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SONAE ACCELERATES GROWTH AND IMPROVES OPERATING PROFITABILITY ACROSS ALL BUSINESSES IN 2017

1. 2017 HIGHLIGHTS:

- Consolidated turnover increases 7.1% to €5,710 M, with growth across all businesses
- All businesses improved profitability, increasing the underlying EBITDA by 6.9% to €336 M
- Net results reach €166 M, not directly comparable with last year's, namely due to the effect of non-recurrent items
- Net debt reduced by €113 M versus the same period last year
- Sonae strengthens internationalisation and consolidates its multinational position, being present in around 90 countries¹

Ângelo Paupério, Co-CEO of Sonae, says: *"2017 was a positive year for Sonae's businesses, which continued to grow at a solid pace and made significant progress in the development of their individual strategies. Overall, we evolved further in the development of a portfolio of more autonomous, focused and flexible businesses, ready to perform in the market with high standards of corporate governance, namely as publicly listed companies or integrating strategic partnerships."*

Considering the companies we control or co-control, total aggregated turnover increased by 6.3% to 7.6 billion euros and EBITDA also grew, surpassing one billion euros once again.

In retail, turnover increased by 6.8% to 5.6 billion euros, with a positive contribution from all business areas, particularly the food retail business which grew 5.4%, and Worten which exceeded one billion euros in sales with a year-on-year increase above 10%. It is also worth highlighting the performance of online sales that for the first time surpassed 100 million euros.

Sonae Sierra, besides a good operational performance, continued the development of new shopping centre projects, such as Cúcuta in Colombia or the Málaga Designer Outlet, and strengthened its services business area by creating the ORES Socimi fund in partnership with Bankinter.

In a challenging market environment, NOS continued to overcome expectations by improving its competitive position in all market segments, leading in innovation, growing profitability and demonstrating an increasing ability to generate cash flow.

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

PRESS RELEASE

For Sonae Financial Services, this year was marked by a significant growth of the Universo card base, with over 600,000 cards issued in only two years, accounting for 13.2% of total credit card transactions in Portugal in December.

In the retail and telecommunications technology businesses, Sonae IM added value to its portfolio, strengthened its leadership position in the Iberian cybersecurity market and positioned itself as a preferred partner for technology companies with highly innovative projects.

We continue to invest in our growth avenues, particularly in the health and wellness sector, and to create partnerships that enhance the value of our assets, such as the creation of ISRG (Iberian Sports Retail Group) in the sports sector, completed in the beginning of 2018.

The aggregate investment of the companies that we control or co-control reached 726 million euros, of which 316 million euros was invested by fully consolidated companies.

The Group's sound operational and financial performance enabled a high level of investment and the maintenance of a steadily growing dividend policy, while reinforcing an already robust capital structure, with a net debt reduction of 8.4% coupled with greater maturity and lower cost of debt.

We are therefore prepared and confident to face future challenges, as we are aware of the quality of our team, the value of our culture and the legacy of Belmiro de Azevedo, which we hold as a reference and which we intend to honour, delivering on our mission of creating economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people."

2. CONSOLIDATED ANALYSIS

All businesses improve sales and operational profitability

In 2017, all businesses posted turnover growth and improved underlying EBITDA. From a statutory standpoint, Sonae's consolidated turnover grew by 7.1% y.o.y., supported by the positive evolution in Sonae Retail, Sonae IM and Sonae FS, reaching €5,710 M in 2017.

Sonae underlying EBITDA reached €336 M, growing by 6.9% and stood at €22 M above the amount posted in 2016, backed by the performance of Sonae Retail, Sonae IM and Sonae FS. The contribution of companies consolidated through the equity method also improved, increasing 39.3%, to €57 M.

The strong operating performance of businesses in 2017 represented a positive contribution to Sonae's profitability indicators. Nonetheless, last year there was a €53 M net positive impact on non-recurrent items, benefitting mostly from capital gains obtained with the sale and leaseback operations completed, which hindered comparability between quarters.

