PRESS RELEASE

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SONAE INCREASES SALES BY 7% AND SURPASSES 1.5 BILLION EUROS IN 1ST QUARTER 2020

1. MAIN HIGHLIGHTS OF FIRST QUARTER OF 2020 (1Q20):

- Positive operational performance during first quarter, as businesses and teams show strong ability to adapt and react to minimise negative impact of pandemic
    - Sonae consolidated turnover grew 7% to 1,552 million euros (€M)
    - Underlying EBITDA increased 5% to €100 M on a comparable basis
- Drop in net income explained exclusively by a prudent registering of non-cash contingencies in a total of €76 M, directly related with the COVID-19 pandemic and, in particular, with the forced closure of activities across several businesses
- Strengthened capital structure, as net debt decreases €468 M and about €500 M refinanced in 2020
- Investment rose to €60 M, reflecting organic expansion and acquisitions
- Sonae strengthened its social responsibility policy, as its support to the community already surpassed 1 M€

Cláudia Azevedo, CEO of Sonae, says, *"The start of the year was very positive for Sonae, with all our businesses posting strong growth and improving their profitability levels until February, proving yet again the robustness of our strategies and value propositions. At the end of February, Sonae Sierra completed the Prime transaction, a very important milestone in its capital recycling strategy which further strengthened Sonae's capital structure.*

In March the Covid-19 pandemic hit our main geographies and we began experiencing an unprecedented and challenging situation. Although all our businesses have been strongly impacted by this situation, I am proud to say that our reaction has been quite outstanding.

In the last two months, I have witnessed the way in which each of our businesses and teams has rapidly adjusted to this new context. Since day one, our main concern has been the health and safety of our people, while continuing to provide essential services to society and to support our communities. Early on, we implemented solutions to protect our people who are in the frontlines and also remote working for all office functions. However, and despite all the implemented safety measures, some of our people were naturally hit by this virus. Once again, we strictly followed all the recommendations from the national health authority to ensure that our people have the best possible care, while minimizing the possibility of contagion. This is a daily and permanent monitoring process which we will continue to follow until we are free from this pandemic.

Thank you to our people again for their generosity and perseverance. And I would also like to take this opportunity to acknowledge the efforts and commitment of our ecosystem of partners, without whom we would not have been able to continue to fulfil our mission.

This situation puts us all to the test and our collective response is testament to the ability that we have to join forces and act together for a common purpose. I would like to highlight, in particular, the remarkable efforts we have made to: (i) maintain our grocery and electronics stores open, (ii) revamp our entire e-commerce operations to sustain a sudden 3-5x surge in online sales, and (iii) keep our telco networks operating under record traffic levels.

This context proves the quality and resilience of our portfolio of assets. In challenging times for many companies around the World, Sonae's diversified portfolio of leading businesses provides great reassurance that we will navigate this storm and come out of it stronger. This confidence is amplified by our conservative approach to leverage and financing, which allows us to face the coming months with our eyes set in the aftermath of the downturn.

Nevertheless, the coming months will be harsh and all our businesses will be materially affected in one way or another. Therefore, and out of prudence, we have already registered significant non-cash contingencies in Q1 so as to anticipate future impacts, namely at NOS, Sonae Fashion, Worten and Sonae Sierra. Additionally, all our businesses are implementing cash preservation initiatives at this stage while honouring previously assumed commitments and without losing sight of attractive investment opportunities.

Given the ability that our people and our businesses have shown to adapt to these changing circumstances, I am more certain than ever that we will overcome this adversity and be prepared to readily respond to the structural changes that will undoubtedly shape our future."

2. CONSOLIDATED ANALYSIS

Growth quarter as results reflect prudent stance in face of pandemic

€1,552 M
+ 7.1%
Turnover

Sonae's consolidated performance in the 1Q20 was marked by two different moments: i) the period between January and February, with positive performance across the board; and ii) the period since March with the COVID-19 outbreak, marked by a strong impact in some businesses, which was positive in the case of sales performance at Sonae MC and negative at Sonae Sierra, at Worten Spain and at Sonae Fashion, as they were forced to suspend operations since mid-March.

