PRESS RELEASE

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SONAE GROWS 6% AS SALES SURPASS €3.1 BILLION IN THE 1ST HALF OF 2020

1. MAIN HIGHLIGHTS OF 1ST HALF OF 2020 (1H20):

- Very resilient performance across all businesses in the 1st semester, with strong ability to adapt to the challenging context brought upon by the pandemic
    - Sonae's consolidated turnover grew 5.9% to 3,136 million euros (€M), with unprecedented online sales increase and higher market shares in most businesses
    - Stable operational profitability on a comparable basis
- Evolution of net result exclusively explained by the Covid-19 pandemic, with prudent non-cash contingencies: provisions registered in the 1Q and lower real estate asset valuations in the 2Q
- Reinforced capital structure, with a net debt decrease of €498 M and refinancing of more than €650 M
- Investment rose to €113 M, reflecting organic expansion and acquisitions
- Sonae proceeded with its social responsibility policy, as support to the community already passed €5 M

Cláudia Azevedo, CEO of Sonae, says, *"The second quarter of 2020 was certainly one of the toughest quarters in Sonae's history. After a good start to the year, we were all hit by the Covid-19 pandemic in mid-March and it was during the second quarter that we felt most of the impacts to date of this unprecedented and challenging situation. As I have stated multiple times, our main concern since day one has been the health and safety of our people, customers and partners, while we continue to provide essential services to society and to support our communities. All our businesses have been severely impacted by this situation, but I am proud to say that our collective response has been quite outstanding. I feel truly honoured and privileged to lead such a resilient and generous team. These past few months have shown not only the cohesion and coordination of the top management team at Sonae, but also the strong commitment of our people to serve our customers and take great care of all our stakeholders.*

Our portfolio showed a very resilient performance throughout the last few weeks. I would like to highlight the exceptional performances of both Sonae MC and Worten, which, in such a challenging context, were able to strengthen their leadership positions in the Portuguese market and grow turnover by more than 9% and 6% yoy in this second quarter of the year, respectively. But I would also like to stress the resilience of the remaining businesses in our portfolio, especially the ones which were forced to shut down during most of 2Q. Sonae Sierra faced a particularly challenging situation, namely in Portugal, with all shopping centres practically closed during the quarter and high uncertainty regarding rent collection driven by unprecedented legislation (despite the agreements that had already been reached with the vast majority of tenants). Overall, Sonae grew 5% yoy in the quarter and underlying EBITDA was practically stable vs last year in comparable terms. This is a remarkable performance considering that many of our operations were shut down for many weeks.

Under these challenging times, maintaining a solid financial position is essential to face the future with confidence. Since the beginning of 2020, we have been able to further reinforce our capital structure with several refinancing operations totalling more than €650 M and extensive cash preservation initiatives. This has enabled us to keep a healthy liquidity position and maintain our commitments to all stakeholders. Currently, all the companies in our portfolio hold conservative balance sheets, which will be important to face the upcoming months.

While we remained deeply committed to protecting our businesses and serving our customers, we have not lost sight of our environmental and social sustainability priorities. In the past few months, we have continued to reinforce our social responsibility initiatives in a number of areas, namely food donations and government support initiatives related to the fight against Covid-19, and we have continued to make significant progress towards our CO2 emissions and plastics consumption goals.

The next few months will bring different types of challenges for our teams, and I am confident that Sonae will overcome these challenges. We have a resilient portfolio of businesses and a strong financial position, but most importantly the right people and the right values embedded across the organisation."

2. CONSOLIDATED ANALYSIS

First six months of growth with net result reflecting prudent stance in face of pandemic

€3,136 M
+ 5.9%
Turnover

Sonae's consolidated performance in the 2Q20 had two different moments: the lockdown period up to mid-May was marked by a strong impact on most of our businesses, positive in terms of sales performance for Sonae MC and Worten in Portugal, and conditioned in Sonae Sierra, Worten in Spain and Sonae Fashion, as these were forced to suspend operations during this period. Already in the post-lockdown period, all stores were able to reopen and there was a gradual easing of restrictive measures, albeit some shopping centres still operated with limited opening hours, therefore registering lower footfall.

From a statutory point of view, compared to the same period last year, consolidated **turnover** grew 6% to €3,136 M in the 1H20, with a 5% growth in the second quarter (2Q20) to €1,584 M. Sales growth was driven mostly by quick operational readiness measures and unprecedented online sales, enabling higher market shares in most businesses, with special focus on the strong contribution from Sonae MC.

