COMUNICADO

Maia, 18 August 2016

Consolidated turnover reaches 2,431 million euros over first half of 2016

SONAE INCREASES SALES BY 4.4% AND BOOSTS INVESTMENT AND INTERNATIONALISATION

1. HIGHLIGHTS OF FIRST HALF OF 2016:

- Sonae strengthens international footprint across all business areas, being present in over 80 countries [1]
- Turnover increased by 4.4% to €2,431 M, with retail businesses growing steadily
- Sonae's international turnover grows 13.6%
- Underlying EBITDA reached €111 M and consolidated EBITDA stable at €190 M, with a 7.8% margin
- Direct results grow 18.7% to €66 M
- Net income group share decreased from €97 M to €77 M, through reduced indirect results
- Consolidated investment nearly doubled, from €116 M to €208 M
- Net debt down 1.7%

Ângelo Paupério, Co-CEO da Sonae, says, "During the second quarter, Sonae witnessed significant achievements regarding the strategy implementation for its businesses. We continued to grow in retail and telecommunications segments, completed targeted acquisitions in Salsa and in the technology area, proceeded with the recycling capital strategy and reinforced investment in new shopping centres.
In operational terms, results are globally positive, although reflecting distinct realities in the different businesses. NOS and Sonae Sierra reported another good quarter, as well as Sonae MC, which ensured the strengthening of its market leadership, while consolidating its position as the player with the lowest prices, within benchmark levels of profitability.
Worten also increased its profitability and maintained a good turnover performance, in a seasonal weaker quarter in comparison with the previous year, due to the Easter effect.
Despite the high levels of investment recorded this semester, debt continued to decline year on year, leading to the maintenance of an adequate level of financial strength, which coupled with the increasing quality of our teams, allow us to face with optimism the challenges that our strategic ambition brings."

[1] Includes operations, services rendered to third parties, representative offices, franchising agreements and partnerships. Excludes retail wholesale.

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2. GIVING BACK TO THE COMMUNITY

Over the first half of 2016 Sonae continued its active corporate responsibility policy, promoting projects in the areas of social solidarity, health and sports, environmental awareness, culture, education and science and innovation. Among the activities developed, there was a special emphasis on projects connected to education, culture and the environment.

Regarding education, it is worth mentioning the Contacto Programme, a pioneer initiative celebrating its 30th anniversary, which this year is providing 50 young high potential talents, undergraduate and master's finalist students, with the opportunity to develop their competencies within Sonae Companies.

Regarding culture, and pursuing the purpose of promoting and bringing communities closer to the Arts, it is worth mentioning the second edition of Sonae / MNAC Art Cycles, which is welcoming the artist Hugo Canoilas, and the Sonae Serralves project, which inaugurated an exhibition by Korean artist Haegue Yang.

Regarding the environment, Continente became the first hypermarket in the world to implement a pilot project that allows to transform organic waste from one of its stores into energy and fertilizer. The project – Waste 2 Energy – is set up at Continente in GaiaShopping, and represents an integrated solution that intends to boost the circular economy within the retail chain, through the recovery of organic waste.

3. OPERATIONAL AND FINANCIAL ANALYSIS

In the first half of 2016, Sonae continued its growth strategy, benefitting from reinforced competitive positions in most of its business areas, together with its investment in internationalisation, diversifying investment styles and capitalising on its competencies and assets. Sonae consolidated **turnover** reached €2,431 M, a 4.4% increase compared to 1H15, mainly driven by the positive performance delivered by Sonae MC and Sonae SR.

In food retail, **Sonae MC** turnover reached €1,691 M, increasing 3.6% when compared to 1H15, thus continuing to strengthen Continente's market share in a mature and competitive market. Sonae MC remained focused on reinforcing its value proposition, improving perception on price and quality of perishables, launching innovative promotional campaigns. This effort was acknowledged by its clients, who rewarded Continente with their loyalty, and also by consumer associations. It should be highlighted that Sonae MC continued its expansion plan in convenience and close proximity formats, opening 7 Continente Bom Dia stores and 37 Meu Super stores since the beginning of the year.

In specialised retail, **Sonae SR**, which includes Worten and Sonae Sports and Fashion, reached a **turnover** of €614 M, a 5.5% increase compared to 1H15. This evolution was driven by both divisions, which continued to improve sales per sqm.

At Worten, turnover increased 1.4%, to €404 M, benefitting from a positive performance in Portugal, consolidating market share in a context of a slight market growth; as well as from a continuous recovery in Spain, where sales per sqm continue to grow. Both in Portugal and Spain, omnichannel continues to be at the core of Worten's development and at the end of 1H16, these sales represented 25.3% of total turnover. Online sales grew by 4.2% in Iberia, and Worten became the first electronics specialist to have an e-commerce platform in the Canary Islands.

In Sonae Sports and Fashion, turnover grew by 14.6%, to €210 M. This growth was mostly driven by the inclusion of Losan and Zippy's positive performance in Portugal. Sales per sqm (excluding wholesale business, namely Losan) resumed growth, supported by significant improvement at Zippy, as well as positive developments at Sport Zone. This evolution was achieved in the context of adverse weather conditions, which had an impact on the Spring-Summer '16 collections as a whole in Iberia. It is important to mention that SR completed the acquisition of 50% of Salsa's capital in 2Q16, hence starting a promising partnership in an internationally renowned Portuguese jeanswear specialist. Additionally, Zippy continued to expand its international presence and entered Cyprus in 2Q16. Through own stores, franchising and wholesale, Zippy's products are currently available in around 40 countries.