From a statutory point of view, consolidated **turnover** grew 7.1% compared to last year, to €1,552 M, mostly driven by the strong contribution of Sonae MC (+14% yoy). Regarding the **underlying EBITDA**, Sonae ended the 1Q20 with €100 M, -2.4% compared to last year. This slight decrease is overly explained by the deconsolidation of two shopping centres (consequence of the Prime transaction) in Sonae Sierra's statutory accounts. Were it not for this accounting impact, the Group's underlying EBITDA would have risen 5%, despite the strong impact of the pandemic in Sonae Fashion's operational profitability since mid-March.

Consolidated **EBITDA** in the 1Q20 decreased 4.6% yoy to €128 M, as lower equity method results offset the positive impact of the capital gains from the Prime transaction at Sonae Sierra. The equity methods results line was negatively impacted by the 1Q20 net result at NOS, which already includes contingencies related with the pandemic outbreak.

Direct results were also significantly impacted by extraordinary stock provisions at both Worten and Sonae Fashion, directly related with the COVID-19 outbreak. In total, and in a prudent approach in times of great uncertainty, €44 M of accelerated stock provisioning was accounted for in the quarter. Indirect result was impacted by a total of €18 M in provisions related to Sonae Sierra's development projects – again as a result of a conservative view of the potential impact of the current pandemic on ongoing projects.

In sum, these impacts led to a negative **net income** group share of €59 M, highly influenced by total non-cash contingencies of €76 M, directly related to COVID-19. Thus, excluding these impacts accounted for with prudence, and despite the forced closing of some operations, Sonae net income would be in line with the previous year.

Debt reduction of 468 million euros and investment of 60 million euros

Sonae continued to strengthen its financial solidity, as total net debt reduced €468 M yoy, or 27.5% to €1,233 M. All businesses across the portfolio maintained a solid and conservative balance. Sonae's financing conditions remain characterised by a low cost of debt, which stood at 1.2% during the 1Q20 (1.0% excluding Sonae Sierra), and an average maturity profile of about 4 years. Additionally, since the end of 2019, Sonae has already refinanced about €500 M in long-term facilities. These operations increased Sonae's average debt maturity, with a greater diversification of relationship banks and a significantly reinforced 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 goals in better conditions.

In the first three months of the year, Sonae continued to invest, as investment rose to €60 M, of which €46 M were led by Sonae MC.

Protecting employees and creating over two thousand jobs at Sonae MC

The important social role of Sonae and its holdings is also translated in terms of employment, most notably the creation of over two thousand jobs in food retail over the past 12 months.

Faced with a pandemic context and looking to protect the health and wellbeing of all employees, even before the state of emergency was declared in Portugal and Spain, a number of mandatory actions and recommendations were defined and communicated to all employees regarding: business travel; participation in congresses, fairs, exhibitions and extended training; remote work; hygiene precautions and respiratory etiquette measures; among many others. In terms of operations, essential measures were implemented in order to ensure the health of our employees, partners and clients, from cleaning facilities and the use of masks and other personal protective equipment, to the limitation of the number of people per sqm. As of now, all businesses are implementing or reviewing its operational models in order to guarantee the gradual opening of commercial establishments that had been closed by law. Regarding central offices, along with all other applicable jobs, remote work was implemented, impacting more than 6,000 employees. To this effect, the available tools for remote working were reinforced, while also providing a set of activities that allow our employees to maintain high levels of motivation and professional development.

Finally, in all group companies fully controlled by Sonae in Portugal, the Group decided to not adhere to the simplified layoff mechanism so as to ensure the full compensation of employees in this difficult context and also to fulfil the Group's social mission. Additionally, in the case of food retail, an extraordinary financial bonus was awarded to store and logistics employees in recognition of their availability to provide an essential service to Portuguese families.

Supporting the community in response to the pandemic

Creating social value is a critical element in Sonae mission. In these extraordinary times, the Group has promoted multiple support and solidarity initiatives, as the amount donated to the community has already exceeded €1M. These include Sonae's ongoing close collaboration with the Portuguese government to carry out the sourcing, logistics, transportation and distribution operations of medical and personal protective equipment. Moreover, Sonae is part of the worldwide "Coronavirus Global Response" initiative that aims to raise 7.5 billion euros to foster and accelerate innovation and the development of new solutions, promoting ecosystems of innovation and knowledge exchange, involving all public and private players who may help achieve its goals.

