Results Report
1H23

Sonae

1H23 Highlights

Key Financial Indicators

- Consolidated **turnover** increased 12% yoy to €3.8bn, mainly driven by the continued strong performances of MC and Worten.
- **EBITDA** reached €350m, a 9% yoy increase, underpinned by a solid operational performance of our main businesses, which more than offset lower results from the portfolio management activity, namely at Bright Pixel, and the continued efforts to absorb inflationary pressures for our customers.
- **Net result** (group share) amounted to €69m, below last year, mainly fuelled by higher funding costs, tax expenses, and an increase in depreciations, due to the investment in the expansion and digitalization of our businesses.
- **Free Cash flow** before dividend payment stood at €202m (L12M) and, after the payment of dividends to our shareholders and our partners, net debt slightly reduced yoy to €1,067m. Consequently, the Group's financial position remains solid with a low level of leverage, significant available liquidity, and a good debt maturity profile.
- **Our portfolio NAV**, based on market references, stood at €4.2bn, +4.0% qoq and +6.7% vs YE22 figures, mainly fuelled by the solid performance of our businesses coupled with the valuation obtained in the sale of the ISRG stake (to be concluded up to YE23), which more than offset the NOS share price decline. At the holding level, LTV stood at 7.0%, 0.4pps below the 1Q23 level.

Portfolio Management Activity

- **MC** entered into an agreement with the founding shareholders of Druni and Arenal for the combination of these two companies (completion expected in 2H23).
- **Bright Pixel** continued its portfolio management activity with three new investments in 2Q23, totalling six in 1H23.
- During **1Q23**, Sonae (i) acquired the remaining 10% stake in Sierra, and (ii) agreed with Bankinter Consumer Finance a 50/50 partnership for the creation of a leading consumer credit operator in Portugal.
- Already in July (3Q23):

  (i) Sonae received a notification from JD Sports Group communicating its intention to acquire the remaining stake in ISRG with an equity value of €1.0bn. This transaction implies €300m of cash-in and an estimated €175m capital gain for Sonae (completion by YE23); and

  (ii) Sonaecom acquired Sonae's direct stake in NOS (11.30%) for €213m (€3.6527 per share), now holding 37.37% of the share capital. This transaction did not impact the voting rights in NOS attributable to Sonae.

CEO letter

In the second quarter of the year, and despite the challenging macroeconomic and competitive context, Sonae showed a strong overall performance. Our businesses continued to grow on the back of distinctive value propositions for customers, and we continued to actively manage our portfolio to create superior value for our shareholders.

In terms of operational performance, our teams continued to work hard to mitigate the impacts of inflation on consumers and deliver the best quality at the lowest prices, thus being able to strengthen the market leadership positions of Continente and Worten. On the real estate front, Sierra continued to register tenant sales in shopping centres above pre-pandemic levels, showing the resilience and high quality of its assets, while further expanding its services activity into new sectors and countries. NOS continued to improve its operational performance, underpinned by the investments made in recent years to enable the best mobile network in Portugal, and by the recovery of the cinema theatre business. As such, in the 1H23, Sonae's consolidated turnover reflected the quality of our businesses and assets and increased 12% yoy to €3.8bn, while EBITDA grew 9% yoy to €350m.

Even in such a demanding and fast-moving environment, we continued to execute important portfolio shifts during this second quarter. MC took an important strategic step by reaching an agreement for the combination of Arenal and Druni in Spain, creating – together with Wells in Portugal – the leading operator in the health, wellness and beauty segment in Iberia, with a combined turnover of over €1.0 billion. Bright Pixel continued to expand its investment in technology companies with 3 new minority investments concluded during the 2Q, reaching over 40 companies in the portfolio.

Already in July, we received the notification from JD Sports to buy our stake in ISRG for €300m, triggered by Sonae's exercise of the buy or sell option foreseen in the shareholders' agreement. After 5 years of a successful partnership, I would like to thank everyone at ISRG, and the Segarra family in particular, for their contribution to the company's extraordinary track record and wish them all the best for the future.

Overall, our operational performance, combined with the portfolio management activity of the last 12 months, led to a significant increase in net asset value. Given our strong FCF generation profile, our financial position was further reinforced, and the holding LTV now stands at 7.0%.

