

SONAE CAPITAL, SGPS, SA

Listed Company

Registered Office: Lugar do Espido, Via Norte, Maia

Share Capital: EUR 250,000,000.00 Registered with Maia Commercial Registry Office
under the sole registration and taxpayer number 508 276 756

REPORT OF THE BOARD OF DIRECTORS

Regarding the opportunity and conditions of the general and voluntary takeover bid for the acquisition of shares representing the share capital of SONAE CAPITAL, SGPS, S.A. prepared under the terms and for the purposes of Article 181 of the Portuguese Securities Code.

26 August 2020

WARNING/DISCLAIMER

1. The present Report was prepared by the Board of Directors of SONAE CAPITAL SGPS SA ("SONAE CAPITAL"), under the terms of Article 181(1) to (4) of the Portuguese Securities Code ("CVM"), following the analysis made by the Board of Directors of SONAE CAPITAL of the Draft Prospectus and of the Draft of Announcement, received on 19 August 2020, concerning the general and voluntary takeover bid for the acquisition of shares representing the share capital of SONAE CAPITAL ("OFFER"), launched by Efanor Investimentos SGPS, S.A. ("EFANOR" or "Offeror"), which Preliminary Announcement was published on 31 July 2020.
2. The present Report has been prepared according to the information available to the Board of Directors as at this date. SONAE CAPITAL's Shareholders are advised to consider this Report, in their individual decision process, regarding the acceptance or rejection of the Offer, without prejudice to the necessary evaluation and individual and weighted judgment by each of SONAE CAPITAL's Shareholders.
3. The forecasts and estimates contained in this report have been drawn in accordance with the Board of Directors' best knowledge and belief, based on the information available as at this date. Forecasts and estimates, by nature, involve risks and uncertainties because they relate to future events and depend on circumstances that may or may not occur. Being forecasts and estimates, there is therefore no guarantee concerning the verification of the outcome envisaged herein, given the multiplicity of constraints on which they depend and which, if they do not occur or are subject to change, could substantially change the outcome. This report also includes statements that reflect expectations of the Board of Directors, there being no guarantee that they will be verified. Certain statements reflect the views or opinions of the Board of Directors of SONAE CAPITAL and do not necessarily reflect facts that are tangible or which occurrence is guaranteed.
4. SONAE CAPITAL assumes no obligation to update or make publicly available any revisions to the forecasts or estimates contained in this Report to reflect events or circumstances occurring after this date, without prejudice to the publication of a supplement or addendum to this Report, which may occur in the event of a possible revision of the Offer, the updating of its terms and conditions or if any additional information is made available in the meantime.
5. This document should not be understood as an exhaustive analysis containing all the information provided to the market regarding SONAE CAPITAL. Shareholders should also consult the Offer prospectus and the Offer announcement (to be released after the registration and launch of the Offer), as well as all previous press releases, publications and financial statements disclosed by SONAE CAPITAL which are or will be made available on www.cmvm.pt and/or the Company's website www.sonaecapital.pt.

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1. EXECUTIVE SUMMARY

1.1. Introduction

On 31 July 2020 SONAE CAPITAL was informed of the launch of a general and voluntary Offer by Efanor Investimentos, SGPS, S.A., comprising all the shares issued and admitted to trading on the Euronext Lisbon regulated market, with the exception of the shares directly held by the Offeror or by entities which are in one of the situations provided for in Article 20(1) of the CVM with the Offeror, and that undertake not to participate in the Offer, accepting to block their shares up until the termination of the Offer.

The Offeror notes that the Offer is subject to a effectiveness condition of, as a result of a takeover bid, holding more than 90% of the voting rights in SONAE CAPITAL. It also notes that the Offeror reserves the right, by its free and discretionary decision, to waive the effectiveness condition established above until the Offer is settled.

1.2. Consideration

The consideration is EUR 0.70 per share of SONAE CAPITAL. Moreover, the Offeror refers that the Consideration incorporates:

- (i) a premium of 29.4% on the weighted average price of SONAE CAPITAL shares on the Euronext Lisbon Regulated Market, in the six months immediately preceding the date of 31 July 2020 inclusive, which is EUR 0.541 per Share.
- (ii) a premium of around 45.8% on the trading price of SONAE CAPITAL shares on Euronext Lisbon on 31 July 2020, which is EUR 0.48 (per Share).

1.3. Offeror's Intentions and Impact of the Offer

Given the information made available to SONAE CAPITAL's Board of Directors, it is concluded that the Offeror's objective is to maintain the existing Strategic Plan, not foreseeing any impact on the sphere of employees, financial position or other stakeholders.

The Board of Directors notes that, if the Offer is successful, the Offeror refers the possibility to withdraw SONAE CAPITAL shares from trading on a regulated market. If the Offer does not reach the effectiveness condition, but it is waived by the Offeror, there might be in any case a reinforcement of the Offeror's position and, consequently, the future free-float and liquidity of SONAE CAPITAL shares may be reduced.

1.4. Opinion

The Board of Directors considers that the value of the Consideration is justified and acceptable by the Shareholders, particularly considering the strong impact that Covid-19 Pandemic is having on the capital market and, consequently, on the valuation of the businesses and real estate assets held by SONAE CAPITAL.

The Board of Directors recommends that the Shareholders evaluate the Consideration and the consequent decision as to whether or not to accept the Offer in light of their own investment profile and liquidity circumstances.

2. TERMS OF THE OFFER

The share capital of SONAE CAPITAL is of EUR 250 000 000,00, represented by 250 000 000 nominative, book-entry, fully subscribed and paid up shares, with a nominal value of EUR 1 each, which are admitted to trading on the Euronext regulated market managed by Euronext Lisbon.

On this date, SONAE CAPITAL holds 3,212,789 own shares.

2.1. The Offeror

The Offeror is Efanor Investimentos, SGPS, S.A., with registered office at Avenida da Boavista, 1277/81, 4.º, 4100-130, Porto, registered with Oporto's Registry Office under the sole registration and taxpayer number 502 778 466, with a fully subscribed share capital of EUR 249,998,995.00.

The Draft Prospectus of the Offer mentions that, to the best of the Offeror's knowledge, voting rights attaching to 157,004,263 shares representing approximately 62.802% of the share capital and 63.619% of the voting rights of SONAE CAPITAL are directly and under the provisions of Article 20(1) of the CVM (to be confirmed, according to the Offeror, on the date of approval of the Prospectus) attributable to the Offeror.

2.2. Qualification of the Offer and Shares targeted by the Offer

The Offer is general and voluntary and comprises all shares issued and admitted to trading on the Euronext Lisbon regulated market, representing the share capital of SONAE CAPITAL, with the exception of shares directly held by the Offeror or by entities that are in one of the situations set out in Article 20(1) of the CVM with the Offeror, that undertake not to participate in the Offer, accepting to block its shares up until its termination, and that are subject to valid acceptance of the Offer.

