unaudited Financial and Operating Data

The following financial information includes measures which are not accounting measures as defined by IFRS. These measures are not part of our Combined Financial Statements or financial accounting records, and have not been audited or otherwise reviewed by external auditors, consultants or experts. These measures should not be used instead of, or considered as alternatives to, our historical financial results prepared in accordance with the basis of preparation disclosed in Note 1 to the Audited Combined Annual Financial Statements and consistent with IFRS-EU. These measures may not be comparable to similarly titled measures disclosed by other companies.

	As at and for the year ended December 31,			As at and for the six months ended June 30,	
	2015	2016	2017	2017	2018
	(non-audited)				
	(€ in millions, except percentages)				
EBIT ⁽¹⁾⁽⁶⁾	212	231	170	53	55
EBITDA ⁽²⁾⁽⁶⁾	341	352	311	120	128
EBITDA margin ⁽³⁾⁽⁶⁾	9.4%	9.2%	7.7%	6.5%	6.4%
Underlying EBITDA ⁽⁴⁾⁽⁶⁾	299	291	301	120	128
Underlying EBITDA margin ⁽³⁾⁽⁶⁾	8.2%	7.6%	7.4%	6.4%	6.5%
Underlying EBITDAR ⁽⁵⁾⁽⁶⁾	361	375	395	166	178
Underlying EBITDAR margin ⁽³⁾⁽⁶⁾	9.9%	9.8%	9.7%	8.9%	9.0%
Commercial margin ⁽⁷⁾	1,083	1,145	1,198	559	603
SG&A expense ⁽⁸⁾	(295)	(304)	(315)	(150)	(162)
Accounting working capital ⁽⁹⁾	(529)	(488)	(541)	(433)	(482)
Change in accounting working capital ⁽⁹⁾	30	41	(54)	55 ⁽¹⁰⁾	59 ⁽¹⁰⁾
Free cash flow (before dividends, interest and net financial investments) ⁽¹¹⁾⁽¹³⁾	248	188	133	(34)	(49)
Cash conversion ⁽¹²⁾⁽¹³⁾	63%	51%	53%	52%	44%
Gross debt ⁽¹⁴⁾⁽¹⁶⁾	(721)	(744)	(739)	(891)	(873)
Net debt ⁽¹⁵⁾⁽¹⁶⁾	(673)	(679)	(645)	(840)	(816)
Capital expenditure					
Expansion capital expenditure ⁽¹⁷⁾⁽²²⁾	(40)	(101)	(79)	(31)	(37)
Maintenance and optimization capital expenditure ⁽¹⁸⁾⁽²²⁾	(111)	(142)	(140)	(58)	(71)
Gross capital expenditure ⁽¹⁹⁾⁽²²⁾	(150)	(243)	(219)	(89)	(108)

Net capital expenditure ⁽²⁰⁾⁽²²⁾	(17)	(94)	(195)	(89)	(108)
Turnover ⁽²¹⁾⁽⁷⁾	3,637	3,843	4,055	1,862	1,981

- (1) Defined as profit before interests, tax, dividends and share of profit or loss of joint ventures and associates. EBIT is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (2) Defined as EBIT before depreciation and amortization expenses, provisions and impairments losses, Gains/(losses) on the disposal of subsidiaries, losses on the disposal of assets, gains on sales of assets excluding non-recurring items (net capital gains/losses on the sale-and-leaseback transactions of real estate assets). EBITDA is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (3) EBITDA margin, underlying EBITDA margin and underlying EBITDAR margin are calculated as EBITDA, underlying EBITDA and underlying EBITDAR, respectively, as a percentage of turnover. These are non-IFRS financial measures and should not be viewed as a substitute for any IFRS financial measure. We have presented these non-IFRS measures in this Prospectus because we consider them to be important supplemental measures for investors in comparing performance between companies.
- (4) Defined as EBITDA excluding certain non-recurring items (net capital gains/losses on the sale-and-leaseback transactions of real estate assets). Underlying EBITDA is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (5) Defined as underlying EBITDA before rental costs from leased real estate assets. Underlying EBITDAR is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (6) The reconciliation of profit before interests, tax, dividends and share of profit or loss of joint ventures and associates (equal to EBIT), EBITDA, underlying EBITDA and underlying EBITDAR is as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017 (non-audited) (€ in millions)	2017	2018
Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates	212	231	170	53	55
Depreciation and amortization expenses	(120)	(123)	(134)	(65)	(72)
Provisions and impairment losses	(6)	5	(4)	(2)	0
Losses on the disposal of assets	(4)	(3)	(7)	(1)	(1)
Gains / (losses) on the disposal of subsidiaries	-	6	-	0	0
Gains on sales of assets	43	53	13	0	0
Non-recurring items	41	61	11	0	(0)
EBITDA	341	352	311	120	128
Non-recurring items	41	61	11	0	(0)
Underlying EBITDA	299	291	301	120	128
Rental costs from leased real estate assets	(62)	(84)	(94)	(46)	(50)
Underlying EBITDAR	361	375	395	166	178
Turnover⁽²¹⁾⁽⁷⁾	3,637	3,843	4,055	1,862	1,981
Underlying EBITDA margin	8.2%	7.6%	7.4%	6.4%	6.5%
Underlying EBITDAR margin	9.9%	9.8%	9.7%	8.9%	9.0%
EBITDA margin	9.4%	9.2%	7.7%	6.5%	6.4%

- (7) Defined as turnover less cost of goods sold and materials consumed and advertising expenses, plus payment discounts received, supplementary income and net operating gains/losses from exchange differences. Commercial margin is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.

The reconciliation of turnover (total revenue from sales and services rendered) to commercial margin is as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(non-audited) (€ in millions)		
Turnover⁽²¹⁾	3,637	3,843	4,055	1,862	1,981
Cost of goods sold and materials consumed.....	(2,526)	(2,678)	(2,838)	(1,296)	(1,372)
Supplementary income	19	23	22	11	10
Payment discounts received	20	22	22	11	11
Operating gains from exchange differences	7	6	8	2	3
Operating losses from exchange differences	(7)	(5)	(7)	(3)	(3)
Advertising expenses	(68)	(65)	(63)	(28)	(28)
Commercial margin	1,083	1,145	1,198	559	603

- (8) Defined as underlying EBITDAR less commercial margin and employee benefits expense. SG&A expense is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.

The reconciliation of underlying EBITDAR to SG&A expense is as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
			(non-audited) (€ in millions)		
Underlying EBITDAR	361	375	395	166	178
Commercial margin	(1,083)	(1,145)	(1,198)	(559)	(603)
Employee benefits expense.....	427	466	488	243	263
SG&A expense	(295)	(304)	(315)	(150)	(162)

- (9) Defined as the sum of inventories, trade payables and other assets and liabilities as detailed below (excluding loans obtained from non-controlling interests, items included in the computation of Net Debt and Shareholders attributed dividends). Accounting working capital is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.

Accounting working capital is calculated as follows:

	As at December 31,			As at June 30,	
	2015	2016	2017	2017	2018
			(non-audited) (€ in millions)		
Inventories.....	330	372	396	372	385
Deferred tax assets	23	18	22	22	33
Other non-current assets	6	7	11	9	10
Trade receivables	44	57	55	40	44
Other receivables.....	44	61	44	31	40
Income tax assets.....	39	51	37	47	26
Other tax assets	13	13	21	14	23
Other current assets	53	43	32	91	85
Other non-current liabilities	(14)	(19)	(21)	(18)	(20)
Deferred tax liabilities	(78)	(69)	(91)	(87)	(98)
Non-current provisions.....	(8)	(9)	(7)	(8)	(7)
Trade payables	(690)	(682)	(709)	(630)	(708)
Other payables*	(64)	(86)	(77)	(62)	(60)
Income tax liabilities	(48)	(69)	(51)	(67)	(51)
Other tax liabilities	(51)	(51)	(63)	(45)	(46)
Other current liabilities.....	(127)	(124)	(135)	(138)	(136)
Current provisions	(2)	(1)	(5)	(4)	(4)

	As at December 31,			As at June 30,	
	2015	2016	2017 (non-audited) (€ in millions)	2017	2018
Shareholders loans.....	2	-	-	-	-
Accounting working capital.....	(529)	(488)	(541)	(433)	(482)
Changes in accounting working Capital⁽¹⁰⁾	30	41	(54)	55	59

* Other payables at June 30, 2017 exclude “Shareholders attributed dividends” in the amount of €40 million.

- (10) Change compared to prior year end.
- (11) Defined as underlying EBITDA, less income tax expense and total net capital expenditure, less change in accounting working capital, plus other items (non-recurring items (net capital gains/losses on divestments, including from sale-and-leaseback transactions), share of profit or loss of joint ventures and associates, profit for the year attributable to non-controlling interests and dividends received during the year. Free cash flow (before dividends, interest and net financial investments) is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (12) Defined as (i) underlying EBITDA, less maintenance capital expenditure and optimization capital expenditure, divided by (ii) underlying EBITDA. Cash conversion is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (13) The reconciliation of underlying EBITDA to free cash flow (before dividends, interest and net financial investments) and cash conversion is as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017 (non-audited) (€ in millions, except percentages)	2017	2018
Underlying EBITDA	299	291	301	120	128
Income tax expense.....	(45)	(25)	(30)	(8)	(7)
Net capex	(17)	(94)	(195)	(89)	(108)
Change in accounting working Capital	(30)	(41)	54	(55)	(59)
Other (as computed below)	40	57	3	(2)	(2)
Free cash flow (before dividends, interests and net financial investments)...	248	188	133	(34)	(49)
Underlying EBITDA	299	291	301	120	128
Maintenance and Optimization Capex	(111)	(142)	(140)	(58)	(71)
Cash Conversion.....	63%	51%	53%	52%	44%
Other.....	40	57	3	(2)	(2)
Dividends received during the year	0	0	0	0	0
Share of profit or loss of joint ventures and associates.....	(0)	(2)	(6)	(2)	(1)
Profit for the year attributable to Non- controlling interests.....	(1)	(2)	(3)	(1)	(1)
Non-recurring items	41	61	11	0	0

- (14) Defined as loans, bonds and other loans, leases and derivatives. Gross debt is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (15) Defined as gross debt (loans, bonds and other loans, leases and derivatives), less cash, bank balances and other current investments. Net debt is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (16) Gross debt and net debt are calculated as follows:

	As at December 31,			As at June 30,	
	2015	2016	2017	2017	2018

	(non-audited) (€ in millions)				
Non-Current Liabilities	(587)	(571)	(571)	(661)	(743)
Loans.....	(290)	(261)	(313)	(401)	(485)
Bonds.....	(298)	(310)	(257)	(260)	(258)
Other loans, leases and derivatives.....	(0)	-	(0)	(0)	(0)
Current Liabilities	(133)	(174)	(169)	(230)	(130)
Loans.....	(81)	(171)	(115)	(176)	(127)
Bonds.....	(50)	(3)	(53)	(53)	(3)
Other loans, leases and derivatives.....	(2)	(0)	(0)	(1)	0
Gross Debt	(721)	(744)	(739)	(891)	(873)
Current Other investments.....	0	1	0	0	0
Cash and bank balances.....	47	64	94	51	57
Net Debt	(673)	(679)	(645)	(840)	(816)

- (17) Defined as investments to open new stores in the period (including associated real estate investments), recorded as property plant or equipment or intangible assets incurred in the year, for stores to be opened in the following years or that opened in the current year or in the previous year. Expansion capital expenditure is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (18) Maintenance capital expenditure is defined as investments to maintain and refurbish existing stores, as well as investments in non-store areas such as IT, warehousing, logistics and e-commerce. Optimization capital expenditure is defined as investments to significantly change existing stores or the customer experience. Optimization capital expenditure goes beyond a typical shop refurbishment. These are non-IFRS financial measures and should not be viewed as a substitute for any IFRS financial measure. We have presented these non-IFRS measures in this Prospectus because we consider them to be important supplemental measures for investors in comparing performance between companies.
- (19) Defined as maintenance capital expenditure plus optimization capital expenditure plus expansion capital expenditure. Gross capital expenditure is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (20) Defined as gross capital expenditure less sale-and-leaseback divestments (net book value of retail properties sold in sale-and-leaseback transactions, including net assets of Imoconti excluding debt, and related goodwill). Net capital expenditure is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.
- (21) Defined as total revenue from sales and services rendered. Turnover is a non-IFRS financial measure and should not be viewed as a substitute for any IFRS financial measure. We have presented this non-IFRS measure in this Prospectus because we consider it to be an important supplemental measure for investors in comparing performance between companies.

	Year Ended December 31,							Six Months Ended June 30,			
	2015	2016	Δ %	Δ % LFL ^(a)	2017	Δ %	% LFL ^(a)	2017	2018	Δ %	Δ % LFL ^(a)
	(non-audited)										
	(€ in millions, except percentages)										
Hypermarkets...	1,531	1,578	3.0%	3.0%	1,590	0.8%	1.1%	728	743	2.1%	2.9%
Supermarkets....	1,663	1,784	7.3%	0.7%	1,914	7.3%	0.9%	880	957	8.7%	2.3%
Adjacent formats & Others.....	416	454	8.9%	5.9%	522	15.0%	5.1%	244	271	11.2%	5.1%
PropCo	111	94			93			41	42		
Eliminations and adjustments.....	(84)	(67)			(63)			(30)	(31)		
Total	3,637	3,843	5.6%	2.1%	4,055	5.5%	1.3%	1,862	1,981	6.4%	2.8%

(a) Growth in Like for Like

- (22) Expansion capital expenditure, maintenance and optimization capital expenditure, gross capital expenditure and net capital expenditure are calculated as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017	2017	2018
	(non-audited)				
	(€ in millions)				
Additions					
Property, Plant & Equipment.....	(114)	(200)	(177)	(68)	(89)

	Year Ended December 31,			Six Months Ended June 30,	
	2015	2016	2017 (non-audited) (€ in millions)	2017	2018
Intangible assets	(37)	(43)	(43)	(21)	(19)
Gross Capex	(150)	(243)	(219)	(89)	(108)
Expansion Capex ⁽¹⁷⁾	(40)	(101)	(79)	(31)	(37)
Maintenance and Optimization Capex ⁽¹⁸⁾	(111)	(142)	(140)	(58)	(71)
Sale & Leaseback divestments ⁽²⁰⁾	134	149	25	0	0
Net Capex	(17)	(94)	(195)	(89)	(108)

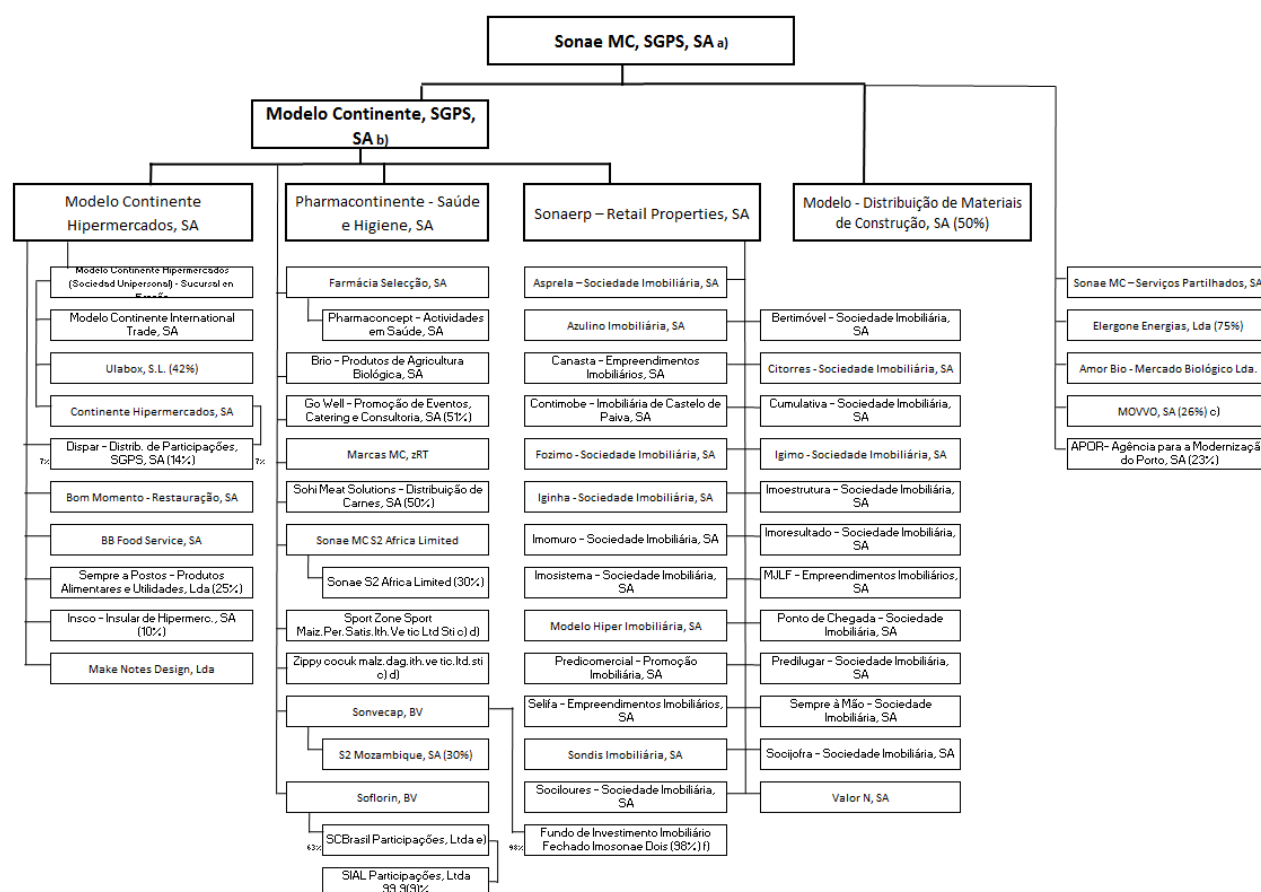
THE CARVE-OUT

The Carve-Out

As of December 31, 2017, the Company, which was previously named “Sonae Investimentos, SGPS, S.A.”, was a holding company wholly-owned, directly and indirectly, by Sonae, SGPS, S.A. (the “Parent”). The Parent is a conglomerate with a portfolio of investments in several food and non-food retail, real estate and financial services businesses.

The Parent has decided to list the Company as the holding company of its food retail, adjacent formats and related retail real estate, as is illustrated in the chart below. Please refer to the “*Business*” section for details on our food retail, adjacent formats and related retail real estate divisions. All other businesses that were previously owned by the Company will be carved-out and sold to the Parent and other wholly-owned subsidiaries of the Parent (the “Carve-Out”). However, some shared services and commercial relationships will be maintained and new ones will be put in place (see “*Legal entities and other assets that will be carved-out from the Company*” below).

The following chart illustrates the Group following the Carve-Out:



a) Former Sonae Investimentos SGPS, SA

b) Former Sonae MC - Modelo Continente, SGPS, SA

c) being liquidated

d) 1 share owned by Fashion Division, SA

e) Sonae MC, SGPS, SA has the remaining 37%

f) Sonae MC, SGPS, SA has the remaining 0.09%

Legal entities and other assets that will be carved-out from the Company

In order to achieve the legal structure above a number of transactions must take place, most of which were completed prior to September 30, 2018, essentially encompassing the sale on arm's-length terms of the entities

listed in the table (including the sale of all of the treasury stock of Sonae MC, SGPS, SA – formerly Sonae Investimentos, SGPS, SA). A summary of those transactions is presented in the table below.

The transfers of Sonae SR - Serviços e Logística, SA and SK Skin Health Cosmetics, SA have both been postponed to the end of October, and the transfer of SFS Gestão e Consultadoria, SA has been postponed to the end of December.

In addition, all the transactions in the context of the Carve-Out were subject to a waiver by some of the relevant financial institutions, pursuant to the terms and conditions set out in some of the relevant facility agreements (please see below). All the relevant waivers have already been obtained, prior to the Offering.

The proceeds of these transactions (total amount of €1,200 million) will be used to repurchase at market price, including accrued interest (€456 million), the €400 million subordinated intercompany bond loan from Sontel, B.V. (a wholly-owned subsidiary of the Parent) and to repay the Parent's supplementary capital contributions ("*entradas facultativas de capital*") in the amount of €372 million, and the remaining amount of €372 million together with an additional amount of €100 million paid as dividends using cash on hand and/or drawdowns under our credit facilities, will be used to achieve a net debt-to-underlying EBITDA ratio of approximately 2x by December 31, 2018.

Additionally, Continente Hipermercados, S.A., a subsidiary of the Company, owned two Worten stores, which have been demerged from Continente Hipermercados, S.A. and merged into Worten – Equipamentos para o Lar, S.A. This transaction occurred on July 31, 2018, and consequently, Modelo Continente Hipermercados Spanish Branch (Sucursal en España) received Worten – Equipamentos para o Lar, S.A. shares representing 26.09% of its share capital.

The following table provides details on the transactions that will take place in the context of the Carve-Out. All loans granted or received from the referred companies will be also sold in connection with the sale of shares:

Company	% Share Capital	Seller within Sonae MC perimeter	Buyer out of Sonae MC perimeter
Sonae - Shared Service Center, S.A. ⁷	100%	Modelo Continente, SGPS, SA ⁸	Parent
Arat Inmuebles, SA	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Parent
Zippy – Comércio e Distribuição, SA	0.682%	Modelo Continente, SGPS, SA	Libra Serviços, Lda
Sonae MC, SGPS, SA ⁹	10%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Worten – Equipamento para o Lar, SA	73.91%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Worten – Equipamento para o Lar, SA	26.09%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Parent or its subsidiary
Fashion Division, SA	100%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Sesagest - Proj.Gestão Imobiliária, SA	100%	Sonaerp - Retail Properties, SA	Sonae - Shared Service Center, S.A.
Sonaegest- Sociedade Gestora de Fundos de Investimento, SA	40%	Company	Parent or its subsidiary
Sonaegest- Sociedade Gestora de Fundos de Investimento, SA	20%	Sonaerp - Retail Properties, SA	Parent or its subsidiary
SFS – Gestão e Consultadoria, SA	99.994%	Company	Parent or its subsidiary

⁷ Sonae – Shared services Center, SA, was previously named Zyevolution – Investigação e Desenvolvimento, SA.

⁸ Former Sonae MC – Modelo Continente, SGPS, SA.

⁹ Former Sonae Investimentos SGPS, SA.

Company	% Share Capital	Seller within Sonae MC perimeter	Buyer out of Sonae MC perimeter
SFS – Gestão e Consultadoria, SA	0.006%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Worten España Distribución, S.L.	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Worten – Equipamento para o Lar, SA
Sonae SR Malta Holding Limited	99.99%	Modelo Continente, SGPS, SA	Worten España Distribución, S.L.
Sonae SR Malta Holding Limited	1 share	Company	Worten – Equipamento para o Lar, SA
Zippy – Comércio e Distribuição, SA	99.318%	Modelo Continente, SGPS, SA	Fashion Division, SA
Modalfa - Comércio e Serviços, SA	100%	Modelo Continente, SGPS, SA	Fashion Division, SA
Comercial Losan, S.L.U.	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Fashion Division, SA
Têxtil do Marco, SA	92.76%	Modelo Continente, SGPS, SA	Fashion Division, SA
Sonae SR – Serviços e Logística, SA	100%	Modelo Continente, SGPS, SA	Fashion Division, SA
Bright Brands Sports Goods, SA	100%	Modelo Continente, SGPS, SA	Parent or its subsidiary
ISRG Iberian Sports Retail Group, SL	30%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Sonae Financial Services, SA	100%	Company	Parent or its subsidiary
Fundo de Investimento Imobiliário Fechado Imosede	50%	Company	Sonae - Shared Service Center, S.A.
Fundo de Investimento Imobiliário Fechado Imosede	30.4%	Company	Parent or its subsidiary
MCCARE – Serviços de Saúde, SA	100%	Company	Parent or its subsidiary
SK Skin Health Cosmetics, SA	100%	Company	Parent or its subsidiary
Chão Verde - Sociedade de Gestão Imobiliária, SA	100%	Sonaerp - Retail Properties, SA	Sonae - Shared Service Center, S.A.
Real estate assets not related with Sonae MC business (this is not a company; these are specific assets being sold)		Continente Hipermercados, SA, Sonaerp - Retail Properties, SA, Imosistema – Sociedade Imobiliária, SA	Parent or its subsidiary
Zippy - Comércio Y Distribución, SA	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Zippy – Comércio e Distribuição, SA
Modalloop – Vestuário e Calçado, SA	100%	Modelo Continente, SGPS, SA	Modalfa - Comércio e Serviços, SA
Tlantic B.V.	70.71%	Soflorin B.V.	External entity
Account receivable from MDS, SGPS, S.A. (€1M)		Company	Parent or its subsidiary

Existing commercial relationships that will cease to exist after the Offering

- Modelo Continente International Trade, S.A. (“MCIT”) is a trading company providing services to food retail businesses as well as the electronics and fashion divisions of Sonae MC. As part of the Carve-Out, MCIT will act exclusively as a trading company for the food businesses and will (gradually) cease providing services to the electronics and fashion divisions of the Sonae Group.
- Sonae MC – Serviços Partilhados, S.A. is a shared-services company providing several back office services to all the businesses of the Parent. After the Carve-Out, Sonae MC – Serviços Partilhados, S.A. will remain as a subsidiary of the Company and will continue to provide certain services to Sonae Group companies outside the Group. Moreover, some of the services that are related with holding (sovereign) functions across Sonae Group and not exclusively related with Sonae MC will be transferred to Sonae – Shared Service Center, S.A., which will also render services to the Sonae Group.

New relationships that will be implemented

- Sonae Shared Services Center, S.A. will be providing services both to the Company and to the companies that are being transferred to the Parent, as mentioned in above. The amounts involved in this

new relationship are stated in the “*Certain Relationships and Related Party Transactions*” section, which provides a list of our shared services relationships going forward.

Amendments

As part of the Carve-Out, several waivers have already been obtained under certain of the Company’s existing credit facilities to enable the sale of assets and the repurchase of the €400 million subordinated intercompany bond loan (including accrued interest).

Additionally, Sonae MC has some working capital and international trade facilities which are currently jointly used by the carved-out entities or by the Parent. The exclusion of the carved-out entities has already been approved by the correspondent financial institutions, and the formalization will be concluded prior to the conclusion of the Offering.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the Combined Financial Statements and the notes thereto included elsewhere in this Prospectus. We have prepared our Combined Financial Statements for the years ended December 31, 2017, 2016 and 2015 and for the six months ended June 30, 2018 and 2017 in accordance with the basis of preparation disclosed in note 1 to the Combined Financial statements and consistent with IFRS-EU. The discussion contained herein is based on the Audited Combined Annual Financial Statements and the Combined Interim Financial Statements.

Overview

The Company is the market leader in food retail in Portugal, as measured by sales based on publicly available information and Company estimates, with a market share of 22% as of December 2017, as measured by Planet Retail. In 2017 we have achieved revenue from sales and services rendered of €4,055 million and underlying EBITDA of €301 million, resulting in an underlying EBITDA margin of 7.4%. We have a track record of over 30 years of consistent growth on the back of expanding our store footprint, managing a highly diversified portfolio of banners, formats and channels and maintaining a culture of continuous improvement and efficiency.

Our Company consists of distinctive business lines that offer a wide range of high quality products and services at competitive prices, namely through operations in:

- food, with *Continente* (urban hypermarkets), *Continente Modelo* (large stores), *Continente Bom Dia* (proximity stores), *Continente online* (e-commerce) and *Meu Super* (franchised proximity stores) as well as adjacent formats, such as health & wellness, with *Well's* (para-pharmacies, including health, beauty products, well-being and eye care), and *Go Natural* (organic stores and restaurants); *Bagga* (coffee shops), *Note!* (stationery, books and gifts), *ZU* (pet care and vet services) and *Maxmat* (do-it-yourself, “DIY” retail); and
- management and operation of the real estate assets of our owned stores across formats and banners, with 49% of our real estate being owned by us as of June 30, 2018.

We target the daily and weekly shopping of a diverse range of Portuguese consumers as well as international tourists through an omnichannel and multi-format strategy, based on a well-invested and modern food retail and adjacent format network of 1,054 stores (567 food retail stores; 487 adjacent formats retail stores), including franchised stores, covering an aggregate sales area of around 834,000 sqm¹⁰ (as of June 30, 2018), and a fast growing e-commerce platform (#1 in Portugal according to CaixaBank BPI research, as of 2018¹¹). Our business is underpinned by a strong, real estate portfolio in prime urban locations that we believe would be difficult to replicate, with a significant freehold share, measured as the stores sales area ownership in percentage of total stores sales area, of 49% as of June 30, 2018.

Having started our operations in 1985, we have a consistent track record of growth throughout economic cycles. Our success is based on (i) a highly experienced management team with over 20 years of experience in Portuguese retail; (ii) a long-term partnership approach with employees, suppliers, authorities and other partners; and (iii) a highly engaged workforce of approximately 30,000 employees. We have a leading position in Portuguese retail and the *Continente* brand has been voted by consumers for 16 consecutive years as one of the most trusted brands in Portugal¹².

In 2017, our Turnover (which corresponds to total revenue from sales and services rendered) reached €4,055 million, an increase of 5.5% over the previous year. This growth reflects both a robust like-for-like sales performance of 1.3% and the strong expansion plan of our proximity store network.

¹⁰ Including franchised stores.

¹¹ CaixaBank BPI, Iberian Retail research, 29th January 2018

¹² Reader's Digest.

The 2017 underlying EBITDA was 7.4% of Turnover, corresponding to €301 million. Underlying EBITDA increased 3.1% in comparison to 2016. Our 2017 free cash flow before net interest and dividends and net financial investments¹³ was of €133 million and Cash Conversion¹⁴ amounted to 53%.

The following chart provides additional detail on our business structure:

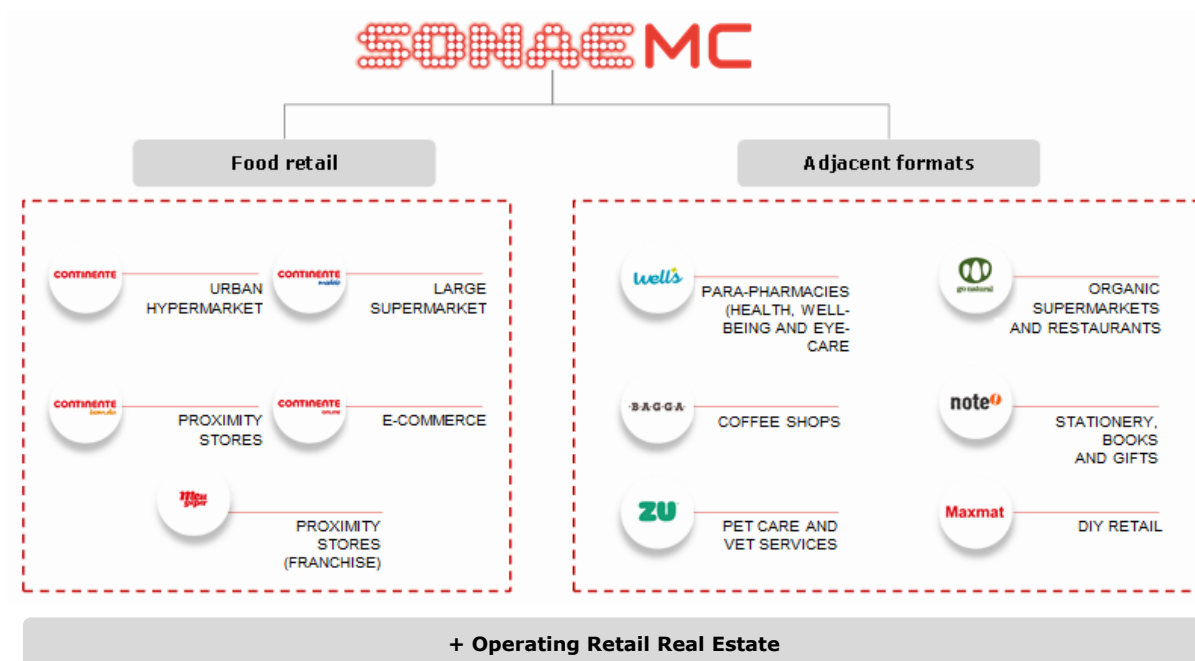


Figure 1 – Sonae MC business structure

The Carve-Out and Basis of Preparation of the Combined Financial Statements¹⁵

Prior to the Offering, the Company was a holding company wholly owned, directly and indirectly, by the Parent, and our businesses were integrated with the other businesses of the Sonae Group. As a result of the Carve-Out, at the time of the Admission to Trading, the Group will comprise the Sonae Group's food retail, adjacent formats and related real estate businesses and operations, and all other businesses that were previously owned by the Company will have been sold to the Parent and other wholly owned subsidiaries of the Parent. Certain shared services and commercial relationships will remain between the Group and the other companies of Sonae Group, and new ones have been put in place. For a detailed description of the Carve-Out, please see "The Carve-Out."

The Combined Financial Statements reflect the Group entities and the operations assigned to the Group as they have been included in the historical statutory consolidated financial statements of the Company (at the time named Sonae Investimentos, SGPS, S.A.). We have applied the same accounting policies and measurement principles in preparing the Combined Financial Statements as have been used to prepare the financial information of these entities and operations for inclusion in the Company's statutory consolidated financial statements published in the past, in accordance with the basis of preparation and allocations described in the notes to the Combined Financial Statements, and except for the accounting of income tax as described in note 1.e and note 2.1 of the Audited Combined Annual Financial Statements.

¹³ FCF before net interest and dividends and net financial investments = Underlying EBITDA – Δ Accounting WC - Income tax expense - Total Net capex + Others.

¹⁴ Cash conversion = (Underlying EBITDA - maintenance capex - optimization capex) / Underlying EBITDA

¹⁵ Refer to note 1 - Basis of preparation of the Audited Combined Annual Financial Statements for a more complete description.

The Combined Financial Statements are considered non-statutory and reflect the assets, liabilities, revenues, expenses and cash flows of the businesses retained within the Group perimeter in the Carve-Out, namely the food retail activities, adjacent formats and related retail real estate activities. Certain income, expenses, assets and liabilities of entities within the Group perimeter have not been included in the Combined Financial Statements as the corresponding activities did not relate to those of the Group, as described in the note 1 to the Audited Combined Annual Financial Statements.

The Combined Financial Statements have been prepared based on a “bottom-up” approach using the IFRS financial statements of the companies included in consolidation of the Company and its subsidiaries whenever the activities of the Group correspond to separate legal entities. In the remaining situations, the Combined Financial Statements were prepared using the historical accounting records of the Group by aggregating the historical results of operations and the historical basis of assets and liabilities allocated to the Group. As described below, certain operations and financial liabilities, as well as the related interest expense and tax effect, were allocated to the Parent where it was determined that these were not related to the Group perimeter.

Except for corporate functions / shared services and some real estate assets which are not related with Company businesses, all of the legal entities or business activities that were not conducted in separate legal entities in the past, were allocated to the Parent or one of its direct or indirect subsidiaries as part of the Carve-Out by way of an asset sale, demerger or through a sale of the shares in the legal entity in which the relevant activity, asset or liability resided. Legal entities forming part of the Group have also transferred certain assets and liabilities to the Parent or one of its direct or indirect subsidiaries. Such items were not allocated to the Company.

All transactions and balances between combined entities have been eliminated on combination. All transactions and balances with Parent entities outside the perimeter of the Group are reflected as related-party transactions and balances.

The Combined Financial Statements may not be indicative of either the actual results of our operations had the Group been operating as an independent entity for the periods presented or the amounts that will be incurred by us in the future, and different allocation methods could have resulted in different outcomes. However, we believe the Combined Financial Statements are meaningful to investors because they present the historical financial condition and results of operations of the businesses comprising the Group and therefore are relevant to an understanding of the historical development of the businesses comprising the Group. In addition, we believe the allocation methods applied in the Combined Financial Statements to be a reasonable reflection of the financial position and results of operations of the food retail, adjacent formats and related retail real estate activities.

There are limitations inherent in the preparation of all combined financial statements due to the fact IFRS-EU provide no guidelines for the preparation of Combined Financial Statements. The basis of preparation included in note 1 to our Audited Combined Annual Financial Statements for the years ended December 31, 2017, 2016 and 2015 and in note 1 of the Combined Interim Financial Statements provides a detailed description of the treatment of historical transactions.

Allocation of assets and liabilities

Prior to the Carve-Out, the Company was a holding company owning, directly and indirectly, financial investments and loans from and to the Group, as well as from specialized retail entities and other entities that have been sold in the Carve-Out. These investments, loans and interest accruals, as well as related income and expenses and tax effects, were excluded from the Combined Financial Statements, and all dividends and income distributions from real estate funds received related to these investments were also carved-out.

Prior to the Carve-Out, during the three-year period from 2015 to 2017, the Group was principally financed by a combination of external credit facilities (including bank loans, bonds and commercial paper) and by a €400.0 million subordinated loan from a subsidiary of the Parent (the “Subordinated Shareholder Loan”), with most of such financing having the Company as a counterparty. The Company’s capital structure at the time of the Admission to Trading will differ from the capital structure in the separate historical accounting records of the Company, since the Company will prepay the Subordinated Shareholder Loan with the proceeds of the sale of the companies in the Carve-Out, while maintaining all the external credit facilities.

Accordingly, in order to ensure that the Combined Financial Statements represent a fair and accurate aggregation of the historical financial information of the food retail, adjacent formats and related retail real estate activities, the Subordinated Shareholder Loan was carved out, together with the related interest expense and tax impact, as it relates to the investments and activities of the carved-out specialized retail businesses not included in the scope of the Combined Financial Statements.

The treatment of net debt and thus the balance of borrowings (including finance leases and cash and bank balances as recorded in the combined statement of financial position) as well as financial investments is in line with how our management monitors the Group's indebtedness, which consistently focuses on this balance rather than on the individual components. In addition, the allocation of net debt to the food retail, adjacent formats and related retail real estate activities properly reflects financing requirements in economic terms: these financing requirements relate almost exclusively to the food retail and adjacent formats businesses as well as the related real estate activities considering, in the opinion of the Company's Board of Directors, an adequate and prudent capital structure for such activities.

Goodwill

Goodwill that is recorded at the Company statutory consolidated financial statements is allocated to each operating segment and within each segment to each of the homogeneous groups of cash generating units, namely retail formats by geography and specific real estate assets. The Combined Financial Statements include only the goodwill related to the food and adjacent retail formats as well as goodwill allocated to related real estate assets that are also included in the scope of the Combined Financial Statements.

Real estate companies and specific assets

The pre-Carve-Out Group owned specific real estate assets that were not related to either food retail or adjacent formats as well as companies that owned portfolio of assets that did not primarily relate to the food retail or adjacent formats businesses, including the headquarters of the Sonae Group and Sonae Group companies, as well as real estate assets that relate only to other Sonae Group businesses. For that reason, these companies and assets were not considered in the scope of the Combined Financial Statements and therefore lease expenses by the Company from the lease of part of its portfolio are included as related party transactions in the Combined Financial Statements.

Other transactions and balances

Unless not considered part of Sonae MC perimeter, all business combinations or disposals that modified Sonae MC perimeter in the historical period were taken into account for the preparation of the Combined Financial Statements as at the moment these occurred.

All business combinations and disposals affecting the post-Carve-Out perimeter of the Group during the periods covered by the Combined Financial Statements were included in the Combined Financial Statements from the time such events occurred.

Income tax expense was allocated between the Group and the Parent based on the allocation of income and expenses performed.

All transactions and balances between entities included within Sonae MC have been eliminated. Transactions and balances between Sonae MC and the Parent (or a controlled entity) and Carve-out entities are classified as related party transactions.

Income tax expense was allocated between the Group and the Parent based on the allocation of income and expenses performed.

Contributions and withdrawals from and to the Parent

Prior to the Carve-Out, the Company was the holding company of the Sonae MC, SGPS, S.A. group and centralized a significant amount of cash transactions within the statutory group, including with entities carved-

out from the Group's perimeter. Consequently, such movements resulted in changes in the same amount in cash inflows and outflows during the reporting period that are not attributable to the business activities of the Group.

Among others, such cash movements relate to:

- subordinated debt allocated to the Parent, related interest expense and tax effects;
- capital increases and supplementary capital contributions made;
- intercompany debt movements not related to the financing of Group businesses;
- dividends received from carved-out companies not included within the Group perimeter;
- payments made by the Company or its subsidiaries on behalf of carved-out companies and businesses not included within the Group perimeter, namely those related to companies with different businesses (see above); and
- dividends paid to the Parent.

In the Combined Financial Statements, the cash inflows and outflows referred to above are shown as contributions and withdrawals, respectively, from the Parent. These contributions and withdrawals are disclosed and detailed in note 43 to the Audited Combined Annual Financial Statements and explain the total amounts included in the combined statement of changes in equity and in the combined cash flow statements in the line items Transactions with the Parent Group under "Cash flows from financing activities".

Accounting treatment of Income Tax for the purpose of preparing Combined Financial Statements

Tax charges in the Combined Financial Statements have been determined based on the tax charges recorded by Group companies in their statutory accounts as well as the accounting policies set out in note 2.n to the Audited Combined Annual Financial Statements and certain adjustments made for combination purposes, as discussed in note 1.e to the Audited Combined Annual Financial Statements.

Portuguese resident companies which are members of an economic group may, under certain conditions, opt to be taxed under the special tax group regime (*Regime Especial de Tributação de Grupos de Sociedades*). The Company and its controlled subsidiaries are currently part of a tax group, the controlling company of which is Sonae, SGPS, S.A. (the "**Parent Tax Group**"). The tax charges recorded in the combined income statement have been affected by the taxation arrangements within the Parent Group and are not necessarily representative of the tax charges that would have been reported had Sonae MC been an independent group. They are, also, not necessarily representative of the tax charges that may arise in the future.

Factors Affecting Our Results of Operations

Ability to sustain and grow like-for-like sales

Our sales are primarily driven by the performance of our existing store network, as measured by growth in like-for-like sales, and the pace at which we open new stores.

Our like-for-like sales performance is determined by sales volumes and sales prices. The table below shows the year-over-year growth in our like-for-like sales, and the breakdown between growth in volumes and the Portuguese inflation rate of food and non-alcoholic beverage products (according to *Instituto Nacional de Estatística*, or INE), for the years ended December 31, 2016 and 2017 and for the six months ended June 30, 2018. Like-for-like sales refers to sales from own stores that operated under the same conditions in comparable months year-on-year, and excludes stores opened, closed or which suffered major upgrade works in one of the periods. The changes in price levels for our products are generally consistent with price inflation for food retail in Portugal and are also affected, to a lesser extent, by competition and promotional activity.

	Six months ended June 30,
<u>Year ended December 31,</u>	

	2016	2017 (non-audited)	2018
	(compared to prior year period)		
Price variation.....	+0.5%	+1.5%	+0.8%
Change in volumes	+1.6%	-0.2%	+2.0%
Growth in like-for-like sales	+2.1%	+1.3%	+2.8%

In recent years, the food retail market in Portugal has been characterized by intense competition, with significant increases in supply driven by growth in the number of total stores and sales area in the Portuguese food retail market. The intense competition in the market has had the effect of limiting price increases, in part through increasing levels of promotional activity. Against this backdrop, maintaining or slightly increasing our like-for-like volumes has enabled us, together with the expansion of our store network (see “—*Pace of opening new stores*” below), to continue to grow our market share. Our ability to maintain and grow our like-for-like volumes is dependent upon our understanding of the Portuguese consumer, gained from years of experience and enhanced by data from our loyalty program, which allows us to continually anticipate trends in consumer preferences and tailor our value proposition accordingly. Our value proposition strategy is composed of three primary elements:

- offering the right prices and the right promotions, through leveraging data from our loyalty program;
- improving the range, assortment, quality and price of our offering of fresh products, as well as healthy, organic and prepared products; and
- continuing to develop and improve our private label products.

Pace of opening new stores

We also seek to grow our sales through our store network expansion strategy. In particular, in recent years, we have been focusing on rebalancing our store portfolio through expanding our network of proximity format stores under the brand *Continente Bom Dia*, in response to the shift in consumer demand toward greater convenience. In response to this trend, we have also undertaken an optimization of our larger format stores to adapt them to a value proposition emphasizing convenience, for example by making improvements to our assortment offered and to the space within these stores.

We support the expansion of our food retail network through the continual sourcing of locations for new stores, which may be either standalone (i.e., properties with only our branded retail stores) or mixed-use (i.e., properties with housing, office space or other commercial uses co-located with our branded retail stores), with the aim of enhancing the intrinsic value of the real estate assets and the store potential.

The table below sets forth the number of new *Continente*-brand (food retail) stores by format opened in the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018 (excludes franchised stores and offerings of other formats, namely the adjacent formats):

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017 ⁽¹⁾	2017	2018 ⁽¹⁾
	(number of stores)				
<i>Continente</i> (urban hypermarkets)	—	1	—	—	—
<i>Continente Modelo</i> (large stores).....	2	—	1	—	—
<i>Continente Bom Dia</i> (proximity stores).....	11	25	19	6	7
Total new store openings.....	13	26	20	6	7

(1) In the year ended December 31, 2017, one *Continente Modelo* store was closed, and in the six months ended June 30, 2018, two *Continente Bom Dia* stores were closed.

Typically, new stores achieve revenue maturity (i.e., €5,000 in sales per square meter) within two to three years and EBIT break-even within two to three years (including real estate) after opening.

Sale-and-leaseback of real estate assets

In recent years, we have entered into sale-and-leaseback transactions as a key part of our strategy for actively managing our portfolio of real estate assets and generating cash flow to fund our growth. We launched our sale-and-leaseback program in 2009 with the goal of reducing the level of properties owned from 85% to 50%. We reached our target freehold level of 48.8% in the year ended December 31, 2017, and as of June 30, 2018, we have a freehold of 48.6%. Going forward we seek to maintain the freehold proportion at a level of at least 40%.

We have taken advantage of recent strong demand for real estate investments offering attractive yields to enter into sale-and-leaseback transactions, thereby generating significant cash inflows to fuel growth. We recognize a capital gain on the sale of real estate assets in sale-and-leaseback transactions, followed by an operating lease, as the difference between the fair value of the property and its book value, when the transaction price at which the property is sold does not differ from fair value. Otherwise and if the transaction price is higher than the property's fair value, the difference is recognized as a liability. In situations where the assets are sold for an amount higher than their fair value or when the Group receives a higher price as compensation for expenses to be incurred in the future, namely with costs that are traditionally the owner's responsibility, such amounts are recognized as liabilities and are deferred over the lease period. Sale-and-leaseback transactions allow us to maintain operational control of the assets for the long term, as the lease agreements typically have a term of 20 years, with consecutive renewal options (typically four 10-year renewal periods) exclusive to us. The extension clauses are either automatic or require us to affirmatively confirm our intention to renew, and in nearly all cases the landlord does not have the right to object to the extension of the lease term. During the term of the sale-and-leaseback, we incur periodic rental expense.

The table below sets forth the amount of sale & leaseback divestments and net capital gains/losses on sale and leaseback transactions and rental costs from leased real estate assets incurred for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018:

	Year ended December 31,			Six months ended	
	2015	2016	2017	2017	2018
		(audited)		(non-audited)	
	(€ in millions)				
Sale & Leaseback divestments	134	149	25	–	–
Net capital gains/losses on sale-and-leaseback transactions	41	61	11	0	(0)
Rental costs from leased real estate assets.....	62	84	94	46	50

Going forward, we plan to consider selective sale-and-leaseback transactions of our real estate assets in order to recycle capital. Such transactions will be pursued if market conditions are considered favorable.

In addition to sale-and-leaseback transactions, we also seek to manage our real estate portfolio and improve store performance through store space optimization, including finding alternative uses for the space made available. As part of our continual monitoring and assessment of our real estate portfolio, we identify alternatives for underperforming, or potential future underperforming, assets. Finally, we may seek to improve the value of certain real estate assets through development or transformation, including, for example, developing mixed-use properties including office space and housing—although to date, such projects have not been significant. Store optimization, alternative use of real property assets and development and transformation of properties are undertaken with a view to improving near-term profitability, through increasing sales per square meter and improving the value proposition, ultimately also attracting greater customer footfall.

Purchasing power and gross margins

Like all food retailers, our results are determined by the difference between the price we charge our customers for products and the price at which we purchase those products from our suppliers. Our experienced team is continuously developing the procurement of the best products and solutions (both in Portugal and abroad). In the three-year period from 2015 to 2017, gross margins (defined as Turnover, which corresponds to revenue from sales and services rendered, minus the cost of goods sold and materials consumed over Turnover) have remained relatively stable, declining by 55 basis points over the period, largely reflecting our strategy of investing to become a price leader.

Our relationships with suppliers is strengthened by the following factors:

- our continuous growth story and long-term investment commitment in the country; and
- our commitment to variety and innovation, that translates into a broad assortment (with a higher supplier brand presence) and the constant introduction of new product.

Employee benefits expenses

Our profitability during the period under review has been affected by the salaries and wages we pay to our employees. In the year ended December 31, 2016, our employee benefits expenses increased by 9.1% compared to the previous year, which was significantly higher than the inflation rate, as a result of the expansion of our store network (see “—Pace of opening new stores” above), as well as increases in the national minimum wage and the reintroduction of public holidays in 2016. In the three-year period from 2015 to 2017, this had a negative contribution of approximately 0.3% to our underlying EBITDA margin. Our employee benefits expense ratio, which we define as the ratio of employee benefits expenses to Turnover has risen both as a result of the increase in the number of new stores opened, as it takes some time for a new store to achieve targeted levels of efficiency and productivity during the ramp-up phase, as well as the shift in our store portfolio to a higher proportion of smaller format stores, as larger store formats, such as hypermarkets, have relatively higher productivity in terms of sales per full time-equivalent employee.

Against this trend of an increasing employee benefits expense ratio, we have implemented operational efficiency measures to improve employee productivity, which we measure as the growth in sales volumes per employee. Recent measures have included the automation of ordering processes, the optimization of in-store logistics flows and the improvement of shelf-ready packaging.

Profitability evolution

Our profitability is driven by the factors discussed above relating to our revenue and cost structure. Our management uses underlying EBITDAR and underlying EBITDAR margin in evaluating the underlying performance of our business, principally because it controls for both the real estate sale and leaseback capital gains (non-recurring items) and rental expense from leased real estate assets.

The table below sets forth the measures our management uses to track our profitability for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018:

	Year ended December 31, ⁽¹⁾			Six months ended June 30, ⁽¹⁾	
	2015	2016	2017	2017	2018
	(non-audited)				
	(€ in millions, except percentages)				
Turnover	3,637	3,843	4,055	1,862	1,981
Underlying EBITDAR.....	361	375	395	166	178
Underlying EBITDAR margin	9.9%	9.8%	9.7%	8.9%	9.0%
Rental costs from leased real estate assets.....	(62)	(84)	(94)	(46)	(50)
Underlying EBITDA	299	291	301	120	128
Underlying EBITDA margin	8.2%	7.6%	7.4%	6.4%	6.5%
Net capital gains/losses on the sale and leaseback		61	11	0.0	0.0

transactions of real estate assets	41				
EBITDA	341	352	311	120	128
EBITDA margin	9.4%	9.2%	7.7%	6.5%	6.4%

⁽¹⁾ The following financial information includes measures which are not accounting measures as defined by IFRS. These measures are not part of our Combined Financial Statements or financial accounting records, and have not been audited or otherwise reviewed by external auditors, consultants or experts. These measures should not be used instead of, or considered as alternatives to, our historical financial results prepared in accordance with the basis of preparation disclosed in note 1 to the Audited Combined Annual Financial Statements and consistent with IFRS-EU. These measures may not be comparable to similarly titled measures disclosed by other companies.

Macroeconomic conditions and trends in Portugal

Our businesses and operations are conducted almost entirely in Portugal. For this reason, Portugal's macroeconomic conditions, driven by the economic environment in the region and the global economy, have significant importance for our results of operations. Changes in macroeconomic conditions in Portugal, including the gross domestic product ("GDP") growth rate, unemployment rate, wages (including minimum wages), individual consumption, consumer confidence, interest rates and inflation, impact the overall affluence of the society, consumers' purchasing power and disposable income, thus shaping consumer spending habits. These factors also affect our product prices and value of sales, and thus affect our financial performance.

However, the food retail sector is generally less sensitive than other sectors to changes in macroeconomic conditions. In periods of weak economic growth or recession, our results tend to be more resilient than companies in other sectors, and during periods of strong economic growth, we tend to benefit less than other industries. Rather, changes in consumers' purchasing power and disposable income affect the product mix demanded, with demand for discounted and private label brand products typically higher during periods of challenging economic conditions. Conversely, consumers tend to "trade up" and demand for premium and higher margin products tends to increase during periods of economic growth.

In 2017, the recovery in the Portuguese economy finally gained pace, with real GDP growing by 2.7%, the strongest growth rate since 2000. The economy continued to show positive net lending, and the fiscal balance stood below the -1.4% target. Improvements in deleveraging (a decrease of approximately 28 percentage points in non-financial sector debt as a percentage of GDP from 2012 to 2017, according to PORDATA), together with economic recovery, significantly reduced market risk perception associated with Portugal, being reflected in a strong decrease of the Portuguese sovereign bond yield relative to other European economies (Portuguese 10-year bond yield decreased from 6.9% in December 2012 to 1.6% in April 2018) and in an upgrade of the Portuguese sovereign credit rating to investment grade levels by both Standard & Poor's (from BB+ to BBB- in September 2017) and Fitch (from BB+ to BBB in December 2017).

The recovery has been fueled by the strong momentum in tourism, which continued to power ahead, driven by competitiveness gains and safety concerns associated with some rival destinations, with non-residents not only boosting revenues in hotels and restaurants (+9.2% and +10.6%, respectively) but also driving a pick-up in tourism-related construction.

In 2017, private consumption in nominal terms (+3.5%) grew at a faster pace than disposable income. This rise in private consumption has been driven both by growth in disposable income and recovered consumer confidence, which has recovered strongly, in a context of supportive government policies along with a strong wealth effect, which allowed for an unprecedented fall in the savings rate, to 4.4% in 2017 from 6.0% in 2016. Food and beverages retail sales remained solid (+4.1%), benefiting from higher prices in the sector (+1.5%).

Portugal's near-term outlook remains solid. GDP growth is expected to decelerate slightly to +2.4% in 2018, while the economy continues to shift towards a more sustainable growth model, supported by buoyant exports and the recovery of investment, in a favorable global context. Private consumption in real terms is expected to remain robust at +2.0% in 2018, in line with the evolution of disposable income. As the savings rate is expected to remain at historically low levels, spending will be supported by solid job creation in a context of moderate wage gains.

Seasonality

While most of our costs are fixed and are generally spread evenly throughout the year, we experience higher sales in the second half of the calendar year, reflecting increased demand during the Christmas and

summer seasons in the third and fourth financial quarters, and our EBITDA margins also tend to be higher during these periods (despite our gross margins being broadly stable across periods). We use our capital resources, in particular our credit lines with our third-party lenders (see “*Liquidity and Capital Resources*” below), to manage our liquidity through annual seasonal peaks and troughs.

Ability to execute our near-term strategy

Our results of operations in the near term will be affected by our ability to execute our strategy as set out under “*Business—Business Strategy*”. In particular:

Value proposition

We plan to continue to strengthen our value proposition through a combination of continuous improvement in customers’ price perception as well as increased efficiency of targeted promotions. We expect to drive our customer value proposition with a focus on fresh produce and private label, together with value management. Increased focus on fresh produce also reflects the increased awareness of customers towards health and wellness and is seen as creating the “identity” of a store, underpinning its quality and variety of products offered to customers.

Store network expansion

Given the low penetration of the proximity sector in the Portuguese food retail market, we believe there is a clear opportunity to continue to expand the store estate with particular emphasis on the *Continente Bom Dia*, smaller, formats. Please see “—*Pace of opening new stores*” above.

E-commerce

We plan to pursue the potential for growth in our e-commerce offering, which, although it currently accounts for only a very small portion of our total sales, has had a trajectory of strong growth in recent years. To date, our e-commerce business has had a negative contribution to our profit, due to higher costs than our traditional food retail business. Our near-term objective is to continue to grow and enhance our e-commerce offering in order to achieve positive profitability, driven by scale, efficiency improvement and revenue optimization. Please see “*Business— Unparalleled presence and network capillarity to respond to all shopping missions, complemented by high-growth e-commerce platform*” for additional details regarding our e-commerce offering.

Health & wellness

Outside the food retail space, we have identified health and wellness as a key growth area, which we believe remains an underpenetrated market in Portugal compared to the rest of the EU. According to IQVIA, the health and beauty market in Portugal is forecast to grow at a 2017-2022e compound annual growth rate of approximately 11.5%. The number of our *Well’s* stores has grown from 167 (including 15 franchised) as at December 31, 2015 to 222 stores (including 28 franchised) as of December 31, 2017. *Well’s* is currently the leader in the Portuguese para-pharmacy market, with strong brand recognition and an estimated market share of approximately 57%, based on data from IQVIA for the para-pharmacies mass market.

Strong growth in health and wellness in recent years has been driven by the following factors:

- a distinctive value proposition, with adequate assortment, differentiated prices and promotions, convenience, specialized service and a strong brand;
- integration into the “Cartão Continente” customer loyalty program; and
- continual expansion and innovation in the business, such as the development of new concepts, and expansion of the store network.

Going forward, we intend to make our stores a key destination for healthy nutrition in Portugal by implementing a more developed “Bio & Healthy” concept, with a wide variety, dedicated space and a wide

range of fresh products. These offerings have supported our like-for-like sales growth in food formats, and we believe these areas have potential for solid growth.

Recent Developments

On September 28, 2018, we announced that our subsidiary Modelo Continente Hipermercados S.A. Sucursal en España had entered into an agreement to acquire a 60% stake in Tomenider SL, the holding company of Arenal Perfumerías S.L.U. (“Arenal”), for a total estimated consideration of around €45 million. Arenal is a Spanish parapharmacy and perfumery retail company with a network of 41 stores across the north of Spain and a turnover of €97 million for the year ended December 31, 2017. This transaction will enable the Company to further expand its position in the Health & Wellness segment, and is aimed at strengthening the assets and competences of both Well’s and Arenal. The founding family will continue managing the business, maintaining a 40% stake in the Company and securing the adequate rights for a shareholder of this nature. The completion of the transaction is subject to antitrust approval and is expected to take place in the first quarter of 2019.

On October 2, 2018, S2 Africa Moçambique, in which the Company holds a 30% stake with the remainder held by Satya Capital, closed its three supermarkets in Mozambique and filed for insolvency proceedings. This decision was principally attributable to the deterioration of macroeconomic conditions in Mozambique, and will have a non-material impact on the Company’s financial position and results of operations.

Explanation of Key Line Items in the Combined Income Statement

Sales

Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Up to December 31, 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 reasonably measured. Sales are recognized net of sales taxes and discounts, and are measured as the fair value of the amount received or receivable. From January 1, 2018, onwards revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Sales are recognized net of returns, sales taxes, discounts, and other expenses arising from the sale and are measured as the fair value of the amount received or receivable. Where the Group acts as an agent selling goods or services, only the commission income is included within revenue.

The deferral of revenue related to customer loyalty plans and discounts on future purchases by the food retail and adjacent formats is quantified taking into account the probability of the holder accomplishing the targets, if applicable, exercising the above mentioned discounts and are deducted from revenue when they are generated and valued based on the relative fair value of discounts granted to total sales. The corresponding liability is presented under the caption “Other payables”.

Services rendered

Revenue from the provision of services is recognized when the service is provided and the revenue can be measured reliably, based on the terms of the contract. Services are rendered mainly to related parties and correspond to shared services, like IT, accounting and payroll, amongst others.

Revenue from operating leases where the Group acts as lessor are recognized as Services rendered.

Gains and losses on investments

Any gain or loss calculated on the financial investment sale based on its remeasured fair value.

Share of profit or loss of joint ventures and associates

Under the equity method, investments are recorded at cost at initial recognition and afterwards adjusted by the share of the Company in the 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. Also, when the carrying amount of the investment in joint ventures or associates is determined to be impaired, the impairment loss, or its reversal, is recognized in this caption.

Other income

Other income mainly consists of gains from the sale of property, plant and equipment and intangible assets, favorable operating exchange rate differences, discounts received for prompt payment or fulfillment of agreed payment conditions and internal projects capitalizations, including expenses recharged to companies within the scope of the Combined Financial Statements and recorded as income from the capitalisation of internal projects.

Cost of goods sold and materials consumed

Consumer goods are stated at the lower of cost deducted from discounts obtained 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 write-down reversals.

External supplies and services

External supplies and services mainly consists of costs related to advertising, operating lease rentals, transport of goods, electricity, fuel consumption, insurance, communication and consultancy services.

Employee benefits expense

Employee benefits expense mainly consists of salaries, wages, social security, share-based payments and other expenses related to employees.

Other expenses

Other expenses mainly consist of expenses incurred relating to promotional activities with partners, losses from the disposal of property, plant and equipment and intangible assets, unfavorable operating exchange rate differences and non-deductible indirect taxes.

Depreciation and amortization expenses

Depreciations and amortizations are calculated on a straight-line basis, according to the estimated useful 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 income statement caption "Depreciation and amortization expenses" in the combined income statements.

Provisions and impairment losses

Provisions are recognized when, and only when, the Company 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 statement of financial position date to reflect the best estimate as of that date.

Assets, excluding goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through sale or use. Goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use, are tested for impairment at least annually or whenever there are indications that the carrying amount may be impaired.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement under the caption "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 or cash generating unit. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Financial income

Financial income consists mainly of interest income on bank deposits and other interest income and exchange rate gains on non-operating financial assets and liabilities.

Financial expense

Financial expense consists mainly of total interest expenses on borrowings (including finance leases), derivatives, the amortization of fees related to the raising of debt finance and exchange rate losses on non-operating financial assets and liabilities.

Income tax expense

For purposes of the Portuguese special regime for taxation of corporate groups, the Group companies are included within the Parent Tax Group. Accordingly, current income tax expense amounts are recorded in our Combined Financial Statements as an account payable to the Parent under the caption "Income tax liabilities".

Until December 31, 2016, tax losses generated by Group companies and transferred to the Parent Tax Group in the Parent's consolidated tax return were reimbursed by the Parent. With regard to such amounts, an account receivable from the Parent was recorded under the caption "Income tax assets" equal to the applicable tax rate times the transferred tax losses.

However, for the year ended December 31, 2017, tax losses generated by Group companies were not reimbursed by the Parent. For the purpose of preparing the Combined Financial Statements, the Company's management changed the accounting policy used for statutory purposes, and recognized the tax benefit arising from tax losses transferred to the Parent Tax Group in profit and loss as a distribution to the Parent. Such benefit amounts to the tax rate times the surrendered tax losses.

The value of income taxes recognized in the Combined Financial Statements corresponds to our understanding of the tax treatment of specific transactions being recognized as liabilities relating to income taxes or other taxes, based on the interpretation we believe is the most appropriate.

In situations where such positions are challenged by tax authorities as part of their tax audit, and the interpretation of the tax authorities differs from that taken by the Group, is the Group's position is subject to reassessment. Where the reassessment confirms the position of the Group and concludes that the probability of the loss of certain tax processes is less than 50%, the Company treats the situation as a contingent liability and does not recognize any amount of tax because it is more likely than not that no tax will be payable. Where the probability of loss is greater than 50%, a provision is recognized, or, if the tax has been paid, the associated expense is recognized.

In situations in which tax payments have been made to tax authorities under special schemes of regularization of debts, and where the payment relates to income tax, the Company has appealed the decision and the likelihood of success of such appeal is considered greater than 50%, such payments are recognized as assets in the full amount of such payments, as these amounts that will be reimbursed to the entity (usually with interest) or which may be used to offset future Group taxes. Where payments relate to other taxes or levies, those amounts are accounted for as expenses, even if the Group's understanding is that those amounts will be received with interest.

New accounting standards adopted on January 1, 2018

IFRS 15 - Revenue from Contracts with Customers, was adopted on January 1, 2018, which establishes principles for reporting information to users of financial statements about the nature, amount, timing, and

uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. IFRS 9, Financial Instruments, was adopted on January 1, 2018, which introduces new requirements for classification and measurement, impairment, and hedge accounting. The adoption of these standards does not affect the comparability of the Combined Financial Statements.

Results of Operations

Six months ended June 30, 2018 Compared to Six months ended June 30, 2017

The following table shows information from our combined income statement for the 2017 and 2018 six month periods.

	Six months ended June 30,		Change ⁽¹⁾	
	2017	2018		
	(non-audited)			
	(€ in millions, except percentages)			
Sales	1,807.3	1,925.6	+118.3	+6.5%
Services rendered	54.8	55.7	+0.9	+1.7%
Other income.....	28.9	29.3	+0.4	+1.3%
Cost of goods sold and materials consumed.....	(1,296.3)	(1,371.7)	+75.4	+5.8%
External supplies and services.....	(214.7)	(231.2)	+16.4	+7.6%
Employee benefits expense	(243.1)	(263.1)	+20.0	+8.2%
Other expenses	(17.6)	(17.9)	+0.3	+1.7%
Depreciation and amortization expenses	(64.9)	(72.1)	+7.2	+11.2%
Provisions and impairment losses	(1.6)	0.4	+2.0	-
Share of profit or loss of joint ventures and associates.....	(1.5)	(0.6)	-0.9	-60.7%
Financial income.....	0.4	0.6	+0.2	+57%
Financial expense	(8.5)	(8.6)	+0.1	+0.7%
Income tax expense	(7.9)	(7.3)	-0.7	-
Profit for the period.....	35.3	39.4	+4.1	+11.5%

⁽¹⁾ Changes in amount and in percentage are computed considering absolute amounts, when presented, except for "Provisions and impairment losses" for which changes are computed considering the nature of the caption.

Sales

For the six month period ended June 30, 2018, we had sales of €1,925.6 million, compared to €1,807.3 million for the six month period ended June 30, 2017, an increase of €118.3 million, or 6.5%. This growth resulted from the good performance in the comparable universe of stores (+2.8%) as well as from the contribution of the expansion carried out in 2017 and 2018. Taking into account that the relevant inflation (food products) was of 0.8%, the 2.8% like-for-like performance has implicit volumes growth of +2.0%.

Services rendered

Revenue from services rendered was €55.7 million for the six month period ended June 30, 2018, compared to €54.8 million for the six month period ended June 30, 2017, an increase of €0.9 million, or 1.7%.

Other income

For the six month period ended June 30, 2018, other income amounted to €29.3 million, compared with €28.9 million for the six month period ended June 30, 2017. This increase of €0.4 million, or 1.3%, was principally attributable to prompt payment discounts received and fulfillment of agreed payment conditions.

Cost of goods sold and materials consumed

The cost of goods sold and materials consumed increased by €75.4 million, from €1,296.3 million for the six month period ended June 30, 2017 to €1,371.7 million for the six month period ended June 30, 2018. This increase of 5.8% was mainly attributable to the sales growth.

External supplies and services

The cost of external supplies and services increased by €16.4 million, or 7.6%, from €214.7 million for the six month period ended June 30, 2017 to €231.2 million for the six month period ended June 30, 2018. This was largely attributable to inflation and to the opening of new stores.

Employee benefits expense

Employee benefits expense increased by €20.0 million, from €243.1 million for the six month period ended June 30, 2017 to €263.1 million for the six month period ended June 30, 2018. This increase of 8.2% was attributable mainly to the expansion of our store network.

Other expenses

Other expenses amounted to €17.9 million for the six month period ended June 30, 2018, compared to €17.6 million for the six month period ended June 30, 2017. This amounts to a total increase of €0.3 million, or 1.7%.

Depreciation and amortization expenses

Depreciation and amortization increased by €7.2 million, or 11.2%, from €64.9 million for the six month period ended June 30, 2017 to €72.1 million for the six month period ended June 30, 2018. This increase was mainly due to the investment in plant and equipment and software in 2017 that increase the amortization in 2018 by €4.8 million and €2.4 million respectively.

Provisions and impairment losses

Provisions and impairment losses amounted to a gain of €0.4 million for the six month period ended June 30, 2018, compared to a loss of €1.6 million for the six month period ended June 30, 2017. This increase of €2.0 million in provisions and impairment losses was mainly due the provisions for Brazil contingencies.

Share of profit or loss of joint ventures and associates

The Company's share of profit or loss of joint ventures and associates was a loss of €0.6 million for the six month period ended June 30, 2018, compared to a loss of €1.5 million for the six month period ended June 30, 2017, an increase of €0.9 million. This 60.7% increase was principally attributable to the contribution of Sohi Meat amounting to €1.2 million and the deterioration of the results of S2 Mozambique amounting to a €0.5 million.

Financial income

For the six month period ended June 30, 2018, there was an increase in financial income by €0.2 million, from €0.4 million for the six month period ended June 30, 2017 to €0.6 million for the six month period ended June 30, 2018. This increase of 57% was principally attributable to €0.2 million exchange gains related to United State Dollar.

Financial expense

For the six month period ended June 30, 2018, there was an increase of €0.1 million in financial expenses, from €8.5 million for the six month period ended June 30, 2017 to €8.6 million for the six month period ended June 30, 2018. This 0.7% increase was mainly attributable to a reduction of €0.6 million in financial expenses (interest, commissions and others) resulting from a decrease in the average interest rate, coupled with a decrease in gross debt and, in opposition, to €0.7 million in exchange loss related to Turkish lira and Brazilian real.

Income tax expense

Income tax expense amounted to €7.3 million for the six month period ended June 30, 2018, compared to €7.9 million for the six month period ended June 30, 2017, an immaterial decrease of €0.7 million.

Combined profit/(loss) for the year

As a result of the above, our combined profit for the six month period ended June 30, 2018 was €39.4 million, an increase of €4.1 million, or 11.5%, compared to combined profit of €35.3 million for the six month period ended June 30, 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table shows information from our combined income statement for the 2016 and 2017 full year periods.

	Year ended December 31,		Change ⁽¹⁾	
	2016	2017		
	(audited)		(non-audited)	
	(€ in millions, except percentages)			
Sales	3,739.7	3,935.0	+195.3	+5.2%
Services rendered	102.9	119.6	+16.7	+16.2%
Gains and losses on investments	6.5	(0.2)	-6.7	-
Other income	114.4	83.0	-31.4	-27.5%
Cost of goods sold and materials consumed	(2,678.2)	(2,837.9)	+159.7	+6.0%
External supplies and services	(432.8)	(459.9)	+27.0	+6.2%
Employee benefits expense	(465.6)	(488.2)	+22.6	+4.9%
Other expenses	(38.2)	(44.0)	+5.7	+14.9%
Depreciation and amortization expenses	(123.1)	(133.8)	+10.7	+8.7%
Provisions and impairment losses	5.2	(4.0)	+9.2	-
Share of profit or loss of joint ventures and associates	(2.0)	(5.8)	+3.8	+187%
Financial income	1.3	0.6	-0.7	-51.2%
Financial expense	(24.0)	(17.2)	-6.8	-28.2%
Income tax expense	(24.9)	(29.6)	+4.8	+19.1%
Profit for the year	181.4	117.9	-63.5	-35.0%

⁽¹⁾ Changes in amount and in percentage are computed considering absolute amounts, when presented, except for "Gains and losses on investments" and "Provisions and impairment losses" for which changes are computed considering the nature of the caption.

Sales

For the year ended December 31, 2017, we had sales of €3,935.0 million, compared to €3,739.7 million for the year ended December 31, 2016, an increase of €195.3 million, or 5.2%. This growth results from the good performance in the comparable universe of stores (+1.3%) as well as from the contribution of the expansion carried out in 2015 (13 *Continente* stores) and 2016 (26 *Continente* stores). Taking into account that the relevant inflation (food and non-alcoholic beverages) was of 1.5%, the 1.3% like-for-like performance has implicit volumes growth of -0.2%. In order to achieve this, the consumers' adherence to the fine-tuning of the company's value proposal (improvement of net promoter score, or "NPS") contributed greatly.

Services rendered

Revenue from services rendered was €119.6 million for the year ended December 31, 2017, compared to €102.9 million for the year ended December 31, 2016, an increase of €16.7 million, or 16.2%. This increase in revenue from services rendered, which includes revenue from our restaurants, was principally attributable to the acquisition of Go Well in May 2017, an increase in total rents charged to external parties and related parties within the Sonae Group and an increase of total services provided to Inesco.

Gains and losses on investments

Expense relating to investments amounted to €0.2 million for the year ended December 31, 2017, from income of €6.5 million for the year ended December 31, 2016. This decrease was principally attributable to the

sale of Imoconti, a real estate company, in 2016 in connection with a sale-and-leaseback transaction of real estate assets.

Other income

For the year ended December 31, 2017, other income amounted to €83.0 million, compared with €114.4 million for the year ended December 31, 2016. This decrease of €31.4 million, or 27.5%, was principally attributable to the decrease of capital gains resulting from sale-and-leaseback operations partially reduced by a compensation from Sohi Meat Solutions - Distribuição de Carnes, S.A.'s contractual penalty related to a long term supply agreement amounting to €4.1 million, and the income increase resulting from the capitalization of internal projects, part of which related to expenses incurred from third parties.

Cost of goods sold and materials consumed

The cost of goods sold and materials consumed increased by €159.7 million, from €2,678.2 million for the year ended December 31, 2016 to €2,837.9 million for the year ended December 31, 2017. This increase of 6.0% was largely in line with growth in sales.

External supplies and services

The cost of external supplies and services increased by €27.0 million, or 6.2%, from €432.8 million for the year ended December 31, 2016 to €459.9 million for the year ended December 31, 2017. This was largely attributable to inflation and to the opening of new stores, partially offset by the implementation of several efficiency and cost cutting initiatives.

Employee benefits expense

Employee benefits expense increased by €22.6 million, from €465.6 million for the year ended December 31, 2016 to €488.2 million for the year ended December 31, 2017. This increase of 4.9% was attributable mainly to the expansion of our store network, as well as an increase in costs per full time-equivalent employee, driven by a rise in wages, in particular the increase in the minimum wage.

Other expenses

Other expenses amounted to €44.0 million for the year ended December 31, 2017, compared to €38.2 million for the year ended December 31, 2016. This amounts to a total increase of €5.7 million, or 14.9%, mainly due to losses on disposal of assets and exchange differences.

Depreciation and amortization expenses

Depreciation and amortization increased by €10.7 million, or 8.7%, from €123.1 million for the year ended December 31, 2016 to €133.8 million for the year ended December 31, 2017. This increase was mainly due to the opening of new stores and refurbishments, as well as a decrease in software investments.

Provisions and impairment losses

Provisions and impairment losses amounted to €4.0 million for the year ended December 31, 2017, compared to a gain of €5.2 million for the year ended December 31, 2016. This increase of €9.2 million in provisions and impairment losses was mainly due to the reversal of impairments in 2016 both for receivables and fixed assets, and the recording of a provision for litigation in 2017 for both Brazil and Portugal.

Share of profit or loss of joint ventures and associates

The Company's share of results of joint ventures and associates was a loss of €5.8 million for the year ended December 31, 2017, compared to a loss of €2.0 million for the year ended December 31, 2016, an increase of €3.8 million. This increase was principally attributable to the deterioration in results of a joint venture in Mozambique and the impairment loss recorded for the investment in Movvo.

Financial income

For the year ended December 31, 2017, there was a decrease in financial income by €0.7 million, from €1.3 million for the year ended December 31, 2016 to €0.6 million for the year ended December 31, 2017.

Financial expense

For the year ended December 31, 2017, there was a decrease of €6.8 million in financial expenses, from €24.0 million for the year ended December 31, 2016 to €17.2 million for the year ended December 31, 2017. This 28.2% decrease was mainly attributable to a reduction of €5.5 million in financial expenses (interest, commissions and other financial expense excluding, exchange losses and losses on fair value of hedge derivatives) resulting from the decrease in the average interest rate, coupled with a decrease in gross debt, as well as a €0.9 million foreign exchange loss mainly related to the appreciation in the Brazilian real in the prior year.

Income tax expense

Income tax expense amounted to €29.6 million for the year ended December 31, 2017, compared to €24.9 million for the year ended December 31, 2016, an increase of €4.8 million, or 19.1%. This was principally attributable to the taxable profit decrease in 2017, the deferred tax liabilities recognition in 2017 from goodwill amortization in Spain and the corresponding deferred tax assets.

Profit for the year

As a result of the above, our Profit for the year ended December 31, 2017 was €117.9 million, a decrease of €63.5 million, or 35.0%, compared to combined profit of €181.4 million for the year ended December 31, 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table shows information from our combined income statement for the 2015 and 2016 full year periods.

	Year ended December 31,			
	2015	2016	Change ⁽¹⁾	
	(audited)		(non-audited)	
	(€ in millions, except percentages)			
Sales	3,543.1	3,739.7	+196.6	+5.5%
Services rendered	94.2	102.9	+8.7	+9.3%
Gains and losses on investments	0.0	6.5	+6.5	-
Other income	99.0	114.4	+15.4	+15.6%
Cost of goods sold and materials consumed	(2,525.9)	(2,678.2)	+152.3	+6.0%
External supplies and services	(400.0)	(432.8)	+32.8	+8.2%
Employee benefits expense	(426.8)	(465.6)	+38.8	+9.1%
Other expenses	(45.0)	(38.2)	-6.8	-15.1%
Depreciation and amortization expenses	(120.1)	(123.1)	+3.0	+2.5%
Provisions and impairment losses	(6.3)	5.2	-11.5	-
Share of profit or loss of joint ventures and associates	(0.1)	(2.0)	+1.9	-
Financial income	13.4	1.3	-12.1	-90.1%
Financial expense	(32.9)	(24.0)	-8.9	-27.2%
Income tax expense	(45.2)	(24.9)	-20.4	-45.0%
Profit for the year	147.6	181.4	+33.7	+22.9%

⁽¹⁾ Changes in amount and in percentage are computed considering absolute amounts, when presented, except for "Gains and losses on investments" and "Provisions and impairment losses" for which changes are computed considering the nature of the caption.

Sales

For the year ended December 31, 2016, we had sales of €3,739.7 million, compared to €3,543.1 million for the year ended December 31, 2015, an increase of €196.6 million, or 5.5%. This growth results from the good like-for-like performance (+2.1%) as well as from the contribution of the addition of 13 *Continente* stores carried out in 2015 and 26 *Continente* stores 2016. Taking into account that the inflation relating to food products was 0.5%, the 2.1% like-for-like performance has implicit volumes growth of 1.6%. In order to achieve

this, the consumers' adherence to the fine-tuning of our value proposal (improvement of NPS) contributed greatly.

Services rendered

Revenue from services rendered amounted to €102.9 million for the year ended December 31, 2016, compared to €94.2 million for the year ended December 31, 2015, an increase of €8.7 million, or 9.3%. This increase was principally attributable to the increase of total rents from real estate assets charged to related parties and external entities.

Gains and losses on investments

Income relating to disposal of subsidiaries and other gains and losses on investments amounted to €0.0 million for the year ended December 31, 2015, compared to €6.5 million for the year ended December 31, 2016. This increase of €6.5 million was principally attributable to the sale of Imoconti, a real estate company, in 2016 in connection with a sale and leaseback of its only real estate asset.

Other income

For the year ended December 31, 2016 other income amounted to €114.4 million compared with €99.0 million for the year ended December 31, 2015. This increase of €15.4 million, or 15.6%, was principally attributable to the increase in capital gains resulting from sale and leaseback transactions.

Cost of goods sold and materials consumed

The costs of goods sold and materials consumed increased by €152.3 million from €2,525.9 million for the year ended December 31, 2015 to €2,678.2 million for the year ended December 31, 2016. This increase of 6.0% was largely in line with growth in sales.

External supplies and services

The cost of external supplies and services increased by €32.8 million for the year ended December 31, 2016, from €400.0 million for the year ended December 31, 2015 to €432.8 million for the year ended December 31, 2016. This increase of 8.2% was largely attributable to inflation and to the opening of new stores, partially offset by the implementation of several efficiency and cost cutting processes.

Employee benefits expense

Employee benefits expense increased by €38.8 million, from €426.8 million for the year ended December 31, 2015 to €465.6 million for the year ended December 31, 2016. This increase of 9.1% was attributable mainly to the expansion of our store network and the associated pre-opening expenses, as well as an increase in costs per full time-equivalent employee driven by a rise in wages and the reinstatement of legal benefits that had been suspended during the intervention period by the European Commission, the European Central Bank and the International Monetary Fund (the Troika) (e.g., replacement of four national holidays).

Other expenses

Other expenses amounted to €38.2 million for the year ending December 31, 2016, compared to €45.0 million for the year ending December 31, 2015. This amounts to a total decrease of €6.8 million, or 15.1%, mainly resulting from unfavorable exchange rate differences and indirect tax.

Depreciation and amortization expenses

Depreciation and amortization increased by €3.0 million, or 2.5%, from €120.1 million for the year ended December 31, 2015 to €123.1 million for the year ended December 31, 2016. This increase was mainly attributable to the increase in stores openings and refurbishments, an increase in software investments, and a decrease in cost driven by sale and leasebacks agreements entered into in 2015 and 2016.

Provisions and impairment losses

Provisions and impairment losses amounted to a gain of €5.2 million for the year ending December 31, 2016, compared to €6.3 million loss for the year ending December 31, 2015. This change of €11.5 million was mainly due to the constitution of provisions for Brazil contingencies in the amount of €6.5 million in 2015 and the reversal of impairments in 2016 both for receivables and fixed assets.

Share of profits or loss of joint ventures and associates

The Company's shares of results of joint ventures and associates was a loss of €2.0 million for the year ending December 31, 2016, compared to a loss of €0.1 million for the year ending December 31, 2015, an increase of €1.9 million. This increase was principally attributable to the deterioration of the results of Ulabox, a Spanish online grocery company in which we have a minority stake.

Financial income

For the year ended December 31, 2016, there was a decrease in financial income by €12.1 million, from €13.4 million for the year ended December 31, 2015 to €1.3 million for the year ended December 31, 2016. This decrease of 90.1% was mainly attributable to €2.6 million in income received in 2015 related to a favorable court decision for Sonae Capital Brasil, €4.2 million in exchange gains related to the depreciation in the Brazilian real in 2015 (€1.9 million), the depreciation in the Turkish lira in 2016 (€1.6 million) and the depreciation of the euro in 2015 (€0.8 million) and to €6.0 million in 2015 on other income related to income tax default and compensatory interests received from the Portuguese Tax Authorities.

Financial expense

For the year ending December 31, 2016, there was a decrease of €8.9 million in financial expenses, from €32.9 million for the year ending December 31, 2015 to €24.0 million for the year ending December 31, 2016. This 27.2% decrease in financial expenses was mainly attributable to a reduction of €7.9 million in financial expenses (interest, commissions and other financial expense excluding, exchange losses and losses on fair value of hedge derivatives) mainly resulting from a decrease in the average interest rate as well as €1.2 million in exchange loss mainly related to the appreciation in the Brazilian real in 2016.

Income tax expense

Income tax expense amounted to €24.9 million for the year ending December 31, 2016, compared to €45.2 million for the year ended December 31, 2015, resulting in a decrease of €20.4 million, or 45.0%. This was principally attributable to the write-off of deferred tax assets recognized between 2008 and 2011, and to the write-off of deferred tax liabilities regarding goodwill amortization in Spain.

Profit for the year

As a result of the above, our profit for the year ended December 31, 2016 was €181.4 million, an increase of €33.7 million, or 22.9%, compared to combined profit of €147.6 million for the year ended December 31, 2015.

Liquidity and Capital Resources

Our liquidity requirements consist mainly of accounting working capital, capital expenditure and debt and tax servicing requirements. Our primary sources of liquidity are cash from operations, our cash and cash equivalents and our undrawn credit facilities. See “—Indebtedness” below. We anticipate that the funds needed to fulfil our commitments for future capital investments (see “—Capital Expenditure and Investments” below) and to fund planned material tangible fixed assets (including leased properties) will come from cash flow from operating activities, borrowings and proceeds from sale-and-leaseback transactions. We have a conservative financing policy and seek to prefund all structural needs 18 months in advance and keep appropriate buffers for extraordinary events. We have a conservative funding and liquidity policy, with the aim to be fully financed for the coming 18 months taking into consideration our forecasted business plan and budget. Moreover, to accommodate unexpected impacts, we seek to maintain a liquidity buffer through available short- and long-term

credit facilities. We also seek to continually monitor and adjust our available facilities in response to budget deviations and non-recurring transactions.

As of June 30, 2018, our net debt amounted to €815.8 million. Total available liquidity comes from the following sources:

- cash and bank balances and other current investments, which amounted to €57.1 million as of June 30, 2018; and
- unused credit facilities, which amounted to €246.1 million as of June 30, 2018.

Please see “*Other Unaudited Financial and Operating Data*” for a definition of net debt and a reconciliation of net debt to Current liabilities.

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, political, regulatory and other factors, many of which are beyond our control, as well as other factors discussed in the section titled “*Risk Factors*.”

Working Capital

As is normal in the retail industry, we operate with negative accounting working capital, as our net trade payables to our suppliers and other assets and liabilities included in accounting working capital exceed our inventories as a result of low inventory days and minimal debtors. For the years ended December 31, 2017, 2016 and 2015, our negative accounting working capital was approximately 13-15% of turnover, and this level is expected to remain stable in the short term. Furthermore, as is normal in the food retail industry, our accounting working capital is seasonal, with higher accounting working capital needs in the first half of the year and higher cash inflows from operations in the second half of the year. Our food retail business typically benefits from net cash inflows as a result of creditors days being longer than those of inventory and receivables.

Although we operate with negative accounting working capital, we are of the opinion that, considering the industry in which the Group operates (as discussed above) and taking into account the timing of our payments and receivables as well as the current liquidity position and the borrowing facilities available to the Group, the Group has sufficient working capital (i.e., access to cash and other available liquid resources to enable the Group to meet its liabilities as they fall due) for its present requirements, that is, for at least the next twelve months from the date of the Prospectus.

Cash Flows

The following table sets forth the principal components of our cash flows for the years ended December 31, 2017, 2016 and 2015 and for the six months ended June 30, 2018 and 2017.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
		(audited)		(non-audited)	
	(€ in millions)				
Net cash generated by operating activities.....	226.9	208.3	286.8	50.6	80.9
Net cash (used in)/generated by investment activities	36.1	5.1	(156.1)	(90.8)	(116.1)
Net cash used in financing activities.....	(311.4)	(201.7)	(86.2)	24.3	(3.9)
Net increase/(decrease) in cash and cash equivalents	(48.4)	11.7	44.5	(15.9)	(39.1)
Effect of exchange rate changes on the balance of cash held in foreign currencies.....	0.0	(0.1)	0.2	0.1	–
Cash and cash equivalents at the beginning of the year	83.4	34.9	46.6	46.6	91.0

Cash and cash equivalents at the end of the year	34.9	46.6	91.0	30.7	51.8
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Net cash generated by operating activities

Our net cash inflow from operating activities increased by €30.3 million in the period ended June 30, 2018, from an inflow of €50.6 million in the period ended June 30, 2017 to an inflow of €80.9 million in the period ended June 30, 2018. This increase principally reflects the increase in revenues, partially offset by higher cash paid to trade creditors.

Our net cash inflow from operating activities increased by €78.5 million in the year ended December 31, 2017, from an inflow of €208.3 million in the year ended December 31, 2016 to an inflow of €286.8 million in the year ended December 31, 2017. This increase principally reflects the increase in revenues, partially offset by higher cash paid to trade creditors, mainly arising from cash paid to related parties and a €34.7 million net increase in other cash payments relating to operating activities, which mainly related to VAT payments arising from the increase of sales.

Our net cash inflow from operating activities decreased by €18.6 million in the year ended December 31, 2016, from an inflow of €226.9 million in the year ended December 31, 2015 to an inflow of €208.3 million in the year ended December 31, 2016. This decrease was influenced by the cash paid to trade creditors that outpaced the increase in revenues and also by other net cash receipts relating to operating activities.

Net cash (used in)/generated by investing activities

Our net cash outflow from investment activities increased by €25 million in the period ended June 30, 2018, from an outflow of €90.8 million in the period ended June 30, 2017 to an outflow of €116.1 million in the period ended June 30, 2018. This variation mainly related to the receipt in 2017 of the disposal of Imoconti that occurred in 2016.

Our net cash outflow from investment activities increased by €161.2 million in the year ended December 31, 2017, from an inflow of €5.1 million in the year ended December 31, 2016 to an outflow of €156.1 million in the year ended December 31, 2017. The higher cash outflow from investment activities in 2017 mainly referred to a substantial decrease in proceeds from Sale & Leaseback divestments from €218.1 million in December 31, 2016 to €36.9 million in December 31, 2017.

Our net cash inflow from investment activities decreased by €31.0 million in the year ended December 31, 2016, from a net inflow of €36.1 million in the year ended December 31, 2015 to a net inflow of €5.1 million in the year ended December 31, 2016. The substantial increase in cash payments from Property and plant in 2016 was related to the higher investment in this year which more than offset the increase the cash receipts from this caption arising from the Sale & Leaseback divestments.

Net cash used in financing activities

Our net cash used in financing activities decreased by €28.3 million in the period ended June 30, 2018, from an inflow amounting €24.3 million in the period ended June 30, 2017 to an outflow of €3.9 million in the period ended June 30, 2018. The decrease in net cash flow used in financing activities was attributable not only to the decrease in new loans that outpaced the decrease in repayment of loans compared to the prior year, but also to transactions with related parties.

Our net cash flow used in the financing activities decreased by €115.5 million in the year ended December 31, 2017, from an outflow amounting €201.7 million in the year ended December 31, 2016 to an outflow of €86.2 million in the year ended December 31, 2017. This variation arises mainly from transactions with the Parent Group.

Our net cash flow used in financing activities decreased by €109.7 million in the year ended December 31, 2016, from an outflow of €311.4 million in the year ended December 31, 2015 to an outflow of €201.7 million in the year ended December 31, 2016. The decrease in net cash flow used in financing activities was largely

attributable to the increase in new loans in 2016 that outpacing the increase in repayment of loans compared to the prior year, as well as related party transactions.

Capital Expenditure and Investments

Our capital expenditure consists of the following:

- *Maintenance capital expenditure*—investments to maintain and refurbish existing stores, as well as investments in non-store areas, such as IT, warehousing, logistics and e-commerce.
- *Optimization capital expenditure*—investments to significantly change existing stores or the customer experience. This type of investment goes beyond a typical shop refurbishment.
- *Expansion capital expenditure*—investments to open new stores in the period (including associated real estate investments) recorded as property plant or equipment, or intangible assets incurred in the year, for stores to be opened in the following years, or that opened in the year or in the previous year.

The following table sets forth our capital expenditure for the years ended December 31, 2017, 2016 and 2015 and for the six months ended June 30, 2018 and 2017.