We also took important steps in the quarter to advance our sustainability commitments. After a thorough group-wide process, we reviewed our sustainability strategy and elevated our targets to a new level for the 2023-2026 cycle, in areas such as decarbonisation, biodiversity & water consumption, circularity and human development. We committed to a renewed ambition in all of these areas, and I am sure we will achieve our goals.

Going forward, I am confident that our portfolio of leading businesses and our strong ambition, coupled with our solid financial position, will ensure that Sonae continues to meet the needs of all our stakeholders and to create economic and social value for all.

Cláudia Azevedo, CEO

Sonae

Overview

Key Data

€m	30.06.22	30.09.22	31.12.22	31.03.23	30.06.23
NAV [1]	**3,848**	3,966	3,974	4,079	**4,240**
Market capitalization	**2,342**	1,649	1,870	2,010	**1,802**
Net Debt	**1,103**	1,022	540	922	**1,067**

€m	2Q22 R	2Q23	yoy	1H22 R	1H23	yoy
Turnover	1,762	1,958	*11.1%*	3,432	3,831	*11.6%*
Underlying EBITDA	140	163	*16.3%*	264	301	*13.8%*
Underlying EBITDA margin	*8.0%*	*8.3%*	*0.4 p.p.*	*7.7%*	*7.9%*	*0.1 p.p.*
EBITDA	172	189	*10.0%*	319	350	*9.5%*
Direct Result	63	52	*-17.3%*	105	84	*-20.1%*
Net result group share	76	43	*-43.5%*	118	69	*-41.6%*
Sale of assets	5	10	*92.8%*	41	10	*-74.3%*
M&A capex	-31	-27	*12.4%*	-140	-141	*-0.7%*
Free cash flow before dividends paid	1	22	-	-378	-362	*4.1%*
Dividends paid	-169	-161	*5.1%*	-169	-161	*5.1%*

	1Y	3Y	5Y	10Y
Total Shareholder return [2]	-19%	66%	16%	95%

[1] Based on market references [2] Source: Bloomberg.
R - Restated as Universo was considered as asset held for sale and all periods in 2022 were restated to consider this asset as discontinued operation.

Sonae's NAV, based on market references, amounted to €4.2bn at the end of the 1H23, 4.0% above 1Q23 figure, mainly fuelled by the positive contribution of ISRG's transaction and the operational performance of our retail businesses, which more than offset NOS' share price evolution.

During 2Q23, our businesses continued to face a demanding macroeconomic situation with persistent high inflation and significant cost pressure. However, and in line with 1Q23, our main businesses showed resilience and were able to continue to gain market share in each of its competitive environments. At the end of 1H23, consolidated turnover reached €3.8bn, +12% yoy, and uEBITDA €301m (+14% yoy), with a margin of 7.9%, 0.1pp above 1H22.

Equity method consolidated businesses continued to improve their contribution to Sonae results, mainly due to the increased stake in NOS. Consolidated EBITDA reached €350m in 1H23, 9.5% above last year, despite lower capital gains from Bright Pixel portfolio management activity in 1H23 vs. 1H22. Moreover, higher financial costs coupled with higher level of D&A driven by our businesses' store network expansion, led Direct Result to reach €84m, and the Net result (group share) to €69m in 1H23.

In terms of operational cash flow, our portfolio delivered €102m during the last 12 months, implying a decrease when compared to last year, mainly due to stronger investment from MC and Worten in the retail network expansion and digitalization, and also from Sierra. M&A capex surpassed cash-in from asset sales, leading FCF before dividends payment to reach €202m in the last 12 months. Therefore, after the dividend payment to our shareholders and partners of €161m, consolidated net debt slightly decreased yoy to €1,067m.

NAV (€m)	1Q23	2Q23	Var %
Retail (food & eletronics)	2,033	2,155	6.0%
Real estate	991	1,031	4.1%
Telco and technology	1,041	918	-11.8%
Other investments*	330	462	40.3%
Holding	-315	-326	-3.7%
o.w. net debt	-325	-318	2.2%
NAV	**4,079**	**4,240**	4.0%

* Includes: Universo, Zeitreel (Salsa, MO and Zippy/Losan), ISRG and Sparkfood (www.sparkfood.com)
Note: NAV based on market references and for more detail please see Investor Kit in www.sonae.pt

