PRESS RELEASE

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SONAE ACCELERATES GROWTH, IMPROVES OPERATING PROFITABILITY AND STRENGTHENS INTERNATIONALISATION

1. HIGHLIGHTS OF FIRST HALF OF 2017:

- Consolidated turnover increases by 8% to €2,603 M, as all businesses posted a positive top line trend. Growth accelerates in the second quarter with a 10% increase
- Profitability improves consistently, with a 9.2% increase in underlying EBITDA to €116 M
- Net results grow 39.7% in the second quarter, to €65 M
- Sonae consolidates its multinational positon, being present in over 80 countries[1] through its businesses

Ângelo Paupério, Co-CEO of Sonae, says: *"The second quarter progressed according to our expectations, with positive contributions from all activities, which led to significant turnover growth (+8%) and an increase in recurrent profitability (+12%) in the first semester when compared to the previous year.*

Increased competition in different business areas has demanded aggressive productivity increases, along with high levels of investment that have resulted in the reinforcement of competitive positions in our main sectors.

The strong focus on the digital transformation of our companies and the improvement of their online value proposition was also evidenced by the achieved results.

In addition to positive operational developments and progress in strategic execution, once again we improved our balance sheet, which is now financed by equity close to 60%."

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

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2. GIVING BACK TO THE COMMUNITY

- **SUPPORT TO THE COMMUNITY**

In the first six months of the year, Sonae continued focused on its commitment to the community and sustainability by implementing and developing projects in the areas of social solidarity, health and sports, environmental awareness, culture, education and science and innovation. Sonae sought to create and distribute value, supporting more than 850 institutions with a contribution that surpassed €3.75 M as a whole, involving material goods, skills and financial and human resources.

Very recently, Sonae brands came together to fight the impacts of the fire in Pedrógão Grande among the several local communities that were affected, providing support with donations from the different Group insignias and mobilising over 100 employees to volunteering actions on the field.

Investment in innovation also allowed for Continente to launch the very first range of circular economy products, made from end-of-life food products. This range includes jams and chutneys made of fruits and vegetables from the stores, constituting an important instrument to fight food waste in the area of perishables.

- **DEVELOPMENT OF HUMAN RESOURCES AND CREATION OF OVER 2,000 JOBS**

Sonae's generation of economic and social value translated, y.o.y., in the creation of over 2,000 jobs at the end of the six months of the year. This job creation is a result of the growth registered in all of Sonae's business areas, which expanded their activities in Portugal and abroad, particularly the development of the area of Health & Wellness by Sonae MC.

Sonae continued to create opportunities for young talents through the Contacto Programme, an initiative that offered over 50 young adults the opportunity to start their professional lives with paid internships, with the possibility of integrating the company's staff in the future.

Additionally, Sonae also continued to promote diversity in companies, under the belief that it does increase their performance and it is not limited to genre, including also aspects such as ethnicity, religion, sexual orientation, physical handicap or generation. Accordingly, MDS is leading an international movement to promote diversity in companies, the Women Leadership Team, which gathers 20 leading business women in Europe and in the USA, having already hosted a meeting in Paris on the subject of diversity.

3. CONSOLIDATED ANALYSIS

During the first six months of the year (1H17), Sonae continued to expand in Portugal and abroad, strengthening its multinational character by developing its activity across over 80 countries around the world. From a statutory standpoint, Sonae **consolidated turnover** reached €2,603 M in 1H17, posting an 8.0% increase y.o.y., with all businesses contributing positively to this evolution: Sonae Retail, Sonae IM and Sonae FS. In the 2Q17, consolidated turnover posted an accelerated growth, increasing 10.0% to €1,324 M.

Sonae **underlying EBITDA** increased by 9.2%, to €116 M in 1H17, driven by the positive evolution in the operating profitability of all businesses. Sonae underlying EBITDA margin increased from 4.4% in 1H16 to 4.5% in 1H17. In 2Q17, the underlying EBITDA stood at €67 M, growing by 6.8% y.o.y. Importantly, equity methods results (which translate NOS and Sonae Sierra contribution to EBITDA) reached €17 M in 2Q17, the highest result ever achieved in a quarter.

