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SONAE MAINTAINS GROWTH, STRENGTHENS PROFITABILITY AND CONTINUES ITS INTERNATIONALISATION

1. HIGHLIGHTS OF FIRST NINE MONTHS OF 2017:

- Consolidated turnover increases 6.9% to €4,115 M, driven by growth across all businesses
- Profitability improves consistently, with a 9.6% increase in the underlying EBITDA to €221 M
- Net results grow €1 M in the quarter and remain healthy in 9M17
- Net debt decreased €30 M in year-on-year terms
- Sonae consolidates its multinational position, being present in over 80 countries¹ through its businesses

Ângelo Paupério, Co-CEO of Sonae, says: *“During this 3rd quarter, in which the business portfolio is now comparable to the same period of last year, we continued to grow at a healthy trend (4.8%) in aggregated terms, thanks to the positive contribution from all our main activities, particularly from our various retail businesses, which grew by 5.1%.*

This performance was equally positive in terms of profitability, with aggregated EBITDA growing by 10% when compared with the same period of 2016, and at the same time strengthening competitive positions without compromising the quality of our value proposals as once again highlighted by the recognition in another DECO study showing we are the retailer offering the lowest prices in the Portuguese market.

In a quarter in which investment was kept at high levels, we continued to reinforce capital structure through lowered debt, increased maturity and improved financing conditions.”

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

2. GIVING BACK TO THE COMMUNITY

- **SUPPORT TO THE COMMUNITY**

In the first nine months of 2017, Sonae maintained its commitment to the community and sustainability, supporting 1,150 institutions across the country, 75 more than in the same period last year. Sonae sought to create and distribute value, with contributions above €6.3 M in total, involving material goods, skills and financial and human resources. Sonae and its businesses implemented and developed projects in areas spanning from social solidarity, culture, health and sports, education and environmental awareness.

In the context of the serious fires that broke out during the Summer of 2017, Sonae banners came together to fight its impacts on the several local communities that were affected, providing support with donations and mobilising over one hundred employees for volunteering activities on the field which resulted in 1.650 hours.

- **DEVELOPMENT OF HUMAN RESOURCES AND CREATION OF OVER 3,000 JOBS**

The economic and social value created by Sonae has translated, y.o.y., in the creation of over 3,000 jobs as of late September this 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.

Sonae continued its policies to attract talent and foster its culture and values, leading several Onboarding initiatives in which new employees are invited to spend a day dedicated to learning about Sonae history and values, about the common purpose of the Group and the commitment to its ethical legacy, as well as to developing their internal network. The Onboarding Day afternoon is dedicated to a Social Responsibility activity during which employees get to experience one of Sonae values on the field.

Furthermore, Sonae led yet another edition of the Contacto Programme, an initiative that offered over 50 young adults the opportunity to start their professional lives with paid internships at one of the Group's several companies.

3. CONSOLIDATED ANALYSIS

During the first nine months of 2017 (9M17), Sonae grew across all its businesses, improving profitability and strengthened its multinational stance, expanding its activities abroad. From a statutory perspective, **Sonae consolidated turnover** totalled €4,115 M, growing 6.9% in comparison to 9M16, fuelled by the performance of all businesses: Sonae Retail, Sonae FS and Sonae IM.

Sonae **underlying EBITDA** reached €221 M, more €19 M (+9.6%) when compared to 9M16, benefitting from a positive contribution from retail businesses and financial services. Sonae underlying EBITDA margin increased 10 bps compared to 9M16, reaching 5.4%. In 3Q17, the underlying EBITDA reached €105 M, growing 10% y.o.y.. It should be noted that the equity method results reached €48 M in 9M17, which represents a 21.2% increase compared to the same period last year.