In addition, Sonae has also been donating and providing food, home appliances, laptops, facilities, telecommunications and services, benefiting dozens of entities that include hospitals, local councils and charitable organisations, which in turn support families across the country. In these first 4 months alone, over 250 tons of food and 500 computers have already been donated.

3. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Sonae MC grows 14% despite closed formats and restraints due to the pandemic

In food retail, Sonae MC performance was naturally impacted by the COVID-19 outbreak, as the priority has been to protect the health of its employees and customers while continuing to provide the Portuguese families with everyday essentials. After a good start of the year, with a strong sales performance in January and February, the first half of March saw unprecedented levels of growth. During this period, food retail formats posted double-digit LfL sales growth, with the online channel reaching extraordinary order levels which led Sonae MC to more than triple its delivery capacity. Once lockdown measures were implemented, March 15th, with a restriction of only four customers per 100 sqm at stores, food retail sales came back to more normal LfL levels. Some of the remaining non-food formats were considered non-essential businesses and were therefor forced to suspend operations, namely the Bagga coffee shops, Go Natural restaurants, Dr. Wells stores in Portugal and Arenal stores in Spain. In sum, Sonae MC turnover rose to €1,194 M, +14.0% compared to last year, with a LfL of 10.6%.

In terms of operational profitability, underlying EBITDA rose to €96.5 M, representing a stable margin of 8.1%. Sales growth was accompanied by an increase in operational costs due to COVID-19, namely with the new hygiene and safety measures, staff bonuses to reward exceptional work at the frontline, a different sales mix (caused by shopping baskets with more basic products and a shift away from discretionary and non-food categories), and the forced closure of non-food formats.

Worten posts historical levels online and improves operational profitability

In electronic retail, Worten had a positive start in 2020, registering a solid sales growth (+6% Lfl) until the end of February. In March, the situation changed significantly with the COVID-19 outbreak and Worten had to react quickly to lockdown measures. In Portugal, all stores remained open, except for Worten Mobile and iServices within shopping centres. Across the border however, due to more restrictive confinement rules and a more acute impact of the outbreak, all stores were closed in mainland Spain, despite still supporting the online operation, while in the Canary Islands only six stores were suspended, two of which were adapted to serving online orders.

Across all geographies, the online channel saw a very significant growth, reaching record highs. Regarding best-selling categories, IT and entertainment products took the lead. Thanks to Worten's omnichannel agility, it was possible to rapidly reallocate resources to strengthen digital and services capabilities. To better respond to online orders, Worten significantly increased its warehouse capacity while securing an excellent performance in terms of delivery times and customer satisfaction.

As a result, turnover, turnover stood at €232 M, practically aligned with last year. Underlying EBITDA stood above last year's, with the margin increasing by 0.1pp to 3.5%.

Sonae Fashion with very positive first two months of the year. Preparing to return

For Sonae Fashion, the first two months of the year were very positive, both in top line and in underlying EBITDA, thus showing improvements from both value propositions and business models.

Nonetheless, the spread of the Covid-19 pandemic had a very considerable impact in the businesses. Following the implementation of lockdown measures in all the company's countries, sales fell sharply in the first two weeks of March and then all company stores were forced to close. The complete shutdown led to a sales drop of 49% yoy in March. Part of this severe impact on sales was offset by a very positive performance of the online business and Sonae Fashion ended the 1Q20 with a turnover of €78 M, down 19% compared to last year. Cost wise, Sonae Fashion focused rapidly on cash preservation initiatives and was able to end the 1Q20 with an underlying EBITDA of €0.9 M.

At this moment, Sonae Fashion has already reopened some of its stores and is preparing to reopen all stores. All necessary measures have been implemented regarding the protection of both employees and clients.

ISRG with positive contribution of €2.6 M to Sonae results

Given that JD Sports will only publish its full-year results on July 7th, the company does not yet have fully audited accounts for the 4Q19 (the quarter which is consolidated in Sonae's 1Q20 accounts). Therefore, it is not possible to provide detail on ISRG's operational results for the quarter yet. In any case, the business maintained the same level of performance as in previous quarters, with double-digit sales and EBITDA growth yoy. The company's equity method contribution to Sonae's results amounts to €2.6 M in the quarter.