Concerning the **underlying EBITDA**, Sonae reached a result of €229 M in the 1H20 (-5%) and of €129 M in the 2Q20 (-7%). This evolution is mostly explained by the deconsolidation of two core shopping centres (consequence of the Sierra Prime transaction) in Sonae Sierra's statutory accounts and by the negative impact of the lockdown period on Sonae Sierra and Sonae Fashion. Excluding the Sierra Prime impact, Sonae's underlying EBITDA would have remained stable yoy during the first half of the year. Thus, consolidated **EBITDA** rose to €256 M in the 1H20, having stood at €128 M in the 2Q20, translating lower equity method results from Sonae Sierra and ISRG.

Sonae's Indirect Results were mainly impacted by Sonae Sierra's asset revaluations as a result of the pandemic, a non-cash effect that pushed Sonae's results to a negative value of €16 M in the 2Q20.

In sum, by the end of the 1H20, **net income group share** stood at -€75 M, especially influenced by total non-cash contingencies of €76 M in the 1Q20 and by Sonae Sierra's portfolio valuation decrease in the 2Q20, both directly related with Covid-19.

It is worth highlighting that, despite the pandemic situation, in the 2Q20 direct results were positive, by €6 M.

Debt reduction of 498 million euros and investment of 113 million euros

Sonae continued to maintain its financial solidity, as total net debt decreased €498 M yoy, or 28.4%, to €1,257 M. Sonae's financing conditions continued to be characterised by a low cost of debt, which remained at 1.2% during the 1H20 (about 1.0% excluding Sonae Sierra), and by the average maturity profile that surpassed 4 years.

In addition, and since the end of 2019, Sonae has already refinanced more than €650 M in long term facilities. As already stated in the 1Q release, with these operations, Sonae has increased the average debt maturity, the diversification of relationship banks and significantly reinforced its capital structure. The increased resilience of the balance sheet in the current adverse context allows Sonae to face the coming months with greater confidence and to pursue the group's strategic objectives in better conditions. All companies in the portfolio maintained solid and conservative balance sheets.

In the first six months of the year, Sonae continued to invest, as investment rose to €113 M, of which €89 M was carried out by Sonae MC.

Active portfolio management by strengthening participations

In the 1Q20, Sonae Sierra created Sierra Prime, a leading retail real estate JV with APG, Allianz and Elo, which includes Sonae Sierra's most iconic assets. This was an important milestone in the company's capital recycling strategy, as well as for its property and asset management business. In the 2Q20, Sonae Fashion acquired the remaining 50% stake in Salsa, now being better prepared to take the company to a new level of growth. Already in the 3Q20, Sonae strengthened its stake in NOS and announced the agreement to dissolve the partnership at ZOPT. Once these operations are executed, Sonae will guarantee a standalone position of 33.45% in NOS.

Protecting employees and creating over 1,500 jobs at Sonae MC

The important social role of Sonae and its holdings was translated in terms of employment, where one should note the creation of more than 1,500 jobs in food retail over that past 12 months. Faced with the pandemic situation and seeking to protect the health and wellbeing of employees, partners and customers, several measures continued to be implemented. Businesses that were closed during the state of emergency have been gradually reopening since mid-May and, as of this date, all operations are adjusted to the new normal, requiring special hygiene and social distancing measures. In the case of central offices, as well as in all applicable jobs, remote work continues to be prioritised. In June, many businesses began a phased return to the offices, albeit maintaining a low occupancy rate.

Support to the community in response to the pandemic

Sonae continued to strengthen its social responsibility initiatives, as the direct support to the community surpassed €5 M in the 1H20. The noteworthy wide support to institutions (hospitals, local councils and support centres) through the distribution of thousands of food and non-food goods and PPE (personal protective equipment) to the most vulnerable, but also to health professionals and security forces. In addition, hundreds of computers were donated to schools so that children could follow classes remotely.

Sonae group companies have also actively participated in cooperation networks to support communities, namely international sourcing support made available to public institutions, having managed to purchase PPE in a time of great need and providing all the logistics for its transportation to Portugal and distribution to priority entities and institutions (e.g., hospitals). At the same time, portfolio companies participated in several fundraising initiatives amounting to a total of €1.2 M, with Sonae having donated more than 150 tons of essential products.

3. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Sonae MC grows 11.5% and strengthens leadership position

In food retail, the 2Q20 followed the same trend witnessed at the end of the 1Q20. Under such a challenging environment, Sonae MC was able to deliver strong sales growth, good momentum in the ecommerce operation and a strengthened leadership position. In the 2Q20, turnover grew by 9% yoy to €1,237 M, with a LfL sales growth above 6% and a very good performance in the i) hypers due to their broad offering, wide spaces and perceived safe environment, ii) proximity supermarkets, as customers are closer to home for their everyday needs, and iii) online business that continued to post double-digit growth during the 2Q and remained at high levels even after the end of the lockdown. New growth businesses, after a challenging start to the 2Q with most of the stores closed, have seen a recovery since June.

Sales performance in the 2Q led to a turnover of €2,431 M at the end of the 1H20, contributing to an 11.5% growth yoy and a LfL of 8.3%. This performance reflects the extraordinary impact of Covid-19, clearly showing the superior value proposition of Sonae MC's food retail formats, especially important in a sector where there is still a limit of 5 customers per 100 sqm.

Regarding underlying operating profitability, the incremental impact from Covid-19 on the costs side, particularly in the 2Q, led to a slightly lower margin when compared to last year. Among the direct and indirect costs related to the pandemic, most weight derived from the costs with hygiene, safety measures and staff bonuses to reward exceptional work in the frontline during the lockdown period, coupled with the changes in channel and product mix that weighed down on gross margins. All in all, underlying EBITDA margin stood at 9.3% vs 9.5% in the 1H19.

Worten grows 6% in the 2Q, as online increased by double digits

In electronic retail, Worten had a strong 2Q in terms of sales and profitability, despite very different contexts in Portugal and Spain. The demand for the online channel continued to generate a double-digit growth in sales, being the main driver in sales performance. In this context, despite closures in Spain and as a result of the online surge, turnover grew 6% yoy (9% in like-for-like stores), reaching €250 M in the 2Q20 and €482 M in the 1H20. Highlight goes to the categories of IT and entertainment that registered a strong growth, easily understood in view of the current situation.

Concerning profitability, Worten's underlying EBITDA improved by €7 M yoy, to €12 M (a 4.7% margin) in the 2Q, fuelled by sales performance, namely in Portugal.

Sonae Fashion sees MO and Zippy reaching 2019 online sales in only one quarter

For Sonae Fashion, the 2Q was atypical and severely hit by the closure of all stores as the lockdown measures were in place for the most part of the quarter. Since mid-May, stores began to reopen, but continued to be impacted by legal requirements and by limited footfall in shopping centres.

In spite of the adverse context and during the lockdown, Sonae Fashion implemented a comprehensive set of measures to find alternative ways to sell and increase brand engagement across all of its brands. Part of the severe impact in top line was offset by a very positive performance of the online business that more than doubled last year's figures in the 2Q. Zippy and MO are worth highlighting with 5x and 6x increases in online sales, respectively, having reached the 2019 sales figures in only one quarter. Moreover, performance since reopening stores has delivered encouraging results to face the rest of the year. Overall, Sonae Fashion turnover in the 1H20 stood at €131 M, decreasing 25% compared to the same period last year.

ISRG with positive performance post-reopening

After a strong performance in 2019, the first months of ISRG's fiscal year were severely impacted by the Covid-19 outbreak, as from as early as mid-March, all company stores were closed both in Portugal and Spain (representing a shutdown period in half of the quarter). This situation led the company's equity method contribution to Sonae's results being negative at €6 M in the quarter.

The reopening performance of ISRG stores since June in both geographies has been quite positive and encouraging.

Sonae FS increases market share in credit cards

Turnover at Sonae FS rose to €17 M in the 1H20, in line with last year. Although not being among the most affected businesses in our portfolio, Sonae FS' activity slowed down during the lockdown months, namely concerning new credit cards and personal loans approvals. Nevertheless, Sonae FS' operational performance has already began showing signs of recovery since mid-May and its activity has returned to historical levels, especially in Universo purchases, coupled with the recovery of activity in Spain with the reopening of retail stores.

In spite of the deceleration of the credit card payments market as a whole (-15% yoy until the end of June), the Universo card was able to register an estimated record market share of 18.1% in April, 16.4% in May and 14.2% at the end of June, guaranteeing an average of 14.7% for the 1H20 compared to 12.5% in the 1H19. This represents a record market share since its creation and in the lockdown period, fuelled by the strong boost of online purchases in sectors like grocery, clothing and home appliances, significantly above historical figures. At the end of June, there were 886k active Universo cards, +85k vs last year.

Sonae IM strengthens stakes and enters the share capital of yet another tech company

Turnover at Sonae IM reached €63 M in the 1H19, having posted a 4% improvement in the 2Q20. Among the companies in Sonae IM's portfolio, the positive highlights are the cybersecurity companies, which proved to be more resilient to the Covid-19 crisis and increased their turnover at a double-digit rate during the semester.

