PRESS RELEASE

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SONAE BOOSTS GROWTH, IMPROVES OPERATING PROFITABILITY AND ACCELERATES INTERNATIONALISATION

1. HIGHLIGHTS OF FIRST QUARTER OF 2017:

- Consolidated turnover grows 6% to €1,278 M, as all businesses posted a positive top line trend
- Profitability improves consistently, with a 12.7% increase in underlying EBITDA to €49 M
- Sonae consolidates its multinational position, being present in over 80 countries[1] through its businesses
- Creation of more than 1,500 jobs in year-on-year terms

Ângelo Paupério, Co-CEO of Sonae, says: "The year of 2017 began well for Sonae. In a challenging quarter in year-on-year comparison, we grew in all businesses ensuring a profitability in line with our expectations. On a consolidated basis, turnover increased 6% and the underlying EBITDA grew 12.7%, highlighting the positive evolution in specialised retail.

Along with our positive operating performance, we moved ahead along our strategic growth avenues, concluding the acquisition of Brio, which will afford greater dimension and strengthen competencies in the dynamic area of healthy food. In the same way, in the Sports Fashion sector, we signed an agreement with JD Sprinter to create the 2nd Iberian sports player which, combining the assets and competencies that both Groups enjoy in the sector, will foment redoubled ambition in size and profitability.

We continue to benefit from a solid capital structure, with greater maturity on debt and lower financing costs, thus maintaining favourable conditions for the fulfilment of our growth ambitions and continuous improvement of the value propositions we present our customers."

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

Sonae is a multinational company managing a diversified portfolio of businesses in retail, financial services, technology, shopping centres and telecommunications. Present in about 80 countries, it reached a turnover of 5.4 billion euros by the end of 2016.

Find out more at www.sonae.pt.

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2. GIVING BACK TO THE COMMUNITY

- **SUPPORT TO THE COMMUNITY**

Sonae remains committed to its mission of taking the benefits of progress and innovation to an ever-increasing number of people, thus having maintained its commitment to the community and to sustainability throughout the first quarter of 2017, developing projects in the areas of social solidarity, health and sports, environmental awareness, culture, education and science and innovation.

In addition to supporting more than fifty institutions and contributing more than €1.7 M, Sonae focused particularly on the areas of education, promoting the creation of value also through competence synergies.

Furthermore, Sonae presented the Portuguese Directorate-General for Education and the educational programme led by Oporto City Council – Future Oporto (*Porto de Futuro*), an initiative that seeks to raise awareness and encourage young people's interest for STEM (Science, Technology, Engineering, and Mathematics), areas considered to be crucial for the country's sustainable and inclusive development. This action, intended to increase the number of students and future professionals in these areas, originated a memorandum of understanding involving Portuguese companies and the government. In this context, Sonae took 150 students from the School Cluster of Cerco to visit the exhibition Leonardo Da Vinci – The Genius Inventions, at Alfândega Porto Congress Center. The action involved every 6th grader from the School Cluster of Cerco in an edutainment experience, with the purpose of using entertainment to educate about issues related with science and studies as the basis of great inventions.

- **CREATION OF MORE THAN 1,500 JOBS**

Sonae created more than 1,500 jobs over the first quarter of the year, thus contributing to improve the social and economic conditions of the communities in which it is present. This job creation demonstrates how business areas in Sonae have grown, being able to strengthen their clients' trust and expand both in Portugal and abroad. Additionally, Sonae also promoted the Contacto Programme, an initiative that will offer dozens of young talents the opportunity to start their professional lives with paid internships at Sonae, with the possibility of integrating the company's staff in the future.

3. CONSOLIDATED ANALYSIS

Sonae strengthened its position as a multinational company during the first quarter of 2017, developing its activity in over 80 countries. All businesses posted a positive top line trend regarding turnover, benefiting from the investment in reinforced competitive positions in Portugal and their internationalisation. From a statutory standpoint, Sonae consolidated turnover amounted to €1,278 M in 1Q17, posting an increase of 6.0% when compared to 1Q16, with all businesses contributing positively to this evolution.

Sonae **underlying EBITDA** increased by 12.7%, to €49 M, driven by Retail and by Sonae FS. Sonae underlying EBITDA margin reached 3.8%, representing an increase of 20 base points compared to last year.

The strong operating performance across all businesses in the first quarter of 2017 represented a positive contribution to Sonae's profitability indicators. However, last year's first quarter registered a €62 M positive impact in non-recurrent items, benefitting mostly from capital gains related with the sale and leaseback transactions completed by Sonae RP in 1Q16, which hindered the comparability between quarters.

Accordingly, Sonae EBITDA totalled €62 M, corresponding to an EBITDA margin of 4.9%, and direct results amounted to €9 M. On the other hand, Sonae indirect results improved by €15 M, as one should point out that the indirect results line included the negative effect of NOS mark-to-market in 1Q16.