€m	L12M June 22	L12M June 23
EBITDA (inc. rents and taxes)	417	430
Working cap. and others	37	78
Operational capex	-319	-406
Operational cash flow	**136**	**102**
Net financial activity	-23	-33
M&A capex	-244	-278
Sale of assets	660	271
Dividends received	104	140
FCF bef. dividends paid	**632**	**202**

Sonae

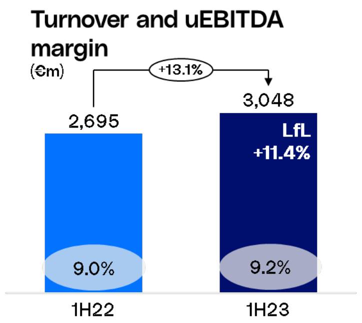
Portfolio

Retail

MC

75% stake, fully consolidated

During 2Q23, the Portuguese food retail market continued to face a challenging context, with food inflation levels remaining high, despite some deceleration (11.1% vs. 20.5% in the 1Q).



MC continued to adapt to the evolving customer needs, offering high quality affordable products, and absorbing part of the inflationary price pressure. Amid a highly competitive environment, the company sustained its leadership position, with turnover increasing by 12.6% yoy in the 2Q23 (LfL of +11.1%), fuelled by both grocery and non-grocery formats, to over €3bn in 1H23 (+13.1% yoy and +11.4% LfL).

In terms of profitability, trading down movements coupled with the partial absorption of the inflationary pressures in prices still impacted MC's margin. However, these effects were more than offset by a reduction in energy costs and the implementation of efficiency enhancing actions, leading uEBITDA to reach €155m in 2Q23 (+15.8% yoy and a margin of 9.8%) and €279m in 1H23 (margin of 9.2%).

Regarding the store network expansion, in 1H23, MC opened 18 new company-operated stores (representing +10k square meters of sales area), of which 1 Continente Modelo and 4 additional Continente Bom Dia stores. These openings, combined with stores' refurbishments and the optimization of technological and logistics capabilities led to a total capex of €112m in 1H23.

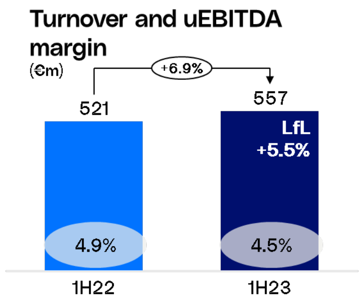
MC's positive operational performance, capex levels and the working capital impacts in 1H23, resulted in FCF of €15m, €20m higher than in the same period of last year. Consequently, after the dividend payment of €214m, MC's capital structure remained solid, with net financial debt of €608m and a ratio of total net debt to EBITDA of 3.0x (vs 3.1x in 1H22).

Also in 2Q23, MC announced an agreement for the combination of the Druni and Arenal businesses, creating a leading operator in the health, wellness and beauty segment in Spain, with a turnover of approximately €800m. This partnership will allow MC to strengthen its position in the health, wellness and beauty segment in Iberia, one of its main strategic pillars, enhancing the joint assets and capabilities of Druni and MC (most notably of Continente, Wells and Arenal). MC will contribute with its 60% stake in Arenal to the combined entity and an additional estimated investment of c.€112m. After the completion, which is expected until YE23, MC will fully consolidate the combined entity.

Worten

100% stake, fully consolidated

In 2Q23, Worten resilience resulted in further sales increase, reinforcing its leadership position in the Portuguese market, despite the inflationary pressures on the consumers' purchasing power and fierce competitive landscape. Top line grew in both channels, online and offline, though not only in electronics and appliances categories but also in new categories, leveraged by the marketplace, and adjacent services.



Turnover increased by 4.9% yoy (+3.6% LfL) to €273m in 2Q23, with online sales increasing by 7.6% yoy. This solid top line performance contributed to a total turnover of €557m in 1H23 (+6.9% yoy and a LfL of +5.5%). The online channel reaffirmed its relevance, representing more than 15% of total sales (ytd).

Notwithstanding the intense promotional activity in the market and pressure on Worten's operational costs, mainly due to inflation and the ongoing digital transformation, sales evolution, a favourable product mix and energy efficiency gains offset these effects, leading to an uEBITDA increase of 5.6% yoy and a rather stable margin of 4.8% in 2Q. In 1H23, uEBITDA reached €25m, corresponding to a margin of 4.5%.