	For the year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	(non-audited)				
	(€ in millions)				
Maintenance capital expenditure	(79)	(106)	(100)	(46)	(56)
Optimization capital expenditure	(31)	(36)	(40)	(12)	(15)
Expansion capital expenditure	(40)	(101)	(79)	(31)	(37)
Gross capital expenditure	(150)	(243)	(219)	(89)	(108)
Sale & Leaseback divestments	134	149	25	—	—
Total net capital expenditure	(17)	(94)	(195)	(89)	(108)

Over the three-year period from 2015 to 2017, our average optimization capital expenditure per square meter was approximately €560 and our average expansion capital expenditure was €2,267 per square meter.

The significant increase in expansion capital expenditure in the years ended December 31, 2016 and 2017 compared to 2015 reflected the increase in openings of new *Continente* stores. Please see “*Factors Affecting Our Results of Operations—Pace of opening new stores*” above.

Our principal capital investments that are in progress are:

- *Expansion capital expenditure*—we are planning to open 11 new *Continente Bom Dia* stores and 4 new *Continente Modelo* stores in the second half of 2018, and we currently estimate that we will incur approximately €100 million of expansion capital expenditure for the year ending December 31, 2018; and
- *Maintenance and optimization capital expenditure*—we currently estimate that we will incur approximately €115 million of maintenance and optimization capital expenditure (as described above) for the year ending December 31, 2018.

All of our ongoing capital investments in progress are in Portugal.

In the medium term (i.e., through the year ending December 31, 2021), we target opening between 50 to 60 new *Continente Bom Dia* stores and between four to eight new *Continente Modelo* stores. In addition, we target opening around 150 new adjacent format stores in the period of 2019-2021. Over this period, we target spending an average of approximately €115 million per year in maintenance and optimization capital expenditure and cumulative gross expansion capital expenditure of €260-280 million.

Indebtedness

Our current indebtedness primarily comprises credit facilities with banks, in the form of loans and bonds, and financing arrangements with related parties within the Sonae Group, each described in more detail below. As of the date of this Prospectus, we believe that these arrangements provide sufficient funding flexibility for our current needs.

Credit Facilities

The following is a breakdown of our borrowings outstanding as of December 31, 2017 and 2016 and June 30, 2018.

	As of December 31,				As of June 30,	
	2016		2017		2018	
	(audited)				(non-audited)	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
	(in millions of euro)					
Modelo Continente Hipermercados, Spanish Branch 2015/2020	—	55.0	—	20.0	—	20.0
Modelo Continente Hipermercados, Spanish Branch 2014/2020	—	50.0	—	50.0	—	50.0
Soflorin B.V. 2015/2019	5.0	35.0	5.0	30.0	5.0	30.0
Sonae Investimentos 2017/2022	—	—	—	31.0	—	31.0
Sonae Investimentos 2017/2018	—	—	100.0	—	—	—
Soflorin B.V. 2017/2025	—	—	—	—	—	20.0
Soflorin B.V. 2018.....	—	—	—	—	30.0	—
Sonae Investimentos, SGPS, S.A. – commercial paper	148.0	121.0	7.5	182.5	86.7	334.5
Sonae Investimentos Short term Facility (overdraft).....	17.6	—	2.7	—	4.9	—
Loans	170.6	261.0	115.2	313.5	126.6	485.5
Bonds Sonae Investimentos June 2013/2018.....	—	50.0	50.0	—	—	—
Bonds Sonae Investimentos December 2015/2020.....	—	50.0	—	50.0	—	50.0
Bonds Sonae Investimentos May 2015/2020	—	75.0	—	75.0	—	75.0
Bonds Sonae Investimentos June 2016/2021	—	95.0	—	95.0	—	95.0
Bonds Sonae Investimentos September 2016/2021	3.0	12.0	3.0	9.0	3.0	9.0
Bonds Sonae Investimentos December 2015/2020.....	—	30.0	—	30.0	—	30.0
Bonds.....	3.0	312.0	53.0	259.0	3.0	259.0
Others.....	0.0	—	0.1	0.0	0.1	—
Finance lease.....	—	—	0.0	0.0	0.0	0.0
Derivatives	0.1	—	0.3	—	0.1	—
Up-front fees.....	(0.0)	(2.3)	(0.0)	(1.8)	(0.0)	(1.5)
	173.7	570.7	168.5	570.7	129.9	743.0

We maintain a diversified number of short- and long-term credit facilities with a large group of lenders (more than 15) to ensure adequate diversification of our sources of funds. The total number of available credit facilities as of June 30, 2018 and December 31, 2017 and 2016 was as follows:

	As of December 31,				As of June 30,	
	2016		2017		2018	
	(non-audited)				(non-audited)	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
	(in millions of euro)					
Unused credit facilities ⁽¹⁾ .	52.4	360.0	95.3	285.0	93.1	153.0
Agreed credit facilities	218.0	516.0	105.5	567.5	105.5	487.5

⁽¹⁾ The amount of unused credit facilities with commitment of more than one year includes some facilities that could also be used by Sonae, SGPS, S.A., although without any kind of joint liability between both companies, but which will be segregated if the Offering takes place. As at June 30, 2018 those unused facilities amounted to €0 million (€150 million as at December 31, 2017 and €50 million as at December 31, 2016).

Lending arrangements with related parties

Entities within the Sonae Group make available to the Company and its subsidiaries an internal credit facility through the form of “*operações financeiras*” to cover short-term cash needs, at market rates, which we can draw upon up to a maximum amount of €300.0 million. During 2017 the average amount outstanding under these facilities was €155 million, and the outstanding amount as of December 31, 2017 was €0. The Company and its subsidiaries do not lend to other entities within the Sonae Group.

Financial and other covenants

The terms and conditions of certain of our credit facilities include customary financial covenants, including compliance with the financial ratios described below, as well as certain non-financial undertakings in favour of the lenders, such as:

- reporting obligations to the lenders;
- acceleration of the relevant credit facilities triggered by, among other things, breach of payment obligations, false representation, insolvency, litigation and/or cross acceleration; and
- limitations on the ability of the Company, and certain of our affiliates acting as guarantors under such facilities, to incur additional indebtedness, create security over their assets, dispose of their assets, grant any kind of financing, carry out corporate restructurings, initiate any action related to insolvency proceedings or change the general nature of their business, unless otherwise permitted under the terms of the relevant facility.

Payment of dividends is not restricted under any of our financing agreements. Certain of our credit facilities include customary change of control provisions if the Parent ceases to control, directly and indirectly, the Company. As of the date of this Prospectus, the Company believes it is in compliance with all covenants under all of its credit facilities. We do not believe compliance with the covenants in our credit facilities will restrict our operating ability in the future. Please see “*Risk Factors— We face risks associated with our indebtedness and financing needs, including the risks of higher interest payments and being able to access adequate financing on acceptable terms, and we may not be able to generate sufficient cash to service such indebtedness.*”

We are only subject to one financial covenant, namely, the obligation to maintain a net debt-to-EBITDA ratio of not greater than 3.5x. This covenant is tested assuming generally accepted accounting principles as of the date the loan agreement was entered into (i.e., frozen before the implementation of IFRS 16), although the exact definitions of EBITDA and net debt differ among the credit facility agreements. In addition, certain of our financing agreements include provisions requiring the prior consent of our lenders to sell certain significant subsidiaries.

Contractual Obligations

The following table summarizes our contractual obligations and principal payments as of December 31, 2017 under debt instruments and operating leases. The information presented in the table below reflects our estimates of the contractual maturities of obligations.

	Total	Less than one year	Between one and five years	More than five years
		(non-audited)		
		(in millions of euro)		
Loans	428.6	115.2	283.4	30.0
Bonds	310.3	53.0	257.3	—
Other loans, leases and derivatives	0.4	0.3	0.0	—
Total debt	739.2	168.5	540.7	30.0
Operating leases	905.5	98.2 ⁽¹⁾	237.8	569.5
Total contractual obligations	1,644.7	266.8	778.4	599.5

(1) Includes €33.6 million non-cancelable minimum lease payments under automatically renewable operating leases.

Off-balance sheet arrangements

As at December 31, 2015, 2016 and 2017, contingent liabilities to which the Group is exposed can be detailed as follows:

Guarantees and securities given considering the scope of combination

	As of December 31,		
	2015	2016	2017
	(non-audited)		
	(in millions of euro)		
Guarantees and securities given:			
on tax claims	887.4	931.2	925.7
on judicial claims	0.6	0.6	0.1
related with municipal authorizations and constructions	7.8	8.0	8.6
in relation with third parties agreements	15.8	20.0	10.7
other guarantees	4.8	2.1	2.5

In addition to the above-mentioned guarantees, the Company is liable for guarantees given in favor of carve-out entities as follows:

	As of December 31,		
	2015	2016	2017
	(non-audited)		
	(in millions of euro)		
Guarantees and securities given in favour of carve-out entities and Parent company:			
on tax claims	46.5	51.6	36.9

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

Information on Our Combined Statements of Financial Position

Assets

Our non-current assets consist primarily of property, plant and equipment and our current assets consist primarily of inventories and cash and bank balances.

Non-current assets

As of June 30, 2018, our non-current assets amounted to €2,016 million, an increase of €36 million compared to €1,980 million as of December 31, 2017. The increase was primarily due to increases in property, plant and equipment and deferred tax assets.

As of December 31, 2017, our non-current assets amounted to €1,980 million, an increase of €62 million compared to €1,917 million as of December 31, 2016. The increase was primarily due to an increase in property, plant and equipment, mainly related to the expansion of the store network, as well as increases in intangible assets and goodwill.

As of December 31, 2016, our non-current assets amounted to €1,917 million, an increase of €51 million compared to €1,866 million as of December 31, 2015. The increase was primarily due to increases in property, plant and equipment, mainly related to the expansion of the store network, and intangible assets.

Current assets

As of June 30, 2018, our current assets amounted to €661 million, a decrease of €17 million compared to €678 million as of December 31, 2017. The decrease was primarily due to decreases in cash and bank balances and inventories, mainly reflecting seasonal trading patterns, partially offset by an increase in other current assets, principally related to commercial income earned by the Group but not yet billed to suppliers.

As of December 31, 2017, our current assets amounted to €678 million, an increase of €16 million as compared to €662 million as of December 31, 2016. The increase was primarily due to an increase in cash and bank balances and inventories. The increase was partially offset by a decrease in income taxes recoverable from the Parent, due to a change in accounting policy (note 16.a. of the Audited Combined Annual Financial Statements).

As of December 31, 2016, our current assets amounted to €662 million, an increase of €92 million compared to €570 million as of December 31, 2015. The increase was primarily due to increases in inventories, cash and bank balances and other receivables.

Equity and liabilities

Our equity consists of equity attributable to owners of the Company and non-controlling interests. Liabilities consist primarily of interest bearing liabilities and other non-current and current liabilities. Other current liabilities consist primarily of trade payables.

Equity

As of June 30, 2018, our total equity amounted to €675 million, a decrease of €86 million compared to €761 million as of December 31, 2017. The decrease was primarily due to the transactions with Sonae Investimentos Group, detailed on note 43 in the section “*Transactions with Sonae Group recorded in Equity*”, partially offset by the contribution of the “Profit for the year”.

As of December 31, 2017, our total equity amounted to €761 million, an increase of €28 million as compared to €733 million as of December 31, 2016. The increase was primarily due to the contribution of the “Profit for the year” that was partially offset by the decrease on the transactions with Sonae Investimentos Group, detailed on note 43 in the section “*Transactions with Sonae Group recorded in Equity*”.

As of December 31, 2016, our total equity amounted to €733 million, a decrease of €14 million compared to €747 million as of December 31, 2015. The decrease was primarily due to the transactions with Sonae Investimentos Group, detailed on note 43 in the section “*Transactions with Sonae Group recorded in Equity*”, partially offset by the contribution of the “Profit for the year”.

Liabilities

Non-current liabilities

As of June 30, 2018, our non-current liabilities amounted to €868 million, an increase of €178 million compared to €690 million as of December 31, 2017. The increase reflects the increase in loans, as the Company issued an additional €152 million of commercial paper.

As of December 31, 2017, our non-current liabilities amounted to €690 million, an increase of €23 million compared to €667 million as of December 31, 2016. The increase was primarily due to an increase in loans, partially offset by €50 million of bonds being reclassified as current liabilities.

As of December 31, 2016, our non-current liabilities amounted to €667 million, a decrease of €21 million compared to €688 million as of December 31, 2015. The decrease was primarily due to decreases in loans and deferred tax liabilities, partially offset by an increase in bonds.

Current liabilities

As of June 30, 2018, our current liabilities amounted to €1,135 million, a decrease of €73 million compared to €1,208 million as of December 31, 2017. The decrease was primarily due to maturity of €50 million of bonds and decreases in other tax liabilities and other payables, partially offset by an increase in loans.

As of December 31, 2017, our current liabilities amounted to €1,208 million, an increase of €20 million as compared to €1,188 million as of December 31, 2016. The increase was primarily due to a reclassification of €50 million of bonds from non-current to current liabilities, as well as an increase in trade payables, offset by lower loans.

As of December 31, 2016, our current liabilities amounted to €1,188 million, an increase of €72 million compared to €1,115 million as of December 31, 2015. The increase was primarily due to an increase in loans, partially offset by lower bonds outstanding.

Quantitative and Qualitative Disclosures about Financial Risk Management

Risk management general principles are approved by the Board of Directors, and the implementation and monitoring of these principles is supervised by our finance department.

Financial Market Risk

Interest rate and foreign exchange rate risks are significant to our market risk management. We use derivatives to hedge certain exposures related to market risk. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest rate risk

Our exposure to interest rates arises mainly from long-term loans that bear interest at Euribor plus a specified spread.

As of December 31, 2017, we did not have any interest rate hedging derivative positions. However, on an opportunistic basis, we may enter into fixed interest rate instruments or derivatives to fix our interest rate on floating rate indebtedness.

Exchange rate risk

The impact on our Combined Financial Statements of changes in exchange rates is moderate, as the majority of our transactions are denominated in euro. We are mainly exposed to exchange rate risk through transactions relating to the acquisition of goods in international markets, which are principally denominated in U.S. dollars. Our foreign exchange rate risk management aims to provide stability in the decision making and negotiation relating to purchases of inventories by establishing fixed exchange rates. We enter into exchange rate hedging at the stage of the formal agreement of purchase. The exchange rate risk exposure is monitored through the purchase of forward contracts 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 currencies other than the euro.

As at December 31, 2015, 2016 and 2017, our assets and liabilities denominated in currencies different from the relevant subsidiary's functional currency were as follows:

	As of December 31,			As of December 31,		
	2015	2016	2017	2015	2016	2017
	Assets			Liabilities		
	(non-audited)					
	(in millions of euro)					
Euro	10.0	10.0	9.9	8.9	11.3	17.4
British Pound	0.0	0.0	0.0	0.1	0.5	0.1
US Dollar.....	1.8	2.1	1.7	3.7	3.2	6.4
Other Currencies.....	0.0	0.0	0.0	0.1	-	-

The amounts presented above only include assets and liabilities expressed in different currency than the functional currency used by the relevant subsidiary. 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 their net value, the exposure to currency risk is immaterial and therefore a sensitivity analysis to changes in the exchange rate is not disclosed.

Liquidity Risk

The purpose of liquidity risk management is to ensure, at all times, that the group has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy, while managing the trade-off cost between longer and shorter maturities of debt. We follow an active policy of refinancing our indebtedness by maintaining a high level of unused and available on demand capital resources to address short-term needs, as well as by continually seeking to achieve an appropriate debt maturity, in light of anticipated cash flows and the capacity of our balance sheet to take on additional debt. We also seek to manage liquidity risk through negotiating contractual terms that reduce the possibility of the lenders being able to demand an early termination of the indebtedness. In our relationships with our lending banks, we seek to ensure a high level of diversification of financing sources and counterparties, in order to ease the ability of entering into new loan agreements and to minimize the effects of any disruptions in a relationship with any one lender. We maintain a liquidity reserve in the form of credit lines with our relationship banks in order to ensure we can continue to meet our commitments without having to refinance on unfavourable terms.

Credit Risk

We are exposed to credit risk in the normal course of our business. We manage credit risk through a system of gathering financial and qualitative information from independent entities that supply risk information, in order to allow the assessment of credit risk of our counterparties. The credit risk from suppliers arises from advances made to or discounts billed to suppliers and is mitigated by the expectation of maintaining the commercial relationship. The amounts presented in the statement of financial position are net of impairment losses, thus reflecting fair value. We are also exposed to credit risk in our relationships with financial institutions, relating to bank deposits, debt instruments, available facilities and derivatives, among other financial services.

We seek to limit credit risk through risk concentration management, as well as by selecting counterparties that have a high national and international reputation and based on their respective credit ratings, taking into account the nature, maturity and size of the operations.

Capital Risk

We manage the proportion of equity and net debt in our capital structure in order to ensure the continuity and development of our operations, to maximize the return to shareholders and to optimize our financing costs. We regularly monitor our capital structure in order to identify risks, opportunities and the necessary adjustment measures to achieve these objectives.

Derivatives

We enter into exchange rate forward contracts to hedge future foreign exchange rate cash flows that are expected in the next 12 months.

As of December 31, 2017, the fair value of exchange rate derivative hedging instruments, calculated based on the present market value of equivalent financial instruments of exchange rate, was liabilities of €0.3 million (€0.1 million as of December 31, 2016) and assets of €0.1 million (€0.7 million as of December 31, 2016).

These financial instruments are accounted for at fair value by taking into consideration the present value at the statement of financial position date of the forward settlement amount at 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 under the captions “other financial income” or “financial expenses.”

Critical Accounting Policies

The Combined Financial Statements have been prepared from the books and accounting records of the Company, subsidiaries, joint ventures and associates, on a going concern basis and under the historical cost convention, except for some financial instruments, which are stated at fair value. The preparation of the Combined Financial Statements requires management to make estimates and judgments, therefore the most significant accounting estimates reflected in the Combined Financial Statements include:

- i. useful lives of the tangible and intangible assets;
- ii. impairment analysis of goodwill and of property, plant and equipment and intangible assets;
- iii. recognition of adjustments on current assets including inventories, provisions and contingent liabilities;
- iv. recoverability of deferred tax assets;
- v. fair value of financial instruments;
- vi. income tax expense;
- vii. commercial income

In addition, Management exercises judgement on the application of the accounting standards and in the definition of the applicable accounting policies as set out below:

- i. allocation of assets (including debt), income, expenses and cash flows to Sonae MC for the purpose of preparing the Combined Financial Statements, as disclosed in note 1.c. to the Audited Combined Annual Financial Statements;
- ii. classification of leases as finance or operating leases, and consequent impact on the accounting of Sale and Leaseback transactions. Management considers the likelihood of exercising extension or break clauses in determining the lease term, estimating the discount rate for the purposes of discounting minimum lease payments;
- iii. assessment over the probability of outflow regarding tax and legal contingencies;

- iv. definition of cash generating units for impairment testing.

The following provides information regarding the critical accounting policies. Please refer to note 2 to the Audited Combined Annual Financial Statements and Combined Interim Financial Statements for additional information.

Consolidation principles

Subsidiaries

Investments in companies in which the Company has, direct or indirect, control (“Subsidiaries”) are included in the Combined Financial Statements using the full consolidation method.

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

The Company 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.

Equity and net profit attributable to non-controlling shareholders are shown separately, under the caption non-controlling interests, in the combined statement of financial position and in the combined income statement, respectively. Companies included in the Combined Financial Statements are listed in note 47 to the Audited Combined Annual Financial Statements.

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

Assets and liabilities of each Company subsidiary are measured at their fair value at the acquisition date or on the date that control is obtained for the first time. Such measurement may be completed within twelve months after the date of acquisition. The difference of the consideration transferred plus the fair value of any previously held interests and the amount of non-controlling interests less the fair value of the identifiable net assets acquired is recognized as goodwill (see accounting policy for Goodwill). If the above referred difference is negative, such difference is recognized as income under “Other income” after reconfirmation of the fair value attributed to the net assets acquired. The Group will choose on a case by case basis, whether the fair measurement of non-controlling interests will be made (i) according to the non-controlling interests share assets, liabilities and contingent liabilities acquired, or (ii) according to its fair value.

The income and expenses of subsidiaries acquired or disposed during the period are included in the combined 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 the Company’s subsidiaries are performed, whenever necessary, in order to adapt the accounting policies used to those used by the Company. All intragroup balances, income and expenses, equity movements and cash flows are eliminated in full on consolidation process.

Investments in joint ventures and associates

Investments in joint ventures and associates are measured under the equity method. Investments are recorded at cost on initial recognition and subsequently adjusted by the Company share on comprehensive income (including net profit for the period) of joint ventures and associates, against the Group's comprehensive

income or gains or losses for the year as applicable. Dividends received are deducted to the Investments carrying amount.

The excess of acquisition cost 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 in the caption “Investments in joint ventures and associates” (see accounting policy for Goodwill). Any excess of the Company’s share in the fair value of the identifiable net assets acquired over the acquisition cost of the investment is recognized as income on the acquisition date, after reassessment of the estimated fair value of the net assets acquired under the caption “Share of profit or loss of joint ventures and associates”.

An impairment assessment over these investments is performed when there is an indication that the asset might be impaired being any impairment loss recorded in the Combined Income Statements under the caption “*Share of profit or loss of joint ventures and associates*”. Impairment losses recorded in prior years that are no longer justifiable are reversed under the same caption.

When the Company’s share of losses exceeds the carrying amount of the investment, the investment is reported at nil and the recognition of additional losses is discontinued, unless the Company is committed beyond the value of its investment.

When the Group transacts with an associate or a joint venture of the Group, gains and losses resulting from such transactions are recognized only to the extent of interests in such entity that is not related with the Group. Losses arising on such transactions are recognized in full if such loss is evidence of impairment of the asset transferred.

Investments in joint ventures and associates are disclosed in note 10 to the Audited Combined Annual Financial Statements.

Goodwill

The difference between the consideration transferred in the acquisition of investments in subsidiaries, joint ventures and associates plus the amount of any non-controlling interests (in the case of subsidiaries) over the group share in the fair value of the identifiable assets, liabilities and contingent liabilities of such companies at the date of acquisition, when positive, is shown as “Goodwill” (note 9 to the Audited Combined Annual Financial Statements) or as “Investments in joint ventures and associates” (note 10 to the Audited Combined Annual Financial Statements).

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 the acquisition date, otherwise these changes are recognized in income statement.

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

With the loss of control of a former subsidiary, assets and liabilities of the entity are derecognized, with any interest retained in that entity remeasured at fair value and any gain or loss recognized in the combined income statement.

Goodwill is not amortized, but it is subject to impairment tests on an annual basis or whenever there are indications of impairment to verify whether impairment losses have to be recognized. Net recoverable amount is determined based on business plans used by the Company Management or on valuation reports issued by independent entities namely for real estate assets. Goodwill impairment losses recognized in the period are recorded in the combined income statement under the caption “Provisions and impairment losses” and are not reversible.

Translation of financial statements of foreign companies

Assets and liabilities denominated in a functional currency different from euro are translated to euro using exchange rates at date of the combined statement of financial position. Income, expenses, and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences are recorded as equity under “Foreign currency translation reserve”.

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

Whenever a foreign company is sold (totally or partially), accumulated exchange rate differences are recycled to the combined income statement as a gain or loss on the disposal, in the caption “Gains and losses on investments”, when there is a control loss; or transferred to non-controlling interests whenever there is not a change in control.

Exchange rates used on translation of foreign subsidiaries, joint ventures and associates are listed below:

	At year ended December 31,			Average for the year ended December 31,		
	2015	2016	2017	2015	2016	2017
	(non-audited) (in euro)					
Brazilian Real	0.23193	0.29150	0.25171	0.27451	0.26105	0.27834
Turkish Lira	0.31481	0.26975	0.21995	0.33228	0.29955	0.24336
Mozambican Metical	0.01918	0.01327	0.01418	0.02320	0.01489	0.01399

Revenue recognition and accrual basis

Revenue from the sale of goods is recognized in the combined 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 returns, sales taxes, discounts, and other expenses arising from the sale and are measured as the fair value of the amount received or receivable. Where the Group acts as an agent selling goods or services, only the commission income is included within revenue.

The deferral of revenue related with customer loyalty plans, awarding discounts on future purchases is quantified taking into account the probability of exercising the above-mentioned discounts and are deducted from revenue when they are generated. The corresponding liability is presented under the caption “Other payables”.

Revenue from the provision of services is recognized when the service is provided and the revenue can be measured reliably, based on the terms of the contract. Services are rendered mainly to related parties and correspond to shared services, like IT, accounting and payroll, amongst others.

Revenue from operating leases where the Group acts as lessor are recognized as Services rendered and are described in Note 34 to the Audited Combined Annual Financial Statements.

Dividends are recognized as income in the year when the right to receive payments has been attributed to the shareholders of the companies.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt.

“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 combined income statement.

Commercial income from suppliers

Consistent with standard industry practice the Group has agreements with suppliers whereby volume related allowances, promotion and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers.

Income received from suppliers relates to both adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product or is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include providing promotional or marketing materials and activities or promotional product positioning. While there is no standard industry definition, these amounts receivable from suppliers in connection with the purchase of goods for resale are generally termed commercial income.

Commercial income is formally agreed, with the identification of the dates of the campaign or the specific actions agreed and value agreement with the supplier. Commercial income agreements lead to the issuance of tax documents to suppliers, which are discounted in future invoice payments or through direct collection from suppliers. Consequently, and as the Group as the legally enforceable right to set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers the net amount receivable or payable is recognized within "Other receivables" or "Trade payables". The amounts that have not yet been invoiced to the supplier are recorded under "Other current assets".

New accounting standards and their impact in these Audited Combined Annual Financial Statements

The following standards, interpretations, amendments and revisions were endorsed by the European Union at the date of the approval of the Combined Financial Statements and have mandatory application in future years:

With mandatory application after 2017:	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 16 – Leases - (recognition and measurement principles and disclosure requirements. Provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. With IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, besides some potential impacts on the classification of subleases)	01 Jan 2019
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) ¹⁶	01 Jan 2017 and 01 Jan 2018
IFRS 9 (amendment) – Prepayment features with negative compensation	01 Jan 2019
IFRIC 22 - Transactions in foreign currency and advances (establish the date of the initial recognition of the advance or deferred income as the date of the transaction for determining the exchange rate of the recognition of the revenue)	01 Jan 2018
IAS 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

The Group did not proceed to the early adoption of any of these standards on the Audited Combined Annual Financial Statements for the year ended December 31, 2017. The Board of Directors do not anticipate that the applications of the above mentioned standards, interpretations or amendments will have a significant impact on the Audited Combined Annual Financial Statements, except in what relates to IFRS 16.

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 considering on whether an identified asset is controlled by a customer. Distinction of operating leases (off-balance sheet) and finance leases (included in the balance sheet) is removed from lessee accounting and is replaced by a model where a right of use and a corresponding liability have to be recognized by lessees for all leases, except for short-term (up to 12 months) and low value assets.

The right of use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted by interest and lease payments, as well as the impact of lease modifications, amongst others.

As at December 31, 2017, the Group had non-cancellable operating lease commitments amounting to an undiscounted amount of €905.5 million. IAS 17 does not require the recognition of the right use as an asset nor future payments as liabilities, but only certain disclosures identified in note 34 to the Audited Combined Annual Financial Statements.

The Company is currently performing a survey of its lease agreements and performing its technical analysis of such agreements considering the provisions of IFRS 16, namely in what concerns interest rates to be considered, definition of lease terms and transition options, amongst others. The Group is also evaluating the impacts on its information system. At this stage, it is not possible to estimate the magnitude of the impacts inherent to its adoption.

The following standards, interpretations, amendments and revisions were not endorsed by the European Union at the date of the approval of the Combined Financial Statements, and therefore may not be applied in the European Union

With mandatory application after 2017:	Effective date (for financial years beginning on or after)
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¹⁶ These amendments were only endorsed to be applied in the European Union on February 7, 2018, and are not being applied by the Group.

IFRS 17 – (Insurance contracts)	January 1, 2021
IFRIC 23 – Uncertainly over income tax treatments (clarifies the accounting for uncertainties in income taxes)	January 1, 2019
IAS 28 (amendment) – Long-term interests in associates and joint ventures	January 1, 2019
Annual Improvements to international financial reporting standards (2015-2017 cycle)	January 1, 2019
IAS 19 (amendment) - Amendments, reductions or liquidation of employee benefit plans	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The Group did not proceed with the early implementation of any of these standards in the Audited Combined Annual Financial Statements as its application is not permitted and is currently estimating the impacts of such standards, namely in what concerns IFRIC 23 considering the tax contingencies disclosed in note 33 to the Audited Combined Annual Financial Statements.

New accounting standards and their impact in the Interim Combined Financial Statements

As from January 1, 2018 the Company applied the IFRS 9 “Financial Instruments” and IFRS 15 – “Revenue from Contracts with Customers” utilising the transition relief for not restating the comparative figures and thus the transition effect is recognised in the retained earnings as of January 1, 2018. The main impact from the IFRS 9 and IFRS 15 adoption are presented in note 2.a) of the 2018 Combined Interim Financial Statements.

INDUSTRY AND MARKET OVERVIEW

Social and macroeconomic framework

After a period of economic crisis and subsequent recovery, Portugal outperformed expectations in 2017 in terms of GDP growth, with a real increase of +2.7% (nominal GDP growth of 4.1%), its strongest GDP growth rate since 2000, supported by a significant rebound in foreign investment, continued dynamism in private consumption and a strong exports performance. The country made notable progress in limiting structural weaknesses, specifically by cutting the public deficit which, along with the deleveraging trend, led to a sharp reduction in market risk perception. Additionally, the positive consumption trend has been supported by increasing household disposable income underpinned by sound improvements in the labor market coupled with extraordinary high levels of confidence. Non-residents' spending has also been a key pillar of this recovery, set against a strong inbound tourism backdrop and anchored on an increasing number of high-income expat retiree residents attracted by Portugal's specific tax regime.

This strong momentum is expected to continue in the years ahead, albeit at a gradually slower pace, while shifting towards a more sustainable growth model, based on buoyant exports, investment and dynamic private spending.

Political and demographics background

The Portuguese Republic enjoys a stable political environment, with moderate ruling parties and no recent record of extremist or populist movements. The power balance between socialists and liberal democrats has alternated every couple of legislatures, with some coalitions necessary to rule, but this has never impacted the work of the administration, nor has it blocked required reforms. The past dynamics of both right and left wing governments have enabled the country to successfully overcome the crisis and have supported the remarkable economic recovery.

At the end of 2017, Portugal's population stood at 10.3 million inhabitants, with Lisbon and Oporto showing the highest density (approximately 2.8 million and approximately 1.7 million, respectively), and the demographic profile of the country is currently characterized by a high concentration in coastal areas and major urban cities.¹⁷ Population figures have been relatively stable, in spite of an outbound migratory movement during the crisis although this has lately been partly offset by an inbound movement of population during the recent economic expansion period.

There has been a natural ageing of the Portuguese population due to the increase in life expectancy, driven by improved living conditions and a declining birth rate. In the 2015-2017 period, the average Portuguese life expectancy was above 80 years (approximately 83 years for women and approximately 78 years for men) and 21.5% of the population was aged over 65, 64.7% between 15 and 64 and 13.8% under 14.¹⁸ The weight of the group aged over 65 is on the rise – it represented 17.6% in 2007 and 19.2% in 2012. This is due to the low Portuguese fertility rate, which in 2017 stood at 1.4¹⁹ children, on average, per each woman at childbearing age, below the 2.1 rate necessary for the renewal of generations and for the sustainability of the social security system. Moreover, this rate is below this threshold since the 80's. Given this challenging demographic profile, the Portuguese government has been implementing several birth promotion policies such as tax incentives with the reduction of taxes on income and property, an extended and more flexible maternity leave and several allowances to reduce the burden of health and educational costs. It has also sought to address the various risks posed by population ageing through social policies that promote integration of the elderly and social inclusion (such as the Social Emergency Programme) and the encouragement of a longer working life. These measures are sustaining a broader, more active and income-generating consumer class.

¹⁷ PORDATA

¹⁸ INE

¹⁹ PORDATA

Economic environment

Portugal has been a member of the European Union since 1986 and is 46th in terms of economy size, with relevant international trading over the centuries, given its geographic location.²⁰ In 2017, Portugal outperformed growth expectations, supported by a significant rebound in investment growth, continued dynamism in private consumption and strong export performance. Current market conditions and growth expectations have improved significantly over the last five years and are expected to be maintained in the next five years.

After a recessionary period following the global financial crisis, in May 2014, the Portuguese Government announced the exit from the three-year Economic and Financial Assistance Programme. The program, established from 2011 to mid-2014, consisted of a joint financing package of €78 billion provided by the EU and the IMF and led to the implementation of several structural measures. A sustained economic recovery was finally achieved through an increase in the IRS, a reduction in unemployment protection as well as cuts in pensions, among other measures.

After a successful exit from the assistance program in 2014, the Portuguese economy has made a robust recovery with real GDP growing by +2.7% in 2017 and reaching around €193 billion in nominal value, a 17-year high.²¹ Furthermore, inflation has also recovered from previous years and is expected to reach +1.9% in 2020e.

	2008a	2009a	2010a	2011a	2012a	2013a	2014a	2015a	2016a	2017a	2018e	2019e	2020e	2021e	2022e
Real GDP (€bn)	181.5	176.1	179.4	176.2	169.1	167.2	168.7	171.7	174.5	179.2	183.5	186.8	189.6	191.9	194.2
Real GDP growth (%)	0.2%	(3.0%)	1.9%	(1.8%)	(4.0%)	(1.1%)	0.9%	1.8%	1.6%	2.7%	2.4%	1.8%	1.5%	1.2%	1.2%
Public primary balance (% of GDP)*	(1.1%)	(7.1%)	(8.5%)	(3.6%)	(1.4%)	(0.6%)	(2.8%)	(0.1%)	1.9%	2.5%	2.3%	2.3%	2.2%	2.2%	2.1%
Inflation	2.7%	(0.9%)	1.4%	3.6%	2.8%	0.4%	(0.2%)	0.5%	0.6%	1.6%	1.6%	1.6%	1.9%	1.9%	2.1%
Unemployment rate	7.6%	9.4%	10.8%	12.7%	15.5%	16.2%	13.9%	12.4%	11.1%	8.9%	7.3%	6.7%	6.2%	5.7%	5.6%
Exports (% of growth)	2.1%	(15.3%)	0.9%	10.6%	(4.3%)	13.3%	4.7%	6.1%	4.3%	7.3%	7.4%	4.7%	4.3%	4.1%	4.2%

*Net resources that the total economy makes available to the rest of the world (if positive) or receives from the rest of the world (if negative)
Source: International Monetary Fund

This sound recovery of the economy has been fostered by significant structural improvements in Public Accounts. Austerity measures put in place led to a reduction in the public deficit, which in 2016 reached a historical minimum level of approximately 1.9% of GDP.²² The ratio of Portuguese public debt to GDP reached 125.7% in December 2017,²³ falling below the target imposed by the European Union (127.9%) in May 2017 when Portugal exited the EU Excessive Deficit Procedure program.²⁴

The deleveraging of the economy, confirmed by a 28p.p. decrease in non-financial sector debt as a % of GDP from 2012 to 2017, led to a significant reduction in the market risk perception of Portugal²⁵. This is reflected in a strong decrease in the Portuguese sovereign bond yields (Portuguese 10-year bond yield decreased from 6.9% in December 2012 to approximately 1.8% in August 2018) and an upgrade of the Portuguese credit rating to investment grade levels by both Standard & Poor's (from BB+ to BBB- in September 2017) and Fitch (from BB+ to BBB in December 2017).²⁶

Furthermore, the unemployment rate was reduced to an 8-year low of 8.9% in 2017 and Portugal is now below the euro area average (9.1% in 2017). According to IMF estimates, this positive trend is expected to continue, with an unemployment rate of 5.6% expected by 2022e. The Portuguese Government has approved to

²⁰ World Bank

²¹ International Monetary Fund

²² Sonae's Macroeconomic and food consumption outlook Portugal 2018-2020

²³ Banco de Portugal

²⁴ European Union database

²⁵ PORDATA

²⁶ Bloomberg

set the minimum wage at €580 in 2018 - an increase of 4.1% compared to 2017, and is negotiating further increases until 2020. It is still unclear the impact these measures will have, but the European Commission already alerted for a potential negative impact in the unemployment rate.

Additional relevant drivers of the economic recovery include a flourishing tourism sector, a solid export performance and strong growth of foreign direct investment. Tourism has become a fundamental sector driving Portuguese growth, with a double digit 2012-2016 CAGR of international tourist arrivals and the income of hotel establishments expected to more than double from 2012 to 2018e. Portugal has also benefitted from improved economic relationships with other countries, continuously growing exports above GDP and other major economies since 2013, and increasing foreign investment (2008-2017 CAGR of +5.8%), notably in the real estate sector with commercial investment expected to grow over 50% in 2018e.

	2008a	2009a	2010a	2011a	2012a	2013a	2014a	2015a	2016a	2017a	2018e
Total income of hotel establishments (€bn)*	2.0	1.8	1.8	1.9	1.9	2.0	2.2	2.5	2.9	3.4	3.9
Foreign direct investment (€bn)	5.3	4.0	6.4	7.1	17.1	8.1	9.9	2.3	8.5	8.9	–
Commercial investment (€bn)**	1.2	0.5	0.5	0.7	0.2	0.1	0.3	0.7	1.9	1.3	2.0

*Estimates for 2018 correspond to year-to-date growth, available for Q1 2018

**Estimate from Cushman and Wakefield

Source: Central Bank of Portugal, INE, Cushman & Wakefield

	2012a	2013a	2014a	2015a	2016a	2012-2016 CAGR
International tourism ('000 arrivals)	7,503	8,097	9,092	9,957	11,223	10.6%

Source: World Bank

Portugal is also back on foreign investors' radars, reinforcing the country's growth outlook over the medium term. Foreign investment is rising, benefiting from a growing perception of the country as an innovator (quality of scientific research institutions, technological adoption and quality of education, among others). This has resulted in significant job creation with higher education required, in intellectual & scientific professional occupations and in the information and communication sector. A visible impact of this change has been the growing number of companies announcing investments to create tech hubs in the country (e.g. Google, Bosch, BNP Paribas and Uber).

Consumer spending and retail industry

Private consumption has been one of the key pillars of the Portuguese economic recovery, accelerating by +3.5% in 2017 to reach approximately €126 billion.

	2008a	2009a	2010a	2011a	2012a	2013a	2014a	2015a	2016a	2017a	2018e	2019e	2020e
Portuguese consumer expenditure (€bn)*	118.5	113.5	118.3	116.0	111.6	111.1	114.1	117.7	121.3	125.6	129.9	134.4	139.0
Portuguese disposable household income (% growth)**	4.0%	(0.4%)	2.8%	(3.7%)	(3.6%)	(0.2%)	(0.2%)	3.4%	3.7%	3.0%	4.1%	3.6%	3.6%

*Private spending on total food and non-food product categories as well as the following categories: vehicle rental and leases, public transport, medical services, fees and admissions, education and holidays

**Internal forecast for 2020e

Source: Eurostat, Company estimate based on Ministry of finance nominal growth, AMECO

This rise in private consumption has been driven both by growth in disposable income and a recovery in consumer confidence. Firstly, the robust job creation trend and the growth of the average salary, from €813 in 2014 to €856 in 2017²⁷, have sustained healthy recovery in disposable income, which grew 3.0% in 2017 after successive years of contraction and is expected to grow by 4.1% in 2018e.²⁸ Secondly, consumer confidence improved, rising from negative territory to all-time highs, supported by better financial and macroeconomic conditions.

²⁷ INE

²⁸ AMECO

	Q1'08	Q1'09	Q1'010	Q1'011	Q1'012	Q1'013	Q1'014	Q1'015	Q1'016	Q1'017	Q1'018	Q2'018
Consumer confidence indicator*	(32.5%)	(42.7%)	(30.9%)	(41.3%)	(46.1%)	(49.0%)	(24.8%)	(11.0%)	(11.7%)	(1.5%)	2.8%	1.3%

*Consumer confidence represents the ratio of optimistic consumer views to pessimistic consumer views. A positive percentage indicates a majority of optimistic views, while a negative value indicates a majority of pessimistic views.

Source: Instituto Nacional de Estatística

The Portuguese retail market has benefited from this overall increase in consumer spending, growing by an annual rate of +1.5% between 2012 and 2017. In 2017, it represented approximately 38% of total private consumer expenditure. In particular, the food retail segment has also been positively impacted by the rise in consumer spending, accounting for 41% of overall retail sales and approximately 16% of total private consumer expenditure.²⁹

	2012a	2013a	2014a	2015a	2016a	2017a	2018e	2019e	2020e	2021e	2022e	2012-2017 CAGR	2017-2022e CAGR
Portuguese retail sales (€bn)	44.1	43.7	44.2	45.1	45.9	47.6	49.3	51.0	52.7	54.4	56.2	1.5%	3.4%

Source: PlanetRetail RNG

Food retail in Portugal

Market overview and competitive landscape

Market overview

The Company is the leader in the Portuguese food retail market, operating through 41 Continente hypermarkets, 132 Continente Modelo stores (of which 9 franchised stores of Inesco), 101 Continente Bom Dia proximity food stores, 293 Meu Super franchising network convenience stores and e-commerce channel, as of June 2018.

Consumption from food retail formats in Portugal reached €19.7 billion in 2017. During the crisis, while private consumption suffered several years of contraction (2010-2012 CAGR of -2.9%), food retail showed a better level of resilience (2010-2012 CAGR of -0.5%) due to its non-discretionary nature as consumer demand for food products is less sensitive to income and market conditions than other items of consumer spending of a non-basic nature. Since then, the food retail market has recovered, notably since 2014 (sales 2014-2017 CAGR of +2.3%) and is expected to sustain the upward trajectory demonstrated in recent years (2017-2022e CAGR of +2.9%).³⁰

	2012a	2013a	2014a	2015a	2016a	2017a	2018e	2019e	2020e	2021e	2022e	2012-2017 CAGR	2017-2022e CAGR
Portuguese food retail spending (€bn)	18.7	18.6	18.4	18.8	19.1	19.7	20.3	20.9	21.5	22.1	22.7	1.0%	2.9%
Food retail sales growth	(3.0%)	(0.8%)	(1.0%)	2.2%	1.7%	3.1%	3.1%	3.0%	2.9%	2.8%	2.8%		
Portuguese non food retail spending (€bn)	25.3	25.1	25.8	26.3	26.8	27.9	29.0	30.1	31.2	32.3	33.4	1.9%	3.7%
Non-food retail sales growth	(3.4%)	(0.9%)	2.8%	1.9%	1.9%	4.0%	4.0%	3.8%	3.7%	3.5%	3.6%		

Source: PlanetRetail RNG

Despite the Portuguese food retail market being smaller than in other EU countries (related to the size of the economy and population), it exhibits one of the best short-term outlooks for European food retail growth, with an expected annual growth of +2.9% between 2017 and 2022.

²⁹ PlanetRetail RNG

³⁰ PlanetRetail RNG

	2017-2022e CAGR Food retail sales
Spain	3.1%
Portugal	2.9%
Italy	2.4%
France	1.9%
Germany	1.8%
United Kingdom	0.9%

Source: PlanetRetail RNG

The total food retail space is expected to grow at a 2017-2022e CAGR of +3.2% and bring the current level of penetration of the Portuguese market closer to that of other European economies, particularly in proximity format. Portuguese food retail sales per capita stood at approximately €1,900 in 2017, significantly below related European countries' average of approximately €2,700.³¹

This level of underpenetration is also visible in net retail space per 100 inhabitants, with Portugal's 27 sqm below the 33 sqm European average and far below Germany's approximately 45 sqm.

	Portugal	Spain	Germany	Italy	UK	France	Average
2017 food retail sales per capita (€000)	1.9	2.1	2.4	2.8	3.2	3.7	2.7
2017 sales area per 100 inhabitants (sqm)	27.0	34.4	44.9	18.1	33.7	39.8	33.0

Source: PlanetRetail RNG

The food retail market is composed of two main segments: (i) general (non-specialized) retailers and (ii) specialized retailers. General retailers sell various categories of food and non-food items, while the specialized ones are focused on single categories – such as butchery, fishmonger, fruit & vegetable market and others – and have a very limited offer of multi-category items.³² Specialized retailers have been negatively impacted by the increasing share of modern/organized retail in the market, with the latter currently being the prevailing format.

The main formats of the food retail market are:

- *Hypermarkets & superstores*: self-service stores with a retail space of more than 2,500 sqm, offering both a comprehensive food range and a wide choice of non-food items, discount superstores and superstores.
- *Supermarkets & neighborhood stores*: self-service store with a large food offer, ranging from 400 to 2,500 sqm, delicatessens, food departments, frozen food stores and neighborhood stores.
- *Convenience & forecourt stores*: small format food stores with less than 400 sqm, forecourt stores and travel convenience stores.
- *Discount stores*: limited assortment self-service stores typically trading from outlets of up to 1,500 sqm. Stores are characterized by low service levels, low prices and usually high penetration of private label products.
- *Non-store commerce / digitization*: all e-commerce and traditional “non-brick and mortar” retail sales such as mail order, door-to-door and TV shopping.

As analysed in more detail in the “Competitive landscape” section, the Portuguese retail market is composed by the following main players: Sonae (Continente), Jerónimo Martins (Pingo Doce), Auchan, Schwarz Group (Lidl), Intermarché, Dia, Leclerc and Aldi. Various drivers have been shaping the market over recent years:

³¹ PlanetRetail RNG

³² Company

- *Fresh, prepared, healthy and organic food:* consumption of fresh and prepared food has grown because consumers value time and the convenience of not having to prepare their meals. This is particularly the case of prepared food in the fresh and healthy segment. In 2017, fresh products represented over a third of total monthly food expenses. Moreover, because shoppers prefer not to order fresh products online due to an aversion to poor quality and lack of freshness, product display through the good use of imagery has become of paramount importance. Continente and Pingo Doce are expected to maintain their investments in this category and Lidl is also forecasted to expand and increase its focus on the fresh assortment. Fresh products represented 46% of consumers' purchases in 2017.³³

Retailers have grown their presence in the healthy and organic segment, getting closer to consumers' increasing demand for concepts that value a healthy lifestyle and contribute to the improvement of the consumers' quality of life. In 2017, approximately two thirds of consumers made healthy purchases,³⁴ and this trend has been reflected in retailers' private labels strategies with the introduction of new products. The Portuguese bio & healthy food market is still small compared to other European countries (health & wellness sales per capita in Portugal of €198 vs. average of selected³⁵ European countries of €268)³⁶, but has expanded at a fast pace over the last years with 2016-2017 growth of +18%.³⁷ A survey by Nielsen concludes that approximately 50% of those questioned said they plan to eat more fruit and vegetables, are looking for a healthy diet and will reduce consumption of sugar and saturated/transformed fat.³⁸

- *Growth of the convenience format:* unlike hypermarkets, the convenience market is relatively small when compared to other formats (approximately 1% of the total food retail market). However, due to the high level of accessibility of these stores and a general decrease in the amount of free time enjoyed by new generations, it has undergone high growth (2012-2017 CAGR of +9.5%) and is expected to continue to do so (2017-2022e CAGR of +14.0%). Ease and overall shopping experience are valued as key differentiation factors by consumers, who consider convenience and accessibility (followed by assortment and experience) as the main reason for selecting a food retailer, according to a 2017 survey conducted by Nielsen. Consumers' value stores that can be accessed quickly and easily, that provide a pleasant shopping experience and that have excellent service.³⁹
- *Shift towards digital purchases:* although still low in magnitude, e-commerce is exhibiting high growth, suggesting a progressive shift from physical to digital purchases (Portuguese internet retail market 2017-2022e CAGR of +10%²). Within the internet retail market, mobile is expected to be a major contributor to the high level of future growth, with a 2017-2022e CAGR of +24%².⁴⁰ Evidence of this potential shift towards digital can already be observed – the percentage of the Portuguese population aged between 16 and 74 using e-commerce has more than doubled over the last 7 years (from 15% in 2010 to 34% in 2017)⁴¹. Nevertheless, it is still below the EU-28 average of over 50%.⁴²
- *Value-for-money proposition:* Portuguese consumers are “value” conscious and perceive value for money in private label products vs. branded products. A survey by Nielsen on shoppers' knowledge of

³³ Nielsen

³⁴ Nielsen

³⁵ Selected European countries: France, Germany, Italy, Spain and Portugal

³⁶ Euromonitor International Retailing & Health & Wellness 2017 Editions

³⁷ Nielsen

³⁸ Nielsen

³⁹ Nielsen

⁴⁰ Euromonitor International Retailing & Health & Wellness 2017 Editions

⁴¹ INE

⁴² INE

prices reveals a high level of price awareness and sensitivity – approximately 50% of Portuguese consumers are aware of the price of most products. Furthermore, according to a survey by Nielsen, over 80% buy the usual brands at promotion to stock-up and over two thirds go through great effort to buy at the lowest prices.⁴³

- *Private label*: private label products play a relevant role within a retailers' assortment management practices. As they are unique to each retailer, they are able to create a more prominent relationship with the customer base and to further increase their loyalty. This is particularly the case in the Portuguese market, where customers are particularly aware of market prices and are sensitive to price changes. Moreover, a reason for the increasing private label market penetration mentioned by approximately a third of respondents to a Nielsen's survey was a quality improvement of these products, reaching levels as good as A-brands.⁴⁴ Private label penetration in Portugal is in line with the EU peers average (30% in 2016).

2016 private label penetration (% of sales)	
Spain	42%
Germany	36%
Portugal	30%
Netherlands	27%
France	26%
Italy	19%

Source: Nielsen

- *Promotional activity*: market leadership has been attained on the back of high brand awareness, consumer loyalty, strong private label products, and tight management of promotional activity, in a market that has a high incidence of sales on promotion, both through direct discounts and cumulative loyalty card-linked discount vouchers. In 2017, the incidence of promotion sales in Portugal reached 46%, which is 18p.p. above the European Union average.⁴⁵

2017 incidence of sales on promotion (% of sales)	
Portugal	46%
United Kingdom	34%
European Union	28%
Spain	16%

Source: Nielsen

- *Local supply*: Demand for locally sourced products has risen since the financial crisis. As a result, retailers have been investing in partnerships with local producers (e.g. Continente Producers' Club launched to promote national products, in line with high quality and safety standards and to support its members in a consistent and structured manner). This inspires both a sense of trust in and pride of the assortment, and delivers good scores in customer loyalty.
- *Importance of the hypermarket segment*: representing 21% of the food retail market, this segment maintains its prominence in the Portuguese food retail market and it is currently the second format measured by sales. Although not presenting the same high growth levels as other formats (such as convenience & forecourt stores), hypermarkets are expected to continue growing at a 2017-2022e CAGR of +3.0%, ensuring their position as one of the main market drivers due to the large size of their base.

⁴³ Nielsen

⁴⁴ Nielsen

⁴⁵ Nielsen

Competitive landscape

The Portuguese food retail market is highly competitive and relatively more concentrated than other main European markets through a mix of domestic and international players. In 2017, the top 5 companies represented 70% of total food retail market sales, compared to an average of selected European countries of 61%.

	2017 Market share of top 5 food retailers
Sweden	90.5%
Austria	89.7%
Norway	85.7%
Germany	80.7%
Belgium	78.7%
Ireland	78.6%
Switzerland	77.0%
Netherlands	74.9%
Denmark	73.7%
Finland	71.8%
Portugal	69.6%
United Kingdom	65.0%
France	64.1%
Czech Republic	59.5%
Spain	58.0%
Hungary	54.6%
Poland	47.8%
Romania	39.4%
Greece	33.4%
Russia	31.0%
Italy	27.6%
Ukraine	22.7%
Turkey	20.2%
Average	60.6%

Source: PlanetRetail RNG; Note: selected European countries with total food retail sales above €15 billion

In Portugal, the market has a high representation of two domestic groups: Sonae with 22% market share and Jerónimo Martins with 21% market share, followed by three international players that together hold a 27% share (Auchan, Lidl and Intermarché). The eight largest groups in the country accounted for almost 80% of total sales from food retail formats in 2017. The early arrival of discounters on the Portuguese market, such as Aldi or Lidl, has resulted in increased competition and lower prices and margins over the last decade although they had remained at comparably low market shares when benchmarked with other countries.

	2007 market share of top food retailers in the portuguese market (> 1%)	2017 market share of top food retailers in the portuguese market (> 1%)	2014-2017 market share change
Sonae	14.0%	21.9%	1.4p.p.
Jerónimo Martins	12.3%	20.8%	1.3p.p.
Auchan	6.4%	9.5%	1.6p.p.
Schwarz Group (Lidl)	4.9%	8.8%	1.1p.p.
ITM (Intermarché)	8.3%	8.6%	0.4p.p.
Dia	4.4%	4.1%	-0.5p.p.
Leclerc	2.0%	2.5%	0.2p.p.
Aldi	0.1%	1.1%	0.2p.p.

Note: Ranking excludes department stores due to specific product sale mix

Source: PlanetRetail RNG; Note: based on total sales from food retail formats in Portugal

Between 2014 and 2017, the top 4 players in the Portuguese food retail market increased their market share by more than 100 basis points each, increasing market concentration.

Analysis by format: key players and drivers

Food retail is a highly competitive market in Portugal. The lack of switching costs and limitations to product differentiation have forced retailers to foster the most attractive conditions for consumers, resulting in price competition, promotions and discounts, which all have an impact on margins. To curb this competitive trend, retailers have begun to intensively develop new formats, cross-selling offers, private label products, among other consumer-focused initiatives.

	Food retail sales: analysis by format (€m)						2012- 2017 CAGR
	2012a	2013a	2014a	2015a	2016a	2017a	
Hypermarkets & Superstores	3,749	3,733	3,753	3,847	4,154	4,177	2.2%
Supermarkets & Neighbourhood stores	6,723	6,769	7,034	7,453	7,869	8,304	4.3%
Convenience & Forecourt stores	131	139	145	166	172	206	9.5%
Discount stores	2,314	2,397	2,434	2,493	2,623	2,769	3.7%
Non store commerce	45	48	53	57	67	72	9.9%
Other*	5,746	5,475	4,956	4,763	4,213	4,168	(6.1%)
Total	18,708	18,561	18,375	18,779	19,099	19,695	1.0%

*Includes both other formats and minor players from the main formats

Source: PlanetRetail RNG

Hypermarkets & Superstores (above 2,500 sqm)⁴⁶

Despite the consumer trend towards proximity stores, hypermarkets and superstores remain one of the most important anchors in modern Portuguese food retail with sales of €4.2 billion in 2017, representing 21% of the food retail market.

In 2017, the market was largely split between a few major chains, with the Company being the leading group in this channel through its banner Continente, with a 43.3% market share and more than 277,000 sqm of retail space according to PlanetRetail RNG as of April 2018. Other players include Auchan (with a market share of 36.4% and 217,848 sqm of retail space), Leclerc (with a 12.1% of market share and 56,100 sqm of retail space) and Jerónimo Martins (with a market share of 8.1% and 70,578 sqm of retail space).

This format maintains an attractive growth profile in Portugal on the back of (i) strategic locations that operators have secured inside urban areas and in anchor shopping centers, making them easily accessible even for convenience purchases, (ii) strategy focused on product differentiation, widening the range of products,

⁴⁶ PlanetRetail RNG

services (including cafés and restaurants) and prices, as well as improving offers on takeaway food, as hypermarket operators have been seeking to improve customers' shopping experience, bringing "convenience" to bigger formats (e.g. app, click & collect) and (iii) the positive impact of traffic from adjacent offering (fashion retail, restaurants, etc.). Hypermarkets are expected to continue growing at a healthy pace of +3.0% (2017-2022e CAGR).

Supermarket & Neighborhood stores (between 400 and 2,500 sqm)⁴⁷

Currently the largest format in Portugal, this channel accounted for sales of €8.3 billion in 2017 and represented 42% of the food retail market.

The majority of the Company's sales from supermarkets & neighborhood stores came from its banner Continente Modelo⁴⁸ complemented by its neighborhood stores' format Continente Bom Dia.⁴⁹ Both banners jointly corresponded to approximately 30% of this format's sales and a retail space of 389,000 sqm including franchised stores as of December 31, 2017. Other players in the supermarket channel include Jerónimo Martins with a market share of 45.5% and 490,164 sqm of retail space, Intermarché with a 20.7% market share and 266,172 sqm of retail space, Auchan with a 3.6% market share and 44,940 sqm of retail space. During the last few years, the Company has experienced considerable growth within this channel with a food retail sales 2012-2017 CAGR of +8.1%, making its performance amongst the best in its market along with Auchan with a food retail sales 2012-2017 CAGR of +9.0%. Retailers such as Jerónimo Martins or ITM have had a food retail sales 2012-2017 CAGR of +3.7% and +2.8%, respectively.

Mercadona announced that it would enter the Portuguese market, with the opening of eight to ten stores in Portugal by 2019 through an investment of over €100 million. Mercadona is a Spanish family-owned food retail group. It is a supermarket-only chain focused on offering a limited selection of products under major brands and a wide variety of private label products at very competitive prices ("every day low price" strategy). Initially, the company's logistics center will be based in Póvoa de Varzim and does not intend to open any stores in Lisbon at this stage. An aggressive entry strategy could intensify price competition in the sector, although Mercadona's plans are reportedly small-scale and the nationwide coverage of the Company and Jerónimo Martins, coupled with a firm footprint of discounters, limit its potential short- to mid-term impact in the Portuguese food retail market.

A sustained strong commitment to price competitiveness and selective marketing activities proved successful over the 2012-17 period, with sales registering a CAGR of +4.3%. In many European countries, proximity and smaller food formats have been the main areas of focus rather than large surface openings, leading to a loss of ground from hypermarkets to smaller, more convenient and closer to the customer formats and contributing to the overall positive outlook of this format (2017-2022e CAGR of +5.9%). This expected increase is also due to a larger offering of fresh products and a better store location than hypermarkets, while still offering a wider range of products.

Convenience & Forecourt stores (below 400 sqm)⁵⁰

This format remains small in Portugal with €206 million revenues generated in 2017 and represented only 1% of the total food retail market.

Following the economic recovery, this market segment grew on the back of falling unemployment, rising purchasing power and a decrease in free time, as many convenience stores are located close to homes and workplaces. The convenience and forecourt stores segment showed the highest sales growth levels among physical formats (2012-2017 CAGR of +9.5%) and is expected to further expand in the future (2017-2022e CAGR of +14.0%) with main players further expanding their networks. Ease and overall shopping experience

⁴⁷ PlanetRetail RNG

⁴⁸ PlanetRetail RNG

⁴⁹ PlanetRetail RNG

⁵⁰ PlanetRetail RNG

are valued as key differentiation factors by consumers, who consider convenience and accessibility as the main reason for selecting a food retailer, according to a 2017 survey conducted by Nielsen.⁵¹

Additionally, as the franchising model has developed, there has been a boost of new convenience store openings across the country and this trend is expected to continue. Over the last five years, the number of convenience and forecourt stores (the latter usually placed adjacent to petrol stations) rose by approximately +18% while total retail space grew by approximately +24%, suggesting a trend of a per store size increase in this format to provide more products as it gains popularity among consumers.

Discount stores (up to 1,500 sqm)⁵²

Portuguese discounters achieved sales of €2.8 billion in 2017 and represented 14% of the food retail market.

The Company is not considered a discounter. Schwarz Group, operating through the Lidl banner, is the discount channel leader in the country, which also encompasses other smaller players. In the discount stores segment, Schwarz Group has a market share of 62.4% (225,540 sqm of retail space), Dia has a 29.5% market share (214,656 sqm of retail space) and Aldi has a market share of 8.1% (44,550 sqm of retail space).

Competition between this type of format and other retailers has resulted in an aggressive environment with a low price policy leading to gains in market share, notably during the crisis period (combined market shares of the three discounters: 13% in 2013 vs 6% in 2008). However, market share growth of the largest discount retailers has slowed in recent years, driven by the economic recovery, with its combined share increasing to only 14% in 2017. Moreover, this channel has traditionally had a smaller market share in Portugal than in other European countries⁵³. Discount retailers are currently moving towards a less deep discounter profile, seeking greater diversification, more branded products, a wider range of fresh products and partnerships with local producers, but have also been investing in the opening of new and modern outlets to improve customer experience. Discounters have a particularly strong footprint in the proximity location segment, which further boosts their growth prospects (2017-2022e CAGR of 5.5%).

Non-store commerce / digitization⁵⁴

Digitization has led to the development of modern channels, such as internet retailing and mobile internet retailing. Online sales platforms are still incipient but increasingly being used to buy groceries (especially amongst millennials). Over recent years, non-store retail has been the fastest growing segment (sales 2012-2017 CAGR of +9.9%), with mobile being a major contributor. Smartphone apps, social media and customer service are currently seen as a key driver of consumer loyalty, serving to enhance consumers' shopping experience and promote greater brand desirability and engagement.

Furthermore, non-store commerce also includes traditional retail (such as mail order, door-to-door and TV shopping), which increases the efficiency of retailers' operations. Growth of this format has also been sustained by retailers' omni-channel strategy focused on synergy generation between the different formats in which they operate. The non-store retail business is expected to grow at a +5.9% CAGR over the next five years, in line with the recent past. Major contributors such as internet retailing and (within this segment) mobile internet retailing are also expected to maintain solid growth (2017-2022e CAGR of +10% and +24%⁵⁵, respectively).

	2012a	2013a	2014a	2015a	2016a	2017a	2018e	2019e	2020e	2021e	2022e	2012- 2017 CAGR	2017- 2022e CAGR
Non-store retail sales in Portugal (€m)	44.8	48.5	52.6	56.8	67.0	71.8	76.6	81.4	86.2	91.0	95.8	9.9%	5.9%

Source: PlanetRetail RNG

⁵¹ Nielsen

⁵² PlanetRetail RNG

⁵³ PlanetRetail RNG

⁵⁴ Planet Retail, Euromonitor International Retailing & Health & Wellness 2017 Editions

⁵⁵ Euromonitor International Retailing & Health & Wellness 2017 Editions

When comparing Portugal with other EU economies such as France or the U.K., the former appears still to be underpenetrated (0.36% vs. 3.00% and 5.71% in 2017, respectively), showing that there is significant room for internet food retailing growth.

2017 Internet food retailing penetration*	
United Kingdom	5.7%
France	3.0%
Spain	0.7%
Germany	0.4%
Portugal	0.4%
Italy	0.2%

*Food non-store retail format banner sales / Food retail format national sales
Source: PlanetRetail RNG

Continente continues to develop its e-commerce channel, an area in which the banner is the uncontested market leader with an approximately 70% market share, being the best positioned retailer to profit from the increasing digital trends.⁵⁶

Amazon is not directly present in Portugal but has been active in global food retail since the creation of Amazon Fresh, a food delivery service available in some states in the U.S., as well as London, Tokyo, and a few German cities. In September 2016, Amazon initiated its partnership with Dia in Spain, to increase this retailer's sales of its own brands through the Amazon Prime Now service. The service allows consumers to order from a total of 5,300 products within one hour in the city of Madrid. In June 2017, the partnership was extended to Barcelona and in February 2018 to Valencia.

Food retail remains a particularly challenging segment for e-commerce, facing more advanced receiving functions, produce-specific storage as well as packaging, inspection and cleaning. As of now, Amazon does not have direct operations in Portugal, although Portuguese clients can shop through international platforms (such as British or Spanish). No plans have been announced by Amazon to start operating directly in Portugal. Nevertheless, the potential entrance of Amazon in the Portuguese market could change the established dynamic between current players.

Some of the largest tech companies have recently signed agreements with key retail players (e.g.: Google and Ocado with Walmart and Morrisons, respectively) and will take part in the medium term transformation of the sector on a global scale. The coming years will be decisive in determining which path is taken by some of the largest retail players, such as the Company, with an active collaboration with online operators.

Adjacent retail businesses

The Company also operates other businesses not directly related to food, which accounted for c.13% of its total sales area as of June 30, 2018. These are mainly composed of the following categories:

⁵⁶ *CaixaBank BPI Research*

Format	Brief description	Underlying market	2017 Market size (€m)*	2012- 2017 CAGR	2017- 2022e CAGR
Well's	Para-pharmacies	Drugstores/pharmacies	146	12.4%	11.5%
Go Natural	Organic food	Organic food stores	67	n.a.	26.3%
Bagga	Coffee shops	Foodservice	393	(1.9%)	1.7%
Note!	Stationery and bookstore	Book stores	19	14.0%	19.4%
ZU	Pet care	Pet shops	26	22.7%	18.4%
Maxmat	DIY products	DIY stores	890	6.5%	6.0%

*Values account for the sales of every player in each segment
Source: PlanetRetail RNG

As of June 30, 2018:

- Para-pharmacies: 228 Well's stores, including 28 franchised stores (total sales area of 22 thousand sqm). The Company is the leader in the Portuguese para-pharmacy market with strong brand recognition and a market share of 57%⁵⁷ (+4.4% retail sales 2012-2017 CAGR⁵⁸). The Company has international potential in this segment through a mix of small-scale acquisition opportunities and selective organic expansion.
- Organic food through 10 Go Natural stores (total sales area of 2 thousand sqm) and 28 Go Natural restaurants, including 1 franchised store (total sales area of 2 thousand sqm). The Company is the organic and healthy market leader (with a market share of over 41%⁵⁹), as well as leading in terms of number of consumers who buy organic products (approximately 35% customer penetration⁶⁰) and being the #1 brand in the health and wellness market.⁶¹
- Coffee shops through 136 Bagga restaurants, including 7 franchised restaurants (total sales area of 8 thousand sqm).
- Stationery and bookstore, through 44 Note! stores, including 6 franchised stores (total sales area of 9 thousand sqm).
- Pet supply through 9 ZU stores (total sales area of 1 thousand sqm).
- DIY products through 31 Maxmat stores (total sales area of 61 thousand sqm). This channel is dominated by ADEO through its AKI and Leroy Merlin banners, with a market share above 60%.⁶²

Sonae MC's non-food retail formats have, in general, a leading position in the market through (i) the premium locations of its stores, with many being close to Continente stores, (ii) its differentiated value proposition, supported by strong brand recognition and a wide range of available products, and (iii) efficient operation, leveraging the expertise of the food retail segment gained over the last decades.

⁵⁷ IQVIA, as of 2017

⁵⁸ IQVIA

⁵⁹ Nielsen, as of 2017

⁶⁰ Nielsen, in Q1 2018

⁶¹ Nielsen

⁶² PlanetRetail RNG

BUSINESS

Overview

The Company is the market leader in food retail in Portugal, as measured by sales based on publicly available information and Company estimates, with a market share of 22% as of December 2017, as measured by Planet Retail. In 2017 we have achieved revenue from sales and services rendered of €4,055 million and underlying EBITDA of €301 million, resulting in an underlying EBITDA margin of 7.4%. We have a track record of over 30 years of consistent growth on the back of expanding our store footprint, managing a highly diversified portfolio of banners, formats and channels and maintaining a culture of continuous improvement and efficiency.

Our Company consists of distinctive business lines that offer a wide range of high quality products and services at competitive prices, namely through operations in:

- food, with *Continente* (urban hypermarkets), *Continente Modelo* (large stores), *Continente Bom Dia* (proximity stores), *Continente online* (e-commerce) and *Meu Super* (franchised proximity stores) as well as adjacent formats, such as health & wellness, with *Well's* (para-pharmacies, including health, beauty products, well-being and eye care), and *Go Natural* (organic stores and restaurants); *Bagga* (coffee shops), *Note!* (stationery, books and gifts), *ZU* (pet care and vet services) and *Maxmat* (do-it-yourself, “DIY” retail); and
- management and operation of the real estate assets of our owned stores across formats and banners, with 49% of our real estate being owned by us as of June 30, 2018.

We target the daily and weekly shopping of a diverse range of Portuguese consumers as well as international tourists through an omnichannel and multi-format strategy, based on a well-invested and modern food and adjacent formats retail network of 1,054 stores (567 food retail stores; 487 adjacent formats retail stores), including franchised stores, covering an aggregate sales area of around 834,000 sqm⁶³ (as of June 30, 2018), and a fast growing e-commerce platform (#1 in Portugal according to CaixaBank BPI research, as of 2018⁶⁴). Our business is underpinned by a strong, real estate portfolio in prime urban locations that we believe would be difficult to replicate, with a significant freehold share of 49% as of June 30, 2018.

Having started our operations in 1985, we have a consistent track record of growth throughout economic cycles. Our success is based on (i) a highly experienced management team with over 20 years of experience in Portuguese retail; (ii) a long-term partnership approach with employees, suppliers, authorities and other partners; and (iii) a highly engaged workforce of approximately 30,000 employees. We have a leading position in Portuguese retail and the *Continente* brand has been voted by consumers for 16 consecutive years as one of the most trusted brands in Portugal⁶⁵.

In 2017, our Turnover (which corresponds to total revenue from sales and services rendered) reached €4,055 million, an increase of 5.5% over the previous year. This growth reflects both a robust like-for-like sales performance of 1.3% and the strong expansion plan of our proximity store network.

The 2017 underlying EBITDA was 7.4% of Turnover, corresponding to €301 million. Underlying EBITDA increased 3.1% in comparison to 2016. Our 2017 free cash flow before net interest and dividends and net financial investments⁶⁶ was of €133 million and Cash Conversion⁶⁷ amounted to 53%.

⁶³ Including franchised stores.

⁶⁴ CaixaBank BPI, Iberian Retail research, 29th January 2018

⁶⁵ Reader's Digest.

⁶⁶ FCF before net interest and dividends and net financial investments = Underlying EBITDA – Δ Accounting WC - Income tax expense - Total Net capex + Others.

⁶⁷ Cash conversion = (Underlying EBITDA - maintenance capex - optimization capex) / Underlying EBITDA

The following chart provides additional detail on our business structure:

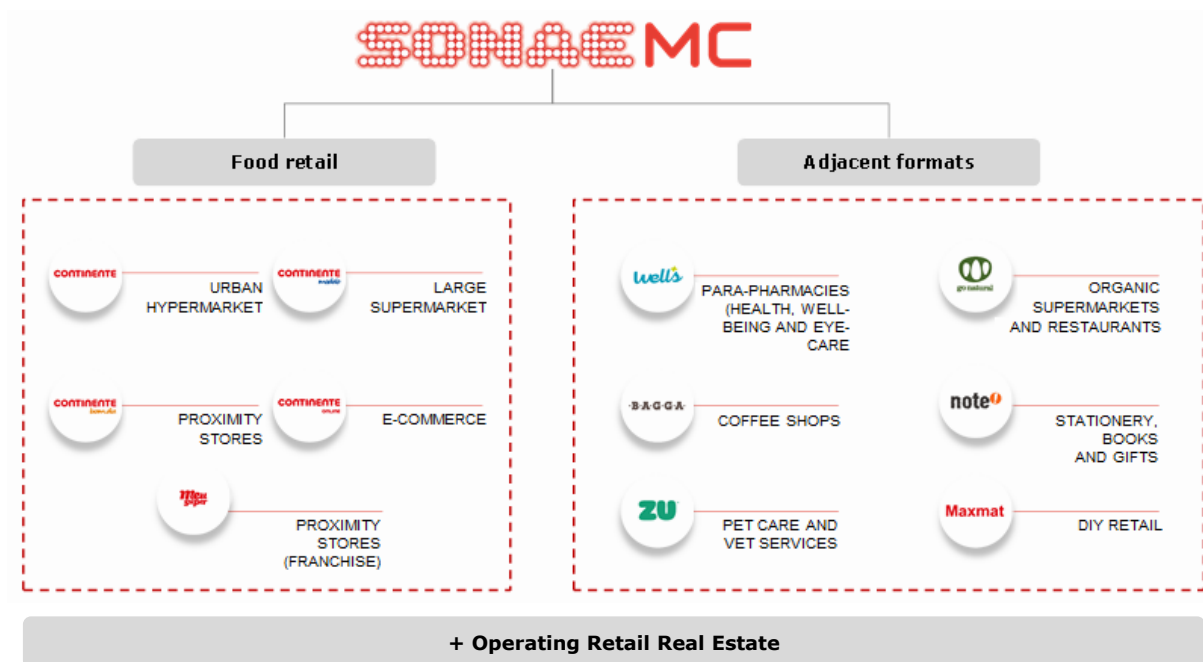


Figure 1 – Sonae MC business structure

History and development

The Company started its operations in 1985, through a joint-venture with the French group Promodés, opening the first hypermarket in Portugal. This marked the beginning of modern retail in Portugal, overcoming decades of low investment in a sector dominated, until that point, by fragmented operators of small stores.

After a brief initial period characterized by the assimilation of the specialized know-how provided by the French shareholder, the Company took control of a professionalized management model, fully assured by local executives. The Promodés' shareholder position soon became, in essence, a mere financial participation, without direct intervention in the day-to-day management of the company.

Throughout the last three decades, the Company strengthened its position as leader of the modern food retail sector in Portugal.

Key historical milestones for the Company:

- In December 1985, the Company opened the first Continente hypermarket in Matosinhos, marking the beginning of a new era for retail in Portugal, previously dominated by fragmented small store operators. The new concept was introduced through a joint venture with Promodés.
- In the early nineties, the Company focused on operational developments, such as implementing a category management model, and advanced information and logistical control systems.
- The addition of Modelo banner, in 1989, reinforced the Company's leading market position and emphasized its focus on growing through large stores located in medium sized Portuguese cities.
- In 1995, Maxmat was created to offer bricolage, building and gardening products to Portuguese consumers.
- In 1997, the Company debuted its proximity store format. Initially named Modelo Bonjour and later rebranded Continente Bom Dia, this format targets consumers day-to-day food purchases.

- In 2001, the Company launched *Continente Online* – the online channel –, and as of today is the undisputed grocery e-commerce leader in Portugal.
- In 2005, the Company expanded its specialized retail offering, with the launch of para-pharmacies under the “*Área Saúde*” banner (later renamed *Well’s*). *Well’s* stores started providing over the counter medicine, cosmetics and other health related products, accompanied with associated services.
- Also in 2005, the Company launched its network of coffee shops, currently named *Bagga*. The Company’s diversification strategy went on to include stationery and bookstore products, through *Note!* (2007), and pet care and vet services through *ZU* (2014).
- In 2007, the Company acquired Carrefour Portugal which included 12 hypermarkets.
- In 2013, the Company reinforced its market position in Madeira island through the acquisition of 9 stores from Sá Group.
- In 2016, Sonae opened its first organic store under the banner “*Go Natural*”; it then acquired 51% of *Go Well* in May 2017 and 100% of *Brio* in May 2017.

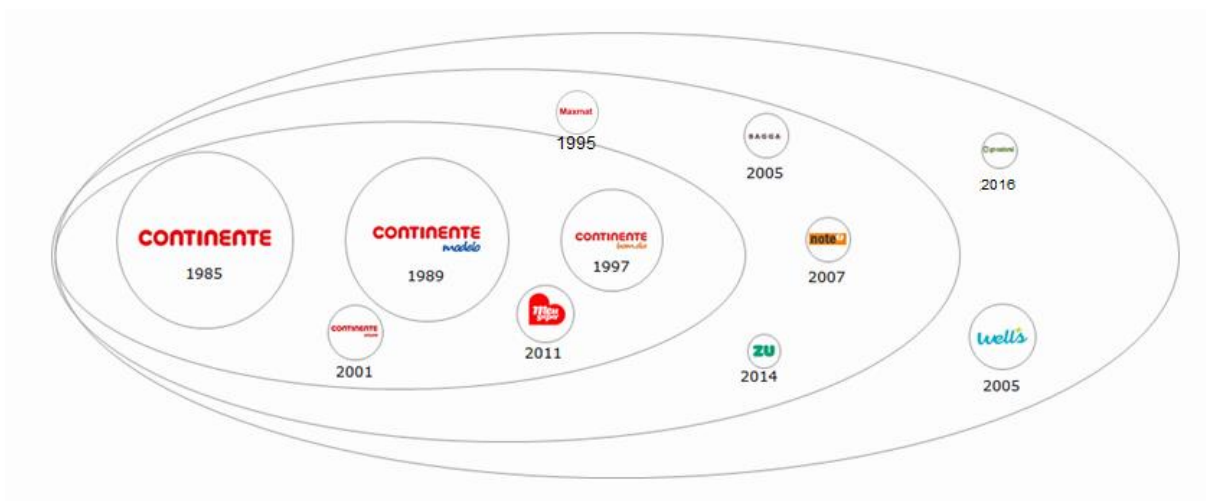


Figure 2 – Sonae MC Universe of brands

Business segments

OpCo

In the food business line, as of June 30, 2018, the Company operated 41 *Continente* hypermarkets, 132⁶⁸ *Continente Modelo* stores, 101 *Continente Bom Dia* proximity stores, and 293 proximity stores through the *Meu Super* franchised network. The Company operates a multi-banner and multi-format approach through the different concepts:

- With an average size of 6,800 sqm, the 41 *Continente* hypermarkets are mostly located in commercial hubs serving Portugal’s major cities, and 22 of which are located in shopping centers. These are set up as “destination stores” located in high-density urban locations, extremely difficult to replicate. *Continente* stores comprise a total area of 277,000 sqm and sell an average of 35,000 different SKUs, of which 10,000 are private label. The stores have an average of 180 employees per store.
- *Continente Modelo* stores are large stores, with an average area of 2,100 sqm, located mainly in medium sized urban centers. *Continente Modelo* is a modern concept based on quality and variety of fresh products, targeting daily shopping. The stores have a strong focus on food and fresh products

⁶⁸ Of which 9 franchised

(around 80% of the sales area). As of June 30, 2018, there were 123 stores owned by the Company, comprising 254,000 sqm, and 9 additional stores at the Azores archipelago, which are part of a franchise agreement. An average of 16,000 different SKUs are sold in every *Continente Modelo*, of which 4,000 are private label. The stores have an average of 55 employees per store.

- *Continente Bom Dia* operates urban proximity stores, with an average area of around 1,200 sqm. The stores offer a variety of fresh products, focused on frequent daily shopping. Typically have integrated coffee shops and each customer visits the store on a weekly basis. The 101 stores comprise around 124,000 sqm in total, with each selling, on average, 9,000 different SKUs, of which 3,000 are private label. The stores have an average of 37 employees per store.
- *Meu Super* is the Company's smallest food retail format, with sales areas between 52 sqm and 940 sqm (180 sqm on average). Mainly located in residential areas, stores are operated exclusively through franchising agreements. As of June 30, 2018, there were 293 stores with a total sales area of around 52,000 sqm. *Meu Super* stores sell 2,000 different SKUs per year and about half of product references are from Continente's private label.

87% TOTAL SALES AREA					
Food retail format	URBAN HYPERMARKETS	LARGE SUPERMARKETS	PROXIMITY SUPERMARKETS	PROXIMITY STORES (SMALLER FORMAT) (FRANCHISING)	
Year of 1 st opening	1985	1989	1997	2011	
% of Sonae MC's total food sales area	~38%	~38%	~17%	~7%	
# of stores (as of June 30 th , 2018)	41	132 ⁽¹⁾	101	293	
# of stores opened in L2Y (2016-17; net)	1	1	44	90	
Average sales area per store ('000 sqm)	~6.8	~2.1	~1.2	~0.2	
Offering (% sales area) 				n/a	
Average # of SKUs ('000)	~35	~16	~9	~2	
Average # of private label SKUs ('000)	~10	~4	~3	~1	
LFL growth (2016, 2017, 1H18)	Positive	Positive	Positive	Positive	

CONTINENTE

GROUP

Note: Sonae MC's store data as of June 2018. Information regarding number of SKUs calculated based on 2017 average monthly figures.
 (1) Figure includes 9 Continente Modelo franchised stores located in Azores.
 Source: Company information, Instituto Nacional de Estatística (INE).

In 2016, 2017 and the six months ended June 30, 2018, the Company focused on expanding the proximity / convenience segment with the opening⁶⁹ of 49 *Continente Bom Dia* and 88 new franchise stores through the *Meu Super* format.

The Company offers an attractive value proposition through a large variety of food and non-food products at competitive prices. In addition to branded goods, the offering is complemented by a large range of private label products and through a broad fresh produce offer that is available across the different store formats, addressing key consumer requirements.

Continente Online is the Company's platform for online shopping and the undisputed leader by sales in the fast growing grocery e-commerce channel in Portugal⁷⁰. Covering the entire country, *Continente Online* enables clients to make their purchases either through the Company's website or via its own App. The e-commerce

⁶⁹ Net additions

⁷⁰ CaixaBank BPI, Iberian Retail research, 29th January 2018

channel offers both home delivery and click and collect options, via in-store collection or drive in. Available 7 days a week, customers can choose either to pay online or at delivery. The marketplace within *Continente Online* comprises 8 stores in store, offering access to the major food banners as well as to *Well's* products online.

Through *Continente Online*, customers can access a series of benefits, such as free deliveries, early bird campaigns and product substitutions with price match refund (if the original products are cheaper than its substitutes). The business is run with a continuous focus on leveraging the Company's deep knowledge of the customer journey to improve the full customer experience.

An entrepreneurial company by nature, the Company spun-off several brands that were born within the Company's hypermarkets and stores assortment / offering. As of June 30, 2018, the Company operated 200 *Well's* para-pharmacies⁷¹, 27 *Go Natural* organic restaurants⁷² and 10 stores, 129 *Bagga* coffee shops⁷³, 38 *Note!* stores⁷⁴ and 9 *ZU* stores, all of them typically located close to the Company's hypermarkets and stores. The Company also runs 31 *Maxmat* stores. As of June 2018, the combined adjacent formats including *Maxmat* have a total sales area of around 103,000 sqm.

Well's is a para-pharmacy brand providing over the counter medicine, beauty and personal care, dietary supplements and other health and wellness related products. The brand also offers a wide range of services, such as beauty, nutrition, hair, nail salon and anti-smoking advice. Additionally, it has recently started to focus on optics and eye care services. As of June 30, 2018, there were 200 *Well's* stores owned by Sonae MC, with an average of 100 sqm, totaling around 20,000 sqm. Additionally, there are 28 *Well's* stores operated by franchisees. On average, 2,000 SKUs are sold in a *Well's* store.

Go Natural provides organic food through restaurants and stores. The 28 restaurants provide healthy and dietary restricted meals, emphasizing fresh and organic ingredients. The Company owns 27 restaurants, with an average of around 60 sqm, totaling around 1,700 sqm. Additionally, one restaurant is operated under a franchising regime. The banner has an ambitious expansion plan with several openings / acquisitions in the last two years. The 10 *Go Natural* stores have an average of 260 sqm, comprising a total area of around 2,600 sqm and selling more than 3,000 SKUs per store, mainly in the organic and healthy categories.

Bagga is the Company's urban coffee shops brand, complementing its offer with simple meals. It focuses on coffee, pastries and breads, served in comfortable environments. *Bagga's* network comprises 129 owned stores of 60 sqm, comprising a total area of around 8,000 sqm, in which an average of 400 different SKUs are sold per year. Additionally, there are 7 stores managed through a franchise agreement, in Azores.

Note! stores sell stationery and bookstore products in a modern and young setting. Its offering is complemented by convenience amenities, such as mail, pay shop and printing services. We have 38 owned *Note!* stores, with an average area of 210 sqm, totaling around 8,000 sqm. Each sells an average of 3,000 SKUs/year. Besides these, there are 6 *Note!* stores managed by franchisees.

ZU is our pet store brand, providing food, products and services for cats and dogs. The *ZU* stores are in close vicinity of the Company's bigger stores, so that clients can leave their pets for grooming or veterinary services while shopping. Today there are 9 *ZU* stores, with an average of 100 sqm, in which 1,000 SKUs are sold per year. The total brand footprint is around 1,000 sqm.

Maxmat is a discounter focused on the DIY, light construction, bathroom and garden segments. Founded in 1995, it is a well-established brand with strong resonance among Portuguese consumers. Unlike other adjacent formats, it typically operates standalone, not in conjunction with our food retail formats. Today we operate 31 *Maxmat* stores with an average of 2,000 sqm, selling an average of 11,000 SKUs.

⁷¹ Excluding franchised stores.

⁷² Excluding franchised stores.

⁷³ Excluding franchised stores.

⁷⁴ Excluding franchised stores.

PropCo

Based on a strong real estate backbone, we manage and operate our owned stores across formats and banners. As of June 30, 2018, we owned 49% of our real estate. We believe the real estate underpinning and the knowledge we have in this space allows for additional operational flexibility as well as benefits us in the pursuit of our expansion strategy.

Our real estate team actively manages our portfolio and engages in sale & leaseback transactions where appropriate to unlock value. In light of such approach, we have reduced our level of freehold from 72% in 2014 to 49% in June 30, 2018.

Our Strengths

We believe that the following key strengths ideally position our business to capitalize on the expected positive developments of the Portuguese macro environment as well as the expected growth of the domestic food retail market⁷⁵, underpinning our leading position in the sector. Our business portfolio spans across banners and formats both in food retail and adjacent retail offerings where we also hold leading positions. Our omnichannel offering is supplemented by a leading position in the e-commerce segment in Portugal, both in internet retailing and food and drinks online retailing according to broker CaixaBank BPI, as of January 2018⁷⁶.

Supported by clear growth avenues, we believe that we are well positioned to pursue our disciplined and profitable growth strategy, taking full advantage of our lean and efficient business model. We also benefit from very high customer recognition/engagement and loyalty, which is exemplified by the strong adherence to our Customer Loyalty Card program which guarantees a 2% minimum annual discount.

We deliver value to customers through management of our targeted brand-led and private label grocery offering and a wide breadth of non-grocery product offering. This forms the basis of our Group's multi-price point product range in a context of city center and out-of-center stores, thereby allowing us to compete in a large addressable market. Within our relevant markets, our Group focuses particularly on the Portuguese food retail segment, which was worth approximately €20 billion in 2017, according to PlanetRetail RNG, as of April 2018.

Our Group has benefitted from positive like-for-like growth of 1.3% for the year ending December 31, 2017, supported by focused investment into our existing store base, a targeted pricing strategy and an ongoing improvement of our offering, including fresh produce, private label and variety of SKUs. In addition to our food retail offering, we have developed a strong set of smaller sized businesses that complement the Company's ecosystem and have been enjoying strong growth in recent years.

We believe that our key strengths are as follows:

Unique opportunity to gain direct exposure to the attractive Portuguese food retail market

The Portuguese economy has continued to show strong signs of economic improvement and the current macro environment is thriving. Following an economic recession starting in 2009 (with several years of negative real GDP growth), in 2013 the country began a recovery phase with positive real GDP growth and declining levels of unemployment. All these factors are beneficial to the overall disposable income of Portuguese households, which has increased by 3.0% in 2017 and is expected to grow by 4.1% and 3.6% in 2018 and 2019 respectively, according to the *Instituto Nacional de Estatística* (the "INE"). Furthermore, other economic indicators such as improving balance of payments support a sustainable economic growth model.

A combination of these factors is reflected in increased consumer confidence, according to Banco de Portugal, which in turn has supported a continuous and sustainable growth in private consumption, which has in 2017 surpassed pre-crisis levels.

⁷⁵ Planet Retail RNG

⁷⁶ Euromonitor International Retailing & Health & Wellness 2017 Editions

We therefore believe that the overall fundamentals remain supportive for our main consumption categories, which is further supported by the outlook for the Portuguese food retail market, which is expected to grow at ~2.9% p.a. until 2022, according to PlanetRetail RNG, as of April 2018, at a higher level than selected key European countries.

The Portuguese food retail market has a relatively low penetration in terms of sales area per inhabitant when compared to other European countries, with an average sales area of 27.0 sqm per 100 inhabitants (compared to an average of selected European countries⁷⁷ of 33.0) according to PlanetRetail RNG, as of April 2018. We believe that the low penetration is particularly visible in the convenience/proximity segment, one of our growth areas.

There are a few key trends affecting the Portuguese food retail market today, which Sonae is well positioned to capitalize on. Firstly, consumers are increasingly focused on fresh and healthy. The increasing awareness of customers around health & well-being can be seen by the growth rate of the Portuguese Bio & healthy food market, which grew by 18% year-on-year on 2017 according to Nielsen as of March 2018. Secondly, consumers appreciate optionality to choose the right format for their shopping mission, as can be seen by positive growth rates across formats in Portugal. One of the fastest growing segments of the market is the convenience segment. This is an additional key trend in the Portuguese market, as customers increasingly seek convenience offering, due to ease of access and pleasant shopping experience. Finally, consumers are looking for a strong value-for-money proposition. Portuguese customers have a high level of price awareness and sensitivity, which is shown by the highly promotional environment in the Portuguese market. As of 2017, 46%⁷⁸ of sales in Portugal were on promotion, which compares to a European average of 28%⁷. This has also led to an increased offering in the private label segment.

We believe that the medium to long-term prospects of the Portuguese modern food retail sector remain very positive and that our market leading position, customer proposition, and track record of innovation and development of new formats positions us well to further capitalize on this attractive market. Through the variety of our offering in the food as well as the non-food segment, we believe that we have a very attractive offering for the Portuguese consumer as well as tourists. As one of the leading retailers in Portugal by sales, we offer a unique opportunity to invest into the attractive Portuguese market environment.

Market leadership in Portugal with 22% market share in attractive food retail sector

We have the highest market share among competitors in the Portuguese food retail market according to PlanetRetail RNG, as of April 2018. Despite the competitive environment in Portugal, from national as well as international competitors, we have been able to grow share by 7.9% percentage points since 2007 according to PlanetRetail RNG, as of April 2018. Our leading position is also reflected in the online space where we are leader in both internet retailing and food and drinks online retailing according to Euromonitor, as of January 2018⁷⁹.

Based on our diversified offering and strong price positioning together with a leading online platform, a long standing customer loyalty program and a nationwide presence through 567 food retail stores, we have managed to significantly and consistently grow our market share in Portugal, reaching 21.9% of the grocery market in 2017.

We offer a multi-banner omnichannel strategy with presence in the Hypermarket, Supermarket and Proximity segment (all via owned stores or leased stores, except for *Meu-Super* our franchised smaller format proximity stores), as well as through our leading e-commerce platform. The variety of offering together with the multi banner format and a leading e-commerce platform is a key differentiating factor vs our competitors which are mostly focused on one or two formats only.

⁷⁷ *Selected countries include: Spain, Germany, Portugal, France, UK, Italy*

⁷⁸ *Based on Nielsen's figures as of 2017*

⁷⁹ *Euromonitor International Retailing & Health & Wellness 2017 Editions*

Sonae MC has also historically invested significantly in its price positioning and promotions and is currently one of the price leaders in Portugal, according to DECO. The Portuguese market is very promotionally intensive and therefore this has and will continue to be a key focus area of Sonae MC to continue to sustainably grow its market share.

On the back of an improving environment in Portugal we have expanded our store network in the recent years at a faster pace than our competitors, having grown our sales density around two times ahead of the market between 2012 and 2017, compared to 3.3% by the market according to PlanetRetail RNG, as of April 2018, further strengthening our leading position in the Portuguese food retail market. The key driver of our growth in sales area has been *Continente Bom Dia*, our proximity store format.

In terms of our online presence, we are the undisputed leader by sales⁸⁰ both in terms of market share and overall capabilities in the channel. We offer 'click & collect', nationwide home delivery and drive-through options. In addition, we opened the first dark-store⁸¹ in Portugal in 2015, to better service our customers around the Lisbon area. Our flexible operating model allows us to cover 70% of the population with full e-grocery offer (100% national coverage for dry goods only orders). All this together has resulted in Sonae MC's order volumes more than doubling between 2012 and 2017.