The strong operating performance across all businesses in the first nine months of 2017 had a positive effect in Sonae's profitability indicators. Nonetheless, last year saw a positive impact of €56 M in non-recurrent items, benefiting mostly from capital gains related with the sale and leaseback transactions completed by Sonae RP in 2016, which limits comparability between periods. Accordingly, Sonae EBITDA rose to €273 M in 9M17, corresponding to a 6.6% EBITDA margin. On a quarterly basis, EBITDA grew 18.9%, or €21 M, when compared to 3Q16, reaching €130 M and corresponding to an EBITDA margin of 8.6% (1.0 pp above the same quarter last year).

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In 3Q17, Sonae direct results increased by 12.0% to €59 M, which led to an amount of €102 M in the whole of 9M17.

Sonae indirect results stood at €37 M in 9M17, increasing by €16 M y.o.y. as a result of the positive effect of the valuation of Sierra's assets, as well as from a capital gain driven by the deconsolidation of MDS (already reported in 1H17).

Sonae net financial activity improved €8 M, reflecting a decrease in the cost of outstanding debt. The average interest rate of outstanding debt was 1.3% in 3Q17, a value that compares with 1.4% in 3Q16. It should be noted that Sonae financial results exclude Sonae Sierra and NOS businesses.

Total net income remained flat during 9M17 and grew one million during the quarter, to €64 M, translating an improvement in all operating and profitability indicators. **Net income group share** rose to €133 M in 9M17, as a result of sales growth across all businesses and improved operating profitability, along with the valuation of shopping centres and reduced funding costs thanks to a recognised strong capital structure in Sonae. Excluding the non-recurrent capital gains registered in 1Q16, mainly due to the already mentioned sale and lease back operations, Sonae's net results would have been clearly positive.

Sonae remains focused on presenting a **robust capital structure**, optimising funding costs whilst maintaining sufficient back up liquidity and a long maturity profile. 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. As of 9M17, the average maturity profile remained close to 4 years. Net debt to invested capital also improved 210 bps compared to 9M16, to 36.7%. Sonae's net debt benefitted from a €30 M decrease, totalling €1,217 M at the end of 9M17.

Total business investment amounted to €202 M in 9M17, representing about 4.9% of turnover. Investment was channelled to opening new units, launching and developing new businesses and boosting internationalisation and customer service, having reached €109 M in Sonae MC, €26 M in Worten, €27 M in Sonae Sports & Fashion, €28 M in Sonae RP, and €9 M in Sonae IM.

4. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

In **retail**, turnover reached €4,067 M, increasing 6.6% compared to 9M16, as all divisions posted a positive contribution in the third quarter, in which turnover improved 5.1%. Retail's underlying EBITDA improved by almost €18 M compared to 9M16, reaching €237 M, as this evolution was mainly driven by Worten and Sonae Sports & Fashion.

In the case of food retail, Sonae MC turnover increased 4.8% in 9M17, reaching €2,814 M, and surpassed one billion in sales on the quarter. This performance benefited from a LfL sales growth of 0.5% and from the contribution of the expansion (of which 10 Continente Bom Dia stores opened in 9M17). In 9M17, turnover growth was higher than the market which allowed MC to further strengthen its market leadership. This 3Q17 was particularly positive for Sonae MC as the LfL sales stood at +0.1%, regardless the challenging comparable of +4.1% in 3Q16 and despite being negatively impacted by the low inflation (specially by the recent deflation on fruits and vegetables) and by the total market sales area expansion. This evolution proves the success of Sonae MC value proposition improvement, which continued to work towards maintaining price leadership in the market and improving price perception. In fact, once again, Sonae MC reached the top of the pricing index in the latest study of the Portuguese consumer's association. Despite the relentless competitive environment and the continued investment in price and in the

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expansion of the store network in proximity stores, Sonae MC underlying EBITDA margin stood at 5.2% in 9M17, reaching a higher amount of 6.3% in 3Q17.

Following the success of the 1st Dr. Well's opened in May 2017, a clinic specialised in dental and aesthetic medicine, Sonae MC opened a second clinic on 2nd October 2017. The openings of Dr Well's are aimed at democratising the access to quality, customised health care services and are in line with Sonae MC strategy of strengthening its position in the Health and Wellness segment.