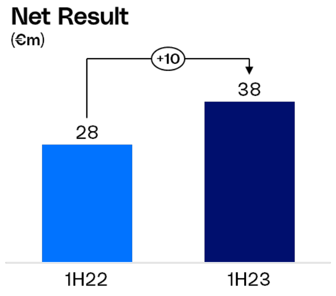
Real Estate

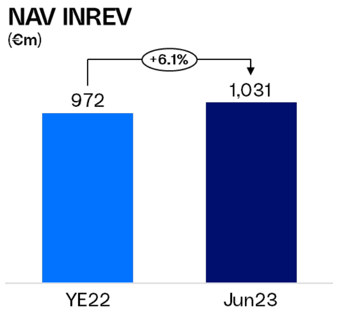
Sierra

100% stake, fully consolidated

Sierra achieved positive operational performance in both its prime shopping centres and expanding services areas during the quarter.

Despite the demanding macroeconomic context, characterized by lower investment volumes and the pressures of interest rates and inflation on consumption, Sierra's European shopping centre portfolio exhibited robust operational performance. Tenant sales registered double digit growth when compared to the pre-pandemic period, leading to sustained rent levels and consistently high occupancy rates at 98% across the total portfolio, and 99% in Portugal.





The services business also made significant progress, with total income growing by 20% in 1H23, leveraging the outstanding performance of its managed shopping centers, which highlights the company's ability to add value to centers owned by its partners.

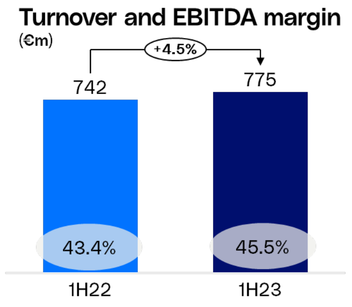
In addition and during 1H23, Sierra achieved key milestones in its strategy execution, including: (i) the development of a strong pipeline of future real estate investment vehicles, (ii) the closing of the partnership with CTT to manage a portfolio of c.400 properties; (iii) the construction of a prime mixed-use asset, *Republica 5,* in Lisbon, Portugal, in partnership with Signal Capital, the third office tower at Colombo and significant progress on other projects under development; and (iv) new property management contracts in Europe.

Overall, Sierra was able to deliver a significant increase on its total Net Result to €23m in the 2Q23 and €38m in 1H23, fuelled by the Direct result. In addition, Indirect result was also positive in 1H23 as the slight increase in cap rates (yields) in certain assets, was outweighed by the strong operational performance of the overall portfolio. As a result of this favourable performance, Sierra's NAV stood at €1,031m at the end 1H23, +6% when compared to YE22.

Telco & Technology

NOS

37.4% stake, equity consolidated[1]



NOS reported its results to the market on July 19th, delivering another positive quarter in terms of operational and financial performance.

In 2Q23 turnover increased by 6.8% yoy, to €394m, implying +6.2% yoy in the telecom business and +9.8% yoy in the Media & Entertainment segment, leading 1H23 turnover to €775m, +4.5% yoy.

EBITDA maintained a positive trend in the quarter, up 10% yoy, implying +9.4% yoy in 1H23. Bottom line increased 3.0% in 2Q23 but declined 5.7% yoy in the 1H23, to €80.5m, pressured by both higher D&A and financial costs.

Notwithstanding, for Sonae's consolidated accounts, the increased stake in NOS over the last 12 months fuelled a higher contribution to the equity method of €10m to €29m in 1H23, while the group received €62m of dividends from NOS in the 2Q23.

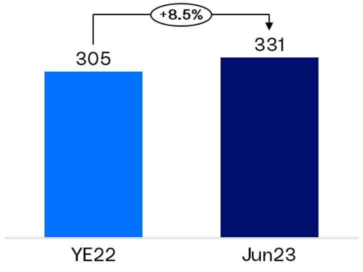
[1] As of 30 June 2023, 26.07% stake through Sonaecom and 11.3% direct stake. For more information, please see NOS results in www.nos.pt

Bright Pixel

90% stake, fully consolidated

During 2Q23, Bright Pixel continued to actively expand its portfolio, investing in the cybersecurity and retail tech sectors. The company concluded 3 new investments, totalling €17.4m, which includes the participation in a series A financing round of €35m at Sekoia.io, an intelligence driven SOC[2] platform that enables security analysts to detect and respond to threats in real time.