As for the investment activity, the main priority has been to monitor and support the portfolio companies, while also making some follow-on investments. Despite a slowdown in the months of March and April, as travel bans and event cancellations prevented the maintenance of deal generation activities, the end of the 2Q20 seemed encouraging with the level of M&A activity starting to pick up. During the 2Q20, Sonae IM made an early stage investment in a company with a distinctive short video technology.

Shopping centres see results affected by the pandemic in asset valuation

Covid-19 had a material impact in the commercial real estate sector during the 2Q, particularly in shopping centres, thereby negatively impacting all of Sonae Sierra's business units.

On a proportional accounting basis, Sonae Sierra's 2Q20 net result was -€56 M, split between Direct results of -€3 M and Indirect results of -€53 M, the latter mainly related with property revaluations during the quarter, as asset values saw an increase in yields and operational impacts from the pandemic.

The return phase was successful, with a positive evolution in footfall (although still below pre-Covid levels) and tenant sales delivering encouraging signs. During the lockdown, Sonae Sierra developed some initiatives, still ongoing, with the purpose of mitigating the loss in tenants' sales, such as: i) a virtual mall, in partnership with Dott, and ii) a click & collect initiative, taking advantage of the parking space serving the shopping centres.

NOS strengthens provisions and presents robust capital structure

NOS published its 1H20 results on July 22nd. This 2Q was a quarter with a stronger operational and financial impact from Covid-19 when compared to the 1Q20, as a result of the more extensive period under lockdown, with all business segments being significantly affected.

Turnover at NOS reached €667 M in the 1H20, down 7.6% compared to the same period last year. This performance in the 2Q reflected the absence of cinema-goers due to theatre closures, a significant decline in roaming revenues, the suspension of premium sports channel billing (in April and May) and the more challenging B2B environment. The Cinema and Audiovisuals business was the most impacted on a relative basis (more than 40% yoy) given the complete closure of theatres since March 16th. EBITDA followed the same trend and decreased by 7.8% in the 2Q to €158 M and 6.3% versus the 1H19, to €311 M in the 1H20.

Overall, the 2Q20 net result declined 5% yoy to €45 M in the 2Q20, as a result of the decline in EBITDA that more than offset the accounting capital gain of €6 M resulting from the sale of NOS International Carrier Services, and at the end of the 1H20, net result stood at €35 M, strongly impacted by the non-recurrent items linked to Covid-19 already registered in the 1Q20.

Notwithstanding, NOS' financial balance sheet remains solid, having ended the 1H20 with a net financial debt to EBITDA of 1.8x. This position will be further strengthened with the sale of NOS Towering to Cellnex, which was already approved by the Portuguese Competition Authority in the 3Q20.

4. FINANCIAL INDICATORS

Consolidated results Million euros	1H19	1H20		2Q19	2Q20	Var
Turnover	**2,960**	**3,136**	**5.9%**	**1,511**	**1,584**	**4.8%**
Underlying EBITDA	**241**	**229**	**-5.3%**	**139**	**129**	**-7.5%**
Underlying EBITDA margin	8.2%	7.3%	-0.9pp	9.2%	8.1%	-1.1pp
Equity method results (1)	49	13	-73.2%	23	6	-73.5%
Non-recurrent items	-11	14	-	-18	-7	-
EBITDA	**279**	**256**	**-8.3%**	**145**	**128**	**-11.7%**
EBITDA margin	9.4%	8.2%	-1.3pp	9.6%	8.1%	-1.5pp
Provisions and impairment	**-3**	**-53**	**-**	**-2**	**-7**	**-**
EBIT	**114**	**32**	**-**	**56**	**35**	**-**
Net financial results – lease liabilities	-36	-37	-3.4%	-17	-18	-5.6%
Net financial results – financing	-21	-18	14.6%	-11	-7	33.4%
Taxes	-1	4	-	-5	-3	-
Direct results	**56**	**-19**	**-**	**24**	**6**	**-**
Indirect results	8	-65	-	9	-45	-
Total net results	**64**	**-84**	**-**	**32**	**-39**	**-**
Non-controlling interests	-26	10	-	-13	23	-
Net income group share	**38**	**-75**	**-**	**20**	**-16**	**-**

(1) Equity method results: include equity method direct results from Sonae Sierra statutory revenues, direct income related with investments consolidated by the equity method (mainly NOS/Zopt and ISRG) and results of discontinued operations.