Press Release

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Sonae strengthens investment and grows 10% in the first nine months of 2023

1. Highlights of first nine months of 2023:

- Consolidated turnover surpassed 6 billion euros in the 9M23, with a 10% increase driven by MC, which maintained its leadership position, and by investment in expansion
- EBITDA rose to 581 million euros (€M) as margin decreased 0.3pp yoy, due to ongoing efforts to absorb part of inflationary pressures, mostly in retail food formats
- Net result group share reached €135 M, translating support to families and the increased financial costs and taxes, as well as investment in the businesses' expansion and digitalisation
- Consolidated investment reached €467 M in the 9M23 and totalled €642 M in the past 12 months, growing 11% through business organic expansion and acquisitions
- Net debt reduced compared to the same period last year, reinforcing the Group's strong financial position
- Already in October, the Group concluded the sale of its stake in ISRG for €300 M, in addition to the partnerships established to create a leading operator in the health, wellness and beauty retail in Spain, and the operator dedicated to consumer credit in Portugal, pending approval from regulatory authorities. In 2023, Sonae completed the acquisition of 10% of Sierra's capital share, now holding 100%, and invested in six new companies in the tech field
- Sonae creates new business area, Sparkfood, operating and investing in innovative companies dedicated to developing healthy and sustainable food solutions
- Support to the community increased 11% to €23.7 M, with special focus on food donations and promotion of education within the community.

2. Message from the CEO, Cláudia Azevedo

"During the third quarter, the macroeconomic environment continued to be marked by the effects of geopolitical instability, rising interest rates and persistent inflation, though the latter has begun to ease.

Sonae remained focused on providing the best offers and experiences to customers across business units without compromising the necessary investments to ensure the group's long-term sustainability.

In fact, the group invested a total of €467m since the beginning of 2023, with a particular focus on improving customer touchpoints in physical spaces and in digital channels, which shows the strong commitment to our portfolio companies and to all our stakeholders.

In terms of operational performance, our revenues increased 10% yoy, surpassing €6.0bn, and our EBITDA stood at €581m, 7% above 2022. This positive evolution was mainly fuelled by MC, that consolidated its leadership position in the Portuguese food retail market. On the real estate front, Sierra continued to execute its strategy and registered a strong performance both in its shopping centres and in the services arena. NOS also delivered strong results, fuelled by the growth in Telco customers and revenues, coupled with an all-time high in cinema ticket sales.

For more information, contact:

Diogo Simão
Director / BAN Corporate & Media Relations
M. +351 93 652 86 39 • E. ds@ban.pt

Regarding portfolio management, we concluded (already in Q4) the sale of our participation in ISRG (with total cash proceeds of €300m), we pursued our work to execute the partnership with Druni to form the largest health, wellness & beauty player in Iberia, and we continued to invest in innovative companies in the food-tech space, dedicated to the development of sustainable and healthy solutions, through Sparkfood, our new investment vehicle for this sector.

Given our operating cash flow generation and portfolio management activity, Sonae's financial position was further reinforced, with net debt decreasing yoy.

Inspired by our renewed sustainability strategy, launched in the 2Q23, we continued to progress in the areas where we want to have the greatest impact on our people, our communities and on the planet.

Looking ahead, and as the uncertainty persists, we must remain determined, bold and nimble to quickly adapt to the evolving risks, seize the surging trends and capture the opportunities that lie ahead. Given our strong portfolio of leading companies, our financial strength and our unique culture, I remain confident in our ability to continue to create superior economic and social value."

3. Consolidated analysis

Active portfolio management creates leading operations in the Iberian Peninsula and capital gains in the 4Q

Sonae proceeded with its active portfolio management strategy, namely through partnerships and asset acquisitions and transactions. During the 3Q23, Sonae was notified by JD Sports Group of its intention to acquire the remaining stake in ISRG with an equity value of 1.0 billion euros. This transaction was completed in the beginning of October and delivered €300 M of cash proceeds and a capital gain of €168 M for Sonae, which will impact 4Q23 results. Additionally, Sonaecom acquired Sonae's direct stake in NOS for €213 M, currently holding 37.37% of the telco company's share capital. This transaction had no impact on NOS righting votes attributable to Sonae.

