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SONAE INCREASES TURNOVER BY 5.5% AND STRENGTHENS LEADERSHIP POSITIONS

1. RESULTS HIGHLIGHTS OF 1ST HALF OF 2021:

- Portfolio showed resilience and solidity, despite the challenging context caused by the pandemic
- Consolidated turnover grew 5.5% to €3.2 bn
- Operational profitability improved, as underlying EBITDA increased 11.4% to €246 M
- Consolidated net result group share stood at €62 M, clearly above 2019 and 2020 figures, albeit still impacted by restrictions related with Covid-19
- Online sales grew 33%, proving the businesses' digital skills and value propositions
- Solid capital structure and comfortable financing conditions with a low cost of debt
- Investment rose 65% to €186 M, reflecting acquisitions and organic expansion
- Sonae continued an active portfolio management, with a strengthened stake at Sonae Sierra to 80%, deals to sell Maxmat and Bizdirect, and the 3rd unicorn in Sonae IM's portfolio with Feedzai
- Sonae deepens its commitment to People and the Planet, with support to the community increasing 20%, the creation of 850 jobs and green energy contracts on the path to carbon neutrality.

2. MESSAGE BY CLÁUDIA AZEVEDO, CEO:

Cláudia Azevedo, CEO of Sonae, says, "The second quarter of 2021 was a positive and reassuring period for Sonae overall, despite the challenges that we are still facing in each of our businesses. It was a period in which we continued to take important steps towards our vision of being more digital, customer-centric, international and sustainable

After a period of severe limitations to our operations, the easing of restrictions at the beginning of the second quarter allowed our businesses to see encouraging signs of recovery across several geographies and to demonstrate their very competitive and robust value propositions leveraged on unique customer insight and digital capabilities.

Up to the end of June, our balanced portfolio continued to show a very solid performance with consolidated turnover growing by 5.5%, online sales increasing by more than 30% and underlying EBITDA improving by 11.4%, compared to the same period of last year. We even reached operational and financial performances above those recorded in 2019. Our recent investment and portfolio strategy has better positioned us to face the future, and this is already visible in our latest performance.



Sonae is a multinational managing a diversified portfolio of businesses in retail, financial services, technology, shopping centres and telecommunications. Present in around 70 countries, it reached a turnover of 6.8 billion euros in 2020.
Find out more at www.sonae.pt

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As I write this CEO letter, we are still witnessing significant volatility in all our markets. Despite this context, I have no doubt that our teams will continue to show the same resilience, dedication and commitment as in previous months. I believe we are getting closer to a new normal and I remain confident that we are well prepared to take advantage of the opportunities that will arise.

I would like to leave a final word to MaxMat, Bizdirect and their teams. Both companies form an important part of our history, a history of which we are very proud. Both organisations have had an outstanding long-term track records and a clear identification with Sonae's mission and values. We believe that the transactions we announced recently will ensure that these businesses are well positioned to continue their successful paths. We wish everyone in both companies all the best for this new chapter in their lives."

3. CONSOLIDATED ANALYSIS OF 1H21

During the 1H21, Sonae faced a challenging context in Portugal, namely: (i) a lockdown period since mid-January to mid-April, when stores with non-essential products had to close once again; and (ii) a post-lockdown period, from mid-April onwards, with a gradual lifting of restrictions and the full reopening of all stores, including shopping centres, in May, although with limited capacity and working hours. In addition, it should be noted that the last two weeks of March through April and May 2020 were severely hit by the effects of Covid-19.

€3.2 bn
+ 5.5%
Turnover

First six months of growth in challenging context

In this context, **consolidated turnover** increased 5.5% yoy in the 1H21, to €3.2 bn, anchored by the solid performance of Sonae MC and Worten, which continued to post market share gains despite the challenging comparable period, and by the encouraging signs from Sonae Fashion and Sonae Sierra in the 2Q21, a period in which the Group registered a 5.1% growth to more than €1.6 bn.

Online sales grew 33% in the 1H21, yoy, as all of Sonae's fully controlled businesses grew on top of the excellent performance recorded last year, clearly demonstrating the Group's robust digital path.

In profitability terms, both underlying EBITDA and EBITDA registered double-digit growth rates in the 1H21, fuelled by the strong turnover increase. **Underlying EBITDA** rose 11.4% to €246 M in the six months, as Sonae was able to deliver a 9.9% improvement yoy in the 2Q21, to €136 M, mainly due to the recovery in Sonae Fashion and to the evolution of Worten in Spain. This performance drove EBITDA by 15.5% in the 1H21 to €292 M, and by 31.2% in the 2Q21 to €165 M, a significant improvement when compared to the same periods in 2020. This was supported by the operational recovery of the businesses affected by the Covid-19 restrictions last year, by the better net result of ISRG compared to 2020, and by the capital gain from the dilution of Sonae IM' stake in Arctic Wolf.