NAV of the active portfolio
(€m)



These investments, combined with 1Q's portfolio expansion in the cybersecurity and infrastructure software sectors, namely in Picnic and Seldon, implied a total capex of €32m with the total cash invested in the active portfolio reaching €166m in 1H23 (+24% vs YE22 and comprising stakes in over 40 companies in the portfolio).

In terms of valuation, and compared to YE22, active NAV increased 8.5% to €331m, mainly due to the impact of the company's acquisitions during the 1H23.

[2] Security Operation Centre

Other investments

Universo

100% stake, consolidated as a discontinued operation[3]

Universo continued to deliver a resilient operational performance, based on its one million customer base. In 1H23, total production increased by 1% yoy to €471m and total turnover increased by 28% yoy to €22m. The credit stock at the end of the 1H23 reached €388m. Universo continues to be focused on the development of the joint venture with Bankinter Consumer Finance aiming to create a new reference player in consumer credit in Portugal.

Zeitreel

100% stake, fully consolidated

During 2Q23, Zeitreel's brands were particularly affected by the challenges in discretionary consumption brought by the deterioration of households' disposable income. Nonetheless, and leveraging a resilient performance from all the brands, the company's top line in 1H23 stood at €171m, slightly below last year. uEBITDA margin decreased to 1.0% in the 1H23 impacted by promotional efforts and pressures on the cost base, despite some efficiency gains.

ISRG

30% stake, equity consolidated

In the L6M 23 (Nov-Apr), total turnover reached €740m, +20% yoy, with a positive contribution from all banners. Profitability levels continued pressured by higher operational costs, with EBITDA decreasing to €43m in the L6M 23 (5.8% margin). All in all, ISRG's contribution to Sonae's results reached €5m in the L6M 23 (vs. €8.3m in L6M 22).

Already in July, JD Sports announced its intention to acquire Sonae's stake in ISRG for €300m, implying an estimated €175m capital gain. Sonae expects to conclude this transaction before YE23.

[3] Following the 50/50 partnership agreement with Bankinter Consumer Finance for the creation of a leading consumer credit operator in Portugal.

Corporate Information

Main announcements during 1H23 are published in www.sonae.pt and www.cmvm.pt (market regulator).

Subsequent events

July 7th: Sonae SGPS, SA informed about the notification received from JD Sports Fashion Plc regarding the buy or sell option over ISRG.

July 20th: Sonaecom SGPS, S.A. informed about shareholding in NOS, SGPS, S.A..

Sonae

Consolidated P&L

€m	2Q22 R	2Q23	yoy	1H22 R	1H23	yoy
Turnover	1,762	1,958	11.1%	3,432	3,831	11.6%
Underlying EBITDA	140	163	16.3%	264	301	13.8%
margin	*8.0%*	*8.3%*	*0.4 p.p.*	*7.7%*	*7.9%*	*0.1 p.p.*
Equity method results*	18	27	50.7%	39	53	35.7%
Sierra	10	15	52.2%	19	26	32.2%
NOS	10	17	76.2%	19	29	56.3%
ISRG	2	0	-82.6%	8	5	-38.4%
Non-recurrent items	14	-1	-	16	-4	-
EBITDA	172	189	10.0%	319	350	9.5%
margin	*9.8%*	*9.7%*	*-0.1 p.p.*	*9.3%*	*9.1%*	*-0.2 p.p.*
D&A and Provisions and Imp.	-87	-102	-17.4%	-172	-196	-14.0%
EBIT	85	87	2.4%	148	154	4.3%
Net Financial results	-21	-31	-47.2%	-43	-59	-37.3%
Taxes	-2	-5	-	0	-11	-
Direct result	63	52	-17.3%	105	84	-20.1%
Indirect result	30	5	-82.3%	39	6	-84.3%
Net result	93	57	-38.4%	144	90	-37.6%
Non-controlling interests	-17	-15	16.6%	-26	-21	19.4%
Net result group share	76	43	-43.5%	118	69	-41.6%

R - Restated as Universo was considered as asset held for sale and all periods in 2022 were restated to consider this asset as discontinued operation.
* Equity method results: include direct income by equity method results from Sierra statutory accounts, income related to investments consolidated by the equity method (mainly NOS and ISRG) and discontinued operations results.