Under the terms of the Draft Prospectus of the Offer, only those shares which, at the date of closing of the Offer, are fully paid up, with all rights attached and free of any encumbrances, charges and liabilities, as well as any limitations or duties, notably regarding the respective economic and/or corporate rights or their transferability, including when such limitation on their transferability results from orders to block Shares in the respective securities account given by the respective holder, in accordance with the provisions of Article 72(2)(a) of the CVM, may be accepted as a result of the Offer.

The acceptance of the Offer by its addressees is subject to compliance with the respective legal or regulatory requirements, including foreign law requirements, whenever the addressees of the Offer are subject to such foreign law.

Thus, under the terms of the Draft Prospectus of the Offer, the securities object of the Offer are 94,540,800 SONAE CAPITAL Shares, representing 37,816% of its share capital, corresponding to all shares representing the share capital of SONAE CAPITAL except 88,859,200 shares held by the Offeror, as well as the shares held by entities that are in one of the situations set out in Article 20(1) of the CVM with the Offeror that have undertaken not to participate with the Offer, accepting to block its shares up until its termination, namely the 66,600,000 shares held by Pareuro.

2.3. Effectiveness conditions of the Offer

In the Draft Prospectus of the Offer, the Offeror states that the effectiveness of the Offer shall be subject to the Offeror holding, as a result of the takeover bid, more than 90% (ninety percent) of the voting rights of SONAE CAPITAL, calculated in accordance with Article 20(1) of the CVM.

It also states that the Offeror reserves the right to, by its free and discretionary decision, waive the effectiveness condition established above until the Offer is settled.

2.4. Assumptions underlying the decision to launch the Offer

In the Draft Prospectus of the Offer, the Offeror states that, for the due effects, namely pursuant to Article 128 of the CVM, and with respect to the framework established therein, the Preliminary Announcement and the Draft of Prospectus and Launching Announcement of the Offer establish that the decision to launch the Offer was based on the assumption that, between the Date of the Preliminary Announcement and the date of termination of the Offer:

- a) no circumstances with a significant impact on the patrimonial, economic and financial situation of SONAE CAPITAL, in consolidated terms, or of companies in a control or group relationship with the Company under the terms of Article 21 of the CVM (hereinafter, "Control or Group Relationship") will occur;
- b) no facts, that have not been publicly disclosed up until the date of the Preliminary Announcement of the Offer and that are capable of negatively and substantially influence the valuation of SONAE CAPITAL's shares will become known.

The Offeror states that the decision to launch the Offer was also based on the terms of the Draft Prospectus of the Offer for all purposes, namely those set out in Article 128 of the CVM, on the assumption that, up until the termination of the Offer period, the following will not occur:

- a) any event not attributable to the Offeror that is capable to cause an increase of the consideration proposed in the Offer;
- b) any fact not attributable to the Offeror that is capable to affect the free disposal of the funds allocated to the financial settlement of the Offer and that is not capable to be corrected in due time.

It is also an assumption of the Offer that no substantial change in the national and international financial markets and in their financial institutions occurs, such change not being anticipated in the official scenarios disclosed by the authorities of the countries in which SONAE CAPITAL operates and that it will have a material negative impact on the Offer, exceeding its inherent risks.

When launching the Offer, the Offeror states that it does not waive any rights, namely the right to request CMVM to amend or revoke the Offer, in what concerns to facts or acts that are not consistent with the assumptions contained in the Preliminary Announcement and the Launching Announcement,

namely those which effects or consequences have not been fully verified yet or were not fully known to the Offeror at the time of the disclosure of the Preliminary Announcement.

2.5. Acceptance Period

The term of the Offer is not yet defined neither in the Draft Launching Announcement of the Offer nor in the Draft Prospectus of the Offer.

Under the law, this period starts only after the launch of the Offer, to be carried out through the disclosure of the Announcement of the Offer and of the Prospectus of the Offer, this launch being subject to the registration of the Offer with the CMVM. The term of the Offer, counted from the respective launch, may range between 2 and 10 weeks and shall be set in the Announcement of the Offer and in the Prospectus of the Offer.

2.6. Exclusion from trading on Euronext Lisbon and squeeze-out

The Offeror refers in the Draft Announcement of the Offer and in the Draft Prospectus of the Offer that, should it reach or exceed, directly or pursuant to Article 20 of the CVM, (i) 90% of the voting rights corresponding to the share capital of SONAE CAPITAL, as a result of the Offer or other legally permitted means relevant for such calculation, and (ii) 90% of the voting rights comprised in the Offer, accepts the use the squeeze-out mechanism provided for in Article 194 of the CVM, which, if occurring, will entail the immediate exclusion of SONAE CAPITAL shares from trading on a regulated market, and their re-admission is forbidden for the period established by law.

The Offeror further states that, if the second requirement referred to in (ii) above is not verified, i.e. if it does not reach 90% of the voting rights comprised in the Offer, and if, as a result of the Offer, it comes to hold more than 90% of the voting rights of SONAE CAPITAL calculated under the terms of Article 20(1) of the CVM, reserves the right to request the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*) ("CMVM") the loss of public company status, under the terms of Article 27(1)(a) of the CVM, and to subsequently resort to the squeeze-out mechanism for the remaining shares provided for in Article 490 of the Portuguese Companies Code.

3. THE CONSIDERATION OF THE OFFER

The offered consideration is EUR 0.70 (seventy cents) for each Share of the Target Company (“Consideration”), deducting any (gross) amount which may be attributed to each Share whether as dividend, advance for account of profit or distribution of reserves, such deduction to be made from the moment in which the right to the relevant amount has been detached from the Shares if the detachment occurs prior to the financial settlement of the Offer.

The Offer is not a mandatory takeover bid, but the Offeror states that the Consideration would comply with the criteria set out in Article 188(1) of the CVM, if those criteria were applicable, since:

- a) neither the Offeror nor, to the best of its knowledge, any of the entities which are in one of the situations provided for in Article 20(1) of the CVM with the Offeror, have acquired any Shares in the six months immediately preceding the date of the Preliminary Announcement at a price higher than the Consideration (EUR 0.70); and
- b) the Consideration is higher than the average price weighted by the volume of the Shares on the Euronext Lisbon regulated market during the six months immediately preceding the date of 31 July 2020 inclusive, which is EUR 0.541 (five hundred forty one thousandths of euro).