Direct Result improved significantly, reaching €54 M in the 1H21 and €55 M in the 2Q21, due to the 2021 operational performance and to the high level of Covid-19 extra costs and provisions registered in the 1Q20. Indirect Result was positive in €15 M in the 1H21 and in €10 M in the 2Q21, reflecting the evolution in the value of Sonae IM's portfolio and the dividends received for the direct stake in NOS.

Thus, **Sonae's net result** group share stood at €62 M in the 1H21 and in the 2Q21, reflecting the strong operational performance, with sales and profitability growth, as well as the success of its portfolio management strategy.

Investment grows 65.4% to €186 M with acquisitions and organic expansion

Total investment at Sonae in the 1H21 reached €186 M, growing 65.4% yoy, as businesses continued to invest in their value propositions and in their digital strategies as well, while the Group proceeded with an active portfolio management, namely with the acquisition of an additional stake at Sonae Sierra for €82 M.

In the last 12 months, Sonae reinforced its shareholder position in NOS (7.38%), in Salsa (50%) and most recently in Sonae Sierra (10%), in a total investment of €323 M (also including Sonae IM investments). This strong investment in the portfolio was coupled with cash proceeds of €109 M from asset sales, mostly related with Sonae IM and with Sonae MC sale and leaseback transactions.

Solid capital structure and strong operational cash flow

In terms of operational cash flow, Sonae's diversified portfolio generated €123 M during the last 12 months. Sonae continues to hold a solid capital structure with a comfortable financing position, presenting a low cost of debt of 1.1% and an average maturity profile of 3.6 years. Sonae's consolidated net debt rose to €1,496 M, +€239 M yoy, which reflects the several acquisitions over the last 12 months and the dividend payment of last May.

Active portfolio management drives businesses

During the 1H21, Sonae continued its active portfolio management policy. Worten announced its plan to optimise the Spanish operation; Sonae increased its shareholding in Sonae Sierra to 80%, after the additional acquisition of 10% to Grosvenor; Sonae FS and Banco CTT signed a partnership agreement for the next five years for the Universo card operation; Sonae IM agreed to sell Bizdirect for €12 M; and Sonae MC agreed to sell its 50% shareholding in Maxmat for €65 M.
Sonae IM saw a third company within its portfolio reach the unicorn status at the beginning of 2021 – Feedzai – and, in the 2Q21, sold part of its stake at Arctic Wolf for €36.4 M (gross cash-in), with a capital gain of €12.3 M.

Support to community increases 20%, job creation surpasses 850 and carbon neutrality accelerates

In the 1H21, Sonae continued to pursue its mission and strengthened its commitment to People and the Planet. Direct support to the community by Sonae and its subsidiaries rose 20% and surpassed €9.4 M, benefitting families and institutions across the entire country with goods, skills and financial resources.

Sonae and its subsidiaries also continued to create jobs, having added 850 employees to its teams over the past 12 months, particularly in its retail businesses, shopping centres and financial services.

The Group remained committed to improving its environmental footprint, accelerating the path towards carbon neutrality as its businesses keep promoting the full removal of plastic from their value chain, investing in celebrating agreements for the supply of renewable energy or more eco-efficient products.

4. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Sonae MC grows 5.4% and gains market share

Sonae MC was able to continue to strengthen its leadership position by increasing market share, as turnover jumped 5.4% vs the 1H20 to €2.5 bn in the 1H21, with an implied LfL of +2.3%.

After the first quarter with another lockdown in Portugal, the second quarter saw a gradual lifting of restrictions, as consumers sought to return to more normal consumption patterns and there was no food inflation according to the Portuguese Statistics Office (-0.1%). In addition, the 2Q21 compares with a completely different 2Q20, as last year there was a full lockdown in Portugal with a peak in demand, while some of the new growth businesses were closed or had to deal with severe restrictions. Nonetheless, in the 2Q21, Sonae MC recorded a very positive performance, with a turnover growth of 4.4% yoy and a LfL of +1.3%, mainly fuelled by the new growth businesses recovery.

Once again, the online business earned a special mention, having continued to grow during the quarter, even comparing with the atypical peak of the 2Q20. When compared to the 2Q19, sales on this channel doubled and, in the 1H21, total online sales increased 45% yoy.

In terms of store network expansion, Sonae MC continued to expand its proximity format, Continente Bom Dia, and launched the first cashierless store offered by a European retailer – Continente Labs. In the 1H21, the company opened 6 additional Continente Bom Dia stores out of a total of 20 new company-operated stores, representing an additional 9k square meters of sales area. At the end of the 1H21, total capex stood at €68 M.