Finally, we also are the leading company in health & wellness, with the Continente's Private Label having a higher market share than any other brand in Portugal, either third party or own brand, according to Euromonitor, as of January 2018⁸². A segment in which we see a lot of potential due to changing customer needs in line with an increased focus on health and well-being. We are present in the healthy nutrition market through the Bio & Saudável concept stores within our *Continente* stores and the *Go Natural* organic stores and restaurants dedicated to healthy food. We have achieved a market share of 41% in the Bio & Healthy market in 2017⁸³. On the para-pharmacy market, *Well's* is the undisputable market leader with a market share of 57%⁸⁴.

Our broad set of formats and leadership positions allow us to capture opportunities in the underpenetrated and growing Portuguese food retail market. Our leadership position further showcases our unique value proposition and the management team's ability to lead in a competitive environment.

Unparalleled presence and network capillarity to respond to all shopping missions, complemented by high-growth e-commerce platform

Our unparalleled store network with multiple format enables us to respond to the various customer needs, whilst reducing the risk of being overexposed to one specific format type. Additionally, we are able to capture all shopping missions from convenience to online which translates into an increase in customer loyalty/engagement and brand awareness. Our strong real estate footprint is also a key asset that provides higher flexibility for the business and shows an ability to source and develop best-in-class stores in premium locations, driving customer awareness and brand reputation.

Our leading market position by sales, multi-regional presence, proven customer proposition and ability to penetrate a broad range of locations with our differentiated store formats and offerings, provide a strong platform to pursue our future expansion. In particular, it enables us to play a key role in capitalizing on the anticipated growth of the Portuguese food retail market and expected increase in consumer spending, with the potential to leverage economies of scale from our existing operational infrastructure.

Our store network is continuously refined and adapted to the latest consumer needs. We believe that this nationwide network in attractive urban locations is a strong differentiating factor versus our competitors as we are the only player in Portugal with presence in all segments, enabling us to capture all pockets of demand. In

⁸⁰ CaixaBank BPI, Iberian Retail research, 29th January 2018

⁸¹ Retail outlet or distribution centre that caters exclusively for online shopping

⁸² Euromonitor International Retailing & Health & Wellness 2017 Editions

⁸³ Nielsen Homescan: Sonae's market share vs Hypers+ Supers (exc. Lidl) in 2017

⁸⁴ Estimate based on IQVIA's figures for para-pharmacies' mass market as of 2018. Excludes pharmacies

addition, our store network is very hard to replicate for our competitors, resulting in a key advantage vs. existing competition as well as a market barrier for any new entrants. For example, ~50% *Continente* Hypermarkets are within 1 km of a population center of at least 5,000 inhabitants.

We believe our diversified offering in terms of store formats as well as our distinctive offering across the food and non-food segment is an attractive value proposition for the Portuguese customer as well as the increasing amounts of tourists in Portugal.

E-commerce platform

Our leading e-commerce platform⁸⁵ has full national coverage for any dry goods only orders and 70% population coverage for full e-grocery offer. It has been operating for over 15 years and is at the forefront of the digital channel in Portugal, driving the growth and direction of the segment. Sonae MC operates as a fully omnichannel food retailer, taking full advantage of both its in-store and e-commerce capabilities to better service its customers.

We continue to be a pioneer in the e-commerce segment. In 2015 we opened the first “dark store” in Portugal, located in Lisbon which accounts for over 50% of total online orders. We also have been playing a major role with regard to the AI efforts in Portugal – our Smart APP allows customers to make shopping lists through voice commands and makes recommendations to customers through the use of AI, having already around 78,000 registered users accounting for more than 20% of our online turnover.

We continue to invest into our e-commerce operations to further enhance customer experience in line with the demand from online customers, who are more technologically advanced, tend to have higher income, and value an extensive range and high quality of items. Therefore, *Continente* is actively increasing the number of pick-up points to accommodate online customers as well as offer subscription based models for certain products, as for example pet care and fresh produce.⁸⁶

Our e-commerce platform offers over 50 thousand SKUs on both home delivery (including same-day delivery) and click & collect with the optionality of using the drive-through service in certain locations. The offering has been well received and therefore order volume has grown around 2.3 times since 2012. Through the *Sonae* ecosystem the platform is able to offer customers an online marketplace (8 stores in store), which extends beyond food retail. The platform offers the same benefits (and more) as physical stores, including price competitiveness, promotions and options to use the benefits of the *Continente* loyalty card.

Exceptional brand power and customer engagement that drives strong customer loyalty

Continente is the most recognizable brand in Portugal, with 100% brand awareness⁸⁷, being #1 in Top of Mind⁸⁸, and has the largest community of followers on Facebook among corporate brands in Portugal (~2 million fans)⁸⁹. The brand is very well perceived by Portuguese customers and is seen as a standard for high quality⁹⁰. Based on our internal analysis on the number of active users of our loyalty card together with the INE data regarding the number of total households, 85% of Portuguese households make regular purchases in stores and customers typically visit our stores 6 times per month⁹¹. *Continente* has been voted as the “Most Trusted Brand” in Food Retail for 16 consecutive years by Reader’s Digest as of March 2017. We also have several initiatives for community engagement, such as festivals or charitable foundations (“*Missão Continente*”).

⁸⁵ *CaixaBank BPI, Iberian Retail research, 29th January 2018*

⁸⁶ *Subscription service with periodic orders of selected products.*

⁸⁷ *Based on a study by Instituto de Marketing Research (IMR) on behalf of Sonae as of March 2018*

⁸⁸ *Based on a study by Instituto de Marketing Research (IMR) on behalf of Sonae as of March 2018*

⁸⁹ *Socialbakers, as of September 2018*

⁹⁰ *100% brand awareness based on a study by Instituto de Marketing Research (IMR) on behalf of Sonae as of March 2018*

⁹¹ *Company estimate*

Our brand is a strong differentiating factor driving our success. Brand awareness and customer engagement drive growth through continued frequent purchases from existing customers as well as new customers that are attracted by the brand equity and reputation of Sonae MC and our stores, across formats. Our brand is also a critical success factor of our new store roll-out program, as it guarantees traffic from day 1 through high levels of awareness.

The loyalty card is a powerful insight into customer behavior and a strong tool to drive customer acquisition and retention via permanent rewards or cash-back reward mechanism. With over 3.7 million households in Portugal as users⁹², it enables us to offer the customer focused and targeted promotions via personalized discount coupons via in-depth knowledge of the customer base through customer segmentation models. Additionally, it is a unique data source to support our store expansion and optimization programs.

The loyalty card program together with our strong brand and long standing experience in the Portuguese retail market demonstrates our strong knowledge of our customer base and enables us to react quickly to changing consumer behavior or new trends in the industry as well as allowing us to have a competitive offering to our customers. We believe that this unique combination of customer insight is a clear differentiating factor and one of the reasons for our leading position by sales in the Portuguese retail market⁹³.

Highly efficient business model with state-of-the-art supply chain, supporting Sonae MC's price leadership while maintaining a large breadth of assortment and high quality standards

We have more than 30 years of history in the retail segment and therefore have built a culture of continuous improvement. We were one of the first retailers globally to have successfully implemented the Kaizen model to optimize processes. We believe that we have a state-of-the-art supply chain management allowing the group to operate in a highly efficient manner as substantiated by best-in-class margins.

The quality and efficiency of our supply chain management is a critical asset, enabling Sonae MC to deliver its high quality products at exceptional value to its customers, while retaining a margin advantage over its competitors. Our highly efficient logistics and purchasing processes facilitate the successful roll-out of new stores in affluent cities / regions nationwide.

We consider the key strengths of our supply chain to be our wide broad supplier base and long-term and well-established procurement and buying relationships (approximately 90% of 2017 purchases come from suppliers with a relationship of more than 5 years). This is reinforced by our strong category management capabilities with strong analytical support. We have state-of-the-art logistics and stock management practices, based on a centralized transportation and warehousing network and our highly efficient stock forecasting and monitoring systems. Our logistics and stock management operations are carried out in 9 specialized distribution centers, resulting in around 212,000 deliveries per year. Finally, we have a strong track-record of in-store cost initiatives and strict control processes.

Control over our supply chain guarantees the strong quality of our products and services, supporting our best-in-class brand reputation and customer loyalty. Strong relationships with multiple suppliers allow us to provide a broad assortment of products to our customers, with an unparalleled number of SKUs in our stores. Furthermore, our strong stock management capabilities mitigate stock disruptions and their impact in our supply chain, which could affect customer service and thus brand reputation.

Evolution and implementation of new technology enables us to improve efficiency in items such as stock status and ordering, and check-outs (queue management, self-service, in-app coupons).

Overall, we believe our supply chain capabilities have enabled us to become one of the most efficient and profitable food retailers in Europe, comparing favorable vs the wider food retail sector⁹⁴ in sales per sqm, EBITDAR margin, and EBITDAR per sqm.

⁹² Based on our internal analysis.

⁹³ CaixaBank BPI, Iberian Retail research, 29th January 2018

⁹⁴ Selected listed Continental European food retailers (Carrefour, Jerónimo Martins, Colruyt, DIA, Casino, ICA and Axfood)

Strong financial profile: Good LFL Growth⁹⁵, Best-in-class Margin, >40% Real Estate Ownership

Reflecting the competitive strengths outlined in this section, we have achieved strong financial results over the last few years, increasing turnover at a CAGR of 5.6% for the two-year period ending December 31, 2017. This performance is driven by a combination of like-for-like sales growth (1.3% in 2017 and 2.1% in 2016) and growth from sales from new stores.

This positive development has continued in the six months ended June 30, 2018 with turnover growth of 6.4% versus the same period last year. This growth was achieved on the back of positive like-for-like sales growth of 2.8% vs prior year and continuous store network expansion.

Our low price, high-volume, low-cost operating model, with consistent emphasis on cost-control throughout the organization, in-store operations and supply chain operations, is reflected in a competitive gross margin. *Continente* and *Continente Modelo* rank 2nd and 3rd respectively, in the latest DECO basket price index (Portuguese Consumers' association) as of June 2018, with better price positioning than international discounters.

We have demonstrated a strong and resilient cash generation profile that allows to fund a substantial investment program while pursuing an attractive dividend policy. We have invested €464 million⁹⁶ in our existing store estate in the last three and a half years and in addition opened 172 owned stores in the period of December 31, 2015 to June 30, 2018, further driving profitability and top line growth.

Our strong financial profile is further strengthened by our decision to strategically own more than 40% of our real estate network. We consider the real estate ownership as a strong differentiating factor as it provides better control over cost structure on operational assets, greater flexibility in designing and amending assets layout and is difficult and costly to replicate our network given its attractive locations and nationwide presence.

As of June 30, 2018, we owned 49% of the real estate of our stores, thereby shielding our store network from fluctuations in rental prices and the loss of leases, while retaining the flexibility to modify, adapt and re-fit our stores without requiring landlord permission. In the past, we have pursued sale and lease back transactions, to take advantage of the improving macro environment in Portugal, generating material cash inflows. In the medium-term, we plan to maintain a level of ownership of >40%, with the opportunity of partially taking advantage of an attractive real estate market environment to potentially dispose selected assets.

Our strong financial performance has been supported by a prudent capital position and the Company plans to maintain a maximum net debt / underlying EBITDA target of approximately 2x. We also expect to maintain an attractive dividend policy, with a dividend pay-out of at least 40-50% of our adjusted net income after non-controlling interests.

Business strategy

Our business strategy combines the following elements, aiming to further continue our strong track record of delivering profitable growth by leveraging our business model to benefit from the ongoing economic recovery of the Portuguese macro environment and capitalize on the growth outlook for the Portuguese retail market, in particular the food retail market, while reinforcing our value proposition and leveraging our digital platform and expanding our store network.

We have a clear strategy in place to continue like-for-like growth through a number of initiatives, including the continued evolution of our store formats, the omnichannel and digital offering and an increased focus towards fresh produce, private label and healthy nutrition offering, while maintaining a leading price positioning and developing our value perception.

In addition, the roll-out of new stores, especially in the proximity segment is expected to contribute to the overall growth profile of the business. Finally, we expect to continue expanding into the Health & Wellness

⁹⁵ LFL includes stores that operated under the same conditions in comparable months YoY

⁹⁶ Include investments in non-store areas (IT, warehousing, logistics and e-commerce)

segment, a segment which is expected to grow by 11.5% in the period 2017 - 2022⁹⁷, and is planned to become a strong leg of growth going forward, as the market in Portugal continues to develop.

To ensure that we are able to deliver on our strategy, we have a highly skilled and experienced management team, combining international best practices with in-depth local Portuguese market knowledge in the food retail sector. Based on its longstanding experience in the Portuguese food retail market of over 30 years, the management team has detailed knowledge of local market trends as well as its key competitors and provides us with the skills and expertise required to implement our planned growth trajectory. Our core management team has a proven track record throughout different economic cycles, which provides further comfort in achieving our growth strategy.

Our growth strategy is based on three distinctive strategic drivers:

Reinforce distinctiveness in critical consumer preference attributes so as to drive traffic and basket size

Leverage key operational processes so as to ensure best in class efficiency

Exploit market opportunities so as to capture relevant value pools

Reinforce distinctiveness in critical consumer preference attributes

We intend to support like-for-like growth through a distinctive set of measures that aim to increase the value perception of our business as well as our brand and drive store traffic. Therefore, we will continue to focus on improving the customers' value proposition by maintaining price leadership and further improvement of our offering. We will continue to strengthen our value proposition through a combination of continuous improvement in customers' price perception as well as increased efficiency of targeted promotions. It is expected that promotional efficiency can be further increased by leveraging on data collected through the customer loyalty program, leading to an increase in foot traffic and price perception.

Focus on fresh produce and private label, allied with value management is expected to drive our customer value proposition. Increased focus on fresh produce also reflects the increased awareness of customers towards health and awareness and is seen as creating the "identity" of a store, underpinning its quality and variety of products offered to customers.

The continued focus on improving the intrinsic and perceived quality of fresh produce as well as widening the range offered is an important organic like-for-like growth driver as it increases foot traffic into the store (given the inherent nature of perishable products) and reinforces relationships with the customer (through its quality and value proposition). Our key leverages include continuously improving the product quality perception, optimizing end-to-end supply chain and continuing to fine tune and differentiate our product range. Our growth strategy in fresh produce is supported by strong and long-lasting relationships with suppliers. For instance, approximately 90% of supplier expenditure is with suppliers with whom we have had a commercial relationship for 5 or more years.

We have a very strong private label offering and expect to increase our focus on private label development, as these products are a strong driver of our brand identity and due to rising quality of the products customers increasingly turn towards private label. Our goal is to secure market leadership through an offering that is distinctive in the market. When comparing private label penetration in Portugal with that of other European markets, we see that there is still strong potential for growth in the segment (Portuguese private label penetration of 30% vs 36% in Germany and 42% in Spain, according to Nielsen in 2016), contributing to our LFL.

Finally, a key area of focus will be healthy nutrition. The Portuguese organic food market is expected to continue to grow. To address the increasing demand for healthy nutrition we plan to continue to consolidate the *Bio & Saudável* areas, which are dedicated to the organic food platform within *Continente* stores further optimizing the value proposition and offering for our customers. In addition, we plan to optimize end-to-end supply chain and embed advance decision support tools and automatism. Additionally, following the acquisition

⁹⁷Estimated based on IQVIA's and PlanetRetail RNG figures for para-pharmacies' mass market, as of 2018. Excludes pharmacies

of *Go Natural* restaurants and *Brio* organic stores (re-branded into *Go Natural*) in 2017, we plan to expand this business through a focused roll-out plan of organic stores and restaurants to capture new consumer trends.

Leverage key operational processes

All these measures are complemented by an ongoing investment program into our store estate. An optimal store environment and lay-out significantly drives the customer's perception of the overall offer and enhances the shopping mission of our customers. Our stores are our business card and therefore, a key pillar of our growth strategy. A continuous refurbishment program ensures store quality and positions us strongly to address changing customer's needs. A large part of these refurbishments is also the combination of the food retail stores with other formats (e.g. *Well's*, *Bagga*), which we see as a way to further increase foot-traffic and improve profitability.

There are three key areas of value creation from store optimization: (1) increase in revenues from increased foot-traffic to new space; (2) improvement in productivity and profitability as less personnel is needed for smaller sales area and processes are optimized; and (3) new adjacent formats and a more attractive gallery generate additional sources of income.

We have a continuous focus on efficiency and effectiveness from individual best practices to long-term innovative projects. As part of our strategy, we constantly revisit our processes to ensure that we identify any overheads and saving opportunities. Our strategy is focused on individual responsibility and contributions for contiguous areas and global call-for-solutions initiatives. We have a number of identified efficiency programs that are focused on process simplification & automation, customer offer and value proposition simplification, joint value creation (namely with suppliers), redesign & take cost out of the system and zero based costing & budgeting. This will be further strengthened by emergent technologies experimentation, such as augmented reality for logistics, automatic admission of lorries in warehouses, conversational commerce, indoor positioning, and wearables for injury prevention.

Exploit major market opportunities

We see three main areas of development to exploit major market opportunities, including i) e-commerce & digital, ii) roll out of proximity stores and iii) Health & Wellness

i. Leverage digital platform and capture e-commerce growth potential

We believe that through leveraging the Company's digital platform and e-commerce potential, which is still in early stages in Portugal, continued growth can be achieved. As we are the leading player by sales⁹⁸ in this fast growing channel, we believe we are well positioned to capture this future growth opportunity. A key growth area is the application of digital to improve the customer's shopping experience, through digital tools, such as voice ordering, self-check-out, self-scanning solutions or customer support via WhatsApp. We also focus on data analytics to increase personalization and targeted promotions.

An additional avenue of growth in the area of digital is through the customer loyalty card. As of March 2018, approximately 88%⁹⁹ of our turnover was through the loyalty card and this represents a very strong driver of customer acquisition and long-term retention. By continuing to broaden the ecosystem coverage, by adding new own and third-party brands, and expanding into new sectors, we will increase customers' benefits and therefore reinforce the use and "usefulness" of the card to the end customer. The ease of use for the customer has been further increased by a new app (*Cartão Continente*) that was launched in February 2018 and already has around 400 thousand subscribers, which will allow for better insights into the customers shopping habits and more targeted promotions at lower costs.

We believe that the e-commerce channel is complementary to our food and non-food retail formats, allowing for a holistic customer experience across different shopping occasions and leveraging the capability of our store network. Our leading e-commerce platform, together with our customer loyalty program allows us to

⁹⁸ *CaixaBank BPI, Iberian Retail research, 29th January 2018*

⁹⁹ *Portugal mainland data as of March 2018*

exploit and react quickly to upcoming shifts in the market, such as new trends or consumer needs. The e-commerce is a fast growing segment in Portugal, although from a small base. Sonae MC, as the market leader¹⁰⁰ by sales and a pioneer in new trends in the channel is ideally positioned to capitalize on this growth. Our online business is growing rapidly and we expect this growth to continue and over time to contribute to the overall profitability of the business, due to increased scale.

Our selected initiatives include the focus on customers to improve their online experience, the optimization of our e-commerce platform (e.g. last mile efficiency) and the enhancement of other logistical capabilities, such as our dark stores and expansion of our coverage.

ii. *Roll out of proximity stores*

Given the low penetration of the proximity sector in the Portuguese food retail market, we believe there is a clear opportunity to continue to expand the store estate with particular emphasis on the *Continente Bom Dia* smaller formats. The Portuguese proximity sector has grown by 5.2% p.a. in the period 2013 – 2017, according to PlanetRetail RNG as of April 2018, demonstrating an increased preference of the Portuguese consumer to shop in this format. Our roll-out plan in proximity is expected to be a key driver of our growth and we see a big opportunity in further developing this format.

In 2016 to the six months ended June 30, 2018, 49 *Continente Bom Dia* stores have been successfully opened and the management believes that a large white-space opportunity across the country remains. Through the use of data analytics, we have a targeted approach to the expansion, to identify attractive locations for future roll-out and as such we are confident that we can achieve our roll-out plan. Our key criteria for new store openings focus on the density of population and disposable income in the area, the number of proximity stores in the area and the pre-existence of *Continente* stores. The expansion will be focused on the Porto and the Lisbon areas, whereby Lisbon is expected to be a focus market due to lower existing Sonae MC presence and attractive demographics, including higher concentration of purchasing power.

As we are an attractive tenant, and therefore have strong support from institutional landlords, we are confident that we will be able to secure attractive locations in the future to continue our roll out plan. Going forward, we expect to open approximately 18 *Continente Bom Dia* stores per annum in 2019-2021.

iii. *Health & Wellness*

We aim to develop our Health & Wellness ecosystem by sustaining sales growth and expanding services. Based on our leading position and supported by fundamental mega trends, such as an ageing society and focus on health and wellbeing, we believe we are strongly positioned to continue our growth profile in this attractive segment, through a focused roll-out program (including owned and franchised stores). In addition, an international expansion might be explored through selective acquisition opportunities in other European countries. On September 28, 2018, we announced that our subsidiary Modelo Continente Hipermercados S.A. Sucursal en España had entered into an agreement to acquire a 60% stake in Tomenider SL, the holding company of Arenal Perfumerias S.L.U. (“Arenal”), for a total estimated consideration of around €45 million. Arenal is a Spanish parapharmacy and perfumery retail company with a network of 41 stores across the north of Spain and a turnover of €97 million for the year ended December 31, 2017. This transaction will enable the Company to further expand its position in the Health & Wellness segment, and is aimed at strengthening the assets and competences of both Well’s and Arenal. The founding family will continue managing the business, maintaining a 40% stake in the Company and securing the adequate rights for a shareholder of this nature. The completion of the transaction is subject to antitrust approval and is expected to take place in the first quarter of 2019.

By leveraging its key levers such as continuing to expand its banner through new store openings, launching new complementary businesses and reinforcing its optical value proposition, Sonae MC is able to further differentiate itself against competitors and continue to achieve attractive growth rates.

¹⁰⁰ CaixaBank BPI, Iberian Retail research, 29th January 2018

The health & beauty market is expected to grow significantly, at 11.5% CAGR from 2017-2022, according to PlanetRetail RNG and IQVIA as of 2018. Sonae MC is ideally positioned to capture on this growth, as market leader. The Company has a proven track record of market share growth, from around 46% in 2012 to 57% in 2017.¹⁰¹

Full-Year 2018 Trends and Medium-Term Financial Targets

For the year ended December 31, 2018, we currently estimate that:

- we will open a total of approximately 18 new *Continente Bom Dia* stores (seven stores opened in the six months ended June 30, 2018, with 11 openings planned for the second half of 2018);
- we will open approximately four *Continente Modelo* stores in the second half of 2018;
- our underlying EBITDAR margin and underlying EBITDA margin will remain stable compared to the year ended December 31, 2017;
- we will incur total capital expenditure of approximately €215 million, approximately €115 million of which will be maintenance and optimization capital expenditure and approximately €100 million of which will be expansion capital expenditure; and
- we will target a freehold level of approximately 45% by year-end 2018.

In the medium term (i.e., through the year ended December 31, 2021), we target opening between 50 to 60 new *Continente Bom Dia* stores and between four to eight new *Continente Modelo* stores. In addition, we target opening around 150 new adjacent format stores in the period of 2019-2021. We are targeting to maintain our underlying EBITDAR margin and underlying EBITDA margin broadly stable, assuming a freehold level of approximately 45%. Over this period, we target spending an average of approximately €115 million per year in maintenance and optimization capital expenditure and cumulative gross expansion capital expenditure of €260-280 million. We are targeting cumulative gross proceeds from sale-and-lease-back transactions to be between €60-80 million in the two-year period 2019-2020. We are also targeting achieving a net debt-to-underlying EBITDA ratio of around 2x at year-end and below 2x for the years 2019 to 2021.

These management targets should not be read as indicating that we are targeting such metrics for any particular fiscal year. These management targets are internal targets against which we measure our operational performance and should not be regarded as a forecast or expected result or otherwise as a representation by us or any other person that we will achieve these targets in any time period. Our ability to achieve these management targets is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, and upon assumptions with respect to future business decisions that are subject to change.

In preparing our full-year 2018 trends and medium-term financial targets described above, we have in general assumed that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, accounting policies and accounting treatments), which, individually or in the aggregate, would be material to our results of operations, and that we will not become party to any litigation or administrative proceeding that might have a material impact on us of which we are currently unaware. The assumptions on which we have based our full-year 2018 trends and medium-term financial targets include the following:

- the macroeconomic conditions will not suffer material changes compared to its current momentum;
- the market dynamics and competitive landscape will remain similar to the current market situation;
- the terms and relationship with our suppliers and customers will be in line with recent years, and our brand reputation and customer engagement will remain intact;

¹⁰¹ Estimated based on IQVIA's figures for para-pharmacies' mass market, as of 2018. Excludes pharmacies

- the costs relating to personnel and rents will not suffer any unexpected change or material disruption;
- we will successfully execute our growth strategy to enhance our customer value proposition and customer perception through a focus on fresh produce, healthy nutrition and private label products and strengthen our e-commerce and health and wellness businesses;
- we will be able to continue our store network optimization strategy and improve our efficiency and effectiveness; and
- we will be able to find attractive locations and continue our store expansion plan at the pace that we target.

Certain statements in this section, in the section “*Summary—Business Strategy*” and in the section “*Business Strategy*,” including in particular the full-year 2018 trends and financial targets described immediately above, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under “*Forward-Looking Statements*” and “*Risk Factors*.” Investors are urged not to place undue reliance on any of the statements set forth above.

Geographical presence

Sonae MC stores are spread throughout Portugal, with a relative distribution across the regions in line with demographical density. Approximately 95% of the Portuguese population is within a 10km distance of one of our food retail stores. Despite our large national store footprint, the Portuguese grocery retail market is still underpenetrated in terms of store footprint as compared to other key European benchmarks, highlighting that there is an opportunity to expand further.

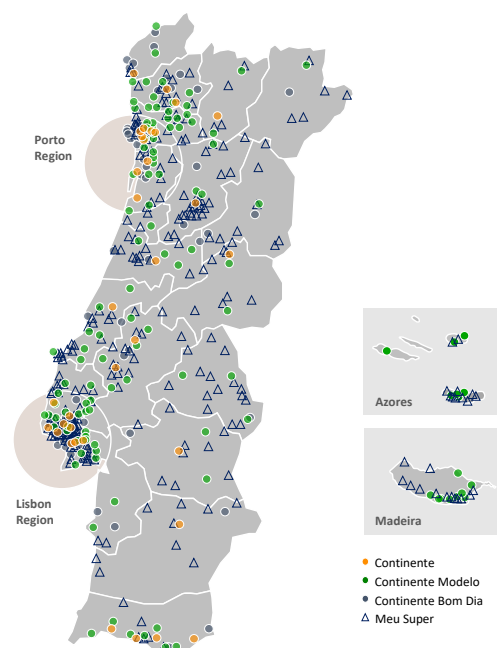


Figure 4 – Sonae MC’s food retail Stores, as of June 2018

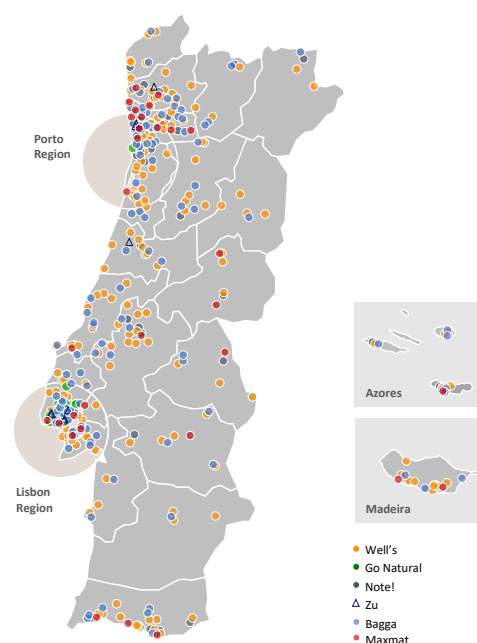


Figure 5 – Sonae MC’s adjacent format stores, as of June 2018

We have a strong nationwide footprint with focus on the key urban areas of Porto and Lisbon, which together account for approximately 40% of our total sales area in food retail.

Suppliers

In 2017, Sonae MC worked with an important supplier base – approximately 3,000 – with the top 20 suppliers accounting for approximately 34% of total purchases. The Company selects its suppliers based on

criteria of product quality, price competitiveness, service levels, innovation skills and sustainable management practices.

Sonae MC views its suppliers as partners that contribute to a common goal of offering the Company's customers a wide range of quality products, at the best possible prices. As such, the Company values lasting and trusting relationships, following a collaborative management model that generates value for all stakeholders. For instance, approximately 90% of 2017 purchases came from suppliers with a relationship of over 5 years.

In the agri-food sector, Sonae MC works directly with national producers through the Continente Producers' Club, launched in 1998. The club's mission is to promote national products, according to high standards of quality and safety, and support its members in a consistent and structured manner. Producers benefit from having a guaranteed buyer for their production, while Sonae MC is sure to be offering its customers Portuguese products of proven origin and quality. In 2017, the club represented a total purchase amount of about 150,000 tons of national products, worth €260 million, from about 200 entities. It also launched a pioneering initiative, The Producers' Club Academy, consisting of a training program for a group of producers.

Sonae MC promotes suppliers' innovation and encourages fairer and more sustainable supplier's processes – it was the first Portuguese retailer to sign the European Code of Conduct on Best Practices in the Food Supply Chain. The company is also a member of IFA – an international purchasing center.

Supply Chain

Sonae MC's supply chain strategy is based on four key building blocks: (i) buying and commercial management; (ii) logistics and stock management; (iii) store operations and (iv) marketing and client interaction.

We have best-in-class standards for buying and commercial management. Our broad supplier network includes over 3,000 suppliers. Our top 20 suppliers account for 34% of total 2017 purchases. We maintain very strong relationships with our suppliers in a pro-active manner. In 2017, approximately 90% of our purchases came from suppliers with whom we have had a relationship for over 5 years. Sonae MC has ranked first for 8 consecutive years on the Suppliers Evaluation Ranking¹⁰². We have also several initiatives such as the Fresh Produce Club ("Clube de Produtores"), created over 20 years ago. It includes around 200 producers and allows us to establish a collaboration with its members to facilitate innovation and production improvement. In addition, we have our in-house private label portfolio development.

Our logistics and stock management operations are catered around three core pillars of sustainability, continuous improvement and innovation. We control and manage the entire goods flow from supplier to store shelves. This includes skills, systems, processes and operations. Our culture of continuous improvement and innovation drives several integrated optimization opportunities via changes in systems, (e.g. forecasting system), organizational and operational processes (e.g. optimizing warehouses layouts) and Gemba Kaizen Events. We also continue to focus on business innovation with bespoke solutions for growing business landscape (e.g. E-commerce, non-grocery products, coffee shops, bio) serving efficiently smaller and diverse formats and products, as well as end-to-end supply chain management (e.g. assets usage across industries and sell empty trips to suppliers). To ensure a tight control across all processes, we have a constant monitoring of key metrics in place. This includes metrics, such as total cost of the supply chain, measured as percentage of turnover to manage trade-offs efficiently, total stock coverage across formats and products as well as out of stock measurements.

Our store operations are monitored by strict control processes with a continued focus on efficiency improvement. We believe that we have a well-established culture of store operations that has resulted in a proven track record of reducing controllable store costs. In the period 2007 – 2017 the number of FTEs have been reduced by around 14%, whereas general expenses have been reduced by around 16% based on management figures. This has been achieved by operational discipline on store level that is tracked and monitored by clearly defined KPI's. In addition our IOW initiative (improving our work) has resulted in more than 90 projects saving around €8 million.

¹⁰² *As per Advantage Report™ Mirror 2017*

The search for efficiency gains across the whole supply chain includes initiatives in all areas to improve stock ratios, wastage, logistics, store operations and out-of-stock situations. Projects are often based on integrated opportunities for optimization, with changes in one area of the supply chain being designed to create benefits downstream (e.g., organizing pallets by product type to improve store shelf stocking efficiency). Optimization is achieved by changes in systems (e.g., new forecasting system), in the supply chain organization (e.g., consolidated deliveries of several temperatures to the same store), in the operational processes (e.g., optimizing layouts to accommodate growth in stores without growth in warehouses) and through continuous improvement at the team level (e.g., improving the time to load a truck).

Although Supply Chain optimization is a continuous and never-ending process, Sonae MC has achieved a reliable and optimized base state, from which it is able to serve more businesses as they are created. The Company continues optimizing cost and service every day to reinforce the total profitability of the business, while it searches for innovation to prepare the retail supply chain for different types of product and delivery model.

Sonae MC considers the following to be key distinctive strengths of its value chain:

- The established, and well managed, asset base from which the Company can operate all types of products and flows, including the increasingly international inbound and growing wholesale presence.
- A fully owned and continuously optimized set of systems that give logical commands to all physical infrastructures in terms of demand planning, replenishment calculations and operational optimization (production planning, vehicle routing, etc.).
- A stable and skillful management team that runs the day-to-day operations and is knowledgeable of the whole business, thereby being able to make sharper operational decisions, while also driving a global optimization over longer time horizons.

Value offer

Sonae MC's food brands have a unique value proposition within the Portuguese market. In addition to privileged locations, a vast product variety and a rich shopping experience, the Company's food brands aim to offer a broad range of products at the lowest price ("Tudo aos preços mais baixos"). This strategy is mainly twofold: offering competitive prices every day, complemented with an efficiently managed promotional activity.

The variety of the assortment, comprising a wide range of private label products (representing more than 40% of sales) covering several non-food categories, as well as different tier positioning in food - with diverse banners: "é" for the most economic, "Continente" for the generalist and "Continente Seleção" catering to more premium preferences - enabling each customer to select the most favorable option.

A good performance in the DECO price study – the most renowned recurrent price comparison study in Portugal - illustrates Sonae MC's price leadership in the Portuguese food retail market. This is achieved through careful monitoring of market prices and a well-designed promotional program strengthened by the variety of the assortment.

June 2016		October 2016		June 2017		October 2017		June 2018	
Brand	Index	Brand	Index	Brand	Index	Brand	Index	Brand	Index
Continente	100	Continente	100	Jumbo	100	Continente	100	Jumbo	100
Continente Modelo	101	Continente Modelo	101	Continente Modelo	101	Continente Modelo	100	Continente	102
Jumbo	105	Jumbo	104	Continente	102	Jumbo	101	Continente Modelo	102
Intermarché	112	Intermarché	115	LIDL	107	Pingo Doce	108	Pingo Doce	106
Pingo Doce	112	Pingo Doce	115	Pingo Doce	110	LIDL	110	Intermarché	112
Minipreço	118	Minipreço	119	Intermarché	112	Intermarché	111	Minipreço	113
LIDL	119	LIDL	120	Minipreço	112	Minipreço	112	LIDL	113

Figure 6 - DECO price comparison (the cheapest brand scores 100), as of June 2018

Marketing and communication

Communication strategy

Sonae MC manages several leading brands, such as Continente, Continente Modelo, Continente Bom Dia, Meu Super, Bagga, Go Natural, Note!, ZU, Well's and Maxmat. Continente is the leading brand in the Portuguese food retail sector and is considered the most “trusted brand” – “Marca de Confiança” – for 16 consecutive years according to Reader's Digest as of March 2017. It has 100% brand awareness, the highest rate for a brand in the country¹⁰³.

The communication strategy of Continente intends to convey and reinforce the message that “What yields is to go to Continente stores”- “O que rende é ir ao Continente” -, because consumers can find “the greatest variety of low prices” in the Company's stores. The promise reflects the brand's mission, which is to democratize consumption and translates into the leverage of three main topics - Price, Private Label Brand and Fresh Produce - which are seen as the major arguments for brand communication. 85% of Portuguese households make regular purchases in Continente stores¹⁰⁴, highlighting the consumer engagement and brand equity.

Marketing channels

To ensure the dissemination and amplification of communication initiatives, Continente has multiple touchpoints that enhance the chances of reaching consumers with the same message, several times. In addition to own media - Continente Online, stores, logistical vehicles, Continente Magazine (best seller of all Portuguese “food loving magazines”), Facebook, Instagram and Twitter – Continente also invests heavily in advertising (paid media), mainly in television (but also other media formats), and also in earned media, through public relations. It is also important to highlight that Continente has the largest Portuguese community of followers on Facebook (around 2 million fans), having the largest food retailer page in Southern Europe. Moreover, Continente Online is the most relevant online food store in Portugal, with more than 500,000 clients registered, and more than 15 years of activity. It was the first of its kind to open in Portugal.

Marketing initiatives

Continente's marketing activities consist of several initiatives that allow it to offer a variety of low prices and establish links with relevant communities – customers, partners and local / national organizations. With regard to the “price” dimension, the promotional plan is key, which is composed of periodic and thematic campaigns, which allow customers to try out new products or acquire others at low prices. As far as the relationship with the communities is concerned, it is worth mentioning the Clube de Produtores Continente, through which the brand relates to its producing partners and encourages and promotes national production, as well as Missão Continente, which fits all initiatives of social responsibility and sustainable development of the

¹⁰³ 100% brand awareness based on a study by Instituto de Marketing Research (IMR) on behalf of Sonae as of March 2018

¹⁰⁴ Company estimates

brand, in particular in the food areas (e.g., in 2016, Missão Continente donated more than €550,000 to finance projects dedicated to the promotion of familiar health; it also aided more than 800 NGO's with food donations). It is equally important to highlight a set of activations and partnerships of the brand, which strengthen its relationship with the consumer, namely Festival da Comida Continente, which promotes gastronomic culture and facilitates the access of customers to renowned chefs (the last event had 500,000 visitors), as well as the partnership with the Portuguese Football Federation, which allows families to follow the games of the national football team at lower prices (plus 800,000 tickets sold for national team games).

Customer loyalty program

Sonae MC manages the largest Portuguese loyalty program – the Continente Card. The program was launched in 2007 and was immediately a great success among Portuguese families. One of the key success factors was that, unlike most loyalty programs that use a points-based system, Continente Card's currency is real money, being much simpler and tangible for customers. Today, the program has 3.7 million active households¹⁰⁵, representing 85% of the Portuguese households¹⁰⁶. In 2017, Continente Card granted more than €270 million in discounts.

The Continente Card is a unique loyalty program, fulfilling three strategic goals:

- Driving customer acquisition and retention: either through permanent rewards (2% minimum yearly discount to members), or through the cash-back reward mechanism that ensures customers circulation between the associated brands and return to store. Continente Card's sales penetration rate can be considered a benchmark worldwide with 88% of purchases being made by cardholders¹⁰⁷;
- Constituting a promotional tool for brands: using different rewards-schemes, such as general discounts (i.e. in store for all members), but mostly by introducing personalized discount coupons based on the client's purchase history. To bring offers to customers the Company uses multi and cross-channel strategies (mail, SMS, email, POS' coupons, mobile App) that are optimized for each customer profile. The targeted coupons scheme has been running for many years now, and has proven to be a success, with more than 60 million coupons redeemed in 2017;
- Being a source of unrivalled in-depth customer knowledge: the frequent use of the card by customers allowed Sonae MC to collect and analyze crucial information, creating a deeper understanding of customers' preferences and needs. Therefore, the Company was able to create concepts such as Sales Equation ($\text{Sales} = \text{Customers} \times \text{Frequency} \times \text{Average basket}$) and develop many customer segmentation models (aggregation of customers with similar characteristics in discrete groups). This knowledge turned out to be critical for modelling client's behaviors that drive business value and support many daily business decisions. As an example, one of the most relevant segmentation models is the Value Segmentation, which groups clients according to spending and frequency, or the Geographic Segmentation, which groups customers for residence location or favorite store, critical information for store expansion.

Loyalty program's key initiatives (selected examples, non-exhaustive):

- *Continente Card Ecosystem* – since 2012, *Continente* extended the card usage to brands outside Sonae MC, in order to integrate all possible spending areas of Portuguese families and increase the cardholders' share-of-wallet between brands, by promoting customers' circulation. Therefore, other Sonae group brands (such as MO or Zippy) are integrated in the program, as well as other brands outside the Sonae group (such as Galp, Burger King or Pizza-Hut). At that time, *Continente* started a permanent card reward on fuel, in partnership with Galp (coupon of 10c per liter in Galp fuel for each €30 spent in *Continente*)¹⁰⁸.

¹⁰⁵ This number might double count for more than one card per household.

¹⁰⁶ Sonae MC estimate considering a universe of 4.1 million households in Portugal (source: INE).

¹⁰⁷ Based on our internal analysis. Portugal mainland data as of March 2018.

¹⁰⁸ Terms are different in the Madeira island.

In 2015, Sonae SGPS launched a new payment card – Cartão Universo – whose rewards, as a cash-reward of 1%, are credited through the Continente Card.

In 2017, Continente Card comprised a network of 19 partners, covering a vast area of the customers spending.

- Being Digital – following market trends and customer feedback, Continente Card has moved beyond rewards by taking advantage of the new digital technology opportunities. Thereby, an ambitious digital program is underway, focusing on revamping the card's value proposition by introducing new functionalities and services and improving the multi-channel customer experience. Moreover, by promoting digital channels, a more flexible and efficient operation and client delivery is expected.

Already in 2018 Continente Card launched a new mobile App, which already has around 400 thousand subscribers and introduced the following features for customers:

- Ability to join the loyalty program digitally – paperless and plastic-free.
- Manage and redeem discount coupons in-app – replacing letters sent by mail.
- Have access to exclusive discount coupons and other benefits.
- Check purchase history for all brands.

Continente Card aims to continue to introduce new products and hyper-personalized services, based on a very close interaction with customers, strengthening its position as the largest loyalty program in Portugal, based on the loyalty program's penetration rate in terms of turnover.

Digital transformation

Downstream of the broad and deep social impacts of technology in today's daily life, consumption habits and sectors of activity, Sonae MC regards digital transformation as a pivotal aspect of its future.

Sonae MC is and has been a leader in the online food retail sector, through *Continente Online*, whose proposal is reinforced by mobile applications, particularly the *Continente App*, which is an extension of the online store, and the new Smart App, which allows customers to make shopping lists through voice commands and also has the ability to make suggestions through artificial intelligence. Also worth mentioning that the *Continente Card App* allows users to enjoy personalized discounts, as well as access to their shopping history, and the existence of the App "Tira a Vez", which speeds up in-store purchases with service assistance – bakery, fishmongers, butcher's shop.

Sonae MC has not only digitized hundreds of processes, developing in-house more than 120 projects, but has also structured a continuous connection with Portuguese and international start-ups for the development of several pilot projects. The ultimate goal of all these efforts is to ensure more agility, simplicity and more coordination in projects.

Sonae MC's digital transformation process is being implemented across different divisions under the leadership of a Digital Champion executive, with the permanent monitoring of the senior management team. It is an organized process, structured under three strategic pillars / macro initiatives:

- (1) Omnichannel, intention to standardize the customer experience of the brands touchpoints - physical stores, Continente Online, mobile applications, social networks and institutional site
- (2) *Continente Card Platform*, objective to align the expansion of partners with the usage network of the mobile App
- (3) Store Automation, ambition to consolidate existing solutions and introduce new ones, which will facilitate the buying process and improve the experience of the customers. The highlight goes for the self-checkout boxes, the self-scanning solutions and the introduction of customer support via WhatsApp in the physical stores.

Information technology

Sonae MC's IT is operated by a centralized structure that manages its productive environments and governs the implementation of innovative solutions. This structure's scope covers not only the retail value chain but also the corporate functions (e.g. Administration, Human Resources, and Financial Management) that supports IT.

The integrated, scalable and modular IT architecture combines core solutions with customized business-specific applications, to fully support all the business processes and to provide competitive advantage to the business units. The core applications are managed on an on-premises infrastructure to minimize risk and dependencies of external entities. Around these core applications, there are several cloud and on-premise solutions that are holistically managed through a hybrid infrastructure.

The IT Architecture has been evolving in the last years and is grounded in the following principles:

- Open, aligned with best standards and practices, thus allowing Sonae MC to leverage it to build strong partnerships and new business models.
- Modular, ensuring a smooth “plug & play” of new solutions through well-structured and flexible integration layers of services exposed through APIs.
- Lean, promoting efficiency through the elimination of redundant or obsolete solutions.
- User Experience Centric, implementing solutions, services and processes with extensive consideration of the end-user's needs.
- Real-Time, enabling the flow of relevant business information aligned with business requirements.
- Analytical, enabling historical, current and predictive analysis of relevant business operations and respective system functions.
- Secure, ensuring availability, integrity and confidentiality requirements.

The supply chain is mostly ensured by an architecture that supports a centralized logistic model, in order to maximize synergies and efficiency. New business models have also leveraged synergies by capitalizing in the repurposing of the B2C ERP, enabling agility and low investment on their launch. Additionally, store operations have been setup under principles of resiliency and high availability, as both front-office and operational solutions are able to function even in the absence of communications between the stores and main data centers. Retail head-offices have been empowered with several planning solutions (e.g. Assortment, Pricing) that are integrated with the B2C ERP. Sonae MC is taking advantage of digitization to optimize productivity, with examples being the use of voice technology to support the pick-up processes within its warehouses and mobile applications to orchestrate in-store operations (without being anchored to a specific workplace).

Regarding processes that ensure business continuity, Sonae MC has:

- a Disaster Recovery Plan to ensure the restoration of critical business applications within the aligned RTO in a remote Data Centre, in the case of a disaster on our primary Data Centre;
- a backup & restore policy in place for all information assets that follow industry best practices and ensures information integrity, availability and security; and
- a cross-business continuity program with regular drills that ensure the organization's ability to continue operating in the presence of critical incidents or disasters.

To ensure cyber-security, Sonae MC detains:

- a clear and well-established Information Security Policy with the objective of preservation of confidentiality, integrity, and availability of systems and information;
- a security architecture that deploys state-of-the-art technologies to secure information assets;

- Central Logging and Audit Trails to trace relevant activities in relevant Information and Infrastructure assets;
- a Security Operations Centre where security events are monitored and correlated on a 24x7 basis;
- applications and network access management policies, processes and tools;
- security Incident Management processes;
- regular audits and compliance checks and penetration test are executed; and
- “Security By Design” principles are incorporated and implement for every IT solution.

Customer experience is a central driver of the architecture, providing seamless transitions between physical and digital customer interactions to accomplish the defined omnichannel strategy. Several shopping experiences are already available to Sonae MC’s customers, such as buying online and picking-up in-store (e.g. in-store or via drive-through) and buying in-store and having the products delivered at home. Convenience is also being driven through the digitization of the loyalty card (actionable through an app) and in-store ticketing services, as well as the use of cutting-edge technology, such as artificial intelligence for product recommendation and augmented reality for online catalogues.

Finally, the loyalty platform has evolved to an integrated ecosystem, allowing the customer to use loyalty card in the front-offices of external partners. The loyalty program, together with other sources of structured and unstructured information, feeds a data warehouse that is complemented with several big data and advanced analytics tools. The integration layer is being pushed towards enabling API services, operational data lakes and event driven triggers.

Properties and assets

As of June 30, 2018, Sonae MC owns an attractive real estate portfolio reaching a freehold of 49%. The real estate portfolio comprised over 100 locations. This portfolio provides Sonae MC with an enhanced control of its cost structure, stability in operations by securing best locations and warehouses, and higher flexibility to refurbish owned premises.

The company actively manages its portfolio under a value-optimization strategy which includes acquisitions, divestments and sale and lease back transactions.

The following table presents Sonae MC's ten largest (by total sales area) owned and leased properties, all of which are under the *Continente* banner:¹⁰⁹

Owned properties		Leased properties	
Location	Area (sqm)	Location	Area (sqm)
Gaia, GaiaShopping	11,300	Lisboa, CC Colombo	11,183
Amadora, CC Continente	10,127	Lisboa, CC Continente Telheiras	10,051
Matosinhos, NorteShopping	10,045	Montijo, Fórum Montijo	8,383
Guimarães, Guimarães Shopping	9,300	Maia, MaiaShopping	8,340
Seixal, Rio Sul Shopping	9,206	Loures, CC Continente	8,279
Oeiras, Oeiras Parque	9,164	Leiria, CC Continente	8,198
Braga, Minho Center	9,074	Guia, Algarve Shopping	7,986
Porto, Dolce Vita Antas	9,000	Lisboa, CC Vasco da Gama	7,484
Cascais, CascaisShopping	8,855	Coimbra, Fórum Coimbra	6,731
Coimbra, CoimbraShopping	8,550	Nova Arcada, CC Continente	6,459

Innovation culture

Sonae MC's continued focus on innovation allows the company to envision changes in society and key challenges for the upcoming future. Close to 1,200 employees were directly involved in research, development and innovation projects in 2017, among many more participants in innovation-sparking activities. Innovative solutions, services, processes and products are equipping Sonae MC for the future, strengthening the Company's core competences for the global arenas faced, where major trends announce enormous challenges, but also great opportunities.

Some examples illustrate the innovative projects undertaken in 2017:

- With the goal to increase and lead the coffee capsules market, Sonae MC developed a coffee machine exclusive for Continente clients, with focus on design and performance. A range of coffee capsules with different flavors, origins and intensities was also developed specifically for this machine. Through high quality and genuine flavor, the experience of the clients was improved. This solution increased the category's sales by 30%.
- Seeking to create awareness about the fact that customers can order personalized cakes at Continente stores and improve the process of registration of these requests, the cake reservation App – "Cake Factory" was created. The App simplifies the process and enables customers not only to personalize their cakes in an engaging way, but also to choose the store from which they want to pick it up. By simplifying this process, "Cake Factory" drives both awareness and sales, providing the customer with an interesting experience and improving the order accuracy. The result was a 10% increase in the category's sales.
- Acknowledging the retail industry continuous evolution and the magnitude of the digital transformation, Sonae MC finds imperative to be close to the tech community, sitting in the front row of technological advancements. The Company participated in the biggest hackathon in the country, presenting to the participants four key retail challenges and lecturing three talks. Additionally, Sonae MC activated a "distinctive booth" made of cardboard, representing its creativity and offered VR cardboard headsets showcasing a virtual reality video about the work environment of Sonae MC's technology department.

The Company is also continuously trying out emerging technologies. Some examples of the experiences conducted in 2017:

- Augmented Reality for logistics training was tested to highlight and explain to new employees the functionalities of the moving equipment, the necessary actions, the right place and the appropriate way

¹⁰⁹ Includes corporate headquarters

to take them. Augmented Reality proved to be capable of transmitting content with an in loco contextual advantage that foresees increased training effectiveness.

- The widespread adoption of digital messaging platforms as channels for interaction, led to the trial of conversational commerce for customer service as a way of supporting collaboration between chatbots and humans in a more cost-efficient manner.
- The application of wearable technologies was applied successfully to prevent accidents and injuries for logistics' workers.

Employees

At the end of 2017, Sonae MC had more than 30,000 employees, 72% of which working full-time. Being the biggest business within Sonae MC, Continente captures the highest number of staff, with almost 80% of the Company's total workforce, without taking into account the firm's central structure (13%). The labor-intensive nature of the retail industry, and the importance of the customer contact in this sector, demands most of the workforce to be present in store operations, as follows:

Area	Employee distribution
Store Operations	87.2%
Logistic operations	6.3%
Other operations	1.5%
Commercial	2.4%
Logistics	0.5%
Marketing	0.4%
Others (HR, Finance, IT, etc.)	1.5%

Sonae MC values diversity of qualifications and professional backgrounds, assuming that its teams' work is enhanced through the input of each individual and, therefore, it uses internal mobility as a way of valuing people. The Company wants to promote a culture of sharing, cooperation and openness to different views that may be conducive to new disruptive ideas. Sonae MC believes that a diverse and inclusive culture is a strong contribution to the continuous renewal of businesses aligned with the expectations of different stakeholders.

As such, the Company is committed to promote diversity in its different dimensions, namely concerning age, gender, qualifications and previous professional experience. The most represented age range, in Sonae MC, are those aged between 36-55 (totaling 42%), with both the under 25 and the 26-35 age ranges accounting, each, for 27% of the workforce. The remaining 4% are those that are over 56 years old. Sonae MC also aims to provide and create development opportunities for career growth, and has managed to maintain a high retention level, with approximately 60% of the workforce having worked for more than 3 years within the company, as may be seen below:

Seniority	Employee distribution
<1 year	27.6%
1-3 years	13.6%
3-5 years	4.5%
5-10 years	10.9%
10-25 years	37.6%
>25 years	5.8%

Furthermore, Sonae MC aims to promote gender diversity throughout the life-cycle of its employees. During the recruitment process, the Company always recommends that whenever recruiters present a short-list to the business, it is balanced in terms of gender representation. It also recommends, at all levels of the Company that teams composed of only one gender should be avoided. Sonae MC monitors performance appraisals, promotions and wage revisions, by gender, as well as resignations, in order to guarantee fair

management across all teams. In fact, currently 33% of the management positions in Sonae MC are held by women.

Sonae MC continuously invests in the integrated management of its talent, focusing and acting in the attraction, development and retention of diverse and differentiating profiles. This strategy materializes in a set of distinctive advantages for its workforce:

- The size of the Company, market position and reputation, being admittedly an employer of reference in the national scenario.
- Talent diversity, both in the mix of gender and age profiles, as well as in the extent of its employees' portfolio of competencies.
- A consistently recognized (with several external awards) leadership school.
- A focus on young talent, proven in the design and implementation of a wide range of programs and strategies that aim to follow the student's life cycle up to their integration in the labor market.
- Training, translated into a substantial investment in talent development (€10 million and almost 800 thousand hours).
- Periodic assessments of employee satisfaction with the Company, with consistently high results: 80% of employees demonstrate that it is with pride, energy and enthusiasm that they come to work daily, showing a strong commitment to the organization, and 72% of employees are satisfied with Sonae MC.
- *"We Are Sonae"* program, which provides exceptional and temporary support to employees (and households) who are in situations of need and social vulnerability; since it was created, this program has supported more than 500 employees and about 1,500 people in all the aggregates.

Sonae MC is a learning organization with a clear focus on learning and continuous improvement. The Company believes that this is the only way to respond to the current and future challenges of its businesses.

Corporate Social Responsibility

Sonae MC has a solid culture, based on deeply rooted values that enabled the company to grow in a sustained way and contribute to the development of the society, beyond the economic value generated through its activity. As a Company with long-term vision, Sonae MC is committed to carrying out its businesses based on the principles of sustainable development and, thus, safeguarding its common future.

Aiming to contribute to the development and improvement of the communities in which the Company operates, in 2017 Sonae MC proceeded with its commitment to promote the well-being of the involved communities, by supporting more than 1,400 institutions. Its aim is to create and distribute value, with contributions amounting to €10 million, involving material goods, expertise and financial resources.

"Missão Continente" represents all of Continente's social responsibility initiatives and its commitment to build a sustainable future. As such, it operates in various and different areas, focusing on activities that meet society's current needs. Emphasizing food above all else, "Missão Continente" encourages healthy eating habits and lifestyles, works towards reducing food waste and promotes conscientious consumption. It plays an active role in the communities where it operates by supporting internal and external initiatives, fosters respect for the environment through good practices and raising awareness to responsible behavior.

Example of that active role is the "Missão Continente" school program that intends to help students, parents and teachers to have a healthier and more positive relationship with food and consumption, by sharing knowledge, running awareness events and study visits. During the 2016/2017 school year, the first edition covered 18 schools across the country, engaging 960 pupils and 90 teachers. The second edition in 2017/2018 school year has already 139 primary schools signed up, including 9,441 students and 480 teachers. "Missão Continente" also associates itself with various entities in its effort to help those in need in having access to products, by assigning space in its stores, as well as giving logistics and communication support to boost the

results of these charity initiatives. Last year, it contributed to the collection of 400,000 meals for the Portuguese Red Cross, 1,000 ton of food for the Portuguese Food Bank and 510 tons of animal food.

Environmental protection

Continuous improvement in environmental management is guaranteed through the Environmental Certification Programme, according to the international standard NP EN ISO 14001:2004. The implementation of this program allows the company to minimize its environmental impact, improve its infrastructure and strengthen its compliance to legal obligations from an environmental perspective

Intellectual property

Patents and trademarks

Sonae MC owns the rights to all its business and private label brands, which has registered (in word form) with the appropriate authorities in Portugal, EU and other relevant countries.

The Company regards its trademarks and other intellectual property rights as valuable assets and takes appropriate action to protect and will, when necessary, enforce them.

REGULATION

We are subject to the legal and regulatory framework applicable in the Portuguese market, in which we operate. This section contains a summarized description of some of the legal provisions which apply to our business and activity as described in the previous section. This section is not intended to be an exhaustive statement of the entire legal and regulatory framework applicable to the Company's various areas or sectors of activity and does not dispense potential investors from consulting or taking into consideration the integral version of the diplomas referred to herein, as well as other associated laws and regulations not mentioned below.

Stores

Regarding its stores, the Company is subject to several diplomas regulating general aspects pertaining to the activity carried out, such as the following:

Anti-economic and public health offenses

Decree-Law no. 28/84, of 20 January, as amended, regulates anti-economic and public health offenses, establishing sanctions and penalties for crimes and offenses against the economy and public health, such as admonition, penalty fines or even dissolution. Additional penalties may also be applied such as loss of property, good conduct bond, temporary prohibition of the exercise of certain activities or professions, temporary deprivation of the right to participate in public tenders or public supply contracts, deprivation of the right to public subsidies, deprivation of the right to participate in fairs or markets, temporary or definitive closure of the stores, among others.

Complaints book

As suppliers of goods and service providers established in a permanent location with contact with the general public, each store of the Company is obliged to have a complaints book, both in physical and electronic format, and provide it to any consumer whenever requested, in accordance with Decree-Law no. 156/2005, of 15 September, as amended.

In this regard, Ministerial Order no. 201-A/2017, of June 30, approves the model, edition, prices, supply and distribution of the complaint book and establishes the functionalities of the digital platform that provides the electronic format of the complaints book.

In case the stores provide health services, associated complaints shall be treated in accordance with Regulation no. 65/2015, of 11 February, which establishes the rules applicable to the processing of complaints with reference to establishments providing healthcare services, aiming at their analysis and monitoring.

Alternative dispute resolution mechanisms

In transposition of Directive (EU) 2013/11/UE of the European Parliament and Counsel, of 21 May 2013, on alternative dispute resolution for consumer disputes, Law no. 144/2015 of 8 September, as amended, establishes the legal framework for alternative dispute resolution mechanisms for consumer disputes, according to which suppliers of goods and service providers must inform consumers of the alternative dispute resolution entities to which they are bound, and indicate their website. This information shall be provided in a clear, comprehensible and easily accessible form on the supplier of goods or service provider's website, if existing, as well as in the contracts concluded with the consumer, if in written form or in case of adhesion contracts, or in another durable medium, namely on a sign visibly posted in the stores, on the invoice delivered to the consumer, in an information leaflet, among others.

Alcohol and tobacco

Under Law no. 37/2007, of 14 August, as amended, the stores are prohibited from selling tobacco products to children under the age of 18 and through teleshopping, telephone, postal means or the Internet. The prohibition of tobacco sale to minors must be printed in easily legible characters on a contrasting background and prominently affixed in the stores. All forms of advertising and promotion of these products are also prohibited, as well as the sale at a reduced price.

On the other hand, Decree-Law no. 50/2013, of 16 April, as amended, which regulates the availability, sale and consumption of alcoholic beverages in public places and in places open to the public, establishes the prohibition of providing, selling or making available alcoholic beverages to minors (under the age of 18) and anyone who is notoriously intoxicated or appears to have a psychic anomaly. Such prohibition must be visibly posted in the sales premises. In what concerns the Company's stores, the sale of alcoholic beverages in vending machines is also prohibited.

Additionally, Decree-Law no. 54/2013, of 17 April, defines the legal framework of prevention and protection against advertising and trade of new psychoactive substances, which are prohibited from being produced, imported, exported, advertised, distributed, sold, held or made available, except when destined for industrial or pharmaceutical purposes, and authorized by INFARMED (National Authority of Medicines and Health Products).

Advertising

Decree-Law no. 330/90, of 23 October, as amended, which approves the Portuguese Advertising Code, sets forward general advertising principles such as legality, identifiability, veracity and consumers' right protection. In this sense, advertising which offends fundamental values, principles and institutions constitutionally established is prohibited, as well as hidden, concealed or misleading advertising. Advertising to medical treatments and medicines subject to prescription is also prohibited.

Furthermore, Decree-Law no. 57/2008, of 26 March, as amended, establishes the regime applicable to unfair business-to-consumer commercial practices, transposing into national law Directive 2005/29/EC, of the European Parliament and the Council, of 11 May, on unfair business-to-consumer commercial practices in the internal market. Commercial practices which are inconsistent with professional conduct or substantially distort the consumer's economic behavior are prohibited, as well as misleading and aggressive commercial practices, either by action or by omission. Any contracts entered into under the influence of any unfair commercial practice are voidable or modifiable at the consumer's request, which is also entitled to compensation.

Environment

Decree-Law no. 9/2007, of 17 January, as amended, which approves the General Regulation on Noise, imposes volume limits and operating hours to business premises (such as the Company's stores), in order to prevent noise pollution and therefore safeguard human health and the populations' well-being.

In turn, Regulation (EC) no. 1907/2006 of the European Parliament and the Council, of 18 September, on registration, evaluation, authorization and restriction of chemicals (REACH), and Decree-Law no. 293/2009, of 13 October, which ensures its execution, establish that it is the responsibility of manufacturers, importers and downstream users to guarantee that the substances manufactured, placed on the market or used do not adversely affect human health or the environment.

Furthermore, several other diplomas impose certain limitations in order to ensure management of substances and waste in a responsible manner such as Directive no. 94/62/EC of the European Parliament and of the Council, of 20 December 1994, on packaging and packaging waste, Decree-Law no. 82/2003, of 23 April, on classification, packaging and labelling of dangerous preparations to be placed on the market and Decree-Law no. 152-D/2017, of 11 December, on management of specific streams, among others.

Customer service

Regarding customer service, Decree-Law no. 58/2016, of 29 August, establishes the obligation to give priority attendance to people with disabilities, elderly people, pregnant women and people accompanied by young children, to all public and private entities that provide direct attendance to the public, while Decree-Law no. 74/2007, of 27 March, guarantees the right of free access for people with disabilities accompanied by dogs of assistance to establishments of public access. On the other hand, Law no. 15/2018, of 7 March, enables pets to remain in business premises under specific conditions.

Private security and safety

As an entity that also exercises the private security activity, providing self-protection services in its business premises, the Company is subject to various diplomas such as Law no. 34/2013, of 16 May, which regulates the exercise of the private security activity, namely requiring the mandatory adoption of security systems according to the business premises dimension, or Ministerial Order no. 273/2013, of 20 August, as amended, which regulates the specific conditions of the provision of private security services, as well as the minimum technical requirements of the security systems adopted.

Decree-Law no. 220/2008, of 12 November, as amended, establishes the legal framework for fire safety in buildings. Ministerial Order no. 987/93, of 6 October, establishes the minimum safety and health requirements in workplaces. Decree-Law no. 306/2007 of 27 August regulates the quality of water intended for human consumption. All of these diplomas are applicable to the Company's business premises.

Operating hours

Decree-Law no. 48/96, of 15 May, as amended, establishes operating hours for business premises.

Online services

The Company is subject to the Cybercrime Law, approved by Law no. 109/2009, of 15 September.

Additionally, being the Company holder of an e-commerce platform, it is also subject to Decree-Law no. 7/2004, of 7 January, as amended, which transposed into national law Directive no. 2000/31/CE of the European Parliament and of the Council, of 25 May, on certain legal aspects of information society services, in particular electronic commerce.

Other

Historically the authorization and the entry into operation of stores considered to have relevant size (e.g., big commercial surfaces, large supermarkets, etc.) were subject, amongst others, to the rules set forth successively by (i) Decree-Law no. 218/97, (ii) Law no. 12/2004 and (iii) Decree-Law no. 21/2009, legislation which was applicable to some of the largest stores included in our business and activity.

Although Decree-Law no. 10/2015 has simplified the licensing procedures of several commercial activities and, to a certain point, has deregulated access to those activities (establishing a principle of freedom of access to and exercise of the economic activities), permits remain required in certain situations. Within such situations, the opening or alteration of shopping centres with a lettable area of at least 8000 sqm and large supermarkets (retail stores with an area of at least 2000 sqm) that are not inside shopping centres are subject to a joint authorisation procedure.

Also in relation to the stores, as owner and lessee of real estate, the Company is subject to the general Portuguese legislation concerning urban leases, horizontal property, relationship between co-owners, edification and urbanization works, use permits and activity licenses, as well as other related diplomas.

Own Products

As a producer and marketer of own products and brands, the Company is subject to the Industrial Property Code, approved by Decree-Law no. 36/2003, of 5 March, as amended, a mechanism for regulating competition and guaranteeing consumer protection.

Sale of goods and service provision

Intellectual property rights

As trader of literary or artistic works, the Company is also subject to the Code of Copyright and Related Rights, approved by Decree-Law no. 63/85, of 14 March, as amended, and Law no. 62/98, of 1 September, as amended, which regulates the provisions of article 82 of the referred Code on the compensation due for the reproduction or recording of works.

Consumer rights

As supplier of goods and service provider to the final consumer, the Company is subject to Law no. 24/96, of 31 July, as amended, which establishes the legal framework applicable to consumer protection, including provisions on the quality of goods and services, health and physical safety protection, information for consumption, prevention and reimbursement of possible damages, legal protection, among others.

Additionally, Decree-Law no. 67/2003 of 8 April, as amended, transposing into national law Directive no. 1999/44/CE of the European Parliament and of the Council, of 25 May, regulates certain aspects of the sale of goods and related guarantees, such as the conformity of the good or service with the contract. In case of non-conformity, the consumer is freely entitled to the repair of the good or service, to the replacement of the good or service, to a proper price reduction or even to the termination of the contract.

Furthermore, Decree-Law no. 446/85, of 25 October, as amended, on the legal framework of general contractual clauses, contained in contracts of mere adhesion or subscription, establishes obligations of communication, information, transparency towards the consumer, good faith and reasonableness, as well as prohibited clauses, which may give the right to terminate the contract.

In what particularly concerns contracts negotiated away from business premises, Decree-Law no. 24/2014, of 14 February, as amended, transposes into national law Directive no. 2011/83/UE of the European Parliament and of the Council, of 25 October 2011, on consumer rights, determining that in contracts negotiated away from business premises (at home or workplace, automatic or incidental sales), not only consumers have to expressly consent on the conclusion of the contract, but they are also entitled to be provided with pre-contractual information on a durable medium and to freely terminate the contract within 14 days from the purchase date.

Prices

Decree-Law no. 138/90, of 26 April, as amended, requires goods intended for retail sale to display the respective selling price, as well as the services made available to the consumer, in a visible, unambiguous, easy and perfectly readable manner, by means of signs, labels, lists or posters.

Decree Law no. 70/2007 of 26 March, as amended, which regulates commercial practices with price reductions in retail sales in business premises, in order to dispose of stocks, increase sales volume or promote the launch of a product not previously marketed, requires the price reduction, the form of sale, the type of products, the respective percentage reduction, as well as the start date and the duration period, to be unequivocally indicated.

Especially regarding book sale, Decree Law no. 176/96 of 21 September, as amended, establishes the fixed book price regime, requiring business premises to sell the book at a retail price between 90% and 100% of the price fixed by the publisher or importer, indicated in a legible and visible manner, and also establishing certain prohibitions regarding promotional conditions.

Finally, Decree-Law no. 166/2013, of 27 December, as amended, approves the regime applicable to restrictive individual commercial practices, promoting transparency in trade relations and the balance of trading positions between economic operators, by establishing abusive business practices, the non-compliance of which may lead to the application of penalty fines and additional sanctions, as well as the application of interim measures.

Labelling

Regulation (EU) no. 1169/2011 of the European Parliament and of the Council, of 25 October, as amended, on the provision of food information to consumers, establishes the general principles, requirements and responsibilities governing food information, and in particular the labeling of foodstuffs. It also establishes means to ensure consumer's right to information and procedures for the provision of food information, including their composition and nutritional characteristics.

In turn, Regulation (EC) no. 1272/2008 of the European Parliament and of the Council, of 16 December, as amended, regulates the classification, labelling and packaging of substances and mixtures, envisioning human health and environment protection.

In what concerns national law, Decree-Law no. 238/86, of 19 August, as amended, establishes that information on the nature, characteristics and guarantees of goods or services offered to the public in the national market must be provided in the Portuguese language, including those on labels, packages, brochures, catalogues, instruction books for use or other informative means, or those provided at the point of sale or disclosed by any advertising medium.

Decree-Law no. 26/2016, of 9 June, ensures compliance with the obligations arising from Regulation (EU) no. 1169/2011, as well as Commission Implementing Regulation (EU) no. 1337/2013, of 13 December, on the indication of the country of origin or place of provenance of fresh, chilled and frozen meat of swine, ovine, caprine and poultry farming, and transposes into national law Directive no. 2011/91/EU of the European Parliament and of the Council, of 13 December, on indications or marks identifying the lot to which a foodstuff belongs.

Finally, Decree-Law no. 257/2012, of 29 November, ensures the effective application of the provisions of Regulation (EU) no. 1007/2011 of the European Parliament and of the Council, of 27 September, as amended, on textile fiber names and related labelling and marking of the fiber composition of textile products.

Product safety and quality

Decree-Law no. 69/2005, of 17 March, as amended, which transposes into national law Directive no. 2001/95/CE of the European Parliament and of the Council, of 3 December, on general product safety, requires products placed on the market to be safe and comply with the applicable standards.

Furthermore, Decree-Law no. 43/2011 of 24 March, as amended, requires the safety of toys made available on the market by transposing into national law Directive 2009/48/EC of the European Parliament and of the Council, of 18 June, on the safety of toys, imposing restrictions on their mechanical, electrical and chemical characteristics, as well as certification obligations, follow-up instructions and safety information.

Especially concerning food safety and quality, Regulation (EC) no. 178/2002 of the European Parliament and of the Council, of 28 de January of 2002, as amended, determines the principles and general rules of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety.

Regulations (EC) nos. 852/2004 and 853/2004 of the European Parliament and of the Council, of 29 April 2004, as amended, also establish rules on food hygiene in general, and specifically for food of animal origin, respectively, which application is ensured by Decree-Law no. 113/2006, of 12 June, as amended.

Decree- Law no. 119/2012, of 15 June, as amended, which creates the Health and Food Safety Fund and the food safety fee (taxa de segurança alimentar mais) imposes the payment of an annual fee by the business premises, in order to guarantee food safety and quality. The Health and Food Safety Fund and the food safety fee are regulated by Ministerial Orders nos. 214 and 215 of 17 July 2017, respectively.

Decree-Law no. 111/2006, of 9 June, transposes into national law Directive no. 2004/41/CE of the European Parliament and of the Council of, 21 April, on the production and placing on the market of certain products of animal origin intended for human consumption. Finally, Decree-Law no. 147/2006, of 31 July, as amended, approves the regulation of hygienic and technical conditions to be observed in the distribution and sale of meat and their products.

Cosmetics

Regulation (EC) no. 1223/2009 of the European Parliament and of the Council, of 30 November, on cosmetic products, as amended, requires cosmetic products safety, labelling and compliance with certain testing restrictions.

Decree-Law no. 189/2008, of 24 September, as amended, sets forth the legal framework for cosmetic and body hygiene products, envisioning public health protection through, for instance, the prohibition of certain substances in the composition of the products.

Sale of medicines and health services provision

Sale of medicines not subject to prescription

Decree-Law no. 134/2005, of 16 August, as amended, regulates the sale of non-prescription medicines outside pharmacies, in places that comply with legal and regulatory requirements, in order to ensure compliance with the rules and procedures in force for their quality and safety.

Ministerial Order no. 827/2005, of 14 September, establishes conditions for the places of sale of non-prescription medicines outside pharmacies such as the requirements for the installation, operation, preservation and monitoring of medicines and the responsibilities of the technician responsible for the places of sale.

Places of sale of non-prescription medicines are subject to previous registration according to Determination of INFARMED (National Authority of Medicines and Health Products) no. 1706/2005, of 7 December.

Optometry and Nutrition Appointments

As a private health care provider, the Company is also subject to the Health Regulatory Entity and its Statutes, reproduced in annex to Decree-Law no. 126/2014, of 22 August, to the legal framework for the opening, modification and operation of health care establishments, namely licensing and compliance, established in Decree-Law no. 127/2014, of 22 August, and Ministerial Order no. 150/2015, of 26 May which approves the criteria for setting such licensing fees and possible exemptions.

As a party in contractual relationships with nutritionists, the Company is also subject to Law no. 126/2015, of 3 September, which proceeds to the first amendment to the Statutes of the Order of Nutritionists.

Health advertising practices

Decree-Law no. 5/2017, of 6 January, approves the general principles of medicines and medical devices advertising, establishing general principles such as respect, responsibility, moderation, transparency and collaboration.

Decree-Law no. 238/2015, of 14 October, regulates health advertising practices, also establishing general principles such as transparency, reliability and lawfulness, objectivity, scientific rigor, as well prohibiting practices which mislead or are likely to mislead the user as to its decision, or others that condition its freedom of choice.

Finally, Regulation no. 1058/2016, of 24 November, aims at guaranteeing the user's right to health protection, information and identifiability, by requiring the message or information advertised to be written and disseminated in a clear and precise manner and contain all elements considered adequate and necessary for the complete clarification of the user.

Rights and obligations of the health services user

Law no. 15/2014, of 21 March, as amended, consolidates the rights and duties of the health services user, namely the right to choose, consent or refuse, to the adequacy of the health care provision, to confidentiality, and information, among others.

Decree-Law no. 44/2017, of 20 April, which proceeds to the first amendment to Law no. 15/2014, of 21 March, defines the terms to which the Charter of Rights of access to healthcare by users of the National Health Service must obey, and creates the Integrated System of Access Management, pursuing the integrated monitoring, control and management of access to the National Health System, as well as providing a global transparent view of the user's path in the search for health care provision.

Medical devices

Decree-Law no. 145/2009, of 17 June, as amended, establishes the rules governing the investigation, manufacturing, marketing, entry into service, surveillance and advertising of medical devices and their accessories, and transposes into national law Directive 2007/47/EC of the European Parliament and of the Council, of 5 September, on the approximation of the laws of the Member States relating to active implantable medical devices.

Other relevant legislation

Decree-Law no. 10/2015, of 16 January, as amended, regulates the access and exercise of several commercial activities and catering services.

Additionally, Decree-Law no. 118/2010, of 25 October, as amended, defines reduced deadlines for the payment of the price in contracts for the sale and purchase of food products, in order to create better economic and financial conditions (liquidity) for micro and small food supply companies and to promote balance in the commercial relations between producers, manufacturers and distributors.

Furthermore, Decree-Law no. 118/2013, of 20 August, as amended, approves the energy certification systems for buildings, the energy performance regulation of housing buildings and the energy performance regulation of trade and services buildings, and transposes into national law Directive 2010/31/EU of the European Parliament and of the Council, of 19 May, on the energy performance of buildings.

Also, Law no. 19/2012, of 8 May, as amended, which establishes the Portuguese competition framework. Law no. 23/2018, of 5 June, which transposes Directive 2014/104/EU of the European Parliament and of the Council of 26 November 2014 on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union.

Decree-Law no. 188/2009, of 12 August, as amended, establishes the rules to which the practice of automated external defibrillation by non-medics is subject to, as well as the installation and use of automated external defibrillators in extra-hospital environments.

Personal data

As controller and processor of personal data, the Company is subject to Regulation (EU) 2016/679 of the European Parliament and of the Council, of 27 April 2016, on protection of natural persons with regard to the processing of personal data and on the free movement of such data, according to which personal data shall be (i) processed lawfully, fairly and in a transparent manner, (ii) collected for specified, explicit and legitimate purposes, (iii) adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed, (iv) accurate and, where necessary, kept up to date, (v) kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed and (vi) processed in a manner that ensures appropriate security of the personal data, including protection against unauthorized or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organizational measures, and the personal data holder must expressly consent to the collection and maintenance of personal data, being entitled to erasure (“or to be forgotten”) whenever requested. It is also subject to Law no. 67/98, of 26 October, the main national act on data protection matters, which remains applicable.

The non-compliance with any law or regulation applicable to the Company’s business and activities (including the abovementioned laws and regulations) may give rise to the application to the Company of penalty fines and other additional sanctions, including the suspension of its activities, depending on the circumstances of the case.

MANAGEMENT, BOARD OF DIRECTORS AND STATUTORY AUDIT BOARD

According to article 278, no. 1 (a) and 3 and article 413, no. 1 (b) of the *Código das Sociedades Comerciais* (“**Portuguese Companies Code**”) and the Articles of Association of the Company, the corporate bodies of the Company are:

- the Shareholders’ General Meeting;
- the Board of Directors; and
- the Statutory Audit Board (*Conselho Fiscal*) and a statutory external auditor.

According to the Articles of Association of the Company, the Board of Directors may appoint an Executive Committee. Currently, there is no appointed Executive Committee.

Board of the Shareholders’ General Meeting

In accordance with the Company’s Articles of Association, the Board of the Shareholders’ General Meeting is formed, at least, by a Chairman and a Secretary. The Shareholders’ Meeting has elected the Board of the Shareholders’ Meeting, whose members must be independent. Under the Portuguese Companies Code, the independence criteria and other requirements applicable to the Board of Shareholders’ Meeting are the same as for the members of the Statutory Audit Board (described below).

Following the Shareholders’ General Meeting held on 3 May 2018, and for the 2018/2021 term-of-office, Manuel Eugénio Pimentel Cavaleiro Brandão was appointed Chairman and Maria da Conceição Henriques Fernandes Cabaços was appointed as secretary of the Board of the Shareholders’ General Meeting.

Among other tasks, the Chairman of the Board of the Shareholders General Meeting is responsible for (i) convening the Shareholders’ Meeting; (ii) preparing the meetings; (iii) heading the meeting; (iv) verifying the correct formation of the meeting; (v) verifying the quorum; and (vi) counting the votes and announcing the results.

Board of Directors and Senior Management

The Company follows a one-tier governance model, where the management structure lies with the Board of Directors, and the supervisory structure includes a Statutory Audit Board and a statutory external auditor. According to the Articles of Association of the Company, the Board of Directors may appoint an Executive Committee. Under the Portuguese Companies Code, the Board may delegate on the Executive Committee all the powers for the day-to-day management of the Company, except the power to: (i) appoint its Chairman; (ii) co-opt directors; (iii) request that a Shareholders’ General Meeting is convened; (iv) decide on annual accounts and reports of the Company; (v) provide any pledges (*cauções*) or personal or real estate guarantees on behalf of the Company; (vi) change the registered office of the Company; (vii) increase the share capital of the Company; or (viii) approve any reports prepared in connection with any merger, spin-off or restructuring of the Company.

The Board of Directors has representation powers and is responsible for ensuring the management of the Company’s business, exercising all management acts pertaining to the Company’s corporate purpose, setting strategic guidelines and, if any, appointing and generally supervising the activity of the Executive Committee and of any specialized committees.

In accordance with the Company’s Articles of Association, the Board of Directors may be composed of a minimum of three and a maximum of eleven members, elected by the Shareholders’ General Meeting for a four-year mandate. All members can be re-elected for one or more mandates.

The Chairman of the Board of Directors shall be appointed from among its members. The Board of Directors may, pursuant to the applicable law, substitute the Board Chairman at any time.

According to the Company's Articles of Association, the powers of the Board of Directors include, but are not limited to, the following:

- to represent the Company, in or outside court, to file or challenge suits, to settle and waive in these proceedings, and to carry out a settlement through arbitration (to which end, the Board of Directors can delegate its powers to a sole mandated person);
- to approve the annual budget and the Company's business plan;
- to rent, purchase, assign, pledge any movable goods or real estate, including shares, quotas or bonds;
- to resolve that the Company render, to the companies it is a shareholder, quota or holder of Company parts, technical and financial support;
- to decide to associate the Company with any other entities in order to, specifically, form new companies, complementary groups of companies (incorporated joint ventures), European economic interest associations, consortiums and participation associations (unincorporated joint ventures), under the terms of article 4 of the Company's Articles of Association;
- to decide to issue bonds or to contract loans in the national and/or foreign financial markets;
- to appoint one or more Managing Directors or an Executive Committee, to which it shall delegate the powers to manage the company business that it may determine; and
- to appoint third parties, individuals or corporate entities, to hold offices in other companies.

Under the Portuguese Companies Code the powers of the Board of Directors include the following:

- requesting the convening of Shareholders' General Meetings;
- deciding on the provision of personal or real estate surety or guarantees by the Company;
- deciding on the opening or closing of any establishments or any important parts thereof;
- deciding on important extensions or reductions of the Company's activities;
- deciding significant changes to the Company's organization;
- deciding on changes to the headquarters of the Company, under the terms provided for in the Company's Articles of Association;
- deciding on increases in the Company's share capital, under the terms provided for in the Company's Articles of Association
- deciding on plans for mergers, spin-off and conversion of the Company; and
- deciding on any other matter on which any Director requests a decision from the Board of Directors.

The members of the Board of Directors, under the terms of the Portuguese Law and the Company's Articles of Association, are elected to the Board of Directors in accordance with the proposal approved at the Shareholders' General Meeting.

Under the terms set forth in the Company's Articles of Association, and in accordance with the applicable law, limited to a number of directors that does not exceed 1/3 of the total members, one director may be individually elected from the individuals indicated in lists proposed by groups of shareholders provided that none of such group holds more than twenty percent and less than ten percent of the share capital of the Company. The same shareholder cannot propose more than one list. Each list proposed shall identify at least two eligible persons for the same office. If there are several lists proposed by different shareholders groups, the voting will respect to all lists as a whole.

Pursuant to the Company's Articles of Association, the Board of Directors will normally meet quarterly (each a "**Board Meeting**") and whenever convened by the Board Chairman or by two members of the Board of Directors. The Board of Directors may only decide if the majority of its members are present or represented, and resolutions are made by a simple majority of the votes issued by the Directors present or represented or voting by correspondence. The Board Meetings may be carried through telematic means.

A Director (an "**Appointing Director**") may appoint another board member (a "**Proxy Director**"), to attend and vote on his behalf at a Board Meeting, by giving written notice to the Board Chairman. A Proxy Director shall be entitled to vote at the Board Meeting simultaneously (i) on his own behalf, in his capacity as a Director, and (ii) on behalf of the Appointing Director, in his capacity as a Proxy Director. A Proxy Director does not need to exercise both his votes at a Board Meeting in the same way.

The Company's Articles of Association establish, in accordance with the applicable law, that the Board of Directors shall appoint a substitute (by calling the alternate members or, if there are none, by co-optation) in case of death, resignation, temporary or permanent incapacity of any member or in case of absence of any member in two meetings of the Board of Directors, consecutive or not, without a justification being submitted and accepted by the Board. If the Board of Directors does not appoint a substitute within 60 days, the Statutory Board of Audit appoints a substitute. If the absent member was elected individually under the above described election rule, there is no substitution by the Board; instead, a new similar election shall take place. Co-optation by the Board of Directors as well as appointment of a substitute by the Statutory Board of Audit are, nonetheless, subject to ratification by the shareholders at the next Shareholders' General Meeting.

The definitive absence, for whatever reason, of a replacement director individually elected, according to the abovementioned special minority rules, determines that a new election must take place at the Shareholders' General Meeting.

Current Board of Directors

As of the date of this Prospectus, the Board of Directors is composed of five members and all the elected members of the Board of Directors have adequate knowledge and skills for the performance of their duties.

The current Board of Directors, which was elected at the Shareholders' General Meeting held on 3 May 2018 for the 2018/2021 term-of-office, is composed of the following members:

- Duarte Paulo Teixeira de Azevedo (Chairman);
- Ângelo Gabriel Ribeirinho dos Santos Paupério;
- Luís Filipe Campos Dias de Castro Reis;
- Luís Miguel Vieira de Sá da Mota Freitas; and
- Luís Miguel Mesquita Soares Moutinho.

The biographies of the members of the Board of Directors are as follows:

➤ **Duarte Paulo Teixeira de Azevedo**

Chairman of the Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Paulo Azevedo has been a member of the Board of Directors of the Company since 2006 and the Chairman of the Board of Directors of the Company since 2007. He is currently President of the Board of Directors of Sonae Arauco, S.A., Sonae, SGPS, S.A., Sonae Indústria, SGPS, S.A., Sonae Capital, SGPS, S.A., Sonae Center Serviços II, S.A, Sonae – Specialized Retail, SGPS, S.A, Modelo Continente, SGPS, S.A and Sonae Sierra, SGPS, S.A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Paulo Azevedo is also a member of the European Round Table of Industrialists (since 2008), member of the International Advisory Board of Allianz SE (since 2013) and, since 2015, member of *Consejo Iberoamericano para la Productividad y la Competitividad*. Currently, he is also President of the Board of Directors of BA Glass. He was also, from 2012 to 2015, member of the management of COTEC and, from 2009 to 2014 and 2015, respectively, President of the Counsel of Trustees of Universidade do Porto and President of the Counsel of Trustees of *Associação Empresarial de Portugal*. He is also, and since 1990, member of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, S.A. and, since 2000, Chairman of the Board of Directors of Migracom, S.A.

Academic degree:

Mr. Paulo Azevedo holds a degree in Chemical Engineering from *École Polytechnique Fédérale de Lausanne* and an MBA from University of Porto Business School. He also attended several executive programmes, the most relevant being the “*Executive Retailing Program*” at Babson College, “*Strategic Uses of Information Technology Program*” at Stanford Business School, “*Breakthrough Program for Senior Executives*” at IMD – Lausanne, “*Proteus Programme*” at London Business School, “*Leading with Presence immersion experience*” at Ariel Group “*Corporate Level Strategy*” at Harvard Business School.

➤ **Ângelo Gabriel Ribeirinho dos Santos Paupério**

Member of the Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Ângelo Paupério has been member of the Board of Directors of the Company since 2002 and is currently the Executive Chairman of the Board of Directors of Sonaecom, SGPS, S.A., Chairman of the Board of Directors of MDS, SGPS, S.A., member of the Board of Directors Co-CEO of Sonae, SGPS, S.A. and member of the Board of Directors of Sonae Center Serviços II, S.A., Sonae Sierra, SGPS, S.A and NOS, SGPS, S.A.

He is also Chairman of the Board of Directors of Sonae Investment Management Software and Technology, SGPS, S.A., Sonae Financial Services, S.A., Público Comunicação Social, S.A and SFS Serviços de Gestão e Marketing S.A., as well as Vice Chairman of the Board of Directors of Modelo Continente, SGPS, S.A. and a member of the Board of Directors of ZOPT, SGPS, S.A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Ângelo Paupério is also President of the Directing Counsel of *Associação Portuguesa de Gestão e Engenharia Industrial*, a member of the Board of Directors of Love Letters Galeria de Arte, S.A., Enxomil – Consultoria e Gestão, S.A. and Enxomil – Sociedade Imobiliária, S.A. as well as a member of the Superior Board of Universidade Católica Portuguesa.

Academic degree:

Mr. Ângelo Paupério holds a degree in Civil Engineering from *Universidade do Porto, Faculdade de Engenharia* and an MBA in Management from Porto Business School.

➤ **Luís Filipe Campos Dias de Castro Reis**

Member of the Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Luís Reis has been member of the Board of Directors of the Company since 2016. Also, he has been, since 2016, the CEO of Sonaegest-Sociedade Gestora de Fundos de Investimento, S.A and, since 2018, the CEO of Sports and Fashion (Sonae’s specialized sports and fashion retail division). He is, also since 2018, the Vice-President of MDS. From 2013 until the present date, he is also the CEO of Sonae Financial Services and, from 2010, CCCO for Sonae’s group.

Positions held outside of the Sonae Group for the last 5 years:

N/A

Academic degree:

Mr. Luís Reis is a Medical Doctor, having obtained his degree from Coimbra’s University. He also holds a PhD Equivalence to Portuguese Doctoral Degree in Economics from the University of Economical and

Business Sciences at Universidade Complutense de Madrid, an Investigator's Degree from the University of Economical and Business Sciences at Universidade Complutense de Madrid, a Master in Management by Oporto University and an MBA by ISEE, University of Oporto. He has also attended several academic programmes, notably "*Leading with Presence*" from Ariel Group, "*The Corporate Leader*" from Harvard Business School, "*Breakthrough Program for senior Executives*" from IMD in Lausanne, "*Worldclass 2003 Program*" from London Business School, "*Stanford Executive Program*" from Stanford University, "*Leadership and Organisational Transformation*" from London Business School, "*International Marketing Leadership Forum*" from Duke University and London Business School and "*Strategic Planning and Management in retail*" from Babson College.

➤ **Luís Miguel Vieira de Sá da Mota Freitas**

Member of the Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Miguel Mota Freitas has been a member of the Board of Directors of the Company since 2016. He is, since 2018, the CEO of ISRG and Worten. Mr. Miguel Mota Freitas is also Chairman of the Board of Directors of Bright Brands Sportsgoods, S.A., Fashion Division Canarias, S.A., Fashion Division, S.A., Infocfield – Informática, S.A., Modalfa Canarias, Lda., Modalfa - Comércio e Serviços, S.A., Modalloop - Vestuário e Calçado, S.A., Sonae - Shared Service Center, S.A., Sonaesr - Serviços e Logística, S.A., Worten - Equipamentos Para o Lar, S.A., Worten España Distribución, S.L., WRT Business - Distribuição de Eletrodomésticos, Eletrónica e Informática, S.A., Zippy - Comércio e Distribuição, S.A. and Zippy - Comercio y Distribución, S.A. He is also the Vice-President of SDSR Sports Division SR, S.A.

He is also member of the Board of Directors of Comercial Losan, S.L. Sociedad Unipersonal, Iberian Sports Retail Group, S.L., Losan Overseas Textile, S.L., Sociedad Unipersonal, SFS - Serviços de Gestão e Marketing, S.A., Sonae MC - Serviços Partilhados, S.A., Sport Zone Canarias, S.L. and Worten Canarias, S.L.

Finally, Mr. Miguel Mota Freitas is manager at Sport Zone Spor Malzemeleri Perakende Satış İthalat Ve Ticaret, Ltd. Sirketi and Zippy Çocuk Malzemeleri Dağıtım İthalat Ve Ticaret, Ltd. Sirketi.

Mr. Miguel Mota Freitas was, from 2010 until 2017, CEO of Sonae SR.

Positions held outside of the Sonae Group for the last 5 years:

N/A

Academic degree:

Mr. Miguel Mota Freitas has a degree in Economics from *Faculdade de Economia of Universidade do Porto* and has attended the "*Programme for Senior Management of Companies*" from AESE and "*Advanced management Program Lisbon & Chicago*" from Kellogg and Católica.

