PRESS RELEASE

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SONAE ACCELERATES GROWTH, IMPROVES PROFITABILITY AND STRENGTHENS INTERNATIONALISATION

1. 2016 HIGHLIGHTS:

- Sonae posted in 2016 a significantly positive turnover evolution of 7.2%
- Sonae consistently improved its profitability throughout each quarter of the year, leading to an EBITDA growth of 5.9% in 2016 and 14.0% in 4Q16
- Sonae present in 89 countries[1] through its businesses
- Direct results rise 15.9% to €148 M
- Net income group share increases 22.7%, from €175 M to €215 M
- Net reduction by 6% or €78 M
- Total support to the community totals €10 M and benefits 1,393 institutions

Ângelo Paupério, Co-CEO of Sonae, says: *"For Sonae 2016 was a year of significant progress in the implementation of corporate strategy and in the diverse areas of activity, culminating in important results in terms of growth and strengthening of competitive positions in main businesses.*

Considering the companies we control or co-control, the turnover reached 7,100 million euros, growing more than 6% y.o.y., and EBITDA surpassed 1,000 million euros, increasing 4,2% when compared to the previous year. Total Capex reached almost 900 million euros.

We evolved towards an organisation of more autonomous, agile, and focused business areas, capable of better responding to the speed of change in the markets in which they operate. We paid particular attention to the strengthening of retail businesses, shopping centres and telecommunications, never, however, neglecting investment in avenues of growth that capitalise on the existing asset base and which further the development of competencies aligned with trends and needs of the markets of the future.

In retail, we surpassed 5,000 million euros in turnover for the first time, enjoying positive contributions from all businesses (even excluding acquisitions), and we increased the quality of the portfolio with the inclusion of Salsa and Go Natural, as well as with other participations of smaller dimension, which, however, bring with them high levels of competence in e-commerce, data analytics or energy management. Furthermore, it was also possible to negotiate an agreement with JD Sports for the creation of a strong Iberian sports operator, which will benefit from the dimension and strongly complementary contributions of each of the integrating companies.

At Sonae Sierra, we successfully continued the strategy of reducing capital allocated to mature assets for further investment in new shopping centres and acquisition of minority participations in funds that enhance our

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

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services business and the growth in the number of shopping centres under management. In this context, we highlight the opening of ParkLake Plaza shopping centre, with an innovative and outstanding concept that has introduced new standards in the Romanian market and received significant international recognition.

At NOS, we maintained our capacity to grow and improve profitability while simultaneously continuing to lead the evolution of telecommunications in Portugal, promoting valuable solutions for our customers and the entire value chain in this sector of crucial importance for the competitiveness of any country.

In the Investment Management division, we acquired relevant positions in three important investment funds with participations in some of the most promising Portuguese companies in the technology sector, such as Outsystems or Feedzai, while at the same time we further created an organisation capable of managing companies in diverse phases of their business life-cycle and in which the participation in global market consolidation movements presents a solid promise of value generation.

All this was achieved in a year in which we continued to reinforce our capital structure, as net debt was again reduced, along with the reduction of its cost and increased maturity.

We are thus fully aware that we enter 2017 as a better, stronger company, enjoying an improved portfolio and increasingly comfortable with our strategy. However, we know that our greatest confidence lies in the quality and dedication of our people who, every day, assuming with ease the values of Sonae, dedicate themselves to the accomplishment of the mission which inspires us."

2. GIVING BACK TO THE COMMUNITY

- **SUPPORT TO THE COMMUNITY REACHES €10 M AND BENEFITS 1,393 INSTITUTIONS**

During 2016, Sonae maintained its commitment to the community and to sustainability, supporting and developing projects in the areas of social solidarity, health and sports, environmental awareness, culture, education and science and innovation. This corporate responsibility policy was translated into an enhanced support to the community, which stood at €10 M and benefited 1,393 institutions. Sonae paid particular attention to the areas of social assistance and culture, by donating goods, granting the collaboration of technically skilled teams and providing financial aid. Among the projects developed were Sonae Art, Sonae's programme to support culture, *Missão Continente*, *Equipa Worten Equipa* and Love in a Box by Zippy, which support institutions in the areas of health, education and social work. Taking into consideration the internationalisation of its businesses, Sonae and its divisions also promoted initiatives outside Portugal, among which the creation of a vocational training centre in Mozambique, which aims to invert the cycle of poverty among the population of Soalpo, or literacy programmes in Asian countries for children aged 8-10.
Over the course of 2016, Sonae also pursued its commitment to sustainability, as Continente was the first hypermarket in the world to implement a pilot project that allows to transform organic waste of one of its stores into energy and fertilizer.

- **CREATION OF OVER 2,000 JOBS**

Sonae ended 2016 with more than 40 thousand employees, having created more than 2 thousand jobs throughout the year. This job creation demonstrate how business areas in Sonae have grown, being able to win over their clients' trust and expand both in Portugal and abroad. Likewise, it is worth mentioning Sonae was able to strengthen its connection to the academic and scientific fields, providing opportunities for many students and undergraduate, masters' and PhD finalists to develop their work at Sonae, fostering knowledge sharing between the academic and the corporate worlds.