Sonae RP, the retail real estate unit, completed three sale and leaseback transactions in 1H16 in the amount of €230 M, equivalent to a capital gain of approximately €63 M. This strategy enabled Sonae RP to release capital from mature real estate assets while also maintaining adequate operational flexibility. Net book value of the capital invested in real estate assets amounted to €888 M at the end of 1H16.

In **Sonae IM**, the Investment Management unit, the Technology business reached a turnover of €61 M, a 1.9% increase when compared to 1H15, driven by a 9.3% growth over the 2Q16. WeDo acquired 5 new telco customers, continuing to enlarge its worldwide customer base, with 77% of its turnover being generated outside Portugal. S21Sec strengthened its position in the European cybersecurity market with the acquisition of SysValue in May 2016, becoming the leading pure play cybersecurity player in Portugal. Saphety increased international revenues more than 35%, with international markets representing circa 45% of total revenues. Bizdirect grew 14%, with all business units over performing 1H15, while Movvo refocused its efforts on building up the product robustness, coupled with an emphasis on creating a standardised offer, so as to fully prepare the company for international scaling. The launch of Bright Pixel was made public in April, a company composed of a group of experienced builders, creative thinkers and investors, whose goal is to transform the creation of new ventures and the way companies address innovation. Bright Pixel is also promoting a close relationship with its partners by developing quick proof of concepts aimed at resolving technology and business needs in themes such as retail, media, cyber-security and telecommunications. In July 2016, Sonae IM announced the acquisition of InovRetail, whose core business is the development of advanced analytics tools, aiming to assist retailers in improving their performance, by enabling them to make better informed decisions.

In **Sonae Sierra** shopping centres, tenant sales in Europe increased 2.5%, to €1,439 M, corresponding to an increase in LfL tenant sales of 3.9%. Occupancy rates stood at 96.1%, backed by a strong performance in Europe, where occupancy reached 97.1%. Direct results amounted to €27 M, with no change in comparison to 1H15 and indirect results reached €32 M, benefiting from the capital gains of disposals and, specially, from the increased asset valuations that occurred at the end of the semester, which reflected yields compression in Iberia. Sonae Sierra is currently developing 6 projects: ParkLake (Romania), Nuremberg (Germany), Zenata (Morocco), Malaga Designer Outlet (Spain), NorteShopping Expansion (Portugal) and Cucuta (Colombia). ParkLake will be inaugurated in September 2016 and will comprise of a GLA of 70,000 sqm with over 200 stores, representing a €180 M investment.

In telecommunications, **NOS** operating revenues increased 6.2% y.o.y, to €743 M, in 1H16, maintaining the very positive top line performance. Total RGUs grew by 8.9%, to 8,746 M and convergent RGUs increased to 3,157 M, with a 29.2% y.o.y variation. NOS continues to profitably gain market share, increasing turnover and EBITDA.

In **consolidated terms**, underlying EBITDA totalled €111 M, while **EBITDA** reached €190 M, in line with the same period last year, equivalent to an EBITDA margin of 7.8%. Sonae **direct results** amounted to €66 M, increasing

18.7% on a yearly basis, translating sales growth and improved net financial results resulting from a lower average net debt and by the lower cost of outstanding debt.

Sonae indirect results amounted to €11 M, benefitting from *non-cash* movements related to Sonae Sierra's asset revaluation, and the capital gain related to the sale of the 2.14% direct stake at NOS capital. Year on year, the contribution of indirect results was smaller, in €32 M, driven by the negative mark-to-market effect of NOS and the lower contribution of Sonae Sierra. As a result of this y.o.y evolution of indirect results, **net income group share** totalled €77 M, compared to €97M in 1H15.

Sonae **net debt** decreased 1.7% compared to 1H15, to €1,389 M, while Sonae remains focused on delivering a robust capital structure, supported by low leverage and an improved maturity profile. No funding needs are expected for the next 18 months and, most importantly, this capital structure guarantees the necessary financial strength to explore future growth opportunities.

Investment grew from €116 M to €208 M, as Sonae businesses continued to expand their activities and strengthen their global presence, in line with the strategy of diversifying investment styles. Sonae MC Capex increased €19 M, to €69 M, which includes the opening of 7 Continente Bom Dia, 1 Continente hypermarket and 11 Well's. Sonae SR Capex reached €102 M in 1H16, growing materially y.o.y., mostly impacted by the investment related to the acquisition of Salsa, on June 30th.

Consolidated profit and loss account			
Million euros	1H15	1H16	Var
Turnover	**2,329**	**2,431**	**4.4%**
Underlying EBITDA	**132**	**111**	**-15.4%**
Underlying EBITDA margin	5.7%	4.6%	-1.1pp
EBITDA	**191**	**190**	**-0.4%**
EBITDA margin	8.2%	7.8%	-0.4 pp
EBIT	**103**	**93**	**-9.8%**
Net financial activity	-36	-26	28.8%
EBT	**67**	**67**	**0.7%**
Direct results	**56**	**66**	**18.7%**
Indirect results	43	11	-74.3%
Net income	**99**	**77**	**-21.7%**
Non-controlling interests	-2	-1	58.4%
Net income group share	**97**	**77**	**-20.9%**