➤ **Luís Miguel Mesquita Soares Moutinho**

Member of the Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Luís Moutinho has been a member of the Board of Directors since 2016. He is currently Chairman of the Board of Directors of BB Food Service, S.A., Bom Momento - Restauração, S.A., Brio - Produtos de Agricultura Biológica, S.A., Continente Hipermercados, S.A., Farmácia Seleção, S.A., Go Well - Promoção de Eventos, Catering e Consultoria, S.A., Mccare, Serviços de Saúde, S.A., Modelo Continente Hipermercados, S.A., Modelo Continente Hipermercados, S.A., Sucursal en España, Modelo Continente International Trade, S.A., Pharmaconcept - Actividades em Saúde, S.A., Pharmacontinente - Saúde e Higiene, S.A., SK - Skin Health Cosmetics, S.A. and SOHI Meat Solutions - Distribuição de Carnes, S.A.

He is currently a member of the Board of Directors of Amor Bio - Mercado Biológico, Lda., Modelo Continente, SGPS, S.A., Modelo – Distribuição de Materiais de Construção, S.A., SFS - Serviços de Gestão e Marketing, S.A., Sonae Financial Services, S.A. and Sonae MC - Serviços Partilhados, S.A.

Finally, he is a manager at Elergone Energia, Lda., Make Notes Design, Lda., Sonae MC S2 Africa, Ltd. and S2 Africa, Ltd.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Luís Moutinho is also a member of the Board of Directors of IFA Retail S.A and Vice-President of Gs1 Portugal.

Academic degree:

Mr. Luís Moutinho holds a Mechanical Engineering degree from the University of Porto and has attended executive programmes in “*Supply Chain Management and Leadership Organization Transformation*” from London Business School and “*Planning for Logistics*” at Cranfield University, as well as “*Business Executive Retailing*” at Babson College.

The business address for each member of the Board of Directors is: Rua João Mendonça, 529, 4464-501 Matosinhos, Porto, Portugal.

New Board of Directors and executive management of the Company

Up until 12 October 2018, and in any case while the total share capital of the Company is held by the current shareholders, including the Selling Shareholder, such shareholders will hold a Shareholders’ general meeting to elect a new Board of Directors for the remainder of the 2018/2021 term of office.

Further to the election, the new Board of Directors will appoint an Executive Committee and its Chairman. The Executive Committee will be entrusted with the day-to-day management of the Company, subject to and to the extent permitted by article 8, no. 2 and 3 of the Articles of Association and by law. The Board of Directors will determine how the Executive Commission will exercise the powers conferred upon it.

The members of the new Board of Directors and Executive Committee will be as follows:

- Ângelo Gabriel Ribeirinho dos Santos Paupério (Chairman of the Board of Directors);
- Luís Miguel Mesquita Soares Moutinho (Chairman of the Executive Committee/CEO);
- Rui Manuel Teixeira Soares de Almeida (member of the Executive Committee);
- Isabel Sofia Bragança Simões Barros (member of the Executive Committee);
- José Manuel Cardoso Fortunato (member of the Executive Committee);
- Maria Inês Martins Valadas (member of the Executive Committee);
- Maria Cláudia Teixeira de Azevedo;
- João Pedro Magalhães da Silva Torres Dolores;
- Álvaro José Barrigas do Nascimento (independent);
- António Carlos Merckx de Menezes Soares (independent);
- Ricardo Emanuel Mangana Monteiro (independent).

Up until 12 October 2018, and in any case while the total share capital of the Company is held by the current shareholders, the Executive Committee will additionally appoint a top management team, the “Leadership Commission”, which will be comprised by the members of the Executive Committee and a team of executive senior managers highly experienced in the context of retail industries, as follows:

- Luís Miguel Mesquita Soares Moutinho;
- Rui Manuel Teixeira Soares de Almeida;
- Isabel Sofia Bragança Simões Barros

- José Manuel Cardoso Fortunato;
- Maria Inês Martins Valadas;
- João António Palmeira Pereira Afonso;
- João Nonell Gunther Amaral;
- David Pedro Oliveira Parente Ferreira Alves.

The biographies of the members of the new Board of Directors and of the senior managers comprising the Leadership Commission are as follows:

➤ **Ângelo Gabriel Ribeirinho dos Santos Paupério**

Chairman of the new Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Ângelo Paupério has been member of the Board of Directors of the Company since 2002 and is currently the Executive Chairman of the Board of Directors of Sonaecom, SGPS, S.A., Chairman of the Board of Directors of MDS, SGPS, S.A., member of the Board of Directors, Co-CEO of Sonae, SGPS, S.A. and member of the Board of Directors of Sonae Center Serviços II, S.A., Sonae Sierra, SGPS, S.A and NOS, SGPS, S.A.

He is also Chairman of the Board of Directors of Sonae Investment Management Software and Technology, SGPS, S.A., Sonae Financial Services, S.A., Público Comunicação Social, S.A and SFS Serviços de Gestão e Marketing S.A., as well as Vice Chairman of the Board of Directors of Sonae MC Modelo Continente, SGPS, S.A. and a member of the Board of Directors of ZOPT, SGPS, S.A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Ângelo Paupério is also President of the Directing Counsel of *Associação Portuguesa de Gestão e Engenharia Industrial*, a member of the Board of Directors of Love Letters Galeria de Arte, S.A., Enxomil – Consultoria e Gestão, S.A. and Enxomil – Sociedade Imobiliária, S.A. as well as a member of the Superior Board of Universidade Católica Portuguesa.

Academic degree:

Mr. Ângelo Paupério holds a degree in Civil Engineering from *Universidade do Porto, Faculdade de Engenharia* and an MBA in Companies Management from Porto Business School.

➤ **Maria Cláudia Teixeira de Azevedo**

Non-executive member of the new Board of Directors of the Company

Positions held inside the Sonae Group:

Mrs. Cláudia Azevedo is currently the Chairwoman of the Executive Committee of Sonae Capital, SGPS, S.A., Chairwoman of the Board of Directors of Sonaecom Serviços Partilhados, S.A., Sonaecom – Cyber Security and Intelligence, SGPS, S.A., S21SEC Portugal - Cybersecurity Services, S.A., WeDo Consulting, Sistemas de Informação, S.A., Saphety Level Trusted Services, S.A., Bright Development Studio, S.A., Inovretail S.A., Digitmarket Sistemas de Informação, S.A., PCJ Público, Comunicação, e Jornalismo, S.A., Grupo S 21 Sec Gestión, S.A., SC Industrials SGPS S.A., WeDo Technologies Americas Inc., SC, SGPS, S.A., SC Hospitality, SGPS, S.A., Troiaresort, SGPS, S.A., Capwatt, SGPS, S.A. and Race SGPS S.A. (former SISTAVAC, SGPS, S.A.), as well as member of the Board of Directors of Sonaecom SGPS, S.A., Sonae Investment Management Software and Technology, SGPS, S.A., WeDo Technologies España Sistemas de Informacion, S.L. (former Sonaecom Sistemas de Información España, S.L.), Saphety Transacciones Electronicas, S.A., WeDo Technologies Egypt, WeDo Technologies (UK) Limited, NOS, SGPS, S.A., Público Comunicação Social, S.A. and ZOPT, SGPS, S.A. She is also manager of Praesidium Services Limited (UK) and director of WeDo Technologies Australia PTY Limited and General Manager of WeDo Technologies Mexico, S. de R.L. De C.V.

Mrs. Cláudia Azevedo is Mrs. Isabel Barros' sister-in-law.

Positions held outside of the Sonae Group for the last 5 years:

Mrs. Cláudia Azevedo is also Chairwoman of the Board of Directors of Linhacom, SGPS, S.A., Praça Foz - Sociedade Imobiliária, S.A. and Efanor Serviços de Apoio à Gestão, S.A., as well as member of the Board of Directors of SEKIWI, SGPS, S.A., Vistas da Foz Sociedade Imobiliária, S.A., Setimanale SGPS S.A., BA Business Angels SGPS S.A., BA Capital SGPS S.A., Efanor Investimentos, SGPS, S.A. and IMPARFIN, SGPS, S.A.

Academic degree:

Mrs. Cláudia Azevedo holds a degree in Management from Universidade Católica Portuguesa and an MBA from INSEAD.

➤ **João Pedro Magalhães da Silva Torres Dolores**

Non-executive member of the new Board of Directors of the Company

Positions held inside the Sonae Group:

Mr. João Pedro Dolores is the Head of Strategic Planning and Management Control of Sonae, SGPS, S.A. since 2014 and is a non-executive member of the Board of Directors of NOS, SGPS, S.A. since 2016.

Positions held outside of the Sonae Group for the last 5 years:

From 2013 to 2014, Mr. João Pedro Dolores was Head of Cloud Business Unit of Portugal Telecom, SGPS, S.A.

Academic degree:

Mr. João Pedro Dolores holds a degree in Economics from Universidade do Porto, Faculdade de Economia and an MBA from London Business School.

➤ **Álvaro José Barrigas do Nascimento (independent)**

Non-executive member of the new Board of Directors of the Company.

Positions held inside the Sonae Group: N/A.

Positions held outside of the Sonae Group for the last 5 years:

From 2011 to 2013, Mr. Álvaro Nascimento was non-executive director at Caixa Geral de Depósitos and, from 2013 to 2016, Chairman of Caixa Geral de Depósitos. He was also, from 2013 to 2017, director of the Porto Commercial Association. From 2016 to 2018 he acted as independent director of Euronext Lisbon and, from 2017 to 2018, as President of the Auditing Committee of Banco Carregosa.

From 2009 until the present date, Mr. Álvaro Nascimento is a member of the Auditing Committee of Unicer Bebidas, SGPS, S.A. and, since 2013, director of Associação Missão Crescimento (Economic Growth Think Tank) and the Director of the Portuguese Institute of Corporate Governance. Since this year, Mr. Álvaro Nascimento is President of the Auditing Committee of Novabase.

Mr. Álvaro Nascimento is also currently, and from 2014, the Associate Dean of Católica Luanda Business School, the President of the Board of Católica Business Schools Alliance (since 2013), a member of the Advisory Board at Católica Porto Business School (also since 2013) and the Director of Executive Education programmes in Finance at Universidade Católica Portuguesa do Porto (since 2000).

Academic degree:

Mr. Álvaro Nascimento holds a PhD in Banking and Finance at Cass Business School, City University, holds a Master of Science in International Trade and Finance at the Management School of Lancaster University and a Bachelors (*Licenciatura*) in Economics at *Faculdade de Economia do Porto*. He also attended the following executive training programmes: “*The Corporate Entrepreneur*” at Stanford Graduate School of Business, “*Making Corporate Boards More Effective*” at Harvard Business School, “*International Deans Programme*” at EFMD and ABS, in Istanbul, Frankfurt, Germany and Singapore and “*Stanford Executive Program*” at Stanford Graduate School of Business.

➤ **António Carlos Merckx de Menezes Soares**

Non-executive member of the new Board of Directors of the Company.

Positions held inside the Sonae Group: N/A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. António Soares has been advisor for several retailers.

Academic degree:

Mr. António Soares has a degree in Mechanical Engineering – Thermodynamics at Instituto Superior Técnico and has attended several training programmes, such as “*Mintzberg on Management*” from MCE, “*Advanced Management Program*” from INSEAD, “*Strategic Management Seminar*” from Stanford, “*Executive Retailing Program*” from Babson School and “*Ahold Retail Leadership*” from Harvard Business School and Oxford Said Business School.

➤ **Ricardo Emanuel Mangana Monteiro**

Non-executive member of the new Board of Directors of the Company.

Positions held inside the Sonae Group:

N/A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Ricardo Monteiro is currently, among others, a business angel with RedAngels. He is also a founding member of Diáspora Portuguesa. From 2013 to 2015, he was Global President of Havas Worldwide and, until 2017, Global Chairman of Havas.

Academic degree:

Mr. Ricardo Monteiro obtained his degree in Public Administration and International Relations at Université Catholique de Louvain, in Belgium, and has attended senior management courses, notably at Four Acres (the Unilever training center).

➤ **Luís Miguel Mesquita Soares Moutinho**

CEO of the new Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Luís Moutinho has been a member of the Board of Directors since 2014. He is currently Chairman of the Board of Directors of BB Food Service, S.A., Bom Momento - Restauração, S.A., Brio - Produtos de Agricultura Biológica, S.A., Continente Hipermercados, S.A., Farmácia Selecção, S.A., Go Well - Promoção de Eventos, Catering e Consultoria, S.A., Mccare, Serviços de Saúde, S.A., Modelo Continente Hipermercados, S.A., Modelo Continente Hipermercados, S.A., Sucursal en España, Modelo Continente International Trade, S.A., Pharmaconcept - Actividades em Saúde, S.A., Pharmacontinente - Saúde e Higiene, S.A., SK - Skin Health Cosmetics, S.A. and SOHI Meat Solutions - Distribuição de Carnes, S.A.

He is currently a member of the Board of Directors of Amor Bio - Mercado Biológico, Lda., Modelo Continente, SGPS, S.A., Modelo – Distribuição de Materiais de Construção, S.A., SFS - Serviços de Gestão e Marketing, S.A., Sonae Financial Services, S.A. and Sonae MC - Serviços Partilhados, S.A..

Finally, he is a manager at Elergone Energia, Lda., Make Notes Design, Lda., Sonae MC S2 Africa, Ltd. and S2 Africa, Ltd.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Luís Moutinho is also a member of the Board of Directors of IFA Retail S.A and Vice-President of Gs1 Portugal.

Academic degree:

Mr. Luís Moutinho holds a Mechanical Engineering degree from the University of Porto and has attended executive programmes in “*Supply Chain Management and Leadership Organization Transformation*” from London Business School and “*Planning for Logistics*” at Cranfield University, as well as “*Business Executive Retailing*” at Babson College.

➤ **Rui Manuel Teixeira Soares de Almeida**

Executive member of the new Board of Directors of the Company.

Positions held inside the Sonae Group:

Mr. Rui Almeida is currently member of the Board of Directors of BB Food Service, S.A., Bom Momento - Restauração, S.A., Brio - Produtos de Agricultura Biológica, S.A., Continente Hipermercados, S.A., Elergone Energia, Lda., Farmácia Selecção, S.A., Go Well - Promoção de Eventos, Catering e Consultoria, S.A., Mccare, Serviços de Saúde, S.A., Modelo Continente Hipermercados, S.A., Modelo Continente Hipermercados, S.A., Sucursal en España, Modelo Continente International Trade, S.A., Pharmaconcept - Actividades em Saúde, S.A., Pharmacontinente - Saúde e Higiene, S.A., SK - Skin Health Cosmetics, S.A., Sohi Meat Solutions - Distribuição de Carnes, S.A. and Sonae MC - Serviços Partilhados, S.A.

He is also manager at Amor Bio - Mercado Biológico, Lda., Elergone Energia, Lda., Make Notes Design, Lda., Marcas MC Services Private Company Ltd., S2 Africa, Ltd., Sempre a Postos – Produtos Alimentares e Utilidades, Lda. and Sonae MC S2 Africa, Ltd.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Rui Ameida is also manager at Sant-ALM Prainha – Promoção Imobiliária, Lda since 2017.

Academic degree:

Mr. Rui Almeida holds a bachelors degree in Economics from the School of Economics and Management of the University of Porto and an MBA from Porto Business School.

➤ **Isabel Sofia Bragança Simões Barros**

Executive member of the new Board of Directors of the Company.

Positions held inside the Sonae Group:

Mrs. Isabel Barros is, since 2017, a member of the Board of Directors of Continente Hipermercados, S.A. and Modelo Continente Hipermercados, S.A. Since 2018, she is a member of the Board of Directors of Sonae Indústria, SGPS, S.A. and of the Board of Nomination and Remuneration Committee of Sonae Indústria, SGPS, S.A.

Mrs. Isabel Barros is Mrs. Cláudia Azevedo's sister-in-law.

Positions held outside of the Sonae Group for the last 5 years:

Mrs. Isabel Barros is, since 2014, member of the Board of Directors of Junior Achievement Portugal. She is also member of the Strategic Counsel of Católica Lisbon School of Economics and of the Ethics Forum of Católica Porto Business School.

Academic degree:

Mrs. Isabel Barros holds a degree in Psychology from the University of Porto and an MBA from EADA Business School, in Barcelona and Nagoya International School.

➤ **José Manuel Cardoso Fortunato**

Executive member of the new Board of Directors of the Company

Positions held inside the Sonae Group:

Mr. José Fortunato is a member of the Board of Directors of BB Food Service, S.A., Bom Momento - Restauração, S.A., Continente Hipermercados, S.A., Inscó - Insular de Hipermercados, S.A., Mccare, Serviços de Saúde, S.A., Modelo Continente Hipermercados, S.A. and Pharmacontinente - Saúde e Higiene, S.A. He is also manager of Elergone Energia, Lda.

Positions held outside of the Sonae Group for the last 5 years:

Mr. José Fortunato is a member of the management of Business Council for Sustainable Development (since 2016) and of *Direção Comercial do Porto* (since 2017). He was also member of the Management of the Alumni Association of Insead from 2014 to 2017.

Academic degree:

Mr. José Fortunato holds an MBA from INSEAD and a bachelors degree in Economics from *Faculdade de Economia do Porto*.

➤ **Maria Inês Martins Valadas**

Executive member of the new Board of Directors of the Company

Positions held inside the Sonae Group:

Mrs. Inês Valadas is currently member of the Board of Directors of Brio - Produtos de Agricultura Biológica, S.A., Continente Hipermercados, S.A., Farmácia Selecção, S.A., Go Well - Promoção de Eventos, Catering e Consultoria, S.A., Mccare, Serviços de Saúde, S.A., Modelo Continente Hipermercados, S.A., Pharmaconcept - Actividades em Saúde, S.A., Pharmacontinente - Saúde e Higiene, S.A. and SK - Skin Health Cosmetics, S.A.

Finally, she is manager of Amor Bio - Mercado Biológico, Lda.

Positions held outside of the Sonae Group for the last 5 years:

N/A.

Academic degree:

Mrs. Inês Valadas holds a degree in Marketing Management from the Portuguese Institute of Marketing Management (IPAM), as well as an MBA from Universidade Católica Portuguesa. She has also completed executive programmes at IMD in Lausanne, and London Business School.

➤ **João António Palmeira Pereira Afonso**

Head of Food Trade of the Company.

Positions held inside the Sonae Group:

Mr. João Afonso is, since 2015, a member of the Board of Directors of Continente Hipermercados, S.A., Modelo Continente Hipermercados, S.A. and, since 2018, of Sohi Meat Solutions – Distribuição de Carnes, S.A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. João Afonso is manager at Janelas do Cais, Lda.

Academic degree:

Mr. João Afonso holds an Economics and Business Management degree from ISCTE and has completed the AESE Business School Advanced Management Programme (PADE), as well as the Kellogg Católica Advanced Management Programme.

➤ **João Nonell Gunther Amaral**

Head of Supply Chain, Logistics and Production Centres.

Positions held inside the Sonae Group:

Mr. João Amaral is since 2014, a member of the Board of Directors of Continente Hipermercados, S.A., Modelo Continente Hipermercados, S.A. and, since 2016, of Sohi Meat Solutions – Distribuição de Carnes, S.A.

Positions held outside of the Sonae Group for the last 5 years:

N/A

Academic degree:

Mr. João Amaral holds a master degree in Electrical Engineering and Computer Science from the University of Porto and has an Executive MBA from Porto Business School.

➤ **David Pedro Oliveira Parente Ferreira Alves**

Head of E-Commerce and Continente's Non-Food Commercial business units and operations.

Positions held inside the Sonae Group:

Mr. David Alves is, since 2013, member of the Board of Directors of Modelo Continente Hipermercados, S.A. and also, since 2014, a member of the Board of Directors of Continente Hipermercados, S.A. and Sonae MC – Serviços Partilhados, S.A.

He is also, since 2015, manager of Ulabox, S.l and, since 2016, of Make Notes Design, Lda.

Positions held outside of the Sonae Group for the last 5 years:

Mr. David Alves was, until October 2013, a member of the board of directors of Nos Comunicações, S.A. (previously, Optimus Comunicações, S.A.), Nos Technology, S.A. (previously, BE ARTIS – Conceção, Construção e Gestão de Torres de Telecomunicações, S.A.), NOS Towering, S.A. (previously, BE TOWERING – Gestão de Torres de Telecomunicações, S.A.), Sontária – Empreendimentos Imobiliários, S.A. and Per-Mar – Sociedade de Construções, S.A. and, in 2016, a member of the board of directors of Bright Development Studio, S.A. Academic degree:

Mr. David Alves holds a Management degree from the Economics School of the University of Porto and has attended executive programmes at Stanford University, Harvard Business School, London Business School and IMD.

The business address for each member of the new Board of Directors is: Rua João Mendonça, 529, 4464-501 Matosinhos, Porto, Portugal.

Statutory Audit Board

The Statutory Audit Board is, under the governance model adopted, and together with the statutory external auditor, the auditing body of the Company responsible for the internal oversight of the Company.

In accordance with the Company's Articles of Association, the Statutory Audit Board shall be composed of an odd or even number of members, with a minimum of three and a maximum of five members and shall have one or two alternates depending on its composition being of three or more members.

In accordance with paragraph 4 of article 414 of the Portuguese Companies Code, the Statutory Audit Board includes at least one member that holds an appropriate degree for the exercise of its functions and possesses knowledge of auditing or accounting and independence.

Also, in accordance with paragraph 6 of article 414 of the Portuguese Companies Code, the Statutory Audit Board of companies with shares admitted to trading on a regulated market must be composed of a majority of independent members. For these purposes, a person is considered to be independent if he/she is not associated with any specific interest group within the Company nor subject to any circumstance likely to affect his/her impartiality in analysis or decision, particularly in relation to:

- (a) holding or acting in the name or on behalf of a shareholder that holds a qualifying participation exceeding 2 percent of the share capital of the Company; or
- (b) having been re-elected to more than two mandates, consecutive or not.

Additionally, in accordance with article 414-A of the Portuguese Companies Code, the following persons cannot be elected or appointed as members of the Statutory Audit Board or as the statutory external auditor:

- (c) beneficiaries of particular benefits from the Company;
- (d) persons who carry out administrative functions in the Company;
- (e) members of the management bodies of companies which are in a controlling or group situation with the Company;
- (f) a partner in a general partnership company (*sociedade em nome coletivo*) that is in a control relationship with the Company;

- (g) persons who, directly or indirectly, provide services or establish a significant business relationship with the Company or with companies which are in a controlling or group situation with the Company;
- (h) persons who carry out functions in competing companies and that act in the name or on behalf of such companies or who are otherwise bound to the interests of a competitor;
- (i) the spouses or certain direct or indirect relatives, including, with respect to indirect relatives, people barred under the provisions of paragraphs (a), (b), (c), (d) and (f), as well as spouses of persons covered by paragraph (e);
- (j) those in positions of management or supervision in five other companies, except for law firms and companies of chartered accountants;
- (k) chartered accountants in relation to which other incompatibilities provided in the respective legislation exists; and
- (l) the legally barred, the incapacitated, the insolvent, the bankrupt and those who were subject to a judgment barring them, even temporarily, from the exercise of public functions.

The majority of the members of the Statutory Audit Board, including its Chairman, are independent as required by article 414, paragraphs 5 and 6 of the Portuguese Companies Code and also pursuant to Law no. 148/2015, of 9 September, as amended (“*Regime Jurídico da Supervisão de Auditoria*”), which applies to the Company as it qualifies as a public interest entity (“*entidade de interesse público*”). Furthermore, the members of the Statutory Audit Board are not in breach of any of the criteria for incompatibility as set out in article 414 A, paragraph 1, both of the Portuguese Companies Code.

The Statutory Audit Board members (including the alternate members) are elected by the Shareholders’ General Meeting for a four-year term.

If the Shareholders’ General Meeting fails to elect the Statutory Audit Board, the Board of Directors must, and any shareholder may, petition the courts for the necessary appointment.

If the Shareholders’ General Meeting does not designate the Chairman of the Statutory Audit Board, the Chairman shall be appointed by the members of the Statutory Audit Board.

If the Chairman leaves office prior to the end of the mandate for which he was elected, the other members must choose, among them, a substitute to exercise these duties until the end of the current mandate.

Substitute members who replace members who have resigned, shall remain in office until the next Shareholders’ Annual General Meeting, at which time the vacant positions shall be filled.

In the absence of an elected substitute member to replace a vacancy left by a member, the vacant positions, both of the member and of the substitute member, shall be filled by means of a new election.

Pursuant to the article 420 of the Portuguese Companies Code, the Statutory Audit Board is responsible for, among others:

- monitoring the management of the Company;
- verifying compliance with the law and with the Articles of Association;
- verifying the regularity of the books, accounting records and supporting documents;
- verifying, whenever deemed convenient, and in the manner deemed appropriate, the extension of cash and of stock of any kind of goods or other values that belong to the Company or that were received by the Company as a guarantee, deposit or otherwise;
- verifying the accuracy of the financial statements of the Company;

- verifying that the accounting policies and valuation criteria adopted by the Company lead to a correct valuation of the Company's assets and results;
- preparing an annual report on its monitoring activity and provide an opinion on the report, financial statements and proposals presented by the Board of Directors;
- convening the Shareholders' General Meeting, whenever the Chairman of the Board of the Shareholders' General Meeting fails to do so;
- supervising the efficacy of the risk management system, the internal control system and the internal audit system;
- receiving communication on irregularities presented by shareholders, employees of the Company and others;
- appointing and hiring services from experts to help one or more of its members in the exercise of their duties. The hiring and fees of these experts should take in consideration the importance of the underlying matters and the financial situation of the Company;
- certifying that the corporate governance report includes the features mentioned in article 245 A of the Portuguese Securities Code;
- appointing substitute directors in accordance with the law and the Company's Articles of Association; and
- complying with any other attributions defined by the applicable law of the Company's Articles of Association.

The current Statutory Audit Board, which was elected at the Shareholders' General Meeting held on 3 May 2018 for the 2018/2021 term of office, is composed of the following four members:

- Armando Luís Vieira de Magalhães (Chairman);
- Maria José Martins Lourenço da Fonseca (member);
- António Augusto Almeida Trabulo (member); and
- Carlos Manuel Pereira da Silva (alternate)

The biographies of the members of the Statutory Audit Board are as follows:

➤ **Armando Luís Vieira de Magalhães (Chairman)**

Chairman of the Statutory Audit Board of the Company.

Positions held inside the Sonae Group:

Mr. Armando Magalhães has been member of the Supervisory Body of the Company since 2014 and the Chairman of the Supervisory Body of the Company since 2015. He is also, since 2016, a member of the Statutory Audit Board of Sonaegest-Sociedade Gestora de Fundos de Investimento, S.A.

Positions held outside of the Sonae Group for the last 5 years:

From 2014 to 2016, Mr. Armando Magalhães was also a member of the Statutory Audit Board of Caravela, Companhia de Seguros, S.A. and of Real Vida Seguros, S.A.

He is also a manager at MSA – Armando Magalhães, Carlos Silva & Associados, SROC, Lda.

Academic degree:

Mr. Armando Magalhães holds a bachelor's degree in Accounting from the ex-*Instituto Comercial do Porto* (now ISCAP), a degree in Economy from the *Faculdade de Economia do Porto* and an Executive MBA in European Management from *Instituto Francês de Gestão*.

➤ **Maria José Martins Lourenço da Fonseca (member)**

Member of the Statutory Audit Board of the Company.

Positions held inside the Sonae Group:

Mrs. Maria José Fonseca has been a member of the Statutory Audit Board since 2015. She is also a member of the Statutory Audit Board of Sonae, SGPS, S.A. and of the Statutory Audit Board of Sonaecom, SGPS, S.A.

Positions held outside of the Sonae Group for the last 5 years:

From 2017, Mrs. Maria José Fonseca is also a member of the Statutory Audit Board of Ibersol, SGPS, S.A.

Academic degree:

Mrs. Maria José Fonseca holds a PhD and a master in Business Sciences from *Faculdade de Economia da Universidade do Porto*, a post-graduate course in European Studies from Universidade Católica Portuguesa and a degree in Economy from *Faculdade de Economia da Universidade do Porto*.

➤ **António Augusto Almeida Trabulo (member)**

Member of the Statutory Audit Board of the Company.

Positions held inside the Sonae Group:

Mr. António Trabulo has been a member of the Statutory Audit Board of the Company since 2014. Since 2018, Mr. António Trabulo is also member of the Statutory Audit Board of Sonae Indústria, SGPS, S.A. and of Sonae Arauco Portugal, S.A. Also, since 2016, he is member of the Statutory Audit Board of Sonaecom, SGPS, S.A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. António Trabulo has been, since 2015, director of Velosa, Silva, Marques e Trabulo, SROC and was, in 2017 and 2018, member of the Statutory Audit Board of VAA–Vista Alegre Atlantis, SGPS, S.A.

Academic degree:

Mr. António Trabulo holds a degree in Economy from *Faculdade de Economia da Universidade do Porto* and a diploma on investigation sufficiency in Economia Financiera y Contabilidad from *Universidad de Valladolid*. He has also attended PhD course in Business Management in Universidade de Valladolid (curricular segment). He has also attended post graduate courses in Financial Analysis and in International Financial Management from *Faculdade de Economia da Universidade do Porto* and a post graduate course in Accounting and Business Finance from *Universidade Aberta*.

➤ **Carlos Manuel Pereira da Silva (alternate)**

Member of the Statutory Audit Board of the Company.

Positions held inside the Sonae Group:

Mr. Carlos Silva was, from 2015 until 2017, member of the Statutory Audit Board of Sonae Capital, SGPS, S.A. and is currently member of the Statutory Audit Board of Sonae Sierra, SGPS, S.A.

Positions held outside of the Sonae Group for the last 5 years:

Mr. Carlos Silva is also member of the Statutory Audit Board of Real Vida Seguros, S.A. since 2016.

He is also a manager at MSA – Armando Magalhães, Carlos Silva & Associados, SROC, Lda.

Academic degree:

Mr. Carlos Silva has a degree in Economy from *Faculdade de Economia do Porto*.

The business address for each member of the Statutory Audit Board is: Rua João Mendonça, 529, 4464-501 Matosinhos, Porto, Portugal.

Statutory External Auditor

The Statutory External Auditor is responsible for legally certifying the Company's financial statements, as well as for the examination of the Company's accounts, pursuant to article 420, no. 4 of the Portuguese Companies Code.

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (“PwC”), represented by Hermínio António Paulo Afonso (registered with the Portuguese Institute of Chartered Accountants (“*Ordem dos Revisores Oficiais de Contas*”) under no. 712) and by António Joaquim Brochado Correia (registered with the Portuguese Institute of Chartered Accountants (“*Ordem dos Revisores Oficiais de Contas*”) under no. 1076), was appointed as the Company's Statutory External Auditor (“*Revisor Oficial de Contas*”) at the Shareholders' General Meeting held on 3 May 2018 for the 2018/2021 term-of-office. The Alternate Statutory External Auditor is Joaquim Miguel de Azevedo Barroso (registered with the Portuguese Institute of Chartered Accountants (“*Ordem dos Revisores Oficiais de Contas*”) under no. 1426) appointed as the Company's Alternate Statutory External Auditor (“*Revisor Oficial de Contas Suplente*”) at the Shareholders' General Meeting held on 3 May 2018 for the 2018/2021 term-of-office.

Given the fact that the Company is an issuer of securities admitted to trading in a regulated market, it is qualified as a public interest entity (“*entidade de interesse público*”), and is subject to the audit supervision regime approved by Law no. 148/2015, of 9 September, as amended (“*Regime Jurídico da Supervisão de Auditoria*”), which regulates the public supervision activity of chartered accountants and auditors from other EU Member States and third countries in Portugal and determines, in particular, that the Company's Statutory Audit Board must be composed by a majority of independent members, including its Chairman.

Secretary of the Company

Pursuant to the Portuguese Companies Code, listed companies shall appoint an effective and an alternate Secretary for the Company. The persons acting as Secretary shall have an university degree or be a solicitor or have adequate qualifications and may not exercise such functions in more than seven companies. The Secretary shall, among other powers:

- provide support to the meetings of the corporate bodies;
- draft the minutes of the meetings of the corporate bodies and sign such minutes together with the members of the corporate bodies;
- maintain the Company's minutes books, attendance lists, share registration book and related documentation;
- issue convening notices for the meetings of all corporate bodies;
- certify the signatures of the members of the statutory bodies on the Company's documents;
- certify, totally or partially, the content of the Company's articles of association, the books of the Company or the filed documents as well as the identity and the powers of the members of the statutory governing bodies;
- providing feedback, pursuant to the applicable legal provisions, to the Shareholders' request for information;
- request registration, where applicable, of all corporate actions subject to registration.

The current Secretary, which was elected at the Shareholders' General Meeting held on 3 May 2018 for the 2018/2021 term of office, is composed of the following members:

Alice da Assunção Castanho Amado (Effective)

Anabela Nogueira de Matos (Alternate)

Remuneration

The Company's remuneration policies are prepared in accordance with all relevant legal requirements under Portuguese and EU law applicable at each time. The Company's remuneration policies intend to facilitate the Company attracting, motivating and retaining qualified and expert individuals who possess both the necessary background and experience in the areas of the Company's business activities and who will perform senior positions within the Group to the benefit of the Company.

The Shareholders' General Meeting is responsible for approving the remuneration of the Board members and members of other statutory corporate bodies.

Compensation of the Board of Directors

There may be substantial differences in remuneration between directors, especially between executive directors and non-executive directors, if applicable. The remuneration package of each director consists of a fixed component base pay. In addition, the remuneration package of Executive Directors may further consist of variable short and medium-term performance bonuses, as detailed below.

The remuneration of the Executive Directors is determined according to the level of responsibility of the member of the Board of Directors involved and is subject to annual review.

Above and beyond the fixed remuneration, Executive Directors are also entitled to a variable remuneration, in accordance with the remuneration policy approved.

Variable remuneration is awarded in the first quarter following the year to which it relates and is linked to the performance in the prior year and aims to motivate and compensate the Executive Board of Directors for achieving predefined objectives. It is divided in two equal parts:

- a) Short Term Performance Bonus paid in cash in the first half of the year following the year to which it relates. It may, however, upon the decision of the Shareholders Remuneration Committee, be paid, within the same deadline, in shares;
- b) Medium Term Performance Bonus, paid after a deferral period of 3 years and on the year that follows.

The obligation to pay in cash the bonus incentive may be fulfilled as permitted by law and by the Company's Articles of Association.

Currently no scheme involves the award of share purchase options.

The remuneration of the Non-Executive members of the Board of Directors (on a Group level) is exclusively composed of fixed values determined by reference to market values, according to the following principles: (i) attribution of a fixed remuneration and (ii) attribution of an annual responsibility allowance. No variable bonus of any kind is paid to Non-Executive Directors.

The members of the Board of Directors are not remunerated by the Issuer, but some of such members receive compensation from subsidiaries of the Company.

The total compensation paid to the Executive Directors for the year ended December 31, by subsidiaries of the Group, in 2017 was €2,169,435 and was allocated as follows:

	December 31, 2016				December 31, 2017			
	Fixed Remuneration	STPB ¹	MTPB ²	Total	Fixed Remuneration	STPB ¹	MTPB ²	Total
Luís Miguel Mesquita Soares Moutinho	€313,713	€175,400	€175,400	€664,513	€327,530	€177,300	€177,300	€682,130
Luís Miguel Vieira de Sá da Mota Freitas	€362,219	€153,400	€153,400	€669,019	€369,255	€189,700	€189,700	€748,655
Luís Filipe Campos Dias de Castro Reis	€308,953	€168,200	€168,200	€645,353	€309,050	€214,800	€214,800	€738,650
	€984,885	€497,000	€497,000	€1,978,885	€1,005,835	€581,800	€581,800	€2,169,435

¹ Short Term Performance Bonus

The Company does not have any complementary pension or early retirement schemes for members of the Board of Directors, nor does it attribute any relevant non-pecuniary benefits.

There are no agreements in place with members of the Board of Directors or persons discharging managerial responsibilities, that establish amounts to be paid in case of any dismissal without due cause, without prejudice to the applicable legal provisions.

Compensation of the Leadership Commission

In what specifically concerns all the members of the Leadership Commission, the Company intends to amend its remuneration in order to foresee that the variable remuneration of the members of the Leadership Commission shall represent approximately 40% of the total remuneration attributed. Variable remuneration will be divided into two components: short-term (50% of total variable remuneration) and the deferred medium and long-term (50% of total variable remuneration).

Short-term variable compensation will be essentially indexed to the fulfillment of objectives related to market share, profitability and customer perception of the value proposition implemented by the management team. The amount to be paid in relation to short-term variable compensation will be distributed immediately after the end of the financial year to which it relates.

At the time of the distribution of the short-term variable component, a similar amount will be made available to the members of the Leadership Committee through the attribution of shares of the Company that will be distributed after three years of the same allocation.

The remuneration package of each member of the Leadership commission who is not a member of the Board of Directors will also comprise a fixed component base pay, determined according to the level of responsibility of the functions performed by such person and by reference to market values, and will be subject to annual review.

The total compensation paid to the persons integrating the Leadership Commission who will not be members of the new Board of Directors (including fixed and variable compensation) amounted to a total of € 937,959.32 for the year ended December 31, 2017.

Compensation of the Statutory Audit Board

The remuneration of the members of the Statutory Audit Board is made up of a fixed annual fee, based on the Company's financial situation and market practice, and does not include any variable remuneration.

The total compensation paid to the Statutory Audit Board for the year ended December 31, 2017 was € 25,700 and was allocated as follows:

Member of Statutory Audit Board	December 31, 2016	December 31, 2017
Armando Luis Vieira de Magalhães	€7,900	€7,900
António Augusto Almeida Trábulo	€7,900	€7,900
Maria José Martins Lourenço da Fonseca	€9,900	€9,900
Total	€25,700	€25,700

Compensation of the Statutory External Auditor

During the year ended December 31, 2017, the Company entered into a contract for services with Deloitte & Associados, SROC S.A. The fees under this contract during the year ended December 31, 2017 amounted to a total of € 335,632. Such fees were distributed as follows: € 276,632 for the audit of statutory financial statements and legal accounts and € 59,000 for other services.

Annual Report on Corporate Governance

At the present date, the Issuer does not have any of its shares admitted to trading on a regulated market and therefore it is not subject to corporate governance rules applicable to such companies. However, after the

successful completion of the Offer, the Issuer will have shares admitted to trading on a regulated market, for which reason it will have to observe various provisions regarding corporate governance.

Currently, the Issuer adopts the corporate governance model set forth in paragraph a) of article 278(1) of the Portuguese Companies Code, according to which the management of the Company is incumbent upon a board of directors and its supervision to a statutory audit board, being the examination of the documents of accountability assigned to a statutory external auditor.

According to article 245-A of the Portuguese Securities and CMVM Regulation no. 4/2013, after the Shares are admitted to trading, the Company, as a listed company, will be required to prepare an annual corporate governance report containing the elements referred to in article 245-A of the Portuguese Securities Code, as well as the supplementary information required by CMVM Regulation no. 4/2013 and any other information that is relevant to the understanding of the governance model and practices adopted. The corporate governance report must assess the Company's compliance with the recommendations provided in the approved corporate governance code. This report must indicate whether the Company has adopted and complied with the applicable corporate governance recommendations and if the Company has not done so, set out an explanation of the reasons for any such failure to comply and indicate the alternative adopted by the Company in a way that allows the reader to assess that alternative against the applicable recommendations. This report shall be disclosed by the date of publication of the notice convening the annual Shareholders Meeting. Under Portuguese law, this annual corporate governance report must be included with the annual management report or as an annex to it, within the first four months of a company's fiscal year.

After the Shares are admitted to trading, the Company will adopt the Corporate Governance Code of the Portuguese Institute of Corporate Governance (IPCG) and make its best efforts towards the progressive adoption of the principles and recommendations set therein that are best suited to the specificities of the Company upon completion of the Offer. The IPCG Corporate Governance Code principles and recommendations are as follows:

I. GENERAL PROVISIONS	
General Principle	<i>Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.</i>
I.1 Company's relationship with investors and disclosure	
Principle	<i>Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.</i>
Recommendation I.1.1	The Company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.
I.2 Diversity in the composition and functioning of the company's governing bodies	
Principle 1.2.A	<i>1.2.A Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.</i> <i>1.2.B Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.</i>
Recommendation I.2.1	Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.
Recommendation I.2.2	The company's managing and supervisory boards, as well as their committees, should have internal regulations — namely regulating the performance of their duties, their Chairmanship, periodicity of meetings, their functioning and the duties of their members —,

	and detailed minutes of the meetings of each of these bodies should be carried out.
Recommendation I.2.3	The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.
Recommendation I.2.4	The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.
Recommendation I.2.5	The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (whistleblowing) that guarantees the suitable means of communication and treatment of those irregularities but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.
I.3 Relationships between the company bodies	
Principle	<i>Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.</i>
Recommendation I.3.1	The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's employees, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.
Recommendation I.3.2	Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.
I.4 Conflicts of interest	
Principle	<i>The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.</i>
Recommendation I.4.1	The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.
Recommendation I.4.2	Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.
I.5 Related party transactions	
Principle	<i>Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.</i>
Recommendation I.5.1	The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.
Recommendation I.5.2	The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.
II. SHAREHOLDINGS AND GENERAL MEETINGS	
Principle II.A	<i>As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.</i>
Principle II.B	<i>The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.</i>

Principle II.C	<i>The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.</i>
Recommendation II.1	The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.
Recommendation II.2	The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.
Recommendation II.3	The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.
Recommendation II.4	The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.
Recommendation II.5	The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution — without increased quorum in comparison to the legally established — and in that resolution, all votes cast will be counted without observation of the imposed limits.
Recommendation II.6	The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.
III. NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION	
Principle III.A	<i>The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.</i>
Principle III.B	<i>The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.</i>
Principle III.C	<i>The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.</i>
Recommendation III.1	Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (lead independent director), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.
Recommendation III.2	The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.
Recommendation III.3	In any case, the number of non-executive directors should be higher than the number of executive directors.
Recommendation III.4	Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to: <ul style="list-style-type: none"> i. having carried out functions in any of the company's bodies for more than 9 years,

	<p>either on a consecutive or non-consecutive basis;</p> <ul style="list-style-type: none"> ii. having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years; iii. having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person; iv. having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties; v. having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or vi. having been a qualified holder or representative of a shareholder of qualifying holding.
Recommendation III.5	The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (cooling-off period).
Recommendation III.6	Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.
Recommendation III.7	The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.
Recommendation III.8	The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.
Recommendation III.9	Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.
Recommendation III.10	Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.
Recommendation III.11	The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.
Recommendation III.12	The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.
IV. EXECUTIVE MANAGEMENT	
Principle IV.A	<i>As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.</i>
Principle IV.B	<i>In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.</i>
Recommendation IV.1	The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.

Recommendation IV.2	The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: <ul style="list-style-type: none"> i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.
Recommendation IV.3	In matters of risk assumption, the managing body should set objectives and look after their accomplishment.
Recommendation IV.4	The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.
IV. EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENT	
V.1 Annual evaluation of performance	
Principle	<i>The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.</i>
Recommendation V.1.1	The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.
Recommendation V.1.2	The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.
V.2 Remuneration	
Principle	<i>The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.</i>
Recommendation V.2.1	The remuneration should be set by a committee, the composition of which should ensure its independence from management.
Recommendation V.2.2	The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and confirm the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.
Recommendation V.2.3	The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19 June, should additionally contain the following: <ul style="list-style-type: none"> i. the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied; ii. remunerations from companies that belong to the same group as the company; iii. the number of shares and options on shares granted or offered, and the main condition for the exercise of those rights, including the price and the exercise date; iv. information on the possibility to request the reimbursement of variable remuneration;

	<p>v. information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation;</p> <p>vi. information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.</p>
Recommendation V.2.4	For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.
Recommendation V.2.5	In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.
Recommendation V.2.6	Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.
V.3 Director remuneration	
Principle	<p><i>Directors should receive compensation:</i></p> <p>i) <i>that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;</i></p> <p>ii) <i>that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and</i></p> <p>iii) <i>that rewards performance.</i></p>
Recommendation V.3.1	Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.
Recommendation V.3.2	A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.
Recommendation V.3.4	When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.
Recommendation V.3.5	The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.
Recommendation V.3.6	The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.
V.4 Appointments	
Principle	<i>Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.</i>
Recommendation V.4.1	The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the curriculum vitae to the duties to be carried out.
Recommendation V.4.2	The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.
Recommendation V.4.3	This nomination committee includes a majority of non-executive, independent members.
Recommendation V.4.4	The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective

	mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.
VI. RISK MANAGEMENT	
Principle	<i>Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.</i>
Recommendation VI.1	The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.
Recommendation VI.2	Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.
Recommendation VI.3	The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.
VII. FINANCIAL STATEMENTS AND ACCOUNTING	
VII.1. Financial Information	
Principle VII.A	<i>The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.</i>
Principle VII.B	<i>The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.</i>
Recommendation VII.1.1	The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.
VII.2 Statutory audit of accounts and supervision	
Principle	<i>The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor, with rules regarding independence imposed by law and professional regulations.</i>
Recommendation VII.2.1	Through the use of internal regulations, the supervisory body should define: <ul style="list-style-type: none"> i. the criteria and the process of selection of the statutory auditor; ii. the methodology of communication between the company and the statutory auditor; iii. the monitoring procedures destined to ensure the independence of the statutory auditor; iv. the services, besides those of accounting, which may not be provided by the statutory auditor.
Recommendation VII.2.2	The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.
Recommendation VII.2.3	The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.
Recommendation VII.2.4	The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control and report any irregularities to the supervisory body.
Recommendation VII.2.5	The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out

	their duties.
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As of the date of this Prospectus, the Company does not comply with part of the principles and recommendations of the IPCG Corporate Governance Code described above, due to not being, up to Admission, a listed company, which meant that it was not subject to them, or to a “comply or explain” rule in relation thereto. As mentioned, after the Shares are admitted to trading, the Company will be subject to specific corporate governance rules and it will endeavour its best efforts towards the progressive adoption of the principles and recommendations that are best suited to the specificities of the Company.

Financial information

The annual, semi-annual and quarterly financial information of the Company shall be organised and disclosed in accordance with Portuguese law, with the disclosure made in Portuguese and, in some cases, English. The CMVM will be responsible for the supervision of these matters. For a detailed description of the reporting requirements of the Company, see “*Description of The Share Capital Of The Company And Applicable Regulations*”.

Other

To the best of the Company’s knowledge, there are no potential conflicts of interest between the individuals that are part of the Company’s management and supervisory bodies and the Company or any other company of the Group.

There are no existing or proposed service agreements between any members of the Board of Directors, any members of the supervisory bodies or any senior managers of the Company and the Company or any member of the Group providing for benefits upon termination of employment.

The members of the Board of Directors, the Statutory Audit Board and the Statutory External Auditor, as well as the senior managers of the Company do not hold Shares of the Company and therefore are not subject to any restrictions with respect to the disposal of the Shares.

As at the date of this Prospectus, none of the members of the Board of Directors, members of the supervisory bodies or any senior managers of the Company at any time within at least the past five years have:

- (a) any convictions in relation to fraudulent offences;
- (b) been members of the administrative, management or supervisory bodies, senior managers (relevant to establishing that a company has the appropriate expertise and experience for the management of that company or partnership) of, or held another executive function at, any company or partnership at the time of, or immediately preceding, any bankruptcy, receivership or liquidation of such company or partnership or has otherwise been associated with any such bankruptcy, receivership or liquidation; or
- (c) received any official public incrimination and/or sanction by any statutory or regulatory authorities (including any designated professional bodies) or have been disqualified by a court from acting as members of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

OWNERSHIP STRUCTURE AND SELLING SHAREHOLDER

The following table presents our ownership structure at the date of this Prospectus and immediately after completion of the Offering. As at the date of this Prospectus, there were, according to our knowledge, no persons or legal entities owning 5% or more of the shares or votes in the Company, except as stated in the table below.

Shareholder	Shareholding prior to the Offering		Shareholding after the Offering (assuming the Over-Allotment Option is not exercised)		Shareholding after the Offering (assuming the Over-Allotment Option is exercised in full)		Shareholding after the Offering (assuming the Over-Allotment Option and the Upsize are exercised in full)	
	Number	%	Number	%	Number	%	Number	%
Efanor Investimentos, SGPS, S.A. ⁽¹⁾								
Sonae, SGPS, S.A. ⁽²⁾	350,286,683	35.03	350,286,683	35.03	350,286,683	35.03	350,286,683	35.03
Sonaecenter, Serviços, S.A. ⁽³⁾	518,269,127	51.83	300,909,127	30.09	268,309,127	26.83	181,309,127	18.13
Sonae Investments B.V. ⁽³⁾	131,444,190	13.14	131,444,190	13.14	131,444,190	13.14	131,444,190	13.14
Total attributable to Efanor Investimentos, SGPS, S.A.	1,000,000.00	100.00	782,640,000	78.26	750,040,000	75.00	663,040,000	66.30

⁽¹⁾ To the best of the Company's knowledge, as at November 29, 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder pursuant to Articles 20 and 21 of the Portuguese Securities Code.

⁽²⁾ To the best of the Company's knowledge, Efanor Investimentos, SGPS, S.A. (and affiliated companies) held 52.48% of Sonae, SGPS, S.A.'s (i.e., the "Parent") share capital as at June 30, 2018.

⁽³⁾ Sonaecenter, Serviços, S.A. (i.e., the "Selling Shareholder") and Sonae Investments B.V. are both owned by the Parent.

The Selling Shareholder

The Selling Shareholder is Sonaecenter, Serviços, S.A., a limited liability company (*sociedade anónima*) organized under the laws of Portugal, with head office at Lugar do Espido, Via Norte 4470 177 Maia, Portugal and registered with the Portuguese Commercial Registry (*Conservatória do Registo Comercial*) under the sole taxpayer and legal person number 506440613 and with a share capital of € 1.836.550.000,00.

Relationship with the Parent

Sonaecenter, Serviços, S.A. and Sonae Investments BV are wholly-owned, directly or indirectly, by the Parent. Consequently, as at June 30, 2018, the Parent owned, directly and indirectly, 100% of the Shares and the voting rights in the Company.

With a view to ensuring the independence of the Company *vis-a-vis* its shareholders and to ensure that their control over the Company is not exercised in an abusive manner, the Company procures to ensure total transparency in mutual relationships through the strict compliance with the regulatory and legal provisions applicable to it, notably the provisions relating to information obligations, information rights of the shareholders (including the rights detailed in the chapter "*Description of the share capital of the Company and applicable regulations*"), related party transactions and safeguard of potential conflicts of interest.

To the best of the Company's knowledge, Efanor Investimentos, SGPS, S.A. (and affiliated companies) held 52.48% of the Parent's share capital as at June 30, 2018. To the best of the Company's knowledge, no other person (legal or natural) held more than 10% of the Company's share capital and voting rights as at June 30, 2018. To the best of the Company's knowledge, as at November 29, 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder pursuant to Articles 20 and 21 of the Portuguese Securities Code.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the normal course of business, we enter into transactions with related parties. A related party transaction as defined by IAS 24 is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Pursuant to IAS 24, related parties include parties with whom the Company forms an affiliated group or in which it holds an interest that enables it to exercise a significant influence over the business policy of the associated company, as well as the principal shareholders in the Company, including their affiliates and member of the key management personnel of the Company or of the Parent.

The following provides information regarding our principal transaction with related parties.¹¹⁰

Services and goods

At the Sonae MC level, Sonae MC – Serviços Partilhados, S.A., Modelo Continente Hipermercados (“MCH”) Sucursal and Modelo Continente International Trade (“MCIT”) provide back office services, such as administrative, finance, human resources, IT, legal, fiscal, and planning and control, to several related parties within Sonae Group. These are five-year contracts which are automatically renewed unless a prior notice is given by either party, and prices are agreed upon on an annual basis. These services amounted to €13.1 million as of June 30, 2018.

At Sonae, SGPS, S.A (the “Parent”) level, Sonae Shared Services Center renders M&A, Corporate Governance and other sovereign support services to Sonae MC companies at a value of €1.1 million as of June 30, 2018.

Sonae SR Serviços e Logística renders imports-related services to MCIT, amounting to €0.6 million as of June 30, 2018, to be shared with Worten España Distribución, S.L. and Zippy Espana as part of the carve-out of MCIT, under a one-year contract that is automatically renewed for one year unless a prior notice is given by either party.

MCH subleases offices including furniture and equipment to be used by related parties. These subleases have estimated value of €9.4 million as of June 30, 2018. MCH and Continente Hipermercados (“CH”) also shares warehouse space in its stores with other businesses from related parties, and these services are valued at €2.3 million as of June 30, 2018. Furthermore, MCH and CH share services, space and equipment with other businesses from related parties at the store level, including maintenance, security, forklifts, changing rooms, medical assistance, dining rooms and safe boxes. These services amounted to €3.5 million as of June 30, 2018.

Elergone is 75% owned by Sonae MC, which sells energy to other related parties. These services amounted to €2.4 million in the year ended December 31, 2017.

NOS is a telecommunication listed company and is owned at 26% by the Parent. Sonae MC has various contracts with NOS relating to mobile equipment and telecommunications. These services were valued at €3.6 million as of June 30, 2018.

Mainroad and Safety are IT service providers that provide services to Sonae MC subsidiaries, namely managing servers, IT infrastructures, digital archive and electronic invoicing. These services were valued at €0.2 million as of June 30, 2018.

Sonae MC – Serviços Partilhados, S.A. provides software licenses, hardware and investment in software enhancement services to other related parties. These services amounted to €3.5 million as of June 30, 2018.

The Parent receives payments from its subsidiaries, namely Sonae MC, for the usage of the Sonae brand. These payments amounted to €0.1 million for the six month period ended June 30, 2018.

Various goods sold by Fashion Division, SA to MCH and CH were valued at an estimated €10.1 million as of June 30, 2018. Goods sold by Worten to MCH and CH were valued at €2.6 million for the year ended

¹¹⁰ Although all our material transactions with related parties are listed herein, please note that other transactions with related parties may exist.

December 31, 2017, and goods sold by MCH to Worten amounted to €0.9 million for the year ended December 31, 2017.

Sonae MC owns 10% of Insko, a company based in the Azores Islands, which has a franchise agreement with Sonae MC that covers several Parent businesses, including those that will be carved out as part of the Offering. These services were valued at €2.3 million as of June 30, 2018.

Real estate

Sonae RP and Sonae MC subsidiaries have real estate lease agreements with several related parties with estimated values of rents billed amounting to €12.3 million for the six month period ended as of June 30, 2018. Additionally, Sonae MC subsidiaries have real estate lease agreements with several Sonae Sierra shopping centers and the Imosede Real Estate Fund with estimated values of rents supported by the Group of €11.0 million for the six month period ended as of June 30, 2018.

Loyalty card program

Sonae Financial Services, IME, SA, (“SFS IME”) is the issuer of the Cartão Universo, a credit and debit payment card under the Mastercard franchise network. Cartão Universo provides a unique customer ID that allows simultaneous access to the Continente Loyalty Program, Worten Resolve and SportZone loyalty programs.

SFS IME uses Continente, Worten and SportZone’s stores as entry point for customer acquisition. Modelo Continente Hipermercados, SA and Continente Hipermercados, SA, have agreed to share their work force with SFS IME to support Cartão Universo’s customers at the customer support desk, with a minimum number of full-time equivalent employees (“FTEs”) being allocated each month to this operation. The number of FTEs allocated is variable depending on the marketing activities developed by SFS IME on Cartão Universo. SFS IME pays commissions on credit instalments made in the stores of Sonae MC and also on customer acquisitions. SFS IME has made payments to Modelo Continente Hipermercados, SA, Continente Hipermercados, SA, Pharmacontinente-Saude, Higiene, SA, BB Food Service, SA, Bom Momento-Com.Ret., SA, amounting to €4.3 million in the year ended December 31, 2017.

On the other hand, Modelo Continente Hipermercados, SA has also assumed to support joint promotions with SFS IME of up to 0.5% of the annual payments using Cartão Universo at Continente stores.

SFS Gestão e Consultoria, SA (“SFS GC”) is the issuer and manager of the prepaid gift cards program Cartão Dá, accepted in Sonae MC stores, for which it pays an issuing and a transaction fee. These payments amounted to €0.9 million in the year ended December 31, 2017.

The loyalty card issued by Continente can be used in other related parties’ stores, namely Zippy and MO. The stores pay transactional and promotional fees in order to participate in these loyalty ecosystems. The fees applied are the same as those charged by Continente to external parties such as Grupo Ibersol, and amounted to €0.8 million for the six months ended June 30, 2018.

Financing

There are several fiscal guarantees between the Parent and Sonae MC companies. The guarantees issued by the Parent and carve-out and related parties to the Group had a notional value of €346.9 million with interests of €0.8 million as of June 30, 2018, and the guarantees issued by the Group to the Parent and carve-out and related parties had a notional value of €36.3 million with interests of €0.1 million as of June 30, 2018. Additionally, the guarantees issued by the Group to the Parent’s Sports Division SR had a notional value of €0.6 million as of June 30, 2018. There are also several comfort letters from Sonae MC and its subsidiaries mainly provided to property owners of related parties’ stores, all of which currently amounted to €17.6 million whose release of Sonae MC and its subsidiaries is in progress.

The Parent has several loans in favor of Sonae MC, which are only executed if they are in the economic interest of both parties and at arms-length. In the year ended December 31, 2017, the Parent lent Sonae MC an average of €155.0 million with interest amounting to €0.6 million.

MDS is an insurance brokerage company held at 50% by the Parent, which manages all insurance policies of Sonae MC's subsidiaries.

Fixed assets acquisition

RACE, SA is a company specialized in refrigeration and air conditioning systems and is owned by 43.95% by Efanor Investimentos SGPS, SA. As of June 30, 2018, the Group has acquired fixed assets to RACE, SA in the amount of €11.3 million and related services in the amount of €1.6 million.

MARKET INFORMATION

Prior to the date of this Prospectus, there has been no public market for the Shares. We have applied to list the Shares on Euronext Lisbon under the ticker symbol “SONMC”. The Shares will trade on an “if-and-when-delivered” basis under a single trading line “SONAE MC SGPS AIW”, ISIN code PTMOC0AE0007 and trading symbol “SONMC”. After the settlement date of the Offering, Shares will be traded under the product name “SONAE MC SGPS” and both the ISIN code and trading symbol will remain the same.

The Portuguese Stock Exchange

Euronext Lisbon managed by Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. is the most relevant securities trading market in Portugal. Euronext Lisbon - Sociedade Gestora de Mercados Regulamentados, S.A. is a limited liability company incorporated and organized under the laws of Portugal.

Euronext Lisbon is subject to the Portuguese Companies Code; the Regulated Market Management Companies Regime (*Regime das sociedades gestoras de mercado regulamentado, das sociedades gestoras de sistemas de negociação multilateral, das sociedades gestoras de câmara de compensação ou que actuem como contraparte central das sociedades gestoras de sistema de liquidação e das sociedades gestoras de sistema centralizado de valores mobiliários*), approved by Decree-Law no. 357-C/2007, of 31 October (as amended); the Portuguese Securities Code (*Código dos Valores Mobiliários*) (the “Portuguese Securities Code”), approved by Decree-Law no. 486/99, of 13 November (as amended); Order 1619/2007 of 26 December (as amended) issued by the Portuguese Ministry of Finance and Public Administration; and the regulations approved by CMVM.

Other applicable regulations are Euronext Lisbon’s Rule Book I (“Rule Book I”) and Rule Book II, which set out harmonized market rules and non-harmonized market rules, respectively) as well as several instructions and notices issued by Euronext.

Euronext Lisbon is subject to the supervision of the Portuguese Ministry of Finance and the CMVM.

Trading

Under the Portuguese Securities Code, transactions on regulated markets managed by Euronext Lisbon may only be performed through the members admitted to such markets. Only financial intermediaries or other entities that (i) are honest and professionally capable, (ii) have the capacity and ability to negotiate, (iii) have an adequate organizational mechanism, if applicable, and (iv) have the necessary resources for the performance of trading services, can be admitted as market members. Such admission depends on a decision by Euronext Lisbon, based upon the rules applicable to become a market member but, in any case, in accordance with the principles of legality, equality and competition.

Clearance and Settlement System

Transactions in securities traded on Euronext Lisbon are cleared by LCH Clearnet (“LCH Clearnet”) and settled through Interbolsa’s settlement system (the “Portuguese Settlement System”).

Interbolsa manages both the Portuguese Settlement System and the *Central de Valores Mobiliários* (the “CVM”). The CVM is the centralized system for the registration and control of securities, including custody of certified securities and registration of book-entry securities, in which all securities admitted to trading on a Portuguese regulated market must be registered. Any trading of securities listed on a Portuguese regulated market that takes place over the counter must be cleared through financial institutions and physically settled through the CVM, where such securities are registered.

To hold ordinary shares directly in book-entry form through the facilities of the CVM, a non-resident of Portugal must, prior to the execution of the transaction, open a special securities account with a financial intermediary duly licensed pursuant to applicable legislation. Persons who hold ordinary shares through Euroclear (“Euroclear”) and Clearstream (“Clearstream”) are not subject to this requirement in order to hold ordinary shares. Shares are expected to be accepted for clearing and settlement through Euroclear and Clearstream in accordance with the procedures established by Euroclear and Clearstream from time to time.

Listing of the Shares

The initial public offering of the Shares and the listing of the Shares on Euronext Lisbon will be accomplished through a Special Session (*Sessão Especial de Mercado Regulamentado*) organized for this purpose. In accordance with Rule 6304, Rule Book I, the listing of a public offering of securities shall only become effective after completion of the subscription period.

GENERAL INFORMATION ON THE COMPANY AND THE GROUP

Formation, Registered Office, Fiscal Year and Duration of the Company

The Company is a limited liability company (*sociedade anónima*) organized under the laws of Portugal, having its registered office at Rua João Mendonça, 529, 4464-501 Matosinhos, Porto, Portugal and registered with the Oporto Commercial Registry (*Conservatória do Registo Comercial do Porto*) under number 501532927 in 1985. As of the date of this Prospectus, the share capital of the Company is €1,000,000,000, composed of 1,000,000,000 Shares in registered form having a nominal value of €1.00 each. The Company's fiscal year begins on January 1 and ends on December 31. As of the date of this Prospectus, the Company's registered office is located at Rua João Mendonça, 529, 4464-501, São Mamede e Senhora da Hora, Matosinhos, Portugal. The Company's telephone number is 22 956 1943.

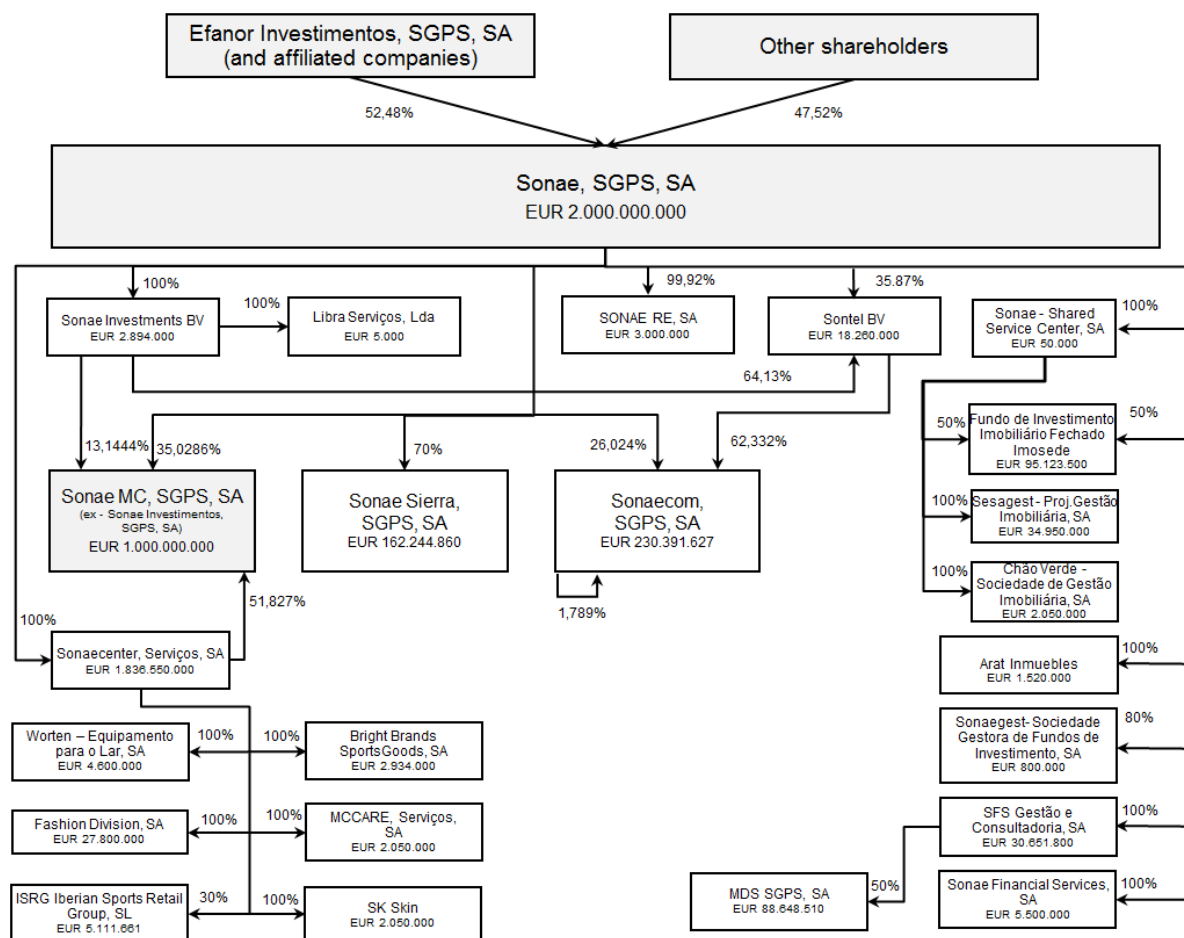
Corporate Purpose

According to article 3 of the Company's Articles of Association, the Company's corporate purpose is the management of third companies' shares, as an indirect form of exercising economic activities.

Pursuant to article 4 of the Company's Articles of Association, the Company can acquire and/or dispose of financial investments in companies' shares, incorporated in accordance with Portuguese or foreign law, with the same or different company object to that referred to in article 3, in companies that are governed by special laws, in unlimited liability companies, as well as associate itself with other legal entities in order to, specifically, form new companies, complementary groups of companies (incorporated joint ventures), European economic interest associations, consortiums and participation associations (unincorporated joint ventures).

Group Structure and Material Shareholdings

The following chart sets forth the corporate structure of the Sonae Group as of the date of this Prospectus. All subsidiaries are wholly-owned subsidiaries except as otherwise indicated, and are incorporated in Portugal, with the exception of Sonae Investments B.V. and Sontel B.V., which are incorporated in the Netherlands, ISRG Iberian Sports Retail Group, SL and Arat Inmuebles, which are incorporated in Spain and Sonae RE, which is incorporated in Luxembourg. To the best of the Company's knowledge, Efanor Investimentos, SGPS, S.A. (and affiliated companies) held 52.48% of the Parent's share capital as at June 30, 2018. To the best of the Company's knowledge, no other person (legal or natural) held more than 10% of the Company's share capital and voting rights as at June 30, 2018. To the best of the Company's knowledge, as at November 29, 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder pursuant to Articles 20 and 21 of the Portuguese Securities Code.



Legal Proceedings

In 2017, two of the Company's subsidiaries (Modelo Continente Hipermercados, S.A. and Continente Hipermercados, S.A.) were subject to a search and/or seizure of digital and paper documents by the Portuguese competition authority (the *Autoridade da Concorrência*, "AdC"), as part of an investigation that was publicly reported by AdC as involving 21 entities in the fast moving consumer goods retail sector (e.g., hypermarkets, supermarkets, hard-discounts and their suppliers). The investigation is currently subject to strict confidentiality requirements imposed under the applicable competition law and procedure, which will last until a statement of objections or a final decision is notified to the parties concerned. We cannot rule out the possibility that the AdC may find these subsidiaries (and the Company as their parent company) as having infringed competition law and therefore subject to one or more of the processes and/or fines described above. If, in the course of this investigation, the Company and/or any entities controlled by the Company, is condemned to pay any fines, pursuant to a decision that becomes final and non-appealable by 31 December 2023, the Parent, while it remains a shareholder of the Company, undertakes not to participate, and to ensure that no entities controlled by the Parent or which control the Parent participate, in any distribution of assets (including dividends) by the Company, until the amount to which such entities would otherwise have been entitled equals the amount of the fine or fines imposed on the Company and/or any of its subsidiaries.

Except as described above and in the risk factor “—*We are exposed to changes in tax legislation and its interpretation, the tax rates to which we are subject could increase in the future and we are currently involved in tax proceedings with the Portuguese and Brazilian tax authorities, which could have a material adverse effect on our business, reputation and profitability*” and in note 33 (Contingent assets and liabilities) to the Company’s Combined Financial Statements, the Company is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) in the previous 12 months which may have, or have had in the recent past significant effects on the Company’s and/or the Group’s financial position or profitability.

Significant or Material Change

There has been no significant change in the financial or trading position of the Company since June 30, 2018.

There has been no material adverse change in the financial position or prospects of the Company since December 31, 2017.

Statutory External Auditors

The current statutory external auditors of the Company are PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. (registered with the Institute of Chartered Accountants under no. 183), with registered office at Palácio SottoMayor, Rua Sousa Martins, N° 1, 3° 1050-217, Lisboa, Portugal.

The former auditors of the Company were Deloitte & Associados, SROC S.A (registered with the Institute of Chartered Accountants under no. 43), with registered office at Av. Eng. Duarte Pacheco, 7, 1070-100 Lisbon. Deloitte & Associados, SROC S.A.’s term of office ended on 30 April 2018.

The statutory financial statements of the Company for the financial years ended on December 31, 2017, December 31, 2016 and December 31, 2015 were prepared in accordance with IFRS as adopted by the European Union. The consolidated financial statements of the Company were audited in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors) for each of the three years ended December 31, 2017, December 31, 2016 and December 31, 2015 by Deloitte & Associados, SROC S.A. All financial information in this Prospectus relating to the Company for the years ended on December 31, 2017, December 31, 2016 and December 31, 2015 has been extracted without material adjustment from the Combined Financial Statements of the Company for the financial years then ended, as presented elsewhere in the Prospectus which are different from the statutory consolidated financial statements in accordance with IFRS-EU.

DESCRIPTION OF THE SHARE CAPITAL OF THE COMPANY AND APPLICABLE REGULATIONS

Set forth below is certain summary information concerning the Company's ordinary shares and a summary of certain provisions of the Company's Articles of Association, Portuguese Company Code and Portuguese Securities Code. The summary information below does not purport to be complete and is qualified in its entirety by reference to such Articles of Association and such laws.

Ordinary Shares

The Shares are ordinary shares, with a nominal value of €1,00 each, in the capital of the Company, representing the total share capital of the Company issued or to be issued by the Company under the laws of Portugal. The Shares are registered under the symbol SONMC with the ISIN Code PT PTMOC0AE0007.

As of the date of this Prospectus, there are 1,000,000,000 ordinary shares with a nominal value of €1,00 each issued and outstanding.

The register of ordinary shares is held by financial intermediaries specially authorised to do so under Portuguese law and with whom the holder has established an account for the book-entry shares. All of the issued ordinary shares are also registered with “*Central de Valores Mobiliários*”, a centralised depositary system.

The Company has debt securities admitted to trading.

According to article 6, paragraph 3 of the Company's Articles of Association, a Shareholders Meeting may authorise the issuance of preferential shares “without voting right” which can be redeemable shares. Additionally, article 7, paragraph 1 of the Company's Articles of Association provides that the Company may issue any type of debt allowed by law, subject to the approval of the Shareholders Meeting or the Board of Directors.

Voting Rights

Persons who are shareholders of the Company by 00:00 a.m. (GMT) on the fifth trading day prior to the day of the relevant Shareholders' General Meeting (record date), and who hold shares that entitle them to, at least, one vote, according to law and the Company's Articles of Association, and who have given notice to the Chairman of the Board of the Shareholders' General Meeting and to the financial intermediary where the individual record securities account is open of their intention to participate and vote in such meeting until the trading day prior to 00:00 a.m. (GMT) on the fifth trading day prior to the day of the meeting, are entitled to attend the meeting and to one vote for each ordinary share held. In order for the shareholders to be able to attend the Shareholders' General Meeting, in addition to the conditions set above, the financial intermediary shall send to the Chairman of the Board of the Shareholders' General Meeting, by the end of the fifth trading day prior to the day of the meeting, a notice with the number of shares registered in the name of its client, by reference to the record date. The above-mentioned notices may be given by either by post or electronic mail.

The exercise of the voting rights shall not be impaired by any transfers of shares executed after the record date, nor shall it be subject to share blockage between the record date and the date of the Shareholders' General Meeting. Nevertheless, any shareholder who may have given notice of his/her/its intention to participate in the General Meeting, and transfers his/her/its shares between the record date and the beginning of the Shareholders' General Meeting, shall immediately give notice of such fact to the Chairman of the Board of the Shareholders' General Meeting (this notice to be given either by post or by email) and to the CMVM.

Under the Portuguese Companies Code, shareholders who have more than one vote cannot divide their votes in order to vote differently on the same proposal. However, shareholders who, in the course of their duties as professionals, hold shares in their own name but on behalf of their clients, may vote with their shares disparately, provided that, in addition to the information required described above, they send to the Chairman of the Board of the Shareholders' General Meeting, by 00:00 a.m. (GMT) on the fifth trading day prior to the day of the relevant Shareholders' General Meeting (i) identification of each client and the number of shares to be

used in voting on own behalf and (ii) the precise voting instructions given by each client for each agenda item, in accordance with the provisions of Portuguese Securities Code.

According to the Company's Articles of Association, if the Company is considered to be a "company with the capital open to investment by the public (publicly traded company)", shareholders' voting rights may be exercised by means of a communication to the Chairman of the Board of the Shareholders' General Meeting, by letter or by electronic means. Votes by letter shall only be considered valid when addressed to the Chairman of the Board of the Shareholders' General Meeting, sent by way of registered post with confirmation of receipt, or by electronic means, if available, and received at the Company's registered office at least three business days prior to the date of the Shareholders' General Meeting.

Shareholders can vote through electronic means, if available, in compliance with the requirements determined by the Chairman of the Board of Shareholders' General Meeting in the notice convening the respective General Meeting.

In any case, writing voting papers shall only be considered valid when they clearly set out in an unambiguous manner (i) the agenda item or items to which they refer; (ii) the specific proposal to which they relate, with an indication of the respective proponent or proponents; and (iii) the precise and unconditional voting intention on each proposal.

The voting ballot, if sent by registered post, must be signed by the owner of the shares or by a legal representative. In case of an individual, it should be accompanied by an authenticated copy of his/her identity document, pursuant to subparagraph 2 of article 5 of Law no. 7/2007, of 5th February, with the wording introduced by Law no. 32/2017 of 1st July, or alternatively, the signature shall be authenticated pursuant to the legal applicable terms. In case of corporate entities, the signature should be authenticated with confirmation that the signatory is duly authorised and mandated for that purpose.

The written voting paper will be considered revoked in case the shareholders, or the respective legal representative are present at the Shareholders' General Meeting.

It is assumed that shareholders who send written voting papers abstain from voting any proposals that are not specifically included in their written voting papers, when the respective proposals had been presented before the date in which such votes were cast.

Written voting papers shall be deemed as votes against any proposals presented after the casting of such written voting papers.

Meetings of Shareholders

The Company holds an annual Shareholders' General Meeting during the first five months of the year following the close of the year for which such meeting is convened (or three months in the event consolidated accounts are not to be approved).

Pursuant to paragraph 1 of article 376 of the Portuguese Companies Code, the purposes of the annual Shareholders' General Meeting are to: (i) discuss and approve the annual report and accounts for the financial year; (ii) discuss and approve the proposed application of the Company's results, if any; (iii) assess the management and supervision bodies of the Company in general and, if applicable and although such matters might not appear on the order of business, to proceed with the dismissal of managers, within the scope of the shareholders' general meeting's powers, or to propose a vote of no confidence in relation to one or more directors; and (iv) proceed with any appointments which fall within the powers of the shareholders' general meeting.

The notice convening the meeting determines the specific date, time and place of an annual Shareholders' General Meeting. Other Shareholders' General Meetings are held:

whenever required by law or deemed appropriate by the Company's Board of Directors or the Statutory Audit Board; or

when requested by shareholders which hold at least 2% of the share capital of the Company (in the case of companies whose shares are admitted to trading on a regulated market located or operating in Portugal, as will be the case with the Shares following the successful completion of the Offering).

Notices of all meetings are given by an announcement published on the Company's and CMVM's websites, as well as on the Portuguese Official Company Publications website, at <http://publicacoes.mj.pt/>. Pursuant to the Portuguese Securities Code and CMVM Regulation no. 5/2008, in the case of companies whose shares are admitted to trading on a regulated market located or operating in Portugal (as will be the case of our Shares following the successful completion of the Offering), Shareholders' Meetings convening notices shall also be disclosed on the information disclosure system made available at the CMVM's website, as well as on the issuer's website.

As per the Portuguese Securities Code, in the case of a company whose shares are admitted to trading on a regulated market located or operating in Portugal, 21 days must pass between the publishing of the notice and the Shareholders' General Meeting. Pursuant to Portuguese law, shareholders holding at least one third of the share capital must be present or represented on first call to pass a resolution to amend the Articles of Association, to approve a merger, demerger or spin-off, to approve a conversion, or to approve the dissolution of the Company or to take any other action for which approval the law requires a qualified majority. Such resolutions may only be passed by two thirds of the votes cast, regardless of whether the Shareholders Meeting convenes on a first or second call.

The Shareholders General Meeting can convene, the first time it is summoned, as long as Shareholders representing over fifty percent of the share capital are present or represented. If a quorum is not present on the first convocation of any such meeting, it may be reconvened, for which there is no quorum requirement.

Resolutions are approved by a majority of the votes cast by the shareholders present in person or by proxy, except where the Portuguese law states otherwise or the Articles require the approval of a resolution by a qualified majority. Pursuant to Portuguese law, shareholders holding at least one third of the share capital must be present or represented on first call to pass a resolution to amend the Articles, to approve a merger, demerger or spin-off, to approve a conversion, or to approve the dissolution of the Company or to take any other action for which approval the law requires a qualified majority. Such resolutions may only be passed by two thirds of the votes cast, regardless of whether the Shareholders' Meeting convenes on a first or second call.

All resolutions approved at a Shareholders' General Meeting are binding upon all shareholders except resolutions that are void – which may be declared, at any time, by a court, and invoked at the Shareholders' General Meeting, by the Statutory Audit Board or by any interested party – or voidable – in which case the Statutory Audit Board and any shareholder who did not vote in favour of the resolution or who were absent from the relevant meeting, but did not nor approved it afterwards (expressly or tacitly), may request for a court to declare the resolution voidable in the 30 days following: (i) the date when the Shareholders' General Meeting is closed; or (ii) the third day after the minutes of the Shareholders General Meeting by written vote is sent; or (iii) the date on which the shareholder has knowledge of the resolution, in the event the resolution relates to a matter not included in the order of business for the relevant Shareholders General Meeting.

Ordinary shares held by the Company or its subsidiaries do not grant voting rights.

Proxy Requirements

Shareholders may be represented at a Shareholders' General Meeting under the applicable terms of law and of the respective notice of the meeting. The representation instrument may be sent to the Chairman of the Board of the Shareholders' General Meeting by post or by email. Any shareholder may appoint different representatives as to shares held in different securities accounts, without prejudice however to the principle of the voting units, as set forth in article 385 of the Portuguese Companies Code.

Request a proxy from 5 or more shareholders

Pursuant to articles 381 of the Portuguese Companies Code and 23 of the Portuguese Securities Code, in the event that any person requests a proxy for himself or others, from more than five shareholders, or in the event that the request for a proxy is submitted by one of the means of public communication foreseen in articles 109, no. 2 and 109, no. 3 (b) of the Portuguese Securities Code, such request shall, among other things, contain or have attached to such request the agenda of the meeting for which the proxy is requested and fulfil the additional details imposed by paragraph 3 of article 23 of the Portuguese Securities Code and article 381 of the Portuguese Companies Code.

When a vote is cast in a manner other than in accordance with the proxy request, in case circumstances arise which were unknown at the time the proxies were sent, the representative shall immediately inform the principal in writing, explaining the reasons for such vote.

A proxy may be revoked at any time. The personal attendance of the principal at the Shareholders' General Meeting shall constitute revocation.

Information Rights

In accordance with the Portuguese Companies Code, any shareholder who holds shares representing at least 1% of the share capital may have access, alleging a justified reason and at the headquarters of the Company, to: (a) the management reports and accounting documents for the last three years, including the opinions of the supervisory board, the audit board, the general and supervisory board or the committee for financial matters, as well as the reports of the statutory external auditor, in accordance with the law; (b) summons, the minutes and the attendance lists of the general meetings of shareholders and bondholders held in the last three years; (c) the total remuneration paid to the members of the governing bodies during each of the last three years; (d) the total amounts paid to the ten or five employees of the Company with the highest remuneration in each of the last three years; and (e) the registration document in respect of the shares. The accuracy of the information referred to in subparagraphs (c) and (d) above shall be certified by the statutory external auditor, if so requested by the shareholder.

In accordance with the Portuguese Securities Code and the Portuguese Companies Code, the Company, as an issuer of shares admitted to trading on a regulated market, shall also provide its shareholders with the following documents, amongst others, as of the date when a Shareholders' General Meeting is convened, at its registered office and on its website (where they shall remain for at least a year):

- (a) the notices convening the Shareholders' General Meeting, which must also be published on CMVM's website, along with the proposals for such meeting, and which must include information on the procedures for participating, exercising their rights or being represented in the Shareholders' General Meeting;
- (b) the total number of shares and voting rights as of the date of the notice's publication (including separate totals for each class of shares, if applicable);
- (c) the forms to be used for voting by proxy and voting by correspondence, provided that these alternatives are not precluded by the Articles of Association;
- (d) the names of the members of the management and supervisory bodies, as well as the composition of the Board of the Shareholders' General Meeting;
- (e) other companies in which the members of the governing bodies hold corporate positions, with the exception of professional companies;
- (f) the proposed resolutions to be submitted to the Shareholders' General Meeting by the Board of Directors as well as reports or grounds for such notifications;
- (g) when members of the corporate bodies are to be elected, the names of the candidates, their professional competences, their professional activities rendered during the last five years, including services related to the company or in other companies and the number of shares held in the share capital of the company;

- (h) the management report, the financial accounts, other accounting documents, including the legal certification of the accounts, the opinion of the Statutory Audit Board and the annual report, to be provided during the annual Shareholders' General Meeting; and
- (i) other documents to be submitted to the Shareholders' General Meeting.

In accordance with articles 290 to 292 of the Portuguese Companies Code:

- (a) shareholders are entitled to be provided with comprehensive, true, clear and lawful information in order to enable them to form a reasoned opinion on the matters being discussed in each Shareholders' General Meeting. The information required shall be provided by the authorised corporate body, unless it may cause serious damage to the Company or its affiliates, or could imply breach of the secrecy obligation imposed by law;
- (b) holders of shares representing at least 10% of the share capital may request from the management body, in writing, to be provided with written information regarding corporate matters, which may only be denied in the cases provided for by law.

The issuer should comply with the information duties provided for in CMVM Regulation 5/2008, applicable to public companies.

Dividends

Holders of ordinary shares are entitled to receive dividends when, as and if declared by the general shareholders meeting of the Company, subject to the limits set by applicable Portuguese law.

Under Portuguese law and pursuant to the Articles of Association, the Company's net results shown in the annual financial statements, after deduction of the amounts legally required to create or to be added to the legal reserve, will be applied as determined by the Shareholders' General Meeting, which can resolve, by a simple majority, to distribute them totally or partially or transfer them to reserves.

Under the Portuguese Companies Code, the Shareholders' Annual General Meeting, at which shareholders discuss (at least, and as required by law) the annual report and accounts for the financial year, as well as the proposed application of the Company's net profits, must meet in the first five months of the Company's financial year. Portuguese law prohibits the distribution of a company's assets if (before or following the distribution) the company's net worth (including the current financial year's net profit) is less than the sum of its share capital, the legal reserve and other similar reserves established by Portuguese law or by the company's articles of association.

Under the Portuguese Companies Code, at least 5 per cent. of our net profit must be allocated to a legal reserve until such legal reserve amounts to 20 per cent. of the share capital of the Company. The legal reserve may only be distributed upon the liquidation of the Company, yet it may be used (i) for the purpose of increasing the Company's share capital (by way of a bonus issue of shares), in which case the legal reserve shall be recalculated and replenished, (ii) to offset losses of a financial year that cannot be offset by other reserves or (iii) to offset losses carried forward that cannot be offset either by the net profit of the relevant financial year or by the offset of other reserves.

Dividends will be paid to shareholders in proportion to their holding of paid-up share capital.

The Company's Articles of Association also allow for a percentage of the financial year net results, no higher than five per cent, to be used to remunerate the directors and compensate the company employees, as resolved by the General Meeting.

Additionally, the Articles of Association state that: *"the Board of Directors, with the agreement of the Statutory Audit Board, may resolve to make advances on profits, during the financial year, in accordance with the law."*

In accordance with the Portuguese Securities Code dividends shall be distributed to shareholders within 30 days after the resolution for attribution of profits.

In accordance with Portuguese law, the right to dividends expires and such dividends, interest and any other income, shall be lost in favour of the Portuguese State if, during a period of 5 years, the persons entitled to these rights have not exercised or attempted to exercise it.

Payment of dividends on ordinary shares to foreign shareholders is free of restrictions, subject to payment of any required taxes. See “*Dividends And Dividend Policy*” and “*Taxation—Taxation of Income and Gains on Shares Issued by a Portuguese Resident Entity*”.

Under article 30 of the Articles of Association and the Portuguese Companies Code, an interim dividend may be paid during a financial year provided that:

- the Board of Directors, with the approval of the Statutory Audit Board, approves the payment of an interim dividend on the basis of the Company’s profits;
- an interim statement of financial position that is prepared not more than 30 days prior to the resolution of the Board of Directors and duly certified by the Chartered Accountant, demonstrates the availability of the funds for the payment of the interim dividend, taking into account the results of the Company for the period to which the interim dividend applies;
- only one interim dividend is paid with respect to a single financial year and it is paid only in the second half of the financial year; and
- the amount of the interim dividend does not exceed half of the amount of profits that may be distributed as indicated in the interim statement of financial position.

Pursuant to Portuguese law, any dividend or interim dividend paid out in contravention of any of law is repayable to the Company by the shareholders (with appropriate interest), if the shareholders (i) were aware of the irregularity of the dividend payment or (ii) could not have been unaware of such irregularity.

On the liquidation of the Company, the shareholders are entitled to receive, in proportion to their shareholding, any assets of the Company that remain after the payment of all debts, taxes and expenses of liquidation.

The Shareholders’ General Meeting may decide that the share capital will be totally or partially refunded, the shareholders receiving the nominal value of each share or part thereof. In case of a partial refund, a selection “draw” is carried out amongst shareholders.

When new shares are issued as a result of a share capital increase, the new shares will be eligible for dividends as determined by the resolution which decided on the share capital increase. In the absence of such a resolution, the dividend entitlement will be based on the proportion of time elapsed between the last day of subscription to the share capital increase and the end of the financial year.

Pre-emptive Rights in the Context of Increases of Share Capital

A Shareholders’ General Meeting may increase or decrease the share capital of the Company in accordance with the provisions of the Portuguese Companies Code. An increase of the share capital of the Company must be approved by a resolution of the shareholders passed by two-thirds of the votes cast, regardless of whether the Shareholders Meeting convenes on a first or second call.

The Portuguese Companies Code determines that the Company’s Articles of Association may authorise the Board of Directors to approve (one or more) increases to the Company’s share capital, through cash contributions, as long as the Articles of Association sets (i) the maximum amount of the capital increases; (ii) the term, no longer than 5 years, during which such power can be exercised by the Board; (iii) the rights to be attributed to the shares to be issued (being, in the absence of determination, only authorised the issuance of ordinary shares)

If the share capital is increased through cash contributions, the existing shareholders (which shall be understood as the persons or companies that, at the time of the share capital increase' resolution are shareholders) can subscribe the new shares, which have pre-emption rights over the persons or companies that were not shareholders at the time. Pursuant to the Portuguese Companies Code, the new shares shall be allocated to the shareholders that exercise their pre-emption right in the following manner:

- each shareholder shall receive the number of shares proportional to the shares they hold at the time the share capital increase is approved or the lower number of ordinary shares in relation to which the shareholder exercised the pre-emption right; and
- in case any shareholder applies to subscribe a higher number of shares than those that are proportional to the ordinary shares held by the shareholder at the time the share capital increase is resolved, such application shall be fulfilled insofar as it results from one or more surplus allocations.

If, at the time the share capital increase is approved, the Company has different category of shares (although all the shareholders have pre-emptive rights as described above) the pre-emptive right shall be exercised by shareholders of the same category first.

According to article 460 of the Portuguese Companies Code, the pre-emption right of the shareholders, in the terms set forth above, can be limited or suppressed in the terms of the applicable law.

Right to Challenge Resolutions of the Corporate Bodies

A resolution passed in a Shareholders' Meeting is binding to all shareholders, except resolutions that are void – which may be declared, at any time, by a court, and invoked at the Shareholders' Meeting, by the Board or by any interested party – or voidable – in which case the Statutory Audit Board and any shareholder who did not vote in favour of the resolution nor approved it afterwards (expressly or tacitly), may request for a court to declare the resolution voidable in the 30 days following: (i) the date when the Shareholders' Meeting is closed; or (ii) the third day after the minutes of the Shareholders' Meeting by written vote is sent; or (iii) the date on which the shareholder has knowledge of the resolution, in the event the resolution relates to a matter not included in the order of business for the relevant Shareholders' Meeting.

Shareholder Suits

Besides being liable to the Company, the Company's creditors and other third parties, under Portuguese Companies Code, the Directors are liable to the shareholders for any damages caused directly to them while in the exercise of their office. Liability arises from illegal actions (or omissions) carried out by the directors while they are carrying out their office and because of such office, such as the violation of (i) shareholders rights, (ii) legal provisions that protect the shareholders and (iii) certain specific legal duties, like the duty of care and the duty of loyalty.

Shareholders are not personally liable as such for the obligations or liabilities of, or claims against, the Company.

Dissolution of the Company

According to Portuguese law, the Company will be immediately dissolved, in the terms set forth in article 141 of the Portuguese Companies Code, upon the occurrence of certain events, including, (i) after the timeframe provided in the Company's Articles of Association (ii) by a Shareholders resolution to dissolve the Company (by a qualified majority of two thirds of the votes cast), (iii) by the fulfilment of the Company's corporate purpose, (iv) if it becomes illegal for the Company to fulfil its corporate purpose, or, (v) if the Company's insolvency being declared.

Additionally, the administrative dissolution of the Company may be requested in the circumstances provided for in the law, such as: (i) the number of shareholders is less than the minimum legal requirement for a

period of no less than one year, except if one of the shareholders is a public legal entity or an entity that is legally comparable thereto; (ii) the corporate purpose becomes impossible to fulfil; (iii) the Company has not exercised any activity for two consecutive years; and (iv) the Company pursues an activity not comprised in the corporate purpose stated in the Company's Articles of Association.