The strong operating performance across all businesses in the first half of 2017 represented a positive contribution to Sonae's profitability indicators. However, last year's first half registered a €56 M positive impact in non-recurrent items, benefiting mostly from capital gains related with the sale and leaseback transactions completed by Sonae RP in 1Q16, which hinders comparability between periods. Accordingly, EBITDA totalled €142 M, corresponding to an EBITDA margin of 5.5%, and Sonae direct results reached €43 M. In 2Q17, which is not affected in terms of comparability, EBITDA grew 16.9% to €80 M, which corresponds to an EBITDA margin of 6.1% (0.4pp above the same quarter last year), and Sonae direct results increased 50.3% to €34 M.

Sonae indirect results increased €22 M in 1H17, reaching €33 M, benefiting mostly from the positive effect of Sonae Sierra asset's valuation.

Sonae net financial results improved €7 M when compared to 1H16, 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 30 June 2017, improving by 30 base points when compared to 1H16. It should be noted that Sonae financial results exclude Sonae Sierra and NOS businesses.

Net income group share rose to €73 M, as a result of sales growth across all businesses and improved operating profitability, together with the valuation of shopping centres and reduced 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 clearly positive. In fact, in 2Q17, in which comparability if not affected by non-recurrent items, **net income group share** grew by 39.7%, to 65 million euros, with improvements in all operating and profitability indicators.

It should also be noted that Sonae continued to reinforce its capital structure. Sonae shareholders' funds surpassed 2 billion euros, reaching €2,034 M at the end of 1H17, an amount that translates a 7.5% increase compared to that of 1H16. Net debt to invested capital also improved, from 42.3% to 41.1%, meaning, 120 base points below.

Total business investment amounted to €121 M in the first six months of the year, representing about 4.6% of turnover. Investment was channelled to opening new units, launching new businesses and boosting internationalisation and customer service, reaching €67 M in Sonae MC, €13 M in Worten, €16 M both in Sonae Sports & Fashion and Sonae RP, and €5 M in Sonae IM.

4. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Note: In 1Q17 Sonae changed the scope of the report, which is now: Sonae Retail (with the Sonae MC, Worten, Sonae Sports & Fashion and Sonae RP units), Sonae Sierra, NOS, Sonae IM and Sonae FS. Additionally, MDS is now accounted for through the equity method and was included in Sonae FS.

In **retail**, turnover grew by 7.5% in 1H17, to €2,564 M, also fuelled by a strong 2Q17, in which retail turnover increased by 10.3%, backed in part by a positive calendar effect, but also by the solid competitive position sustained by the several businesses. Most importantly, on a quarterly basis, all businesses contributed positively for top line performance. Underlying EBITDA in retail grew from €116 M to €128 M, that is, +10.3% y.o.y., an evolution that benefited mainly from a greater contribution by Sonae MC, Worten, Sonae Sports & Fashion and Maxmat.

In the case of food retail, Sonae MC turnover increased by 5.1% in 1H17, reaching €1,777 M and reinforcing, once again, its market leadership. In 1H17, turnover performance benefited from a 0.7% LfL sales growth and also from the opening of 6 Continente Bom Dia stores. After a 1H17 marked by adverse calendar effects as the absence of Easter, the leap year and one Saturday less, the 2Q17 showed a particularly positive top line trend with turnover

growing by 7.0%, to €922 M, fuelled by a LfL sales growth of 2.6%. Despite the competitive context and investment in the store network expansion through convenience formats, Sonae MC underlying EBITDA margin registered a positive evolution, increasing by 2.5% in 2Q17.

In addition to its investment in convenience, Sonae MC has been actively investing in strengthening its position in the Health and Wellness segment. It should be noted that the Brio (100% owned) and Go Natural (51% owned) transactions were already completed in 2Q17. As part of this strategy, Sonae MC now holds 7 Go Natural healthy supermarkets and is developing restaurant areas under the same banner. Also, in May 2017, Sonae MC opened Dr Well's, the first clinic specialised in dental and aesthetic medicine, a step further in the extension of services provided by Well's parapharmacies.