Hence, EBITDA totalled €396 M, corresponding to an EBITDA margin of 6.9%, and Sonae's direct results reached €132 M. Indirect results totalled €42 M, mostly translating the lower contribution from Sonae Sierra compared to last year, impacted by the strong asset revaluations in 4Q16 and by the value created with the ParkLake opening in Romania, in 3Q16.

Sonae net financial results improved by 19.5% versus 2016, driven by the reduction of the average net debt coupled with a decrease of the average interest rate of outstanding debt, which stood at 1.3% in 4Q2017.

PRESS RELEASE

Net **income group share** rose to €166 M, benefitting from increased sales and operational profitability across all businesses, as well as from lower financial costs thanks to Sonae's recognised strong capital structure. Excluding the capital gains from the sale of real estate assets, Sonae's net results would have been grown 6.5%.

Financial solidity strengthened and fostered by a 103 million euros reduction in debt

Sonae strengthened its financial solidity by reducing its net debt by 8.4% y.o.y., that is, €103 M, from €1,215 M in 2016 to €1,112 M in 2017, as financial leverage improved 2.8p.p. to 34.3%. Average gearing at market value reached 0.6x, driven by a reduction at net debt level and by a higher Sonae share price.

Sonae continues to show a robust capital structure, optimising funding costs while preserving sufficient back up liquidity and a long maturity profile. The group maintained its practice of being fully financed for the coming 18 months and simultaneously improved its general funding conditions.

Sonae investment (CAPEX) reached €316 M in 2017, which represents about 5.5% of business turnover. Investment was channelled to opening new units, launching and developing new businesses and strengthening internationalisation and customer support, reaching €164 M in Sonae MC, €45 M in Worten, €40 M in Sonae Sports & Fashion, €41 M in Sonae RP and €19 M in Sonae IM.

3. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

Retail businesses accelerate growth

In retail, turnover reached €5,646 M in 2017, +6.8% versus 2016, backed by the positive evolution of all businesses. Sonae Retail underlying EBITDA increased by 7.3%, amounting to €354 M in 2017, with the special contribution of Worten and Sonae S&F which together contributed with almost €20 M.

Sonae MC expands store network and explores growth avenues

In food retail, Sonae MC turnover stood at €3,884 M in 2017, growing 5.4% versus 2016. This evolution was boosted by the store network expansion (with the opening of 19 Continente Bom Dia stores and 1 Continente Modelo) and by a LfL sales growth of 1.2% as a result of a number of measures implemented with the aim of strengthening Sonae MC's value proposition. Within the implemented measures, it's worth highlighting the continuous work on improving price perception and quality, and consequently the quality perception of perishables. This operational performance allowed Sonae MC to reinforce once again the market leadership, thus proving the success of its value proposition.

The underlying EBITDA increased €3 M y.o.y., reaching €213 M in 2017, translating an underlying EBITDA margin of 5.5%. It's worth noting that in the last quarter of 2017, Sonae MC underlying EBITDA grew 6.1% y.o.y., supported by a stronger sales value. These indicators translate the result the new store openings, the competitive environment of the food Portuguese market and the continuous investment in the growth avenues by Sonae MC.

In 2017, Sonae MC continued reinforcing its presence in the Health and Wellness segment, defined as a strategic goal, taking several steps in order to promote the health and wellbeing of the communities. Throughout the year, Sonae MC increased the variety of the healthy products in Continente stores, acquired 51% of Go Natural and 100% of Portugal's first organic supermarket chain (Brio), and also launched the successful Dr. Well's clinics, specialised in dental and aesthetic medicine, currently with 4 units.

Worten strengthens market share in Portugal and Spain, surpassing one billion euros in sales

Worten turnover posted a strong evolution, increasing by 10.2% y.o.y. and surpassing for the first time 1Bn euros. This performance was driven by a LfL sales growth of 7.7% in 2017, also supported by a very positive growth of the online operation, which improved 60% compared to 2016. In 2017, Worten was also able to further improve sales area productivity in result of positive sales performance and store network optimisation.