Lastly, if interested parties do not initiate administrative dissolution proceedings, the appropriate commercial registry should enforce such proceedings whenever: (i) the Company has not filed its financial statements for a period of two consecutive years and the tax authorities inform the registration service that the Company has not filed its income tax return for an equal period; (ii) the tax authorities inform the appropriate registration service of a lack of Company activity, as defined by the provisions of the applicable tax legislation; and (iii) the tax authorities issues an official statement to the appropriate registration authority notifying it that the Company activities have ceased, as defined by the provisions of the applicable tax legislation.

The winding up of the Company following its dissolution is carried out by a winding up committee consisting of members of the Executive Committee, should one be in place at the time of the liquidation, and if not, by the members of the Board of Directors, except as otherwise provided for in a resolution of the shareholders. In the case of a liquidation, assets of the Company that remain after payment of the Company's debts, liquidation expenses and all remaining obligations will be distributed to shareholders pro rata according to their respective holdings.

Registration and Transfers

The Shares are in book-entry form. Therefore, all transfers are carried out by accounting transfers. The registration of a transfer in favour of a person or entity acquiring the Shares shall produce similar effects to that of transfer of title.

The transfer will be effective against third parties from the moment of registration in the purchaser's account.

Reporting Requirements

Under Portuguese law, the Company is required to publish, among other information applicable to listed companies (notably included in article 248-A and following of the Portuguese Securities Code), (i) an annual report which includes, but is not limited to, a management report and audited individual and consolidated financial statements, an opinion from the supervisory board, a report from the auditor, as well as an annual report regarding corporate governance (ii) a semi-annual report which includes, but is not limited to, unaudited individual and consolidated financial statements, a limited review by the Company's auditors, material information on the Company's activities and performance and factors that may potentially influence future performance, (iii) if the Company resolves to do so pursuant to article 246-A of the Portuguese Securities Code, first and third quarter reports containing certain unaudited individual and consolidated information, (iv) non-public information that investors would consider relevant to a valuation of the Company or the price of the Shares, and (v) certain information concerning, *inter alia*, outstanding bonds and changes in the composition of the Board of Directors, General Shareholders' Assembly, Secretary of the Company or the Chartered Accountant.

Conditions necessary to change the rights of the shareholders

Any change in shareholders' rights other than those that result directly from a change in applicable Portuguese law must be approved by the Shareholders' General Meeting through an amendment of the Company's Articles of Association.

Provisions of the Articles that may delay, defer or prevent a change of control of the Company

There are no provisions in the Company's Articles of Association aimed at delaying, deferring or preventing changes in control of the Company and the Articles do not include, for example, any restrictions on the transfer of Ordinary Shares or limitations to voting rights of the Ordinary Shares.

Given that the Company's share capital is currently comprised entirely of ordinary Shares, all granting the same political and economic rights, there are no shares with special rights or privileges or that allow plural voting.

The Company has no defensive measures that automatically cause serious erosion in its assets in the event of a change of control or a change in the composition of the Board of Directors, which would hinder the free transferability of shares and free assessment by the shareholders of the performance of the members of the Board of Directors.

Provisions governing disclosure duties

In accordance with article 16 of the Portuguese Securities Code, any entity who reaches or exceeds a holding of 10%, 20%, a third, a half, two thirds and 90% of the voting rights in the share capital of a public company subject to Portuguese law (or who reduces its holding to a value lower than any of the above thresholds), shall, as soon as possible, and in any case within four "trading days" (defined as the days on which the regulated market is open for negotiation) of the occurrence of said fact or the knowledge thereof: inform the CMVM and the concerned company of said fact as well as of any situations that determine the granting to the participant of voting rights inherent in securities belonging to third parties, according to Article 20(1) of the Portuguese Securities Code.

Similarly, any entity reaching or exceeding a holding of 2%, 5%, 15% and 25% of the voting rights in the share capital (or reducing its holding to a value lower than any of the above thresholds) of public companies subject to Portuguese Law, that issue shares or other securities granting the right to its subscription or acquisition, listed on regulated markets situated or operating in a EU Member State, are also subject to the duties referred to in the preceding paragraph. The holders of qualifying holdings in such companies should provide the CMVM, at its request, with information on the origin of the funds used in the acquisition or increase of said holdings.

For the purposes of the abovementioned disclosure duties, the voting rights' calculations are based on all the shares with voting rights, with the suspension of the respective exercise being of no consequence to the calculations. Also for such purposes, it is deemed that the participant has knowledge of the fact which triggers the reporting requirements within a period of two trading days of the occurrence of said fact.

In the event of the reporting duty being incumbent on more than one participant, a single communication may be made that would exonerate the participants from the reporting duties.

The communication carried out in accordance with the preceding paragraphs should include the following:

- the identification of the entire chain of entities to which the qualifying holding is assigned by article 20(1) of the Portuguese Companies Code, regardless of the law to which same is found to be subject;
- the percentage of voting rights assigned to the holder of the qualifying holdings, the percentage of equity capital and the number of corresponding shares, and in addition, when applicable, the details of holding per class of shares;
- a reference to the date on which the holding reached, exceeded or was reduced below the mentioned thresholds.

When the relevant thresholds are exceeded by means of the holding of the financial instruments mentioned in article 20(1)(e) and 20(1)(i) of the Portuguese Companies Code, the participating entity should:

- a) aggregate in the communication a reference to all the instruments that have the same underlying asset;
- b) issue as many communications as there are issuers for the underlying asset of the same financial instrument;
- c) include in the communication an indication of the date or period wherein the acquisition rights that the instrument confers may be exercised and the date whereon the instrument lapses.

The participating entity should renovate this communication each time there is an alteration in the voting rights assigned to it.

When the relevant thresholds are reduced or exceeded results from the assignment of discretionary powers to a single Shareholders' General Meeting, pursuant to article 20(1)(g) of the Portuguese Securities Code:

- a) whoever confers discretionary powers may issue a single communication, at that time, provided that the information as to the beginning and the end of the assignment of discretionary powers for the exercise of the voting rights is made clear;
- b) the person to whom the voting rights are assigned may issue a single communication, in the moment when the discretionary powers are conferred, provided that the information as to the beginning and the end of the assignment of discretionary powers for the exercise of the voting rights is made clear.

After receiving this notification from the relevant shareholder, the Company shall publicly disclose the information via the CMVM's website as soon as possible and no later than three trading days after having received the previously mentioned disclosure.

In addition, pursuant to CMVM regulations, holders of long positions on shares of an issuer subject to Portuguese law, whose shares are admitted to trading on a regulated market located or operating in Portugal (as will be the case of the Shares following the Offering), should disclose such positions whenever a relevant threshold of 2 per cent., 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., one third, 40 per cent., 45 per cent., one half, 55 per cent., 60 per cent., two thirds, 70 per cent., 75 per cent., 80 per cent., 85 per cent. or 90 per cent. of the share capital is reached or exceeds or whenever it falls below one of such thresholds. The holder must inform the Company and the CMVM within four trading days from the date of occurrence of such fact and, after receiving this notification, the Company shall disclose the information to the public via the CMVM's website as soon as possible and no later than three trading days after having received the previously mentioned disclosure. A long position is a position resulting from entering into a transaction which creates or relates to a financial instrument having an economic effect similar to that of holding shares (other than that autonomously giving rise to the attribution of voting rights), as in the case where the effect or one of the effects of the transaction is to confer to the natural or legal person entering into that transaction (i) a financial advantage in the event of an increase in the price or value of the share; and (ii) a financial disadvantage in the event of a depreciation of the share.

Pursuant to the Portuguese Companies Code, companies holding ordinary shares corresponding to a participation equal to or greater than 10 per cent. of the share capital of another company shall notify such company of all acquisitions and disposals made while maintaining this 10 per cent. or greater shareholding share capital. Pursuant to the Portuguese Companies Code, whenever two companies have reciprocal equity interests reaching 10 per cent. of share capital, the last company to have issued the required communication disclosing its equity interest shall not acquire any further shares in the other company.

Regarding the disclosure regime pertaining short selling, and in accordance with Regulation no. 236/2012 of the European Parliament and of the Council of 14 March 2012, as amended, on short selling and certain aspects of credit default swaps, holders of net short positions relating to 0.2 per cent. of issued share capital of the Company and each 0.1 per cent. above that, must disclose such holdings to the CMVM. Public disclosure thereof is required of holders of net short positions relating to 0.5 per cent. of the share capital of the Company and each 0.1 per cent. above that. For the purposes of Regulation no. 236/2012, net short position means the portion remaining after deducting any long position that a natural or legal person holds in relation to the issued share capital from any short position that such legal person holds in relation to that same share capital.

Restrictions on the free transferability of the Shares and Foreign Ownership of Ordinary Shares

The Shares are freely transferable under the Company's Articles of Association.

The Company's Articles of Association do not discriminate against foreign shareholders and there are no existing limitations on ownership of ordinary shares by foreign investors.

In addition to the applicable laws and regulations, the rights inherent to the Shares are regulated by the Company's Articles of Association, the most relevant provisions thereof being transcribed below (having been freely translated of the original Portuguese version of such provisions included in the Company's Articles of Association):

Share Capital, Shares and Bonds

“ARTICLE FIVE

The share capital is of a billion Euro, is fully subscribed and paid up, and is divided into a billion ordinary shares, each with a nominal value of one Euro.”

“ARTICLE SIX

One – The shares are nominative.

Two – The shares are represented by shares certificates or by book entries. The representation of the titled shares, if existent, shall be in accordance with the law.

Three – The preferential shares without voting rights may be issued, which can be redeemable, at nominal value, with or without the addition of a premium, if the Shareholders' General Meeting so decides. If this is the case, the General Meeting should determine the method of calculation of any redemption premium.

Four – In case there is a breach of the remission obligation, the company is obliged to indemnify the title holder, in the amount to be established on the date the issuance is resolved upon.

Five – The company may issue autonomous warrants, under the terms of the law, in accordance conditions that are determined by resolution of the Shareholders or of the Board of Directors. The provisions of numbers one and two of this article are applicable, adapted as necessary.”

“ARTICLE SEVEN

One - The company may issue any type of bonds, under the terms of the law, and according to the conditions established by a resolution of the Shareholders or the Board of Directors.

Two – The company may also issue bonds convertible into special categories of shares and bonds with the right to subscribe to special categories of shares.

Three – Were the Board of Directors to resolve to issue any types of bonds, mentioned in the previous number, the special categories of shares mentioned must exist.

Four – Numbers one and two of the previous article are applicable, adapted as necessary, to any bonds issued by the company.”

Board of Directors and Statutory Audit Board

“ARTICLE EIGHT

One – The company is managed by a Board of Directors, made up of an even or odd number of members, with a minimum of three and maximum of eleven, elected at the Shareholders' General Meeting, having the President a deciding (quality) vote.

Two – The Board of Directors will appoint its Chairman, among its members, as well as, if it so decides, one or more Managing Directors or an Executive Committee, to which it shall delegate the powers to manage the company business that the Board may determine.

Three –The Board of Directors will determine how the Executive Committee will function and how it will exercise the powers that have been conferred upon it.”

“ARTICLE NINE

One – The election of one member of the Board of Directors shall be carried out in an isolated way, in accordance with the law, amongst the people proposed in the lists subscribed by the group of shareholders, as long as none of these groups of shareholders own shares that represent less than ten and more than twenty percent of the share capital.

Two – The same shareholder cannot subscribe to more than one proposal.

Three – Each proposal must contain the identification of at least two people eligible for each of the positions to be filled.

Four – If proposals are presented by more than one group of Shareholders, voting will be based on all of these proposals.

Five – The provisions set in the previous numbers are only applicable if the company is considered to be either a publicly quoted company, or a State concessionaire, or an equivalent entity.”

“ARTICLE TEN

The Board of Directors is responsible for the management of the business and for carrying out all operations related to the company’s object and, for this purpose, wide-ranging powers are conferred upon to the Board, including, namely, the following:

- a) To represent the company, in or outside court, to file or challenge suits, to settle and waiver in these proceedings, and to carry out a settlement through arbitration. To that end, the Board of Directors can delegate its powers to a sole mandated person;*
- b) To approve the annual budget and the company’s business plan;*
- c) To rent, purchase, assign, pledge any movable goods or real estate, including shares, quotas or bonds;*
- d) To resolve that the company render, to the companies it is a shareholder, quota or holder of company parts, technical and financial support.*
- e) To decide to associate the company with any other entities under the terms of article four above;*
- f) To decide to issue bonds or to contract loans in the national and/ or foreign financial markets;*
- g) To appoint third parties, individuals or corporate entities, to hold offices in other companies.”*

“ARTICLE ELEVEN

One – All documents that legally bind the company, including cheques, bills of exchange, promissory notes and other financial and banking documents will be valid when signed by:

- a) Two members of the Board of Directors;*
- b) One member of the Board of Directors and a legally mandated signatory of the company;*
- c) One member of the Board of Directors or a legally mandated signatory of the company, acting alone, when duly appointed for the purpose or purposes, when the appointment has been laid down in the Board meeting minutes;*
- d) Two legally mandated signatories;*
- e) One Director to appoint a judicial company proxy.*

Two – Routine documents may be signed by one Director.”

“ARTICLE TWELVE

The members of the Board of Directors and the company’s mandated signatories are expressly forbidden to bind the company by any acts and contracts that are outside the scope of the company’s business.”

“ARTICLE THIRTEEN

One – A meeting of the Board of Directors shall normally be held once every quarter and, in addition, whenever the Chairman or two Board Directors summon a meeting. Any resolutions taken shall be laid down in the minutes of the respective meeting.

Two – The Board of Directors can only adopt resolutions if the majority of Board members are present or represented.”

Three – The resolutions shall be taken by a majority of the votes issued by the Directors present or represented and of those voting by letter.

Four – Any member of the Board of Directors can be represented at Board of Directors’ meetings by another member of the Board, by means of an appointment letter, addressed to the Chairman of the Board, indicating the day and hour of the meeting to which it refers to. This should be laid down in the minutes of the meeting and duly filed.

Five – The meetings of the Board of Directors can occur by means of the use of telecommunication and information technology systems in accordance with the law.”

“ARTICLE FOURTEEN

One – The Board of Directors shall designate a substitute in case of death, resignation, permanent or temporary or incapacity of any of its members.

Two – It is considered that a Director has effectively not been present when the same has been absent twice, in a row or not, without any justification accepted by the Board of Directors.

Three – Due to the effective absence of an elected Director, in the scope of the regulation set in article nine, the company shall carry out an election.”

“ARTICLE FIFTEEN

The Members of the Board of Directors will render guarantees for their responsibility as Directors as decided by the Shareholders’ General Meeting that elects them or, if no such decision is taken, up to the minimum amount legally required and by any of the methods legally allowed.”

“ARTICLE SIXTEEN

The company will be audited by a Statutory Audit Board or a Single Auditor or an Auditing Company to be elected by the Shareholders’ General Meeting.”

“ARTICLE SEVENTEEN

One – The Statutory Audit Board is made up of an even or odd number of members, with a minimum of three and a maximum of five, to be indicated by the General Meeting, there should be one or two substitutes varying in accordance with whether there are three or four members.

Two - The Statutory Audit Board and the Single Auditor’s undertakings are determined by law.”

“ARTICLE EIGHTEEN

The members of the Statutory Audit Board shall pledge the running of their office in accordance with was is resolved upon by the General Meeting that elects them, or when there is no resolution by the minimum amount legally required by any of the forms allowed.”

Shareholders’ General Meeting

“ARTICLE NINETEEN

One – The participation at the Shareholders’ General Meeting follows the applicable legal terms.

Two – The presence at the General Meeting of Shareholders of title holders of the preferential shares without voting rights and their taking part in matters regarding the order of the day is dependent upon the General Meeting's authorisation”

“ARTICLE TWENTY

One – Each share equals a vote.

Two – Except when the law states otherwise, the General Meeting resolutions shall be taken by a simple majority.”

“ARTICLE TWENTY-ONE

One – Shareholders may be represented at the Shareholders' General Meeting under the applicable terms of the law and of the respective notice of meeting.”

“ARTICLE TWENTY-TWO

One – If the company is considered to be a “company with the capital open to investment by the public (publicly traded company)”, the shareholders may vote by letter.

Two - Votes by letter shall only be considered valid, if they are addressed to the Chairman of the Board of the General Meeting, received at the company's registered office at least three days prior to the date of the Shareholders' General Meeting or by electronic mail, if available, with three business days prior to the date of General Meeting, notwithstanding the obligation to present proof of their capacity as shareholder, in accordance with the terms and time frames set in applicable law.

Three – Written voting papers, if sent by registered post, must be signed by the shareholders or by their legal representatives. Individual shareholders must attach a certified copy of their identification document and, in the case of corporate shareholders, the signature must be authenticated confirming that the signatory is duly authorised and mandated for that purpose. In case the written voting paper is sent by electronic means, if vote by electronic means is available, it must respect the requirements determined by the Chairman of the Board of the Shareholders' General Meeting in the notice convening the respective General Meeting, in order to assure an equivalent level of security and authenticity

Four – Written voting papers (voting by mail) will only be considered valid when they clearly set out in an unequivocal manner:

- a) the agenda item or items to which they refer;*
- b) the specific proposal to which they relate, with an indication of the respective proponent or proponents;*
- c) precise and unconditional indication as to their vote for each proposal.*

Five – The written vote will be considered as being revoked if the shareholder, or his representative, are present at the Shareholders' General Meeting.

Six – It is assumed that shareholders who send their voting papers abstain from voting any proposals that are not specifically included in their written voting papers, when the respective proposals had been presented before the date in which such votes were cast.

Seven – the votes carried out by letter are considered as negative votes when they are issued before the date of the proposed resolutions are presented.

Eight – The Chairman of the Board of the Shareholders' General Meeting, or his or her substitute, is responsible for verifying that written voting papers comply with all the above requirements and, any that are not accepted, are treated as null and void.

Nine – The company must assure the non-disclosure of the vote carried out by letter until the moment of the voting occurs.”

“ARTICLE TWENTY-FOUR

The Board of the Shareholders’ General Meeting will be formed, at least, by a Chairman and a Secretary.”

“ARTICLE TWENTY-FIVE

The Shareholders’ General Meeting shall meet:

- a) Ordinarily, in the time-frame established by law;*
- b) Extraordinarily, whenever the Board of Directors or the Statutory Audit Board request such a meeting or when the shareholders, representing at least the minimum share capital required by law for this purpose, formally require that the same be held.*

“ARTICLE TWENTY- SIX

One – The remuneration of the members of the Board of Directors shall be set by the Shareholders’ General Meeting.

Two – The Shareholders’ General Meeting can designate a Shareholders’ Remuneration Committee to carry out the requirements of the previous number.”

“ARTICLE TWENTY- SEVEN

The mandate of the members of the statutory bodies (Board of Directors, Board of the Shareholders’ General Meeting and Statutory Audit Board) shall be for four years, and they may be re-elected for one or more terms.”

Dividends and Profits

“ARTICLE TWENTY-NINE

One – Regarding the net results shown in the annual financial statements, after deduction of the amounts legally required to create or to add to the legal reserve, the remainder will be applied as determined by the Shareholders’ General Meeting, which can resolve, by a simple majority, to distribute them totally or partially or transfer them to reserves.

Two – A percentage, no higher than five per cent, of the financial year net results may be used to remunerate the directors and reward the company employees, in the terms deliberated in the General Assembly.”

“ARTICLE THIRTY

The Board of Directors, with the agreement of the Statutory Audit Board, may resolve to make advances on profits, during the financial year, in accordance with the law.”

“ARTICLE THIRTY-ONE

One – The Shareholders’ General Meeting may decide that the share capital will be totally or partially refunded, the shareholders receiving the nominal value of each share or part thereof.

Two – The Shareholders’ General Meeting may decide that in the case of a partial refund, a selection “draw” is carried out amongst shareholders.”

“ARTICLE THIRTY-TWO

One - When new shares are issued as a result of a share capital increase, the new shares will be eligible for dividends as determined by the resolution, which decided upon the share capital increase. In the absence of this, the dividend entitlement will be based on the proportion of time elapsed between the last day of subscription to the share capital increase and the end of the financial year.

Two - In the event of an increase in share capital by incorporation of reserves, the issue of new shares will respect the proportion of the various share categories existing at the time, with each shareholder receiving shares of the various categories held by him/her. ”

THE OFFERING

Introduction

The Selling Shareholder is offering up to 217,360,000 existing Shares that represent up to 21.736% of the issued and outstanding Shares in the share capital of the Company, such Offering consisting of (i) a public offering of up to 50,000,000 Shares that represent up to 5% of the share capital of the Company to institutional and retail investors in Portugal (defined above as the Retail Offering), and (ii) a private placement up to 167,360,000 Shares that represent up to 16.736% of the share capital of the Company to certain institutional investors in various jurisdictions (defined above as the Institutional Offering). The Selling Shareholder may, up to October 18, at its sole discretion, in consultation with the Company following recommendations from the Joint Global Coordinators, and taking also into account market conditions and factors, increase the Institutional Offering up to a total aggregate of 87,000,000 Shares that represent up to 8.7% of the share capital of the Company.

None of the Firm Shares or the Additional Shares (if any) have been or will be registered under the Securities Act. The Firm Shares or the Additional Shares (if any) are being offered (i) within the United States, to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S.

The Retail Offering is subject to the satisfaction of the condition, customary for transactions of this type, of at least 217,360,000 Shares being effectively purchased under the Global Offering. If this condition is not verified, the closing of the Global Offering will also not take place.

None of the Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Shares may be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration (other than in Portugal).

There are currently no takeover bids in relation to any of the Offer Shares. However, by becoming a listed company, the Company is subject to the applicable legal framework of the voluntary and mandatory public offers and of takeover bids, as well as the rules regarding squeeze-out and sell-out.

The Offer Shares will be offered to the public in Portugal within the Retail Offering and in accordance with applicable law and regulations. The Offer Shares are ordinary nominative registered Shares with nominal value of €1 and which were issued pursuant to the Portuguese laws, in accordance with the Portuguese Companies Code, the Portuguese Securities Code, the Articles of Association and further applicable legislation.

General Information

This Prospectus will be available for inspection during normal business hours on any weekday (i.e. except Saturday, Sundays and public holidays) at the Company's registered office (Rua João Mendonça, 529, 4464-501 Matosinhos, Porto, Portugal) and at Euronext Lisbon (Av. da Liberdade, no. 196 – 7.º, 1250-147 Lisbon). Furthermore, this Prospectus will also be published on the website of the Company at www.sonaemc.com/en/ and the website of the CMVM (www.cmvm.pt).

Timetable

Event	Date
Publication of the Prospectus.....	October 4, 2018
Offer period of the Retail Offering and Institutional Offering commences	October 8, 2018
1 st period of the Retail Offering	From October 8, 2018 to October 12, 2018
2 nd period of the Retail Offering	From October 13, 2018 to October 17, 2018
Orders within the Retail Offering become irrevocable	October 13, 2018

Expiration of Offer Period for the Retail Offering	October 17, 2018
Expiration of Offer Period for the Institutional Offering	October 18, 2018
Pricing	October 18, 2018
Determination of the final number of Shares	October 18, 2018
Special Regulated Market Session for the Retail Offering and publication of the results of the Retail Offering.....	October 18, 2018
Admission to Trading of the Shares on an “if-and-when” basis	October 19, 2018
First day of trading of the Shares on Euronext Lisbon on an “if-and-when” basis	October 19, 2018
First day of Over-Allotment Option	October 19, 2018
Settlement of the Offering	October 23, 2018
First day of unconditional trading of the Shares on Euronext Lisbon	October 23, 2018
Last day of Over-Allotment Option	November 18, 2018

Each of the dates in the above timetable is indicative only and subject to change without further notice. All time references are to Lisbon time.

Subject to Euronext Lisbon’s decision, trading of the Shares on Euronext Lisbon is expected to commence, on unconditional basis, on October 23, 2018. The first day of trading in, and the official listing of, the Shares on an “if-and-when-delivered” basis, is expected to commence on or about October 19, 2018. Investors wishing to trade prior to the settlement date of the Offering, which is expected to be on or about October 23, 2018, should check with their financial intermediaries if and at what point in time they will be able to trade on such basis.

Offer Period

Subject to acceleration or extension of the timetable for the Offering (under the terms set out below – “Revocation of Orders and modification, withdrawal or suspension of the Retail Offering”), prospective investors may purchase Shares:

- during the period commencing on October 8, 2018, at 8:30am (Lisbon time) and ending on October 17, 2018, at 3:00pm (Lisbon time) (“**Retail Offering Offer Period**”);

The 1st period of the Retail Offering, which is relevant for the purposes of preferential conditions for allocation of Shares with the highest coefficient in case of oversubscription, commences on October 8, 2018 and ends on October 12, 2018. The 2nd period of the Retail Offering will run from October 13, 2018 to October 17, 2018.

- during the period commencing on October 8, 2018 and ending on October 18, 2018 (“**Institutional Offering Offer Period**”).

The Offer Period for retail and institutional investors may differ, and the Retail Offering Period may be accelerated or extended, subject to, “Revocation of Orders and modification, withdrawal or suspension of the Retail Offering” below.

In the event of an acceleration or extension of the Offer Period, pricing, Allocation, listing and first trading and payment for and delivery of the Shares may be advanced or extended accordingly.

The Offer Price and Number of Shares

The Offer Price Range is between €1.40 and €1.65 (inclusive) per Share. The Offer Price and the actual number of Shares offered in the Offering will be determined after the Offer Period has ended by the Selling Shareholder, in consultation with the Company following recommendations from the Joint Global Coordinators, taking into account market conditions and factors, including:

- the Offer Price Range;

- a qualitative assessment of demand for the Offer Shares;
- our financial information;
- our history and prospects and the industry in which we compete;
- an assessment of our management, its past and present operations and prospects for,
- timing of, our future revenues;
- the present state of our development;
- the above factors in relation to the market valuation of companies engaged in activities similar to ours;
- the economic and market conditions, including those in the debt and equity markets; and
- any other factors deemed appropriate.

The final Offer Price and the actual number of Shares offered in the Offering will be set out in a statement issued by the Selling Shareholder (the “**Pricing Statement**”) that will be filed with the CMVM and published in a press release on the Company’s website and on CMVM’s website, all in accordance with no. 2 of article 159 of the Portuguese Securities Code. Printed copies of the Pricing Statement will be made available at the Company’s registered office address.

Change of the Offer Price Range or Number of Shares

The Selling Shareholder, in consultation with the Company and the Joint Global Coordinators, reserves the right to change the Offer Price Range and/or increase or decrease the number of Shares being offered prior to the date on which Allocation takes place. Any such change in the Offer Price Range and/or the number of Shares being offered will be published as a supplement to the Prospectus on the CMVM information disclosure system at www.cmvm.pt and in a press release on the Company’s website. Investors will be entitled to revoke the orders submitted before the publication of such supplement to the Prospectus, within no less than two business days following such publication.

The allocation of Shares in the Institutional and Retail Offering may be subject to claw-back or claw-forward arrangements depending on relative demand from institutional investors on the one hand and retail investors on the other. Subject to demand on Offering, the Selling Shareholder may reallocate up to 25,000,000 Shares of the Retail Offering to the Institutional Offering, thus reducing the size of the Retail Offering by that amount of Shares or conversely, reallocate up to 25,000,000 of the Shares of the Institutional Offering to the Retail Offering, thus reducing the size of the Institutional Offering by that amount of Shares.

The decision to exercise either of the mechanisms described in the above paragraph will be taken by the Selling Shareholder and by the Company after the analysis of the demand recorded for the Retail Offering and the Institutional Offering and of the recommendations made by the Joint Global Coordinators and the Joint Lead Managers for the Retail Offering.

Any Shares not acquired in the Retail Offering until the end of the Offering Period may be acquired in the Institutional Offering.

In addition, under the Underwriting Agreement, the Selling Shareholder will grant the Joint Global Coordinators, on behalf of the Underwriters, an Over-Allotment Option to purchase up to an additional 32,600,000 existing Shares, comprising up to 15% of the total number of Firm Shares (“Additional Shares”) at the Offer Price (less agreed commissions) to cover potential over-allotments or other short positions, if any, in connection with the Offering. The Over-Allotment Option is exercisable, in whole or in part, by BNP Paribas as stabilization manager (the “Stabilization Manager”), for a period of 30 days from the first day of conditional dealings of the Shares on Euronext Lisbon.

If the Offering is successful, the Selling Shareholder will own 132,926,683 Shares after the Offering assuming the Over-Allotment Option is not exercised and 100,326,683 Shares after the Offering assuming the Over-Allotment Option is exercised in full. The Selling Shareholder will own 300,909,127 Shares after the

Offering assuming the Over-Allotment Option is not exercised and 268,309,127 Shares after the Offering assuming the Over-Allotment Option is exercised in full. Furthermore, the Selling Shareholder will own 181,309,127 Shares if the Over-Allotment Option and the Upsize are exercised in full.

Purchase and Allocation of the Offering

Eligible retail investors who wish to purchase Shares in the context of the Retail Offering should instruct their financial intermediary (*i.e.*, any member of the bank's syndicate for the placement of the Retail Offering or any other financial intermediary legally allowed to provide the services of registry and deposit of book-entry securities). Each retail investor will be entitled to issue one purchase order.

A form for transmission of purchase orders for the Retail Offering will be made available to the financial intermediaries who wish to receive it, and its use is optional, provided that an equivalent mechanism for transmission of purchase orders by their respective clients is ensured. Purchase orders may also be placed with financial intermediaries by phone or through the internet, in cases where this is acceptable by the financial intermediary.

The financial intermediaries who receive purchase orders in the context of the Retail Offering shall inform Euronext Lisbon through the Public Offers Centralization Service between 8:00 a.m and 5:30 p.m of the orders received, replaced and cancelled each day of the Retail Offering Offer Period.

In the last day of the Retail Offering, the financial intermediaries shall inform Euronext Lisbon through the Public Offers Centralization Service between 8:00 a.m and 4:30 p.m of the above. The confirmation of the orders will be disclosed by Euronext Lisbon through the Secure System immediately after the file is sent by the financial intermediaries.

The timeline, validity and form of instructions to financial intermediaries in relation to the purchase of Shares in the context of the Retail Offering will be determined by each financial intermediary in accordance with its usual procedures or as otherwise notified to the retail investors. The Company and the Selling Shareholder are not liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Firm Shares and, if applicable, Additional Shares.

Allocation in the Retail Offering is expected to take place on the day of the closing of the Offer Period for the Institutional Offering, expected on October 18, 2018. Purchase orders for the Shares in the context of the Retail Offer will only be made on a market order (*bestens*) basis. Accordingly, eligible retail investors will be bound to purchase and pay for the Shares set out in their purchase order and allocated to them at the Offer Price. Investors participating in the Offering will be deemed to have checked and confirmed that they meet the selling and transfer restrictions described in "Transfer Restrictions". Each investor should consult his/her own advisers as to the legal, tax, business, financial and related aspects of a purchase of Shares.

In order to determine the results of the Offering, Euronext Lisbon was already required to hold a Special Regulated Market Session which will be expected to take place on October 18, 2018, at a time to be designated in its Notice of the Special Session of the Regulated Market. The results will be announced shortly after they have been published and will be published on the CMVM's website at www.cmvm.pt and in the Euronext Lisbon Bulletin.

On the same day, October 18, 2018, Euronext Lisbon shall inform all financial intermediaries whether the Retail Offering has become unconditional and, in that case, the amounts allocated to each of their investors so that each financial intermediary can communicate this information to them and proceed to the respective physical and financial settlement on October 23, 2018, and this is also the date expected to begin trading the Shares on Euronext Lisbon.

Allocation in the Institutional Offering is expected to take place on the day of the closing of the Offer Period for the Institutional Offering, expected on October 18, 2018. Allocations to institutional investors who purchased Offer Shares in the context of the Institutional Offering will be made on a systematic basis and full discretion will be exercised as to whether or not and how to allocate the Offer Shares purchased to such institutional investors. Investors may not be allocated all of the Offer Shares which they intend to purchase. Any monies received in respect of purchase orders in the Institutional Offering which are not accepted in whole or in part will be returned to the investors without interest and at the investors' risk. The Selling Shareholder, in consultation with the Company following recommendations from the Joint Global Coordinators, will determine the number of Offer

Shares, if any, to be allocated in the Institutional Offering. The Selling Shareholder, in consultation with the Company and following recommendations from the Joint Global Coordinators, may, at its own discretion and without stating the reasons, reject any purchase orders in the Institutional Offering, wholly or partly.

The Joint Global Coordinators and the Selling Shareholder retain full flexibility to change the intended Allocation in the Institutional Offering.

All investors must inform themselves regarding the investment restrictions of the Offering. Please see “Plan of Distribution—Selling Restrictions”.

Minimum and maximum acquisition in the Retail Offering

Purchase orders must be placed individually in multiples of 10 Shares with a minimum amount of 10 Shares and up to a maximum amount of 175,000 Shares.

Each investor may only place one purchase order for the Retail Offering. If several orders are placed by the same investor, only the order with higher quantity will be considered valid, and under equal circumstances, priority will be given to the purchase order of higher quantity presented in the 1st period of the Retail Offering. If equality of circumstances is maintained, only the purchase order presented in first place will be considered valid.

Allocation of oversubscription orders criteria

In case of oversubscription the orders placed during the 1st period of Retail Offering will benefit from an allotment coefficient that is higher than the other orders, in the percentage of 100%, unless those orders can be fully satisfied with the application of a lower allotment coefficient.

Each order will be assigned a number of Shares equal to the largest number that is a multiple of 10 contained in the multiplication of the respective coefficient by quantity of Shares indicated in such order.

The Shares not allotted as a result of the allocation process provided for in the previous paragraphs will be allocated in sets of 10 shares, by lottery, first among all the acquisition orders placed during the 1st period of the Retail Offering and afterwards, among the other acquisition orders.

Modification of Orders in the Retail Offering

If an order placed during the 1st period of the Retail Offering is changed to a higher number of Shares during the 2nd period of the Retail Offering, the preferential conditions of the 1st period of the Retail Offering will only apply to the Shares in relation to which an order was placed during the 1st period of the Retail Offering.

Revocation of Orders and modification, withdrawal or suspension of the Retail Offering

Orders may be revoked no later than five days before the end of the Offer Period, which is October 12, 2018. After this date, orders can only be changed to increase the initial purchase order.

The Retail Offering is subject to the satisfaction of the condition, customary for transactions of this type, of at least 217,360,000 Shares being effectively purchased under the Global Offering,

Furthermore, under the terms of article 128 of the Portuguese Securities Code, in case of an unpredictable and material modification of the circumstances which, as cognoscible by the recipients of the Retail Offer, served as basis for the launching of the Retail Offer, exceeding the inherent risks, the Company may, within a reasonable deadline and pursuant to an authorization from CMVM, modify the Retail Offer or withdraw it.

Under the terms of article 129 of the Portuguese Securities Code, any modification of the Retail Offer is ground for the delaying of its respective deadline, which is to be decided by CMVM at its own discretion or after the relevant request from the Company and has to be done through a supplement to the Prospectus, subject to CMVM's approval. In this case, the orders submitted prior to the modification are considered effective for the modified Retail Offer, without prejudice to the right of the investors to revoke the orders submitted before the

publication or such supplement to the Prospectus, within no less than two business days following such publication.

Lack of satisfaction or, where permitted, waiver of the conditions to which the Retail Offer is subject to, as well as revocation and withdrawal of the Retail Offer determine the lack of production of effects by such offer and of the orders submitted prior or subsequently to the revocation or withdrawal of the Retail Offer, all payments made under it being restituted, in accordance with article 132 of the Portuguese Securities Code.

Under the terms of article 131 of the Portuguese Securities Code, should CMVM verify that the offer contains an irreparable illegality or unconformity with regulatory provision, it shall, depending on the case, instruct the Company to withdraw the Retail Offer or prohibit its launching.

All decisions to withdraw or prohibit the Retail Offer are published through the same means used for the publication of the Prospectus, at the expense of the Selling Shareholder, in accordance with CMVM Regulation no. 5/2008.

Under the terms of article 133 of the Portuguese Securities Code, the suspension of the Retail Offer shall occur whenever CMVM verifies that there is a reparable illegality or unconformity with regulatory provision. The suspension of the Retail Offer grants its recipients the possibility to withdraw their order up until the fifth day subsequent to the term of the suspension, with the right to receive all amounts that have been delivered.

In addition, if, from the date of approval of the Prospectus to the end of the Offer Period (or to the date of the admission to trading of the Shares), any deficiency in the Prospectus is detected or any new fact occurs or any new fact not previously considered comes to light that would be relevant to an investment decision made by an addressee, the Selling Shareholder and the Company are obliged to immediately request CMVM to approve an amendment or supplement of the Prospectus disclosing these facts.

The investors who have accepted the Offering before the publication of the amendment or supplement have the right to withdraw their acceptance within no less than two business days after the disclosure of the amendment or supplement, as long as the deficiency or the previous or new fact is detected, known or happens before the end of the Offer Period and delivery of the securities.

If listing of the Shares does not occur due to a fact attributable to the Company, the Selling Shareholder, the financial intermediaries or to those referred to in article 20(1) of the Portuguese Securities Code in relation to such entities, investors may cancel their orders by communicating such fact to the Selling Shareholder up to 60 days following listing refusal, and the Selling Shareholder must return the amounts received within 30 days of receiving such communication.

Listing of the Shares can only occur after the term of the Offer Period. Subject to Euronext Lisbon's decision, the Shares are expected to be admitted to trading on Euronext Lisbon on an unconditional basis, on or about October 23, 2018. Prior to the admission to trading on an unconditional basis, we expect that the Shares will previously be admitted to listing and that trading in the Shares will commence prior to the settlement of the Offering on the First Trading Date on an "if-and-when-delivered" basis (a conditional trading basis) during two days, under the terms and conditions set forth in section 6801 of Regulation I of Euronext. Subject to Euronext Lisbon's decision, the Shares are expected to commence trading, on an "if-and-when-delivered" basis, on or about October 19, 2018. The date on which the settlement of the Offering is scheduled to take place, is expected to occur on or about October 23, 2018, the second business day following the First Trading Date (i.e. on a "T+2" basis) (the "**Settlement Date**"). All dealings in the Shares prior to settlement and delivery on an "if-and-when-delivered" basis will be settled on or after the Settlement Date.

The settlement of the Offering may not take place if certain conditions are not satisfied or waived or if certain termination events occur on or prior to the Settlement Date. Trading in the Shares before the Settlement Date will take place subject to the condition that, if closing of the Offering does not take place, the Offering will be withdrawn, all applications for the Shares will be disregarded, any allotments made will be deemed not to have been made, any application payments made will be returned without interest or other compensation and transactions on Euronext Lisbon will be annulled. All dealings in the Shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Lisbon will not be responsible or liable for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions on Euronext Lisbon.

Notwithstanding the information duties of the financial intermediaries, investors should consult with their financial intermediary prior to submitting their purchase orders to confirm that it is able to ensure to such investors trading over the Shares acquired during the period of trading on an “if-and-when-delivered” basis, as it is possible that not all financial intermediaries are able to ensure so.

Payment and Tax

For a description of material tax consequences resulting from an investment in the Offers Shares, please see “*Taxation*—”.

Result of the Offering

The result of the Retail Offering will be established by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A., following a Special Regulated Market Session for the Retail Offering, in accordance with article 127 of the Portuguese Securities Code. The results will be announced shortly after they have been published and will be published on the CMVM's website at www.cmvm.pt and in the Euronext Lisbon Bulletin.

The results of the Offering will be published by the Company, including details of the Institutional Offering, by way of a Company press release and the Pricing Statement and by a notice issued by Euronext Lisbon, the release of which is expected to be disclosed on October 18, 2018, unless the Offering is closed earlier in which case the press release and the Pricing Statement and Euronext notice would be published the day in which the results are calculated, at the Company's website as well as at CMVM's website.

The press release and the notice will specify any reduction rate applied to the orders in the Retail Offering.

Delivery and Payment

An amount corresponding to the highest amount of the Offer Price Range multiplied by the number of Shares referred to in the investor's purchase order will be blocked (*cativado*) in the investor's account until settlement of the Retail Offering, although the amount effectively charged to the investor may not correspond to such blocked amount. Delivery and payment for Offer Shares is expected to take place on or about October 23, 2018, being the Settlement Date. The settlement of the Offering will be effected through the clearing and settlement system of Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.

The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor.

Retail investors may be charged expenses by their financial intermediary. For more information on taxes, please see “*Taxation*”. Potential expenses for the transmission of orders and maintenance of securities registration accounts depend on what is determined at each moment in the price list of the financial intermediaries for this type of services. The amount of these commissions is available on the CMVM website at www.cmvm.pt. Investors may also pay for the centralization fees of Euronext Lisbon, which are available on its website at www.euronext.com.

The Offer Price must be paid by retail investors in cash upon remittance of their purchase order or, alternatively, by authorizing their financial intermediary to debit their bank account with such amount on or about the Settlement Date (or earlier in the case of an early closing of the Offer Period and consequent acceleration of pricing, Allocation, first trading and payment and delivery). The amount blocked for cash payment corresponding to the value of the requested and unassigned shares will be available with the financial intermediary to whom the respective order was placed.

Should payment for allocated Offer Shares in the Retail Offering not be made when due, such Offer Shares will not be delivered to the applicants and allocation of the Retail Offering will be made as if the corresponding purchase orders were not issued.

Clearing and Settlement

The Shares are registered shares integrated in the book-entry facilities of Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. Application has been made for the Shares to be admitted to trading on Euronext Lisbon.

Listing and Trading

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made for the Shares to be admitted to trading on Euronext Lisbon. The Shares will be accepted for clearance through the global system maintained by Interbolsa – Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A. The Shares will trade on an “if-and-when-delivered” basis under a single trading line “SONAE MC SGPS AIW”, ISIN code PTMOC0AE0007 and trading symbol “SONMC”. After settlement date, Shares will be traded under the product name “SONAE MC SGPS” and both the ISIN code and trading symbol will remain the same.

Subject to acceleration or extension of the timetable for the Offering in the terms set out above, conditional trading in the Shares on Euronext Lisbon is expected to commence on October 19, 2018 (the “**First Trading Date**”).

Bank’s syndicate responsible for the Offering (assistance and placement)

Caixa – Banco de Investimento, S.A., a limited liability company with head office at Avenida João XXI, 63, in Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 501 898 417, with the share capital of 81,250,000.00 Euros (“CaixaBI”), and Banco Comercial Português, S.A., a limited liability company, with head office at Praça D. João I, 28, in Porto, registered at the *Conservatória do Registo Comercial do Porto* under the sole tax payer and registration number 501 525 882, with the share capital of 5,600,738,053.72 Euros, acting through its investment banking division (“Millennium investment banking”) are the financial intermediaries responsible for the assistance and arrangement of the Retail Offering and for the services pertaining to the preparation, filing and follow-up of the Admission.

Bank’s syndicate for the placement of the Retail Offering

Banco ActivoBank, S.A., a limited liability company with head office at Rua Augusta 84, 1100-026 Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 500 734 305, with the share capital of 17,500,000.00 Euros (“ActivoBank”); Banco BPI, S.A., a limited liability company with head office at Rua Tenente Valadim, 284, 4100-476 Porto, registered at the *Conservatória do Registo Comercial do Porto* under the sole tax payer and registration number 501 214 534, with the share capital of 1,293,063,324.98 Euros (“Banco BPI”); Banco de Investimento Global, S.A., a limited liability company with head office at Av. 24 de Julho, 74-76, 1200-869 Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 504 655 256, with the share capital of 183,947,388.00 Euros (“BiG – Banco de Investimento Global”); Banco Santander Totta, S.A., a limited liability company with head office at Rua Áurea, 88 – 1100-063 Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 500 844 321, with the share capital of 1,256,723,284.00 Euros (“Banco Santander Totta”); Bankinter, S.A. – Sucursal em Portugal, a branch of a European Member State credit institution with head office at Praça Marquês de Pombal nº13, 2º andar, 1250-162 Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 980 547 490 (“Bankinter”); BEST – Banco Electrónico de Serviço Total, S.A., a limited liability company with head office at Praça Marquês de Pombal, nº 3 – 3º Piso, 1250 – 161 Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 505 149 060, with the share capital of 63,000,000.00 Euros (“Banco BEST”); Caixa Geral de Depósitos, S.A., a limited liability company with head office at Av. João XXI, 63, 1000-300 Lisboa – Portugal, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 500 960 046, with the share capital of 3,844,143,735.00 Euros (“Caixa Geral de Depósitos”); Novo Banco, S.A., a limited liability company with head office at Avenida da Liberdade, 195, 1250-142 Lisboa, registered at the *Conservatória do Registo Comercial de Lisboa* under the sole tax payer and registration number 513 204 016, with the share capital of 5,900,000,000.00 Euros (“Novo Banco”); Novo Banco dos Açores, S.A., a limited liability company with head office at Rua Hintze Ribeiro, nº 2 a 8, 9500-049 Ponta Delgada, registered at the *Conservatória do Registo Comercial* under the sole tax payer and registration number 512 061 840, with the

share capital of 18,637,500.00 Euros (“Novo Banco dos Açores”); Banco BIC Português, S.A. a limited liability company with head office at Av. António Augusto de Aguiar nº132 1050-020 Lisboa, registered at the Conservatória do Registo Comercial de Lisboa under the sole tax payer and registration number 503 159 093, with the share capital of 410,429,800 Euros (“EuroBic”); and Caixa Económica Montepio Geral, caixa económica bancária S.A., a limited liability company with head office at Rua Áurea, n.ºs 219 a 241, 1147-501 Lisboa, registered at the Conservatória do Registo Comercial de Lisboa under the sole tax payer and registration number 500 792 615, with the share capital of 2,420,000 Euros (“Montepio”);

Settlement Agent and Listing Agent

Euronext Lisbon is acting as centralization agent for the retail offering in Portugal.

CaixaBI is acting as settlement agent for the Shares in connection with the Retail Offering. The address of CaixaBI is Avenida João XXI, 63, in Lisboa.

CaixaBI and Millennium investment banking are acting as listing agents for the Shares in connection with the Offering. The address of CaixaBI is Avenida João XXI, 63, in Lisboa, and the address of Millennium investment banking is Praça D. João I, 28, in Porto.

Fees and Expenses

The Company's estimated costs and expenses in relation to the Offering (excluding underwriters' commissions and other fees, costs and expenses that are to be borne by the Selling Shareholder) are approximately €3.240 million, which relate principally to auditor's fees in connection with the Audited Combined Annual Financial Statements and the unaudited Combined Interim Financial Statements.

Markets

The Shares will be traded solely on Euronext Lisbon. At the date of this Prospectus, the Company does not intend to seek an admission to trading other than on Euronext Lisbon, and therefore no application has been made for the Shares to be admitted to listing on any other stock exchange.

Euronext Lisbon is a regulated market for the purpose of Directive 2014/65/EC of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments (“MiFID”).

Total Net Proceeds and Estimate of the Total Expenses of the Offering

Upon settlement, which is expected to occur on or about October 23, 2018, the Selling Shareholder is expected to obtain gross proceeds from the sale of the Offer Shares in the Offering of €358.644 million. The Company will not receive any proceeds from the Offering, which will be received by the Selling Shareholder. We estimate the total expenses of the Offering and the Admission to Trading to be €17.864 million, including underwriting fees and commissions relating to the Offer Shares sold by the Selling Shareholder pursuant to the Offering (assuming full payment of the Underwriters' fees). The net proceeds of the Offering to the Selling Shareholder will be approximately €344.020 million.

Interests Material to the Offering; Conflicting Interests

The Selling Shareholder has an interest in the Offering, because it expects to receive upon Settlement net proceeds from the Offering. The Selling Shareholder is identified in “Principal Shareholders.” See also “Plan of Distribution—The Offering.”

TAXATION

Certain Portuguese Tax Considerations

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Portugal and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules. In particular, tax consequences may differ according to the double tax conventions entered into by Portugal to avoid double taxation (the “Conventions”), or according to particular characteristics of the investors.

The following is a summary of the Portuguese tax regime in relation to income derived from shares issued by a company resident in Portugal, of capital gains on those shares, and of the acquisition of the same shares through gift or inheritance (such shares hereinafter referred to as “Shares”, for the purposes of this section). Prospective purchasers of the Offer Shares are advised to consult their own tax advisors as to which jurisdictions’ tax laws could be relevant when acquiring, holding and disposing of Offer Shares and receiving payments of dividends and/or other distributions under the Shares and the consequences of such actions under the tax laws of such jurisdictions.

The summaries set forth below are based upon Portuguese law as in effect on the date of this Prospectus and are subject to any change in such law that may take effect after such date and the interpretation and application thereof, which could be retroactive. References in this section to (i) holders of Shares include the beneficial owners of the Offer Shares and (ii) to residence, include tax residence as determined under Portuguese law.

The Company may be responsible for the withholding of taxes on income where applicable under the framework set out below and to the extent such obligation is legally imposed on the Company, in particular due to its quality of registering entity, depositary or debtor of the income subject to withholding, as applicable.

Individuals resident in Portugal or with a permanent establishment in Portugal to which the income derived from Shares is attributable

Income derived from the ownership of Shares

Dividends paid to a Portuguese resident individual are subject to personal income tax (“IRS”). Such IRS is generally collected through a withholding tax, currently levied at a rate of 28%, when the income is made available (“*colocado à disposição*”).

Alternatively, taxpayers may opt to declare such income on their tax returns (as long as the income is obtained outside of the scope of business and professional activities). Opting to declare such income results in the need to aggregate it with other investment income typically subject to final withholding taxes (*taxas liberatórias*), such as other dividends and interest. In this case, only 50% of the dividends are subject to IRS, and the aggregate income is taxed at the rate imposed by the relevant progressive rates of up to 48%, which is increased by a surcharge (*taxa adicional de solidariedade*) of 2.5% on income higher than € 80,000 and 5% on income higher than € 250,000. The progressive taxation under the IRS rules may then go up to 53%. Tax withheld is deemed a payment on account of the final tax due.

A final withholding tax of 35% applies if the dividends are paid or made available (“*colocados à disposição*”) to accounts in the name of one or more account holders acting on behalf of undisclosed third parties, unless the beneficial owner of the dividends is disclosed, in which case the general rules will apply.

Dividends obtained by non-resident individuals with a permanent establishment in Portugal to which such income is attributable are subject to withholding tax at a 28% rate, on account of the final tax due (which is calculated at a rate of 25%).

Capital gains and losses on the sale of Shares

The net annual positive difference between capital gains and capital losses arising from the sale of Shares (and other securities and financial assets) is taxed at a special 28% IRS rate, which is the final tax on that income.

Alternatively, taxpayers may opt to declare such income on their tax returns. Opting to declare such income results in the need to aggregate it with other accretions in wealth (*incrementos patrimoniais*) ordinarily subject to special rates (*taxas especiais*). The aggregate income is taxed at the rate imposed by the relevant progressive rates of up to 48%, which is increased by a surcharge (*taxa adicional de solidariedade*) of 2.5% on income higher than € 80,000 and 5% on income higher than € 250,000. The progressive taxation under the IRS rules may then go up to 53%.

The net annual positive difference between capital gains and losses arising from the sale of Shares (and other securities and financial assets) by non-resident individuals with a permanent establishment in Portugal to which those capital gains and losses are attributable is taxed at an autonomous rate of 25%.

The negative balance between capital gains and losses arising from transactions performed in the same year, may be carried forward against income of the same nature in the five subsequent years, provided that the option for aggregating/declaring the income is made. Losses arising from the sale of Shares to an entity or individual that is subject to a more favorable tax regime, as defined by law, including a resident in a country, territory or region included in the list approved by Ministerial Order (“*Portaria*”) no. 150/2004 of February 13th, as amended (“Blacklisted Jurisdiction”), are disregarded for the purposes of assessing the positive or negative balance referred to above.

For the purposes of computing taxable capital gains, the purchase value, in case of Shares with prices quoted in the stock exchange market is the cost proved by document or, in its absence, the lowest price quoted in the two years preceding the date of sale, if a lower price is not declared. The purchase value of Shares is accrued by the necessary and effectively incurred expenses inherent to the purchase and to the sale (e.g. trading expenses) and Shares that were acquired first are considered sold first (first in, first out method).

When computing capital gains and losses, the acquisition cost of Shares held for at least twenty-four months prior to the date of the sale is adjusted in accordance with the inflation indexation coefficient for the year of acquisition as annually approved by a Ministerial order.

The attribution and exercise of subscription rights shall not be deemed taxable events. However, income derived from the disposal of subscription rights attributed to shareholders in the course of a share capital increase qualifies for tax purposes as capital gains.

Acquisition of Shares through gift or inheritance

The gratuitous acquisition (per death or in life) of Shares by Portuguese tax resident individuals is liable for Stamp tax at 10%. Spouses, civil partners, parents or grandparents and children or grandchildren are exempt from stamp tax on such acquisitions.

Individuals not resident in Portugal without a permanent establishment in Portugal to which the income derived from Shares is attributable

Dividends derived from the ownership of Shares.

Dividends are subject to IRS through a final withholding tax, currently levied at a rate of 28% when the income is made available (“*colocado à disposição*”). This represents a final withholding, releasing investors from the obligation to disclose such income to the Portuguese tax authorities and from the payment of any additional amount of IRS.

The above-mentioned rate may be reduced under a Convention entered into by Portugal and the country of residence for tax purposes of the individual, provided that the material conditions on which the application of such benefit depends are duly observed and certain relevant formalities are met. In broad terms, under Portuguese tax law, these formalities consist in certifying the tax residence of the owner of the Shares by filling out a specific form (*Modelo 21-RFI*) to be stamped by the competent authorities of the recipient’s state of residence or, alternatively, complemented with a document issued by the competent authorities of the recipient’s state of residence, attesting the investor’s residence for tax purposes during the relevant period and the liability for tax in that state.

A final withholding tax at a rate of 35% applies when dividends are paid or made available (“*colocados à disposição*”) to:

- accounts in the name of one or more account holders acting on behalf of undisclosed third parties, unless the beneficial owner of the income is disclosed, in which case the general rules will apply; or
- individuals resident in a Blacklisted Jurisdiction.

Capital gains and capital losses on the sale of Shares

Capital gains on the sale of Shares obtained by non-residents in Portugal are generally subject to IRS, unless an exemption applies.

The annual positive difference between capital gains and losses arising from the sale of the Shares (and other securities or financial assets), minus the costs necessary and effectively incurred in such sale, is taxed at a special rate of 28%. Losses arising from the sale of shares to an entity or individual that is subject to a more favorable tax regime, as defined by law, are disregarded for the purposes of assessing the positive or negative balance referred to above. No withholding tax is levied on capital gains arising from the sale of shares which are subject to Portuguese tax; for the purposes of assessing and paying such gains Investors should file a Portuguese annual personal income tax return (*Declaração modelo 3 de IRS*).

An exemption should, however, apply to capital gains derived by non-resident investors on the sale of shares unless:

- (i) the individual is resident in a Blacklisted Jurisdiction; or
- (ii) the assets of the company the shares of which are being traded, or under certain conditions of its subsidiaries, are composed in more than 50%, by immovable property or rights in rem in immovable property located in Portugal.

The attribution and exercise of subscription rights shall not be deemed taxable events. However, income derived from the disposal of subscription rights attributed to shareholders in the course of a share capital increase qualifies for tax purposes as capital gains, which may benefit from the abovementioned tax exemption regime in the abovementioned conditions.

Generally, under the Conventions entered into by Portugal, Portugal is usually not allowed to tax the gains mentioned in this section, but the applicable rules should be confirmed on a case-by-case basis.

Acquisition of Shares through gift or inheritance

The acquisition of Shares through gift or inheritance by non-resident individuals is not subject to stamp tax.

Legal entities resident in Portugal or non-resident legal entities having a permanent establishment located in Portugal to which the income or gains derived from the Shares are attributable.

Dividends derived from the ownership of Shares

Dividends paid to legal persons resident for tax purposes in Portugal and to non-resident legal persons with a permanent establishment located in Portugal to which the income is attributable are subject to Portuguese corporate income tax ("IRC"). IRC is generally withheld, at a 25% rate, when profits are made available. This withholding represents an advance payment on account of the final IRC liability. IRC is levied on taxable income (computed as the taxable profit minus tax losses carried forward) at a 21% rate or at a 17% rate on the first € 15,000 in the case of small or medium-sized enterprises, as defined by law and subject to the minimis rule of the European Union. They may also be subject to a municipal surcharge (*derrama municipal*) at variable rates (as set by municipal bodies) of up to 1.5% of the taxable profit (before deduction of any tax losses from previous years). Moreover, corporate taxpayers are also subject to a state surcharge (*derrama estadual*) of 3% on taxable profits (before the deduction of any tax losses from previous years) in excess of € 1.5 million and up to € 7.5 million, 5% on taxable profits in excess of € 7.5 million and up to € 35 million and 9% on taxable profits in excess of € 35 million.

Under the participation exemption regime, dividends received by a legal person will not be taken into account for purposes of determining the taxable profit, provided such person: (i) is not subject to the tax transparency regime; (ii) directly (or directly and indirectly) holds at least 10% of the distributing company's share capital or voting rights; and (iii) has held the Shares continuously during the year prior to the date when

the dividends were made available (“*colocados à disposição*”) or comes to hold the Shares until that minimum holding period has elapsed. This regime shall not apply in case of an arrangement or a series of arrangements which have been put into place with the main purpose or one of the main purposes of obtaining a tax advantage. If the above holding period has already elapsed prior to the date on which the profits are made available, the shareholder is exempt from the 25% withholding tax referred to in the previous paragraph. In the event the minimum one-year holding period only elapses after such date, the IRC withheld is refundable.

There is no obligation to withhold tax, partially or entirely, on profits made available to taxpayers exempt from IRC (for instance: the Portuguese Republic and other corporate entities subject to administrative law; corporate entities recognized as having public interest and charities; financial institutions, pension funds, retirement and/or education savings funds, share savings funds, venture capital funds and some exempt entities, among other entities, provided that, with respect to all the above funds, they are organized and operate according to Portuguese legislation) or which benefit from a total or partial exemption on the profits being distributed, assuming that proof of such exemption is presented to the entity responsible for the payment.

An autonomous tax at 23% rate applies to dividends distributed by entities subject to IRC to entities that are totally or partial exempt from IRC if the Shares are not held by those entities for a minimum holding period of one year uninterruptedly, which may be completed after the date on which dividends are made available. This tax rate is increased by 10 percentage points for entities which had tax losses during the taxable period in which the dividends are made available.

A final withholding tax of 35% applies when dividends are paid or made available (*colocados à disposição*) to accounts in the name of one or more account holders acting on behalf of undisclosed third parties, unless the beneficial owner of the income is disclosed, in which case the general rules will apply.

Capital gains and losses on the sale of the Shares

The annual positive difference between capital gains and losses is included in the taxable profit (computed as taxable profit minus tax losses carried forward) and is subject to IRC at a rate of 21% or at a rate of 17% on the first € 15,000 in the case of small or medium-sized enterprises (as defined by law and subject to the *de minimis* rule of the European Union) and may be subject to a municipal surcharge (*derrama municipal*) at variable rates (as set by municipal bodies), of up to 1.5% of the taxable profit (before the deduction of any tax losses from previous years). Moreover, corporate taxpayers are also subject to a state surcharge (*derrama estadual*) of 3% on taxable profits (before the deduction of any tax losses from previous years) in excess of € 1.5 million and up to € 7.5 million, 5% on taxable profits in excess of € 7.5 million and up to € 35 million and 9% on taxable profits in excess of € 35 million.

When computing capital gains and losses, the acquisition cost of Shares held for at least two years prior to the date of the sale is adjusted in accordance with the inflation indexation coefficient for the year of acquisition as annually approved by a Ministerial order.

Under the participation exemption regime, the capital gains or losses derived by a legal person from the transfer of Shares will not be taken into account for purposes of determining its respective taxable profit provided such legal person: (i) is not subject to the tax transparency regime; (ii) directly (or directly and indirectly) holds at least 10% of the company’s share capital or voting rights; and (iii) has held the Shares continuously during the year prior to the date when the transfer of Shares occurs. Such exemption is not available where the value of real estate or rights *in rem* in immovable property within the Portuguese territory represent, directly or indirectly, more than 50% of the assets of the company the Shares of which are being traded, except in case of properties allocated to an agricultural, industrial or commercial activity (other than the purchase and resale of real estate).

Capital losses with respect to Shares are not included in the taxable profit up to the amount of dividends and capital gains obtained from Shares held in the same entity, whenever those dividends and capital gains were eligible for the participation exemption regime in the same tax year or in the previous four tax years.

The attribution and exercise of subscription rights shall not be deemed taxable events. However, income derived from the disposal of subscription rights attributed to shareholders in the course of a share capital increase is subject to taxation within the general terms of IRC when performed by legal entities with residence in Portugal or permanent establishments therein to which the income is attributable.

If the Shares are registered in accordance with the fair value method, the adjustments (positive and negative) are considered for purposes of the taxable income assessment, provided that (i) the Shares price is determined on a regulated market and (ii) the taxpayer does not own, directly or indirectly, an equity interest of more than 5%.

Acquisition of Shares through gift or inheritance

The positive variation in worth (*variação patrimonial positiva*) resulting from the acquisition of Shares through gift or inheritance by legal persons or by a permanent establishment located in Portugal is subject to IRC. IRC is levied on taxable income (computed as taxable profit minus tax losses carried forward) at a rate of 21% or at a rate of 17% on the first € 15,000 in the case of small or medium-sized enterprises (as defined by law and subject to the *de minimis* rule of the European Union) and may be subject to a municipal surcharge (*derrama municipal*), at variable rates (as set by municipal bodies) of up to 1.5% to be levied on the taxable profit (before the deduction of any tax losses from previous years). A state surcharge (*derrama estadual*) also applies at 3% (before the deduction of any tax losses from previous years) on taxable profits in excess of € 1.5 million and up to € 7.5 million, 5% on taxable profits in excess of € 7.5 million and up to € 35 million and 9% on taxable profits in excess of € 35 million.

Non-resident legal entities having no permanent establishment to which the income or gains derived from Shares are attributable

Dividends and other income derived from the ownership of Shares

Dividends made available to non-resident legal entities having no permanent establishment to which the income or gains derived from Shares is attributable are subject to IRC through withholding tax, currently at a rate of 25% when profits are made available. This represents a final withholding, releasing investors from the obligation to disclose such income to the Portuguese tax authorities and from the payment of any additional amount of IRC.

The above-mentioned withholding tax rate may be reduced under a Convention entered into by Portugal and the shareholder's country of residence, provided that the material conditions for the application of the tax reduction and certain relevant formalities are met. In broad terms, under Portuguese tax law, these formalities consist in certifying the tax residence of the shareholder by filling out a specific form (Mod. 21-RFI) to be stamped by the competent authorities of the recipient's state of residence or, alternatively, complement it with a document issued by the competent authorities of the recipient's state of residence attesting the investor's residence for tax purposes during the relevant period and the liability for tax in that state.

At the request of the beneficiary, the difference between the tax withheld and the amount corresponding to the application of the general IRC rates and state surcharge may be refunded to residents in another Member State of the EU or of the EEA (if, in this case, there is administrative cooperation in tax matters equivalent to that established in the EU), provided that the conditions laid down in Article 2 of Directive 2011/96/EU of the Council of 30 November 2011 are met. In this case, all income will be taken into account, including income obtained in the Portuguese territory.

Dividends paid to a company resident in another member state of the EU or of the EEA (if, in this case, there is administrative cooperation in tax matters equivalent to that established in the EU) or in a country with which Portugal has entered into a Convention which is in force and allows for exchange of information, may be exempt from taxation. For the exemption to apply, the beneficiary company must:

- (i) be subject to and not exempt from a tax listed in Article 2 of Directive 2011/96/EU of the Council of 30 November 2011 or subject to a tax which is identical or similar to the IRC, provided (in the case of companies resident in countries with which Portugal has entered into a convention which is in force and allows for exchange of information) that the applicable tax rate is not lower than 60% of the normal IRC rate;
- (ii) directly (or directly and indirectly) hold at least 10% of the company's share capital or voting rights; and
- (iii) have held the Shares continuously during the year prior to the date when the dividends were made available (*colocados à disposição*).

If the minimum one-year holding period has already elapsed prior to the date on which the profits are made available, the shareholder is exempt from the 25% withholding tax referred to in the previous paragraph. If the period of one year is completed after the date of the payment, the tax withheld may be refunded. The withholding tax exemption and any refund are subject to certain formalities.

A final withholding tax rate of 35% applies when dividends are paid or made available (“*colocados à disposição*”):

- to accounts in the name of one or more accountholders acting on behalf of undisclosed third parties, unless the beneficial owner of the income is disclosed, in which case the general rules will apply; and
- to legal entities domiciled in a Blacklisted Jurisdiction.

Capital gains and losses on the sale of Shares

The net annual positive difference between taxable capital gains and capital losses arising from the sale of Shares (and other securities and financial assets) by legal entities non-resident and without a permanent establishment situated in Portugal, is subject to IRC at 25% (costs necessary and effectively incurred in the relevant disposals may be deducted). No withholding tax is levied on capital gains arising from the disposal of Shares which are subject to Portuguese tax; for the purposes of assessing and paying such taxable capital gains an investor should file a Portuguese annual corporate income tax return (*Declaração modelo 22 de IRC*).

Losses arising from disposals for consideration in favor of counterparties subject to a more favorable tax regime, as defined by law, are disregarded for the purposes of assessing the positive or negative balance referred to above.

Notwithstanding the above, an exemption to the capital gains tax applies, unless:

- the seller is more than 25% directly or indirectly held by Portuguese resident entities, unless the following cumulative requirements are met by the seller: (a) it is an entity resident in the European Union or in the European Economic Area State (if, in this case, there is administrative cooperation in tax matters equivalent to that established in the EU) or in any country with which Portugal has a double tax treaty in force which allows for exchange of information; (b) such entity is subject and not exempt from corporate income tax, a tax mentioned under article 2 of the Parent-Subsidiary Directive, or a tax of similar nature with a rate not lower than 60% of the IRC; (c) it holds, directly or indirectly, at least 10% of the share capital or voting rights regarding the entity subject to disposal for at least 1 year uninterruptedly; and (d) is not participating in an artificial arrangement or a series of artificial arrangements that have been put into place for the main purpose, or one of the main purposes, of obtaining a tax advantage;;
- the seller is a resident in a Blacklisted Jurisdiction; or
- the assets of the company the shares of which are being traded, or under certain conditions of its subsidiaries, are composed in more than 50% by immovable property or rights *in rem* in immovable property located in Portugal.

The attribution and exercise of subscription rights shall not be deemed taxable events. However, income derived from the disposal of subscription rights attributed to shareholders in the course of the share capital increase qualifies for tax purposes as capital gains which may benefit from the abovementioned tax exemption regime, in the abovementioned conditions.

Generally, under the Conventions entered into by Portugal, Portugal is usually not allowed to tax such gains, but the applicable rules should be confirmed on a case-by-case basis.

Acquisition of Shares through gift or inheritance

The positive variation in worth (*variação patrimonial positiva*) arising from the acquisition of Shares through gift or inheritance by non-resident legal persons for tax persons and without a permanent establishment located in Portugal to which the Shares are attributable is taxed at a rate of 25%. Generally, under the

Conventions entered into by Portugal, Portugal is usually not allowed to tax such income, but the applicable rules should be confirmed on a case-by-case basis

Certain U.S. Federal Income Tax Considerations

General

The following discussion is a summary of certain U.S. federal income tax consequences to U.S. Holders (as defined below) relating to the acquisition, ownership and disposition of the Offer Shares. This summary does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a particular person's decision to acquire the Offer Shares. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code") and U.S. Treasury regulations promulgated thereunder, as well as judicial and administrative interpretations thereof and the income tax treaty between the United States and Portugal (the "Treaty"), in each case as in effect as of the date of this Prospectus. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below, and there can be no assurance that the U.S. Internal Revenue Service (the "Service") or U.S. courts will agree with the tax consequences described in this summary. The Company undertakes no obligation to publicly update or otherwise revise this summary whether as a result of new U.S. Treasury regulations, Code sections, judicial and administrative interpretations or otherwise.

This summary applies only to U.S. Holders that purchase Offer Shares in the Offering and hold the Offer Shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not address any U.S. federal estate and gift tax, alternative minimum tax or Medicare tax on net investment income consequences, or any U.S. state or local or non-U.S. tax consequences. This summary also does not address the tax considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws, such as:

- banks and other financial institutions;
- insurance companies;
- regulated investment companies or real estate investment trusts;
- dealers or traders in securities or currencies that use a mark-to-market method of accounting;
- broker-dealers;
- tax-exempt organizations, retirement plans, individual retirement accounts and other tax-deferred accounts;
- persons holding the Offer Shares as part of a straddle, hedging, conversion or integrated transaction for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- any entity or arrangement classified as partnership for U.S. federal income tax purposes or investors therein;
- persons who own or are deemed to own, directly or indirectly, 10% or more by vote or value of the Company's stock; or
- persons holding the Offer Shares in connection with a trade or business conducted outside the United States.

Prospective investors should consult their tax advisors regarding the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the acquisition, ownership and disposition of the Offer Shares.

As used in this discussion, the term “U.S. Holder” means any beneficial owner of the Offer Shares that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Offer Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships considering an investment in the Offer Shares and partners in such partnership should consult their tax advisors regarding the specific U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Offer Shares.

Dividends and Other Distributions

Subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any distribution made by the Company to a U.S. Holder with respect to the Offer Shares (including the amount of any taxes withheld therefrom) generally will be included in such holder’s gross income as non-U.S. source dividend income in the year actually or constructively received, but only to the extent that the distribution is paid out of the Company’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that any distributions generally will be reported to U.S. Holders as dividends.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be eligible to be taxed at favorable rates applicable to “qualified dividend income,” provided that (1) the Company is eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program (such as the Treaty), (2) the Company is not a PFIC (as discussed below) for either its taxable year in which the dividend is paid or the preceding taxable year and (3) certain other requirements are met. In general, the Company should be eligible for the benefits of the Treaty if there is “substantial and regular trading” on a “recognized securities exchange” of either the shares of the Company or the shares of the Parent. Following the Offering, it is expected that the shares of each of the Company and the Parent will be traded on Euronext Lisbon, which should constitute a recognized stock exchange under the Treaty. However, it is not entirely clear whether there will be substantial and regular trading of the shares of the Company or the Parent. U.S. Holders should consult their tax advisors regarding the availability of the favorable rate applicable to qualified dividend income for any dividends the Company pays with respect to the Offer Shares.

The amount of any distribution paid in euros will be included in income in an amount equal to the U.S. dollar value of such euros on the date the distribution is actually or constructively received by a U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. The U.S. Holder will have a basis in such euros received equal to such U.S. dollar value. Gain or loss, if any, realized on the sale or other disposition of such euros generally will be U.S. source ordinary income or loss. If all euros are converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution.

Any dividends the Company pays to U.S. Holders generally will constitute non-U.S. source “passive category” income for foreign tax credit limitation purposes. If any Portuguese taxes are withheld with respect to dividends paid to a U.S. Holder with respect to the Offer Shares, subject to certain conditions and limitations (including a minimum holding period requirement), such taxes may be treated as non-U.S. taxes eligible for credit against such holder’s U.S. federal income tax liability. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct non-U.S. taxes, including any Portuguese taxes withheld from dividends on the Offer Shares, in computing their taxable income, subject to generally applicable limitations under U.S.

federal income tax law. An election to deduct non-U.S. taxes instead of claiming foreign tax credits applies to all non-U.S. taxes paid or accrued in the taxable year. If a refund of the tax withheld is available under the laws of Portugal or under the Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder's U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). If the dividends constitute qualified dividend income as discussed above, the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will generally be limited to the gross amount of the dividend, multiplied by the reduced rate applicable to the qualified dividend income, divided by the highest rate of tax normally applicable to dividends.

The rules relating to the determination of the foreign tax credit and the deduction of non-U.S. taxes are complex, and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit or deduction may be available in their particular circumstances.

Taxable Dispositions of the Offer Shares

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize taxable gain or loss on any sale, exchange or other taxable disposition of an Offer Share in an amount equal to the difference between the amount realized for an Offer Share and the holder's tax basis in the Offer Share. The gain or loss generally will be capital gain or loss, and generally will be a long-term capital gain or loss if the U.S. Holder has held the Offer Share for more than one year at the time of disposition. For certain non-corporate taxpayers (including individuals), long-term capital gains are subject to tax at favorable rates. The deductibility of capital losses is subject to limitations.

If the consideration a U.S. Holder receives for the Offer Shares is paid in a currency other than the U.S. dollar, the amount realized generally will be the U.S. dollar value of the amount received determined by reference to the spot rate of exchange on the date of the sale or other disposition. However, if the Offer Shares are traded on an "established securities market" (within the meaning of the applicable Treasury regulations) and the U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer that has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the Service), such holder will determine the U.S. dollar value of the amount realized in the foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent attributable to the difference between the exchange rates on the trade date and the settlement date. The U.S. Holder's tax basis in the Offer Shares generally will equal the cost of the Offer Shares to the U.S. Holder. If a U.S. Holder uses foreign currency to acquire Offer Shares, the cost of the Offer Shares to such holder generally will be the U.S. dollar value of the foreign currency purchase price determined by reference to the spot rate of exchange on the date of purchase. However, if the Offer Shares are treated as traded on an established securities market and the U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer that has made the special election described above, such holder will determine the U.S. dollar value of the cost of such Offer Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Any gain or loss that a U.S. Holder recognizes on a disposition of an Offer Share generally will be treated as U.S. source income or loss for foreign tax credit limitation purposes. U.S. Holders should consult their tax advisors regarding the proper treatment of any gain or loss in their particular circumstances, including the effects of any applicable income tax treaties.

Passive Foreign Investment Company Considerations

The Company believes that it was not a PFIC for its 2017 taxable year and, based on the nature of its business, and the current and anticipated composition of its income and assets, the Company anticipates that it will not be treated as a PFIC for U.S. federal income tax purposes for the current taxable year or the foreseeable future. However, this is a factual determination made annually after the close of each taxable year, based on the Company's composition of income and assets. Accordingly, the Company cannot provide any assurance that it will not be a PFIC for the current or any future taxable year. A non-U.S. corporation will be classified as a PFIC for any taxable year if at least 75% of its gross income consists of passive income (such as dividends, interest, rents, royalties or gains on the disposition of certain minority interests), or at least 50% of the average value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce, or are held for the production of, passive income (including for this purpose its pro rata share of the gross income and assets of any corporation in which it is considered to own at least 25% of the shares, by value). If the Company were characterized as a PFIC for any taxable year, U.S. Holders of Offer Shares would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of Offer Shares treated

as ordinary income rather than capital gains, and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the Offer Shares. U.S. Holders would also be subject to annual information reporting requirements. In addition, if the Company were a PFIC in a taxable year in which the Company paid a dividend or the prior taxable year, such dividends would not be eligible to be taxed at the favorable rates applicable to qualified dividend income (as discussed above). U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to their ownership of the Offer Shares.

Information Reporting and Backup Withholding

Dividend payments with respect to the Offer Shares and proceeds from a sale, exchange or redemption of the Offer Shares made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting to the Service and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on Internal Revenue Service Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders that are exempt from backup withholding should still complete Internal Revenue Service Form W-9 to avoid possible erroneous backup withholding. Holders of the Offer Shares should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against such holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the Service and furnishing any required information in a timely manner.

Foreign financial asset reporting

Certain U.S. Holders may be required to comply with certain reporting requirements, including filing Internal Revenue Service Form 8938, with respect to the holding of certain foreign financial assets, including stock of foreign issuers (such as the Offer Shares), either directly or through certain financial institutions. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders should consult their own tax advisors regarding the application of these rules to their ownership of the Offer Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL, NON-U.S. AND OTHER TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE OFFER SHARES.

PLAN OF DISTRIBUTION

Underwriting Arrangements

The Company and the Selling Shareholder will enter into the Underwriting Agreement on or about October 18, 2018 with the Underwriters named below with respect to the Offer Shares. Barclays Bank PLC, BNP Paribas and Deutsche Bank AG, London Branch are acting as the Joint Global Coordinators of the Offering. Pursuant to the terms of the Underwriting Agreement, each Underwriter severally and not jointly will agree to purchase the number of Offer Shares indicated in the table below.

Underwriters	Maximum aggregate number of Offer	
	Shares	Percentage
Barclays Bank PLC	57,969,913	26.67
BNP Paribas	57,969,913	26.67
Deutsche Bank AG, London Branch.	57,969,912	26.67
CaixaBank, S.A.	11,585,289	5.33
Banco Santander, S.A.	11,585,289	5.33
CaixaBI.....	11,585,288	5.33
Haitong Bank, S.A.....	2,890,889	1.33
JB Capital Markets, Sociedad de Valores, S.A.U.....	2,890,889	1.33
Mediobanca – Banca di Credito Finanziario S.p.A	2,890,888	1.33
Total	217,360,000	100%

The allocation of Shares in the Institutional and Retail Offering may be subject to claw-back or claw-forward arrangements depending on relative demand from institutional investors on the one hand and retail investors on the other. Subject to demand on Offering, the Selling Shareholder may reallocate up to 25,000,000 Shares of the Retail Offering to the Institutional Offering, thus reducing the size of the Retail Offering by that amount of Shares or conversely, reallocate up to 25,000,000 of the Shares of the Institutional Offering to the Retail Offering, thus reducing the size of the Institutional Offering by that amount of Shares.

The decision to exercise either of the mechanisms described in the above paragraph will be taken by the Selling Shareholder and by the Company after the analysis of the demand recorded for the Retail Offering and the Institutional Offering and of the recommendations made by the Joint Global Coordinators and the Joint Lead Managers for the Retail Offering.

Any Shares not acquired in the Retail Offering until the end of the Offering Period may be acquired in the Institutional Offering.

In consideration of the agreement by the Underwriters to purchase the Offer Shares, the Company and the Selling Shareholder have agreed to pay to the Underwriters commissions totaling 2% of the aggregate of the issue price multiplied by the number of Offer Shares sold in the Offering. In addition, the Selling Shareholder agreed that it may, in its sole discretion, pay to the Underwriters a discretionary fee of up to 1% of the aggregate of the issue price multiplied by the number of Offer Shares sold in the Offering (including any Additional Shares, if and to the extent the Over-Allotment Option is exercised) to be distributed among the Underwriters as determined by the Selling Shareholder. The Selling Shareholder has agreed to reimburse the Underwriters for certain fees, expenses, disbursements and other costs incurred in connection with the Offering.

The Selling Shareholder has granted to the Underwriters an option to purchase Additional Shares representing up to 15% of the total number of Firm Shares to cover over-allotments, if any, made in connection with the Offering. The Joint Global Coordinators (through the Stabilization Manager) may exercise the Over-Allotment Option, in whole or in part, at any time during the 30 days from the date of the commencement of conditional dealings of the Shares on Euronext Lisbon.

The Selling Shareholder may, up to 18 October 2018, at its sole discretion, in consultation with the Company following recommendations from the Joint Global Coordinators, and taking also into account market conditions and factors, increase the Institutional Offering up to a total aggregate of 87,000,000 Shares that represent up to 8.7% of the share capital of the Company.

The Underwriting Agreement will provide that the obligations of the Underwriters are subject to certain customary conditions precedent. The Underwriting Agreement may be terminated by the Underwriters upon the occurrence of certain events. If this right is exercised, the Offering which includes the Retail Offering and the Institutional Offering, (and the arrangements associated with it) will lapse and any moneys received in respect of the Offering by us or the Selling Shareholder will be returned to applicants without interest.

We and the Selling Shareholder have each given certain representations, warranties and undertakings to the Underwriters and have agreed to indemnify the Underwriters against certain liabilities, including liabilities under applicable securities laws that may arise in connection with the Offering.

Lock-Ups

The Company has undertaken to the Joint Global Coordinators that it will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Managers) during the period of 180 days from the Admission to Trading, directly or indirectly: (i) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of the Shares or such other securities, in cash or otherwise. The foregoing undertaking by the Company will not apply to (i) share pledges in connection with the lending arrangements and (ii) employee stock option plans to the extent such plans are disclosed in the Prospectus.

The Parent has also undertaken to the Joint Global Coordinators that neither it nor any of its subsidiaries or other affiliates, including the Selling Shareholder and Sonae Investments BV, over which it exercises management or voting control, nor any person acting on its or their behalf will, directly or indirectly, for a period of 180 days after the date of the Underwriting Agreement, without the prior written consent of the Joint Global Coordinators, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale, pledge or disposal) any Shares (or any interest therein or in respect thereof) or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including (but without limitation to) equity swaps, forward sales and options, whether any such transaction described above is to be settled by delivery of the Shares or such other securities, in cash or otherwise, or demand that the Company file any prospectus under the Prospectus Directive or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing, except that the foregoing provision shall not apply to (i) the sale of Shares as contemplated by the Underwriting Agreement, (ii) the sale of Shares in the Retail Offering, (iii) the sale or transfer of Shares to the Company for the purpose of satisfying existing obligations existing under stock incentive plans, (iv) share pledges in connection with lending arrangements, and (v) entering into equity swaps, forward sales and option agreements relating to the Shares, provided that no such swaps, forward sales or option agreements may vest, be exercised or mature earlier than 180 days after the date of the Underwriting Agreement.

Stabilization

In connection with the Offering, BNP Paribas, as Stabilization Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilization Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the Settlement Date and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilization Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilization Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offering.

In connection with the Offering, the Selling Shareholder has granted the Joint Global Coordinators, on behalf of the Underwriters, the Over-allotment Option. The Over-allotment Option is exercisable by the Stabilization Manager in whole or in part, upon notice by the Stabilization Manager, at any time on or before the 30th calendar day after Admission of the Firm Shares on Euronext Lisbon to purchase at the Offer Price a maximum of 32,600,000 additional Shares (the “Over-allotment Shares”) to cover over-allotments, if any. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank pari passu in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Offering and will form a single class for all purposes with the other ordinary shares of the Company.

Interests of Participating Parties in the Offering

Certain of the Underwriters and/or their respective affiliates have in the past provided, and may in the future, from time to time, provide, commercial banking, investment banking and financial advisory or other services to the Company, the Selling Shareholder, or any parties related to any of them, in the ordinary course of their respective businesses. The Underwriters have received and will receive customary fees and commissions for these transactions and services. In the ordinary course of their various business activities, certain of the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments.

In addition, in the ordinary course of their respective businesses, the Underwriters, the Company, the Selling Shareholder or any parties related to any of them, transact business and enter into commercial agreements.

CaixaBank, S.A. and CaixaBI are only participating in the Offering outside the United States under Regulation S of the Securities Act. CaixaBank, S.A. and CaixaBI are each not a broker-dealer registered with the SEC and will not be offering or selling securities in the United States or to US nationals or residents.

TRANSFER AND SELLING RESTRICTIONS

United States

The Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the Offer Shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. In the United States, the Offer Shares will be sold only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, directly or through United States broker-dealer affiliates or through a broker-dealer registered under the Exchange Act to the extent permitted by Rule 15A-6 under the Exchange Act. All offers and sales of Offer Shares outside the United States will be made in reliance on Regulation S.

In addition, until the end of the 40th calendar day after commencement of the Offering, an offering or sale of Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of Offer Shares sold within the United States purchasing pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- (a) such purchaser acknowledges that the Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States and that the Offer Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, other than in accordance with paragraph (d) below;
- (b) such purchaser (i) is a QIB, and (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring the Offer Shares for its own account or for the account or benefit of one or more QIBs;
- (c) the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Offer Shares;
- (d) if, in the future, such purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person who is reasonably believed to be a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction in compliance with Regulation S, or (iii) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with all applicable securities laws of any state of the United States or any other jurisdiction;
- (e) such purchaser will not deposit or cause to be deposited such Offer Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act; and
- (f) the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

Each purchaser of Offer Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- (a) the Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States;

- (b) such purchaser is purchasing the Offer Shares in an “offshore transaction” (as defined in Regulation S);
- (c) the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus; and
- (d) the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions.

European Economic Area

In relation to each Member State of the EEA, other than Portugal, each Underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive was implemented in that Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Offer Shares which are the subject of the Offering contemplated by this Prospectus to the public in that Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Offer Shares to the public in that Member State:

- (a) to any legal entity which is a qualified investor, as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State subject to obtaining the prior consent of the Underwriters for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall require the Company, the Selling Shareholder or any Underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

In this section, the expression “an offer of any shares to the public” in relation to any Offer Shares sold in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to subscribe for any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Each person in a Member State of the EEA, other than Portugal, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriter and the Company that:

- (a) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospective Directive; and
- (b) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

United Kingdom

Each Underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the “FSMA”)) received by

it in connection with the issue or sale of the Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

This Prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Offer Shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

Canada

The Offer Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Offer Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Brazil

The Offer Shares have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the issuer of the Offer Shares nor the issuance of the Offer Shares have been or will be registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários, the CVM). Therefore, each of the Underwriters has represented and agreed that it has not offered or sold, and will not offer or sell, the Offer Shares in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is a Portuguese company, and all or a substantial portion of its assets are located in Portugal. In addition, most of its directors and executive officers (and certain experts named in this Prospectus) reside in Portugal and all or a substantial portion of the assets of such persons are located in Portugal. As a result, it may be difficult for investors to effect service of process upon such persons within the United States, or to enforce judgments against the Company or such persons in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities law of the United States (the “Federal Securities Laws”). There is doubt as to the enforceability in Portugal in original actions, or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the Federal Securities Laws.

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Shearman & Sterling (London) LLP, as to matters of U.S. federal and English law, and Morais Leitão, Galvão Teles, Soares da Silva & Associados - Sociedade de Advogados, SP, RL, as to matters of Portuguese law. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Linklaters LLP, as to matters of U.S. federal, New York and English law, and Portuguese law.

INDEPENDENT AUDITOR

The Audited Combined Annual Financial Statements of the Company and its subsidiaries as of and for the years ended December 31, 2017, 2016 and 2015 included in this Prospectus have been audited by Deloitte & Associados, SROC S.A., independent auditors, as stated in its report appearing herein. Deloitte & Associados, SROC S.A., with registered office at Avenida Engenheiro Duarte Pacheco, nº 71070-100 Lisboa is a member of the Portuguese Institute of Chartered Accountants (registered with the Portuguese Institute of Chartered Accountants under no. 43 and with the CMVM with no. 20161389) and is represented by Nuno Miguel dos Santos Figueiredo (registered with the Portuguese Institute of Chartered Accountants under no. 1272 and with the CMVM under no. 20160883).

PricewaterhouseCoopers & Associados, SROC, Lda (“**PwC**”) has issued a limited review report on the unaudited combined financial statements of the Company of and for the six-month period ended June 30, 2018. PwC was appointed as the Company’s Statutory External Auditor (*Revisor Oficial de Contas*) at the Shareholders’ General Meeting held on May 3, 2018 for the 2018/2021 term-of-office, has registered office at Palácio Sottomayor, Rua Sousa Martins, 1, 3º, 1069-316 Lisboa, is a member of the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 183, is registered with the CMVM nº 20161485 and is represented by Hermínio António Paulos Afonso (member of the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under nº 712 and is registered with the CMVM no. 20160348 and by António Joaquim Brochado Correia, registered with the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1076 and with the CMVM under no. 20160688. The Alternate Statutory External Auditor (*Revisor Oficial de Contas Suplente*) is Joaquim Miguel de Azevedo Barroso, appointed at the Shareholders’ General Meeting held on May 3, 2018 for the 2018/2021 term-of-office and he is a member of the Portuguese Institute of Chartered Accountants (*Ordem dos Revisores Oficiais de Contas*) under no. 1426 and registered with the CMVM no. 20161036.

INFORMATION INCORPORATED BY REFERENCE

The following documents shall be incorporated by reference (in its entirety) in, and form part of, this Prospectus:

- The audited consolidated financial statements of the Issuer for the year ended 31 December 2015;
- The audited consolidated financial statements of the Issuer for the year ended 31 December 2016;
- The audited consolidated financial statements of the Issuer for the year ended 31 December 2017;
- The unaudited interim consolidated financial statements of the Issuer for the semester ended 30 June 2018.

All financial information in this Prospectus relating to the Issuer for the years ended on December 31, 2015, 2016 and 2017 has been extracted without material adjustment from the audited financial statements of the Issuer for the financial years then ended.

The information incorporated by reference above are direct and accurate translations from their original Portuguese form. In the event of a discrepancy the original Portuguese version will prevail.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered offices of the Issuer. Documents referred to above can be viewed electronically and free of charge at:

- The CMVM's website (<http://web3.cmvm.pt/sdi/emitentes/docs/PC68276.pdf>) and the Issuer's website (http://www.sonaemc.com/fotos/investimentos/2017engfssonaeminvestimentos_341088765ae9cf1da87bf.pdf)
- The CMVM's website (<http://web3.cmvm.pt/sdi/emitentes/docs/PC64210.pdf>) and the Issuer's website (http://www.sonaemc.com/fotos/investimentos/fssonaeminvestimentos2016eng_1964158319590466ff2541d.pdf)
- The CMVM's website (<http://web3.cmvm.pt/sdi/emitentes/docs/PC60095.pdf>) and the Issuer's website (http://www.sonaemc.com/fotos/investimentos/dfsi2015eng_2444072575727e198a9cdd.pdf)
- The CMVM's website (<http://web3.cmvm.pt/sdi/emitentes/docs/PCS69803.pdf>) and the Issuer's website (<http://web3.cmvm.pt/sdi/emitentes/docs/PCS69837.pdf>)

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

THE COMPANY

Sonae MC, SGPS, S.A.
Rua João Mendonça, 529, 4464-501, Matosinhos, Porto
Portugal

LEGAL ADVISORS TO THE COMPANY

As to U.S. and English law
Shearman & Sterling (London) LLP
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COMBINED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2015, 2016 AND 2017

<i>(Amounts expressed in € million)</i>					
ASSETS	Notes	Jan 01, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
NON-CURRENT ASSETS:					
Property, plant and equipment	7	1,442.4	1,196.1	1,230.0	1,264.0
Intangible assets	8	173.0	186.5	204.3	215.0
Goodwill	9	437.1	438.3	437.9	446.9
Investments in joint ventures and associates	10	1.6	4.5	9.7	9.3
Other investments	6 and 11	11.3	11.9	10.9	11.8
Deferred tax assets	18	52.2	23.0	17.5	22.1
Other non-current assets	6 and 12	15.4	6.0	7.1	10.7
Total Non-Current Assets		2,133.0	1,866.3	1,917.4	1,979.8
CURRENT ASSETS:					
Inventories	13	326.2	329.7	372.1	396.3
Trade receivables	6 and 14	33.8	43.8	57.1	54.6
Other receivables	6 and 15	31.9	43.8	61.4	44.4
Income tax assets	16	45.2	39.4	50.7	36.7
Other tax assets	16	11.2	12.8	13.2	20.7
Other current assets	6 and 17	57.8	52.9	42.9	31.7
Other investments	6 and 11	0.9	0.4	0.7	0.1
Cash and bank balances	6 and 19	83.5	47.5	64.2	93.7
Total Current Assets		590.4	570.3	662.5	678.2
Assets classified as held for sale	20	-	114.0	19.5	0.8
TOTAL ASSETS		2,723.4	2,550.5	2,599.4	2,658.8
EQUITY AND LIABILITIES					
EQUITY:					
Equity attributable to owners of the Company	21	780.1	725.1	710.2	732.0
Non-controlling interests	22	20.9	21.9	23.2	29.0
TOTAL EQUITY		801.0	746.9	733.3	761.0
LIABILITIES:					
NON-CURRENT LIABILITIES:					
Loans	6 and 23	64.6	289.7	260.7	313.4
Bonds	6 and 23	317.2	297.7	310.0	257.3
Other loans, leases and derivatives	6 and 23	0.9	0.0	-	0.0
Other non-current liabilities	6 and 26	5.6	14.3	19.0	20.7
Deferred tax liabilities	18	99.1	78.1	68.6	91.2
Provisions	31	14.2	8.3	8.5	7.4
Total Non-Current Liabilities		501.7	688.1	666.8	690.0
CURRENT LIABILITIES:					
Loans	6 and 23	21.7	81.4	170.6	115.2
Bonds	6 and 23	379.7	50.0	3.0	53.0
Other loans, leases and derivatives	6 and 23	3.4	2.1	0.1	0.3
Trade payables	6 and 28	704.9	689.7	681.8	708.9
Other payables	6 and 29	80.9	64.5	85.8	76.7
Income tax liabilities	16	42.0	47.9	69.5	50.6
Other tax liabilities	16	51.9	51.2	51.4	63.5
Other current liabilities	6 and 30	134.6	127.3	123.9	134.7
Provisions	31	1.5	1.5	1.5	4.8
Total Current Liabilities		1,420.7	1,115.5	1,187.6	1,207.7
Liabilities directly associated with assets classified as held for sale	20	-	-	11.7	-
TOTAL LIABILITIES		1,922.4	1,803.6	1,866.1	1,897.7
TOTAL EQUITY AND LIABILITIES		2,723.4	2,550.5	2,599.4	2,658.8

The accompanying notes are part of these combined financial statements.