Sonae net financial results improved €6 M when compared to 1Q16, driven by the y.o.y. decrease in the cost of outstanding debt. The average interest rate of outstanding debt stood at 1.3% on 31st March 2017, a significant improvement when compared to the 2.0% registered one year ago. It should be noted that Sonae financial results exclude Sonae Sierra and NOS businesses.

N**et income group share** rose to €8 M, as a result of sales growth across all businesses and improved operating profitability, together with decreased funding costs thanks to a recognised robust capital structure in Sonae. Excluding the non-recurrent capital gains registered in 1Q16, mainly due to sale and lease back operations, Sonae's net results would have been otherwise positive.

It should also be noted that Sonae continued to reinforce its capital structure in the beginning of 2017. Sonae shareholders' funds stood at €1,995 M in 1Q17, €177 M above 1Q16 and, importantly, net debt to invested capital decreased by 100 base points y.o.y., to 40.9%.

Total business investment reached €54 M in the first quarter of the year, representing about 4.2% of turnover. Investment was channelled to opening new units, launching new businesses and boosting internationalisation and customer service, reaching €28 M at Sonae MC, €6 M at Worten and €8 M both at Sonae Sports & Fashion and Sonae RP.

4. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Note: Sonae altered the scope of the report, which is now: Sonae Retail, Sonae Sierra, NOS, Sonae IM and Sonae FS.

In **retail**, Sonae turnover grew 4.7% in 1Q17, reaching €1,257 M. This performance was driven by most businesses, namely Sonae MC, Worten and the Sports & Fashion unit. Retail turnover was able to post a positive performance, despite the adverse calendar effect in 1Q17 (no Easter, one weekend less and the leap year), which has a strong influence in the sector's performance. Retail underlying EBITDA increased 6.4% y.o.y., from €51 M to €55 M, with special mention to the contribution of Worten, the Sports & Fashion and Maxmat divisions.

Regarding food retail, Sonae MC turnover increased by 3.0% in 1Q17, reaching €855 M and continuing to further increase its market share, which has been growing consistently over the last 6 quarters. Most importantly, we can say with certainty that the LfL sales growth as of April 2017 year-to-date, (annulling Easter calendar effect and partially annulling the weekend effect) was positive. This performance reflects the still demanding competitive environment, marked by intense promotional activity, Sonae MC continuous investment in improving its value proposition – in which a considerable effort in price perception is included – as well as the store network expansion through convenience formats.

Already in 2Q17, Sonae reached an agreement to acquire 100% of BRIO's share capital. BRIO is the first organic supermarket chain launched in Portugal and includes 6 stores with convenience locations in the Lisbon area. This acquisition represents a further step in Sonae MC strategic aim of growing its presence in the Health and Wellness segment and follows the agreement for the acquisition of a 51% stake in Go Natural restaurants and the opening of the first supermarket entirely dedicated to healthy food, both in December 2016. Following this transaction, Sonae MC will complete a network of 7 stores in this segment.

In Worten, turnover amounted to €218 M in 1Q17, increasing by 0.6% y.o.y., despite the negative calendar effect. Worten LfL sales growth as of April year-to-date (annulling Easter calendar effect and partially annulling the weekend effect) grew more than 3%. In Portugal, Worten continued to reinforce its leadership with market share gains, both offline and especially in the online channel.

Regarding its store network, Worten continues to work on square metres optimisation, which also encompasses the opening of new stores. It is worth highlighting the very positive performance of the e-commerce operation, both in Portugal and Spain, driven by the recently renewed e-commerce platforms. Most importantly, the Portuguese e-commerce operation grew by 62% and the Spanish operation grew more than 30% y.o.y. in 1Q17. Underlying EBITDA performance increased by 18.0% when compared with 1Q16, reaching €3 M in 1Q17, backed by a material improvement in Spain.

In the Sports & Fashion division, turnover increased by 25.9% in 1Q17, to €144 M, despite the negative calendar effects, particularly Easter, which affected all brands. The top line performance benefited both from the original portfolio, as well as from the contribution of recent acquisitions. In addition, the division continued to register a positive trend in sales per sqm. In the original portfolio, LfL sales growth as of April year-to-date (annulling Easter calendar effect and partially annulling the weekend effect) was clearly positive. Also considering the performance as of April year-to-date, it is worth noting the performances of MO, which increased LfL sales by 10%, and of Zippy, which increased LfL sales by 8% in Iberia.

One should also mention the announcement of a Memorandum of Understanding (MoU) with JD Sports Fashion Plc (JD Group) and JD Sprinter Holdings (JD Sprinter), which would see the combination of the JD Group's existing businesses in Iberia and JD Sprinter with Sport Zone's business.