In terms of profitability, underlying EBITDA in the 1H21 improved by 7.3% compared to the 1H20, to €235 M, representing a margin of 9.4% (+17bps above last year), resulting from the robust turnover growth and a sustained operational profitability profile.

Worten grows 7.5% and boosts leadership

Despite the challenging context, turnover at Worten grew 7.5% in the 1H21, to €518 M, with a LfL of 14.4%. Sales performance benefitted from a growing electronics market, with Worten surpassing it and reinforcing its market share, consolidating its undisputed leadership position. Highly convenient solutions and continuously improving service levels allowed Worten to strengthen the weight of the online channel. Consequently, Worten delivered a 29% yoy increase of online sales at the end of the 1H21.

In the 2Q21, Worten delivered a very positive sales performance, totalling €246 M, an amount that translates a +4% growth compared to the 2Q19 and that is almost in line with the 2Q20, as the latter benefitted from extraordinary sales resulting from the first and harsher lockdown period last year. On a LfL basis, Worten presented a solid growth of 1.5% in the 2Q21, with positive performances deriving from both the online and the offline operations. Marketplace and services operations were likewise positive contributions to this growth.

This top line positive performance and the restructuring process in Spain contributed to an improved underlying EBITDA, which reached €31 M in the 1H21 with a 6.0% margin, growing 1.9 pp vs 1H20.

Shopping centres grow 23.6% in 2Q with a high occupancy rate

2021 remains a challenging year for the shopping centres segment. However, there have been positive signs of return to normalcy whenever restrictions are lifted, as there is still consumer demand for quality shopping centres.

In fact, from an operational standpoint, during the 1H21, the European portfolio registered: (i) a 11.6% yoy increase in tenant sales, with Portugal being the only country underperforming mainly due to the lockdown period between mid-January and the end of April and (ii) a decrease of 12.3% yoy in rents (LfL basis), with significantly higher discounts in Portugal, as a result of the new rental regime for 2021 and Sonae Sierra's proactive support to its tenant base. In terms of occupancy rate, Sonae Sierra continued to deliver a very high and stable rate of 96.6% at the end of the 1H21.

On a proportional accounting basis, Sonae Sierra registered a turnover of €66 M in the 1H21 and a positive Direct Result of €10.8 M. In the 2Q21, turnover grew by 23.6% to €35 M. Sonae Sierra's INREV NAV rose to €911 M at the end of June, increasing 1% compared to the end of 2020.

Sonae Fashion grows 41.5% in 2Q and online represented 17% of sales in 1H

Following a lockdown period that lasted for most of the 1Q21 in Portugal, Sonae Fashion began to gradually reopen its stores from 19 April onwards, although still limited in capacity and working hours (which aggravated by the end of the quarter). Nevertheless, the sector performance in the 2Q21 showed encouraging signs of recovery and, once again, Sonae Fashion delivered a good performance in a challenging context, gaining market share in its key markets.

Thus, total turnover in the 2Q21 reached €74 M, +41.5% yoy (LfL of +61.5%), driven by all brands and both online and offline operations. This was a very solid performance, particularly when compared to 2019, a year without restrictions, as Sonae Fashion was able to record a top line amount almost in line with the 2Q19 figure (€78 M). In accumulated terms, Sonae Fashion sales rose to €135 M, +3.7% compared to last year's and +5.1% LfL, an encouraging performance, particularly considering that in the 1H21 stores were closed for 11 weeks – which compares to 7 weeks of full lockdown in the 1H20. It should also be noted that online sales continued to post high growth rates, reaching 17% of total turnover.

Following the top line trend, Sonae Fashion managed to present an improved underlying EBITDA both in the 2Q and in the 1H21, reaching €5.4 M in the 2Q21 and €1.5 M in the 1H21.

Sonae FS with strong growth in MDS and Universo increases market share

For Sonae FS, the beginning of the second quarter was marked by the launch of the partnership with Banco CTT. In fully consolidated operations, as lockdown restrictions were gradually lifted in the 2Q, there was an uptake in activity, with purchases, transfers and payment items growing and exceeding figures registered not only last year, but also in 2019. In terms of market share, this stood at 15.0% at the end of May, which compares to 14.8% last year. In addition, the company maintained its efforts to expand its digital path, having surpassed 500 thousand digital clients by the end of June, +39 thousand when compared with the end of March.

Regarding MDS, the company continued to post a strong commercial performance, across all channels and geographies. This performance led to a very strong, high single-digit growth in Portugal and a double-digit one in Brazil, with significant improvement in terms of profitability.

Much like in the first quarter, proportional results (considering 50% of MDS) continued to post a year-on-year decrease, as a result of the pandemic context and of the business model change with Banco CTT, which will be offset over time as the credit portfolio is gradually built. Overall, turnover in the 1H21 reached €30.1 M.