During this period, ISRG has been impacted by the COVID-19 outbreak, as sales started slowing down since the beginning of March and all stores were forced to close from mid-March onwards. At this point, stores have already began to reopen in Portugal and Spain.

Sonae FS posts double-digit growth

Thanks to the performance until mid-March (and some initial positive impacts of reaction measures), Sonae FS was able to end the quarter with a significant growth when compared to last year, as turnover increased by 14.4% to €9.4 M, and underlying EBITDA stood at €2.1 M, with a 22.4% margin. The Universo operation benefits from having a digital-oriented value proposition and, in addition, has been implementing several initiatives to further develop its digital offering to mitigate the impact of the current crisis.

Although not as impacted as other businesses, Sonae FS also felt the negative impacts of the pandemic's world crisis. Since mid-March, credit card transactions have decreased, not only due to an overall decline in consumption, but also due to more profound impacts on credit card transactions in some relevant categories, such as travelling and fuel. Personal loans and payments of services at ATMs, as well as cash withdrawals, have also dropped.

Sonae IM strengthens participations and enters the capital of one more retail tech company

Sonae IM did not experience significant effects from COVID-19 in the 1Q20 results, but the magnitude and degree of uncertainty brought upon by an event of this nature might cause an impact in the coming quarters.

In terms of investment activity, Sonae IM concluded its committed investment and, in the 1Q20, strengthened its stake in some portfolio companies and entered the share capital of a retail tech company.

Concerning operational performance, turnover stood at €26 M, decreasing when compared to 2019, as the solid growth of cybersecurity services only partially offset the decrease on technology resale.

Shopping centres proceed with successful capital recycling

The 1Q20 of Sonae Sierra can also be divided in two periods. The first, up to end of February, was remarkable with the creation of the Sierra Prime joint-venture (with Allianz, APG and Elo) and the strong consistent performance of its portfolio, recording footfall and sales growing by 5.0% and 7.1% yoy, respectively. During March, however, the Covid-19 outbreak significantly impacted the retail real estate sector. Sonae Sierra's portfolio, which today has a strong bias towards core / dominant assets and is spread across seven geographies, was affected mainly towards the end of the month, thereby having a limited impact on the first quarter results.

Turnover reached €46M, for on a proportional accounting basis, Sonae Sierra's net results were positively impacted by the higher indirect results compared to last year's, mostly benefitting from capital gains resulting from the Prime transaction, which was partially offset by the provision for development projects, as the COVID-19 crisis has increased uncertainty for development activities.

NOS reinforces provisions and presents robust capital structure

In the 1Q20, turnover at NOS fell 3% compared to the 1Q19, to €345 M, mainly reflecting: the closure of cinema theatres in mid-March and the postponement of a number of movies premieres; the negative effect on traffic and revenues in roaming and international calls; and the reduction in revenues from premium sports channels as these began being offered for free.

Net results in the 1Q20 were negative by €10.4 M, mainly impacted by the non-recurrent items of €45.7 M, mostly related to Covid-19 potential impacts, namely the reinforcement of operating provisions for customer bad debt, onerous contracts and personal protective equipment.

Notwithstanding, a robust capital structure and strong liquidity position with cash and unused credit lines in excess of €415 M allow NOS to face this crisis with confidence. This financial solidity will be further enhanced with the sale of NOS Towering to Cellnex, announced already in the 2Q.

4. FINANCIAL INDICATORS

Consolidated results Million euros	1Q19	1Q20	Var
Turnover	**1,449**	**1,552**	**7.1%**
Underlying EBITDA	**102**	**100**	**-2.4%**
Underlying EBITDA margin	7.0%	6.4%	-0.6pp
Equity method results (1)	26	7	-72.8%
Non-recurrent items	7	22	-
EBITDA	**134**	**128**	**-4.6%**
EBITDA margin	9.3%	8.3%	-1.0pp
COVID-19 related provisions and impairment	**0**	**-44**	
EBIT	**57**	**-3**	
Net financial results – lease liabilities	-18	-18	-1.2%
Net financial results – financing	-10	-11	-4.2%
Taxes	4	7	
Direct results	**33**	**-25**	
Indirect results	-1	-20	
Total net results	**32**	**-45**	
Non-controlling interests	-13	-13	
Net income group share	**18**	**-59**	

(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.