In **Sonae RP**, the business unit responsible for managing Sonae's retail real estate portfolio, the gross book value of its portfolio amounted to €1,319 M as of 31st March 2017, equivalent to a net book value of €914 M and included 21 Continente stores, 62 Continente Modelo stores and 26 Continente Bom Dia stores. In the last few years, Sonae RP implemented an asset monetisation strategy to reduce freehold levels. Particularly in 1Q16, 3 sale and leaseback transactions in the amount of €230 M were accomplished, equivalent to a capital gain of €64 M (which had a positive impact in the non-recurrent items line). In 1Q17, Sonae RP did not complete any sale and leaseback transaction. Accordingly, Sonae MC's freehold stood at 50%, keeping the target reached at the end of 2016. In specialised retail (Worten and Sports & Fashion), the freehold stood at 21%.

Sonae IM has been implementing an active portfolio strategy, with the clear objective of building and managing a portfolio of tech-based companies linked to retail and telecommunications, leveraging the strong Group's expertise in these two verticals and aiming to develop innovative solutions, with an international focus. Sonae IM's core areas of interest include business analytics solutions, mobility solutions for retail, in-store technologies, fraud assurance and cybersecurity solutions. As a result of this strategy, Sonae IM turnover increased 24.0%, to €33 M, in 1Q17.

Sonae FS was created at the end of 2015 with the objective of fostering financial services in Sonae retail. In 1Q17, its turnover grew by 28.8%, to €5 M. Sonae FS portfolio includes: i) credit, mostly through the Universo credit card, with special payment options at Sonae stores while having global acceptance across the Mastercard network. Additionally, Universo grants access to the several loyalty cards of Sonae retail banners. Credit offer also includes personal loans, store credit to customers and products sale at Universo online store; ii) pre-paid cards (Cartões Dá), with B2B and B2C offers; iii) Continente Money Transfer a reliable service for money transfers across the globe; and iv) insurance, presently focused on credit insurance. A Sonae FS also includes MDS (accounted for using the equity method), a global insurance & reinsurance brokerage and associated risk consulting services with direct operations

in Iberia, Brazil and Portuguese speaking countries in Africa. MDS is the largest broker in Portugal and the largest independent broker in Brazil.

In a period of slightly more than one year after being launched, the Universo card operation is already profitable and its major key performance indicators have been showing a solid performance: the number of subscribers increased by 83.0%, surpassing 455 thousand subscribers, and total production reached €124 M (+ 45.3% y.o.y.).

In **shopping centres**, Sonae Sierra continued to demonstrate the quality of its shopping centres, both in Europe and in Brazil, as tenant sales grew 9.8%. The occupancy rate improved in both regions, leading to a growth in global occupancy rate to 96.3% by the end of March 2017, a value that compares with 95.0% on 31st March 2016. Sonae Sierra continued its development activity, having in pipeline the following projects: Nuremberg (Germany), Málaga McArthurGlen Designer Outlet (Spain), NorteShopping Expansion (Portugal), Colombo Expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco). ORES Socimi, the property investment vehicle recently launched with Bankinter, began trading and made its first acquisitions in Iberia. Accordingly, on 31st March 2017, the Investment and Development Properties attributable to Sonae Sierra reached €2,110 M, €12 M above 2016 year-end, driven by the on-going investments, the latest acquisitions and the positive exchange rate effect in the Brazilian real. Hence, Sonae Sierra turnover totalled €54 M, an year-on-year increase of 4.4%.

In **telecommunications**, NOS operating revenues grew €11 M in 1Q17, to €381 M, sustaining the positive top line performance across all segments. NOS continued to grow its customer base and the number of RGUs, which increased by 6.5%, to 9,155 thousand, as a result of growth in all segments. Convergent RGUs increased 17.1% y.o.y., to 3,498 thousand.

Consolidated profit and loss account			
Million euros	1Q16	1Q17	Var
Turnover	**1,206**	**1,278**	**6.0%**
Underlying EBITDA	**44**	**49**	**12.7%**
Underlying EBITDA margin	3.6%	3.8%	0.2pp
Equity method results (Sierra and NOS)	13	14	12.2
Non-recurrent items	62	-1	-
EBITDA	**119**	**62**	**-47.7 %**
EBITDA margin	9.8%	4.9%	-5.0pp
EBIT	**69**	**14**	**-79.9%**
Net financial activity	--14	-8	44.7%
EBT	**55**	**6**	**-88.8%**
Taxes	-11	2	-
Direct results	**43**	**9**	**-80.3%**
Indirect results	-15	0	-
Net income	**29**	**9**	**-70.1%**
Non-controlling interests	1	0	-
Net income group share	**30**	**8**	**-72.1%**
Business performance			
Million euros	1Q16	1Q17	Var
Turnover			
Sonae Retail	1,201	1,257	4.7%
Sonae Sierra	51	54	4.4%
NOS	370	381	2.9%
Sonae IM	27	33	24.0%
Sonae FS	4	5	28.8%