Sonae IM grows 10.8% and counts three unicorns in its portfolio

In the 1H21, Sonae IM turnover rose 11% to €28.7 M, benefitting from the cybersecurity portfolio performance, and underlying EBITDA improved compared with last year.

In the last three months, and in terms of portfolio activity, Sonae IM: (i) sold part of its stake in Arctic Wolf for a gross amount of €36.4 M, with a gross capital gain of around €12.3 M, (ii) entered in the share capital of Portainer.io, one of the world's most popular container management platforms and (iii) reached an agreement to sell the entire share capital of Bizdirect to Claranet (completion in the 3Q21), generating total proceeds of €12.2 M and an expected capital gain of €5.4 M.

In addition, and with an invested cash of about €140 M in the current portfolio, it is still very worth highlighting the company's impressive achievements on some of its minority investments, namely concerning Feedzai, Arctic Wolf and Outsystems, the 3 companies that reached unicorn valuations. Regarding Arctic Wolf, the company recently announced a new financing round of 150 million dollars by some of the existing and new investors, at an underlying valuation of 4.3 billion dollars. Despite being a relatively small transaction, it is a good sign of the company's strong evolution and potential.

ISRG with clear recovery compared with past quarters

For ISRG, the 1Q21 (February-April) represented a significant recovery, as all banners posted an encouraging positive evolution. The online channel played a crucial role during this quarter, with a double-digit increase and more than offsetting the evolution of the offline channel that continued to be harmed by the pandemic restrictions, namely in Portugal. Overall, the last six months of 2021, which ended on 1 May, showed a very positive performance, as turnover during this period jumped 18% yoy, to €363 M. Moreover, performance in May and June continued to show encouraging signs in both regions and across all channels.

At the end of June, ISRG entered into a conditional agreement to acquire 80% of Deporvillage SL for €140.4 M. Deporvillage, founded in 2010, is an online only retailer focusing on the sale of specialist sports equipment mainly for cycling, running and outdoor, with sales of €118 M and profit before tax of €7.7 M in 2020. Post completion, the 2 founders will keep a 20% stake in the business, as well as their management roles. This acquisition will enhance ISRG's specialisation in key sports categories, while significantly increasing its digital capabilities in the sports equipment market and complementing the ongoing positive developments in its existing banners, namely Sprinter and SportZone.

NOS accelerates growth in 2Q

NOS continued to post a solid operational performance in the Telco segment, as the Cinema & Audiovisual segment was marked by the reopening of cinema theatres on 19 April.

In the 1H21, turnover rose to €678 M, increasing 1.8% yoy, having grown 6.2% in the 2Q21 to €341 M, leveraged by a +5% growth in telecommunications and of around 50% in the Cinema & Audiovisual segment. In the case of telco, the yoy comparison benefitted from last year' suspension of the invoicing of premium sports channels during the months of April and May, and also from the drop in roaming revenues. However, excluding these two effects, telco revenues would have grown 2%, yoy. The Cinema & Audiovisuals segment benefitted from the reopening of movie theatres in mid-April, which were closed for most of the 2Q20.

5. FINANCIAL INDICATORS

Consolidated results Million euros	1H20[R]	1H21	Var	2Q20 [R]	2Q21	Var
Turnover	**3,054**	**3,222**	**5.5%**	**1,536**	**1,614**	**5.1%**
Underlying EBITDA	**221**	**246**	**11.4%**	**124**	**136**	**9.9%**
Underlying EBITDA margin	7.2%	7.6%	0.4pp	8.1%	8.4%	0.4pp
Equity method results [(1)]	18	36	-	9	19	-
Non-recurrent items	14	10	-	-7	10	-
EBITDA	**253**	**292**	**15.5%**	**126**	**165**	**31.2%**
EBITDA margin	8.3%	9.1%	0.8pp	8.2%	10.2%	2.0pp
EBIT	**31**	**106**	**-**	**34**	**82**	**-**
Net financial results	-55	-53	-	-25	-25	-
Taxes	5	2	-	-2	-1	-
Direct result	**-19**	**54**	**-**	**6**	**55**	**-**
Indirect result	-67	15	-	-47	10	-
Total net results	**-86**	**69**	**-**	**-41**	**66**	**-**
Non-controlling interests	10	-7	-	23	-4	-
Net result group share	**-76**	**62**	**-**	**-18**	**62**	**-**

R: Restated. Maxmat at Sonae MC and Bizdirect at Sonae IM were considered as assets held for sale and all periods in 2020 and 2021 were restated to consider these assets as discontinued operations.
(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 ISRG) and results of discontinued operations.