COMBINED INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

<i>(Amounts expressed in € million)</i>	Notes	2015	2016	2017
Sales	35	3,543.1	3,739.7	3,935.0
Services rendered	35	94.2	102.9	119.6
Gains and losses on investments	36	0.0	6.5	(0.2)
Other income	38	99.0	114.4	83.0
Cost of goods sold and materials consumed	13	(2,525.9)	(2,678.2)	(2,837.9)
External supplies and services	39	(400.0)	(432.8)	(459.9)
Employee benefits expense	40	(426.8)	(465.6)	(488.2)
Other expenses	41	(45.0)	(38.2)	(44.0)
Depreciation and amortisation expenses	7 and 8	(120.1)	(123.1)	(133.8)
Provisions and impairment losses	31	(6.3)	5.2	(4.0)
Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates		212.2	230.8	169.6
Dividends received during the year		0.2	0.1	0.1
Share of profit or loss of joint ventures and associates	10	(0.1)	(2.0)	(5.8)
Financial income	37	13.4	1.3	0.6
Financial expense	37	(32.9)	(24.0)	(17.2)
Profit before tax		192.8	206.2	147.5
Income tax expense	42	(45.2)	(24.9)	(29.6)
Profit for the year		147.6	181.4	117.9
Attributable to:				
Owners of the Company		146.7	179.6	115.3
Non-controlling interests	22	0.9	1.8	2.6
		147.6	181.4	117.9
Profit/(Loss) per share (in Euro)				
Basic	44	0.163	0.200	0.128
Diluted	44	0.163	0.200	0.128

The accompanying notes are part of these combined financial statements.

**COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER
31, 2015, 2016 AND 2017**

COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

<i>(Amounts expressed in € million)</i>	2015	2016	2017
Profit for the year	147.6	181.4	117.9
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	0.9	(0.6)	2.1
Share of other comprehensive income of joint ventures and associates (Note 10.c)	0.0	0.0	0.1
Changes in cash flow hedging reserve	(0.4)	0.5	(0.2)
Income tax relating to items that may be reclassified subsequently to profit or loss	0.1	(0.1)	0.1
	0.6	(0.1)	2.2
Items that will not be reclassified subsequently to profit or loss:	-	-	-
Total of other comprehensive income for the year, net of income tax	0.6	(0.1)	2.2
Total comprehensive income for the year	148.2	181.2	120.0
Attributable to:			
Owners of the Company	147.3	179.4	117.4
Non-controlling interests	0.9	1.9	2.6

The accompanying notes are part of these combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2015, 2016 AND 2017

<i>(Amounts expressed in € million)</i>	Share capital (note 21)	Own shares	Legal reserve	Foreign currency translation reserve	Cash-flow hedging reserve	Legal reserves in accordance with article 324° CSC	Other reserves and retained earnings	Profit for the year	Equity attributable to Owners of the Company	Non-controlling interests (note 22)	Total Equity
Balance as at January 1, 2015	1,000.0	(320.0)	141.2	0.4	(1.0)	320.0	(360.6)	-	780.1	20.9	801.0
Total comprehensive income for the year	-	-	-	0.9	(0.2)	-	0.0	146.7	147.3	0.9	148.2
Transfer in accordance with Annual General Meeting	-	-	29.7	-	-	-	(29.7)	-	-	-	-
Income distribution from real estate funds	-	-	-	-	-	-	-	-	-	(0.9)	(0.9)
Acquisitions of shares of subsidiaries (note 4.a)	-	-	-	-	-	-	-	-	-	0.1	0.1
Variation in percentage of subsidiaries	-	-	-	-	-	-	0.3	-	0.3	1.0	1.3
Transactions with the Parent Group:											
Dividends distributed (note 21)	-	-	-	-	-	-	(40.0)	-	(40.0)	-	(40.0)
Withdrawals to Parent Group (note 43)	-	-	-	-	-	-	(2,056.5)	-	(2,056.5)	-	(2,056.5)
Contributions from Parent Group (note 43)	-	-	-	-	-	-	1,893.6	-	1,893.6	-	1,893.6
Others	-	-	-	-	-	-	0.1	-	0.1	(0.1)	0.0
Balance as at December 31, 2015	1,000.0	(320.0)	170.9	1.3	(1.2)	320.0	(592.7)	146.7	725.1	21.9	746.9
Balance as at January 1, 2016	1,000.0	(320.0)	170.9	1.3	(1.2)	320.0	(592.7)	146.7	725.1	21.9	746.9
Total comprehensive income for the year	-	-	-	(0.6)	0.3	-	0.0	179.6	179.4	1.9	181.2
Transfer in accordance with Annual General Meeting	-	-	-	-	-	-	146.7	(146.7)	-	-	-
Income distribution from real estate funds	-	-	-	-	-	-	-	-	-	(0.6)	(0.6)
Transactions with the Parent Group:											
Dividends distributed (note 21)	-	-	-	-	-	-	(40.0)	-	(40.0)	-	(40.0)
Withdrawals to Parent Group (note 43)	-	-	-	-	-	-	(2,539.1)	-	(2,539.1)	-	(2,539.1)
Contributions from Parent Group (note 43)	-	-	-	-	-	-	2,384.9	-	2,384.9	-	2,384.9
Others	-	-	-	-	-	-	(0.0)	-	(0.0)	0.0	(0.0)
Balance as at December 31, 2016	1,000.0	(320.0)	170.9	0.7	(0.8)	320.0	(640.2)	179.6	710.2	23.2	733.3
Balance as at January 1, 2017	1,000.0	(320.0)	170.9	0.7	(0.8)	320.0	(640.2)	179.6	710.2	23.2	733.3
Total comprehensive income for the year	-	-	-	2.1	(0.1)	-	0.1	115.3	117.4	2.6	120.0
Transfer in accordance with Annual General Meeting	-	-	3.9	-	-	-	175.7	(179.6)	-	-	-
Income distribution from real estate funds	-	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Acquisitions of shares of subsidiaries (note 4.a)	-	-	-	-	-	-	-	-	-	3.8	3.8
Variation in percentage of subsidiaries	-	-	-	-	-	-	(0.0)	-	(0.0)	(0.1)	(0.1)
Transactions with the Parent Group:											
Group relief effect from the transfer of tax losses to the Tax Group (note 43)	-	-	-	-	-	-	(16.3)	-	(16.3)	-	(16.3)
Dividends distributed (note 21)	-	-	-	-	-	-	(40.0)	-	(40.0)	-	(40.0)
Withdrawals to Parent Group (note 43)	-	-	-	-	-	-	(2,319.0)	-	(2,319.0)	-	(2,319.0)
Contributions from Parent Group (note 43)	-	-	-	-	-	-	2,279.8	-	2,279.8	-	2,279.8
Others	-	-	-	-	-	-	(0.0)	-	(0.0)	0.0	(0.0)
Balance as at December 31, 2017	1,000.0	(320.0)	174.8	2.8	(0.9)	320.0	(560.1)	115.3	732.0	29.0	761.0

The accompanying notes are part of these combined financial statements.

**COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015, 2016
AND 2017**

<i>(Amounts expressed in € million)</i>	Notes	2015	2016	2017
OPERATING ACTIVITIES				
Receipts from customers		3,618.2	3,823.7	4,065.0
Payments to suppliers		(2,929.4)	(3,149.5)	(3,239.6)
Payments to employees		(430.3)	(457.8)	(483.0)
Cash generated from operations		258.5	216.4	342.4
Income taxes (paid) / received		(21.6)	(19.4)	(32.1)
Other cash receipts and (payments) relating to operating activities		(10.1)	11.3	(23.5)
Net cash generated by operating activities (1)		226.9	208.3	286.8
INVESTMENT ACTIVITIES				
Receipts arising from:				
Investments	45	-	-	21.0
Property, plant and equipment		186.5	211.4	40.5
Intangible assets		1.0	4.3	6.4
Interests and similar income		5.2	1.0	0.2
Loans granted		42.7	36.2	5.2
Dividends		0.4	0.5	1.0
Others		-	-	0.0
Payments arising from:				
Investments	45	(4.5)	(7.1)	(9.1)
Property, plant and equipment		(117.7)	(174.2)	(172.9)
Intangible assets		(34.9)	(30.7)	(43.2)
Loans granted		(42.7)	(36.2)	(5.2)
Net cash used in/generated by investment activities (2)		36.1	5.1	(156.1)
FINANCING ACTIVITIES				
Receipts arising from:				
Investments	45	1.2	0.2	1.1
Loans, bonds and finance leases	32	4,141.4	5,885.3	5,660.9
Payments arising from:				
Investments	45	-	(0.0)	(1.5)
Loans, bonds and finance leases	32	(4,221.6)	(5,869.3)	(5,651.8)
Interests and similar charges		(28.6)	(23.1)	(15.3)
Dividends paid by subsidiaries		(0.9)	(0.6)	(0.4)
Transactions with the Parent Group:				
Dividends paid	21	(40.0)	(40.0)	(40.0)
Withdrawals to Parent Group	43	(2,056.5)	(2,539.1)	(2,319.0)
Contributions from Parent Group	43	1,893.6	2,384.9	2,279.8
Net cash used in financing activities (3)		(311.4)	(201.7)	(86.2)
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(48.4)	11.7	44.5
Effect of exchange rate changes on the balance of cash held in foreign currencies		0.0	(0.1)	0.2
Cash and cash equivalents at the beginning of the year	19	83.4	34.9	46.6
Cash and cash equivalents at the end of the year	19	34.9	46.6	91.0

The accompanying notes are part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

0) General Information

Sonae MC SGPS, S.A. (former Sonae Investimentos, SGPS, S.A. – “the Company”) is a private limited liability company incorporated under the laws of Portugal, having its registered office in Rua João Mendonça, 529 – 4464-501 Senhora da Hora, Portugal, and registered with the Portuguese trade register under number 501 532 927.

Currently, the Company serves as the holding company for the all consumer retail activities of the Sonae Group, including food retail and adjacent formats, related real estate, electronics retail, sports retail, fashion retail and financial services. The Company has prepared historical audited consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”) for statutory purposes.

For the purposes of these Combined Financial Statements, which were prepared for the purposes explained in note 1.a bellow, “Sonae MC” or the “Group” corresponds to the new Reporting Entity and comprise all the entities and operations of the Company and its subsidiaries related with food retail activities, adjacent formats, related real estate businesses, as well as some corporate functions/shared services that will remain within the Company (refer to note 47 for a list of all entities included in the scope of combination).

As disclosed in note 21, the Company is fully owned, directly and indirectly, by Sonae, SGPS, S.A. (the Parent), which is ultimately controlled by Efanor Investimentos, SGPS, S.A.

1) Basis of preparation

a. Background and purpose of the Combined Financial Statements

In the context of the Sonae Group strategy, the Board of Directors of the Parent announced in May 2018 its plan to sharpen its strategic focus by separating its food retail activities, adjacent formats and related real estate businesses, and subsequent listing, from the remaining retail and financial activities. The referred carve-out will be performed through a number of transactions, most of which are expected to be completed before September 30, 2018 as described in note 1.c below.

The Initial Public Offering (the “IPO”) is intended to take the form of a listing of the Company shares in the Euronext Lisbon Stock exchange, and the establishment of Sonae MC as a stand-alone entity and involves, prior to such listing, a group of transactions described in note 1.c below.

Taking into consideration the European Prospectus Regulation No. 809/2004 (amended by Regulation No. 211/2007) and Prospectus Directive approved by the European Parliament and Council Directive 2003/71/EC, an issuer must present historical financial information covering the latest three fiscal years in an equity securities prospectus. According to the regulation, Sonae MC is presumed to have a “complex financial history” at the time of listing and offering of shares. In this context, the Company Board of Directors has prepared Combined Financial Statements for the new reporting entity, Sonae MC and not the legal entity Sonae MC, SGPS, SA which has presented statutory consolidated financial statements.

The Combined Financial Statements, which are the first set of financial statements of the new reporting entity (note 1.d), consist of the combined statements of financial position as at January 1, 2015 and December 31, 2015, 2016 and 2017, the combined income statements, combined statements of comprehensive income, combined statements of changes in equity, combined statements of cash flow for the years ended December 31, 2015, 2016 and 2017 and the related notes (the “Combined Financial Statements”).

The Combined Financial Statements present only the historical financial information of those entities or businesses that will be part of the Sonae MC at the time of the intended initial public offering as disclosed in these notes (notes 1.b, 1.c and 47).

The Combined Financial Statements have been prepared in euros. Unless stated otherwise, all amounts are shown in millions of euro (€ million) rounded to one decimal place. Rounding differences may occur in respect of individual amounts or percentages.

The Combined Financial Statements were authorised for issue on September 28, 2018, by the Board of Directors of Sonae MC, SGPS, S.A.

b. Activities and operations of Sonae MC

Sonae MC offers a varied range of products and services around food retail through operations in several business activities, namely:

- In food, with Continente (hypermarkets), Continente Modelo and Continente Bom Dia (supermarkets), Continente online (e-commerce) and Meu Super (franchised local food retail stores); and adjacent formats, with Well's (para-pharmacies, including health, beauty products, well-being and eye care), and Go Natural (healthy food supermarkets and restaurants) (both health & wellness); with Bagga (cafeterias/restaurants), Note! (book shops, stationery and gifts), ZU (products and services for pets) and Maxmat (DIY);
- Additionally, Sonae MC comprises its corporate functions / shared services which mainly support this perimeter with services (although serving other retail businesses and other companies within Sonae), such as accounting, treasury, human resources and information technology.
- Sonae MC is also in charge of the management of its real estate portfolio (mainly single tenant although serving other related and unrelated tenants), led by an independent structure that manages those assets in order to optimise the retail properties and support growth.

c. The Carve Out

The Carve-Out, referred in note 1.a, comprises a number of transactions, most of which are expected to be completed prior to September 30, 2018, essentially encompassing the sale on arm's-length terms of the carved-out entities (including the sale of all of the own shares of Sonae MC, SGPS, S.A.) some of which have already occurred and are disclosed in note 46.

The purpose of the described transactions is to adjust the statutory perimeter to the scope considered in the combination and to adjust business and activities to Sonae MC activities as described in note 1.b.

The transfers of Sonae SR - Serviços e Logística, SA and SK Skin Health Cosmetics, SA have both been postponed to the end of October, and the transfer of SFS Gestão e Consultadoria, SA has been postponed to the end of December.

The proceeds of these transactions (total amount of €1,200.2 million) will be used to repurchase at market price, including accrued interest (€456.3 million), the €400 million subordinated intercompany bond loan from Sontel, B.V. (a wholly-owned subsidiary of the Parent) and to repay the Parent's supplementary capital contributions ("entradas facultativas de capital") in the amount of €372 million, and the remaining amount of €372 million together with an additional amount of €100 million drawn under the company's credit facilities, will be used to pay dividends to achieve a balanced capital structure, with an estimated net debt-to-underlying EBITDA ratio of approximately 2x on December 31, 2018 (please refer to note 46 for details of operations that have already occurred).

Additionally, Continente Hipermercados, S.A., a subsidiary of the Company, during 2015 and until 2017 owned two Worten stores, which have been demerged from Continente Hipermercados, S.A. and merged into Worten – Equipamentos para o Lar, S.A. This transaction has occurred on July 31, 2018 and as a consequence, Modelo Continente Hipermercados – Spanish Branch ("Sucursal en España") received Worten – Equipamentos para o Lar, SA shares representing 26.09% of its share capital.

The following table provides details on the transactions of shares and debt obtained and provided that will take place in the context of the Carve-Out:

Company	% Share Capital	Seller within the Sonae MC Group	Buyer out of the Sonae MC Group
Sonae - Shared Service Center, S.A. ¹¹¹	100%	Modelo Continente, SGPS, SA ¹¹²	Parent
Arat Inmuebles, SA	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Parent
Zippy – Comércio e Distribuição, SA	0.682%	Modelo Continente, SGPS, SA	Libra Serviços, Lda
Sonae MC, SGPS, SA ¹¹³	10%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Worten – Equipamento para o Lar, SA	73.91%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Worten – Equipamento para o Lar, SA	26.09%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Parent or its subsidiary
Fashion Division, SA	100%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Sesagest - Proj.Gestão Imobiliária, SA	100%	Sonaerp - Retail Properties, SA	Sonae - Shared Service Center, S.A.
Sonaegest- Sociedade Gestora de Fundos de Investimento, SA	40%	Sonae MC, SGPS, SA	Parent or its subsidiary

¹¹¹ Sonae – Shared services Center, SA, was previously named Zyevolution – Investigação e Desenvolvimento, SA.

¹¹² Modelo Continente, SGPS, SA was previously named Sonae MC – Modelo Continente., SGPS, SA.

¹¹³ Sonae MC, SGPS, SA was previously named Sonae Investimentos SGPS, SA.

Company	% Share Capital	Seller within the Sonae MC Group	Buyer out of the Sonae MC Group
Sonaegest- Sociedade Gestora de Fundos de Investimento, SA	20%	Sonaerp - Retail Properties, SA	Parent or its subsidiary
SFS – Gestão e Consultadoria, SA	99.994%	Sonae MC, SGPS, SA	Parent or its subsidiary
SFS – Gestão e Consultadoria, SA	0.006%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Worten España Distribución, S.L.	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Worten – Equipamento para o Lar, SA
Sonae SR Malta Holding Limited	99.99%	Modelo Continente, SGPS, SA	Worten España Distribución, S.L.
Sonae SR Malta Holding Limited	1 share	Sonae MC, SGPS, SA	Worten – Equipamento para o Lar, SA
Zippy – Comércio e Distribuição, SA	99.318%	Modelo Continente, SGPS, SA	Fashion Division, SA
Modalfa - Comércio e Serviços, SA	100%	Modelo Continente, SGPS, SA	Fashion Division, SA
Comercial Losan, S.L.U.	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Fashion Division, SA
Têxtil do Marco, SA	92.76%	Modelo Continente, SGPS, SA	Fashion Division, SA
Sonae SR – Serviços e Logística, SA	100%	Modelo Continente, SGPS, SA	Fashion Division, SA
Bright Brands Sports Goods, SA	100%	Modelo Continente, SGPS, SA	Parent or Subsidiary
ISRG Iberian Sports Retail Group, SL	30%	Modelo Continente, SGPS, SA	Parent or its subsidiary
Sonae Financial Services, SA	100%	Sonae MC, SGPS, SA	Parent or its subsidiary
Fundo de Investimento Imobiliário Fechado Imosede	50%	Sonae MC, SGPS, SA	Sonae - Shared Service Center, S.A.
Fundo de Investimento Imobiliário Fechado Imosede	30.4%	Sonae MC, SGPS, SA	Parent or its subsidiary
MCCARE – Serviços de Saúde, SA	100%	Sonae MC, SGPS, SA	Parent or its subsidiary
SK Skin Health Cosmetics, SA	100%	Sonae MC, SGPS, SA	Parent or its subsidiary
Chão Verde - Sociedade de Gestão Imobiliária, SA	100%	Sonaerp - Retail Properties, SA	Sonae - Shared Service Center, S.A.
Real estate assets not related with Sonae MC business (this is not a company; these are specific assets		Continente Hipermercados, SA, Sonaerp - Retail	Sesagest - Proj.Gestão Imobiliária, SA

Company	% Share Capital	Seller within the Sonae MC Group	Buyer out of the Sonae MC Group
being sold)		Properties, SA, Imosistema – Sociedade Imobiliária, SA	
Zippy - Comércio Y Distribución, SA	100%	Modelo Continente Hipermercados (Sociedad Unipersonal) - Sucursal en España	Zippy – Comércio e Distribuição, SA
Modalloop – Vestuário e Calçado, SA	100%	Modelo Continente, SGPS, SA	Modalfa - Comércio e Serviços, SA
Tlantic B.V.	70.71%	Soflorin B.V.	External entity
Account receivable from MDS (€1M)		Sonae MC, SGPS, SA	Parent or its subsidiary

Additionally, some commercial relationships will cease to exist after the Offering as disclosed below. As referred in note 1.e, adjustments were performed in the preparation of the Combined Financial Statements in order to exclude the historical effects of such transactions from the Combined Financial Statements:

- Modelo Continente International Trade, S.A. (“MCIT”) is a trading company providing services to food retail businesses as well as the electronics and fashion divisions of Sonae MC. As part of the Carve-Out, MCIT will act exclusively as a trading company for the food businesses and provision of services to the electronics and fashion divisions of the Sonae Group will be (gradually) discontinued.
- Sonae MC – Serviços Partilhados, S.A. (former Sonaecenter Serviços II, S.A.) is a shared-services company providing several back-office services to all the businesses of the Parent, but mostly to the Company. After the Carve-Out, Sonae MC – Serviços Partilhados, S.A. will remain as a subsidiary of the Company and will continue to provide certain services to other Sonae Group companies. Simultaneously, some teams will be transferred from Sonae MC – Serviços Partilhados, S.A. to the Parent (Sonae – Shared Service Center, S.A.) as they are mostly dedicated to holding (sovereign) functions. These teams will continue to render selected services to Sonae Group companies.

d. Combined Financial Statements and compliance with IFRS - EU

The IFRS-EU provide no guidelines for the preparation of Combined Financial Statements. Therefore, as per IAS 8.12, the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and accepted industry practices shall be considered when preparing combined financial statements.

Sonae MC, as a new reporting entity has not previously prepared financial statements, although Sonae MC SGPS, S.A. has prepared statutory consolidated financial statements. These Combined Financial Statements are the first IFRS based financial statements of Sonae MC in which IFRS 1 (First-time Adoption of International Financial Reporting Standards) has been applied. IFRS 1 sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general-purpose financial statements.

Since Sonae MC (“the new Reporting Entity”) did not previously prepare financial statements under any GAAP for purposes of its perimeter, it is not required to present reconciliations as per IFRS 1. The Company’s Board of Directors prepared the Combined Financial Statements for the new Reporting Entity applying IFRS 1 D16 (a) and therefore, measured its assets and liabilities at the carrying amount that was included in the Parents and in Sonae MC, SGPS, S.A. statutory consolidated financial statements.

Following IAS 8.12, the Management applied predecessor accounting approach to prepare the Combined Financial Statements of Sonae MC, based on the statutory consolidated financial statements of Sonae MC SGPS, S.A. considering the allocations disclosed in note 1.e – Scope of Combination. The Combined Financial Statements of Sonae MC reflect the Group entities and the operations assigned to Sonae MC as historically included in the IFRS-EU statutory consolidated financial statement of Sonae MC, SGPS, S.A.. Sonae MC applies the same accounting policies and measurement principles in preparing the Combined Financial Statements as used by the Group entities and operations in preparing their financial information for inclusion in the IFRS-EU statutory consolidated financial statements of Sonae MC, SGPS, S.A. which were published in the past, except for the accounting of income tax as better described in note 1.e and 2.1.

These Combined Financial Statements were prepared in accordance with the principles established by management and discussed in note 1.e regarding the preparation of Combined Financial Statements, and consistent with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") applicable as at January 1, 2017 and endorsed by the European Union.

e. Scope of Combination, principles and criteria used by management

The Combined Financial Statements, are considered non-statutory and reflect the assets, liabilities, revenues, expenses and cash flows of Sonae MC. Certain income, expenses, assets and liabilities included in legal companies within the Group perimeter (note 47) have not been included in these Combined Financial Statements as the corresponding activities did not relate to Sonae MC activities (note 1.b).

The Combined Financial Statements have been prepared using a bottom up approach considering the same IFRS-EU financial information prepared by each subsidiary and company within the consolidation perimeter to be included in Sonae MC, SGPS, S.A. statutory consolidated financial statements in the past, whenever the activities of Sonae MC, as described in note (1.b), correspond to separate legal entities.

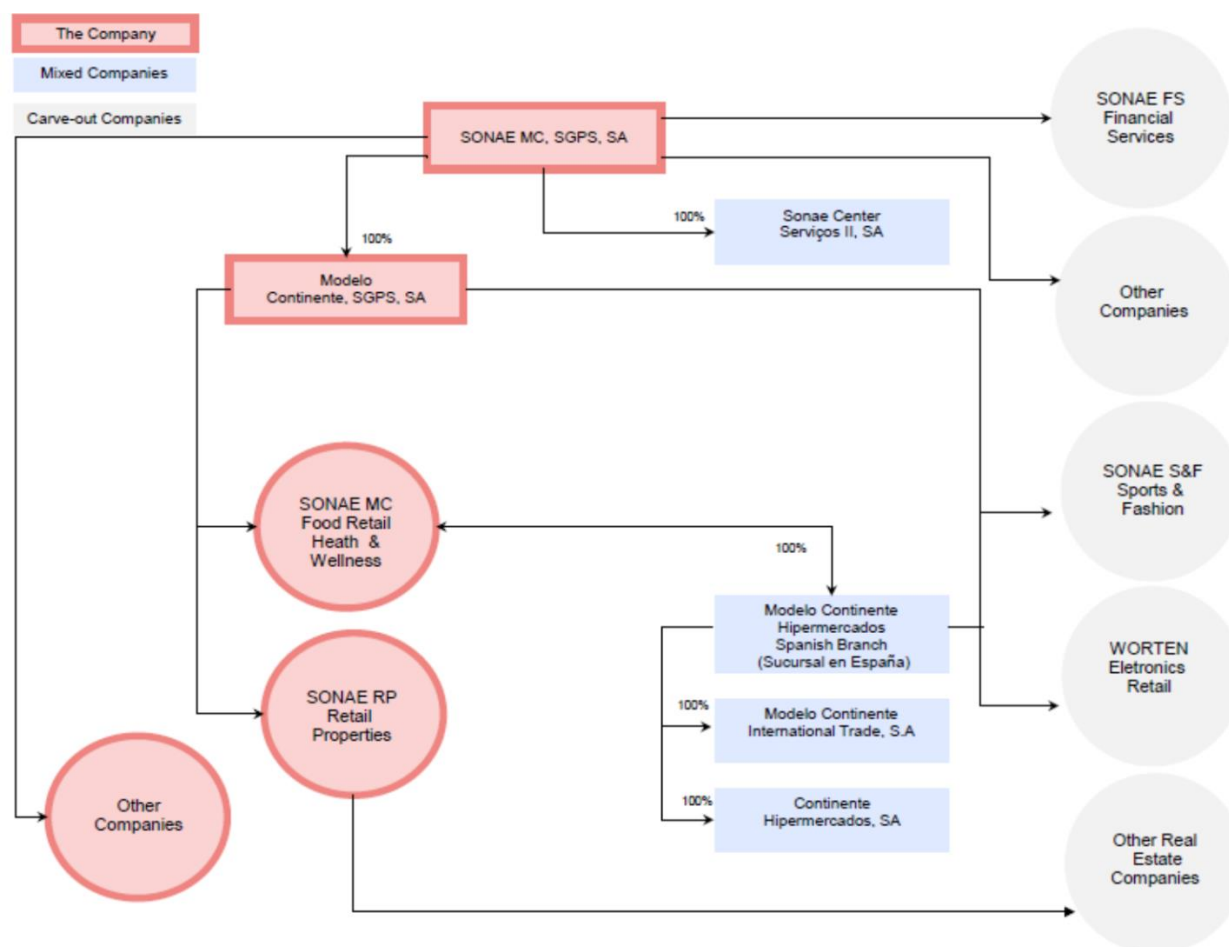
In the remaining situations, the Combined Financial Statements considered the historical accounting records of the Company and its subsidiaries by aggregating the historical results of operations, and the historical basis of assets and liabilities allocated to Sonae MC. As described below, certain operations, as well as financial liabilities, related interest expense and tax effect were allocated to the Parent considering that those are considered not to be related with Sonae MC's perimeter (refer to note *Accounting treatment of companies with different businesses*).

Except for corporate functions / shared services and some real estate assets which are not related with Sonae MC businesses, all of the legal entities or business activities that were not conducted in separate legal entities in the past, were allocated to the Parent or one of its direct or indirect subsidiaries as part of the Carve Out as referred above by way of an asset sale, demerger or through a sale of the shares in the legal entity in which the relevant activity, asset or liability resided.

Legal entities forming part of the Group have also transferred certain assets and liabilities to the Parent or one of its direct or indirect subsidiaries. Such items were not allocated to Sonae MC.

Management believes that, although not specifically addressed or defined under IFRS – EU, the allocation methods applied in the Combined Financial Statements to be a reasonable reflection of the financial situation and activities of food retail, adjacent formats and related real estate activities. However, they are not be indicative of either the actual results of Sonae MC activities had Sonae MC been operating as an independent entity for the periods presented or the amounts that will be incurred by Sonae MC in the future. Different allocation methods could have resulted in different outcomes.

The following chart is an overview of the scope of the entities included in the Combined Financial Statements. Please refer to note 47 for a complete list of the perimeter:



Mixed companies – companies with businesses that cannot be entirely assigned to Sonae MC

Accounting treatment of Sonae MC, SGPS, SA

Sonae MC, SGPS, SA is a holding company, owning, directly or indirectly, financial investments and loans from and to respectively Sonae MC, as well as from Specialized Retail entities and other entities that will be sold before the IPO, as explained in note 1.c above. The Combined Financial Statements considered the carve-out of these investments, loans and interest accruals and related income and expenses including tax effects. Additionally, all the dividends and income distribution from real estate funds received related to these investments were also carved-out.

During 2015 till 2017, Sonae MC, SGPS, SA group was mainly financed by a combination of external credit facilities (bank loans, bonds and commercial paper) and by a €400 million subordinated loan from a subsidiary of Sonae (“The Subordinated Bond”), with most of such financing having Sonae MC, SGPS, SA as a counterpart.

Sonae MC, SGPS, S.A. capital structure at the time of the IPO will differ from the capital structure in the individual historical accounting records of the Company since Sonae MC SGPS, S.A. will prepay the Subordinated debt with the proceeds of the sale of companies referred to above in 1.c whilst keeping all the external credit facilities.

Accordingly, in order to ensure that the Combined Financial Statements represent, in the opinion of the Board of Directors, a fair and accurate aggregation of the historical financial information of Sonae MC activities, the Subordinated Loan was carved out, together with the related interest expense and tax impact as it relates with Specialized Retail investments and activities.

The treatment of net debt and thus the balance of borrowings including finance leases and cash and cash equivalents according to the combined statement of financial position as well as financial investments is in line with the management of debt metrics by Sonae MC, which consistently focuses on this balance rather than on the individual components. In addition, the allocation of net debt to the food retail, adjacent formats and related real estate activities properly reflects financing requirements in economic terms: these financing requirements relate almost exclusively to the food retail businesses and adjacent formats as well as the related real estate activities considering, in the Board of Directors opinion, an adequate and prudent capital structure for such activities.

Accounting treatment of Goodwill

Goodwill that exists at the Sonae MC, SGPS, S.A. statutory consolidated financial statements is allocated to each operating segment and within each segment to each of the homogeneous groups of cash generating units, namely retail formats by geography and specific real estate assets. The Combined Financial Statements include only the goodwill related to the food and adjacent retail formats as well as goodwill allocated to related real estate assets that are also included in the scope of the Combined Financial Statements.

Accounting treatment of companies with different businesses (identified in the previous chart as “mixed companies”)

Modelo Continente International Trade, SA, Continente Hipermercados, SA, Modelo Continente Hipermercados SA (Spanish Branch – “Sucursal en Espana”) and Sonae MC – Serviços Partilhados, S.A. have economic activities that cannot be entirely assigned to Sonae MC.

These companies’ assets and liabilities, as well as, expenses and income have been apportioned according to their economic affiliation. They have been included in the combination group insofar as they can be economically attributed to Sonae MC.

i. Accounting treatment of Modelo Continente International Trade, SA

Modelo Continente International Trade centralizes the entire international procurement and sourcing processes both for food retail and adjacent formats as well as for other retail formats that do not form part of Sonae MC (Specialized Retail). Such procurement and sourcing activity for Specialized Retail will be transferred to other entities that are not included within Sonae MC perimeter. These Combined Financial Statements include assets, liabilities, as well as, income and expenses directly linked to food retail and adjacent formats activities based on historical information as well as on rational allocations in situations when direct association to Sonae MC or Specialized Retail is not possible.

ii. Accounting treatment of Sonae MC – Serviços Partilhados, S.A. and Modelo Continente Hipermercados SA (Spanish Branch – “Sucursal en Espana”)

Sonae MC – Serviços Partilhados, S.A. and Modelo Continente Hipermercados SA (Spanish Branch – “Sucursal en Espana”) essentially include Corporate Centre and Shared Services functions that are mainly rendered to Sonae MC and therefore are kept within the perimeter. Part of these services, namely Sonae Corporate Centre functions, will be transferred to another entity, as these relate to sovereign activities dedicated to the Parent in relation with the Group governance and applicable across the Parent Group entities including but not exclusive to Sonae MC. Income and expenses as well as assets and liabilities related to these sovereign activities were identified and carved-out from the Combined Financial Statements.

iii. Accounting treatment of Continente Hipermercados S.A.

Although operating in food retail, this company owned two Worten (Electronics Retail) stores that were transferred to another entity from January 1, 2018 onwards by the way of demerger. For the purpose of the preparation of the Combined Financial Statements the two stores assets and liabilities, expenses and income were excluded from such financial statements based on financial information of each division presented in the historical accounting records of Continente Hipermercados, S.A..

Accounting treatment of Real Estate companies and specific assets

Sonae MC, SGPS, S.A. group owned specific real estate assets that were not related neither with food retail nor adjacent formats as well as companies that owned a portfolio of assets that were not, in its majority, related with food retail or adjacent formats, including the headquarters of Sonae Group and Sonae Group companies. For that reason, these assets and companies were not considered in the scope of the Combined Financial Statements and therefore lease expenses by Sonae MC from the lease of part of its portfolio are disclosed as related parties' transactions in the Combined Financial Statements.

Accounting treatment of other transactions and balances

Unless not considered part of Sonae MC perimeter, all business combinations or disposals that changed the Sonae MC perimeter along the historical period influence the Combined Financial Statements in the moment these occurred.

All transactions and balances between entities included within Sonae MC have been eliminated. Transactions and balances between Sonae MC and the Parent (or a controlled entity) and Carve-out entities are classified as related party transactions.

Income tax expense was allocated between the Group and the Parent based on the allocation of income and expenses performed.

Contributions and withdraws from and to the Parent

The Company was already the holding company of Sonae MC, SGPS, S.A. Group and centralized a significant amount of cash transactions within the statutory group, namely with carved-out entities. Consequently, such movements, result in changes in the same amount on cash inflows and outflows during the reporting period that are not attributable to the business activities of Sonae MC.

Among others, such cash movements relate to:

- i) subordinated debt allocated to the Parent related interests and tax effects;
- ii) capital increases and supplementary capital contributions made;
- iii) intercompany debt movements not related with the financing of Sonae MC businesses;
- iv) dividends received from carve-out companies;
- v) payments performed by the Company or its subsidiaries on behalf of the carve-out companies and businesses, namely those related with companies with different businesses (see above); and
- vi) dividends paid to the Parent.

In these Combined Financial Statements, the cash inflows and outflows referred to above are shown as contributions and withdrawals, respectively from the Parent. These contributions and withdrawals are disclosed and detailed in note 43 and explain the total amounts included on the combined statement of changes in equity as well as on the combined cash flow statements in the line items *Transactions with the Parent Group* in the cash flows from Financing activities.

Accounting treatment of Income Tax for the purpose of preparing Combined Financial Statements

Tax charges in the Combined Financial Statements have been determined based on the tax charges recorded by Sonae MC companies in their statutory accounts as well as the accounting policies set herein (note 2.n) and certain adjustments made for combination purposes namely to adjust the impact of income and expenses that were not considered as disclosed above. The tax charges recorded in the combined income statement have been affected by the taxation arrangements within Sonae SGPS Tax Group and are not necessarily representative of the tax charges that would have been reported had Sonae MC been an independent group. They are, also, not necessarily representative of the tax charges that may arise in the future.

2) Summary of significant accounting Policies

The Board of Directors assessed the Group ability to continue as a going concern, considering all relevant information regarding the future, facts and circumstances, financial, commercial and others, including subsequent events after the combined statement of financial position date. The Board of Directors concluded that the Group has the necessary resources to maintain its operations, and does not have the intention to cease relevant activities in the short term, reason why it considered adequate the preparation of the Combined Financial Statements on a going concern basis.

Sonae MC operates with negative accounting working capital (refer to definition used in note 5), as our net trade payables to our suppliers and other assets and liabilities included in accounting working capital exceed our inventories. For the years ended December 31, 2017, 2016 and 2015, our negative accounting working capital was approximately 13-15% of turnover, and this level is expected to remain stable in the short term. As is normal in the food retail industry, our accounting working capital is seasonal, with higher accounting working capital needs in the first half of the year and higher cash inflows from operations in the second half of the year.

The Combined Financial Statements have been prepared from the books and accounting records of the Company, subsidiaries, joint ventures and associates, on a going concern basis and under the historical cost convention, except for some financial instruments, which are stated at fair value.

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 in the market 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.

a. New accounting standards and their future impact in the Financial Statements of Sonae MC

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

With mandatory application after 2017:	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 16 – Leases - (recognition and measurement principles and disclosure requirements. Provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. With IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, besides some potential impacts on the classification of subleases)	01 Jan 2019
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) ¹¹⁴	01 Jan 2017 and 01 Jan 2018
IFRS 9 (amendment) – Prepayment features with negative compensation	01 Jan 2019
IFRIC 22 - Transactions in foreign currency and advances (establish the date of the initial recognition of the advance or deferred income as the date of the transaction for determining the exchange rate of the recognition of the revenue)	01 Jan 2018
IAS 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

The Group did not proceed to the early adoption of any of these standards on the Combined Financial Statements for the year ended on the 31 December 2017. The Board of Directors do not anticipate that the applications of the above mentioned standards, interpretations or amendments will have a significant impact on the Combined Financial Statements, except in what relates to IFRS 16.

IFRS 9 ‘Financial Instruments’ was endorsed for adoption by the EU in November 2016 and is effective for accounting periods beginning on or after 1 January 2018.

Financial assets

IFRS 9 requires the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test"), replacing prior requirements which determined the classification in the categories present in IAS 39.

A financial asset is measured at amortised cost if (i) is held to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognized at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

The financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Equity instruments at fair value

Equity instruments at fair value ("Assets available for sale" according to the terminology of IAS 39) are always measured at fair value. Equity instruments that are held for trading are required to be classified at fair value to profit or loss. For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in other comprehensive income.

¹¹⁴ These amendments were only endorsed to be applied in the European Union on February 7, 2018, hence not being applied by the Group in 2017.

If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss (for example, on sale of an equity investment) being, at that time, transferred to retained earnings.

Impairment

IFRS 9 establishes a new impairment model based on the expected credit losses (ECL), which replaces the previous impairment model based on the incurred credit losses set out in IAS 39. This model is the basis for the recognition of impairment losses on held debt instruments that are measured at amortised cost or at fair value through other comprehensive income (which includes loans, bank balances and deposits, trade receivables and debt securities).

When a specific loss event occurs (what is previous defined in IAS 39 as “objective evidence of impairment”), the impairment allowance would be allocated directly to financial assets affected.

IFRS 15 - Revenue from the Contracts with Customers (object of clarification issued on 12 April 2016)

The International Accounting Standards Board (IASB), issued on 28 May 2014, IFRS 15 Revenue from Contracts with Customers, which was amended in April 2016 and was endorsed by EU Commission Regulation 1905/2016, of 22 September 2016. This standard replaces existing revenue recognition guidance and is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Revenue from sale and services provided is recognized when (or as) the Company satisfies a performance obligation by transferring the promised goods or service to a customer. Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer which may include fixed amounts, variable amounts, or both. In transactions with customers for which more than one performance obligation is identified (additional assets, subsequent discounts or customer loyalty plans, etc.), the revenue is allocated to each performance obligation proportionally to the stand alone price of each good or service.

Revenue recognition under IFRS 15 is consistent with past practice for the Sonae MC’s revenue, including for royalties. The principles of IFRS 15 aren’t expected to have a significant impact on the Combined Financial Statements.

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 considering on whether an identified asset is controlled by a customer. Distinction of operating leases (off-balance sheet) and finance leases (included in the balance sheet) is removed from lessee accounting and is replaced by a model where a right of use and a corresponding liability have to be recognized by lessees for all leases, except for short-term (up to 12 months) and low value assets.

The right of use asset is initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently the lease liability is adjusted by interest and lease payments, as well as the impact of lease modifications, amongst others.

As at December 31, 2017, the Group had non-cancellable operating lease commitments amounting to an undiscounted amount of 905.5 million euro. IAS 17 does not require the recognition of the right use as an asset nor future payments as liabilities, but only certain disclosures identified in note 34.

Sonae MC is currently performing a survey of its lease agreements and performing its technical analysis of such agreements considering the provisions of IFRS 16, namely in what concerns interest rates to be considered, definition of lease terms and transition options, amongst others. The Group is also evaluating the impacts on its information system. At this stage, it is not possible to estimate the magnitude of the impacts inherent to its adoption.

The following standards, interpretations, amendments and revisions were not endorsed by the European Union at the date of the approval of the Combined Financial Statements, and therefore may not be applied in the European Union:

With mandatory application after 2017:	Effective date (for financial years beginning on or after)
IFRS 17 – (Insurance contracts)	01 Jan 2021
IFRIC 23 – Uncertainly over income tax treatments (clarifies the accounting for uncertainties in income taxes)	01 Jan 2019
IAS 28 (amendment) – Long-term interests in associates and joint ventures	01 Jan 2019
Annual Improvements to international financial reporting standards (2015-2017 cycle)	01 Jan 2019
IAS 19 (amendment) - Amendments, reductions or liquidation of employee benefit plans	01 Jan 2019
Amendments to References to the Conceptual Framework in IFRS Standards	01 Jan 2020

The Group did not proceed with the early implementation of any of these standards in the Combined Financial Statements and is currently estimating the impacts of such standards, namely in what concerns IFRIC 23 considering the tax contingencies disclosed in note 33.

b. Consolidation principles

i. Subsidiaries

Investments in companies in which Sonae MC has, direct or indirect, control (“Subsidiaries”) are included in the Combined 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 the majority of the 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.

Equity and net profit attributable to non-controlling shareholders are shown separately, under the caption non-controlling interests, in the combined statement of financial position and in the combined income statement, respectively. Companies included in the Combined Financial Statements are listed in note 47.

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

Assets and liabilities of each Sonae MC subsidiary are measured at their fair value at the acquisition date or on the date that control is obtained for the first time. Such measurement may be completed within twelve months after the date of acquisition. The difference of the consideration transferred plus the fair value of any previously held interests and the amount of non-controlling interests less the fair value of the identifiable net assets acquired is recognized as goodwill (see accounting policy for Goodwill). If the above referred difference is negative, such difference is recognized as income under "Other income" after reconfirmation of the fair value attributed to the net assets acquired. The Group will choose on a case by case basis, whether the fair measurement of non-controlling interests will be made (i) according to the non-controlling interests share assets, liabilities and contingent liabilities acquired, or (ii) according to its fair value.

The income and expenses of subsidiaries acquired or disposed during the period are included in the combined 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 subsidiaries are performed, whenever necessary, in order to adapt the accounting policies used to those used by Sonae MC. All intragroup balances, income and expenses, equity movements and cash flows are eliminated in full on consolidation process.

ii. Investments in joint ventures and associates

Investments in joint ventures and associates are measured under the equity method. Investments are recorded at cost on initial recognition and subsequently adjusted by Sonae MC share on comprehensive income (including net profit for the period) of joint ventures and associates, against the Group's comprehensive income or gains or losses for the year as applicable. Dividends received are deducted to the Investments carrying amount.

The excess of acquisition cost 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 in the caption "Investments in joint ventures and associates" (see accounting policy for Goodwill). Any excess of Sonae MC's share in the fair value of the identifiable net assets acquired over the acquisition cost of the investment is recognized as income on the acquisition date, after reassessment of the estimated fair value of the net assets acquired under the caption "Share of profit or loss of joint ventures and associates".

An impairment assessment over these investments is performed when there is an indication that the asset might be impaired being any impairment loss recorded in the combined income statement under the caption "Share of profit or loss of joint ventures and associates". Impairment losses recorded in prior years that are no longer justifiable are reversed under the same caption.

When Sonae MC's share of losses exceeds the carrying amount of the investment, the investment is reported at nil and the recognition of additional losses is discontinued, unless Sonae MC is committed beyond the value of its investment.

When the Group transacts with an associate or a joint venture of the Group, gains and losses resulting from such transactions are recognized only to the extent of interests in such entity that is not related with the Group. Losses arising on such transactions are recognized in full if such loss is evidence of impairment of the asset transferred.

When the gains or losses arise on transactions corresponding to a sale of business activities the Group recognizes the gain or loss in full considering that, currently under IFRS-EU there is an inconsistency between IFRS 10 and IAS 28 requirements. Sonae MC taking into account the Amendment to IFRS 10 and IAS 28 adopted an accounting policy of recognizing such gains and losses in full whenever there is loss of control of that business activity.

Investments in joint ventures and associates are disclosed in note 10.

iii. Goodwill

The difference between the consideration transferred in the acquisition of investments in subsidiaries, joint ventures and associates plus the amount of any non-controlling interests (in the case of subsidiaries) over the group share in the fair value of the identifiable assets, liabilities and contingent liabilities of such companies at the date of acquisition, when positive, is shown as “Goodwill” (note 9) or as “Investments in joint ventures and associates” (note 10).

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 the acquisition date, otherwise these changes are recognized in the income statement.

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

With the loss of control of a former subsidiary, assets and liabilities of the entity are derecognized, with any interest retained in that entity remeasured at fair value and any gain or loss recognized in the combined income statement.

Goodwill is not amortized, but it is subject to impairment tests on an annual basis or whenever there are indications of impairment to verify whether impairment losses have to be recognized. Net recoverable amount is determined based on business plans used by Sonae MC Management or on valuation reports issued by independent entities namely for real estate assets. Goodwill impairment losses recognized in the period are recorded in the combined income statement under the caption “Provisions and impairment losses” and are not reversible.

iv. Translation of financial statements of foreign companies

Assets and liabilities denominated in a functional currency different from euro are translated to euro using exchange rates at date of the combined statement of financial position. Income, expenses, and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences are recorded as equity under “Foreign currency translation reserve”.

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

Whenever a foreign company is sold (totally or partially), accumulated exchange rate differences are recycled to the combined income statement as a gain or loss on the disposal, in the caption “Gains and losses on investments”, when there is a control loss; or transferred to non-controlling interests whenever there is not a change in control.

Exchange rates used on translation of foreign subsidiaries, joint ventures and associates are listed below:

Euro values	End of period			Average of period		
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Brazilian Real	0.23193	0.29150	0.25171	0.27451	0.26105	0.27834
Turkish Lira	0.31481	0.26975	0.21995	0.33228	0.29955	0.24336
Mozambican Metical	0.01918	0.01327	0.01418	0.02320	0.01489	0.01399

c. Property, plant and equipment

Property, plant and equipment acquired up to 1 January 2004 (transition date to IFRS-EU of Sonae MC, SGPS, S.A. for statutory purposes) 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.

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 combined income statement caption “Depreciation and amortisation expenses”,

Impairment losses identified in the recoverable amounts of tangible assets are recorded in the year in which they arise, by a corresponding charge against, the caption “Provisions and impairment losses” in the combined income statements.

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

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 combined income statement under either “Other income” or “Other expenses”.

d. Intangible assets

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

Research expenditure associated with new technical knowledge is recognized as an expense in the combined income statement when it is 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 incurred that are by default accounted for as expenses, are capitalized as intangible assets by mean of "Income from the capitalisation of internal projects" if in compliance with accounting principles (note 38).

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 amortised but are subject to annual impairment tests.

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

e. Accounting for leases

Lease agreement 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.

v. Accounting for leases where Sonae MC is the lessee

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 is recognized as expenses in the combined income statement for the period to which they relate.

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

Possible incentives received related with operating 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.

vi. Accounting for leases where Sonae MC is the lessor

In accounting for leases where Sonae MC is the lessor, the value of leased goods is kept on Sonae MC combined statement of financial position and income is recognized on a straight-line basis over the period of the lease contract, considering that Sonae MC act as lessor in operating leases only.

vii. 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 the sale of assets are followed by operating lease contracts, the Group 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 in the future, namely with costs that are traditionally the owner's responsibility, such amounts are recognized as liabilities and is deferred over the lease period.

f. Assets classified as held for sale

The non-current assets (or disposal group) are recorded as assets 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 (or disposal group) is available for the immediate sale in the actual conditions. For the sale to be highly probable there must be in progress actions that should allow concluding the sale within 12 months counting from the classification's date in this caption. The non-current assets (or disposal group) recorded as assets classified as held for sale are booked at the lower amount of the historical cost or the fair value deducted from costs, not being subject to depreciation or amortisation after being classified as held for sale.

g. Impairment of non-current assets, except for Goodwill and Investments in joint ventures and associates

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 combined 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 remodelling processes) the Group performs a review of the asset's useful life after considering its impact on the value of use of that asset for terms of impairment analysis, particularly on the net book value of the assets to derecognize.

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

h. Financial expenses relating to loans obtained

Financial expenses related to loans obtained are usually recognized 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.

i. Inventories

Inventories are stated at the lower of cost deducted from discounts obtained 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 write-downs reversals.

j. Provisions

Provisions are recognized 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 combined statement of financial position date to reflect the best estimate as of that date.

Sonae MC records restructuring provisions whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

k. Financial instruments

Sonae MC classifies the financial instruments in the categories presented and conciliated with the combined statement of financial position disclosed in note 6.

viii. Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale

Held to maturity investments are 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 MC has the intention and ability to hold them until the maturity date.

The investments measured at the fair value through profit or loss include the investments held for trading that Sonae MC acquires with the purpose of trading in the short term. They are classified in the combined statement of financial position as "Other investments" in current assets.

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

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

Investments are 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 are initially recognized at fair value and transaction costs are recognized in the combined income statement.

Available-for-sale investments and investments measured at fair value through profit or loss are 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 combined statement of financial position 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 fair value of available-for-sale investments are recognized directly in equity, under "Investments fair value reserve", included in "Equity attributable to the owners of the Company" until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is recycled to net profit or loss. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

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

Changes in the fair value of investments measured at fair value through profit or loss are included in the combined income statement for the period under "Financial income" or "Financial expense" in the combined income statement.

Held to maturity investments are carried at amortized cost using the effective interest rate, net of capital reimbursements and interest income received.

ix. Loans and accounts receivable

Loans and non-current accounts receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Interest income is recognized 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 has no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the reporting date, when they are classified as non-current assets. Loans and receivables are included in the captions presented in note 6.

x. Trade receivables and Other receivables

Trade receivables and Other receivables are 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.

Impairment is recognized if there is objective and measurable evidence that, because of one or more events that occurred, the amount will not be fully received. Therefore, each company takes into consideration market information that indicates:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- becoming probable that the borrower will 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.

xi. 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.

xii. 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 expenses" in the combined income statement on an accruals basis. 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.

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

xiii. Trade payables and Other payables

Accounts payable and Other payables are stated at their nominal value, as they do not bear interests and the effect of discounting is considered immaterial.

xiv. Reverse factoring (confirming)

Some subsidiaries 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 subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as "Trade payables" 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 by the financial institution 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.

xv. Derivatives

Sonae MC uses derivatives in the management of its financial risks to hedge such risks and-or in order to optimize the “funding costs” as well as to hedge exchange rate risk.

Derivatives classified as cash flow hedge instruments are used by the 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 expense” in the combined income statement.

Sonae MC’s criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The transaction being hedged is 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 reserve”, and then recognized in the combined income statement over the same period in which the hedged instrument affects profit or loss.

The accounting of hedging derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption “Cash-flow hedging reserve” are transferred to profit or loss or to the carrying amount of the asset that resulted from the hedged forecast transaction or stay in equity if there is a high probability that the hedge transaction will occur. Subsequent changes in the revaluations are recorded in the combined income statement.

Sonae MC uses financial instruments with the purpose of cash flow hedging, that essentially refer to exchange rate hedging (“forwards”) of commercial operations. The Group decides whether to apply hedge accounting. 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 combined 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 fair value, and subsequently adjusted to the corresponding fair value, determined by specialized software.

Changes in fair value of these instruments are recognized in the combined 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 combined 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 and the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, if not stated at fair value (namely loans recorded at amortized cost), through profit or loss.

xvi. Own shares

Own shares, both held directly by the Company or by one of its subsidiaries, are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in “Other reserves and retained earnings”.

xvii. Cash and cash equivalents

Amounts included under the caption “Cash and bank balances” 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 combined statement of cash flows, “Cash and cash equivalents” include bank overdrafts, which are included in the combined statement of financial position caption “Loans”.

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

l. Share based-payments

Share-based payments result from deferred performance bonus plans, which were attributed by Sonae MC and are indexed to the evolution of Sonae SGPS, S.A. shares’ price and vest within a period of 3 years after being granted and are considered to be cash settled.

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 granted and the corresponding fair value at the closing date. These obligations are stated as “Employee benefits expense” 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 combined statement of financial position date.

m. Contingent assets and liabilities

Contingent assets are not recorded in the Combined Financial Statements but disclosed when future economic benefits are probable.

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

n. Income tax and other taxes, including levies

The income tax expense for the year is determined based on the taxable income of companies included on the Combined Financial Statements and considers deferred taxation.

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

Deferred taxes are calculated 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 combined statement of financial position date, a review is made of the deferred tax assets recognized, being reduced whenever their future recoverability is no longer probable.

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

Companies of Sonae MC Group are included under the Tax Group of which Sonae, SGPS, S.A. is the dominant entity, that is taxed according to the Portuguese special regime for taxing groups of companies, reason why the amounts of current income tax expense are recorded as an account payable to Sonae, SGPS, S.A. under the caption "Income tax liabilities".

Until December 31, 2016, tax losses generated by Sonae MC Group Companies, and transferred to the Tax Group; to be used in the consolidated tax return, were reimbursed by Sonae, SGPS, S.A.. For these amounts, an account receivable from Sonae SGPS, S.A. is recorded under the caption "Income tax assets", equal to the applicable tax rate applied to the surrendered tax losses against "Current Tax" in the "Income tax expense" caption on the combined income statement.

In 2017, for the purpose of preparing the Combined Financial Statements, management changed the accounting policy used for statutory purposes and recorded the tax benefit arising from tax losses surrendered to the Tax Group in profit and loss, under the caption "Deferred tax", as a distribution to Sonae, SGPS, S.A. of such deferred tax asset in equity. Such benefit amounts to the applicable tax rate times the surrendered tax losses.

The value of income 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 are challenged by tax authorities as part of their audit and its interpretation is distinct from Sonae MC, such position is subject to a reassessment. If such reassessment, reconfirm the positioning of the Group and is conclusive to the probability of loss of certain tax process being 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% a provision is recognized, or if paid the associated expense.

In situations in which payments were made to Tax Authorities under special schemes of regularization of debts, in which the payment relates to Income Tax, the Company does not withdraw the correspondent appeals and the likelihood of success of such appeals is greater than 50%, such payments are recognized as assets for the full amount, 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 the situations where the payments are related with other taxes or levies, those amounts are accounted for as expenses, even the Group's understanding is that those amounts will be received with interests.

o. Revenue recognition and accrual basis

Revenue from the sale of goods is recognized in the combined 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 returns, sales taxes, discounts, and other expenses arising from the sale and are measured as the fair value of the amount received or receivable. Where the Group acts as an agent selling goods or services, only the commission income is included within revenue.

The deferral of revenue related with customer loyalty plans, awarding discounts on future purchases is quantified taking into account the probability of exercising the above-mentioned discounts and are deducted from revenue when they are generated. The corresponding liability is presented under the caption "Other payables".

Revenue from the provision of services is recognized when the service is provided and the revenue can be measured reliably, based on the terms of the contract. Services are rendered mainly to related parties and correspond to shared services, like IT, accounting and payroll, amongst others.

Revenue from operating leases where the Group acts as lessor are recognized as Services rendered and are described in note 34.

Dividends are recognized as income in the year when the right to receive payments has been attributed to the shareholders of the companies.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt.

“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 combined income statement.

p. Commercial income from suppliers

Consistent with standard industry practice the Group has agreements with suppliers whereby volume related allowances, promotion and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers.

Income received from suppliers relates to both adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product or is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These includes providing promotional or marketing materials and activities or promotional product positioning. While there is no standard industry definition, these amounts receivable from suppliers in connection with the purchase of goods for resale are generally termed commercial income.

Commercial income is formally agreed, with the identification of the dates of the campaign or the specific actions agreed and value agreement with the supplier. Commercial income agreements lead to the issuance of tax documents to suppliers, which are discounted in future invoice payments or through direct collection from suppliers. Consequently, and as the Group as the legally enforceable right to set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers the net amount receivable or payable is recognized within “Other receivables” or “Trade payables”. The amounts that have not yet been invoiced to the supplier are recorded under “Other current assets”.

Commercial income is recognized when earned by the Group, which occurs when all obligations conditional for earning income have been discharged and the income can be measured reliably based on the terms of the contract. This income is recognized as a credit within cost of sales. Where the income earned relates to inventories, which are held by the Group at year-end, the income is included within the cost of those inventories and recognized in cost of sales upon the sale of those inventories.

q. Balances and transactions expressed in foreign currencies

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

At each combined 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 combined 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.

r. Subsequent events

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

s. Judgements and estimates

The most significant accounting estimates reflected in the Combined Financial Statements include:

- Useful lives of the tangible and intangible assets;
- Impairment analysis of goodwill and of property, plant and equipment and intangible assets;
- Recognition of adjustments on current assets including inventories, provisions and contingent liabilities;
- Recoverability of deferred tax assets;
- Income tax expense;
- Commercial income.

Estimates are based on the best information available during the preparation of Combined 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 Combined 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 Combined Financial Statements are disclosed in the corresponding notes.

In addition, Management exercises judgement on the application of the accounting standards and in the definition of the applicable accounting policies as set out below:

- allocations of assets, liabilities (including debt), income, expenses and cash flows to Sonae MC for the purpose of preparing the Combined Financial Statements, as disclosed in note 1.c;
- classification of leases as finance or operating leases, and consequent impact on the accounting of Sale and leaseback transactions. Management considers the likelihood of exercising extension or break clauses in determining the lease term, estimating the discount rate for the purposes of discounting minimum lease payments;
- assessment over the probability of outflow regarding tax and legal contingencies,
- definition of cash generating units for impairment testing.

t. Segment information

In the course of defining the scope of Sonae MC, from now on comprising all food retail formats, adjacent formats and related real estate businesses and corporate services that existed under the common control of Sonae MC, SGPS, S.A., Sonae MC's Management defined its operating segments, which comprises two business segments: i) Op Co: includes food retail, adjacent formats and corporate services; and (ii) Prop Co: includes related real estate businesses.

In the statutory consolidated financial statements of the Company, the group had reported business segments as Sonae MC (food retail and adjacent formats excluding Max Mat), Max Mat, Sonae RP (Retail properties) and others. Since the Board of Directors considers Sonae MC and Max Mat, previously reported segments, to display sufficient similarities with respect to their business model, their products and services, and since the weight of Max Mat's in Sonae MC's total turnover is immaterial, these two segments were bundled into one new reporting segment.

Information regarding operating segments identified is included in note 5.

u. 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 Cash-flow hedging reserve reflects to cash flow hedge derivatives changes in fair value in its effective part to which hedge accounting applies. This reserve is not distributable or available to cover losses.

Foreign currency translation reserve

The Foreign currency translation reserve corresponds to exchange differences relating to the translation from the functional currencies of the Sonae MC's foreign subsidiaries, joint ventures and associates from its functional currency to euro.

Legal reserves in accordance with article 324° CSC

The reserves maintained in accordance with article N° 324 of Commercial Companies Code (Código das Sociedades Comerciais - CSC"), reflect the value of own shares maintained in the period and follow the legal requirements applicable to the Legal reserves.

Other reserves and retained earnings

The Group records in Other reserves and retained earnings the amount of accumulated earnings obtained in the past years as well as supplementary capital contributions made by the Parent ("*Entradas facultativas de capital*") which, in accordance with Portuguese law may be reimbursed to the shareholders if approved by General Meeting and if, after distribution, the Company still complies with restrictions established by law applicable to the distribution of earnings. Such supplementary capital contributions are not remunerated.

Distributable reserves

According to Portuguese commercial law, the amount of distributable reserves is computed considering the Company's separate financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, subject to the restrictions imposed by law.

3) Financial risk management

The Board of Directors approves risk management general principles. Sonae MC's treasury and finance department supervises de implementation and monitoring of such general principles.

a. Introduction

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

Derivatives are used to hedge certain exposures related to Sonae MC market risk and, the Group does not enter into derivatives or other financial instruments for trading or speculative purposes.

b. Interest rate risk

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

Policies:

Sonae MC purpose is to limit cash-flows volatility and its impact in net profits, considering the profile of its operational activity, by using an appropriate mix of fixed and variable interest rate debt. Sonae MC policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but does not allow such use for trading purposes, within the following principles that should be followed:

- 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. It is Sonae MC 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 combined 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, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

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 combined 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 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 combined Profit before tax for the year ended as at December 31, 2017 would decrease by approximately 5.6 million euro (5.2 million euro and 5.7 million euro for the years ended December 31, 2016 and 2015, respectively), considering the contractual fixing dates and excluding other effects arising from the company operations.

c. Exchange rate risk

Policies:

The impact on the Combined Financial Statements of changes in exchange rate is immaterial, as the majority of the transactions are denominated in euro. Sonae MC is mainly exposed to exchange rate risk through transactions relating to acquisitions of goods in international markets, which are principally denominated in US Dollars.

The exchange risk management purpose is to provide a stable decision platform when deciding and negotiating the purchases of inventories to establish fixed exchange rates. The hedging starts at the stage of 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 because of changes of the amounts of imports denominated in other currencies rather than euro.

Exposure:

As at December 31, 2015, 2016 and 2017, the assets and liabilities denominated in a currency different from the subsidiary functional currency were the following:

	Assets			Liabilities		
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Euro	10.0	10.0	9.9	8.9	11.3	17.4
British Pound	0.0	0.0	0.0	0.1	0.5	0.1
US Dollar	1.8	2.1	1.7	3.7	3.2	6.4
Other Currencies	0.0	0.0	0.0	0.1	-	-

The amounts presented above, only include assets and liabilities expressed in different currency than the functional currency used by the affiliated 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 is not disclosed.

d. Liquidity risk

The purpose of liquidity risk management is to ensure, at all times, that the Group has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy, whilst managing the trade-off cost between longer and shorter maturities of debt.

Sonae MC follows an active policy of re-financing its debts by maintaining a high level of unused and available on demand resources to face short term needs and by increasing or maintaining an adequate debt maturity, according to the estimated cash-flows, and to the capability of leveraging its combined statement of financial position. At the end of 2017, Sonae MC's average debt maturity was approximately 4.2 years (2016: 4.2 years and 2015: 4.2 years). For the purpose of computing the average maturity of debt, Sonae MC estimated in accordance with the contractual terms of the loans, and taking into account Sonae MC's best estimate regarding their reimbursement date and adjusted by the amount of unused committed long-term facilities and cash equivalents.

Negotiating contractual terms, which reduce the possibility of the lenders being able to demand an early termination, is also considered as an important mean of managing liquidity risk. The Group also assures, in its relationship with financial institutions, a high level of diversification of financing sources and counterparties, in order to ease the ability of entering new loan agreements and to minimize the effects of any relationship discontinuance.

Sonae MC maintains a liquidity reserve in the form of credit lines with its relationship banks, in order to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms.

As at December 31, 2017, the combined borrowing maturing in 2018 amounts to 168 million euro (174 million euro as at December 31, 2016 maturing in 2017, and 133 million euro as at December 31, 2015 maturing in 2016), and as at December 31, 2017 Sonae MC had 95 million euro available (52 million euro as at December 31, 2016 and 61 million euro as at December 31, 2015) in credit facilities with commitment less than or equal to one year and 285 million euro as at December 31, 2017 (360 million euro as at December 31, 2016 and 340 million euro as at December 31, 2015) with a commitment greater than one year. The amount of unused credit facilities with commitment of more than one year includes some facilities that could also be used by Sonae SGPS S.A., although without any kind of joint responsibility between both companies, but which will be segregated if initial public offering occurs. As at December 31, 2017 those unused facilities amount to 150 million euro (50 million euro as at December 31, 2016 and nil as at December 31, 2015).

Additionally, Sonae MC held, as at December 31, 2017, cash and bank balances amounting to 94 million euro (64 million euro and 48 million euro as at December 31, 2016 and 2015, respectively). Consequently, 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.

The liquidity analysis of each class of financial liabilities is presented in the corresponding notes.

e. Credit Risk

Sonae MC is exposed to the credit risk in its current operational activity.

The credit risk is managed through a system of gathering financial and qualitative information from independent entities that supply risk information, in order to allow the assessment of credit risk from debtors and determine the need to use credit risk mitigation instruments such as credit insurance, bank guarantees, letters of credit or others. The credit risk from suppliers arises from advances made to or discounts billed to suppliers and are mitigated by the expectation of maintaining the commercial relationship. The amounts presented in the combined statement of financial position are net of impairment losses, thus reflect its fair value.

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

We seek to limit the credit risk through risk concentration management, as well as a selection of counterparties that have a high national and international reputation and based on their respective credit ratings taking into account the nature, maturity and size of the operations.

f. 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 scope of Combination during the years ended December 31, 2015, 2016 and 2017

v. Business combinations in the years ended at December 31, 2015, 2016 and 2017

Acquisitions of subsidiaries in the years ended at December 31, 2015, 2016 and 2017 were as follows:

Subsidiaries acquired	Head Office	Proportion of voting equity interests acquired	Date of acquisition	Principal activity
2015				
Op Co				
Make Notes Design, Lda	Matosinhos	100.00%	May 2015	Book shops , stationery and gifts
Elergone Energias, Lda ⁽¹⁾	Lisbon	75.00%	November 2015	Sale of energy
2017				
Op Co				
Brio - Produtos de Agricultura Biológica, SA	Matosinhos	100.00%	April 2017	Healthy food supermarkets
Go Well - Promoção de Eventos, Catering e Consultoria, SA ⁽²⁾	Lisbon	51.00%	May 2017	Healthy food supermarkets and restaurants

- (1) Non-controlling interests were measured as a proportion share in the recognised amounts of the identifiable net assets;
(2) Non-controlling interests were measured at fair value considering the valuation of the Company for the purpose of the transaction.

The effects of these acquisitions on the Combined Financial Statements can be analysed as follows:

	2015		2017	
	On the date of acquisition	Year end	On the date of acquisition	Year end
Net assets				
Property, plant and equipment and intangible assets (notes 7 and 8)	0.0	0.0	1.4	1.9
Deferred tax assets (note 18)	-	-	0.4	0.5
Inventories (note 13)	0.2	0.4	0.6	0.7
Other assets	1.1	1.0	1.3	1.1
Cash and bank balances	0.4	0.3	0.4	0.6
Loans	-	-	(0.3)	(0.1)
Deferred tax liabilities (note 18)	-	(0.0)	-	(0.0)
Other liabilities	(0.9)	(0.7)	(3.4)	(2.9)
	0.9	1.1	0.3	1.8
Goodwill (note 9)	1.2		9.5	
Non-controlling interests (note 22)	0.1		3.8	
Acquisition cost	2.0		6.1	
Cash payment	1.1		4.8	
Escrow Account (note 12)	-		0.4	
Consideration to be paid	0.9		1.0	
	2.0		6.1	
Net cash flow arising from acquisition (note 45)				
Cash payment	(1.1)		(5.2)	
Cash and bank balances acquired	0.4		0.4	
	(0.7)		(4.7)	
	2015		2017	
	From the date of acquisition	12 months	From the date of acquisition	12 months
Sales	1.2	3.0	7.9	12.6
Other income	0.3	0.1	0.1	0.4
Cost of goods sold and materials consumed	(0.6)	(1.0)	(3.8)	(6.6)
External supplies and services	(0.6)	(1.2)	(1.9)	(2.9)
Employee benefits expense	(0.3)	(0.7)	(2.7)	(3.8)
Depreciation and Amortization	(0.0)	(0.0)	(0.3)	(0.4)
Other expenses	(0.0)	(0.0)	(0.1)	(0.1)
Profit/(loss) before tax	0.0	0.2	(0.7)	(0.8)
Income tax expense	0.0	0.0	0.2	0.2
Profit/(loss) for the period	0.0	0.2	(0.5)	(0.6)

In December 2016, Sonae MC concluded an agreement with the shareholders of GO WELL – Promoção de Eventos, Catering e Consultoria, S.A. (Go Well) for the acquisition of 51% of the share capital. This transaction became effective in May 2017. Go Well operates in 24 specialized restaurants in healthy food in Portugal, typically located in shopping centres, and has a variety of concepts such as grab&go, sushibar, freshly prepared and breakfasts. Go Well operates exclusively through the brand “Go Natural” and in 2015, generated a turnover of 6.1 million euro.

In April 2017, an affiliated of the Group concluded an agreement with the shareholders of BRIO - Produtos de Agricultura Biológica, S.A. (BRIO) for the acquisition of 100% of BRIO’s share capital. Incorporated in 2008, Brio is the first organic supermarket chain launched in Portugal, and explores six supermarkets specialized in organic food, all with convenience locations in the metropolitan area of Lisbon.

Following the previous agreement to acquire 51% of GO WELL’s share capital and the opening of the first supermarket entirely dedicated to organic and healthy food, the acquisition of BRIO will enable Sonae MC to accelerate its position in strategic Health & Wellness growth, particularly in the healthy food segment, benefiting from the BRIO store network, the high degree of specialization of the teams and a broad network of suppliers, supporting the recognition of Goodwill on this acquisition.

w. Disposal of subsidiaries in the years ended at 31 December 2015, 2016 and 2017

At the end of December 31, 2016, the Group sold its subsidiary Imoconti - Sociedade Imobiliária, SA to a related entity of the Sonae Sierra group. The effects of this sale on the Combined Financial Statements can be analysed as follows:

	At disposal date	Dec 31, 2015
Net assets disposals		
Property, plant and equipment (note 7)	15.5	17.4
Other assets	0.0	0.0
Cash and bank balances	0.0	0.0
Deferred tax liabilities (note 18)	(1.3)	(1.5)
Other liabilities	(5.8)	(8.3)
Total of net assets disposals	8.5	7.7
Shareholder's loans, treasury operations and interests	6.0	
Gain/(loss) in disposal (note 36)	6.5	
Sale price	21.0	
Proceeds from shareholder's loans, treasury operations and interests	6.0	
Proceeds from the sale of net asset	15.0	
	21.0	
Net cash flow arising from disposal		
Cash received	0.0	
Amounts receivable (note 15)	21.0	
	21.0	

	At disposal date	Dec 31, 2015
Sales and services	0.0	0.0
Other income	1.6	2.4
Other expenses	(1.3)	(0.7)
Net financial income	(0.2)	(0.2)
Profit before tax	0.1	1.5
Income tax expense	(0.0)	(0.3)
Profit for the period	0.1	1.2

The sale of this subsidiary, owner of a real estate property that was leased to a company in the Op Co segment, corresponds, in substance to a Sale and Leaseback operation, with effects being disclosed as such in note 7.

5) Segment information

The management approach is used to determine the reportable operating segments. Accordingly, external segment reporting is based on the internal organizational and management structures of Sonae MC, considering the way financial information is reported internally for the purpose of allocating resources between segments and assessing their performance.

Certain figures presented in this operating segment note differ from the segment information disclosed in the statutory consolidated financial statements of Sonae MC, SGPS, S.A. considering the basis of preparation of these Combined Financial Statements. Refer to note 1 - Basis of preparation of the Combined Financial Statements.

Sonae MC is a retail group and has two segments:

- Op Co - including all retail and corporate services shared service centre businesses, namely in food, with Continente (hypermarkets), Continente Modelo and Continente Bom Dia (supermarkets), Continente online (e-commerce) and Meu Super (franchised local food retail stores); and adjacent formats, with Well's (para-pharmacies, including health, beauty products, well-being and eye care), and Go Natural (healthy food supermarkets and restaurants) (both health & wellness); with Bagga (cafeterias/restaurants), Note! (book shops, stationery and gifts), ZU (products and services for pets) and Maxmat (DIY);

- Prop Co – including all the Sonae MC real estate assets operations.

The list of Group companies and their businesses is detailed in note 47.

The main operating segment information for 2015, 2016 and 2017 can be detailed as follows:

2015	Turnover	EBITDA	Depreciation and amortisation	Provisions and impairment losses	EBIT	
Op Co	3,610.4	205.0	(95.3)	(6.3)	101.6	
Prop Co	111.1	135.7	(24.8)	0.0	110.6	
Eliminations and adjustments	(84.3)	-	-	-	-	
Total	3,637.2	340.7	(120.1)	(6.3)	212.2	
2016	Turnover	EBITDA	Depreciation and amortisation	Provisions and impairment losses	EBIT	
Op Co	3,815.6	217.3	(102.1)	5.1	117.9	
Prop Co	94.1	135.0	(21.0)	0.1	112.9	
Eliminations and adjustments	(67.1)	-	-	-	-	
Total	3,842.6	352.3	(123.1)	5.2	230.8	
2017	Turnover	EBITDA	Depreciation and amortisation	Provisions and impairment losses	EBIT	
Op Co	4,025.1	227.6	(112.2)	(2.6)	108.9	
Prop Co	92.9	83.8	(21.6)	(1.4)	60.8	
Eliminations and adjustments	(63.5)	-	-	-	-	
Total	4,054.5	311.4	(133.8)	(4.0)	169.6	
	CAPEX			Invested capital		
	2015	2016	2017	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Op Co	130.3	185.5	180.7	563.6	647.4	668.9
Prop Co	20.2	57.5	38.3	858.6	765.4	737.5
Total	150.5	243.0	219.1	1,422.2	1,412.8	1,406.5

The caption “Elimination and adjustments” can be detailed as follows:

Turnover	2015 Intercompany	2016 Intercompany	2017 Intercompany
Op Co	(3.2)	(3.4)	(3.5)
Prop Co	(81.0)	(63.7)	(60.0)
Eliminations and adjustments	(84.3)	(67.1)	(63.5)

The Board of Directors does not allocate financial income and expenses nor income tax expense or income to separate business segments, reason why, information is not presented. Consistently, financial net debt is also not allocated. As such only Invested Capital figures are presented.

All investments in associates and joint ventures are allocated to Op Co segment.

For the purpose of preparing the segment information for Board of Directors analysis, inter-company transactions between Op Co and Prop Co, mainly lease expense and lease income, respectively, are allocated based on management figures. Management analyses profit of the segment operations considering both EBITDA and EBIT.

Glossary:

Turnover - Total revenue from sales and services rendered;

EBITDA – EBIT before depreciation and amortization expenses, provisions and impairments losses, gains /(losses) on the disposals of subsidiaries, and net capital gains/losses on disposal of fixed assets excluding net capital gains/losses on the sale-and-leaseback transactions of real estate assets;

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

Capex - Investments in the period, recorded as property plant or equipment or intangible assets incurred in the year;

Invested Capital – Property, plant and equipment and intangible assets (net of depreciations, amortisations and impairment losses) plus goodwill, investments in joint ventures and associates and other non-current investments and accounting working capital;

Accounting Working Capital – Sum of inventories, trade payables and other assets and liabilities (excluding loans obtained from non-controlling interests and items included in the computation of Net Debt).

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

6) Financial Instruments by class

The financial instruments classification according to policies can be detailed as follows:

Financial assets	Notes	Loans and receivables	Available for sale	Hedging derivatives (note 25)	Sub-total	Assets not within the scope of IFRS 7	Total
At January 1, 2015							
Non-current assets							
Other investments	11	10.0	1.3	-	11.3	-	11.3
Other non-current assets	12	8.9	-	-	8.9	6.5	15.4
		18.9	1.3	-	20.2	6.5	26.7
Current assets							
Trade receivables	14	33.8	-	-	33.8	-	33.8
Other receivables	15	31.9	-	-	31.9	-	31.9
Other current assets	17	42.6	-	-	42.6	15.3	57.8
Other investments	11	-	-	0.9	0.9	-	0.9
Cash and bank balances	19	83.5	-	-	83.5	-	83.5
		191.7	-	0.9	192.6	15.3	207.8
		210.6	1.3	0.9	212.8	21.8	234.5
At December 31, 2015							
Non-current assets							
Other investments	11	10.0	1.9	-	11.9	-	11.9
Other non-current assets	12	0.8	-	-	0.8	5.2	6.0
		10.8	1.9	-	12.7	5.2	17.9
Current assets							
Trade receivables	14	43.8	-	-	43.8	-	43.8
Other receivables	15	43.8	-	-	43.8	-	43.8
Other current assets	17	38.1	-	-	38.1	14.8	52.9
Other investments	11	-	-	0.4	0.4	-	0.4
Cash and bank balances	19	47.5	-	-	47.5	-	47.5
		173.2	-	0.4	173.6	14.8	188.3
		183.9	1.9	0.4	186.2	20.0	206.2
At December 31, 2016							
Non-current assets							
Other investments	11	10.0	0.9	-	10.9	-	10.9
Other non-current assets	12	0.9	-	-	0.9	6.2	7.1
		10.9	0.9	-	11.8	6.2	18.0
Current assets							
Trade receivables	14	57.1	-	-	57.1	-	57.1
Other receivables	15	61.4	-	-	61.4	-	61.4
Other current assets	17	28.7	-	-	28.7	14.3	42.9
Other investments	11	-	-	0.7	0.7	-	0.7
Cash and bank balances	19	64.2	-	-	64.2	-	64.2
		211.4	-	0.7	212.2	14.3	226.5
		222.3	0.9	0.7	224.0	20.5	244.5
At December 31, 2017							
Non-current assets							
Other investments	11	9.9	1.9	-	11.8	-	11.8
Other non-current assets	12	4.5	-	-	4.5	6.2	10.7
		14.4	1.9	-	16.3	6.2	22.5
Current assets							
Trade receivables	14	54.6	-	-	54.6	-	54.6
Other receivables	15	44.4	-	-	44.4	-	44.4
Other current assets	17	17.0	-	-	17.0	14.6	31.7
Other investments	11	-	-	0.1	0.1	-	0.1
Cash and bank balances	19	93.7	-	-	93.7	-	93.7
		209.7	-	0.1	209.8	14.6	224.5
		224.1	1.9	0.1	226.1	20.8	247.0

Financial liabilities		Financial liabilities measured at amortised cost	Hedging derivatives (note 25)	Sub-total	Liabilities not within the scope of IFRS 7	Total
	Notes					
At January 1, 2015						
Non-current liabilities						
Loans	23	64.6	-	64.6	-	64.6
Bonds	23	317.2	-	317.2	-	317.2
Other loans, leases and derivatives	23	0.9	-	0.9	-	0.9
Other non-current liabilities	26	2.7	-	2.7	2.9	5.6
		385.5	-	385.5	2.9	388.4
Current liabilities						
Loans	23	21.7	-	21.7	-	21.7
Bonds	23	379.7	-	379.7	-	379.7
Other loans, leases and derivatives	23	3.2	0.2	3.4	-	3.4
Trade payables	28	704.9	-	704.9	-	704.9
Other payables	29	61.8	-	61.8	19.1	80.9
Other current liabilities	30	122.1	-	122.1	12.5	134.6
		1,293.5	0.2	1,293.6	31.6	1,325.2
		1,679.0	0.2	1,679.1	34.5	1,713.6
At December 31, 2015						
Non-current liabilities						
Loans	23	289.7	-	289.7	-	289.7
Bonds	23	297.7	-	297.7	-	297.7
Other loans, leases and derivatives	23	0.0	-	0.0	-	0.0
Other non-current liabilities	26	3.2	-	3.2	11.1	14.3
		590.6	-	590.6	11.1	601.7
Current liabilities						
Loans	23	81.4	-	81.4	-	81.4
Bonds	23	50.0	-	50.0	-	50.0
Other loans, leases and derivatives	23	1.9	0.2	2.1	-	2.1
Trade payables	28	689.7	-	689.7	-	689.7
Other payables	29	52.9	-	52.9	11.6	64.5
Other current liabilities	30	118.0	-	118.0	9.3	127.3
		993.8	0.2	994.0	20.9	1,014.9
		1,584.4	0.2	1,584.6	32.0	1,616.5
At December 31, 2016						
Non-current liabilities						
Loans	23	260.7	-	260.7	-	260.7
Bonds	23	310.0	-	310.0	-	310.0
Other non-current liabilities	26	1.1	-	1.1	17.8	19.0
		571.9	-	571.9	17.8	589.7
Current liabilities						
Loans	23	170.6	-	170.6	-	170.6
Bonds	23	3.0	-	3.0	-	3.0
Other loans, leases and derivatives	23	-	0.1	0.1	-	0.1
Trade payables	28	681.8	-	681.8	-	681.8
Other payables	29	78.4	-	78.4	7.4	85.8
Other current liabilities	30	116.4	-	116.4	7.5	123.9
		1,050.2	0.1	1,050.3	14.9	1,065.2
		1,622.1	0.1	1,622.2	32.7	1,654.9

Financial liabilities		Financial liabilities measured at amortised cost	Hedging derivatives (note 25)	Sub-total	Liabilities not within the scope of IFRS 7	Total
	Notes					
At December 31, 2017						
Non-current liabilities						
Loans	23	313.4	-	313.4	-	313.4
Bonds	23	257.3	-	257.3	-	257.3
Other loans, leases and derivatives	23	0.0	-	0.0	-	0.0
Other non-current liabilities	26	2.2	-	2.2	18.4	20.7
		572.9	-	572.9	18.5	591.4
Current liabilities						
Loans	23	115.2	-	115.2	-	115.2
Bonds	23	53.0	-	53.0	-	53.0
Other loans, leases and derivatives	23	0.1	0.3	0.3	-	0.3
Trade payables	28	708.9	-	708.9	-	708.9
Other payables	29	66.9	-	66.9	9.8	76.7
Other current liabilities	30	127.6	-	127.6	7.1	134.7
		1,071.6	0.3	1,071.9	16.9	1,088.8
		1,644.6	0.3	1,644.8	35.4	1,680.2

Financial instruments recognized at fair value

The Group applies IFRS 13 - Fair Value Measurement. This standard requires fair value to be disclosed in accordance with the fair value hierarchy:

Level 2	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Financial assets measured at fair value				
Derivatives	0.9	0.4	0.7	0.1
	0.9	0.4	0.7	0.1
Financial liabilities measured at fair value				
Derivatives	0.2	0.2	0.1	0.3
	0.2	0.2	0.1	0.3

7) Property, plant and equipment

7.1. Movement of Property, plant and equipment

During the years ended as at December 31, 2015, 2016 and 2017, the movements in "Property, plant and equipment" as well as accumulated depreciation and impairment losses are made up as follows:

	Land and Buildings	Plant and Equipment	Vehicles	Fixtures and Fittings	Other Property, plant and equipment	Property, plant and equipment in progress	Total
Cost:							
Balance as at January 1, 2015	1,421.3	884.0	18.3	83.1	33.9	23.8	2,464.3
Additions	4.9	1.4	0.0	0.1	0.0	107.3	113.8
Acquisitions through business combinations (note 4.a)	0.0	0.0	0.1	0.0	0.0	-	0.1
Disposals	(170.7)	(26.7)	(0.9)	(5.6)	(1.1)	(9.6)	(214.7)
Effect of foreign currency exchanges differences	-	-	-	(0.1)	-	-	(0.1)
Transfer to assets classified as held for sale	(143.4)	(5.2)	-	-	-	(0.1)	(148.8)
Transfers	10.8	81.6	1.3	10.5	2.8	(104.4)	2.5
Balance as at January 1, 2016	1,122.8	935.1	18.7	88.1	35.6	16.9	2,217.3
Additions	17.3	3.7	0.0	0.1	0.0	179.2	200.4
Disposals	(34.3)	(23.7)	(0.5)	(3.6)	(0.7)	(1.7)	(64.5)
Disposals of subsidiaries (note 4.b)	(23.2)	(2.7)	-	(0.0)	-	-	(25.9)
Effect of foreign currency exchanges differences	-	-	-	(0.1)	-	-	(0.1)
Transfer to assets classified as held for sale	-	(14.9)	(0.3)	(0.6)	(0.9)	(11.0)	(27.7)
Transfers	25.3	119.7	1.9	12.6	3.2	(165.2)	(2.4)
Balance as at January 1, 2017	1,108.0	1,017.3	19.8	96.5	37.2	18.3	2,297.1
Additions	6.2	1.5	0.0	0.1	0.0	168.8	176.7
Acquisitions through business combinations (note 4.a)	1.4	2.6	0.1	0.3	0.1	-	4.5
Disposals	(32.2)	(42.7)	(0.7)	(2.7)	(2.9)	(2.5)	(83.7)
Effect of foreign currency exchanges differences	-	-	-	(0.1)	-	-	(0.1)
Transfer to assets classified as held for sale	(0.8)	-	-	-	-	-	(0.8)
Transfers	27.1	112.1	2.4	10.2	3.1	(156.5)	(1.7)
Balance as at December 31, 2017	1,109.7	1,090.8	21.6	104.3	37.6	28.1	2,392.1
Accumulated depreciation and impairment							
Balance as at January 1, 2015	375.2	536.5	15.2	65.5	29.6	-	1,021.9
Depreciation expense	20.7	71.5	0.9	7.1	2.0	-	102.2
Impairment losses (note 31)	-	0.0	-	0.0	-	-	0.0
Acquisitions through business combinations (note 4.a)	0.0	0.0	0.1	0.0	0.0	-	0.1
Disposals	(38.6)	(23.2)	(0.9)	(5.4)	(1.1)	-	(69.2)
Transfer to assets classified as held for sale	(31.8)	(3.0)	-	-	-	-	(34.8)
Transfers	(1.5)	2.0	0.1	0.3	0.2	-	1.0
Balance as at January 1, 2016	324.1	583.8	15.3	67.4	30.6	-	1,021.1
Depreciation expense	17.0	73.7	1.0	7.9	2.3	-	101.9
Impairment losses (note 31)	0.0	0.2	0.0	0.0	0.0	-	0.2
Disposals	(6.4)	(22.7)	(0.5)	(3.5)	(0.7)	-	(33.9)
Disposals of subsidiaries (note 4.b)	(7.7)	(2.7)	-	(0.0)	-	-	(10.4)
Transfer to assets classified as held for sale	-	(10.8)	(0.2)	(0.5)	(0.6)	-	(12.1)
Transfers	0.3	(0.0)	(0.0)	(0.1)	-	-	0.2
Balance as at January 1, 2017	327.3	621.4	15.6	71.1	31.5	-	1,067.0
Depreciation expense	17.0	78.5	1.1	9.0	2.7	-	108.3
Impairment losses (note 31)	0.4	0.1	-	-	-	-	0.5
Acquisitions through business combinations (note 4.a)	1.2	1.5	0.1	0.2	0.2	-	3.2
Disposals	(6.3)	(39.1)	(0.7)	(2.5)	(2.9)	-	(51.4)
Effect of foreign currency exchanges differences	-	-	-	(0.1)	-	-	(0.1)
Transfers	0.8	0.1	(0.0)	(0.1)	(0.2)	-	0.6
Balance as at December 31, 2017	340.4	662.6	16.0	77.8	31.3	-	1,128.1
Carrying amount							
At January 01, 2015	1,046.1	347.5	3.1	17.7	4.3	23.8	1,442.4
At December 31, 2015	798.8	351.3	3.4	20.8	5.0	16.9	1,196.1
At December 31, 2016	780.7	395.8	4.2	25.4	5.7	18.3	1,230.0
At December 31, 2017	769.3	428.2	5.6	26.5	6.2	28.1	1,264.0

Additions relate mainly with the expansion and optimisation of stores on the Op Co segment.