It also states that the Consideration incorporates:

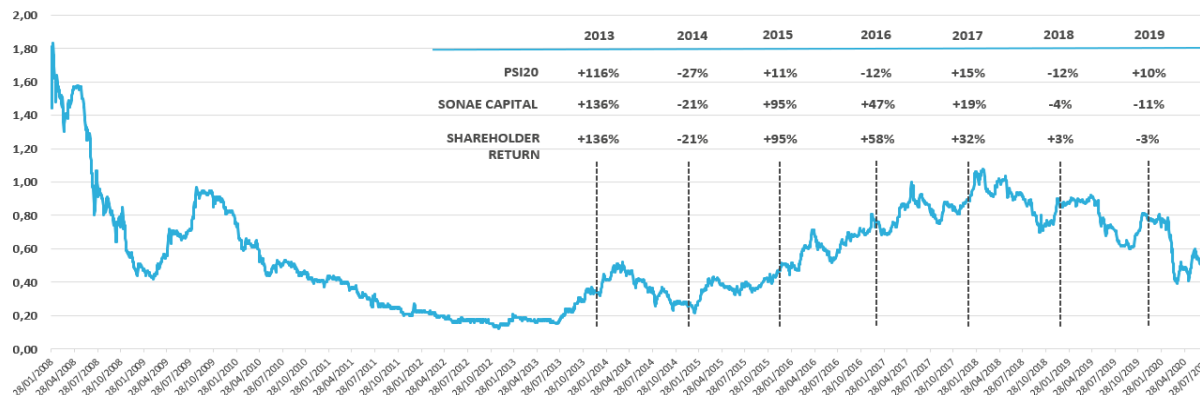
- (i) a premium of 29.4% in relation to the weighted average price of SONAE CAPITAL shares on the Euronext Lisbon Regulated Market in the six months immediately preceding the date of 30 July 2020 inclusive, which is EUR 0.541 (five hundred forty one thousandths of euro) per Share.
- (ii) a premium of circa 45.8% in relation on the trading price of SONAE CAPITAL shares on Euronext Lisbon on 31 July 2020, which is EUR 0.48 (forty-eight cents) per share.

3.1. Evolution of SONAE CAPITAL's stock market performance

SONAE CAPITAL's share price has evolved since its listing, according to the graphic below. More recently, the strong impact caused by the Covid-19 pandemic is evident, after the recovery started in 2015 when the corporate strategy reformulation began to generate positive results.

SONAE CAPITAL's entry into the stock market preceded one of the largest economic and financial crises in history, visible in the strong decline recorded in 2008/09, which, due to exposure to Real Estate business, lasted sharply in the following years until the end of 2013.

Date of admission to trading: 28 Jan. 2008 Historical max.: €1.83 (4 Feb. 2008)
 Closing market price: €1.44 Historical min.: €0.12 (27 Nov. 2012)



Source: Bloomberg

In 2013/14, the reformulation and implementation of a new Corporate strategy began, based on 3 pillars: (i) sale of Real Estate Assets, (ii) growth of core businesses based on expansion plans that favored a capital light or short pay-back period strategies, and (iii) maintenance of an adequate Capital structure.

The strategy implemented proved to be correct, as shown in a performance (PSI20) above market between 2013 and 2019, enhanced by the distribution of Dividends allocated to the sale of Real Estate Assets as the Business Units, as a whole, still did not have a sufficiently solid performance on which a sustained dividend distribution policy could be based.

In 2019 there was a reversal of the previous trend and SONAE CAPITAL's stock market performance was below market (-11% vs +10% of PSI20; -21pp) notwithstanding the distribution of dividends that year. In fact, even considering the Dividend distributed, the Total Shareholder Return (TSR), in 2019, was negative by 3%, falling below market performance (PSI20) by 13pp.

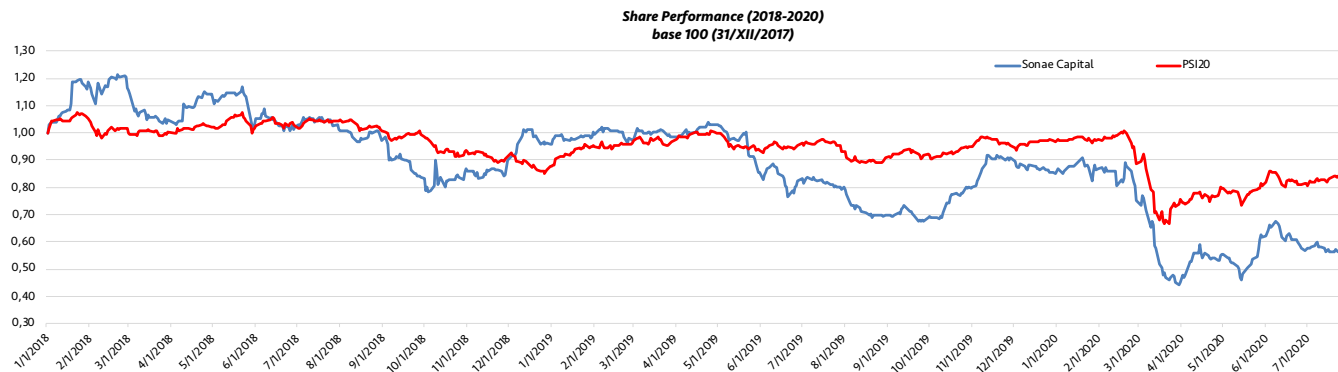
This new trend was amplified by the impact of Covid-19 (three of SONAE CAPITAL Business Units were significantly affected by the pandemic and by the risk related to the liquidity and valuation of Real Estate Assets, to which SONAE CAPITAL is still heavily exposed) and, already in 2020 (until the launch of the takeover bid - 31 July), the share price of SONAE CAPITAL deteriorated by 36.3% vs. the 17.6% recorded by the PSI20 (-18.6pp).

3.2. Recent performance of SONAE CAPITAL

However, for a better evaluation of the most recent performance, the period from 1 January 2018 up until the day of the preliminary announcement of the launch of the Offer is hereby analysed.

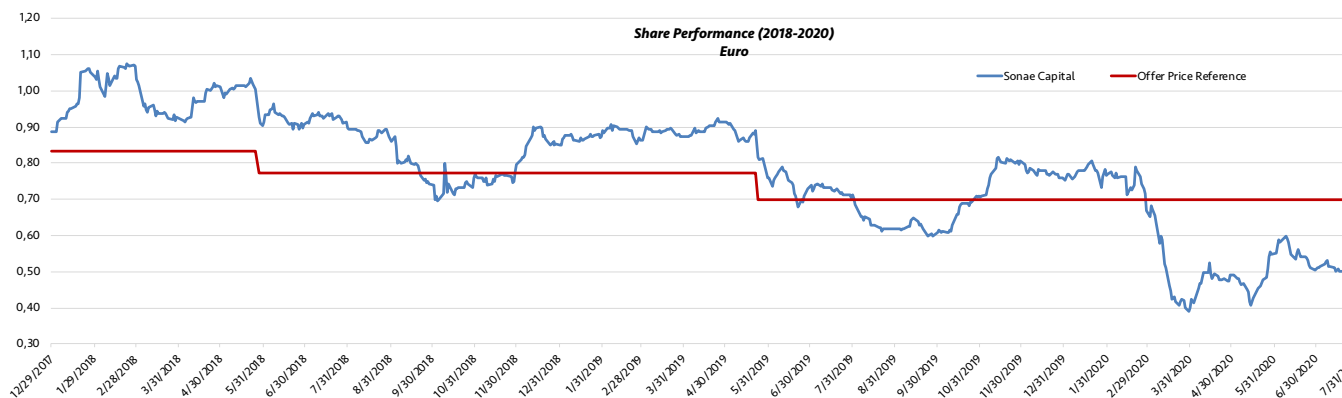
As mentioned above, this period is characterized by some alignment with the market performance from 2018 to the first half of 2019, with a deterioration in the second half of that year compared to the market performance (PSI20) which materially intensified in the period after the beginning of the Covid-19 pandemic. In