In the first nine months of the year, it should also be noted that: i) MC celebrated an agreement with the founding shareholders of Druni and Arenal to combine both companies (predicted to be concluded in the 4Q23), which will create a leading operator in the health, wellness and beauty segment in Iberia; (ii) Sonae acquired the remaining 10% stake in Sierra, now holding 100% of its share capital; and (iii) Universo reached an agreement with Bankinter Consumer Finance for a 50/50 partnership to create a leading consumer credit operator in Portugal, as completion is currently awaiting regulatory approval.

Turnover grows 10% and surpasses 6 billion euros

In the 9M23, the Group's businesses continued to face a challenging macroeconomic context, with significant cost pressures, while still proceeding with delivering a resilient performance leveraged by reinforced market shares. Consolidated turnover surpassed 6 billion euros, with a 10% yoy growth, driven by MC's performance, which maintained its leadership position in the Portuguese food retail market, as consumers recognise the continuing efforts to offer the best prices in a context of high inflation.

EBITDA margin decreases by 0.3 percentage points with partial inflation absorption and rising costs

The solid performance across the several businesses allowed the Group to reach an underlying EBITDA of €506 M, as total EBITDA grew 7% to €581 M, translating a margin decrease of 0.3pp. This was due to ongoing efforts in the retail businesses to absorb inflationary pressures and support its customers, and also to the lower contribution from results in the portfolio's management activity, with no relevant transactions in the period.

Furthermore, investment in network store expansion and businesses' digitalisation, together with increased financial costs and taxes along with reduced capital gains at NOS and Bright Pixel, led to a Direct Result of €167 M.

Net result impacted by effort to support families and investments

Net result group share stood at €135 M, reflecting efforts to support families and the increased funding costs and taxes, in addition to increased depreciations due to investment in the businesses' expansion and digitalisation.

Operational investment towards business expansion grew 28%

Sonae's consolidated investment reached €642 M in the last 12 months, having increased 11% with the businesses' organic expansion and acquisitions. In the first nine months of the year, total investment stood at €467 M, as Capex rose to €292 M, increasing 28% with store network expansion and the digitalisation of businesses.

Despite this investment, net debt decreased by €40 M, to €982 M, demonstrating Sonae's strong financial position, characterised by a low leverage level, significantly available liquidity and a strong debt maturity profile.

Support to the community increases 11% to €23.7 M

Faced with the social emergencies affecting all families, Sonae furthered its corporate responsibility policy, placing special focus on food donations and promoting education. This effort translated into an 11% increase in the support to the community in the 9M23, totalling €23.7 M.

Sonae is committed to provide an active contribution to education and lifelong reskilling, having granted the Sonae Education Award to the projects submitted by the NoCode Institute and EKUI, focused on digital reskilling and the inclusion of people with special needs, in a total of circa 100 thousand euros. Sonae is also one of the promoters behind the PRO_MOV programme, which aims to promote Portugal's reskilling for the jobs of the future, gathering the Portuguese government, different associations and over 50 companies, within the R4E (Reskilling for Employment) European programme.

4. Operational and financial highlights per business

In **food retail**, MC posted yet another strong performance, benefitting from customers' recognition of the distinctive value proposition across its formats, in a context of high food inflation. In a highly competitive environment, the company succeeded in maintaining its leadership position, as sales grew 9.6% in the 3Q23 (LfL of +8.7%), driven both by grocery and non-grocery formats, surpassing 4.8 billion euros in the 9M23 (+11.8% compared to the same period last year and a +10.4% LfL).
In terms of the store network expansion, in the 9M23, MC opened 39 new company-operated stores, in addition to other store refurbishments and the optimisation of technological and logistics infrastructures, leading to a total investment of €197 M in the 9M23.