In Worten, turnover rose to €435 M in Iberia in 1H17, a €31 M y.o.y. increase, driven by a LfL sales growth of 5.8%. In 2Q17, turnover grew by 15.7%, benefiting from a LfL sales growth of 12.4%, partly explained by the positive calendar effect and also by the contribution from new stores in the portfolio and its distinctive vale proposition.

In a rapidly growing online market, both in Spain and Portugal, Worten e-commerce had a very positive performance, growing by more than 50% in Portugal and more than 70% in Spain – in both cases significantly improving digital market share and consolidating the benefits of the recently upgraded web platform and improvements in omni-channel functionalities. Underlying EBITDA totalled €6 M in 1H17, almost twice as much as in 1H16, with both Iberian geographies contributing positively to this evolution, but with most improvement coming from Spain.

In the Sports & Fashion division, turnover grew by 28.8% in 1H17, to €270 M, with all businesses contributing positively. The Lfl sales growth stood at +2.7% in 2Q17. MO and Zippy had a particularly strong 2Q17, posting LfL sales growth of 13% and 15%, respectively. Sport Zone delivered positive turnover performance both in 1H17 and 2Q17. At Salsa, we emphasise the positive quarter of the Spanish operation, in which LfL sales growth stood at 16%, and the performance in e-commerce, consistently growing above 40%.

Sonae Sports & Fashion underlying EBITDA increased by almost €10 M when compared to 1H16, benefiting from the consolidation of Salsa and from improvements across all brands – especially material at Sport Zone and Zippy, while at MO, the 2Q17 brought significant improvement as well. The franchising operation of Zippy is becoming increasingly relevant, totalling 59 stores in 19 countries at the end of 2Q17, and benefiting from the recently opened stores in Abu Dhabi, Dubai and Indonesia.

Sonae RP, the business unit responsible for managing Sonae's retail real estate portfolio, held a portfolio that included 21 Continente stores, 62 Continente Modelo stores and 26 Continente Bom Dia stores at the end of June 2017, corresponding to a gross book value of €1,272 M and to a net book value of €914 M. In the last few years, Sonae RP implemented an asset monetisation strategy to reduce freehold levels. Particularly in 1H16, 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 non-recurrent items line). In 1H17, Sonae RP did not complete any sale and leaseback transaction. However, already in July 2017, Sonae RP closed a sale and leaseback transaction of 4 food retail assets in the amount of €35 M, generating a capital gain of circa €10 M. Following this transaction, which will only be reflected in the 3Q17 report, Sonae MC freehold stood at 48%. In specialised retail (Worten and Sonae Sports & Fashion) freehold stood at 22%.

In **Sonae IM**, turnover increased by 14.5% in 1H17, to €69 M, and the underlying EBITDA stood at €2.4 M, corresponding to an underlying EBITDA margin of 3.5%. 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 core areas of interest include, in retail, data analytics, omni-channel and e-commerce enabling technologies, and in telecoms, customer value enablers, efficiency, data monetisation and risk management. Transversal to both retail and telecoms, Sonae IM covers also in cybersecurity solutions.

Sonae FS was created at the end of 2015 and its mission is to offer inclusive and personalised financial solutions to an enlarged number of people and families. Sonae FS turnover increased by 39.5%, to €11 M, in 1H17, and underlying EBITDA reached €1.4 M, representing an underlying EBITDA margin of 12.3%. Sonae FS portfolio includes the Universo card, a payment method that combines the several Sonae retail insignias' customer loyalty cards with credit and debit solutions with global acceptance across the Mastercard network. Credit offer also includes personal loans, store credit to customers and products sale at Universo online store; pre-paid cards (Cartão Dá), with B2B and B2C offers; Continente Money Transfer, a reliable service for money transfers across the globe; and insurance, presently focused on credit insurance. Sonae FS also includes MDS, 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. From 3Q17, MDS will be accounted for using the equity method.