fact, although SONAE CAPITAL is exposed to a diverse range of businesses, (i) two of its businesses (Hospitality, Fitness) operate in sectors strongly impacted by the Pandemic (analysis of multiples in annex 1), (ii) the value recognised by the market to real estate companies also recorded a material decline (analysis in annex 2); and (iii) the Industrial Engineering business will also be impacted by the postponement of investment plans for its main clients/markets as a consequence of the economic context and uncertainty arising out of the pandemic. The Energy business, characterized by its resilience, although much less impacted, will also end up being to some extent negatively influenced by lower volumes of Thermal energy sales associated with lower levels of activity by Industrials.



In the period under review, SONAE CAPITAL's share depreciated 45.9% vs a PSI20 devaluation of 20.3%.

Source: Bloomberg

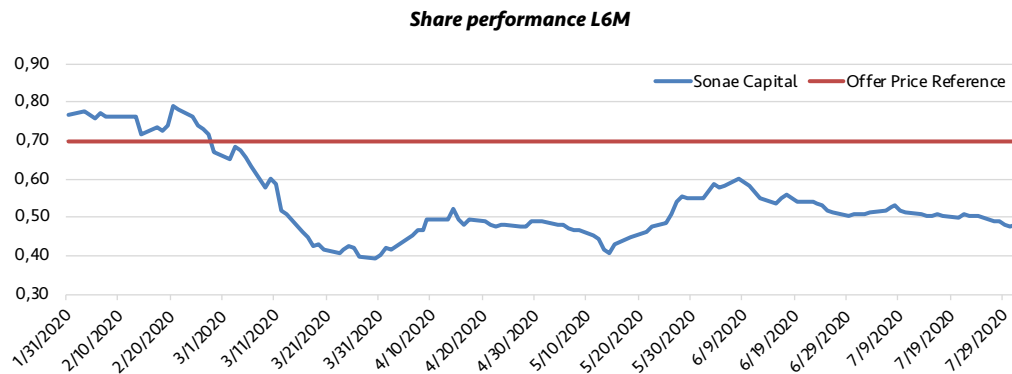


A 29.4% premium in relation to SONAE CAPITAL's weighted average price on the regulated Euronext Lisbon market in the six months immediately preceding 31 July 2020 inclusive, which was EUR 0.541 per share.

Source: Bloomberg

3.3. Analysis of the Premium underlying the Offer

For a better assessment of the Offer, it is important to focus the analysis on the period of six months immediately prior to the launch of the Offer, characterized by the strong impact caused by the Pandemic Covid-19, without yet a reliable estimate of return to pre-Covid conditions:

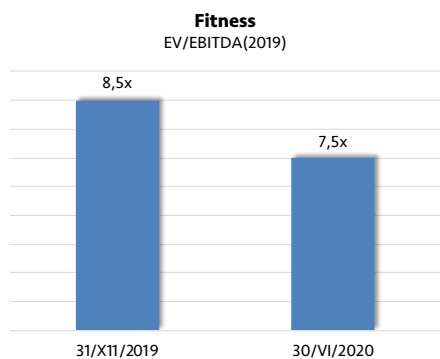


	€	Premium (%)
Average price for the period	0.542	29.3%
VWAP Quote	0.541	29.4%
Maximum Price for the Period	0.789	
Minimum Price for the Period	0.391	

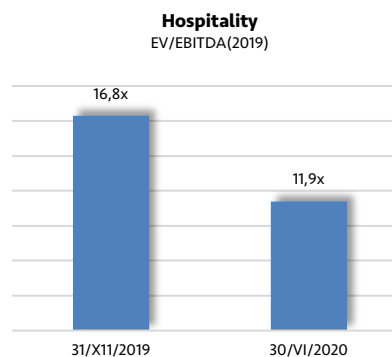
Source: Thomson Reuters (2020.08.24)

Source: Bloomberg

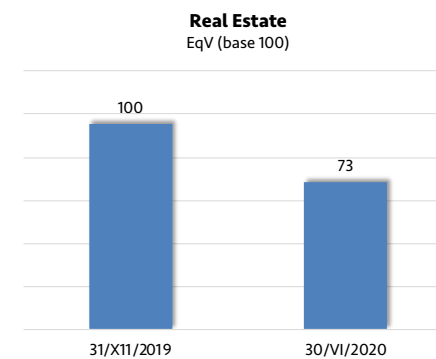
During the period under review, the share price of SONAE CAPITAL strongly deteriorated, but in line with the deterioration of the market for comparable businesses, particularly with regard to the multiples registered in the Hospitality, Fitness and Real Estate sectors.



Source: Thomson Reuters (2020.08.10)

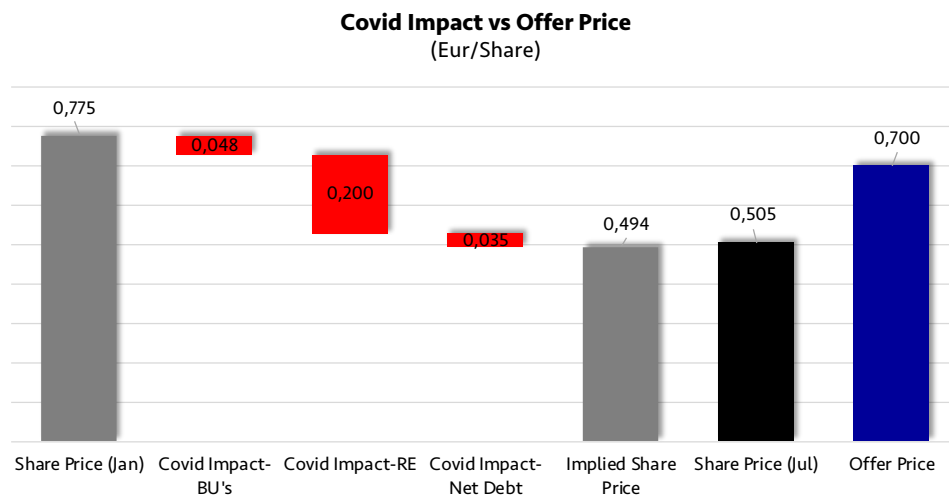


Source: Thomson Reuters (2020.08.10)



Source: Thomson Reuters (2020.08.10)

Since SONAE CAPITAL's share shows low levels of liquidity, it is also important to assess whether the devaluation recorded in the post-Covid-19 period is due only to the regular evolution of the market, or to reasons other than those arising from its business/assets.