This performance allowed Worten to further increase its market share in Portugal and Spain, both in the offline and online channels. The underlying EBITDA also improved, by 29.6% to €34 M in 2017, as the margin increased by 50 bps to 3.4%.

Sonae Sports & Fashion grows at two digits pace

In the Sports & Fashion division, turnover totalled €589 M in 2017, +11.7% compared to 2016, helped not only by the consolidation of Salsa, but also by the positive evolution of the other businesses. In LfL terms, all fashion businesses posted positive figures in 2017, despite the fact that 4Q17 was strongly impacted by weather conditions in October that led to a late start of the season and consequently affected sales performance and profitability. Nonetheless, underlying EBITDA increased by €12 M versus 2016, to €20 M, driven by the positive contribution of all businesses in the original portfolio plus the effect of the consolidation of Salsa.

It is worth noting that, on 31 January 2018, the agreement for the combination of JD Sprinter and Sport Zone was concluded, creating the Iberian Sports Retail Group (ISRG), the second biggest sports retail group of Iberia.

Retail real estate with a portfolio of over 900 million euros

Sonae RP, the business unit responsible for managing Sonae's retail real estate, had, at the end of 2017, a portfolio that included 20 Continente stores, 60 Continente Modelo stores and 30 Continente Bom Dia stores, which corresponds to a gross book value of €1,266 M and to a net book value of €903 M.

During 2017, Sonae RP concluded two sale and leaseback transactions of five retail assets in the amount of €37 M, with a capital gain of approximately €11 M. Consequently, at the end of the year, Sonae MC freehold stood at 47% and the specialised retail freehold reached 20%. Despite the freehold reduction, Sonae RP turnover remained stable, totalling €92 M in 2017. The underlying EBITDA stood at €80 M, representing an underlying EBITDA margin of 87.3%.

Sonae IM addresses new investments

In Sonae IM, turnover increased 7.9% y.o.y., reaching €126 M in 2017. The underlying EBITDA amounted to €5 M, + 0.1% when compared to the same period of 2016 and corresponding to an underlying EBITDA margin of 3.7%.

Throughout 2017, Sonae IM entered the capital of, among others, the following companies:

- Ometria, an Artificial Intelligence powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers;
- Arctic Wolf, a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response, which provides a unique combination of technology and services for clients to quickly detect and contain threats;

PRESS RELEASE

- Secucloud, a Germany-based company that provides a cloud security platform for protecting all devices and operating systems to Telcos & ISPs as a white label solution.

It is also noteworthy that at the end of 3Q17, Sonae IM registered an upside in the valuation of AVP funds, managed by Armilar Venture Partners, which include participations in Feedzai, a specialist in fraud prevention, and in Outsystems, a market leader in low-code platforms.

Universo Card surpasses 600 thousand subscribers

Sonae FS (financial services) turnover reached €24 M, growing 38.9% when compared to 2016. The underlying EBITDA stood at €3.4 M improving €3 M y.o.y. and corresponding to a margin of 13.9%.

Concerning the Universo Card operation, in 2017, subscribers exceeded 600 thousand and Universo total production totalled €580 M, increasing by 41.2% versus 2016.

Shopping centres area expands international presence and develops new projects

Sonae Sierra turnover increased by 7.0% y.o.y., to €224 M in 2017. EBIT improved by 8.5% versus 2016, amounting to €105 M. Direct results reached €65 M, growing 14.0% versus 2016 and indirect results stood at €45 M in 2017, impacted by a lower value created in assets valuations and by the value created with the ParkLake opening in Romania, in 3Q16.