In **electronics retail**, Worten's total turnover reached €880 M in the 9M23 (+5.2% compared to the same period in 2022 with a LfL of +4.1%), with the online channel representing over 15%. This sales performance resulted in market share gains, as Worten continues to strengthen its leadership position in the market. Both online and offline channels contributed positively to this sales performance, confirming Worten's successful omnichannel value proposition. The new categories, leveraged by the Marketplace and adjacent services, materialised important sales growth, gaining relevance in Worten's top line, reflecting the good execution of the company's growth strategy.

In **fashion retail**, Zeitreel's brands continued to face a challenging macroeconomic environment, aggravated by abnormal weather conditions, but still reached sales of €266 M in the 9M23, 4% below the same period last year.

In **real estate**, Sierra improved operational performance across all business areas, which led to a 50% yoy increase in Direct Result, to €48 M, and to a 21% increase in the Net Result, to €54 M. In the European shopping centre portfolio, Sierra tenants' sales achieved a double-digit LfL growth compared to both last year and the pre-pandemic period. This was sustained by increased footfall and higher occupancy rates, which rose by 0.5pps to 98% in total. In addition, the Sierra services area continued to be a significant driver of operational performance, with EBITDA delivering a double-digit growth.

In **technologies,** Bright Pixel continued to explore new opportunities to expand its active portfolio, which already includes more than 40 companies across the world, having strengthened existing investments, which led to a slight NAV increase, to €332 M, as well as the capital invested in the active portfolio, to €167 M. Since the beginning of the year, Bright Pixel has invested a total amount of €33.5 M and expanded its portfolio with 6 new companies.

In **financial services**, teams at Universo remain focused on developing the partnership with Bankinter Consumer Finance for the creation of a new reference player in consumer credit in Portugal, which is expected to be concluded before the end of the year. Universo continued to post a resilient operational performance, in line with previous quarters, with a total production of €719 M and a total turnover of €36 M in the 9M23, +34% compared to the same period last year.

In **telecommunications**, NOS delivered a solid operational and financial performance. During the 3Q23, turnover grew 6.9% yoy to €408 M, driven by the telco segment (+4.7%) and by the audiovisual and cinema exhibition division (+37.2%) that reached an historic record in ticket quarter sales. At the end of the 9M23, total turnover reached 1.2 billion euros, +5.3%.

In **new growth avenues**, Sonae created **Sparkfood**, dedicated to investing in innovative companies developing healthy and sustainable food solutions. This unit operates and invests in companies within the food value chain, through two main business platforms: (i) Alternative.s – a European supplier of next generation alternatives to animal proteins, namely plant-based; and (ii) Ingredient.s – a global supplier of natural ingredients for health and wellness, food systems and animal nutrition. Furthermore, Sparkfood created Venture.s, dedicated to investing in scale-ups that will add innovation to these platforms across different areas (products, technologies and solutions). Sparkfood has already concluded five investments, all international, with a total invested capital of 110 million euros.

5. Financial indicators

Million euros	9M22R	9M23	Var
Turnover	**5,468**	**6,036**	**10.4%**
Underlying EBITDA	**446**	**506**	**13.4%**
Underlying EBITDA margin	8.2%	8.4%	0.2pp
Equity method results (*)	76	81	6.1%
Non-recurrent items	21	-6	-
EBITDA	**543**	**581**	**7.0%**
EBITDA margin	9.9%	9.6%	-0.3pp
D&A and provisions and impairments	-263	-296	-12.5%
EBIT	**280**	**285**	**1.8%**
Net financial result	-66	-93	-40.2%
Taxes	-9	-25	-
Direct result	**206**	**167**	**-18.9%**
Indirect result	50	7	-84.9%
Total net result	**255**	**174**	**-31.7%**
Non-controlling interests	-45	-39	13.1%
Net result group share	**210**	**135**	**-35.7%**

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