Using the average January price of EUR 0.77/share (not yet influenced by the Covid-19 impact), we extrapolate a negative impact of EUR 0.28/share arising out of Covid-19, motivated by:

- (i) Decrease of market multiples in the valuation of Fitness and Hospitality, of 11.8% and 29.2%, respectively (Annex 1);
- (ii) Decrease of 27.0% in real estate asset valuations, using as a basis the devaluation of SOCIMIs listed on the Madrid Stock Exchange (Annex 2); and
- (iii) Increase in net debt as a result of the negative FCF performance of current operations.

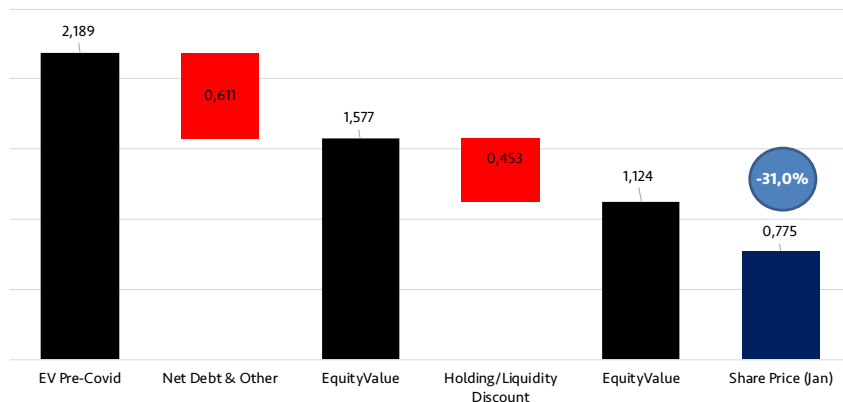
This exercise would lead to an implicit quotation of EUR 0.49/share, practically in line with the average quotation of July, meaning that SONAE CAPITAL's stock market performance has fully captured the normalized evolution of capital markets valuation for each of the segments in which it operates, but no more than that.

Based on this perspective, the Offer under analysis presents a premium in the order of 42%.

3.4. Analysis of the Offer Price

The Board of Directors, together with its Financial Advisors and internal Teams, carried out a valuation exercise of SONAE CAPITAL's Business Portfolio and Real Estate Assets by means of the "Sum-Of-The-Parts" (SOTP) method, using (i) market multiples of comparable businesses; and (ii) the discounted cash-flows method when there are no adequate comparable in the market (e.g. Energy). This exercise, under the current market conditions, is strongly influenced by the impact of Covid-19, on the one hand, and, on the other hand, by the discount applied to holding companies (Annex 3).

Sonae Capital Valuation - SOTP (Pré-Covid)
(Eur/Share)

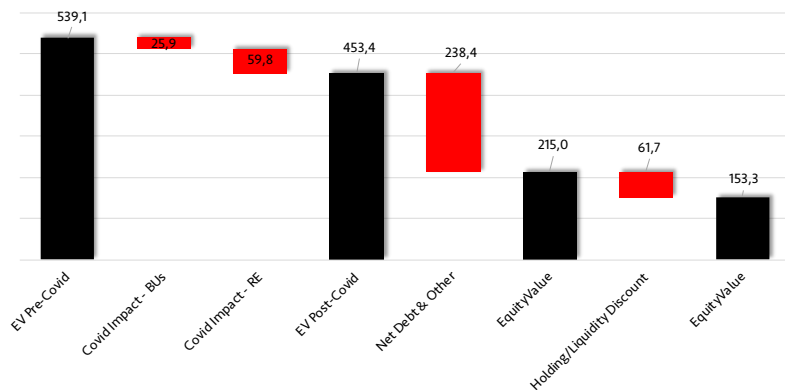


The starting point of the exercise are the 2019 results, to which the pre and post-Covid-19 multiples are applied in order to determine Covid-19's effect.

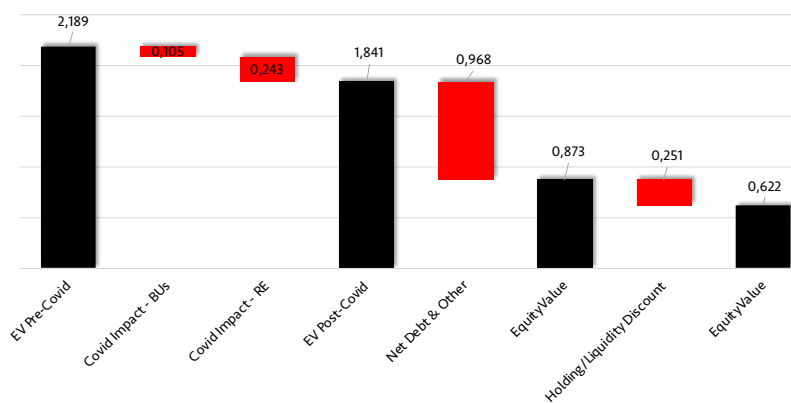
According to the exercise, the pre-Covid valuation using this methodology would amount to 1.12 euros/share, which compares with an average valuation in January of 0.757 euros/share, representing that the share traded with an implicit discount of 31.0%.

Transposing market multiples from Pre-Covid to Post-Covid, the impact on valuation amounts to 25.9M euros (0.105 euros/share) for the Business Units and 59.8M euros (0.242/share) for the valuation of Real Estate Assets. This, updating the debt according to the lowest cash flow amount of the operations, translates into a value of Equity, after application of the Holding discount (61.7M euros, 0.25 euros/share), of 153.3M euros or 0.622 euros/share. The amount of the Offer, when compared to this exercise, represents a premium of 12.5%.

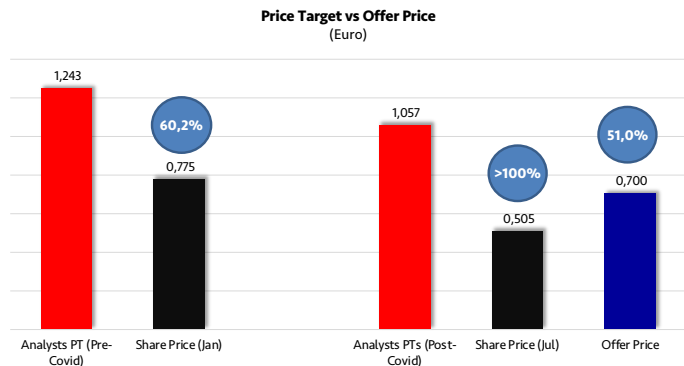
Sonae Capital Valuation - SOTP
(Eur, M)



Sonae Capital Valuation - SOTP
(Eur/Share)



Finally, the price of the Offer is also assessed against the Price Target (PT) of Analysts who usually follow SONAE CAPITAL'S performance (BPI/CaixaBank, JB Capital and CaixaBI) and against the historical discount at which SONAE CAPITAL trades.