3. CONSOLIDATED ANALYSIS

In 2016, Sonae strengthened its financial soundness and sustainability, growing its activity as a result of reinforced competitive positions by most business areas and its investment in internationalisation. Consolidated **turnover** reached €5,376 M, increasing 7.2% when compared to 2015, benefiting from the performance of retail businesses.

In **consolidated terms**, Sonae's underlying EBITDA amounted to €320 M and **EBITDA** grew €23 M in 2016, to €416 M, translating increased profitability levels in Sonae SR, in both Worten and Sports and Fashion, Sonae MC's investment in price and store network expansion, along with the positive contribution of non-recurrent items, namely capital gains in sale and leaseback operations.

Sonae **direct results** reached €148 M, increasing 19.9% when compared to 2015. This result was driven by a higher EBITDA, an improved net financial activity and lower taxes. Sonae **indirect results** reached €74 M, backed by the contribution of Sierra (both the positive effect of the valuation of Sierra's assets in 2016 and the value created with the opening of ParkLake in Romania, in 3Q16) and by a group of movements related to transactions regarding financial assets.

N**et income group share** stood at €215 M, increasing 22.7% when compared to the previous year, benefiting both from direct and indirect results performance, that is, reflecting sales growth, improved operational profitability, a reduced net debt, lower financial costs and asset valuation.

Total **investment** increased €137 M, from €300 M to €437 M, particularly due to Sonae MC, Sonae SR and Sonae IM. Sonae MC accelerated the expansion of its store network, which included opening 25 Continente Bom Dia stores, 1 Continente hypermarket and 25 Well's stores. Sonae SR concluded the acquisition of Salsa, which took place on 30th June 2016, and Sonae IM made acquisitions in the technology area, namely InovRetail and Armiliar Venture Partners.

Total net debt stood at €1,215 M, thus having decreased €78M or 6% regarding the end of 2015. Sonae continues to focus on presenting a robust capital structure, optimising funding costs whilst maintaining sufficient back up liquidity and an improved maturity profile. In 2016, Sonae carried out an ambitious programme to further strengthen its capital structure, by launching a formal tender with local and international banks for the refinancing of its facilities, having refinanced more than €1,125 M, €775 M of which is in long-term facilities and around €350 M in short-term facilities. Thus, Sonae continued to fulfil its practice of being fully financed for the coming 18 months and at the same time improving its general funding conditions. The average maturity profile stood above 4 years and the average cost of outstanding credit lines reached 1.3%.

4. OPERATIONAL AND FINANCIAL ANALYSIS

In food retail, **Sonae MC** turnover reached €3,687 M in 2016, growing 5.6% when compared to the previous year. This performance relied on a LfL sales growth of 1.9% and on the expansion of the store network, with special mention to the opening of 1 Continente hypermarket, 25 Continente Bom Dia and 77 Meu Super stores. The expansion of these last two formats contributed to increase the number of convenience stores at Sonae MC. On a quarterly basis, turnover for the 4Q16 stood for the very first time above €1,000 M. Sonae MC continued to increase market share, which occurred consistently over the course of the year. Portugal continues to experience an extremely intense competitive environment, which naturally has an impact on profitability. Despite the continuous investment in price competitiveness, Sonae MC's underlying EBITDA margin reached 5.7%, and stood at 6.3% in 4Q16. Also in 4Q16, it should be noted that Sonae MC's underlying EBITDA performance was stable and reached €63 M.

The improvement of the value proposition was one of Sonae MC's major objectives for 2016. The company remained focused on closely monitoring a series of key indicators which include price perception, price competitiveness and customer satisfaction. At the same time, with the objective of establishing Continente as a specialist in perishables, the brand worked towards improving and communicating its offer. Also in 2016, MC took a few steps to strengthen its position in the Health and Wellness segment. Sonae MC had already developed a value proposition, both through Area Viva, an area specialised in organic and healthy food at Continente stores, and also through the Well's parapharmacies. The agreement for the acquisition of Go Natural and the opening of the first supermarket entirely dedicated to organic food, which took place in 4Q16, were aimed at consolidating MC's presence in a segment with relevant growth potential.

In specialised retail, **Sonae SR** turnover rose to €1,438 M in 2016, increasing 11.1% y.o.y., backed by Worten and the Sports and Fashion divisions. As for Sonae SR underlying EBITDA, it reached €35 M in 2016, compared to the €5 M of the previous yeari also driven by both SR divisions.

Worten posted a €910 M turnover, which represents a 2.1% growth regarding 2015, and reflects a market share growth of 20 bps in Portugal. Worten remained highly focused on increasing profitability in Iberia and was able to increase underlying EBITDA by €8 M in 2016, to €26 M (2.9% of turnover). On a quarterly basis, underlying EBITDA was stable, reflecting the effort to improve its operation through a better service, as well as the promotion driven market in Portugal. Worten continued to implement its omni-channel strategy in Iberia. This involves creating a totally integrated operation, supported by a network of physical stores and two recently renewed e-commerce platforms (firstly in Spain, then in Portugal). We would like to highlight the extremely positive performance of the Portuguese platform, launched in November 2016, with a significant increase in e-commerce sales.