In operational terms, Sonae Sierra maintained a strong performance, with high occupancies rates both in Europe and Brazil, having registered a global occupancy rate of 96% in 2017. In Europe, Lfl tenant sales reached 3.2% supported by the recovery in Iberia, and in Brazil, it reached 6.8%, above the average inflation of 3.5%. Total tenant sales grew by 8.9%, to €4,897 M, helped by the opening of ParkLake. On 31 December 2017, NAV totalled €1,432 M, +1.0% compared to the end of 2016.

Sonae Sierra has been continuously seeking new development opportunities along with reinforcing professional services. Regarding the development activity, Sonae Sierra is currently working on the following projects: Nuremberg (Germany), Málaga McArthurGlen Designer Outlet (Spain), NorteShopping and Colombo Expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco). As for the professional services, in 2017, Sonae Sierra signed 187 new contracts in the amount of €15,9 M.

NOS grows in sales, clients and profitability

In 2017, NOS kept the growth trend in all core services while maintaining a robust financial performance. Operating revenues increased by 3.1% y.o.y., totalling €1,562 M in 2017, backed by the performance of telco, audio-visuals and cinema. EBITDA amounted to €581 M, improving by €24 M when compared to 2016, and corresponding to a margin of 37.2%. Net results grew by 37.3% y.o.y., from €90 M to €124 M in 2017.

Regarding the operational indicators, in 2017, the number of total RGUs increased 3.7% in comparison to 2016, to 9,412 thousand, and the convergent RGUs stood at 3,651 thousand, +7.8% y.o.y..

4. GIVING BACK TO THE COMMUNITY

Over 1,400 institutions helped across the country and more than 1,700 jobs created

In 2017, Sonae maintained its commitment to the community and sustainability, having supported more than 1,400 institutions all over the country. Sonae sought to create and distribute value, making contributions that represented around €10 M, through material goods, competencies and financial and human resources, in areas like social solidarity, culture, health and sports, education and environmental awareness. Moreover, Sonae promoted volunteering among its employees, as the number of volunteers increased by 15%, to 1,617. Among the projects carried out, special focus on the mobilisation of both insignias and employees to mitigating the impacts on the several local communities affected by fires last summer.

Sonae ended 2017 with over 45 thousand employees, having created more than 1,700 jobs throughout the year and generated economic and social value within the community. This job creation translates the growth posted by Sonae's several business areas, which expanded their activity in Portugal and internationally.

Consolidated profit and loss account			
Million euros	2016	2017	Var
Turnover	5,329	5,710	7.1%
Underlying EBITDA	315	336	6.9%
Underlying EBITDA margin	5.9%	5.9%	0.0pp
Equity method results (Sierra and NOS)	41	57	39.3%
Non-recurrent items	53	2	-95.9%
EBITDA	409	396	-3.1%
EBITDA margin	7.7%	6.9%	-0.7pp
EBIT	212	182	-14.0%
Net financial activity	-45	-36	19.5%
EBT	167	146	-12.5%
Taxes	-18	-14	23.3%
Direct results	148	132	-11.2%
Indirect results	74	42	-42.4%
Net income	222	174	-21.5%
Non-controlling interests	-7	-8	-22.2%
Net income group share	215	166	-22.9%
Business performance (Million euros)			
	2016	2017	Var
Turnover			
Sonae Retail	5,288	5,646	6.8%
Sonae Sierra ⁽¹⁾	209	224	7.0%
NOS ⁽¹⁾	1,515	1,562	3.1%
Sonae IM	117	126	7.9%
Sonae FS ⁽²⁾	68	79	16.4%
Underlying EBITDA			
Sonae Retail	330	354	7.3%
Sonae Sierra ⁽¹⁾	98	106	8.3%
NOS ⁽¹⁾	557	581	4.3%
Sonae IM	5	5	0.1%
Sonae FS ⁽²⁾	8	10	35.9%

(1) Aggregated turnover and EBITDA equals 100% of the figures reported by NOS or Sonae Sierra. In statutory accounts equity method is used.

(2) Includes 100% turnover and EBITDA of MDS.