Consolidated Balance Sheet

€m	30.06.22	31.03.23	30.06.23
Investment properties	341	350	358
Net fixed assets	2,155	2,190	2,208
Right of Use assets	995	1,068	1,138
Financial investments	2,009	2,103	2,102
Goodwill	690	664	663
Working capital	-833	-949	-939
Invested capital	5,357	5,427	5,530
Equity & minorities	3,090	3,252	3,144
Net debt	1,103	922	1,067
Net financial debt	1,129	990	1,136
Net shareholder loans	-26	-68	-69
Lease liabilities	1,165	1,252	1,319
Sources of financing	5,357	5,427	5,530

Note: The consolidated financial information contained in this report was prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial information regarding quarterly and semi-annual figures was not subject to audit procedures.

Sonae

Glossary

Capex	Investments in tangible and intangible assets and investments in acquisitions. For NOS it includes right of use.
Cash on cash ratio	Exit value of the investment divided by the initial investment.
Direct result	Results before non-controlling interests excluding contributions to indirect results.
(Direct) EBIT	Direct EBT - financial results.
EBITDA	Underlying EBITDA + equity method results + non-recurrent items.
EBITDA margin	EBITDA / turnover.
EoP	End of period.
Indirect result	Includes Sierra's results, net of taxes, arising from: (i) investment property valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses of non-current assets (including goodwill) and (iv) provision for assets at risk. Additionally and concerning the remaining Sonae's portfolio, it incorporates: (i) impairments in retail real estate properties; (ii) reductions in goodwill; (iii) provisions (net of taxes) for possible future liabilities and impairments related with non-core financial investments, businesses, assets that were discontinued (or in the process of being discontinued/repositioned); (iv) results from mark-to-market methodology of other current investments that will be sold or exchanged in the near future and from other related income (including dividends); and (v) other non-relevant issues.
Investment properties	Shopping centres in operation owned and co-owned by Sierra.
Lease Liabilities	Net present value of payments to use the asset.
Like for Like sales (LfL)	Sales made by omnichannel stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods.
Loan to Value (LTV) - Holding	Holding net debt (average) / NAV of the investment portfolio plus Holding net debt (average).
Loan to Value (LTV) – Sierra	Total debt / (Investment properties + properties under development), on a proportional basis.

INREV NAV Sierra	Open market value attributable to Sierra - net debt - minorities + deferred tax liabilities.
Net asset value (NAV) of the investment portfolio	Market value of each Sonae's businesses – average net debt – minorities (book value). Sonae's NAV is based on market references, such as trading multiples of comparable peers, external valuations, funding rounds and market capitalisations. Valuation methods and details per business unit are available in Sonae's Investor Kit at www.sonae.pt.
Net debt	Bonds + bank loans + other loans + shareholder loans - cash - bank deposits - current investments - other long-term financial applications.
Net financial debt	Net debt excluding shareholders' loans.
Net invested capital	Total net debt + total shareholders' funds.
Open market Value (OMV)	Fair value of properties in operation (% of ownership), provided by independent international entities and book value of development properties (% of ownership).
Other loans	Bonds and derivatives.
Right of use (RoU)	Lease liability at the beginning of the lease adjusted for, initial direct costs, advance rent payments and possible lease discounts.
RoIC	Return on invested capital.
Total Net Debt	Net Debt + lease liabilities.
Total Shareholder Return (TSR)	Profit or loss from net share price change, plus any dividends received over a given period.
Underlying EBITDA	Recurrent EBITDA from the businesses consolidated using the full consolidation method.
Underlying EBITDA margin	Underlying EBITDA / turnover.

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that should not be regarded as historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes," "expects," "anticipates," "projects," "intends," "should," "seeks," "estimates," "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors and analysts, and generally all recipients of this document, are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Media and Investor Contacts

Ricardo Figueiredo da Rocha
Head of Investor Relations
rjfrocha@sonae.pt
+351 22 010 4794

Maria João Oliveira
External Communication
majfoliveira@sonae.pt
+351 22 010 4000

Sonae
Lugar do Espido Via Norte
4471-909 Maia, Portugal
+351 22 948 7522

www.sonae.pt

Sonae is listed on the Euronext Stock Exchange. Information may also be accessed on Reuters under the symbol SONP.IN and on Bloomberg under the symbol SON PL

Sonae

Shaping tomorrow, today