Disposals in the years ended December 31, 2015, 2016 and 2017 can be analysed as follow:

Cost:	Land and Buildings	Plant and Equipment	Vehicles	Fixtures and Fittings	Other Property, plant and equipment	Property, plant and equipment in progress	Total
Disposals	(5.7)	(19.1)	(0.9)	(5.6)	(1.1)	(9.6)	(42.1)
Sale and Leaseback	(165.0)	(7.5)	-	-	-	-	(172.6)
Balance as at December 31, 2015	(170.7)	(26.7)	(0.9)	(5.6)	(1.1)	(9.6)	(214.7)
Accumulated depreciation and impairment							
Disposals	(6.4)	(16.3)	(0.9)	(5.4)	(1.1)	-	(30.2)
Sale and Leaseback	(32.2)	(6.9)	-	-	-	-	(39.0)
Balance as at December 31, 2015	(38.6)	(23.2)	(0.9)	(5.4)	(1.1)	-	(69.2)
Carrying amount							
Disposals	0.7	(2.8)	(0.0)	(0.2)	(0.0)	(9.6)	(11.9)
Sale and Leaseback	(132.8)	(0.7)	-	-	-	-	(133.5)

Cost:	Land and Buildings	Plant and Equipment	Vehicles	Fixtures and Fittings	Other Property, plant and equipment	Property, plant and equipment in progress	Total
Disposals	(3.9)	(22.1)	(0.5)	(3.6)	(0.7)	(1.7)	(32.6)
Sale and Leaseback	(30.3)	(1.6)	-	-	-	-	(31.9)
Balance as at December 31, 2016	(34.3)	(23.7)	(0.5)	(3.6)	(0.7)	(1.7)	(64.5)
Accumulated depreciation and impairment							
Disposals	(1.6)	(21.5)	(0.5)	(3.5)	(0.7)	-	(27.9)
Sale and Leaseback	(4.9)	(1.2)	-	-	-	-	(6.0)
Balance as at December 31, 2016	(6.4)	(22.7)	(0.5)	(3.5)	(0.7)	-	(33.9)
Carrying amount							
Disposals	(2.4)	(0.5)	(0.0)	(0.1)	(0.0)	(1.7)	(4.7)
Sale and Leaseback	(25.5)	(0.4)	-	-	-	-	(25.9)

Cost:	Land and Buildings	Plant and Equipment	Vehicles	Fixtures and Fittings	Other Property, plant and equipment	Property, plant and equipment in progress	Total
Disposals	(2.8)	(41.7)	(0.7)	(2.7)	(2.9)	(2.5)	(53.3)
Sale and Leaseback	(29.4)	(1.0)	-	-	-	-	(30.4)
Balance as at December 31, 2017	(32.2)	(42.7)	(0.7)	(2.7)	(2.9)	(2.5)	(83.7)
Accumulated depreciation and impairment							
Disposals	(1.1)	(38.2)	(0.7)	(2.5)	(2.9)	-	(45.4)
Sale and Leaseback	(5.2)	(0.9)	-	-	-	-	(6.0)
Balance as at December 31, 2017	(6.3)	(39.1)	(0.7)	(2.5)	(2.9)	-	(51.4)
Carrying amount							
Disposals	(1.7)	(3.5)	(0.0)	(0.2)	(0.0)	(2.5)	(7.9)
Sale and Leaseback	(24.3)	(0.1)	-	-	-	-	(24.4)

Disposals mainly relates to the restructuring process of the new store concepts of the Op Co segment.

In 2015, "Transfer to Assets classified as held for sale" in Land and Buildings include the net amount of 114 million euro of net assets transferred to "Assets classified as held for sale" during the period, relating to real estate assets of the Prop Co Segment, whose sale took place in 2016 (note 20). In 2016 includes the net amount of 16.4 million euro of assets transferred to "Assets classified as held for sale" related to Sohi Meat, due to the loss of control of this company in January 2017 (note 20).

Independent appraisers (Jones Lang LaSalle) have valued most part of real estate assets owned by Prop Co segment (note 5) as at December 31, 2015, 2016 and 2017. Such valuations are used by the Company for impairment tests only considering real estate assets as stated at cost less depreciation and impairment. These assets are recorded at acquisition cost deducted of depreciation and impairment losses. These valuations were performed based on the income method, using yields in 2017 between 6.75% and 9.00 % (6.75% and 9.00 % in 2016 and 7.00% and 9.25 % in 2015), 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 December 31, 2015, 2016 and 2017. There were no impairments recorded during the periods.

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

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Refurbishment and expansion of stores in Portugal, and others	14.7	16.6	26.8
Projects for which advance payments were made	2.2	1.7	1.3
Property, plant and equipment in progress	16.9	18.3	28.1

The amount of Impairment losses included in “Accumulated depreciation and impairment” can be detailed as follows:

	Land and Buildings	Plant and Equipment	Vehicles	Fixtures and Fittings	Other Property, plant and equipment	Total
Impairment losses (note 31)						
Balance as at January 1, 2015	66.3	9.5	0.0	0.1	0.0	75.9
Impairment losses	-	0.0	-	0.0	-	0.0
Disposals	(0.5)	(0.5)	0.0	0.0	(0.0)	(1.0)
Balance as at January 1, 2016	65.8	9.0	0.0	0.1	0.0	74.9
Impairment losses	0.0	0.2	0.0	0.0	0.0	0.2
Disposals	(2.0)	(2.7)	(0.0)	(0.0)	(0.0)	(4.8)
Balance as at January 1, 2017	63.8	6.4	0.0	0.1	0.0	70.4
Impairment losses	0.4	0.1	-	-	-	0.5
Disposals	(0.4)	(1.1)	(0.0)	(0.0)	(0.2)	(1.6)
Acquisitions through business combinations (note 4.a)	-	-	-	-	0.2	0.2
Balance as at December 31, 2017	63.8	5.4	0.0	0.1	0.0	69.4

7.2. Sale and Leaseback transactions

During the years ended December 31, 2015, 2016 and 2017, several sale and leaseback transactions were accounted for by the Group:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Carrying amount of sale & Leaseback disposed assets			
Property plant and equipment	(133.5)	(25.9)	(24.4)
Assets classified as held for sale (note 20)	-	(114.0)	-
Net assets of subsidiaries sold excluding debt (note 4.b))	-	(8.5)	-
Goodwill allocated to real estate assets sold (note 9)	-	(0.6)	(0.5)
Sale & Leaseback divestments	(133.5)	(149.0)	(24.9)
Proceeds from the sale	185.2	218.1	36.9
Future responsibilities arising on Sale & Leaseback (refer to notes 26 and 30)	(10.4)	(8.3)	(1.2)
Net capital gains/losses on sale & leaseback transactions (notes 36 and 38)	41.3	60.8	10.8

In 2017, the disposed assets correspond to 5 real estate food retail assets located in Portugal (17 food retail real estate assets in 2016, including Imoconti asset – Note 4.b and 15 food retail real estate assets in 2015).

The lease agreements of the related assets were considered operating leases, taking into account the indicators traditionally used to determine the nature of the lease agreements as defined in IAS 17. These contracts usually have an initial term of 20 years, with the possibility of being extended, at market conditions, for four additional periods of 10 years. The Board of Directors considers probable that the assets will only be leased for the initial period of 20 years, which is less than the expected remaining life of the assets linked with this transaction. It was also considered that there is no repurchase obligation regarding the asset linked with the lease agreements, that the acquisition options are only exercisable at market prices, and the present value of minimum payments of the lease contract.

8) Intangible assets

In the years ended December 31, 2015, 2016 and 2017, the movement occurred in “Intangible assets” and in the corresponding accumulated amortization and impairment losses, was as follows:

Cost	Industrial property	Software	Others intangible assets	Intangible assets in progress	Total
Balance as at January 1, 2015	93.2	206.1	7.8	33.7	340.8
Additions	0.1	-	-	36.7	36.7
Disposals	(0.0)	(0.2)	-	(4.9)	(5.1)
Effect of foreign currency exchanges differences	(0.0)	(0.0)	(0.0)	-	(0.1)
Transfers	0.4	39.5	-	(40.3)	(0.4)
Balance as at January 1, 2016	93.6	245.4	7.8	25.2	372.1
Additions	0.0	0.4	0.1	42.1	42.6
Disposals	(0.0)	(0.7)	-	(2.7)	(3.4)
Effect of foreign currency exchanges differences	(0.1)	(0.0)	(0.0)	-	(0.1)
Assets classified as held for sale	-	(2.1)	-	-	(2.1)
Transfers	0.1	37.0	0.7	(38.0)	(0.2)
Balance as at January 1, 2017	93.7	280.0	8.6	26.7	408.9
Additions	0.0	0.2	-	42.5	42.7
Acquisitions through business combinations (note 4.a)	0.0	0.1	-	-	0.2
Disposals	(0.1)	(5.2)	-	(4.6)	(9.9)
Effect of foreign currency exchanges differences	(0.1)	(0.0)	(0.0)	-	(0.1)
Transfers	0.2	38.0	0.0	(39.1)	(1.0)
Balance as at December 31, 2017	93.8	313.0	8.5	25.4	440.8
Accumulated amortization and impairment					
Balance as at January 1, 2015	16.4	144.0	7.4	-	167.8
Amortisation expense	0.8	17.1	0.0	-	17.9
Disposals	(0.0)	(0.0)	-	-	(0.0)
Effect of foreign currency exchanges differences	(0.0)	(0.0)	(0.0)	-	(0.0)
Transfers	0.0	0.0	-	-	0.0
Balance as at January 1, 2016	17.1	161.1	7.4	-	185.6
Amortisation expense	0.5	20.6	0.0	-	21.2
Disposals	(0.0)	(0.7)	-	-	(0.7)
Effect of foreign currency exchanges differences	(0.0)	(0.0)	(0.0)	-	(0.1)
Assets classified as held for sale	-	(1.5)	-	-	(1.5)
Transfers	(0.0)	0.0	0.0	-	0.0
Balance as at January 1, 2017	17.6	179.6	7.4	-	204.6
Amortisation expense	0.5	24.9	0.1	-	25.5
Acquisitions through business combinations (note 4.a)	0.0	0.1	-	-	0.1
Disposals	(0.0)	(4.4)	-	-	(4.4)
Effect of foreign currency exchanges differences	(0.1)	(0.0)	(0.0)	-	(0.1)
Balance as at December 31, 2017	18.0	200.2	7.6	-	225.7
Carrying amount					
At January 01, 2015	76.8	62.1	0.4	33.7	173.0
At December 31, 2015	76.5	84.3	0.4	25.2	186.5
At December 31, 2016	76.1	100.4	1.1	26.7	204.3
At December 31, 2017	75.8	112.8	1.0	25.4	215.0

Additions to intangible assets in progress as at December 31, 2017, 2016 and 2015 related mainly to IT projects and development. Within that amount, it is included 9 million euro of capitalizations of personnel costs and expenses incurred by subsidiaries related to own work capitalized (about 6.8 million euro in 2016 and about 4.5 million euro in 2015) (note 38).

Additionally, the caption "Industrial property" include the acquisition cost of a group of brands with indefinite useful lives among which the "Continente" brand, acquired in previous years, which carrying amount is 75 million euro. It is considered that the brand has an indefinite useful life since there it is not a foreseeable end to the period for which Sonae MC expects to obtain benefits.

Sonae MC performs annual impairment tests over the brands, and obtained periodically for this purpose an independent valuation of Continente brand made by independent appraisers (Interbrand), the last obtained dated February 11, 2016. As at 31 December 2017, the external evaluation performed at the beginning of 2016 was internally updated and the value more than supports the carrying amount of the asset as at December 31, 2017. Refer to note 9 regarding main assumptions considered in the mentioned valuations.

9) Goodwill

Goodwill is allocated to each business segment, Op Co and Prop Co, and within such segment to each homogenous group of cash generating units, namely to each format of retail operations (Op Co) or to specific properties in case of Prop Co segment.

As at January 1, 2015, December 31, 2015, 2016 and 2017, the caption “Goodwill” was made up as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Food retail	433.8	434.3	434.4	434.4
Go Natural	-	-	-	9.5
Others	-	0.7	0.7	0.7
Op Co	433.8	435.0	435.1	444.7
Prop Co	3.3	3.3	2.7	2.2
	437.1	438.3	437.9	446.9

During the years ended in December 31, 2015, 2016 and 2017, movements in “Goodwill” as well as in the corresponding impairment losses, are as follows:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Gross amount:			
Balance at beginning of year	444.2	445.4	444.9
Additional amounts recognised from business combinations occurring during the year (note 4.a)	1.2	-	9.5
Disposals (note 7.2)	-	(0.6)	(0.5)
Others	-	0.1	-
Balance at end of year	445.4	444.9	453.9
Accumulated impairment losses:			
Balance at beginning of year	7.0	7.0	7.0
Increases	-	-	-
Balance at end of year	7.0	7.0	7.0
Carrying amount	438.3	437.9	446.9

The assessment of impairment losses in Goodwill is made by taking into account the group of cash-generating units, to which Goodwill is allocated 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.

The Op Co segment use internal valuation of its business concepts, using annual planning methodologies, supported in business plans that consider cash flow projections for each unit that 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 format 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:

Op Co Segment	Dec 31, 2015			Dec 31, 2016			Dec 31, 2017		
	Weighted average capital cost	Growth rate in perpetuity	Compound growth rate sales excluding expansion	Weighted average capital cost	Growth rate in perpetuity	Compound growth rate sales excluding expansion	Weighted average capital cost	Growth rate in perpetuity	Compound growth rate sales excluding expansion
Food retail	9% to 10%	<= 2%	-0.7%	9% to 10%	<= 2%	-0.6%	9% to 10%	<= 2%	-0.7%

The impairment tests of Sonae MC have not lead to the recognition of impairment losses in either 2015, 2016 or 2017.

10) Investments in joint ventures and associates

x. Detail of book value of investment in joint ventures and associates

Joint ventures and associates, their head offices, percentage of share capital held and their value in the combined statement of financial position as at January 1, 2015, December 31, 2015, 2016 and 2017 are as follows:

	Head Office	Proportion of ownership interest				Combined statement of financial position			
		Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Sohi Meat Solutions - Distribuição de Carnes, SA ⁽¹⁾	Santarém	-	-	-	50.00%	-	-	-	2.4
Investments in joint ventures						-	-	-	2.4
APOR- Agência para a Modernização do Porto, SA	Porto	23.00%	23.00%	22.75%	22.75%	0.4	0.4	0.3	0.3
Movvo, SA ⁽²⁾	Lisbon	9.09%	16.00%	25.58%	25.58%	-	-	2.8	-
S2 Mozambique, SA	Maputo	-	-	30.00%	30.00%	-	-	1.4	1.6
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	25.00%	25.00%	1.2	1.2	1.3	1.1
Ulabox, S.L.	Barcelona	-	28.57%	39.18%	41.89%	-	2.9	3.8	4.0
Investment in associates						1.6	4.5	9.7	7.0
Total						1.6	4.5	9.7	9.3

(1) On January 3, 2017, a joint venture between Sonae MC and Hilton Food Group PLC was created through a capital increase of this Group on Sohi Meat. From this moment, onwards, Sohimeat is consolidated through the equity method;

(2) On May 27, 2016, the group proceeded to an increase of share capital in MOVVO. Through this increase, the company begun being measured by the equity method.

In result of the agreement signed on January 2017, Sohi Meat has been included in the 2017 Combined Financial Statements using the equity method due the loss of control (note 20) not resulting in a material impact besides the derecognition of assets and liabilities disclosed in note 20.

y. Financial indicators of participations

xviii. Joint ventures

As at December 31, 2017, summary financial information of joint ventures of the group can be analysed as follows (in 2015 and 2016 Sonae MC did not held interest on joint ventures):

	Dec 31, 2017
Joint Ventures	Sohi Meat
Assets	
Property, plant and equipment	20.8
Intangible assets	0.3
Other non-current assets	0.2
Non-current assets	21.3
Trade account receivables	26.9
Cash and bank balances	0.4
Other current assets	9.1
Current assets	36.3
Total assets	57.6
Trade payables	50.9
Other current liabilities	2.6
Total current liabilities	53.5
Total liabilities	53.5
Total equity	4.1
Total equity and liabilities	57.6
	2017
Joint Ventures	Sohi Meat
Revenue	270.8
Other income	42.4
Total income	313.2
Cost of goods sold and materials consumed	(248.6)
External supplies and services	(9.2)
Depreciation and amortization	(2.1)
Other operating costs	(53.3)
Total operating costs	(313.2)
Net financial expense	-
Income tax expense	0.0
Profit for the year	0.0
Other comprehensive income for the year	-
Total comprehensive income for the year	0.0

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

	Dec 31, 2017
Joint ventures	Sohimeat, SA
Total equity	4.1
Proportion of ownership interest	50%
Net assets share	2.1
Goodwill recognized in financial investments	-
Other effects	0.3
Financial investment	2.4

xix. Associates

As at December 31, 2015, 2016 and 2017, summary financial information of Group associates can be analysed as follows:

	Jan 1, 2015	
Associates	APOR	Sempre a Postos
Non-current assets	0.0	2.4
Current assets	1.9	9.6
Non-current liabilities	-	0.0
Current liabilities	0.1	7.2
Total equity	1.8	4.7

	Dec 31, 2015				
Associates	APOR	Sempre a Postos	Ulabox		
Non-current assets	0.0	1.8	0.7		
Current assets	1.7	10.1	3.0		
Non-current liabilities	-	0.0	-		
Current liabilities	0.1	6.9	1.2		
Total equity	1.6	4.9	2.4		
	Dec 31, 2016				
Associates	APOR	Movvo	Sempre a Postos	S2 Mozambique	Ulabox
Non-current assets	0.0	0.9	1.2	3.5	1.1
Current assets	1.5	1.2	10.4	2.5	2.0
Non-current liabilities	-	0.1	-	-	-
Current liabilities	0.1	0.7	6.2	1.5	1.4
Total equity	1.4	1.3	5.4	4.5	1.7
	Dec 31, 2017				
Associates	APOR	Movvo	Sempre a Postos	S2 Mozambique	Ulabox
Non-current assets	0.0	0.7	0.7	5.7	1.6
Current assets	1.4	1.0	10.3	2.4	1.4
Non-current liabilities	-	2.0	-	-	-
Current liabilities	0.1	0.7	6.8	3.0	1.7
Total equity	1.3	(1.0)	4.2	5.1	1.3
	2015				
Associates	APOR	Sempre a Postos	Ulabox		
Revenue	0.1	51.5	4.4		
Other operational income	0.0	3.9	0.3		
Operational expenses	(0.3)	(53.6)	(7.7)		
Net financial expense	0.0	0.0	-		
Income tax expense	(0.0)	(0.4)	(0.7)		
Profit/(loss) for the year	(0.2)	1.4	(3.7)		
Other comprehensive income for the year	-	-	-		
Total comprehensive income for the year	(0.2)	1.4	(3.7)		
	2016				
Associates	APOR	Movvo	Sempre a Postos	S2 Mozambique	Ulabox
Revenue	0.1	0.1	53.9	2.1	7.6
Other operational income	0.0	-	3.4	-	0.6
Operational expenses	(0.4)	(1.9)	(55.0)	(2.8)	(13.0)
Net financial expense	0.0	(0.0)	0.0	0.0	0.0
Income tax expense	(0.0)	-	(0.6)	-	-
Profit/(loss) for the year	(0.2)	(1.8)	1.8	(0.6)	(4.7)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	(0.2)	(1.8)	1.8	(0.6)	(4.7)

	2017				
	APOR	Movvo	Sempre a Postos	S2 Mozambique	Ulabox
Revenue	0.4	0.2	55.9	5.7	9.5
Other operational income	0.0	0.0	3.2	0.3	0.9
Operational expenses	(0.6)	(1.8)	(56.2)	(8.8)	(14.5)
Net financial expense	0.0	(0.0)	0.0	(0.3)	(0.0)
Income tax expense	(0.0)	-	(0.8)	(0.0)	-
Profit/(loss) for the year	(0.1)	(1.6)	2.2	(3.2)	(4.1)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	(0.1)	(1.6)	2.2	(3.2)	(4.1)

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

	Jan 1, 2015				
Associates	APOR	Sempre a Postos			
Total equity	1.8	4.7			
Proportion of ownership interest	23%	25%			
Net assets share	0.4	1.2			
Goodwill recognized in financial investments	-	-			
Other effects	(0.0)	-			
Financial investment	0.4	1.2			
Dec 31, 2015					
Associates	APOR	Sempre a Postos	Ulabox		
Total equity	1.6	4.9	2.4		
Proportion of ownership interest	23%	25%	29%		
Net assets share	0.4	1.2	0.7		
Goodwill recognized in financial investments	-	-	1.2		
Other effects	(0.0)	(0.0)	0.9		
Financial investment	0.4	1.2	2.9		
Dec 31, 2016					
Associates	APOR	Movvo	Sempre a Postos	S2 Mozambique	Ulabox
Total equity	1.4	1.3	5.4	4.5	1.7
Proportion of ownership interest	22.75%	25.58%	25.00%	30.00%	39.18%
Net assets share	0.3	0.3	1.3	1.4	0.7
Goodwill recognized in financial investments	-	2.1	-	-	1.2
Other effects	-	0.3	-	0.1	1.9
Financial investment	0.3	2.8	1.3	1.4	3.8
Dec 31, 2017					
Associates	APOR	Movvo	Sempre a Postos	S2 Mozambique	Ulabox
Total equity	1.3	(1.0)	4.2	5.1	1.3
Proportion of ownership interest	22.75%	25.00%	25.00%	30.00%	41.89%
Net assets share	0.3	(0.3)	1.1	1.5	0.5
Goodwill recognized in financial investments	-	-	-	-	1.5
Other effects	-	0.3	-	0.1	1.9
Financial investment	0.3	-	1.1	1.6	4.0

z. *Movements occurred in the period*

During the years ended December 31, 2015, 2016 and 2017, movements in “Investments in joint ventures and associates” are as follows:

	2015			2016			2017		
	Proportion on equity	Goodwill	Total investment	Proportion on equity	Goodwill	Total investment	Proportion on equity	Goodwill	Total investment
Joint ventures									
Initial balance as at January,1	-	-	-	-	-	-	-	-	-
Change of consolidation method	-	-	-	-	-	-	2.7	-	2.7
Equity method:									
Effect in gain or losses in joint controlled in the combined income statement	-	-	-	-	-	-	(0.3)	-	(0.3)
	-	-	-	-	-	-	2.4	-	2.4
Investments in associates									
Initial balance as at January,1	1.6	-	1.6	3.2	1.2	4.5	6.3	3.4	9.7
Acquisitions during the period	2.0	1.2	3.2	1.6	-	1.6	-	-	-
Company incorporation, capital increase and supplementary capital contributions	-	-	-	3.8	2.1	5.9	3.2	0.3	3.5
Equity method:									
Impact in the combined income statement:									
Effect in gain/losses in associated companies	(0.1)	-	(0.1)	(2.0)	-	(2.0)	(2.6)	-	(2.6)
Impairment losses	-	-	-	-	-	-	(0.7)	(2.1)	(2.8)
Others	-	-	-	-	-	-	-	-	-
Dividends received	(0.3)	-	(0.3)	(0.4)	-	(0.4)	(0.8)	-	(0.8)
Change in group reserves	0.0	-	0.0	0.0	-	0.0	0.1	-	0.1
	3.2	1.2	4.5	6.3	3.4	9.7	5.4	1.5	7.0
Total	3.2	1.2	4.5	6.3	3.4	9.7	7.8	1.5	9.3

The amount disclosed under “Change of consolidation method” was due to the loss of control over Sohi Meat Solutions- Distribuição de Carnes, SA, following the agreement signed on January 3, 2017, the date on which a Joint Venture was created between Sonae MC and Hilton Food Group PLC through a capital increase of the latest in Sohi Meat. Since then, Sohi Meat has been included in Combined Financial Statements using the equity method.

In 2017, the associate Movvo, entered in process of liquidation therefore a full impairment was recognized for the investment held in this associate.

11) Other investments

Other non-current investments carrying amount as at December 31, 2015, 2016 and 2017, is detailed as follows:

Company	Head Office	Percentage of capital held				Statment of financial position			
		Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Equity instruments									
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	14.28%	14.28%	0.0	0.0	0.0	0.0
Insc - Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	0.9	0.9	0.9	0.9
Movvo,SA ⁽¹⁾	Porto	9.09%	16.00%	25.58%	25.58%	0.4	1.0	-	-
Other investments						10.0	10.0	10.0	10.9
						11.3	11.9	10.9	11.8

(1) On May 27, 2016, the group proceeded to an increase of share capital in Movvo. Through this increase, the associate begun to be classified as an associate;

The caption “Other investments” includes, among others, 9.9 million euro in 31 December 2017 (10 million euro in 31 December 2016 and 2015) related to deposited amounts on an Escrow Account which is invested in investment funds with superior rating, and that are given as guarantee for contractual liabilities assumed on the disposal of the Brazilian retail business (in 2005) and for which provisions were recognized (notes 31 and 33).

As at December 31, 2015, 2016 and 2017, the amounts disclosed as equity instruments, represent investments on equity instruments of immaterial amount in unlisted companies and in which the Group does not hold significant influence. The Group considers that the fair value of such investments is not material and, therefore maintains it at acquisition cost, adjusted, if applicable, by accumulated impairments.

For the years ended December 31, 2015, 2016 and 2017, the movements in "Other investments" is made up as follows:

	Dec 31, 2015		Dec 31, 2016		Dec 31, 2017	
	Non Current	Current	Non Current	Current	Non Current	Current
Other investments:						
Opening balance as at 1 January	11.3	-	11.9	-	10.9	-
Increases in the period	0.6	-	1.0	-	1.0	-
Decreases in the period	(0.0)	-	(0.0)	-	-	-
Transfer to "Associates" (note 10)	-	-	(2.0)	-	-	-
Closing balance as at 31 December	11.9	-	10.9	-	11.8	-
Derivatives						
Fair value as at 1 January	-	0.9	-	0.4	-	0.7
Increase/(Decrease) in fair value	-	(0.5)	-	0.3	-	(0.6)
Fair value as at 31 December (note 25)	-	0.4	-	0.7	-	0.1
Total of Other Investments (note 6)	11.9	0.4	10.9	0.7	11.8	0.1

12) Other non-current assets

As at January 1, 2015, December 31, 2015, 2016 and 2017, "Other non-current assets" are detailed as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Non-current trade accounts receivable and other debtors				
Recognition of the value to be received from Wall Mart (a)	7.9	-	-	-
Legal deposits (b)	0.8	0.6	0.8	3.9
Escrow account (c)	-	-	-	0.4
Others	0.1	0.1	0.2	0.1
	8.9	0.8	0.9	4.5
Accumulated impairment losses in other debtors	-	-	-	-
Total of financial instruments (note 6)	8.9	0.8	0.9	4.5
Special regime for payment of tax and social security debts (d)	6.5	5.2	6.2	6.2
	15.4	6.0	7.1	10.7

Most significant values relate to:

- a) As a result of the agreements signed in 2005 by the former subsidiary - Sonae Distribuicao Brasil, SA (sold to Wall-Mart in 2005) with Carrefour Comércio e Indústria Ltda, Sonae assumed the responsibility to compensate Carrefour for the expenses that would arise from the 10 stores licensing process, in the Brazilian state of Sao Paulo, that were sold to that entity. During 2010, Carrefour triggered a bank warranty "on first demand" amounting to 25.3 million Brazilian real (approximately 7.9 million euro) to compensate expenses allegedly incurred with the licensing process of the mentioned stores in order to rectify deficiencies identified by competent authorities. However, no evidence of those expenses was presented to Sonae Investimentos, or proof of the necessity of carrying out such expenses for the licensing process as established on the mentioned agreements.

During 2014 Carrefour made a proposition to pay the above mentioned amount having the agreement already been signed in February 2015, for an amount of 35 million Brazilian reais (approximately 9.6 million euro).

- b) Legal deposits: amounts related to deposits made by a Brazilian subsidiary, pledged as collateral for liabilities and contingent liabilities, for which correspondent liabilities in the caption "Other non-current liabilities" (Note 26), with no defined maturity.
- c) Escrow account: at December 31, 2017 corresponds to amounts paid to the sellers of Go Well (note 4.a) held under Escrow for the purposes of guarantee contingencies.
- d) Special Regime for Payment of Tax and Social Security Debts: corresponds to income taxes voluntarily paid under special regimes for payment of taxes and levies in relation with income tax claims by tax authorities, which were already appealed to competent courts at the time of voluntary payment. The appeals are still in progress, however the guarantees provided for the said claims were cancelled, and interests and fines forgave. No impairment loss was recognized for these assets since it is the Board of Directors understanding that the appeals

presented will be decided in Sonae MC favour, in which case the amounts paid will bear interests at legal interest rates.

13) Inventories

As at January 1, 2015, December 31, 2015, 2016 and 2017, “Inventories” are detailed as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Raw materials and consumables	-	0.1	0.1	0.6
Goods for sale	341.3	346.8	387.3	412.4
	341.3	346.9	387.4	413.0
Write-downs of inventories	(15.1)	(17.1)	(15.3)	(16.7)
	326.2	329.7	372.1	396.3

“Cost of goods sold and materials consumed” as at December 31, 2015, 2016 and 2017 may be detailed as follows:

	2015	2016	2017
Opening balance	341.3	346.9	387.4
Changes in consolidation perimeter (note 4.a)	0.2	-	0.6
Purchases net of commercial income	2,535.1	2,729.0	2,868.9
Inventory adjustments	(5.9)	(8.6)	(7.4)
Closing balance	346.9	387.4	413.0
	2,523.8	2,680.0	2,836.5
Write-downs of inventories	2.0	(1.7)	1.4
	2,525.9	2,678.2	2,837.9

As at December 31, 2015, 2016 and 2017, the caption Inventory adjustments refers essentially to offers to private social welfare entities.

14) Trade receivables

As at January 1, 2015, December 31, 2015, 2016 and 2017, Trade receivables are detailed as follows:

Trade receivables	Op Co			Prop Co			Total		
	Gross Value	Impairment losses	Carrying Amount	Gross Value	Impairment losses	Carrying Amount	Gross Value	Impairment losses (note 31)	Carrying Amount
Jan 1, 2015	35.7	(3.1)	32.6	1.2	(0.0)	1.2	36.9	(3.1)	33.8
Dec 31, 2015	47.0	(3.4)	43.6	0.3	(0.0)	0.2	47.2	(3.4)	43.8
Dec 31, 2016	60.5	(3.6)	56.9	0.3	(0.0)	0.2	60.8	(3.6)	57.1
Dec 31, 2017	58.1	(4.0)	54.1	0.5	(0.1)	0.4	58.6	(4.1)	54.6

Trade receivables in Op Co include accounts receivable from wholesale sales to related companies amounting to 10.8 million euro (9.3 million euro and 10.2 million euro as at December 31, 2016 and 2015, respectively) and 25.7 million euro mainly related with services rendered and rents from leased real estate assets to related companies (27.5 million euro and 22 million euro as at December 31, 2016 and 2015, respectively).

Sonae MC exposure to credit risk is related to accounts receivable arising from its operational activity. The amounts disclosed on the combined statement of financial position are net of impairment losses that were estimated based on Sonae MC past experience and on the assessment of current economic conditions. It is Sonae understanding that the book value of the trade receivables net of impairment losses does not differ significantly from its fair value.

As at December end there is no indication that the not due accounts receivable will not be received up to the due date, thus no impairment loss was recognized.

As at January 1, 2015, December 31, 2015, 2016 and 2017, the ageing of the trade receivables (gross amount) are as follows:

	Jan 1, 2015			Dec 31, 2015		
	Op Co	Prop Co	Total	Op Co	Prop Co	Total
Not due	19.5	1.1	20.6	24.2	0.1	24.3
Due but not impaired						
0 - 30 days	2.6	0.0	2.6	2.2	0.0	2.2
30 - 90 days	7.8	0.0	7.8	15.0	0.0	15.0
+ 90 days	2.7	-	2.7	2.2	-	2.2
Total	13.1	0.0	13.2	19.4	0.1	19.5
Due and impaired						
0 - 90 days	0.0	-	0.0	0.1	-	0.1
90 - 180 days	0.0	-	0.0	0.0	-	0.0
180 - 360 days	0.1	-	0.1	0.3	-	0.3
+ 360 days	3.0	0.0	3.0	3.0	0.0	3.0
Total	3.1	0.0	3.1	3.4	0.0	3.4
	35.7	1.2	36.9	47.0	0.3	47.2
	Dec 31, 2016			Dec 31, 2017		
	Op Co	Prop Co	Total	Op Co	Prop Co	Total
Not due	39.3	0.2	39.4	26.9	0.4	27.3
Due but not impaired						
0 - 30 days	3.2	0.0	3.2	4.8	-	4.8
30 - 90 days	13.0	-	13.0	20.7	0.0	20.8
+ 90 days	1.4	0.0	1.4	1.7	0.0	1.8
Total	17.7	0.0	17.7	27.3	0.0	27.3
Due and impaired						
0 - 90 days	-	-	-	0.3	-	0.3
90 - 180 days	0.0	-	0.0	0.2	-	0.2
180 - 360 days	0.1	-	0.1	0.1	0.0	0.1
+ 360 days	3.5	0.0	3.5	3.3	0.0	3.3
Total	3.6	0.0	3.6	4.0	0.1	4.1
	60.5	0.3	60.8	58.1	0.5	58.6

In determining the recoverability of trade receivables, Sonae MC considers changes in the credit quality of the trade receivable from the sale date up to the reporting date. The concentration of credit risk is limited due to the large number of customers, excluding related parties. Accordingly, it is considered that the risk of not recovering the trade receivables does not exceed the impairment created for doubtful receivables.

Additionally, Sonae MC considers that the maximum exposure to the credit risk is the net total client amounts presented in the combined statement of financial position.

15) Other receivables

As at January 1, 2015, December 31, 2015, 2016 and 2017, “Other receivables” are detailed as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Other receivables				
Trade creditors - debtor balances	27.9	19.5	24.6	17.7
Accounts receivable related to promotional activities partnerships	-	6.9	6.5	6.4
VAT recoverable on real estate assets	2.4	1.5	2.4	6.0
Disposals of financial investments (note 4.b)	-	-	21.0	-
Accounts receivable from the disposal of property, plant and equipment and intangible assets	0.5	4.3	2.5	1.0
Vouchers and gift cards	1.6	0.1	0.9	9.0
Other current assets	8.9	18.3	7.4	8.0
	41.2	50.5	65.4	48.1
Accumulated impairment losses on other receivables (note 31)	(9.4)	(6.8)	(3.9)	(3.6)
Total of other receivables	31.9	43.8	61.4	44.4

The amounts disclosed as “Trade creditors - debtor balances” relate with commercial income billed to suppliers, to be net settled with future purchases.

The amount of 21 million euro disclosed as at December 31, 2016 as “Disposal of financial investments” relates to the disposal of the subsidiary Imoconti, received in 2017 (note 45).

As at December 31, 2015, “Other current assets” includes 10 million euro related with advance payment made to a third party in past years previously recorded in Property, plant and equipment that, by the third party option, was reimbursed in 2016.

As at January 1, 2015, December 31, 2015, 2016 and 2017, the ageing of “Other receivables” (gross amount) can be analysed as follows:

	Other receivables			
	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Not due	1.0	10.8	41.7	20.3
Due but not impaired				
0 - 90 days	29.3	32.3	19.2	23.3
+ 90 days	1.2	0.1	0.1	0.5
Total	30.5	32.4	19.3	23.8
Due and impaired				
0 - 180 days	0.1	0.5	0.1	0.0
180 - 360 days	0.4	0.5	0.1	0.1
+ 360 days	9.3	6.3	4.1	3.8
Total	9.8	7.3	4.3	3.9
	41.2	50.5	65.4	48.1

As at December 31, 2017 there is no indication that the debtors not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognized.

The carrying amount of “Other receivables” is estimated to be similar to its fair value.

16) Income tax and other tax assets and liabilities

a. Income tax assets and liabilities

As at December 31, 2017, the caption “Income tax assets” includes the amount of 9.5 million euro (32.7, 25.3 and 28.8 million euro as at December 31, 2016 and 2015 and January 1, 2015, respectively) relating to the amount receivable from Sonae SGPS, SA and Modelo Continente Hipermercados, SA – Spanish Branch, resulting from inclusion of group companies taxed under the special regime for the taxation of groups of companies.

In 2017, the Parent decided not to reimburse subsidiaries included in the Tax Group for tax losses surrendered to the Group which explained the decrease of this caption.

As at December 31, 2017, the caption “Income tax liabilities” includes about 47.3 million euro (65.5, 45.9 and 35.2 million euro as at December 31, 2016 and 2015 and January 1, 2015, respectively) related to the amounts payable to other companies of Sonae group included in the tax groups of Sonae SGPS, SA and Modelo Continente Hipermercados, SA – Spanish Branch. The Modelo Continente Hipermercados, SA – Spanish Branch was, on 31 December 2017, 2016 and 2015, the dominant entity of the group of entities taxed in accordance with the Spanish regime for taxing groups of companies some of which were carve-out and do not form part of the Combined Financial Statements.

b. Other tax assets and liabilities

As at January 1, 2015, December 31, 2015, 2016 and 2017, “Other tax assets”, and “Other tax liabilities” are made up as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Tax recoverable				
VAT	9.7	11.6	11.8	19.5
Other taxes	1.5	1.2	1.4	1.2
	11.2	12.8	13.2	20.7
Taxes and contributions payable				
VAT	41.1	40.0	39.6	50.6
Personel income taxes withheld	3.0	3.1	3.3	3.3
Social security contributions	7.5	7.6	8.3	9.4
Other taxes	0.3	0.4	0.2	0.1
	51.9	51.2	51.4	63.5

17) Other current assets

As at January 1, 2015, December 31, 2015, 2016 and 2017, “Other current assets” is made as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Commercial income	38.7	33.1	21.9	10.8
Insurance indemnities	0.0	0.0	1.4	0.0
Commissions to be received	0.2	0.1	-	0.1
Interests to be received	0.1	0.1	0.1	0.3
Others	3.6	4.8	5.2	5.9
Income accruals	42.6	38.1	28.7	17.0
Rents paid in advance	3.9	4.2	4.7	6.0
Insurance premiums paid in advance	6.9	5.2	4.4	3.3
Software licenses	2.1	2.0	2.0	2.2
Condominium management fee's	0.7	0.8	0.7	0.2
Other current assets	1.7	2.6	2.4	3.0
Deferred expenses (prepayments)	15.3	14.8	14.3	14.6
Other current assets	57.8	52.9	42.9	31.7

The caption "Commercial income" refers to commercial income earned by the Group but not yet billed to suppliers.

18) Deferred taxes

Deferred tax assets and liabilities as at January 1, 2015, December 31, 2015, 2016 and 2017 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets				Deferred tax liabilities			
	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Difference between fair value and acquisition cost	6.1	6.0	3.2	3.6	16.0	16.0	5.4	5.4
Temporary differences in property, plant and equipment and intangible assets	-	-	0.0	0.0	60.1	58.9	61.6	67.1
Provisions and impairment losses not accepted for tax purposes	13.6	14.0	11.3	11.1	-	-	-	-
Write off of property, plant and equipment and intangible assets	0.1	0.1	-	0.0	-	-	-	-
Valuation of hedging derivatives	-	0.1	0.0	0.0	0.1	0.1	0.2	0.0
Amortisation of goodwill for tax purposes	-	-	-	-	18.6	-	-	17.5
Revaluation of property, plant and equipment	-	-	-	-	1.3	1.2	1.0	0.9
Tax losses carried forward	31.6	0.0	0.5	4.9	-	-	-	-
Reinvested capital gains/(losses)	-	-	-	-	1.3	0.5	0.3	0.3
Tax Benefits	0.6	0.1	0.1	0.1	-	-	-	-
Others	0.2	2.7	2.3	2.3	1.7	1.4	0.0	0.0
	52.2	23.0	17.5	22.1	99.1	78.1	68.6	91.2

As at January 1, 2015, December 31, 2017, 2016 and 2015 the tax rate applicable to Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate 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.

During the years ended December 31, 2015, 2016 and 2017, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets			Deferred tax liabilities		
	2015	2016	2017	2015	2016	2017
Opening balance	52.2	23.0	17.5	99.1	78.1	68.6
Effects in net income:						
Difference between fair value and acquisition cost	(0.1)	(2.8)	0.4	(0.0)	(10.5)	(0.0)
Temporary differences in tangible and intangible assets	0.0	(0.1)	0.0	(1.2)	4.0	5.5
Provisions and impairment losses not accepted for tax purposes	0.5	(2.7)	(0.2)	-	-	-
Valuation of hedging derivatives	0.0	0.1	0.1	0.0	0.0	0.1
Revaluation of tangible assets	-	-	-	(0.1)	(0.1)	(0.1)
Tax losses carried forward	(31.6)	0.5	4.4	-	-	-
Reversal of deferred tax liabilities of Goodwill amortisation for tax purposes in Spain	-	-	-	(18.6)	-	-
Deferred tax assets arising from tax losses of subsidiaries included in Tax Group	-	-	16.3	-	-	-
Amortisation of goodwill for tax purposes in Spain	-	-	-	-	-	17.5
Reinvested capital gains/(losses)	-	-	-	(0.7)	(0.2)	(0.0)
Tax Benefits	(0.4)	(0.0)	-	-	-	-
Others	2.3	(0.9)	(0.3)	(0.3)	(1.8)	(0.1)
	(29.3)	(6.0)	20.7	(20.9)	(8.6)	22.8
Effects in other comprehensive income:						
Valuation of hedging derivatives	0.1	(0.1)	(0.1)	(0.0)	0.0	(0.2)
	0.1	(0.1)	(0.1)	(0.0)	0.0	(0.2)
Deferred tax assets from tax losses surrendered to the Parent Company (note 43)	-	-	(16.3)	-	-	-
Acquisitions of subsidiaries (note 4.a)	-	-	0.4	-	-	-
Disposals of subsidiaries (note 4.b)	-	-	-	-	(1.3)	-
Non-current assets held for sale (note 20)	-	(0.2)	-	-	(0.3)	-
Others	0.1	0.8	(0.1)	0.0	0.7	0.1
Closing balance	23.0	17.5	22.1	78.1	68.6	91.2

Spanish litigation regarding income tax

In 2010 and 2011, Spanish Tax authorities notified Modelo Continente Hipermercados, S.A. Spanish Branch (MCH Branch) of a reduction in 2008 and 2009 tax losses incurred, amounting to approximately 23.3 million euro, challenging the deduction of Goodwill amortisation, generated on the acquisition of Continente Hipermercados for each of the mentioned years. MCH Branch appealed to the proper Spanish Authorities (Tribunal Economico Administrativo Central de Madrid) in 2010 and 2011 respectively. In 2012 the Company interposed appeal to the National Court in Spain (“Audiencia Nacional Espanha”), due to a decision opposite to the intents of the company, by the Economic and Administrative Central Court of Madrid, in relation with 2008 additional tax assessment.

During 2014, following an additional tax inspection for 2008 to 2011, Spanish Tax authorities corrected tax losses carried forward regarding goodwill amortisation and financial expenses borne in result of the acquisition of Continente Hipermercados S.A. Although in complete disagreement, MCH Branch amended its past tax returns and appealed to the proper Spanish Authorities (Tribunal Economico-Administrativo in Spain). Tax returns for 2012 to 2015 were amended.

In 2015, the Spanish Authorities (Tribunal Economico-Administrativo Central in Spain) decided in court against the Group's intentions, and Sonae, despite having appealed to the Supreme Court as a matter of prudence, decided to reverse the, previously recognized, deferred tax assets from 2008 to 2011 in the amount of 36 million euro, and deferred tax liabilities arising on Goodwill amortisation for tax purposes in the amount of 18.6 million euro, considering that the amortisation of goodwill for tax purposes was not considered tax deductible hence there were no taxable temporary difference.

In 2016, the Supreme Court decided in favour of the Group regarding tax amortisation of Goodwill, with reference to 2008, and the Group corrected, during 2017 the tax return for 2016 being the Group's intention to also consider such amortisation in the tax return for the year 2017. For that reason, in 2017 the Group deducted tax on the amortisation of goodwill generated in previous years for the years 2008, 2016 and 2017, having recognized 17.5 million euro in deferred tax liabilities.

Taking into account the tax proceedings pending before the court in Spain for the financial years 2009 to 2011, as well as for the fact that the Group was prevented from recognizing the tax amortisation of goodwill for the financial years 2012 to 2015, the right of the entity to deduct tax amortisation of goodwill amounting to 69.8 million euro might be given in the future, in which case temporary taxable differences that will arise as well as additional tax losses carryforward.

In 2018, the Supreme Court decided in favour of the Group regarding tax amortisation of Goodwill, with reference to 2009, and it is Group intention to also consider such amortization in the tax return for the year 2018

Deferred tax assets regarding tax losses carryforward and tax credits

As at January 1, 2015, December 31, 2015, 2016 and 2017, and in accordance with the tax returns 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:

		Jan 1, 2015			Dec 31, 2015		
		Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use							
Generated in 2015	Portugal	-	-	2027	0.1	0.0	2027
		-	-		0.1	0.0	
Without limited time use							
	Spain	126.5	31.6		0.0	0.0	
		126.5	31.6		0.1	0.0	
		Dec 31, 2016			Dec 31, 2017		
		Tax losses carried forward	Deferred tax assets	Deferred tax assets	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use							
Generated in 2013	Portugal	-	-	2018	0.5	0.1	2018
Generated in 2014	Portugal	0.0	0.0	2026	0.5	0.1	2026
Generated in 2015	Portugal	0.1	0.0	2027	0.1	0.0	2027
Generated in 2016	Portugal	0.2	0.1	2028	0.2	0.1	2028
Generated in 2017	Portugal	-	-	2022	1.2	0.3	2022
		0.3	0.1		2.6	0.6	
Without limited time use							
	Spain	1.9	0.5		17.4	4.4	
		2.2	0.5		20.1	4.9	

As at January 1, 2015, December 31, 2015, 2016 and 2017, the deferred taxes to be recognized arising from tax losses carryforward were assessed only been recorded to the extent that future taxable profits will arise which might be offset against available tax losses or against deductible temporary differences that exist at the time of recognition. The assessment took into consideration the tax and time limits to offset tax losses carryforward with taxable income, which, in December 2017, amounts to 70% in Portugal (with time limit) and 25% in Spain (without time limit).

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 9, with the exception of Specialized Retail operations in Spain, which are part of the Tax group in Spain.

As at December 31, 2017, the Group had an amount of 4.4 million arising from tax losses carryforward in the Spanish Tax Group and which can only be recovered by the companies in Spain within the tax group. The Modelo Continente Hipermercados, SA Branch in Spain ("MCH Branch") was, the dominant entity of the group of companies taxed in accordance with the Spanish regime for taxing groups of companies, in Spain which includes, besides the Spanish entities included in the scope of the Combined Financial Statements (see note 47, also included some Spanish companies owned by Sonae MC, SGPS, S.A. and that will be carve-out (note 1.e). The recoverability of deferred tax assets is supported by the amount of deferred tax liabilities already recognized.

The special tax regime for group of companies in Spain is only available where, among other requirements, the controlling company (currently MCH Branch) holds at least 75% of the share capital of other companies or those entities are controlled by the same entity than the controlling entity in more than 75% (even if that entity is not a Spanish company). Where, following the offering, MCH Branch and the companies currently taxed in accordance with the Spanish special regime of tax applicable to groups, could cease to comply with this requirement considering the companies may no longer be controlled in more than 75% by the same entity (ultimately the Parent). Hence, should that be the case, these companies may lose the ability to offset respective profits against the other group companies' losses or respective losses against the other group companies' profits, which may negatively impact the recoverability of the above mentioned deferred tax assets.

Tax losses carryforward, tax credits and temporary differences for which no deferred tax was recognized

As at December 31, 2017, there are reportable tax losses amounting to 95.5 million euro (41.9 million euro as at December 31, 2016, 34.8 million euro as at December 31, 2015 and 24.6 million euro as at January 1, 2015), for which no deferred tax assets were recognized for prudential reasons:

		Jan 1, 2015			Dec 31, 2015		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Generated in 2011	Portugal	4.3	0.9	2016	-	-	2016
Generated in 2012	Portugal	3.5	0.7	2017	3.7	0.8	2017
Generated in 2013	Portugal	0.8	0.2	2018	0.8	0.2	2018
		8.6	1.8		4.6	1.0	
Generated in 2011	Turkey	0.3	0.1	2016	0.3	0.1	2016
Generated in 2012	Turkey	0.5	0.1	2017	0.5	0.1	2017
Generated in 2013	Turkey	0.6	0.1	2018	0.6	0.1	2018
Generated in 2014	Turkey	0.6	0.1	2019	0.6	0.1	2019
Generated in 2015	Turkey	-	-		0.8	0.2	2020
		2.0	0.4		2.8	0.6	
		10.6	2.2		7.3	1.5	
Without limited time use							
	Brazil	14.0	4.8		11.8	4.0	
	Spain	-	-		15.6	3.9	
		14.0	4.8		27.5	7.9	
		24.6	7.0		34.8	9.4	
		Dec 31, 2016			Dec 31, 2017		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Generated in 2012	Portugal	2.1	0.4	2017	-	-	2017
Generated in 2013	Portugal	0.8	0.2	2018	-	-	2018
		2.9	0.6		-	-	
Generated in 2012	Turkey	0.5	0.1	2017	-	-	
Generated in 2013	Turkey	0.6	0.1	2018	0.6	0.1	2018
Generated in 2014	Turkey	0.6	0.1	2019	0.6	0.1	2019
Generated in 2015	Turkey	0.8	0.2	2020	0.8	0.2	2020
Generated in 2016	Turkey	0.2	0.0	2021	0.2	0.0	2021
Generated in 2017	Turkey	-	-		0.1	0.0	2022
		2.7	0.5		2.3	0.5	
		5.6	1.2		2.3	0.5	
Without limited time use							
	Brazil	17.0	5.8		16.6	5.6	
	Spain	19.3	4.8		76.7	19.2	
		36.2	10.6		93.2	24.8	
		41.9	11.7		95.5	25.2	

The Group does not recognize deferred tax assets or liabilities for deductible or taxable temporary differences relating to investments in subsidiaries, as it is unlikely that such differences will be reversed in the near future. In addition, in what concerns subsidiaries, joint ventures and associates, the shareholding held by the Group exceeds 10% for more than one year, which enables it to be considered in the Participation Exemption tax regime, therefore not being taxed on sale.

Profits distributed to the Group by subsidiaries, joint ventures or associates in Portugal are, usually, not taxed as a result of applying the regime established in article 46 of the Corporation Income Tax Code, which eliminates double taxation of profits distributed, except in some particular situations in relation with real estate funds to which such provision does not apply. In relation with real estate funds there is no expectation to distribute profits in the foreseeable future hence no deferred tax liability was considered.

19) Cash and cash equivalents

As at January 1, 2015, December 31, 2015, 2016 and 2017, Cash and cash equivalents are as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Cash at hand	6.1	7.6	7.4	8.6
Bank deposits	77.3	39.9	56.8	85.1
Cash and bank balances (note 6)	83.5	47.5	64.2	93.7
Bank overdrafts (note 23)	(0.1)	(12.6)	(17.6)	(2.7)
Cash and cash equivalents on the statement of cash flows	83.4	34.9	46.6	91.0

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

20) Assets classified as held for sale and liabilities directly associated with assets held for sale

As at December 31, 2015, the Group classified as “Assets classified as held for sale”, the carrying amount of 12 food retail real estate assets located in Portugal included in Prop Co segment that were sold and leasedback in 2016, amounting to 114 million euro (note 7).

In 2016, an agreement was reached between the Group and an entity specialized in the processing and packaging of meat with the objective of creating a joint venture to operate the meat processing centre. This partnership, included in the Op Co segment, was concluded in January 2017, which is why as at December 31, 2016 the related assets were transferred to “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale” respectively. In addition, the Group also reclassified land with a carried amount of 0.8 million euro included in property, plant and equipment. The detail of these figures is as follows:

	Dec 31, 2016
Property, plant and equipment and intangible assets	17.1
Deferred tax assets (note 18)	0.2
Inventories	1.9
Other current assets	0.4
Cash and bank balances	0.0
Assets classified as held for sale	19.5
Deferred tax liabilities (note 18)	0.3
Trade payables	2.8
Other current liabilities	8.6
Liabilities directly associated with assets classified as held for sale	11.7

21) Share Capital and other equity captions

As at January 1, 2015, December 31, 2015, 2016 and 2017, 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 January 1, 2015, December 31, 2015, 2016 and 2017, the subscribed share capital was held as follows:

Entity	January 1, 2015	December 31, 2015	December 31, 2016	December 31, 2017
Sonae, SGPS, S.A.	25.029%	25.029%	25.029%	25.029%
Sonae MC – Serviços Partilhados, S.A.	51.827%	51.827%	51.827%	51.827%
Sonae Investments, BV	13.142%	13.142%	13.142%	13.142%
Modelo Continente, SGPS, SA (a)	10.000%	10.000%	10.000%	10.000%
Libra Serviços, Lda	0.002%	0.002%	0.002%	0.002%

(a) As Modelo Continente, SGPS, S.A. was fully owned by Sonae MC, SGPS, S.A., the shares held by this company are considered, in accordance with Portuguese law, as own shares. The acquisition cost of these shares is, therefore, disclosed as Own shares within Equity.

As at December 31, 2017, Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae SGPS, S.A. share capital (52.48% as at December 31, 2016 and 2015 and January 1, 2015). Sonae, SGPS, S.A. held directly or indirectly 100% of the Company.

As at January 1, 2015, December 31, 2015, 2016 and 2017, Sonae MC, through a fully owned subsidiary owns 10% of its own shares. Following the acquisition of shares of Sonae MC, SGPS, S.A., legal reserves with an amount equal to the acquisition cost were made unavailable pursuant to article 324 of the Commercial Companies Code. This reserve may only be used after the amortization or sale of the referred shares. Consequently, the number of shares outstanding as at December 31, 2015, 2016 and 2017 was 900,000,000.

As at January 1, 2015, December 31, 2015, 2016 and 2017, the caption “Other reserves and retained earnings” includes supplementary capital contributions made by the Parent (“*Entradas facultativas de capital*”) amounting to 372 million euro.

During 2015, 2016 and 2017, the Company distributed dividends to its shareholders amounting to 40 million euro each year, as decided in the Annual General Meetings held regarding each year.

22) Non – Controlling Interests

As at January 1, 2015, December 31, 2015, 2016 and 2017, the “non-controlling interests” may be detailed, by segment, as follows (for each period the companies included in each segment with non-controlling interests are disclosed in note 47):

	Jan 1, 2015				
	Equity	Net Profit/ (Loss)	Statement of financial position attributable to non controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Op Co	37.3	n.a.	18.6	n.a.	n.a.
Prop Co	156.6	n.a.	2.3	n.a.	n.a.
Total	193.9	n.a.	20.9	n.a.	n.a.
	Dec 31, 2015				
	Equity	Net Profit/ (Loss)	Statement of financial position attributable to non controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Op Co	39.0	1.0	19.2	0.5	-
Prop Co	129.5	22.5	2.7	0.5	(0.9)
Total	168.5	23.5	21.9	0.9	(0.9)
	Dec 31, 2016				
	Equity	Net Profit/ (Loss)	Statement of financial position attributable to non controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Op Co	42.5	3.2	20.5	1.3	-
Prop Co	125.8	25.5	2.6	0.5	(0.6)
Total	168.3	28.7	23.2	1.8	(0.6)
	Dec 31, 2017				
	Equity	Net Profit/ (Loss)	Statement of financial position attributable to non controlling interests	Proportion in income attributable to non controlling interests	Dividends/ Income received
Op Co	47.9	4.8	26.6	2.2	-
Prop Co	122.5	15.8	2.5	0.3	(0.4)
Total	170.4	20.6	29.0	2.6	(0.4)

Movements in “non-controlling interests” during the years ended December 31, 2015, 2016 and 2017 are as follows:

	2015			2016			2017		
	Op Co	Prop Co	Total	Op Co	Prop Co	Total	Op Co	Prop Co	Total
Balance as at January 1	18.6	2.3	20.9	19.2	2.7	21.9	20.5	2.6	23.2
Income distribution from investment funds	-	(0.9)	(0.9)	-	(0.6)	(0.6)	-	(0.4)	(0.4)
Changes in shareholding interests	-	1.0	1.0	-	0.0	0.0	(0.1)	-	(0.1)
Acquisition of subsidiaries (note 4.a)	0.1	-	0.1	-	-	-	3.8	-	3.8
Others	(0.0)	(0.1)	(0.2)	0.1	0.0	0.1	0.2	(0.1)	0.1
Profit for the period attributable to non-controlling interests	0.5	0.5	0.9	1.3	0.5	1.8	2.2	0.3	2.6
Balance as at December 31	19.2	2.7	21.9	20.5	2.6	23.2	26.6	2.5	29.0

As at January 1, 2015, December 31, 2015, 2016 and 2017, aggregate financial information of subsidiaries with non-controlling interests is as follows:

	Jan 1, 2015			Dec 31, 2015			Dec 31, 2016			Dec 31, 2017		
	Op Co	Prop Co	Total	Op Co	Prop Co	Total	Op Co	Prop Co	Total	Op Co	Prop Co	Total
Total Non-Current Assets	34.0	160.7	194.6	32.1	140.5	172.6	31.1	126.2	157.3	31.4	122.1	153.5
Total Current Assets	26.2	4.4	30.6	30.1	0.7	30.8	38.5	3.2	41.7	46.1	3.4	49.4
Total Non-Current Liabilities	5.4	0.6	6.0	5.4	0.6	6.0	0.8	-	0.8	0.9	-	0.9
Total Current Liabilities	17.5	7.8	25.3	17.8	11.0	28.8	26.4	3.6	30.0	28.7	2.9	31.6
Total equity	37.3	156.6	193.9	39.0	129.5	168.5	42.5	125.8	168.3	47.9	122.5	170.4

	2015			2016			2017		
	Op Co	Prop Co	Total	Op Co	Prop Co	Total	Op Co	Prop Co	Total
Turnover	66.1	18.7	84.8	102.5	13.2	115.7	133.9	12.9	146.7
Other operating income	2.4	11.5	13.9	3.7	18.2	21.9	4.4	7.2	11.7
Operational expenses	(67.1)	(4.6)	(71.8)	(101.9)	(4.2)	(106.1)	(132.6)	(4.1)	(136.7)
Net financial expense	(0.2)	0.0	(0.2)	(0.5)	(0.0)	(0.5)	(0.0)	(0.0)	(0.0)
Income tax expense	(0.2)	(3.1)	(3.3)	(0.6)	(1.7)	(2.3)	(0.8)	(0.2)	(1.0)
Profit/(Loss) for the year	1.0	22.5	23.5	3.2	25.5	28.7	4.8	15.8	20.6
Other comprehensive income for the year	(0.1)	-	(0.1)	0.2	-	0.2	0.2	-	0.2
Total comprehensive income for the year	0.9	22.5	23.4	3.4	25.5	28.9	5.1	15.8	20.8

23) Loans

As at January 1, 2015, December 31, 2015, 2016 and 2017, loans are made up as follows:

	Jan 1, 2015		Dec 31, 2015		Dec 31, 2016		Dec 31, 2017	
	Outstanding amount		Outstanding amount		Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current	Current	Non Current	Current	Non Current
Bank loans								
Sonae Investimentos, SGPS, S.A. - commercial paper	-	30.0	60.0	160.0	148.0	121.0	7.5	182.5
Sonae Investimentos 2017/2022	-	-	-	-	-	-	-	31.0
Sonae Investimentos 2017/2018	-	-	-	-	-	-	100.0	-
Soflorin, BV 2011/2016	20.0	35.0	-	-	-	-	-	-
Modelo Continente Hipermercados, Spanish Branch 2014/2020	-	-	-	50.0	-	50.0	-	50.0
Modelo Continente Hipermercados, Spanish Branch 2015/2020	-	-	-	55.0	-	55.0	-	20.0
Soflorin, BV 2015/2019	-	-	-	25.0	5.0	35.0	5.0	30.0
Others	1.7	-	8.8	-	0.0	-	0.0	0.0
	21.7	65.0	68.8	290.0	153.0	261.0	112.5	313.5
Bank overdrafts (note 19)	0.1	-	12.6	-	17.6	-	2.7	-
Up-front fees beared with the issuance of loans	(0.1)	(0.4)	-	(0.3)	-	(0.3)	(0.0)	(0.1)
Bank loans	21.7	64.6	81.4	289.7	170.6	260.7	115.2	313.4
Bonds								
Bonds Sonae Investimentos SGPS /August 2007 / 2015	200.0	-	-	-	-	-	-	-
Bonds Sonae Investimentos / September 2007 / 2015	155.0	-	-	-	-	-	-	-
Bonds Sonae Investimentos/ 2012/ 2017	25.0	145.0	50.0	95.0	-	-	-	-
Bonds Sonae Investimentos /June 2013/ 2018	-	50.0	-	50.0	-	50.0	50.0	-
Bonds Sonae Investimentos/ December 2013 / 2018	-	75.0	-	-	-	-	-	-
Bonds Sonae Investimentos SGPS/ December 2014/2020	-	50.0	-	-	-	-	-	-
Bonds Sonae Investimentos / December 2015/2020	-	-	-	50.0	-	50.0	-	50.0
Bonds Sonae Investimentos / May 2015/2020	-	-	-	75.0	-	75.0	-	75.0
Bonds Sonae Investimentos / December 2015/2020	-	-	-	30.0	-	30.0	-	30.0
Bonds Sonae Investimentos / June 2016/2021	-	-	-	-	-	95.0	-	95.0
Bonds Sonae Investimentos / September 2016/2021	-	-	-	-	3.0	12.0	3.0	9.0
Up-front fees beared with the issuance of loans	(0.3)	(2.8)	(0.0)	(2.3)	(0.0)	(2.0)	(0.0)	(1.7)
Bonds	379.7	317.2	50.0	297.7	3.0	310.0	53.0	257.3
Other loans	0.0	0.0	0.0	-	-	-	0.1	-
Derivative instruments (note 25)	0.2	-	0.2	-	0.1	-	0.3	-
Obligations under finance leases (note 24)	3.2	0.9	1.9	0.0	-	-	0.0	0.0
Other loans, leases and derivatives	3.4	0.9	2.1	0.0	0.1	-	0.3	0.0
	404.8	382.8	133.4	587.4	173.7	570.7	168.5	570.7

Bonds and bank loans bear an average interest rate of 1.32% (1.44% as at 31 December 2016 and 2.48% as at 31 December 2015). 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 and not including derivatives):

	Jan 1, 2015		Dec 31, 2015		Dec 31, 2016		Dec 31, 2017	
	Capital	Interests	Capital	Interests	Capital	Interests	Capital	Interests
N+1	405.0	20.9	133.3	16.4	173.6	9.9	168.3	8.4
N+2	85.5	15.0	180.0	10.8	65.5	8.4	40.5	7.3
N+3	95.1	9.1	55.0	6.5	40.5	7.4	158.0	6.5
N+4	175.1	5.3	45.0	4.9	268.0	5.7	184.2	3.4
N+5	30.1	0.1	310.0	3.2	199.0	1.6	159.8	1.5
After N+5	0.1	0.0	-	-	-	-	30.0	0.6
	790.9	50.4	723.3	41.8	746.6	32.9	740.8	27.8

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. Used credit facilities are estimated to be reimbursed on the end of the commitment period of the financial institution.

As at December 31, 2015, 2016 and 2017 there is only one financial covenant, namely, the obligation to maintain a net debt-to-EBITDA ratio of not greater than 3.5x, which is included in some loan agreements, and which at the date of this report are in regular compliance. This covenant is tested assuming generally accepted accounting principles as of the date the loan agreement was entered into (i.e., frozen before the implementation of IFRS 16), although the exact definitions of EBITDA and net debt differ among the credit facility agreements. implementation of IFRS 16), although the exact definitions of EBITDA and net debt differ among the credit facility agreements. In addition, certain of our financing agreements include provisions requiring the prior consent of our lenders to sell certain significant subsidiaries.

As at January 1, 2015, December 31, 2015, 2016 and 2017, Sonae MC has cash and bank balances in the amount of 83.5 million euro, 47.5 million euro, 64.2 million euro and 93.7 million euro, respectively, and available credit lines as follows:

	Jan 1, 2015		Dec 31, 2015		Dec 31, 2016		Dec 31, 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	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	176.0	452.5	60.5	340.0	52.4	360.0	95.3	285.0
Agreed credit facilities	176.0	482.5	141.8	535.0	218.0	516.0	105.5	567.5

The amount of unused credit facilities with commitment of more than one year includes some facilities that could also be used by Sonae SGPS S.A.. Although without any kind of joint responsibility between both companies, such facilities will be segregated if initial public offering occurs. As at December 31, 2017 those unused facilities amount 150 million euro (50 million euro as at December 31, 2016 and nil as at December 31, 2015).

24) Finance lease liabilities

As at December 31, 2015, 2016 and 2017, finance lease liabilities are as follows:

Obligations under finance leases	Minimum finance lease payments			Present value of minimum finance lease payments		
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Amounts under finance leases:						
N+1	1.9	-	0.0	1.9	-	0.0
N+2	0.0	-	0.0	0.0	-	0.0
N+3	-	-	0.0	-	-	0.0
	1.9	-	0.0	1.9	-	0.0
Interests	(0.1)	-	(0.0)			
	1.9	-	0.0			
Current obligations under finance leases				1.9	-	0.0
Non-current obligations under finance leases				0.0	-	0.0

Finance leases 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 December 31, 2015, 2016 and 2017, the fair value of finance leases is close to its carrying amount, and obligations under finance leases are guaranteed by related assets.

As at December 31, 2015, 2016 and 2017, net carrying amount of assets acquired under finance leases can be detailed as follows:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Assets acquired under finance leases			
Plant and machinery	0.3	-	0.0
Vehicles	-	-	0.0
Fixture and fittings	0.1	-	-
Total property, plant and equipment	0.4	-	0.0

25) 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 amounts at December 31, 2017 to 0.3 million euro as liabilities (0.1 million euro as at December 31, 2016 and 0.2 million euro as at December 31, 2015) (note 23) and 0.1 million euro as assets (0.7 million euro as at December 31, 2016 and 0.4 million euro as at December 31, 2015) (note 11).

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

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

Gains and losses for the year associated with the change in market value of derivative instruments are recorded under the caption "Cash-flow hedging reserve" when considered cash flow hedge instruments.

Interest rate derivatives

Sonae MC does not have any interest rate hedging derivatives recorded as at December 31, 2015, 2016 and 2017.

26) Other non-current liabilities

As at January 1, 2015, December 31, 2015, 2016 and 2017 "Other non-current liabilities" are made up as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Shareholders loans	2.3	2.3	-	-
Fixed assets suppliers	-	0.2	0.1	1.2
Other non-current liabilities	0.4	0.7	1.1	1.1
Total of financial instruments (note 6)	2.7	3.2	1.1	2.2
Share based payments (note 27)	2.9	1.5	1.1	1.7
Future responsibilities arising on Sale & Leaseback net of costs already recognized (refer to note 7.2)	-	9.4	16.5	16.7
Other deferred income	-	0.2	0.2	0.1
Other non-current liabilities	5.6	14.3	19.0	20.7

As at December 31, 2015, the amount included in Shareholders loans relates to a loan obtained from a non-controlling shareholder that born interests at market rates, and which did not have any defined maturity, being reimbursed during 2016.

As at December 31, 2017, the caption “Other non-current liabilities” includes 0.5 million euro (0.6 million euro in 2016 and 0.5 million euro in 2015) related to the estimated amounts to comply with the judicial and tax obligations of the Brazilian subsidiary, which are considered sufficient to cover possible losses of tax and judicial proceedings in progress and for which there were judicial deposits in the caption “Other non-current assets” (note 12), and it has no defined maturity.

27) Share based payments

In 2017 and in previous years, in accordance with its remuneration policy, Sonae MC granted deferred performance bonuses to its directors and eligible employees based on Sonae SGPS, SA shares price to be acquired at null cost or discounted, three years after they were attributed to the employee. The acquisition may 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 December 31, 2015, 2016 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:

	Grant year	Vesting year	Number of participants			Number of shares		
			Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Shares								
	2013	2016	52	-	-	2,774,073	-	-
	2014	2017	44	43	-	1,500,601	1,420,941	-
	2015	2018	50	49	48	1,303,399	1,203,220	1,183,566
	2016	2019	-	52	52	-	1,503,901	1,387,411
	2017	2020	-	-	54	-	-	1,729,127
Total			146	144	154	5,578,073	4,128,062	4,300,104

	Fair Value at each reporting date		
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Shares			
2016	2.9	-	-
2017	1.6	1.2	-
2018	1.4	1.1	1.3
2019	-	1.3	1.6
2020	-	-	1.9
Total	5.8	3.6	4.8

As at January 1, 2015, and as at and for the years ended December 31, 2015, 2016 and 2017 the Combined Financial Statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Employee benefits expense	n.a.	3.4	0.9	2.0
Other non-current liabilities (note 26)	2.9	1.5	1.1	1.7
Other current liabilities (note 30)	5.7	2.9	1.2	1.3

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

28) Trade payables

As at January 1, 2015, December 31, 2015, 2016 and 2017 “Trade payables” are as follows:

	Current account		Invoice accruals	Total
Trade payables	Op Co	Prop Co		
Payable to:				
up to 90 days	651.2	1.5	52.0	704.7
more than 90 days	0.2	0.0	-	0.2
Jan 1, 2015	651.4	1.5	52.0	704.9
Payable to:				
up to 90 days	636.0	0.1	53.1	689.3
more than 90 days	0.4	0.0	-	0.4
Dec 31, 2015	636.4	0.1	53.1	689.7
Payable to:				
up to 90 days	634.0	0.1	47.5	681.5
more than 90 days	0.3	0.0	-	0.3
Dec 31, 2016	634.3	0.1	47.5	681.8
Payable to:				
up to 90 days	663.3	0.1	44.5	708.0
more than 90 days	0.9	0.0	-	0.9
Dec 31, 2017	664.2	0.1	44.5	708.9

As at January 1, 2015, December 31, 2015, 2016 and 2017 this account includes amounts payable to suppliers resulting from Sonae MC operating activity. Sonae MC believes that the fair value of these balances does not differ significantly from its book value and the effect of discounting these amounts is not material.

During 2015 to 2017, the Group maintained cooperation agreements with financial institutions in order to enable suppliers, 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, without affecting the economic substance of these liabilities.

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.

29) Other payables

As at January 1, 2015, December 31, 2015, 2016 and 2017, the caption “Other creditors” is detailed as follows:

	Payable to			
	Jan 1, 2015	Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	27.6	25.5	1.8	0.3
Others	27.1	26.1	0.7	0.3
	54.7	51.6	2.5	0.7
Related parties	26.2			
	80.9			
	Payable to			
	Dec 31, 2015	Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	26.3	24.9	0.5	1.0
Others	20.2	20.1	0.0	0.0
	46.5	45.0	0.5	1.0
Related parties	18.0			
	64.5			

	Dec 31, 2016	Payable to		
		Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	39.0	37.7	0.6	0.7
Others	16.4	16.4	0.0	-
	55.4	54.1	0.6	0.7
Related parties	30.4			
	85.8			
	Dec 31, 2017	Payable to		
		Up to 90 days	90 to 180 days	More than 180 days
Fixed asset suppliers	38.9	38.1	0.4	0.3
Others	20.0	19.9	-	0.0
	58.8	58.1	0.4	0.3
Related parties	17.9			
	76.7			

The caption "Others" includes:

- 9.8 million euro (7.4 million euro as at December 31, 2016 ,11.6 million euro as at December 31, 2015 and 19.1 million euro as at January 1, 2015) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente";
- 3.4 million euro (4 million euro as at December 31, 2016, 3.2 million euro as at December 31, 2015 and 4.3 million as at January 1, 2015) related to amounts payable to former Sonae Distribuição Brasil. S.A. buyer as result of responsibilities assumed in relation with the sale of that former subsidiary (note 31).

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 impact of discounting these amounts is immaterial.

30) Other current liabilities

As at January 1, 2015, December 31, 2015, 2016 and 2017, “Other current liabilities” are made up as follows:

	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Employee benefits expense	72.6	73.7	80.9	85.5
Other external supplies and services	33.0	27.4	20.0	25.6
Marketing expenses	6.5	8.0	6.4	8.2
Share based payments (note 27)	5.7	2.9	1.2	1.3
Interests payable	3.3	2.5	1.0	1.0
Real estate municipality tax	2.3	2.1	1.8	1.8
Others	4.2	4.4	6.2	5.5
Accrued expenses	127.8	120.9	117.6	128.9
Future responsibilities arising on Sale & Leaseback net of costs already recognized (note 7.2)	-	0.6	1.1	1.1
Deferred income regarding promotional campaigns	2.5	2.1	1.7	1.1
Deferred income - rents	3.0	2.8	2.9	3.1
Others	1.3	0.8	0.6	0.5
Deferred income	6.8	6.4	6.3	5.8
	134.6	127.3	123.9	134.7

31) Provisions and accumulated impairment losses

Movements in “Provisions and accumulated impairment losses” during the years ended December 31, 2015, 2016 and 2017 are as follows:

Caption	Balance as at Jan 01, 2015	Increase	Decrease	Transfers and other movements	Balance as at Dec 31, 2015
Accumulated impairment losses on property, plant and equipment (note 7)	75.9	0.0	(1.0)	-	74.9
Accumulated impairment losses on intangible assets	1.5	-	-	-	1.5
Accumulated impairment losses on trade receivables (note 14)	3.1	1.0	(0.6)	(0.0)	3.4
Accumulated impairment losses on other receivables (note 15)	9.4	1.0	(3.6)	(0.0)	6.8
Non current provisions	14.2	6.5	(9.7)	(2.7)	8.3
Current provisions	1.5	0.0	(0.0)	-	1.5
	105.6	8.5	(14.8)	(2.8)	96.5
Caption	Balance as at Jan 01, 2016	Increase	Decrease	Transfers and other movements	Balance as at Dec 31, 2016
Accumulated impairment losses on property, plant and equipment (note 7)	74.9	0.2	(4.8)	-	70.4
Accumulated impairment losses on intangible assets	1.5	-	-	-	1.5
Accumulated impairment losses on trade receivables (note 14)	3.4	1.1	(0.8)	(0.1)	3.6
Accumulated impairment losses on other receivables (note 15)	6.8	0.2	(3.1)	0.1	3.9
Non current provisions	8.3	-	(1.6)	1.7	8.5
Current provisions	1.5	-	(0.0)	-	1.5
	96.5	1.5	(10.3)	1.7	89.5

Caption	Balance as at Jan 01, 2016	Increase	Decrease	Transfers and other movements	Balance as at Dec 31, 2017
Accumulated impairment losses on property, plant and equipment (note 7)	70.4	0.5	(1.6)	0.2	69.4
Accumulated impairment losses on intangible assets	1.5	-	-	0.0	1.5
Accumulated impairment losses on trade receivables (note 14)	3.6	0.9	(0.7)	0.2	4.1
Accumulated impairment losses on other receivables (note 15)	3.9	0.4	(0.6)	(0.1)	3.6
Non current provisions	8.5	-	-	(1.2)	7.4
Current provisions	1.5	3.6	(0.0)	(0.2)	4.8
	89.5	5.4	(2.9)	(1.1)	90.8

As at December 31, 2015, 2016 and 2017 net increases less decreases in “Provisions and accumulated impairment losses” are as follows:

	2015	2016	2017
Provisions and impairment losses net reversals in the income statement	6.3	(5.2)	4.0
Direct use of impairments over accounts receivable written-off	(2.1)	(0.8)	(0.0)
Offset of provisions with receivable from Wall Mart (Brazil)	(9.6)	-	-
Direct use of impairments of property, plant and equipment written-off	(1.0)	(2.8)	(1.6)
Others	0.1	0.0	0.1
	(6.4)	(8.7)	2.5

The caption “Non-current provisions” and “Current provisions” includes 9.5 million euro (8.5 million euro as at December 31, 2016 and 6.8 million euro as at December 31, 2015), relating to non-current contingencies assumed by the Company, when selling its subsidiary Sonae Distribuição Brasil, S.A. in 2005. This provision is being used when the liabilities are assumed in final amount, being provided based on the best estimate of the expenses to be incurred with such liabilities and considering the relevant number of civil and labour claims of reduced amount. In 2017, the Company also increased the provision by 2.1 million euro based on updated answers from its legal counsellors on the outstanding claims.

During 2015, the Group updated its estimate taking into consideration the outcome of mentioned lawsuits, having increased the provision by 23.7 million reais (6.5 million euro). Additionally, during 2015, the Group offset the provision of contingencies in Brazil with an amount of 9.6 million euro received from Carrefour by Wall Mart (buyer of the former Sonae Distribuição Brasil, SA). That amount had been paid by the Group as a consequence of the exercise of a first demand bank guarantee by Carrefour, which was contested in due time by Sonae MC.

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

32) Reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities and the movements included in the cash flow statement for the years ended December 31, 2015, 2016 and 2017 are as follows:

	Bank loans, bonds and other loans and finance leases (note 23)	Derivatives (note 25)	Shareholder loans (note 26)	Total
Balance as at January 1, 2015	787.4	(0.7)	2.3	789.0
Cash flows:				
Receipts relating to financial debt	4,141.4	-	-	4,141.4
Payments relating to financial debt	(4,221.6)	-	-	(4,221.6)
Changes in bank overdrafts balances	12.5	-	-	12.5
Increase/(decrease) in fair value	-	0.5	-	0.5
Change in up-front fees beared with the issuance of loans under the amortized cost	0.8	-	-	0.8
Others	0.2	0.0	-	0.2
Balance as at January 1, 2016	720.6	(0.2)	2.3	722.7
Cash flows:				
Receipts relating to financial debt	5,885.3	-	-	5,885.3
Payments relating to financial debt	(5,867.0)	-	(2.3)	(5,869.3)
Changes in bank overdrafts balances	5.0	-	-	5.0
Aquisition in the period	-	(0.3)	-	(0.3)
Change in up-front fees beared with the issuance of loans under the amortized cost	0.4	-	-	0.4
Others	(0.0)	(0.1)	-	(0.1)
Balance as at January 1, 2017	744.3	(0.7)	-	743.7
Cash flows:				
Receipts relating to financial debt	5,660.9	-	-	5,660.9
Payments relating to financial debt	(5,651.8)	-	-	(5,651.8)
Changes in bank overdrafts balances	(14.9)	-	-	(14.9)
Increase/(decrease) in fair value	-	0.6	-	0.6
Change in up-front fees beared with the issuance of loans under the amortized cost	0.4	-	-	0.4
Others	0.1	0.2	-	0.3
Balance as at December 31, 2017	739.0	0.2	-	739.1

33) Contingent assets and liabilities

As at December 31, 2015, 2016 and 2017, contingent liabilities to which Group is exposed can be detailed as follows:

- *Guarantees and securities given considering the scope of combination (Note 1.e):*

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Guarantees and securities given:			
on tax claims	887.4	931.2	925.7
on judicial claims	0.6	0.6	0.1
related with municipal authorizations and constructions	7.8	8.0	8.6
in relation with third parties agreements	15.8	20.0	10.7
other guarantees	4.8	2.1	2.5

In addition to the above-mentioned Guarantees, the Group is liable for guarantees given in favor of carve-out entities as follows:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Guarantees and securities given in favour of carve-out entities and Parent company:			
on tax claims	46.5	51.6	36.9

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.

a) Tax claims

The main tax claims, for which bank guarantees or sureties were provided, not considering the ones in relation with carve-out entities mentioned above, can be detailed as follows:

- VAT claims: Some subsidiaries included in Op Co segment granted guarantees in favour of the Portuguese Tax Authorities in relation with additional tax assessment for VAT amounting to 507.7 million euro (509.4 million euro as at December 31, 2016 and 488.2 million euro as at December 31, 2015) in relation with years from 2002 to 2015. The Group has presented the corresponding tax appeals. These claims mainly relates with the fact that Portuguese Tax Authorities, claim that the Company should have invoiced VAT related to promotional discounts or other commercial income invoiced to suppliers, which depend on the purchases made by the Group during the year, as it considers that the mentioned discounts correspond to services rendered by the company. Tax authorities also claim that the company should not have deducted VAT from discount vouchers used by its non-corporate clients.
- Income Tax Claims: the caption guarantees given on tax claims include guarantees granted amounting to 342.3 million euro (345.2 million euro as at December 31, 2016 and 345.9 million euro as at December 31, 2015), in favour of Tax authorities mainly regarding 2003 to 2013 income tax. The Company has presented the corresponding appeals, being the Board of Directors understanding, based on its advisors' assessment, that such appeal will be favourable. The most significant amounts relate to:
 - Sureties in the amount of, approximately, 60 million euro because of a tax appeal presented by the Company concerning an additional tax assessment by Tax authorities, relating to 2005 fiscal year, corresponding to a correction of taxable income for that period as Tax authorities. Tax Authorities, in spite of previous decisions in other transactions, did not accept the contributions by the company to cover subsidiary losses prior to its liquidation as acquisition cost, and therefore consider such amounts as not tax deductible;
 - Capital loss on the sale of a subsidiary to a foreign subsidiary in 2002 amounting to 260 million euro which was considered tax deductible by the Group. Tax authorities consider that the referred loss is not deductible for tax purposes and corrected the amount of tax losses used in subsequent years even that loss take place in the liquidation of a subsidiary and the law reflects special rules concerning the liquidations which were regarded by the Group;
 - Amount of distribution of income performed by real estate investment funds that were partially deducted for tax purposes (amounting to approximately 41 million euro). This deduction was questioned by Tax Authorities which considered that the income received is related with rents and real estate income rather than with capital gains even, in practice, it was not possible to compute such amounts as rental income to the beneficiary, because they correspond, in fact, to distributions of income.
- Tax lawsuit related to income tax in Brazil, concerning a former subsidiary of the Company amounting to, approximately, 23.9 million euro (95.1 million Brazilian real), which is being judged by a tax court, for which

there were granted guarantees totaling 48.0 million euro (190.9 million Brazilian real). The difference between the amount of the contingency and the amount of the guarantee relates with the update of the related responsibility, namely because of interest bearing.

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

Within the framework of regularization of tax debts to Tax Authorities, (namely, Outstanding Debts Settlement of Tax and Social Security - Decree-Law 151-A/2013 and Decree-Law 248-A), the Group made voluntary tax payments that at the date of this financial statements amounting to, approximately, 22,7 million euro, having the respective guarantees been cancelled. The related tax appeals continue in courts, having the maximum contingencies been reduced through the elimination of fines and interests related with these tax assessments.

As permitted by law, the Group maintains the legal proceedings, in order to recover such amounts, having recorded as an asset the amounts related with income taxes paid under those plans amounting to 6.2 million euro (note 12). If decided in favour of the Company the amounts paid bear interest at legal rates, which were not accounted for as such interests are considered contingent assets.

c) Other 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 unfavourable decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (December 13, 2005) and that exceed 40 million euro. As at December 31, 2017, 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 interests and plus the amounts already paid (28.5 million euro) related to programs for the Brazilian State of tax recovery, amounts to, approximately, 32.0 million euro (32.4 million euro at December 31, 2016 and 31.4 million euro as at December 31, 2015). Furthermore, there are other tax assessments totaling 56.1 million euro (60.8 million euro as at December 31, 2016 and 44.5 million euro as at December 31, 2015) for which the Board of Directors, based on its lawyers' assessment, understands the probability of implying future losses to the former subsidiary, and, therefore to Sonae MC to be possible but not probable.

- Procedure for contesting fines imposed by the Competition Authority

In 2017, the Portuguese Competition Authority (“Autoridade da Concorrência”, “AdC”) imposed a fine on Sonae MC, SGPS, SA (previously Sonae Investimentos, SGPS, S.A.) and on Modelo Continente Hipermercados, S.A. (a subsidiary of the Company), amounting to 2.8 million euro and 6.8 million euro, respectively, for alleged violation of the Portuguese Competition Law, by entering into a non-compete agreement with EDP Comercial – Comercialização de Energia, S.A. (EDP / Continente Plan). The referred 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 December 31, 2012. The development of this type of business promotion agreement is a common practice in the Portuguese market. The aforementioned companies appealed to the Portuguese Tribunal da Concorrência, Regulação e Supervisão, or TCRS. The Board of Directors expects, based on the opinion of their legal advisors, that there will be no liability for these companies arising from this proceeding.

- Investigation by the Competition Authority in relation with fast moving consumer goods retail sector

In 2017, Modelo Continente Hipermercados, SA (a subsidiary of the Company, “MCH”) was subject to a search and seizure of documents by AdC, as part of an ongoing investigation that was publicly reported by AdC as involving 21 entities in the “grand retail” sector (e.g., hypermarkets, supermarkets and their suppliers). The investigation is currently subject to strict confidentiality requirements imposed by AdC under applicable law and neither MCH nor the Company have received any statement of objections or decision related thereto.

34) Operating leases

Sonae MC as lessee

In the years ended December 31, 2015, 2016 and 2017, the Group recognized expense related with operating lease agreements amounting to 70.2 million euro, 93.8 million euro and 103.8 million euro, respectively.

The most significant lease expenses related with leases of real estate amounted to 62.1 million euro in 2015, 83.8 million euro in 2016 and 94.4 million euro in 2017 (note 39).

Additionally, as at December 31, 2015, 2016 and 2017, Sonae MC had operating lease agreements, as a lessee, whose non-cancellable minimum lease payments had the following payment schedule:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Due in:			
N+1 automatically renewal	25.2	28.8	33.6
N+1	37.7	60.2	64.6
N+2	35.7	58.1	62.4
N+3	34.1	56.7	60.3
N+4	33.1	55.4	58.9
N+5	31.7	54.3	56.2
After N+5	335.7	553.0	569.5
	533.1	866.5	905.5

At the end of the lease term, the Group has, in certain contracts, the possibility of exercising the option to acquire the assets at its fair value, and in other agreements, Sonae MC has the possibility to extend the lease term for additional periods.

Sonae MC as lessor

In the years ended December 31, 2015, 2016 and 2017, the Group recognized income from lease agreements where the Group acted as lessor amounting to 30.1 million euro, 29.7 million euro and 31.7 million euro, respectively, under operating lease agreements.

Additionally, as at December 31, 2015, 2016 and 2017, Sonae MC had operating lease contracts, as a lessor, whose minimum lease payments had the following receivable schedule:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Due in:			
N+1 automatically renewal	7.5	4.3	4.5
N+1	21.3	24.6	27.6
N+2	18.0	23.3	26.2
N+3	16.1	21.3	23.7
N+4	13.9	18.5	18.8
N+5	10.9	13.3	12.7
After N+5	28.0	12.5	19.1
	115.7	117.9	132.6

35) Turnover

Turnover for the years ended December 31, 2015, 2016 and 2017 is made up as follows:

	2015	2016	2017
Sale of goods	3,543.1	3,739.7	3,935.0
Services rendered	94.2	102.9	119.6
	3,637.2	3,842.6	4,054.5

36) Gains and losses on investments

For the years ended December 31, 2015, 2016 and 2017, “Gain and Losses on Investment” are made up as follows:

	2015	2016	2017
Sale of Imoconti (note 4.b)	-	6.5	-
Others	-	(0.0)	-
Gains / (losses) on the disposal of subsidiaries	-	6.5	-
Others	0.0	-	(0.2)
Total gains and losses on investments	0.0	6.5	(0.2)

In 2016, the caption “Gains/(losses) on the disposal of subsidiaries” includes the sale of the subsidiary Imoconti to a related entity of the Sonae Sierra group (note 43).

37) Net financial expenses

Net financial expenses for the years ended December 31, 2015, 2016 and 2017 are as follows:

	2015	2016	2017
Expenses:			
Interests payable			
related with bank loans and overdrafts	(3.9)	(4.6)	(4.2)
related with non convertible bonds	(16.3)	(9.3)	(6.0)
related with financial leases	(0.1)	(0.1)	(0.0)
others	(2.2)	(1.8)	(0.7)
	(22.5)	(15.8)	(10.9)
Exchange losses	(3.8)	(2.5)	(1.6)
Losses on fair value of hedge derivatives	-	(0.3)	-
Up front fees and commissions related to loans	(5.4)	(4.2)	(3.3)
Others	(1.1)	(1.1)	(1.4)
	(32.9)	(24.0)	(17.2)
Income:			
Interests receivable			
related with bank deposits	0.0	0.0	0.0
others	2.8	0.3	0.1
	2.9	0.3	0.1
Exchange gains	4.5	0.3	0.5
Other financial income	6.0	0.7	0.1
	13.4	1.3	0.6
Net financial expenses	(19.5)	(22.6)	(16.5)

In 2015, the caption “Other financial income” includes 6 million euro related to compensatory interests received from the Portuguese Tax Authorities.

38) Other income

The caption “Other income” for the years 2015, 2016 and 2017 is made up as follow:

	2015	2016	2017
Supplementary income	19.2	22.6	21.9
Gains on sales of assets	43.1	53.2	13.5
Operating gains from exchange differences	6.8	6.2	7.6
Payment discounts received	20.4	21.9	22.0
Income from the capitalisation of internal projects (note 8)	4.5	6.8	9.0
Insurance claims	0.8	0.2	0.9
Benefits from contractual penalties	2.5	0.0	4.1
Grants related with costs incurred	0.4	0.6	0.4
Others	1.4	3.0	3.6
	99.0	114.4	83.0

Under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback" amounting to 41.3 million euro, 54.3 million euro (excluding the gain on the sale of Imoconti - note 36) and 10.8 million euro for the years ended December 31, 2015, 2016 and 2017, respectively (note 7.2).

In 2017, the caption “Benefits from contractual penalties” includes a compensation from Sohi Meat Solutions – Distribuição de Carnes, S.A.’s operational inefficiencies amounting to 4.1 million euro.

39) External supplies and services

As at December 31, 2015, 2016 and 2017, “External supplies and services” are as follows:

	2015	2016	2017
Rental costs from leased real estate assets (note 34)	62.1	83.8	94.4
Condominium expenses	14.7	15.1	14.4
Rental costs related to other assets (note 34)	8.2	10.0	9.3
Advertising expenses	67.7	64.9	63.1
Electricity	45.0	46.2	55.2
Services	48.6	54.3	53.0
Transports	31.4	33.2	35.9
Maintenance	21.0	21.3	21.5
Cleaning up services	18.0	19.7	20.8
Security	13.5	14.4	15.2
Costs with automatic payment terminals	7.9	8.6	9.4
Consumables	9.3	8.8	9.0
Home delivery	5.9	6.4	7.1
Subcontracts	1.8	1.6	7.1
Communications	6.5	6.3	6.1
Travel expenses	5.2	5.7	6.1
Insurances	4.8	4.5	5.0
Others	28.5	27.9	27.1
	400.0	432.8	459.9

40) Employee benefits expense

“Employee benefits expense” for the years ended December 31, 2015, 2016 and 2017, are as follows:

	2015	2016	2017
Short term benefits	336.0	366.2	386.1
Social security contributions	69.5	75.7	80.3
Insurance	7.3	7.6	8.8
Employees welfare	2.8	3.4	3.4
Other staff costs	11.2	12.6	9.7
	426.8	465.6	488.2

41) Other expenses

“Other expenses” for the years ended December 31, 2015, 2016 and 2017 are as follows:

	2015	2016	2017
Expenses incurred with promotional activities partnerships	13.2	13.0	13.0
Operating losses from exchange differences	7.1	5.3	7.1
Donations	5.7	6.4	6.4
Losses on the disposal of assets	3.8	2.5	6.7
Municipal property tax	1.8	1.6	2.0
Other taxes	8.3	5.5	5.7
Others	5.1	3.8	3.0
	45.0	38.2	44.0

42) Income tax expense

“Income tax expense” for the years 2015, 2016 and 2016 is as follows:

	2015	2016	2017
Current tax	36.8	27.5	27.5
Deferred tax (note 18)	8.4	(2.7)	2.2
	45.2	24.9	29.6

The reconciliation between profit before income tax and the “Income tax expense” for the years ended December 31, 2015, 2016 and 2017 is as follows:

	2015	2016	2017
Profit before tax	192.8	206.2	147.5
Income tax rate in Portugal	21%	21%	21%
	40.5	43.3	31.0
Tax effects:			
Difference between capital (losses)/gains for accounting and tax purposes	(8.0)	(8.5)	(0.5)
Gains and losses on investments	-	(1.4)	0.0
Share of profit or loss of joint ventures and associates	0.0	0.4	1.2
Donations beyond the legal limits	0.4	0.4	0.6
Use of tax losses that have not originated deferred tax assets	(0.1)	(0.3)	(0.6)
Recognition of tax losses that have not originated deferred tax assets	1.5	0.9	1.2
Different income tax rates in other countries	(5.7)	(9.7)	(9.8)
Recognition or reversal of deferred taxes	13.0	(0.5)	(3.9)
Amortisation of goodwill for income tax purposes in Spain	-	-	17.5
Net tax credit on real estates funds income	(3.4)	(1.0)	-
Use of tax benefits	(1.8)	(1.3)	(2.6)
Under/(over) Income tax estimates	(3.4)	(9.7)	(11.0)
Autonomous taxes	1.8	2.8	2.9
Municipality surcharge	9.3	9.8	5.9
Others	1.1	(0.5)	(2.3)
Income tax expense	45.2	24.9	29.6

43) Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on these Combined Financial Statements and are not disclosed in this note. Details of transactions between the Group and other related parties, namely with Sonae SGPS, S.A. and its subsidiaries, associates, joint ventures, members of the Board of Directors of Sonae SGPS, S.A. and members of the key management of Sonae MC, are disclosed below.