Source: Bloomberg

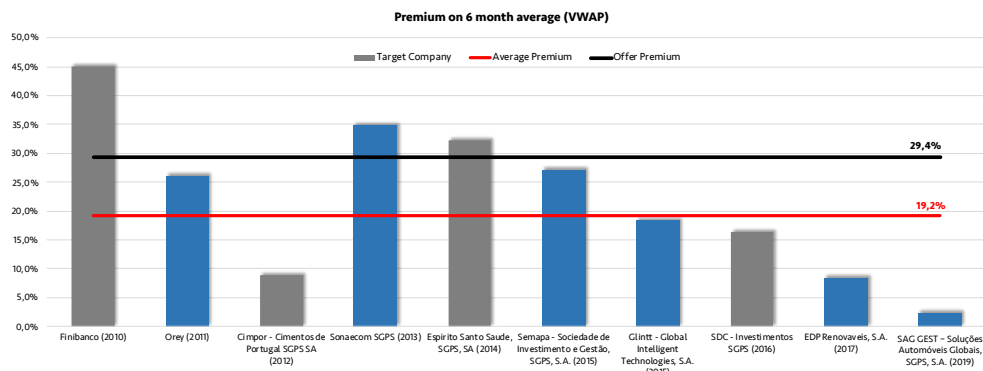
Taking as a reference the PT prior to the impact of the Pandemic (Annex 4), the average was 1.24 euro/share compared to an average price in January of 0.77 euro, i.e. there was a discount of 60.2% to the market valuation.

Using the same rationale, but already incorporating a first estimate of the impact of Covid-19 (Annex 4), the average PT was revised to 1.06 euro /share, increasing the differential to the valuation made by the market supported on the strong impact that the Pandemic has been having on SONAE CAPITAL'S stock market performance.

The price of the Offer under analysis (EUR 0.7/share) is 34% lower than the post Covid PT, which translates into a lower variation in market prices than in the past

SONAE CAPITAL has been historically traded at a discount, both in relation to the Price Targets of the Analysts and in relation to the value of its Equity. This effect may be associated with a number of factors: (i) the fact that it is an investment holding company with a fairly diversified business portfolio, traditionally incorporating a discount for that effect; (ii) it is exposed to Real Estate Assets and to a diversified set of business segments whose liquidity is not assured in the short term; and (iii) the fact that the share liquidity, associated with a low free-float, is quite reduced.

In this regard, it should be noted that research coverage is limited to three analysts (JB Capital, BPI/CaixaBank and CaixaBI), two of whom are on a sponsored research basis in the light of MIFIDII obligations and SONAE CAPITAL'S low liquidity.



Finally, taking into account the takeover bids successfully launched in the Portuguese market since 2010, the 29.4% premium presented in this takeover bid presents an improvement of 10.2pp over the average of 19.2%.

Source: CMVM/Thomson Reuters (2020.08.20)

4. OFFEROR'S INTENTIONS AND IMPACTS OF THE OFFER

4.1. The Offeror's strategic plans

The Offeror states in the Draft Prospectus that *"Indeed, in a context of particular economic and financial uncertainty as to the short, medium and long term prospects of the Target Company, the Offeror considers that the acquisition of the entire capital of the Target Company ... is the most appropriate option to ensure and continue the development of the strategic plan of the Target Company, reinforcing that full control will enable the provision to SONAE CAPITAL of increased capacity to capture the best opportunities for growth, while maintaining a robust capital structure. It would also allow the Target Company to adapt to the new challenges caused by the COVID-19 pandemic, particularly in the sectors in which it operates, which are expected to be substantially affected both during the pandemic and after its potential extinction."*

The Offeror also states that: *"it is the Offeror's intention to continue the business activity of the Target Company and of the companies in a Control or Group relationship with it, no substantial changes being expected in this regard, and the strategic line defined by the board of directors of the Target Company and the confidence in it and in the management team being maintained"*.

In view of the information made available, SONAE CAPITAL's Board of Directors concludes that it is the Offeror's goal to maintain the existing strategic plan.

4.2. Impact of the Offer on SONAE CAPITAL

4.2.1. Employees

The documents made available by the Offeror state that *"the intention of the Offeror is to continue to operate and conduct the business of the Target Company from the existing premises, and at this stage it is not foreseen that there will be any need to change the working conditions, nor is any reallocation of employees of the group or modification of their working conditions anticipated"*.

They also state *"at least until the possible loss of the status of public company of the Target Company and the making of an offer for the acquisition of the shares of the remaining shareholders under the terms of Article 490 of the Portuguese Companies Code, it is the intention of the Offeror to continue the business activity of the Target Company and of the companies that are in a Control or Group relationship with it, no substantial changes being expected in this regard, and the strategic line defined by the board of directors of the Target Company and the confidence in it and in the management team being maintained"*.

In view of the Offeror's statements, the Board of Directors does not anticipate any relevant impacts on the SONAE CAPITAL Group's employees arising from the Offer.

4.2.2. Other Stakeholders

Regarding the interests of SONAE CAPITAL's Clients, Suppliers, Creditors and other stakeholders, the documents provided do not make specific references to potential impacts that the Offer might have on the way and practices according to which SONAE CAPITAL and the companies belonging to the SONAE CAPITAL Group have been developing their activities.

However, the Offeror states, in the draft prospectus of the offer, the intention "*to ensure and continue the development of the strategic plan of the Target Company, reinforcing that full control will enable the provision to SONAE CAPITAL of increased capacity to capture the best growth opportunities while maintaining a robust capital structure*".

Thus, bearing in mind not only the Offeror's statements, but also the reputation of the Offeror and the companies controlled by it in the different areas, the Board of Directors does not anticipate relevant impacts on SONAE CAPITAL's Customers, Suppliers, Creditors and other stakeholders.

4.2.3. Financial Position

SONAE CAPITAL has adopted a conservative financing policy, limiting leverage to levels that are comfortable and appropriate to the mix of assets and businesses held.

The Offeror states in the documentation sent that it intends to maintain a robust capital structure and therefore the Board of Directors does not anticipate relevant impacts at this level.

4.2.4. Liquidity

The Offer and its possible outcomes may have implications on the liquidity associated with the SONAE CAPITAL securities.