The Universo Card operation continued to grow in 1H17, closing the 2Q17 with 496 thousand subscribers. As for Universo total production, it stood at €259 M, increasing by 45.6% y.o.y..

In **shopping centres**, Sonae Sierra continued its development activity, which is progressing well and includes the following projects: Nuremberg (Germany), Málaga McArthurGlen Designer Outlet (Spain), the NorteShopping and Colombo expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco). Pursuing the capital recycling strategy, throughout the 2Q17, Sonae Sierra created a 15/85 joint-venture with AXA IM – Real Estate Assets for the acquisition of Area Sur Shopping Centre, in Jerez, Spain, in which AXA IM – Real Estate will hold the majority of the shares and Sonae Sierra will be the Operating Partner. Additionally, ORES Socimi, launched in partnership with Bankinter and in which Sonae Sierra is also the operating partner, continued to acquire assets in Iberia. In 2Q17, ORES Socimi acquired three properties: one hypermarket in Spain, plus a stand-alone and a Retail Center in Portugal.

In 1H17, Sonae Sierra operation continued to register very high occupancy rates, reaching 96.9% in Europe and 92.3% in Brazil. Tenant sales grew by 11.9% in 1H17, corresponding to a LfL tenant sales of 3.4% in Europe and 7.3% in Brazil. Sonae Sierra turnover increased by €8 M, totalling €108 M in 1H17.

In **telecommunications**, NOS continued to demonstrate a robust operating and financial performance. Operating revenues increased by 3.5% in 1H17, to €769 M, driven by a positive performance in all segments: telco, audiovisuals and cinema. EBITDA stood at €300 M in 1H17, improving by 4.8% versus 1H16 and corresponding to an EBITDA margin of 39.0%. Net results reached €72 M in 1H17, growing by 41.1% versus the €51 M in 1H16.

NOS continued to increase its customer base and the number of RGUs, which grew by 5.8%, to 9,254 thousand, as a result of a positive evolution in all segments. Convergent RGUs increased to 3,586 thousand, +13.6% y.o.y..

Consolidated profit and loss account Million euros	1H16	1H17	Var	2Q16	2Q17	Var
Turnover	**2,410**	**2,603**	**8.0%**	**1,204**	**1,324**	**10.0%**
Underlying EBITDA	**106**	**116**	**9.2%**	**63**	**67**	**6,8%**
Underlying EBITDA margin	4.4%	4.5%	0.0pp	5.2%	5.0%	-0.2pp
Equity method results (Sierra and NOS)	25	32	24.5%	13	17	36.9%
Non-recurrent items	56	-5	-	-6	-4	-
EBITDA	**187**	**142**	**-24.0 %**	**69**	**80**	**16.9%**
EBITDA margin	7.8%	5.5%	-2.3pp	5.7%	6.1%	0.4pp
EBIT	**92**	**44**	**-52.4%**	**23**	**30**	**31.1%**
Net financial activity	-25	-18	28.6%	-11	-10	8.1%
EBT	**67**	**26**	**-61.2%**	**12**	**20**	**67.3%**
Taxes	-1	17	-	11	14	-
Direct results	**66**	**43**	**-35.5%**	**23**	**34**	**50.3%**
Indirect results	11	33	-	26	33	27.1%
Net income	**77**	**75**	**-2.5%**	**48**	**67**	**38.0%**
Non-controlling interests	-1	-2	-	-2	-2	-
Net income group share	**76**	**73**	**-4.4%**	**46**	**65**	**39.7%**

Business performance Million euros	1H16	1H17	Var	2Q16	2Q17	Var
Turnover						
Sonae Retail	2,385	2,564	7.5%	1,185	1,307	10.3%
Sonae Sierra	100	108	8.1%	48	54	12.1%
NOS	743	769	3.5%	373	388	4.2%
Sonae IM	61	69	14.5%	34	36	7.1%
Sonae FS	8	11	39.5%	4	6	51.1%