Sports and Fashion increased turnover by 30.9% in 2016, to €527 M. This division comprises an original portfolio that includes Sport Zone, MO, Zippy, Berg Outdoor and Deeply, as well as two businesses acquired in 4Q15 and 2Q16, respectively: Losan and Salsa. This growth resulted largely from Losan and Salsa's contributions, and also from the performance of the original portfolio. Sport Zone maintained its positive sales per m2 performance, despite the increased number of stores. Zippy posted a strong LfL sales performance of 10% in Portugal and 6% in Spain. MO was able to show positive signs, especially in 4Q16. On a quarterly basis, Sports and Fashion turnover grew by 37.6%, to €154 M. The Sports and Fashion underlying EBITDA totalled €8 M, registering a significant improvement y.o.y. This benefited both from the consolidation of Salsa and Losan's results, and from the positive contribution of the original portfolio, in which all businesses increased profitability. The memorandum of understanding that was recently announced with JD Group and JD Sprinter is a major step for the creation of a Group that will become the second largest Iberian Sports Retailer, generating further scale and resources to continue JD's, Sport Zone's and Sprinters' current growth momentum and reaching attractive profitability levels, thus adding significant value to Sports and Fashion portfolio.

Sonae RP, the retail real estate unit, continued to implement its strategy of asset monetization and completed four Sale and Leaseback operations. The cash proceeds amounted to €251 M, equivalent to a capital gain of approximately €70 M. This strategy enabled capital from mature real estate assets to be released while also maintaining adequate operational flexibility. MC's freehold is currently at 50%, thus having reached the announced target. As of 31st December 2016, MC portfolio included: 21 Continente stores, 62 Continente Modelo stores and 26 Continente Bom Dia stores. Regarding SR's freehold, it stood at 21% in 2016. The gross book value of this asset portfolio amounted to €1,260 M, equivalent to a net book value of €931 M.

In **Sonae IM**, the Investment Management unit, the Technology arm posted a turnover of €117 M, increasing 1.6% compared to 2015. Underlying EBITDA amounted to €5 M, representing an underlying EBITDA margin of 4.0%. Sonae IM pursued an active portfolio strategy, with the clear objective of building and managing a portfolio of tech-based companies linked to retail and telecommunications, aiming to develop innovative solutions with an international focus. Its core areas of interest include business analytics solutions, mobility solutions for retail, in-store technologies, fraud assurance and cybersecurity solutions. Armilar Venture Funds includes three venture capital funds, in which Sonae IM owns participation units acquired to Novo Banco in December 2016, Sonae IM's latest acquisition. Thanks to this acquisition, IM reinforced its portfolio with sizeable stakes in leading edge companies such as Outsystems and Feedzai.

In **shopping centres**, Sonae Sierra net income to Sonae increased 27.9%, to €91 M. Sonae Sierra operational performance continued to provide evidence of the high quality and efficient management approach of its assets: Throughout 2016, Sierra continued to pursue its capital recycling strategy, which acts as an enabler for Sierra's future growth by releasing capital to finance new developments and to expand the provision of professional services. ParkLake, inaugurated in Romania on September 1st 2016, was the most relevant development of 2016. With an occupancy rate of 97.1% by the year end, the results achieved so far have been very positive. The remaining projects in the pipeline include: Málaga Designer Outlet (Spain), NorteShopping Expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco). In December 2016, Sonae Sierra and Bankinter launched ORES Socimi – a real estate investment vehicle aimed at investing in single assets with long-term rentals such as hypermarkets and supermarkets, retail parks, high street retail, among others mainly located in the major cities of Iberia. Total investment is expected to reach €400 M through equity raised and borrowings on a 50:50 basis. Sierra will be responsible for the management of the fund and for the property management of the properties.

In **telecommunications**, **NOS** turnover increased 4.9% y.o.y., to €1,515 M, maintaining the positive top line performance throughout all segments. EBITDA registered €557 M, growing 4.4% when compared to 2015 and corresponds to an EBITDA margin of 36.7%. Net results increased by 9.3% y.o.y., totalling €90 M. Total RGUs grew by 7.2%, to 9,077 M, surpassing the 9 million threshold. The convergent RGUs increased to 3,387 M, representing an 18.7% increase y.o.y.

Consolidated profit and loss account Million euros	2015	2016	Var
Turnover	**5.014**	**5.376**	**7,2%**
Underlying EBITDA	**331**	**320**	**-3,3%**
Underlying EBITDA margin	6,6%	5,9%	-0,6pp
EBITDA	**393**	**416**	**5,9 %**
EBITDA margin	7,8%	7,7%	-0,1 pp
EBIT	**206**	**213**	**3,5%**
Net financial activity	-57	-46	19,0%
EBT	**149**	**167**	**12,1%**
Taxes	-21	-19	-
Direct results	**128**	**148**	**15,9%**
Indirect results	49	74	-
Net income	**177**	**222**	**25,6%**
Non-controlling interests	-1	-7	-
Net income group share	**175**	**215**	**22,7%**