According to the information disclosed in the draft prospectus:

- (i) Should the Offeror acquire, in the context of the Offer, directly or in pursuant to article 20 of the Portuguese Securities Code, more than 90% of the voting rights corresponding to SONAE CAPITAL's share capital, and 90% of the voting rights comprised in the Offer, the Offeror admits to resort to the compulsory acquisition mechanism, which, if occurring, will entail the exclusion the shares of SONAE CAPITAL from trading in a regulated market.
- (ii) In the event such requirements are not met, but the Offeror's voting rights in SONAE CAPITAL calculated pursuant to article 20 (1) of the Portuguese Securities Code come to exceed 90%, the Offeror may request CMVM to decide on the loss of the company's public company status and the withdrawal of the company's shares from trading on a regulated market and, subsequently, resort to the process for compulsory acquisition provided for in article 490 of the Portuguese Companies Code.

The Shareholders should bear in mind, among others, the following corporate governance rules:

- In case the requirements set out in (i) above are met and the Offeror does not resort to the compulsory acquisition, any shareholder of SONAE CAPITAL shall be entitled, pursuant to article 196 of the CVM, to sell its shares to the Offeror (compulsory sale) within three months counting from the determination of the results of the Offer, prior to which they must send the Offeror a written invitation for it to propose the acquisition of the former shareholder's shares within eight days. In the absence of such Offeror's proposal or if the shareholder considers the proposal not satisfactory, any holder of the remaining shares may decide to compulsorily sell the its shares, the consideration for such sale being calculated in accordance with Article 188 of the CVM.
- According to the information made available by the Offeror, the effectiveness of the Offer is subordinated to the Offeror coming to hold more than 90% of the voting rights of SONAE CAPITAL, the Offeror reserving the right to, subject to its free and discretionary decision, waive the aforementioned condition of effectiveness. Thus, should the Offeror waive the condition of effectiveness, there may in any case be a reinforcement of the Offeror's position and, consequently, the future free float and liquidity of the SONAE CAPITAL's shares may be reduced.
- The Shares of SONAE CAPITAL may be excluded from negotiation in the regulated market due to lack of dispersion, in the terms provided for in the applicable laws and regulations.

5. INTENTION OF THE MEMBERS OF THE BOARD OF DIRECTORS WHO ARE SIMULTANEOUSLY SHAREHOLDERS, IN RESPECT OF THE ACCEPTANCE OF THE OFFER

The table below shows the current shareholding positions of each member of SONAE CAPITAL's Board of Directors and their respective intentions in relation to the Offer under consideration:

Member of the Board of Directors	Position	Number of Shares (*)	Intention of Selling (**)
Duarte Paulo Teixeira de Azevedo ⁽¹⁾	Chairman of the Board of Directors	213.076	Yes
Álvaro Carmona e Costa Portela	Non-Executive Vice-Chairman, Independent	24.942	Yes
Miguel Jorge Moreira da Cruz Gil Mata	Chairman of the Executive Committee, CEO	1.200.570	Yes
Ivone Pinho Teixeira	Executive Member, CFO	509.497	Yes
Pedro Manuel Martins Bruno	Executive Member	31.917	Yes
Maria Cláudia Teixeira de Azevedo ⁽²⁾	Non-Executive Member	493.125	Yes
Ângelo Gabriel Ribeirinho dos Santos Paupério	Non-Executive Member	-	
Paulo José Jubilado Soares de Pinho	Non-Executive Member, Independent	12.650	Yes
Francisco de La Fuente Sánchez	Non-Executive Member, Independent	-	
Isabel Maria Vaz	Non-Executive Member, Independent	-	

(*) reference date: 31 July 2020

(**)

Yes This member of the Board of Directors conveyed on this date that he/she intends to sell his/her Shares in the Offer

No This member of the Board of Directors conveyed on this date that he/she does not intend to sell his/her Shares in the Offer

(1) Shares held by Migracom, S.A.

(2) 43.912 shares held by Linhacom, S.A.

6. INFORMATION REGARDING THE APPROVAL OF THIS REPORT BY THE BOARD OF DIRECTORS OF SONAE CAPITAL

The presente Report was approved by unanimity of the votes cast by the members of the Board of Directors of the Target Company present at the meeting. The Chairman of the Board of Directors Duarte Paulo Teixeira de Azevedo and the members Maria Cláudia Teixeira de Azevedo and Ângelo Gabriel Ribeirinho dos Santos Paupério did not participate in the meeting, as they are also members of the Board of Directors of the Offeror.

7. OPINION OF THE BOARD OF DIRECTORS OF THE TARGET COMPANY ON THE ADEQUACY OF THE CONSIDERATION

With regard to the amount of the Consideration, the Board of Directors considers it to be justifiable and acceptable by the Shareholders.

The Board of Directors would like to note that:

- (i) The Offer of 0.70 euros/share represents a 12.9% premium compared to the valuation made by this Board on the basis of market multiples of segments comparable to those of SONAE CAPITAL, which are strongly influenced, on the one hand, by the impact of the Pandemic and, on the other hand, by the high Holding discount to which SONAE CAPITAL has been subject almost since when it was first admitted to trading in the regulated market;
- (ii) The Offer, especially in a context of low liquidity of SONAE CAPITAL shares, provides an exit option to the Shareholders, especially those who, in the current economic environment, value the risks more than they value future opportunities;
- (iii) The Consideration represents a premium in relation to the closing market price in the stock exchange session immediately preceding the publication of the Preliminary Announcement of the Offer and in relation to the average price in the six months preceding it;
- (iv) The premium in relation to the mentioned reference prices is higher than the average of the corresponding figures in successful Takeover Bids launched by majority shareholders in Portugal in recent years;

The Board of Directors deems appropriate to also point out that SONAE CAPITAL has a diversified portfolio of assets and business units which, regardless of their intrinsic value, which the Board of Directors reiterates, are not very liquid and almost all greatly impacted by the current pandemic situation.

In addition, the current context of uncertainty that leads to some investors focusing on liquidity will increase the disparity in the valuations that different investors make of SONAE CAPITAL. Today more than ever, there will be disparities in the valuations made, for example, by a long-term investor with low risk aversion and no immediate need for funds or by a more risk-averse investor, focused on rapid return and who favours liquidity.

In conclusion, the Board of Directors considers the Offer justifiable and acceptable, recommending that the Shareholders make an evaluation of the Consideration and make the consequent decision to accept or not to accept the Offer in light of their own investment profile and liquidity circumstances.