In the tables bellow Other related parties are considered to be related party subsidiaries or companies under joint control of Efanor Investimentos, SGPS, SA that are not included in Sonae MC perimeter, including companies belonging to the Sonae Group, Sonae Indústria and Sonae Capital, and minority shareholders of subsidiaries of the Group.

The financial information herein is not necessarily indicative of the net financial position, results of operation and cash-flows of Sonae MC in the future or what they would have been had Sonae MC been a stand-alone entity during the years presented.

Transactions between Sonae MC and the carve-out entities are reported under the description “Carve-out”.

In addition to the transactions that usually existed with Sonae MC and related parties, there are some transactions, namely cash flows operations directly related with companies that were not considered in the scope of the Combined Financial Statements as a consequence of the definition of scope of the combination. These cash flows were considered to affect equity as contributions and withdraws. These transactions are presented bellow in the section Transaction with Sonae Group.

Related parties balances and transactions

Balances as at January 1, 2015, December 31, 2015, 2016 and 2017 are as follows:

	Parent company				Joint ventures			
	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Trade receivables	0.2	0.3	0.3	0.2	-	-	-	4.7
Other receivables	0.0	0.0	0.1	0.0	-	-	-	0.0
Income tax assets	15.0	19.7	25.4	1.2	-	-	-	-
Other current assets	0.1	0.1	0.1	0.0	-	-	-	(0.1)
Trade payables	0.2	0.2	0.1	0.2	-	-	-	26.1
Other payables	0.1	0.1	-	0.0	-	-	-	0.4
Income tax liabilities	26.9	36.3	47.5	30.0	-	-	-	-
Other current liabilities	3.0	1.6	1.9	1.4	-	-	-	0.1

	Associates				Other related parties			
	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Trade receivables	1.6	2.9	2.5	2.4	5.5	12.4	11.2	11.6
Other receivables	0.0	0.0	0.0	0.0	5.3	0.9	22.9	1.5
Other current assets	0.9	0.9	1.1	-	3.0	2.8	3.4	1.7
Other non-current liabilities	-	-	-	-	2.7	2.7	0.3	0.2
Trade payables	-	0.0	0.0	0.0	6.1	6.1	8.3	5.3
Other payables	0.3	0.5	-	-	11.7	6.5	15.1	10.8
Income tax liabilities	-	-	-	-	-	0.0	0.0	0.3
Other current liabilities	-	-	-	-	0.9	1.0	1.5	2.0
Carve-out								
	Jan 1, 2015	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017				
Other non-current assets	0.0	0.0	0.1	0.1				
Trade receivables	11.1	16.7	22.9	17.5				
Other receivables	4.2	7.4	5.5	12.6				
Income tax assets	13.8	2.4	5.2	6.1				
Other current assets	0.3	2.7	1.2	1.2				
Other non-current liabilities	-	0.2	0.5	0.7				
Trade payables	7.0	5.1	7.3	15.0				
Other payables	14.2	10.9	15.3	6.7				
Income tax liabilities	8.3	9.5	17.9	17.0				
Other current liabilities	2.4	2.0	2.2	1.8				

Transactions with related parties during the years ended December 31, 2015, 2016 and 2017 are as follows:

	Parent company			Joint ventures		
	2015	2016	2017	2015	2016	2017
Turnover	0.7	0.7	0.7	-	-	12.4
Other income	0.1	0.1	0.0	-	-	4.2
Cost of goods sold and materials consumed	-	-	-	-	-	220.7
External supplies and services	1.9	2.1	1.6	-	-	2.6
Financial expense	1.8	1.5	0.6	-	-	-
	Associates			Other related parties		
	2015	2016	2017	2015	2016	2017
Turnover	32.8	34.6	36.1	44.9	41.5	43.0
Other income	0.2	0.2	0.2	2.0	1.4	2.2
Cost of goods sold and materials consumed	0.0	0.0	0.0	3.2	2.8	2.5
External supplies and services	-	-	-	41.1	39.1	39.6
Other expenses	0.0	0.0	0.0	0.5	0.4	0.4
Financial expense	-	-	-	0.2	0.2	0.0
	Carve-out					
	2015	2016	2017			
Turnover	67.9	72.6	74.8			
Other income	6.4	7.3	8.4			
Cost of goods sold and materials consumed	32.4	35.9	26.0			
External supplies and services	22.4	17.7	19.0			
Other expenses	0.1	0.1	0.3			
	Other related parties			Carve-out		
	2015	2016	2017	2015	2016	2017
Property, plant and equipment acquisitions (net book values)	32.2	36.1	35.0	0.4	0.0	0.0
Property, plant and equipment disposals (net book values)	0.0	0.1	0.3	1.2	0.9	1.5
Intangible Assets acquisitions	3.7	3.1	4.2	0.0	-	0.3
Intangible Assets disposals (net book values)	-	-	0.0	4.5	2.5	4.9

As disclosed in note 36, during 2016, the Group disposed its subsidiary Imoconti - Sociedade Imobiliária, SA to a related entity of the Sonae Sierra group. This operation generated a total cash inflow amounting to 21 million euro and a net capital gain of 6.5 million euro.

Transactions with Sonae Group recorded in Equity

The transactions in 2015, 2016 and 2017, between Sonae MC companies included in the scope of combination (note 1.e) and the companies that will be carve-out (note 1.c) and that were recognized directly through equity concerns cash flows movements with the natures disclosed below:

	2015		2016		2017	
	Contributions	Withdrawals	Contributions	Withdrawals	Contributions	Withdrawals
Parent Company and Carve-out						
Acquisition of assets	-	(0.8)	-	(4.8)	-	-
Movements related with financial investments	29.1	(227.1)	56.2	(184.4)	31.5	(173.0)
Movements related with debt and interests, less tax effects	1,633.7	(1,589.0)	2,041.1	(2,107.0)	1,976.8	(1,897.0)
Transactions relating with the carve-out of business that were not separated in a single legal entity	219.3	(239.5)	263.3	(242.9)	249.2	(249.0)
Dividends obtained	11.5	-	24.4	-	22.3	-
Total	1,893.6	(2,056.5)	2,384.9	(2,539.1)	2,279.8	(2,319.0)

In addition, in 2017, Sonae SGPS, S.A. as head of the tax Group received for no consideration tax losses recognized in 2017 by Sonae MC subsidiaries that were used by the Parent for no consideration. The tax benefits arising from such tax losses was recognized as a distribution to the Parent in accordance with the accounting policy applied and described and amounts to 16.3 million euro (note 18).

The total compensation paid to the Executive Directors and Key Management for the years ended December 31, 2017, 2016 and 2015 by subsidiaries of the Group, was as follows:

	Board of Directors			Key Management		
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Short-term employee benefits	-	1.5	1.6	2.6	2.2	2.1
Share-based payments	-	0.5	0.6	0.7	0.6	0.6
	-	2.0	2.2	3.3	2.8	2.7

44) Earnings per share

Earnings per share for the years ended December 31, 2015, 2016 and 2017 were calculated taking into consideration the following amounts:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Net profit			
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	146.7	179.6	115.3
Net profit taken into consideration to calculate diluted earnings per share (€ million)	146.7	179.6	115.3
Number of shares			
Weighted average number of shares used to calculate basic earnings per share (note 21)	900.0	900.0	900.0
Weighted average number of shares used to calculate diluted earnings per share (# million)	900.0	900.0	900.0
Earnings per share in euros			
Basic	0.162984	0.199508	0.128106
Diluted	0.162984	0.199508	0.128106

As at December 31, 2015, 2106 and 2017 there are no dilutive effects on the number of outstanding shares, that correspond to the number of issued shares less own shares (note 21).

As disclosed in note 46 in September 17, 2018, the shares owned by Modelo Continente, SGPS, S.A. that were considered own shares, were sold to Sonae SGPS, SA by an amount of 223.1 million euro.

45) Cash receipts and cash payments of investments

In the years ended December 31, 2015, 2016 and 2017, cash receipts and cash payments related to investments can be detailed as follows:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Receipts			
Receipt of disposal of Imoconti	-	-	21.0
	-	-	21.0
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Payments			
Acquisition of Ulabox	3.2	-	-
Acquisition of Make Notes Design, Lda	0.9	-	-
Capital increase in Ulabox	-	2.7	2.0
Capital increase in S2 Mozambique, SA	-	1.6	-
Capital increase in Movvo	0.6	2.3	0.4
Acquisition of Elergone	(0.2)	0.6	-
Acquisition of Brio- Prod. Agricultura Biológica, SA	-	-	0.9
Acquisition of Gowell- Promoção Eventos, Catering e Consultoria, SA	-	-	3.8
Additional paid in capital in S2 Mozambique SA	-	-	1.1
Others	0.0	0.0	0.9
	4.5	7.1	9.1

In the years ended December 31, 2015, 2016 and 2017, cash receipts and cash payments related to financing can be detailed as follows:

	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Receipts			
Disposal of participation units of Fundo de Investimento Imosonae Dois	1.2	0.2	1.1
Others	-	0.0	0.0
	1.2	0.2	1.1
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Payments			
Acquisition of participation units of Fundo de Investimento Imosonae Dois	-	-	1.3
Others	-	0.0	0.2
	-	0.0	1.5

46) Subsequent events

The subsequent events applicable to Sonae MC Group until the date of approval of these combined financial statements relate to the following transactions:

a) Carve-out operations

Description	Transaction price inflow /(outflow)
Cash inflows	
Sale of own shares to Sonae, SGPS, S.A. (notes 1.c and 44)	223.1
Sale of Carve-Out entities shares to Sonae SGPS or its subsidiaries, including loans granted less loans received (a) (note 1.c)	963.7
Sale of real estate assets by subsidiaries already excluded from the Combined Financial Statements (note 1.c)	12.4
Sale of account receivable of MDS, SGPS, S.A. to Sonae SGPS or its subsidiaries (note 1.c)	1.0
Total future contributions from the Parent Group	1,200.2
Cash Outflows	
Repayment of Subordinated bonds with a face value of 400 million Euros and accrued interests at market value (note 1.c)	(456.3)
Repayment of supplementary Capital contributions (Entradas facultativas de capital) (notes 1.c and 21)	(372.0)
Distribution of other reserves to the shareholders (note 1.c)	(472.0)
Total future withdrawals to the Parent Group	(1,300.3)
Impact in total equity	(100.0)

(a) This amount relates to all transactions planned and disclosed in note 1.c) with the exception of 38.8 million euro, that relates to transactions to be completed after the date of approval of these Combined Financial Statements.

Considering that the above mentioned transactions were already considered in the basis of preparation of the Combined Financial Statements (note 1.c) the only impact on the Combined Financial Statements for future periods will be the increase in contributions/withdrawals from/to the Parent Group with corresponding impact on the Combined Statements of Changes in Equity and of Cash Flows and with a net impact in Total Equity resulting in a decrease of 100 million euro with the corresponding increase in Net Debt as defined in note 5.

b) Agreement to acquire 60% of Arenal

On September 28, 2018, Sonae SGPS, SA announces that, its subsidiary Modelo Continente Hipermercados S.A. sucursal en España, has entered into an agreement with Corpfín Capital to acquire its 60% stake in Tomenider SL, owner of 100% of Arenal Perfumerias SLU (“Arenal”), for a total estimated consideration of around 45 million euros. Arenal is a parapharmacy and perfumery retail company with a network of 41 stores across the North of Spain. Founded in 1971 by the Vázquez family, Arenal has generated a turnover of 97 million euros in 2017. The completion of this transaction is subject to the customary approvals for a transaction of this nature and it is expected that it can be concluded during the first quarter of 2019.

c) Acquisition of Amor Bio

In April 2018, Sonae MC acquired 100% of the share capital of Amor Bio, Mercado Biológico, Lda, with Head Office in Lisbon which principal activity is the operation of Healthy food supermarkets. The effects of this acquisition on the Combined Financial Statements will be as follows:

	On the date of acquisition
Net assets	
Property, plant and equipment and intangible assets	0.3
Inventories	0.1
Other assets	0.1
Cash and bank balances	0.0
Loans	(0.2)
Other liabilities	(0.4)
	(0.1)
Goodwill	0.9
Acquisition cost	0.8
Cash payment	0.5
Consideration to be paid	0.3
	0.8
Net cash flow arising from acquisition	
Cash payment	(0.5)
Cash and bank balances acquired	0.0
	(0.5)

d) Repayment of Bonds

On June 12, 2018, Sonae MC repaid the bonds denominated Sonae Investimentos 2013/2018 with a nominal amount of 50 million euros, dilisting such bonds. Since that date, Sonae MC does not have any issued securities currently admitted to trading in regulated markets.

47) Group companies included in the Combined Financial statements

Group companies included in the Combined Financial Statements, their head offices and percentage of share capital held by Sonae MC as at 31 December 2015, 2016 and 2017 are as follows:

		Percentage of capital Held			
COMPANY	Head Office	Dec 2015	Dec 2016	Dec 2017	
1) Sonae MC, SGPS, S.A.	Matosinhos	Holding	Holding	Holding	
Op Co					
BB Food Service, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%	
Bom Momento - Restauração, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%	
2) Brio - Produtos de Agricultura Biológica, SA	a) Oeiras (Portugal)	-	-	100.00%	
Continente Hipermercados, SA	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%	
3) Elergone Energias, Lda	a) Matosinhos (Portugal)	75.00%	75.00%	75.00%	
Farmácia Selecção, SA	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%	
2) Go Well – Promoção de Eventos, Caterings e Consultoria, SA	a) Lisbon (Portugal)	-	-	51.00%	

	Marcas MC, zRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%
3) 4)	Make Notes Design, Lda	a)	Maia (Portugal)	100.00%	100.00%	100.00%
	Modelo - Distribuição de Materiais de Construção, SA	b)	Maia (Portugal)	50.00%	50.00%	50.00%
	Modelo Continente Hipermercados, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%
	Modelo Continente International Trade, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%
5)	Modelo.com – Vendas por Correspondência, SA	a)	Maia (Portugal)	100.00%	-	-
	Pharmaconcept – Actividades em Saúde, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%
	Pharmacontinente - Saúde e Higiene, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%
6)	SCBRASIL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%
	SIAL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%
	Soflorin, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%
7)	Sonae MC – Serviços Partilhados, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%
8)	Modelo Continente SGPS, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%
9)	Sonae MC S2 Africa Limited	a)	La Valletta (Malta)	-	100.00%	100.00%
10)	Sonae Specialized Retail, SGPS, SA	a)	Matosinhos (Portugal)	100.00%	-	-
11)	Sohi Meat Solutions-Distribuição de Carnes, SA	a)	Santarém (Portugal)	-	100.00%	50.00%
	Sport Zone Sport Maiz.Per.Satis.Ith.Ve tic.ltd.Sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%
	Sonvecap, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%
	Zippy Cocuk Maiz.Per.Satis.Ith.Ve tic.ltd.Sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%
Prop Co						
12)	Asprela Sociedade Imobiliária, SA	a)	Maia (Portugal)	-	-	100.00%
	Azulino Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%
	Bertimóvel - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%
	Canasta - Empreendimentos Imobiliários, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%
13)	Chão Verde - Sociedade de Gestão Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	-
	Citorres - Sociedade Imobiliária, SA	a)	Maia	100.00%	100.00%	100.00%

		(Portugal)			
5)	Contibomba – Comércio Distribuição de Combustíveis, SA	a) Maia (Portugal)	100.00%	-	-
	Contimobe - Imobiliária de Castelo de Paiva, SA	a) Castelo de Paiva (Portugal)	100.00%	100.00%	100.00%
	Cumulativa - Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	a) Maia (Portugal)	97.92%	97.91%	98.00%
	Igimo – Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Iginha – Sociedade Imobiliária, SA	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%
14)	Imoconti – Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	-	-
	Imoestrutura – Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Imomuro – Sociedade Imobiliária, SA	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%
	Imoresultado – Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Imosistema – Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	MJLF - Empreendimentos Imobiliários, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Modelo Hiper Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Ponto de Chegada – Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Predicomercial - Promoção Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Predilugar- Promoção Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Selifa - Empreendimentos Imobiliários de Fafe, SA	a) Maia (Portugal)	100.00%	100.00%	100.00%
	Sempre à Mão - Sociedade Imobiliária, SA	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%
	Sesagest - Proj.Gestão Imobiliária, SA	a) Porto (Portugal)	100.00%	-	-
13)	Socijofra - Sociedade Imobiliária, SA	a) Gondomar (Portugal)	100.00%	100.00%	100.00%
	Sociloures - Sociedade Imobiliária, SA	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%
	Sonaerp - Retail Properties, SA	a) Porto	100.00%	100.00%	100.00%

		(Portugal)			
Sondis Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%
Valor N, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%

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 on April 30, 2017, consolidated in the Combined Financial Statements since that date;
- 3) Company acquired on November 2, 2015, consolidated in the Combined Financial Statements since that date;
- 4) Former MJB Design, Lda;
- 5) Companies incorporated by merger in Modelo Continente, Hipermercados, SGPS SA as at January 1, 2016;
- 6) Former Sonae Capital Brasil, Ltda;
- 7) Former Sonae Center Serviços II, SA;
- 8) Former Sonae MC – Modelo Continente, SGPS SA;
- 9) Company incorporated on July 2, 2016;
- 10) Company incorporated by merger in Modelo Continente, SGPS, SA;
- 11) On January 3, 2017, a joint venture between Sonae MC and Hilton Food Group PLC was created through a capital increase entirely subscribed by the latest on Sohi Meat Solutions-Distribuição de Carnes, SA. From that date, onwards, Sohi Meat is included in the Combined Financial Statements through the equity method;
- 12) Company incorporated on April 3, 2017;
- 13) These companies held mainly to real estate assets related with food retail and adjacent formats which were sold through sale and leaseback agreements in 2015 (Sesagest) and 2016 (Chão Verde). Considering that the remaining assets held by these companies after the sale are not related with Sonae MC retail formats and were already not included in the Combined Financial Statements, these companies were excluded from the scope of combination after the sale and leaseback operations.
- 14) Company sold on December 30, 2016 to Iberia Shopping Centre Venture Cooperatief UA.

48) Approval of financial statements

The accompanying combined financial statements were approved by the Board of Directors on September 28, 2018.

The Board of Directors,

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

Luis Miguel Mesquita Soares Moutinho

Luis Miguel Vieira de Sá da Mota Freitas

Luis Filipe Campos Dias de Castro Reis

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**CONDENSED COMBINED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31,
2017 AND JUN 30, 2018**

(Amounts expressed in € million)

ASSET ASSETS	Notes	Dec 31, 2017	Jun 30, 2018
NON-CURRENT ASSETS:			
Property, plant and equipment	5	1,264.0	1,285.8
Intangible assets	6	215.0	218.9
Goodwill	7	446.9	447.7
Investments in joint ventures and associates	8	9.3	8.2
Other investments	9	11.8	12.2
Deferred tax assets	12	22.1	33.1
Other non-current assets		10.7	10.2
Total Non-Current Assets		1,979.8	2,016.2
CURRENT ASSETS:			
Inventories		396.3	385.1
Trade receivables		54.6	44.1
Other receivables	10	44.4	40.5
Income tax assets	11	36.7	26.1
Other tax assets	11	20.7	23.4
Other current assets	10	31.7	85.0
Other investments		0.1	0.3
Cash and bank balances	13	93.7	56.7
Total Current Assets		678.2	661.3
Assets classified as held for sale		0.8	-
TOTAL ASSETS		2,658.8	2,677.4
EQUITY AND LIABILITIES			
EQUITY:			
Equity attributable to owners of the Company	14	732.0	645.1
Non-controlling interests		29.0	30.0
TOTAL EQUITY		761.0	675.2
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Loans	15	313.4	485.4
Bonds	15	257.3	257.5
Other loans, leases and derivatives	15	0.0	0.0
Other non-current liabilities		20.7	20.4
Deferred tax liabilities	12	91.2	97.6
Provisions	17	7.4	6.5
Total Non-Current Liabilities		690.0	867.5
CURRENT LIABILITIES:			
Loans	15	115.2	126.7
Bonds	15	53.0	3.0
Other loans, leases and derivatives	15	0.3	0.2
Trade payables		708.9	708.0
Other payables	16	76.7	60.3
Income tax liabilities	11	50.6	51.0
Other tax liabilities	11	63.5	46.0
Other current liabilities	16	134.7	135.7
Provisions	17	4.8	3.8
Total Current Liabilities		1,207.7	1,134.7
Liabilities directly associated with assets classified as held for sale		-	-
TOTAL LIABILITIES		1,897.7	2,002.3
TOTAL EQUITY AND LIABILITIES		2,658.8	2,677.4

The accompanying notes are part of these condensed combined interim financial statements.

**CONDENSED COMBINED INTERIM INCOME STATEMENTS FOR THE PERIODS ENDED JUNE 30,
2017 AND 2018**

<i>(Amounts expressed in € million)</i>	Notes	June 30, 2017	June 30, 2018
Sales	4	1,807.3	1,925.6
Services rendered	4	54.8	55.7
Gains and losses on investments		-	0.0
Other income		28.9	29.3
Cost of goods sold and materials consumed		(1,296.3)	(1,371.7)
External supplies and services	21	(214.7)	(231.2)
Employee benefits expense		(243.1)	(263.1)
Other expenses		(17.6)	(17.9)
Depreciation and amortisation expenses	6 and 7	(64.9)	(72.1)
Provisions and impairment losses		(1.6)	0.4
Profit before interests, tax, dividends and share of profit or loss of joint ventures and associates		52.8	55.1
Dividends received during the year		0.1	0.1
Share of profit or loss of joint ventures and associates	8	(1.5)	(0.6)
Financial income	20	0.4	0.6
Financial expense	20	(8.5)	(8.6)
Profit before tax		43.2	46.6
Income tax expense		(7.9)	(7.3)
Profit for the year		35.3	39.4
Attributable to:			
Owners of the Company		34.6	38.4
Non-controlling interests		0.8	1.0
		35.3	39.4
Profit/(Loss) per share (in Euro)			
Basic	19	0.0384	0.0426
Diluted	19	0.0384	0.0426

The accompanying notes are part of these condensed combined interim financial statements.

**CONDENSED COMBINED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE
PERIODS ENDED JUNE 30, 2017 AND 2018**

<i>(Amounts expressed in € million)</i>	Jun 30, 2017	Jun 30, 2018
Profit for the year	35.3	39.4
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	1.0	2.0
Share of other comprehensive income of joint ventures and associates (note 8.b)	(0.0)	(0.1)
Changes in cash flow hedging reserve	(1.2)	0.7
Income tax relating to items that may be reclassified subsequently to profit or loss	0.3	(0.0)
	0.2	2.6
Items that will not be reclassified subsequently to profit or loss:	-	-
Total of other comprehensive income for the year, net of income tax	0.2	2.6
Total comprehensive income for the year	35.5	42.0
Attributable to:		
Owners of the Company	34.8	40.8
Non-controlling interests	0.7	1.2

The accompanying notes are part of these condensed combined interim financial statements.

CONDENSED COMBINED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED JUNE 30, 2017 AND 2018

<i>(Amounts expressed in € million)</i>	Share capital (note 21)	Own shares	Legal reserve	Foreign currency translation reserve	Cash-flow hedging reserve	Legal reserves in accordance with article 324° CSC	Other reserves and retained earnings	Profit for the year	Equity attributable to Owners of the Company	Non-controlling interests	Total Equity
Balance as at January 1, 2017	1,000.0	(320.0)	170.9	0.7	(0.8)	320.0	(640.2)	179.6	710.2	23.2	733.3
Total comprehensive income for the year	-	-	-	1.0	(0.8)	-	(0.0)	34.6	34.8	0.7	35.5
Transfer in accordance with Annual General Meeting	-	-	3.9	-	-	-	175.7	(179.6)	-	-	-
Income distribution from real estate funds	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Acquisitions of shares of subsidiaries (note 3.a)	-	-	-	-	-	-	-	-	-	1.5	1.5
Variation in percentage of subsidiaries	-	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Transactions with the Parent Group:											
Group relief effect from the transfer of tax losses to the Tax Group	-	-	-	-	-	-	(15.1)	-	(15.1)	-	(15.1)
Dividends distributed (note 14)	-	-	-	-	-	-	(40.0)	-	(40.0)	-	(40.0)
Withdrawals to Parent Group (note 18)	-	-	-	-	-	-	(2,580.7)	-	(2,580.7)	-	(2,580.7)
Contributions from Parent Group (note 18)	-	-	-	-	-	-	2,471.5	-	2,471.5	-	2,471.5
Others	-	-	-	-	-	-	0.0	-	0.0	0.0	0.1
Balance as at June 30, 2017	1,000.0	(320.0)	174.8	1.7	(1.6)	320.0	(628.9)	34.6	580.6	25.3	605.9
Balance as at January 1, 2018	1,000.0	(320.0)	174.8	2.8	(0.9)	320.0	(560.1)	115.3	732.0	29.0	761.0
Total comprehensive income for the year	-	-	-	2.0	0.5	-	(0.1)	38.4	40.8	1.2	42.0
Transfer in accordance with Annual General Meeting	-	-	0.0	-	-	-	115.3	(115.3)	-	-	-
Income distribution from real estate funds	-	-	-	-	-	-	-	-	-	(0.2)	(0.2)
Transactions with the Parent Group:											
Withdrawals to Parent Group (note 18)	-	-	-	-	-	-	(1,905.2)	-	(1,905.2)	-	(1,905.2)
Contributions from Parent Group (note 18)	-	-	-	-	-	-	1,777.6	-	1,777.6	-	1,777.6
Others	-	-	-	-	-	-	(0.0)	-	(0.0)	(0.0)	(0.1)
Balance as at June 30, 2018	1,000.0	(320.0)	174.9	4.8	(0.4)	320.0	(572.6)	38.4	645.1	30.0	675.2

The accompanying notes are part of these condensed combined interim financial statements.

**CONDENSED COMBINED INTERIM STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED
JUNE 30, 2017 AND 2018**

<i>(Amounts expressed in € million)</i>	Notes	Jun 30, 2017	Jun 30, 2018
OPERATING ACTIVITIES			
Receipts from customers		1,888.8	1,995.0
Payments to suppliers		(1,586.0)	(1,645.0)
Payments to employees		(232.6)	(251.6)
Cash generated from operations		70.1	98.3
Income taxes (paid) / received		(2.9)	(0.8)
Other cash receipts and (payments) relating to operating activities		(16.6)	(16.7)
Net cash generated by from operating activities (1)		50.6	80.9
INVESTMENT ACTIVITIES			
Receipts arising from:			
Investments	22	21.0	-
Property, plant and equipment		1.8	1.6
Intangible assets		2.3	0.8
Interests and similar income		0.1	0.0
Dividends		0.1	0.5
Payments arising from:			
Investments	22	(3.3)	(0.6)
Property, plant and equipment		(85.4)	(99.0)
Intangible assets		(25.8)	(19.5)
Loans granted		(1.5)	-
Net cash used in/generated by investment activities (2)		(90.8)	(116.1)
FINANCING ACTIVITIES			
Receipts arising from:			
Loans, bonds and finance leases		2,991.0	2,508.0
Payments arising from:			
Investments	22	(1.3)	(0.5)
Loans, bonds and finance leases		(2,849.0)	(2,376.9)
Interests and similar charges		(7.1)	(6.7)
Dividends paid by subsidiaries		(0.1)	(0.2)
Transactions with the Parent Group:			
Whithdrawals to Parent Group	18	(2,580.7)	(1,905.2)
Contributions from Parent Group	18	2,471.5	1,777.6
Net cash used in financing activities (3)		24.3	(3.9)
Net increase/(decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(15.9)	(39.1)
Effect of exchange rate changes on the balance of cash held in foreign currencies		0.1	0.0
Cash and cash equivalents at the beginning of the year	13	46.6	91.0
Cash and cash equivalents at the end of the year	13	30.7	51.8

The accompanying notes are part of these condensed combined interim financial statements.

SELECTED EXPLANATORY NOTES TO THE CONDENSED COMBINED INTERIM FINANCIAL STATEMENTS

0) Background and purpose of the Condensed Combined Interim Financial Statements

Sonae MC SGPS, SA (former Sonae Investimentos, SGPS, S.A. – “the Company”) is a private company with limited liability incorporated under the laws of Portugal, having its registered office in Rua João Mendonça, 529 – 4464-501 Senhora da Hora, Portugal, and registered with the Portuguese trade register under number 501 532 927.

In the context of the Sonae Group strategy, the Board of Directors of the Parent announced in May 2018 its plan to sharpen its strategic focus by separating its food retail activities, adjacent formats and related real estate businesses, and subsequent listing, from the remaining retail and financial activities.

Taking into consideration the European Prospectus Regulation No. 809/2004 (amended by Regulation No. 211/2007) and Prospectus Directive approved by the European Parliament and Council Directive 2003/71/EC; an issuer must present historical financial information covering the latest three fiscal years in its securities prospectus. Sonae MC will have a “complex financial history” at the time of issuance. In this context, on September 28, 2018, the Company Board of Directors prepared combined financial statements as at January 1, 2015 and December 31, 2015, 2016 and 2017 for a new reporting entity, Sonae MC and not the legal entity Sonae MC, SGPS, SA which has presented historical consolidated financial statements for the referred periods. For the purpose of interim reporting, the Company Board of Directors has decided to prepare these complementary condensed combined interim financial statements for the six months from January 1, 2018 to June 30, 2018 (combined interim financial statements for the six months ended June 30, 2018 and 2017).

For more information on the background to and purpose of the combined interim financial statements, as well as the carve-out adjustments and scope of the combination for the six months ended June 30, 2018 and 2017, see the explanations in the combined financial statements of Sonae MC that were issued by the Board of Directors on September 28, 2018. There was no material changes to the combination group. Please refer to note 24 for a complete list of the perimeter as at June 30, 2018.

1) Presentation of the Condensed Combined Interim Financial Statements

Taking into account the specifics to be considered in preparing Condensed Combined Interim Financial Statements as of and for the six-month period ended June 30, 2018, which are explained in the Combined Financial Statements as at January 1, 2015 and December 31, 2015, 2016 and 2017, the Condensed Combined Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. Therefore, they do not contain all the information and disclosures required in complete annual Combined Financial Statements and for adequate interpretation, should be read in conjunction with the Combined Financial Statements as at January 1, 2015 and December 31, 2015, 2016 and 2017. Selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Group’s financial position and performance since the last annual combined financial statements.

The Condensed Combined Interim Financial Statements have been prepared in euros. Unless stated otherwise, all amounts are shown in millions of euros (€ million) rounded to one decimal place. Rounding differences may occur in respect of individual amounts or percentages. For further information concerning the basis of preparation see also the Combined Financial Statements as at January 1, 2015 and December 31, 2015, 2016 and 2017.

The Condensed combined interim financial statements were authorised for issue on September 28, 2018, by the Board of Directors of Sonae MC, SGPS, S.A.

2) Summary of significant accounting policies

The IFRS-EU provide no guidelines for the preparation of Condensed combined interim financial statements, which have been prepared in accordance with the paragraph “Combined Financial Statements and compliance with IFRS-EU” in the Combined Financial Statements as at January 1, 2015 and December 31, 2015, 2016 and 2017.

Unless otherwise disclosed, namely because of the new and amendments to standards published by the International Accounting Standards Board (IASB) set out below, the accounting policies applied in the preparation of the Condensed combined interim financial statements as of and for the six month period ended June 30, 2018 and 2017 are consistent with those used in the preparation of the Combined Financial Statements as at January 1, 2015 and December 31, 2015, 2016 and 2017. The new standards and interpretations recently issued but not yet effective and that Sonae MC has not yet applied on its condensed combined interim financial statements, are detailed in note 2.b.

The judgments and estimates of the Management of Sonae MC applied to these condensed combined interim financial statements have been made on the basis of the same principles as in the combined financial statements of Sonae MC.

As at June 30, 2018, Sonae MC has not identified any significant changes in key assumptions used in impairment tests performed at the end of 2017, which could indicate that an asset may be impaired.

Preparation of the Interim financial statements in accordance with IFRS requires management to make assessments, estimates and assumptions that affect application of the accounting principles and the amounts reported in the income statement and carried on the statement of financial position. Estimates and assumptions are based on historical experience and a number of factors that are considered reasonable based on the circumstances. Significant estimates and judgements with impact in the interim period relate to the following:

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values.

Income Tax expense

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Given the planned listing of Sonae MC and the cancellation of the former tax group controlled by Sonae SGPS, SA after the listing, taxation arrangements within Sonae Tax group have no longer been applied since December 2017.

Commercial income

Commercial income are estimated, considering the promotional actions realized and the expectation of achieving the agreed commercial conditions for the year based on the purchases and sales volumes targets. Management estimates are based on agreements for the year, specific promotional agreements, historical data and the monitoring of the actual volumes achieved as at the reporting date, being adjusted in the subsequent periods of the financial year, if the actual annual purchase agreements differ from those estimated.

a) New and amendments to standards with mandatory application during 2018

xx. Application of IFRS 9 and IFRS 15

IFRS 9 ‘Financial Instruments’ was endorsed for adoption by the EU in November 2016 and is effective for accounting periods beginning on or after 1 January 2018.

Financial assets

IFRS 9 requires the classification of financial assets based on the business model for managing the financial assets ("business model test") and their contractual cash flow characteristics ("SPPI test"), replacing prior requirements which determined the classification in the categories present in IAS 39.

A financial asset is measured at amortised cost if (i) is held to collect its contractual cash flows; and (ii) the contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognized at fair value and subsequently measured at amortised cost.

A financial asset is measured at fair value through other comprehensive income if (i) the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and (ii) the asset's contractual cash flows represent solely payments of principal and interest. Financial assets included within this category are initially recognised and subsequently measured at fair value, with the changes in the carrying amount booked in other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

The financial assets that do not meet the criteria to be classified under the previously referred categories, are classified at fair value through profit or loss, deemed to be a residual category under IFRS 9.

Equity instruments at fair value

Equity instruments at fair value ("Assets available for sale" according to the terminology of IAS 39) are always measured at fair value. Equity instruments that are held for trading are required to be classified at fair value to profit or loss. For all other equity instruments, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in other comprehensive income.

If this election is made, all fair value changes, excluding dividends that are a return on investment, will be included in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss (for example, on sale of an equity investment) being, at that time, transferred to retained earnings.

Impairment

IFRS 9 establishes a new impairment model based on the expected credit losses (ECL), which replaces the previous impairment model based on the incurred credit losses set out in IAS 39. This model is the basis for the recognition of impairment losses on held debt instruments that are measured at amortised cost or at fair value through other comprehensive income (which includes loans, bank balances and deposits, trade receivables and debt securities).

Under expected credit losses model Sonae MC prospectively assesses the estimated losses associated with the debt instruments held, which may correspond to an amount equal to 12-month expected credit losses, when credit risk did not increase significantly since initial recognition, or to lifetime expected credit losses whenever a significant increase in credit risk occurs, recognising the corresponding impairment allowance.

For trade receivables and lease receivables that do not contain a significant financing component Sonae MC applies the simplified approach in the recognition of impairment allowances, assessing the expected credit losses for the lifetime of the debt instrument.

When a specific loss event occurs (what is previously defined in IAS 39 as “objective evidence of impairment”), the impairment allowance would be allocated directly to financial assets affected.

IFRS 15 - Revenue from the Contracts with Customers (object of clarification issued on 12 April 2016)

The International Accounting Standards Board (IASB), issued on 28 May 2014, IFRS 15 Revenue from Contracts with Customers, which was amended in April 2016 and was endorsed by EU Commission Regulation 1905/2016, of 22 September 2016. This standard replaces existing revenue recognition guidance and is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Revenue from sale and services provided is recognized when (or as) the Company satisfies a performance obligation by transferring the promised goods or service to a customer. Revenue is measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer which may include fixed amounts, variable amounts, or both. In transactions with customers for which more than one performance obligation is identified (additional assets, subsequent discounts or customer loyalty plans, etc.), the revenue is allocated to each performance obligation proportionally to the stand alone price of each good or service.

Revenue recognition under IFRS 15 is consistent with past practice for the Sonae MC’s revenue, including for loyalty program. The principles of IFRS 15 did not have a significant impact on the condensed consolidated interim financial statements.

xxi. Other standards

IFRS 4 (amendment) - Insurance contracts (provides guidance on the application of IFRS 4 in together with IFRS 9);
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);

IFRIC 22 - Transactions in foreign currency and advances (establish the date of the initial recognition of the advance or deferred income as the date of the transaction for determining the exchange rate of the recognition of the revenue);
IAS 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);

Annual Improvements to international financial reporting standards (cycle 2014-2016).

The above mentioned standards had no impact on the Group’s Condensed Combined Interim Financial Statements.

b) New and amendments to standards with mandatory application after 2018

As of the date of authorisation of these condensed consolidated interim financial statements, the following standards were in issue but not yet effective:

IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. IFRS 16 is expected to have a significant impact on reported assets, liabilities and income statement of the Group, as well as the classification of cash flows relating to lease contracts. The IFRS 16 implementation project continues to collect required lease information and progress work on systems and policies to support transitioning to IFRS 16. It is not practicable to provide a reasonable estimate of the effect of IFRS 16 until this detailed review is sufficiently progressed. The Group has not applied these standards in the preparation of the condensed consolidated interim financial statements and has not adopted any new or amended standards early.

The following standards, interpretations, amendments and revisions were not endorsed by the European Union, and therefore may not be applied in the European Union:

With mandatory application after 2018:	Effective date (for financial years beginning on or after)
IFRS 17 – (Insurance contracts)	01 Jan 2021
IFRIC 23 – Uncertainty over income tax treatments (clarifies the accounting for uncertainties in income taxes)	01 Jan 2019
IAS 28 (amendment) – Long-term interests in associates and joint ventures	01 Jan 2019
Annual Improvements to international financial reporting standards (2015-2017 cycle)	01 Jan 2019
IAS 19 (amendment) - Amendments, reductions or liquidation of employee benefit plans	01 Jan 2019
Amendments to References to the Conceptual Framework in IFRS Standards	01 Jan 2020

The Group did not proceed with the early implementation of any of these standards in the Condensed Combined Interim Financial Statements as its application is not allowed and is currently estimating the impacts of such standards, namely in what concerns IFRIC 23 considering the tax contingencies.

3) Changes in the scope of Combination during the periods ended June 30, 2017 and 2018

aa. Business combinations in the periods ended at June 30, 2017 and 2018

Acquisitions of subsidiaries in the periods ended at June 30, 2017 and 2018 were as follows:

Subsidiaries acquired	Head Office	Proportion of voting equity interests acquired	Date of acquisition	Principal activity
Jun 30, 2017				
Op Co				
Brio - Produtos de Agricultura Biológica, SA	Matosinhos	100.00%	April 2017	Healthy food supermarkets
Go Well - Promoção de Eventos, Catering e Consultoria, SA	Lisbon	51.00%	May 2017	Healthy food supermarkets and restaurants
June 30, 2018				
Op Co				
Amor Bio, Mercado Biológico, Lda	Lisbon	100.00%	April 2018	Healthy food supermarkets

The effects of these acquisitions on the Condensed combined interim financial statements can be analysed as follows:

	June 30, 2017		June 30, 2018	
	On the date of acquisition	June 30, 2017	On the date of acquisition	June 30, 2018
Net assets				
Property, plant and equipment and intangible assets	1.4	1.5	0.3	0.3
Deferred tax assets	0.4	0.5	-	-
Inventories	0.6	0.5	0.1	0.1
Other assets	1.3	1.4	0.1	0.0
Cash and bank balances	0.4	0.4	0.0	0.0
Loans	(0.3)	(0.2)	(0.2)	(0.3)
Other liabilities	(3.4)	(3.8)	(0.4)	(0.4)
	0.3	0.4	(0.1)	(0.1)
Goodwill (note 7)	3.8		0.9	
Non-controlling interests	1.5		-	
Acquisition cost	2.6		0.8	
Cash payment	2.6		0.5	
Consideration to be paid	-		0.3	
	2.6		0.8	
Net cash flow arising from acquisition				
Cash payment	(2.6)		(0.5)	
Cash and bank balances acquired	0.4		0.0	
	(2.1)		(0.5)	
	30 jun 2017		30 jun 2018	
	From the date of acquisition	6 months	From the date of acquisition	6 months
Sales	2.0	6.2	0.4	1.0
Other income	-	0.1	-	0.0
Cost of goods sold and materials consumed	(1.0)	(3.1)	(0.3)	(0.8)
External supplies and services	(0.4)	(1.4)	(0.1)	(0.1)
Employee benefits expense	(0.7)	(1.8)	(0.0)	(0.1)
Depreciation and Amortization	(0.1)	(0.2)	-	(0.0)
Other expenses	0.1	(0.0)	(0.0)	(0.0)
Net financial expenses	(0.0)	(0.0)	(0.0)	(0.0)
Share of results of joint ventures and associated undertakings	-	(0.0)	-	-
Profit/(loss) before tax	(0.1)	(0.3)	(0.0)	(0.1)
Income tax expense	0.1	0.1	-	-
Profit/(loss) for the period	0.0	(0.1)	(0.0)	(0.1)

The impact in the comparability of the condensed combined interim financial statements is immaterial.

As referred in the Combined Financial Statements as at December 31, 2015, 2016 and 2017, following the previous agreement to acquire 51% of GO WELL's share capital and the opening of the first supermarket entirely dedicated to organic and healthy food, the acquisition of BRIO will enable Sonae MC to accelerate its position in strategic Health

& Wellness growth, particularly in the healthy food segment, benefiting from the BRIO store network, the high degree of specialization of the teams and a broad network of suppliers, supporting the recognition of Goodwill on this acquisition.

4) Segment information

The segmentation corresponds to the internal organizational and management structures of the new Sonae MC and the internal financial reporting to the chief operating decision maker (CODM), the Board of Directors.

As reported in the basis of preparation of the Combined Financial Statements as at December 31, 2015, 2016 and 2017, Sonae MC has two segments:

- Op Co - including all retail and corporate services shared service centre businesses, namely In food, with Continente (hypermarkets), Continente Modelo and Continente Bom Dia (supermarkets), Continente online (e-commerce) and Meu Super (franchised local food retail stores); and adjacent formats, with Well's (para-pharmacies, including health, beauty products, well-being and eye care), and Go Natural (healthy food supermarkets and restaurants) (both health & wellness); with Bagga (cafeterias/restaurants), Note! (book shops, stationery and gifts), ZU (products and services for pets) and Maxmat (DIY);
- Prop Co – including all the Sonae MC real estate assets operations

The list of Group companies and their businesses is detailed in note 24.

The main operating segment information for June 30, 2017 and 2018 can be detailed as follows:

June 30, 2017	Turnover	EBITDA	Depreciation and amortization	Provisions and impairment losses	EBIT
Op Co	1,848.1	83.9	(54.1)	(1.6)	27.3
Prop Co	46.0	36.2	(10.8)	0.0	25.5
Eliminations and adjustments	(32.0)	-	-	-	-
Total consolidated	1,862.1	120.2	(64.9)	(1.6)	52.8

June 30, 2018	Turnover	EBITDA	Depreciation and amortization	Provisions and impairment losses	EBIT
Op Co	1,966.9	90.1	(60.7)	0.4	28.9
Prop Co	47.6	37.6	(11.4)	0.0	26.2
Eliminations and adjustments	(33.2)	-	-	-	-
Total consolidated	1,981.3	127.7	(72.1)	0.4	55.1

	Investment (CAPEX)		Invested capital	
	June 30, 2017	June 30, 2018	Dec 31, 2017	Jun 30, 2018
Op Co	74.4	92.2	661.6	735.0
Prop Co	14.5	15.8	744.9	756.0
Total consolidated	88.9	108.0	1,406.5	1,491.0

The caption “Elimination and adjustments” can be detailed as follows:

Turnover	June 30, 2017 Inter-company	June 30, 2018 Inter-company
Op Co	(1.8)	(1.8)
Prop Co	(30.2)	(31.3)
Eliminations and adjustments	(32.0)	(33.2)

The Board of Directors does not allocate financial income and expenses nor income tax expense or income to separate business segments, reason why, information is not presented. Consistently, financial net debt is also not allocated. As such only Invested Capital figures are presented.

All investments in associates and joint ventures are allocated to Op Co segment.

For the purpose of preparing the segment information for Board of Directors analysis, inter-company transactions between Op Co and Prop Co, mainly lease expense and lease income, respectively, are allocated based on management figures.

Glossary:

Turnover - Total revenue from sales and services rendered;

EBITDA – EBIT before depreciation and amortization expenses, provisions and impairments losses, gains and losses on investments, and net capital gains/losses on disposal of fixed assets excluding net capital gains/losses on the sale-and-leaseback transactions of real estate assets;

EBIT – Profit before interest, tax, dividends and share of profit or loss of joint ventures and associates;

Capex - Investments in the period, recorded as property plant or equipment or intangible assets incurred in the year;

Invested Capital – Property, plant and equipment and intangible assets (net of depreciations, amortisations and impairment losses) plus goodwill, investments in joint ventures and associates and other non-current investments, accounting working capital;

Accounting working Capital – Sum of inventories, trade payables and other assets and liabilities (excluding loans obtained from non-controlling interests and items included in the computation of Net Debt).

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

5) Property, plant and equipment

During the period ended as at June 30, 2018, the movements in “Property, plant and equipment” as well as accumulated depreciation and impairment losses are made up as follows:

	Land and Buildings	Plant and Equipment	Vehicles	Fixtures and Fittings	Other Property, plant and equipment	Property, plant and equipment in progress	Total
Cost:							
Balance as at January 1, 2018	1,109.7	1,090.8	21.6	104.3	37.6	28.1	2,392.1
Additions	4.8	1.2	0.0	0.1	0.0	82.9	89.1
Acquisitions through business combinations (note 3.a)	0.1	0.2	0.0	0.1	0.1	-	0.4
Disposals	(0.1)	(11.6)	(0.3)	(1.2)	(0.5)	(1.2)	(14.8)
Effect of foreign currency exchanges differences	-	-	-	(0.0)	-	-	(0.0)
Transfers	3.9	62.9	0.7	4.9	1.6	(81.1)	(7.1)
Balance as at June 30, 2018	1,118.4	1,143.4	22.1	108.1	38.8	28.7	2,459.6
Accumulated depreciation and impairment							
Balance as at January 1, 2018	340.4	662.6	16.0	77.8	31.3	-	1,128.1
Depreciation expense	8.8	42.1	0.6	4.7	1.4	-	57.6
Acquisitions through business combinations (note 3.a)	0.0	0.0	0.0	0.0	0.0	-	0.1
Disposals	(0.1)	(10.2)	(0.3)	(1.0)	(0.5)	-	(12.1)
Effect of foreign currency exchanges differences	-	-	-	(0.0)	-	-	(0.0)
Transfers	-	0.1	-	(0.0)	(0.0)	-	0.1
Balance as at June 30, 2018	349.1	694.6	16.4	81.4	32.3	-	1,173.8
Carrying amount							
At June 30, 2018	769.3	448.8	5.7	26.7	6.5	28.7	1,285.8

Additions relate mainly with the expansion and optimisation of stores on the Op Co segment.

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

	Dec 31, 2017	June 30, 2018
Refurbishment and expansion of stores in Portugal and others	26.8	27.4
Projects "Continente" stores for which advance payments were made	1.3	1.3
	28.1	28.7

6) Intangible assets

During the period ended as at June 30, 2018, the movements in “Intangible assets” as well as accumulated depreciation and impairment losses are made up as follows:

Cost	Industrial property	Software	Others intangible assets	Intangible assets in progress	Total
Balance as at January 1, 2018	93.8	313.0	8.5	25.4	440.8
Additions	-	0.1	0.4	18.5	19.0
Acquisitions through business combinations (note 3.a)	-	0.0	0.0	-	0.0
Disposals	-	(0.0)	-	(0.6)	(0.6)
Effect of foreign currency exchanges differences	(0.0)	(0.0)	(0.0)	-	(0.1)
Transfers	0.0	17.5	-	(17.5)	0.0
Balance as at June 30, 2018	93.7	330.6	8.9	25.9	459.2
Accumulated amortization and impairment					
Balance as at January 1, 2018	18.0	200.2	7.6	-	225.7
Amortization expense	0.2	14.3	0.1	-	14.5
Acquisitions through business combinations (note 3.a)	-	0.0	-	-	0.0
Disposals	-	(0.0)	-	-	(0.0)
Effect of foreign currency exchanges differences	(0.0)	(0.0)	(0.0)	-	(0.0)
Transfers	-	0.0	-	-	0.0
Balance as at June 30, 2018	18.1	214.5	7.6	-	240.2
Carrying amount					
At June 30, 2018	75.6	116.1	1.3	25.9	218.9

7) Goodwill

Goodwill is allocated to each business segment, Op Co and Prop Co, and within such segment to each homogenous group of cash generating units, namely to each format of retail operations (Op Co) or to specific properties in case of Prop Co segment.

As at June 30, 2018 and December 31, 2017, the caption “Goodwill” was made up as follows:

	Dec 31, 2017	June 30, 2018
Food	434.4	434.4
Go Natural	9.5	10.4
Others	0.7	0.7
Op Co	444.7	445.5
Prop Co	2.2	2.2
	446.9	447.7

The variation is mainly due to the business combination referred to in note 3.a).

8) Investments in joint ventures and associates

bb. Detail of book value of investment in joint ventures and associates

Joint ventures and associates, their head offices, percentage of share capital held and their value in the condensed combined interim statement of financial position as at December 31, 2017 and June 30, 2018 are as follows:

	Head Office	Proportion of ownership interest		Combined statement of financial position	
		Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018
Sohi Meat Solutions - Distribuição de Carnes, SA	Santarém	50.00%	50.00%	2.4	3.2
Investments in joint ventures				2.4	3.2
APOR- Agência para a Modernização do Porto, SA	Porto	22.75%	22.75%	0.3	0.3
Movvo	Porto	25.58%	25.58%	-	-
S2 Mozambique, SA	Maputo	30.00%	30.00%	1.6	0.9
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	Lisbon	25.00%	25.00%	1.1	0.7
Ulabox, S.L.	Barcelona	41.89%	41.89%	4.0	3.1
Investment in associates				7.0	5.0
Total				9.3	8.2

cc. Movements occurred in the period

During the period ended June 30, 2018, movements in “Investments in joint ventures and associates” are as follows:

	Jun 30, 2018		
	Proportion on equity	Goodwill	Total investment
Joint ventures			
Initial balance as at January,1	2.4	-	2.4
Equity method:			
Effect in gain or losses in joint controlled	0.8	-	0.8
	3.2	-	3.2
Investments in associates			
Initial balance as at January,1	6.1	0.9	7.0
Company incorporation, capital increase and supplementary capital contributions	0.1	-	0.1
Equity method:			
Effect in gain/losses in associated companies	(1.4)	-	(1.4)
Dividends received	(0.5)	-	(0.5)
Change in group reserves	(0.1)	-	(0.1)
	4.2	0.9	5.0
Total	7.3	0.9	8.2

9) Other investments

Other non-current investments carrying amount as at December 31, 2017 and June 30, 2018, is detailed as follows:

		Percentage of capital held		Statement of financial position	
Company	Head Office	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018
Equity instruments					
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	0.0	0.0
Insko - Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	0.9	0.9
Other investments				10.9	11.3
				11.8	12.2

The caption "Other investments" includes, among others, 9.9 million euro in June 30, 2018 (9.9 million euro in December 31, 2017) related to deposited amounts on an Escrow Account which is invested in investment funds with superior rating, and that are given as guarantee for contractual liabilities assumed on the disposal of the Brazilian retail business (in 2005) and for which provisions were recognized (note 17).

In the caption "Other investments" the investments in equity instruments are measured at fair value through profit or loss, the other investments are measured at amortised cost.

10) Other receivables and other current assets

As at December 31, 2017 and June 30, 2018, "Other receivables" and "Other current assets" are detailed as follows:

	Dec 31, 2017	Jun 30, 2018
Other receivables		
Trade creditors - debtor balances	17.7	18.7
Accounts receivable related to promotional activities partnerships	6.4	5.3
VAT recoverable on real estate assets	6.0	4.8
Accounts receivable from the disposal of property, plant and equipment and intangible assets	1.0	0.3
Vouchers and gift cards	9.0	5.5
Other current assets	8.0	9.5
	48.1	44.1
Accumulated impairment losses in receivables (note 17)	(3.6)	(3.6)
Total of other receivables	44.4	40.5
Other current assets		
Commercial income	10.8	56.3
Insurance indemnities	0.0	0.0
Commissions to be received	0.3	0.3
Interests to be received	0.0	0.0
Others	6.0	5.1
Income accruals	17.0	61.8
Rents paid in advance	6.0	6.8
Insurance premiums paid in advance	3.3	7.5
Software licenses	2.2	4.0
Condominium management fee's	0.2	0.5
Other current assets	3.0	4.4
Deferred charges	14.6	23.2
Total other current assets	31.7	85.0

The amounts disclosed as "Trade creditors - debtor balances" relate with commercial income billed to suppliers, to be net settled with future purchases.

The caption "Commercial income" refers to commercial income earned by the Group but not yet billed to suppliers.

Income tax and other tax assets and liabilities.

11) Income tax and other tax assets and liabilities

c. Income tax assets and liabilities

As at June 30, 2018, the caption “Income tax assets” includes the amount of 5.5 million euro (9.5 million euros as at December 31, 2017) relating to income tax on “carve-out” adjustments in respect of Modelo Continente Hipermercados, SA – Spanish Branch and other Spanish entity, as well as 6.7 million euro related to voluntary tax payments and 13.9 million euros of advance tax payments made by Modelo Continente Hipermercados, SA – Spanish Branch in 2017 and 2018.

As at June 30, 2018, the caption “Income tax liabilities” includes about 42.9 million euro (47.3 million euro as at December 31, 2017) related to the amounts payable to other companies of Sonae group included in the tax groups of Sonae SGPS, SA and Modelo Continente Hipermercados, SA – Spanish Branch. The Modelo Continente Hipermercados, SA – Spanish Branch was, on June 30, 2018 and December 31, 2017, the dominant entity of the group of entities taxed in accordance with the Spanish regime for taxing groups of companies some of which were carve-out and do not form part of the Condensed combined interim financial statements.

d. Other tax assets and liabilities

As at December 31, 2017 and June 30, 2018, “Other tax assets”, and “Other tax liabilities” are made up as follows:

	Dec 31, 2017	Jun 30, 2018
Tax recoverable		
VAT	19.5	22.3
Other taxes	1.2	1.1
	20.7	23.4
Taxes and contributions payable		
VAT	50.6	30.4
Personel income taxes withheld	2.9	3.8
Social security contributions	9.4	11.3
Other taxes	0.6	0.5
	63.5	46.0

12) Deferred taxes

Deferred tax assets and liabilities as at December 31, 2017 and June 30, 2018 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018
Difference between fair value and acquisition cost	3.6	3.6	5.4	5.4
Temporary differences in property, plant and equipment and intangible assets	0.0	0.0	67.1	70.7
Provisions and impairment losses not accepted for tax purposes	11.1	11.6	-	-
Valuation of hedging derivatives	-	0.1	0.0	0.0
Amortisation of goodwill for tax purposes	-	-	17.5	20.4
Revaluation of property, plant and equipment	-	-	0.9	0.9
Tax losses carried forward	4.9	15.6	-	-
Reinvested capital gains/(losses)	-	-	0.3	0.3
Tax Benefits	0.1	0.1	-	-
Others	2.3	2.0	0.0	-
	22.1	33.1	91.2	97.6

Deferred tax assets regarding tax losses carryforward and tax credits

As at December 31, 2017 and June 30, 2018, and in accordance with the tax returns 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:

		Dec 31, 2017			Jun 30, 2018		
		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	0.5	0.1	2018	0.5	0.1	2018
Generated in 2014	Portugal	0.5	0.1	2026	0.5	0.1	2026
Generated in 2015	Portugal	0.1	0.0	2027	0.1	0.0	2027
Generated in 2016	Portugal	0.2	0.1	2028	0.2	0.1	2028
Generated in 2017	Portugal	1.2	0.3	2022	1.2	0.3	2022
Generated in 2018	Portugal	-	-	2023	47.5	10.0	2023
		2.6	0.5		50.0	10.5	
Without limited time use							
	Spain	17.4	4.4		20.2	5.1	
		20.0	4.9		70.3	15.6	

As at December 31, 2017 and June 30, 2018, the deferred taxes to be recognized arising from tax losses carryforward were assessed to the extent that future taxable profits will arise which might be offset against available tax losses or against deductible temporary differences that exist at the time of recognition. taking into account the limits defined in the condensed combined interim financial statements. As at 30 June 2018 tax charges have been calculated taking into consideration that there will be no group taxation at the year end due to minority interests arising after the IPO. The recoverability of the deferred tax assets was assessed based on the business plans of Sonae MC companies on a stand-alone basis.

As at June 30, 2018, the Group had an amount of 5.1 million euros (4.4 million euros as at December 31, 2017) arising from tax losses carryforward in the Spanish Tax Group and which can only be recovered by the companies in Spain within the tax group. The Modelo Continente Hipermercados, SA Branch in Spain ("MCH Branch") was the dominant entity of the group of companies taxed in accordance with the Spanish regime for taxing groups of companies, in Spain which includes, besides the Spanish entities included in the scope of the Condensed Combined Interim Financial Statements (see note 24, also included some Spanish companies owned by Sonae MC, SGPS, S.A. and that will be carve-out.

Tax losses carryforward, tax credits and temporary differences for which no deferred tax was recognized

As at June 30, 2018, there are reportable tax losses amounting to 99.4 million euro (74.3 million euro as at December 31, 2017), for which no deferred tax, assets were recognized for prudential reasons:

		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Generated in 2013	Portugal	0.6	0.1	2018	0.6	0.1	2018
Generated in 2014	Portugal	0.3	0.1	2026	0.3	0.1	2026
Generated in 2015	Portugal	0.6	0.1	2027	0.6	0.1	2027
Generated in 2016	Portugal	1.1	0.2	2028	1.1	0.2	2028
Generated in 2017	Portugal	0.1	0.0	2022	0.1	0.0	2022
Generated in 2018	Portugal	0.4	0.1	2023	0.4	0.1	2023
		<u>3.1</u>	<u>0.7</u>		<u>3.1</u>	<u>0.7</u>	
Generated in 2013	Turkey	0.6	0.1	2018	0.6	0.1	2018
Generated in 2014	Turkey	0.6	0.1	2019	0.6	0.1	2019
Generated in 2015	Turkey	0.8	0.2	2020	0.8	0.2	2020
Generated in 2016	Turkey	0.2	0.1	2021	0.2	0.1	2021
Generated in 2017	Turkey	0.1	0.0	2022	0.1	0.0	2022
Generated in 2018	Turkey	-	-		0.0	0.0	2023
		<u>2.3</u>	<u>0.5</u>		<u>2.3</u>	<u>0.5</u>	
Without limited time use							
	Brazil	16.6	5.6		15.9	5.4	
	Spain	76.7	19.2		98.8	24.7	
		<u>93.2</u>	<u>24.8</u>		<u>114.7</u>	<u>30.1</u>	
		<u>98.6</u>	<u>25.9</u>		<u>120.1</u>	<u>31.3</u>	

13) Cash and cash equivalents

As at December 31, 2017 and June 30, 2018, Cash and cash equivalents are as follows:

	Dec 31, 2017	Jun 30, 2018
Cash at hand	8.6	8.9
Bank deposits	85.1	47.9
Cash and bank balances on the combined statement of financial position	93.7	56.7
Bank overdrafts (note 15)	(2.7)	(4.9)
Cash and cash equivalents on the statement of cash flows	91.0	51.8

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

14) Share Capital and other equity captions

As at December 31, 2017 and June 30, 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 December 31, 2017 and June 30, 2018, the subscribed share capital was held as follows:

Entity	December 31, 2017	June 30, 2018
Sonae, SGPS, S.A.	25.029%	25.029%
Sonaecenter Serviços, SA	51.827%	51.827%
Sonae Investments, BV	13.142%	13.142%
Modelo Continente, SGPS, SA (a)	10.000%	10.000%
Libra Serviços, Lda	0.002%	0.002%

(b) As Modelo Continente, SGPS, S.A. was fully owned by Sonae MC, SGPS, S.A., the shares held by this company are considered, in accordance with Portuguese law, as own shares. The acquisition cost of these shares is, therefore, disclosed as Own shares within Equity.

As at June 30, 2018, Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae SGPS, S.A. share capital (52.48% as at December 30, 2017). Sonae, SGPS, S.A. held directly or indirectly 100% of the Company. As at December 31, 2017 and as at June 30, 2018, Sonae MC, through a fully owned subsidiary owns 10% of its own shares. Following the acquisition of shares of Sonae MC, SGPS, S.A., legal reserves with an amount equal to the acquisition cost were made unavailable pursuant to article 324 of the Commercial Companies Code. This reserve may only be used after the amortization or sale of the referred shares. Consequently the number of shares outstanding as at December 31, 2017 and as at June 30, 2018 was 900,000,000.

As at December 31, 2017 and as at June 30, 2018, the caption "Other reserves and retained earnings" includes supplementary capital contributions made by the Parent ("Entradas facultativas de capital") amounting to 372 million euro.

During 2017, the company distributed dividends to its shareholders amounting to 40 million euro each year, as decided in the Annual General Meetings held on each year. There was no distribution in 2018.

15) Loans

As at December 31, 2017 and June 30, 2018, loans are made up as follows:

	Dec 31, 2017		Jun 30, 2018	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae Investimentos, SGPS, S.A. - commercial paper	7.5	182.5	86.7	334.5
Sonae Investimentos 2017/2022	-	31.0	-	31.0
Sonae Investimentos 2017/2018	100.0	-	-	-
Modelo Continente Hipermercados, Spanish Branch 2014/2020	-	50.0	-	50.0
Modelo Continente Hipermercados, Spanish Branch 2015/2020	-	20.0	-	20.0
Soflorin, BV 2015/2019	5.0	30.0	5.0	30.0
Soflorin, BV 2017/2025	-	-	-	20.0
Soflorin, BV 2018	-	-	30.0	-
Others	0.0	0.0	0.1	0.0
	112.5	313.5	121.8	485.5
Bank overdrafts (note 13)	2.7	-	4.9	-
Up-front fees beared with the issuance of loans	(0.0)	(0.1)	(0.0)	(0.1)
Bank loans	115.2	313.4	126.7	485.4
Bonds				
Bonds Sonae Investimentos /June 2013/ 2018	50.0	-	-	-
Bonds Sonae Investimentos / December 2015/2020	-	50.0	-	50.0
Bonds Sonae Investimentos / May 2015/2020	-	75.0	-	75.0
Bonds Sonae Investimentos / December 2015/2020	-	30.0	-	30.0
Bonds Sonae Investimentos / June 2016/2021	-	95.0	-	95.0
Bonds Sonae Investimentos / September 2016/2021	3.0	9.0	3.0	9.0
Up-front fees beared with the issuance of loans	(0.0)	(1.7)	(0.0)	(1.5)
Bonds	53.0	257.3	3.0	257.5
Other loans	0.1	-	0.1	-
Derivative instruments	0.3	-	0.1	-
Obligations under finance leases	0.0	0.0	0.0	0.0
Other loans, leases and derivatives	0.3	0.0	0.2	0.0
	168.5	570.7	129.9	743.0

Bonds and bank loans bear an average interest rate of 0.99% (1.32% as at 31 December 2017). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

The loans face value maturities are as follows (including obligations under financial leases and not including derivatives):

	Capital	
	Dec 31, 2017	Jun 30, 2018
N+1	168.3	129.8
N+2	40.5	175.9
N+3	158.0	186.3
N+4	184.2	126.3
N+5	159.8	219.3
After N+5	30.0	36.7
	740.8	874.3

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. Used credit facilities are estimated to be reimbursed on the end of the commitment period of the financial institution.

As at December 31, 2017 and June 30, 2018 there is only one financial covenant, namely, the obligation to maintain a net debt-to-EBITDA ratio of not greater than 3.5x, which is included in some loan agreements, and which at the date of this report are in regular compliance. This covenant is tested assuming generally accepted accounting principles as of the date the loan agreement was entered into (i.e., frozen before the implementation of IFRS 16), although the exact definitions of EBITDA and net debt differ among the credit facility agreements

As at December 31, 2017 and June 30, 2018, Sonae MC has, as detailed above, cash and cash equivalents in the amount of 93.7 million euro and 56.7 million euro, respectively, and available credit lines as follows:

	Dec 31, 2017		Jun 30, 2018	
	Commitment s of less than one year	Commitment s of more than one year	Commitment s of less than one year	Commitment s of more than one year
Unused credit facilities	95.3	285.0	93.1	153.0
Agreed credit facilities	105.5	567.5	105.5	487.5

The amount of unused credit facilities with commitment of more than one year includes some facilities that could also be used by Sonae SGPS S.A., although without any kind of joint responsibility between both companies, but which will be segregated if initial public offering occurs. As at June 30, 2018 those unused facilities amount to zero (150 million euro as at December 31, 2017).

16) Other payables and other current liabilities

As at December 31, 2017 and June 30, 2018, the caption “Other payables” and “Other current liabilities” is detailed as follows:

	Dec 31, 2017	Jun 30, 2018
Other payables		
Fixed assets suppliers	42.4	28.6
Others	34.4	31.8
Other payables	76.7	60.3
Employee benefits expense	86.8	94.1
Accruals for promotional campaigns	1.1	0.9
Other external supplies and services	23.5	20.3
Marketing expenses	8.2	7.3
Interests payable	1.0	1.1
Real estate municipality tax	1.8	2.0
Others	6.5	4.3
Accrual expenses	128.9	130.0
Future responsibilities arising on Sale & Leaseback	1.1	1.1
Deferred income - rents	3.1	3.2
Others	1.7	1.5
Deferred income	5.8	5.7
Other payables and other current liabilities	211.4	196.1

The caption “Others” in other current liabilities includes:

- 5.2 million euro (9.8 million euro as at December 31, 2017) of attributed discounts not yet redeemed related to loyalty card “Cartão Cliente”;
- 3.1 million euro (3.4 million euro as at December 31, 2017) related to amounts payable to former Sonae Distribuição Brasil, S.A. buyer as result of responsibilities assumed in relation with the sale of that former subsidiary (note 17).

17) Provisions and accumulated impairment losses

Movements in “Provisions and accumulated impairment losses” during the period ended June 30, 2018 are as follows:

Caption	Balance as at Jan 01, 2018	Increase	Decrease	Transfers and other movements	Balance as at Jun 30, 2018
Accumulated impairment losses on property, plant and equipment	69.4	-	(0.2)	-	69.2
Accumulated impairment losses on intangible assets	1.5	-	-	-	1.5
Accumulated impairment losses on trade accounts receivables	4.1	0.3	(0.4)	-	4.0
Accumulated impairment losses on other receivables (note 10)	3.6	0.2	(0.2)	-	3.6
Non current provisions	7.4	-	(0.8)	-	6.5
Current provisions	4.8	0.3	(1.3)	-	3.8
	90.8	0.7	(2.9)	-	88.6

The caption “Non-current provisions” and “Current provisions” includes 8.6 million euro (9.5 million euro as at December 31, 2017), relating to non-current contingencies assumed by the Company, when selling its subsidiary Sonae Distribuição Brasil, S.A. in 2005. This provision is being used when the liabilities are assumed in final amount, being provided based on the best estimate of the expenses to be incurred with such liabilities and considering the relevant number of civil and labor claims of reduced amount.

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

18) Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on these Condensed Combined Interim Financial Statements and are not disclosed in this note. Details of transactions between the Group and other related parties, namely with Sonae SGPS, S.A. and its subsidiaries, associates, joint ventures, members of the Board of Directors of Sonae SGPS, S.A. and members of the key management of Sonae MC, are disclosed below.

In the tables below Other related parties are considered to be related party subsidiaries or companies under joint control of Efanor Investimentos, SGPS, SA that are not included in Sonae MC perimeter, including companies belonging to the Sonae Group, Sonae Indústria and Sonae Capital, and minority shareholders of subsidiaries of the Group.

Transactions between Sonae MC and the carve-out entities are reported under the description “Carve-out”.

In addition to the transactions that usually existed with Sonae MC and related parties, there are some transactions, namely cash flows operations directly related with companies that were not considered in the scope of the Condensed Combined Interim Financial Statements as a consequence of the definition of scope of the combination. These cash flows were considered to affect equity as contributions and withdraws. These transactions are presented below in the section Transaction with Sonae Group.

Related parties transactions

Balances and transactions with related parties during the periods ended December 31, 2017 and June 30, 2017 and 2018 are as follows:

	Parent company		Jointly controlled companies	
	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018
Trade receivables	0.2	0.2	4.7	0.3
Other receivables	0.0	0.1	0.0	0.3
Income tax assets	1.2	1.2	-	-
Other current assets	0.0	0.0	(0.1)	(0.1)
Trade payables	0.2	0.0	26.1	61.8
Other payables	0.0	-	0.4	1.1
Income tax liabilities	30.0	26.1	-	-
Other current liabilities	1.4	0.8	0.1	0.1
	Associated companies		Other related parties	
	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018
Trade receivables	2.4	2.5	11.6	9.2
Other receivables	0.0	0.0	1.5	0.8
Other current assets	-	(0.0)	1.7	1.4
Other non-current liabilities	-	-	0.2	0.2
Trade payables	0.0	0.0	5.3	7.3
Other payables	-	-	10.8	5.2
Income tax liabilities	-	-	0.3	0.4
Other current liabilities	-	-	2.0	(0.1)
	Carve Out			
	Dec 31, 2017	Jun 30, 2018		
Other non-current assets	0.1	0.1		
Trade receivables	17.5	11.9		
Other receivables	12.6	6.9		
Income tax assets	6.1	1.3		
Other current assets	1.2	1.4		
Other non-current liabilities	0.7	0.8		
Trade payables	15.0	4.4		
Other payables	6.7	2.4		
Income tax liabilities	17.0	16.3		
Other current liabilities	1.8	2.2		
	Parent company		Jointly controlled companies	
	Jun 30, 2017	Jun 30, 2017	Jun 30, 2017	Jun 30, 2017
Sales & Services rendered	0.4	0.4	10.6	1.7
Other income	0.0	0.0	0.0	0.1
Cost of goods sold and materials consumed	-	-	104.1	133.4
External supplies and services	1.0	0.8	1.4	0.0
	Associated companies		Other related parties	
	Jun 30, 2017	Jun 30, 2017	Jun 30, 2017	Jun 30, 2017
Sales & Services rendered	17.6	17.5	18.9	20.8
Other income	0.1	0.1	0.9	0.7
Cost of goods sold and materials consumed	-	0.0	1.5	1.2
External supplies and services	-	-	18.4	21.5
Other expenses	0.0	-	0.2	0.2
	Carve Out			
	Jun 30, 2017	Jun 30, 2017		
Sales & Services rendered	34.8	32.6		
Other income	3.6	4.5		
Cost of goods sold and materials consumed	12.9	13.0		
External supplies and services	7.4	7.9		
Other expenses	0.1	0.1		

	Other related parties		Carve Out	
	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018
Property, plant and equipment acquisitions (net book values)	35.0	13.7	0.0	0.1
Property, plant and equipment disposals	0.3	0.0	1.5	0.5
Intangible Assets acquisitions	4.2	1.5	0.3	0.0
Intangible Assets disposals (net book values)	0.0	-	4.9	0.1
	39.5	15.3	6.7	0.7

Transactions with Sonae Group recorded in Equity

The transactions in the periods ended June 30, 2017 and 2018, between Sonae MC companies included in the scope of combination and the companies that will be carve-out and that were recognized directly through equity concerns cash flows movements with the natures disclosed bellow:

	Jun 30, 2017		Jun 30, 2018	
	Contributions	Withdrawals	Contributions	Withdrawals
Parent Company and Other Related Parties				
Group relief effect from the transfer of tax losses to the Tax Group	-	(15.1)	-	-
Movements related with financial investments	0.5	(79.9)	30.5	(29.8)
Movements related with debt and interests, less tax effects	2,321.2	(2,375.0)	1,651.0	(1,762.7)
Transactios relating with the carve-out of business thar were not separated in a single legal entity	130.3	(125.8)	94.9	(92.0)
Dividends obtained	19.5	-	1.1	-
Total	2,471.5	(2,595.8)	1,777.6	(1,884.5)

19) Earnings per share

Earnings per share for the periods ended June 30, 2017 and 2018 were calculated taking into consideration the following amounts:

	Jun 30, 2017	Jun 30, 2018
Net profit		
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	34.6	38.4
Net profit taken into consideration to calculate diluted earnings per share (€ million)	34.6	38.4
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	900.0	900.0
Weighted average number of shares used to calculate diluted earnings per share (# million)	900.0	900.0
Earnings per share in euros		
Basic	0.038391	0.042616
Diluted	0.038391	0.042616

As at June 30, 2017 and 2018 there are no dilutive effects on the number of outstanding shares, that correspond to the number of issued shares less own shares (note 14).

As disclosed in note 14 in September 17, 2018, the shares owned by Modelo Continente, SGPS, S.A. that were considered own shares, was sold to Sonae SGPS, SA by an amount of 223.1 million euro.

20) Net financial expenses

Net financial expenses for the periods ended June 30, 2017 and 2018 are as follows:

	Jun 30, 2017	Jun 30, 2018
Expenses:		
Interests payable		
related with bank loans and overdrafts	(2.2)	(2.2)
related with non convertible bonds	(3.1)	(2.8)
related with financial leases	-	(0.0)
others	(0.1)	(0.1)
	(5.4)	(5.1)
Exchange losses	(0.8)	(1.4)
Losses on fair value of hedge derivatives	-	-
Up front fees and commissions related to loans	(1.8)	(1.4)
Others	(0.6)	(0.7)
	(8.5)	(8.6)
Income:		
Interests receivable		
related with bank deposits	0.0	0.0
others	0.1	0.0
	0.1	0.0
Exchange gains	0.3	0.6
Other financial income	0.0	0.0
	0.4	0.6
Net financial expenses	(8.1)	(8.0)

21) External supplies and services

As at June 30, 2017 and 2018, "External supplies and services" are as follows:

	Jun 30, 2017	Jun 30, 2018
Rental costs from leased real estate assets	45.5	49.8
Condominium expenses	7.2	7.4
Rental consts related to other assets	4.4	4.2
Advertising expenses	28.4	27.9
Electricity	25.6	27.5
Services	23.6	29.0
Transports	16.9	20.6
Maintenance	9.4	9.7
Cleaning up services	10.1	11.1
Security	7.3	7.8
Costs with automatic payment terminals	4.3	4.6
Consumables	3.9	4.2
Home delivery	3.4	3.5
Subcontracts	2.0	2.2
Communications	3.1	2.9
Travel expenses	3.1	3.1
Insurances	2.4	2.2
Others	14.2	13.5
	214.7	231.2

22) Cash receipts and cash payments of investments

In the periods ended June 30, 2017 and 2018, cash receipts and cash payments related to investments can be detailed as follows:

	Jun 30, 2017	Jun 30, 2018
Receipts		
Receipt of disposal of Imoconti	21.0	-
	21.0	-
	Jun 30, 2017	Jun 30, 2018
Payments		
Acquisition of Amor Bio, Lda	-	0.6
Capital increase in Movvo	0.3	-
Capital increase in Ulabox, SL	0.5	-
Acquisition of Brio- Prod. Agricultura Biológica, SA	0.8	-
Acquisition of Gowell- Promoção Eventos, Catering e Consultoria, SA	1.4	-
Additional paid in capital in S2 Mozambique SA	0.4	-
	3.3	0.6

In the periods ended June 30, 2017 and 2018, cash receipts and cash payments related to financing can be detailed as follows:

	Jun 30, 2017	Jun 30, 2018
Payments		
Acquisition of participation units of Fundo de Investimento Imosonae Dois	1.3	-
Others	-	0.5
	1.3	0.5

23) Subsequent events

The subsequent events applicable do Sonae MC Group until the date of approval of these combined financial statements relate to the following transactions:

e) Carve-out operations

Description	Transaction price inflow /(outflow)
Cash inflows	
Sale of own shares to Sonae, SGPS, S.A.	223.1
Sale of Carve-Out entities shares to Sonae SGPS or its subsidiaries, including loans granted less loans received (a)	963.7
Sale of real estate assets by subsidiaries already excluded from the Combined Financial Statements	12.4
Sale of account receivable of MDS, SGPS, S.A. to Sonae SGPS or its subsidiaries	1.0
Total future contributions from the Parent Group	1,200.2
Cash Outflows	
Repayment of Subordinated bonds with a face value of 400 million Euros and accrued interests at market value	(456.3)
Repayment of supplementary Capital contributions (Entradas facultativas de capital)	(372.0)
Distribution of other reserves to the shareholders	(472.0)
Total future withdrawals to the Parent Group	(1,300.3)
Impact in total equity	(100.0)

(a) This amount relates to all transactions planned and disclosed in note 1.c) with the exception of 38.8 million euro, that relates to transactions to be completed after the date of approval of these Combined Financial Statements.

Considering that the above mentioned transactions were already considered in the basis of preparation, in note 1.c “The Carve out” of the historical Combined Financial Statements as at January 1, 2015 and December 31, 2015, 2016 and 2017, the only impact on the combined financial statements for future periods will be the increase in contributions/withdrawals from/to the Parent Group with corresponding impact on the Combined Statements of Changes in Equity and of Cash Flows and with a net impact in Total Equity resulting in a decrease of 100 million euro with the corresponding increase in Net Debt as defined in note 4.

f) Agreement to acquire 60% of Arenal

On September 28, 2018, Sonae SGPS, SA announces that, its subsidiary Modelo Continente Hipermercados S.A. sucursal en España, has entered into an agreement with Corfin Capital to acquire its 60% stake in Tomenider SL, owner of 100% of Arenal Perfumerias SLU (“Arenal”), for a total estimated consideration of around 45 million euros. Arenal is a parapharmacy and perfumery retail company with a network of 41 stores across the North of Spain. Founded in 1971 by the Vázquez family, Arenal has generated a turnover of 97 million euros in 2017. The completion of this transaction is subject to the customary approvals for a transaction of this nature and it is expected that it can be concluded during the first quarter of 2019.

24) Group companies included in the Condensed combined interim financial statements

Group companies included in the Condensed combined interim financial statements, their head offices and percentage of share capital held by Sonae MC as at December 31, 2017 and June 30, 2018 are as follows:

		Percentage of capital held	
COMPANY	Head Office	Dec 31, 2017	Jun 30, 2018
1) Sonae MC, SGPS, S.A.	Matosinhos	Holding	Holding
Op Co			
2) Amor Bio – Mercado Biológico, Lda	a) Lisbon (Portugal)	-	100.00%
BB Food Service, SA	a) Maia (Portugal)	100.00%	100.00%
Bom Momento - Restauração, SA	a) Maia (Portugal)	100.00%	100.00%
3) Brio - Produtos de Agricultura Biológica, SA	a) Matosinhos (Portugal)	100.00%	100.00%
Continente Hipermercados, SA	a) Oeiras (Portugal)	100.00%	100.00%
Elergone Energias, Lda	a) Matosinhos (Portugal)	75.00%	75.00%
Farmácia Seleção, SA	a) Matosinhos (Portugal)	100.00%	100.00%
3) Go Well – Promoção de Eventos, Caterings e Consultoria, SA	a) Lisbon (Portugal)	51.00%	51.00%
Marcas MC, zRT	a) Budapest (Hungary)	100.00%	100.00%
4) Make Notes Design, Lda	a) Maia (Portugal)	100.00%	100.00%
Modelo - Distribuição de Materiais de Construção, SA	b) Maia (Portugal)	50.00%	50.00%
Modelo Continente Hipermercados, SA	a) Matosinhos (Portugal)	100.00%	100.00%
Modelo Continente International Trade, SA	a) Madrid (Spain)	100.00%	100.00%
Pharmaconcept – Actividades em Saúde, SA	a) Matosinhos (Portugal)	100.00%	100.00%
Pharmacontinente - Saúde e Higiene, SA	a) Matosinhos (Portugal)	100.00%	100.00%
5) SCBRASIL Participações, Ltda	a) São Paulo (Brazil)	100.00%	100.00%
SIAL Participações, Ltda	a) São Paulo (Brazil)	100.00%	100.00%
Soflorin, BV	a) Amsterdam (Netherlands)	100.00%	100.00%
6) Sonae MC – Serviços Partilhados, SA	a) Maia (Portugal)	100.00%	100.00%
7) Modelo Continente SGPS, SA	a) Matosinhos (Portugal)	100.00%	100.00%
Sonae MC S2 Africa Limited	a) La Valletta (Malta)	100.00%	100.00%
8) Sohi Meat Solutions-Distribuição de Carnes, SA	a) Santarém (Portugal)	100.00%	50.00%
Sport Zone Sport Maiz.Per.Satis.Ith.Ve tic.ltd.Sti	a) Istanbul (Turkey)	100.00%	100.00%
Sonvecap, BV	a) Amsterdam (Netherlands)	100.00%	100.00%
Zippy Cocuk Maiz.Per.Satis.Ith.Ve tic.ltd.Sti	a) Istanbul (Turkey)	100.00%	100.00%
Prop Co			
9) Asprela Sociedade Imobiliária, SA	a) Maia (Portugal)	100.00%	100.00%

Azulino Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Bertimóvel - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%
Canasta - Empreendimentos Imobiliários, SA	a)	Maia (Portugal)	100.00%	100.00%
Citorres - Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Contimobe - Imobiliária de Castelo de Paiva, SA	a)	Castelo de Paiva (Portugal)	100.00%	100.00%
Cumulativa - Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Fozimo - Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia (Portugal)	98.00%	98.00%
Igimo – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Iginha – Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%
Imoestrutura – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Imomuro – Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%
Imoresultado – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Imosistema – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
MJLF - Empreendimentos Imobiliários, SA	a)	Maia (Portugal)	100.00%	100.00%
Modelo Hiper Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Ponto de Chegada – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Predicomercial - Promoção Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Predilugar- Promoção Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Selifa - Empreendimentos Imobiliários de Fafe, SA	a)	Maia (Portugal)	100.00%	100.00%
Sempre à Mão - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%
Socijofra - Sociedade Imobiliária, SA	a)	Gondomar (Portugal)	100.00%	100.00%
Sociloures - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%
Sonaerp - Retail Properties, SA	a)	Porto (Portugal)	100.00%	100.00%
Sondis Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%
Valor N, SA	a)	Matosinhos (Portugal)	100.00%	100.00%

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

d) Control held by majority of Board members.

15) Former Sonae Investimentos, SGPS, S.A.

16) Company acquired on March 31, 2018, integrated in the Condensed Combined Interim Financial Statements since that date;

17) Company acquired on April 30, 2017, integrated in the Condensed Combined Interim Financial Statements since that date;

18) Former MJB Design, Lda;

- 19) Former Sonae Capital Brasil, Ltda;
- 20) Former Sonae Center Serviços II, SA;
- 21) Former Sonae MC – Modelo Continente, SGPS SA;
- 22) On January 3, 2017, a joint venture between Sonae MC and Hilton Food Group PLC was created through a capital increase entirely subscribed by the latest on Sohi Meat Solutions-Distribuição de Carnes, SA. From that date, onwards, Sohi Meat is included in the Condensed Combined Interim Financial Statements through the equity method;
- 23) Company created on April 3, 2017, integrated in the Condensed Combined Interim Financial Statements since that date.

25) Approval of financial statements

The accompanying condensed combined interim financial statements were approved by the Board of Directors on September 28, 2018.

The Board of Directors,

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

Luis Miguel Mesquita Soares Moutinho

Luis Miguel Vieira de Sá da Mota Freitas

Luis Filipe Campos Dias de Castro Reis

INDEPENDENT AUDITOR'S REPORT

To the management of Sonae MC, SGPS, S.A.

REPORT ON THE AUDIT OF THE NON-STATUTORY COMBINED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Combined Financial Statements of Sonae MC ("the Group" – note 1), which were prepared by the management of Sonae MC, SGPS, S.A. (formerly named Sonae Investimentos, SGPS, S.A.) and comprise the combined statements of financial position as at December 31, 2015, 2016 and 2017, the combined statements of profit and loss, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the years then ended, and the accompanying notes ("the Combined Financial Statements"), including a summary of the significant accounting policies and basis of preparation, which sets out the accounting principles and criteria used as well as the basis for determining the entities within Sonae MC, SGPS, S.A. to be included in the Combined Financial Statements.

In our opinion, the accompanying Combined Financial Statements of the Group as at December 31, 2015, 2016 and 2017 presents fairly, in all material respects the combined financial position of the Group as at December 31, 2015, 2016 and 2017 and of its combined financial performance and its combined cash flows for the years then ended in accordance with the "Basis of Preparation" set out in note 1 to the Combined Financial Statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Combined Financial Statements" section below. We are independent from the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas Code of Ethics.

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

Emphases of matter and restriction on use and distribution

We draw attention to note 1, which describe the basis of preparation and special purpose of the Combined Financial Statements. The Combined Financial Statements are prepared in connection with the announced potential listing of part of Sonae MC, SGPS, S.A. ("Retail portfolio") and for the purposes of providing general purpose historical financial information of such portfolio for the inclusion in the prospectus for the initial public offering and admission to the Euronext Lisbon regulated market. Additionally, the Retail portfolio was not operating as an independent group, hence the Combined Financial Statements are non-statutory financial statements and are not necessarily indicative of the financial position, financial performance or cash flows that would have been achieved if the Retail portfolio had operated as separate stand-alone group of entities during the reporting years. As a result, the Combined Financial Statements may not be suitable for another purpose.

Additionally, this report was prepared at request of the management of Sonae MC, SGPS, S.A. in relation to the referred initial public offering and for inclusion in the related prospectus. Therefore, it must not be used for any other purpose or any other market, or published in any other document or prospectus without our written consent.

Our opinion is not modified in respect of these matters.

Responsibilities of Sonae MC, SGPS, S.A. management and those charged with governance for the Combined Financial Statements

Sonae MC, SGPS, S.A. management is responsible for:

- the preparation of Combined Financial Statements that presents fairly in all material respects the Group's financial position, financial performance and cash flows in accordance with the "Basis of Preparation" as set out in note 1 to the Combined Financial Statements.
- setting out the basis for determining the entities to be included in the Combined Financial Statements, and determining such entities and performing the allocations of certain expenses, income, assets and liabilities, as disclosed in note 1;
- designing and maintaining an appropriate internal control system to enable the preparation of Combined Financial Statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

Those charged with governance are responsible for overseeing the Group financial reporting process.

Auditor's responsibilities for the audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance on whether the Combined Financial Statements as a whole are free from material misstatements, 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 skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Combined 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;
- 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Sonae MC, SGPS, S.A. management;
- conclude on the appropriateness of Sonae MC, SGPS, S.A. 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 Combined 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the Combined Financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- 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.

Porto, September 28, 2018



Deloitte & Associados, SROC S.A.

Represented by Nuno Miguel dos Santos Figueiredo, ROC



Review Report on the Condensed Combined Interim Financial Statements

Introduction

We have reviewed the accompanying condensed combined financial statements of Sonae MC, SGPS, SA (the Entity, formerly named Sonae Investimentos, SGPS, S.A.), which comprise the condensed combined statement of financial position as at 30 June 2018 (which shows total assets of 2,677.4 million euro and total shareholder's equity of 675.2 million euro, including a net profit of 38.4 million euro), the condensed combined income statement of income, the condensed combined statement of comprehensive income, the condensed combined statement of changes in equity and the condensed combined statement of cash flows for the six-month period then ended, and the accompanying explanatory notes to these condensed combined financial statements in accordance with the "Basis of Preparation" set out in Note 0 to the condensed combined interim financial statements.

Management's responsibility

The Management is responsible for the preparation of the condensed combined interim financial statements in accordance with the "Basis of Preparation" as set out in note 0 of the condensed Combined Interim Financial Statements, as well as to create and maintain appropriate systems of internal control to enable the preparation of condensed combined interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying condensed combined interim financial statements. We conducted our review in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Those standards require that we conduct the review in order to conclude whether anything has come to our attention that causes us to believe that the condensed combined interim financial statements are not prepared, in all material respects, in accordance with the "Basis of Preparation" as set out in note 0 of the condensed Combined Interim Financial Statements.

A review of financial statements is a limited assurance engagement. The procedures performed mainly consist of making inquiries and applying analytical procedures, and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs). Accordingly, we do not express an opinion on these condensed combined financial statements.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed combined interim financial statements of Sonae MC, SGPS, SA as at 30 June 2018 are not prepared, in all material respects, in accordance with the “Basis of Preparation” as set out in note 0 of the condensed combined interim financial statements as at 30 June 2018.

Emphases

Without qualifying our conclusion expressed in the paragraph above, we draw attention to the “Basis of preparation” of the condensed combined interim financial statements in the note 0 to the condensed combined financial statements, in respect of the following:

- i) The condensed combined interim financial statements are prepared in connection with listing Sonae MC, SGPS, S.A. retail portfolio on the Euronext Lisbon regulated market and to be included in the prospectus for the initial public offering;
- ii) The Retail portfolio has not operated as a separate entity, and, as such, the condensed combined interim financial statements are non-statutory financial statements. Therefore, these condensed combined general purpose financial statements are not necessarily indicative of the financial position, results or cash flows that would have occurred if the Retail portfolio had been operating as a separate stand-alone entity during the periods presented or of future results of the Retail portfolio.
- iii) The condensed combined general purpose financial statements were prepared by the management of Sonae MC, SGPS, S.A. for the purpose of listing Sonae MC, SGPS, S.A. Retail portfolio and inclusion in the prospectus in relation to the referred initial public offering above. As a result, the condensed combined interim general purpose financial statements may not be suitable for another purpose. Our review report is issued solely for the purpose of the referred prospectus, therefore should not be used for any other purpose or any other market, or published in any other document or prospectus without our written consent.

Our conclusion is not qualified in respect of these matters.

1 October 2018

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represented by:



Herminio António Paulos Afonso, R.O.C.