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Maia, 26 August 2020

The Board of Directors

Annex 1 - Fitness and Hospitality Market Multiples

Empresa	País	VM ⁽¹⁾ (€ M)	EnV ⁽²⁾ (€ M)	DL ⁽³⁾ / EBITDA'19	EnV / EBITDA 2019		
					31/12/2019	01/04/2020	30/06/2020
Basic Fit		1.451	2.895	5,5x	11,6x	8,5x	10,8x
Sats		324	906	3,7x	6,3x	4,7x	5,6x
Intraware Investments Public		125	155	1,8x	9,3x	9,3x	9,3x
Actic Group		22	127	4,2x	5,9x	4,8x	4,7x
GYM Group		283	642	4,3x	9,2x	6,0x	7,2x
Média					8,5x	6,7x	7,5x

Fonte: Thomson Reuters (10/08/2020)

(1) Market Value, (2) Enterprise Value - Value of Assets/Companies, (3) Net Debt

Empresa	País	VM ⁽¹⁾ (€ M)	EnV ⁽²⁾ (€ M)	DL ⁽³⁾ / EBITDA'19	EnV / EBITDA 2019		
					31/12/2019	01/04/2020	30/06/2020
Marriott		24.751	34.077	3,3x	22,4x	12,6x	14,3x
Hilton		18.133	25.053	3,9x	22,4x	14,9x	16,4x
IHG		7.193	9.538	2,3x	18,7x	12,1x	13,0x
Accor		6.553	8.000	1,8x	21,8x	14,1x	12,8x
Choice		3.889	4.685	2,0x	18,8x	11,9x	15,0x
Hyatt		4.529	5.155	1,2x	15,2x	8,1x	9,0x
Meliá		869	2.941	3,6x	7,1x	5,7x	5,7x
Whitbread		4.951	8.201	(0,1)x	9,6x	6,3x	7,3x
NH		1.304	3.700	0,6x	15,5x	14,0x	13,8x
Média					16,8x	11,1x	11,9x

Fonte: Thomson Reuters (10/08/2020)

(1) Market Value, (2) Enterprise Value - Value of Assets/Companies, (3) Net Debt

Annex 2 - Covid Impact on Real Estate Assets Valuation

1 Aj. Covid

Empresa	Portefólio Ativos Imobiliários	Market Cap 30Jun20	Total (# ações) 30Jun20	Free Float ⁽⁴⁾ (%) 30Jun20	Free Float (Valor) 30Jun20	Free Float (# ações) 30Jun20	Ações Transacionadas						Enterprise Value			Impacto Covid-19 26Fev-30Jun20
							Valor de 2019	Volume de 2019	Rácio Volume / Free Float (# ações) de 2019	Valor até 30Jun20	Volume até 30Jun20	Rácio Volume / Free Float (# ações) até 30Jun20	31Dez19	26Fev20	30Jun20	
							€ M	# M	x	€ M	# M	x	€ M	€ M	€ M	
Merlin Properties	Escritórios; Retalho; Logística	3.470	469,7	65,12%	2.259	305,9	3.013	248	0,81x	927	119,4	0,39x	11.307	11.246	8.982	(20,1)%
Inmobiliaria Colonial	Escritórios	3.984	507,7	71,12%	2.833	361,1	2.033	202	0,56x	437	53,6	0,15x	11.795	12.222	10.005	(18,1)%
Lar Espana Real Estate	Retalho	407	89,9	88,18%	359	79,3	335	45	0,56x	54	12,6	0,16x	1.142	1.126	950	(15,6)%
Arma Real Estate	Escritórios	250	14,7	66,70%	167	9,8	144	14	1,41x	10	1,1	0,12x	347	389	178	(54,3)%
Média		2.028	270	72,78%	1.405	189	1.381	127	0,83x	357	47	0,20x	6.148	6.246	5.029	(27,0)%

Fonte: Thomson Reuters (10/08/2020)

Annex 3 - Discount applied to European Holdings

Empresa	País	Setores de atividade	Maior Acionista ⁽¹⁾	Desconto Médio VLA / ação	Market Cap	Total (# ações)	Free Float ⁽⁴⁾ (%)	Free Float (Valor)	Free Float (# ações)	Ações Transacionadas					
										30Jun20	Desde 31Dez17	30Jun20	30Jun20	30Jun20	de 2019
				%	€ M	# M	%	€ M	# M	€ M	# M	x	€ M	# M	x
Investor AB	Suécia	Banca; Saúde; Indústria; TelCo; etc.	Knut and Alice Wallenberg Foundation 20,00% ⁽²⁾	22,91%	35.908	767,2	64,00%	22.981	491,0	10.216	239,4	0,49x	9.014	202,6	0,41x
Groupe Brussel Lambert	Bélgica	Indústria; Desporto; Roupas; Oil&Gas; etc.	Pargesa Holding 51,63% ⁽³⁾	25,08%	12.050	161,4	39,78%	4.794	64,2	3.241	37,7	0,59x	2.419	32,0	0,50x
Exor NV	Holanda	Media; Auto; Banca; Desporto; etc.	Giovanni Agnelli B.V. 52,99%	32,55%	12.262	241,0	36,93%	4.528	89,0	5.356	88,4	0,99x	3.772	68,5	0,77x
Wendel SE	França	Embalagens; Serviços; Indústria; TelCo; etc.	Wendel-Participations SE 38,73%	26,87%	3.791	45,3	56,72%	2.150	25,7	1.628	13,7	0,53x	815	8,9	0,35x
Corporación Financiera Alba	Espanha	TelCo; Energia; Indústria; Auto; etc.	March Family 72,88%	36,17%	2.098	58,2	27,12%	569	15,8	129	2,8	0,18x	166	4,6	0,29x
Média				28,72%	13.222	255	44,91%	7.005	137	4.114	76	0,56x	3.237	63	0,46x

Source: Thomsons Reuters (2020.08.12)

Annex 4 – SOTP: JB Capital, BPI/LaCaixa, CaixaBI

Million Euro	JB CAPITAL		CaixaBank/BPI		Caixa BI	
	Most recent valuation	Previous valuation ⁽¹⁾	Most recent valuation	Previous valuation ⁽¹⁾	Most recent valuation	Previous valuation ⁽¹⁾
Total EV	483	542	490	518	519	559
Net Debt	(141)	(146)	(156)	(116)	(206)	(194)
Other Adjustments	3	12	0	0	(0)	(8)
Total Equity Value	344	408	333	402	314	358
Holding Discount (%)	20%	20%	20% ⁽²⁾	20% ⁽²⁾	20%	20%
Price Target (€)	1,10	1,30	1,07	1,29	1,00	1,15
	(YE20)	(YE20)	(YE20)	(YE20)	(YE20)	(YE20)
Recommendation	Buy	Buy	Buy	Buy	Buy	Buy
Date	3 Aug'20	5 Feb'20	6 Jul'20	20 Feb'20	25 Jun'20	6 Jan'20

(1) Valuation excluding Covid-19 impact.

(2) 20% discount included in order to ensure comparability (CaixaBank BPI valuation is not assuming a Holding discount - the indicative price target is €1.33).