In Worten, turnover rose to €689 M in 9M17, growing 8.8% compared to 9M16, supported by a LfL sales growth of 6.6% in Iberia. Pursuing its omni-channel strategy in Iberia, Worten continued investing in its web platform while improving its store network, with further store refurbishments in Portugal and Spain. The ecommerce operation kept showing a strong momentum, registering a sales increase in all geographies, particularly in Spain, where online sales have grown more than 50% since the beginning of 2017. The underlying EBITDA reached €14 M in 9M17, growing 54.1% y.o.y., already reflecting the initial impact of the integrated Iberian management approach, as well as the strong turnover improvement in all geographies and the store network optimisation in Spain, corresponding to an underlying EBITDA margin of 2.0%.

In the Sports & Fashion division, turnover stood at €437 M, growing 16.8% compared to 9M16. This performance benefited from Salsa consolidation (1Q17 and 2Q17), and from the growth of the original portfolio. The 9M17 turnover performance also confirms the success of the recent readjustment of the value proposition of original fashion formats, which reached strong LfL sales growth. Sonae Sports & Fashion underlying EBITDA rose to €12 M in 9M17, posting an improvement of almost €14 M compared to 9M16. This was driven by Salsa consolidation and also by the positive impact of the original portfolio. In 3Q17, the underlying EBITDA grew €4 M mainly due to improvements in the original portfolio brands.

In September 2017, there was the formalization of the agreement with the JD Group that combined JD Sprinter and Sport Zone. The completion of this transaction is still subject to the fulfilment of conditions precedent dependent on 3rd parties.

Sonae RP, the business unit responsible for managing Sonae's retail real estate portfolio, held a portfolio that included 20 Continente stores, 59 Continente Modelo stores and 30 Continente Bom Dia stores at the end of September, representing a gross book value of €1,255 M, equivalent to a net book value of €886 M. In 9M17, the freehold of specialised retail (Worten and Sonae Sports & Fashion) stood at 21%. Sonae MC freehold stood at 48%, following the sale and leaseback transaction on 25th July 2017 of 4 sale food retail assets, that generated a cash in of €35 M and a capital gain of circa €10 M. Despite the freehold reduction when compared to 9M16, from 51% in MC and 22% in specialised retail, Sonae RP turnover remained almost flat y.o.y, totalling €69 M in 9M17.

In **Sonae IM**, turnover totalled €95 M, increasing 7.7% compared to 9M16, and the underlying EBITDA stood at €3 M, corresponding to an underlying EBITDA margin of 2.7%. In 3Q17, Sonae IM registered indirect results in the amount of €4 M, driven by an upside in the valuation of the AVP funds, managed by Armilar Venture Partners, which include stakes in Feedzai, a specialist in fraud prevention, and Outsystems, a leading player in the low-code platforms market. Sonae IM has been implementing an active portfolio strategy, with the clear purpose 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, in retail, data analytics, omni-channel and e-commerce enabling technologies, and in telecoms, customer value enablers, efficiency, data monetisation and risk management. Moreover, transversal to both retail and telecoms, Sonae IM invests in the cybersecurity space.

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In **Sonae FS**, turnover rose to €17 M in 9M17, a 40.0% increase compared to 9M16. The underlying EBITDA increased by almost €3 M, reaching €2 M and representing an underlying EBITDA margin of 12.7%. Sonae FS was created at the end of 2015 and its mission is offering inclusive and personalised financial solutions to an enlarged number of people and families. Sonae FS offer includes: 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 the 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.

Regarding the Universo Card operation, the 9M17 performance was very positive, having surpassed the 500 thousand subscribers, while total production stood at €404 M, a 45.7% increase in comparison to 9M16.

In **shopping centres**, Sonae Sierra turnover totalled €162 M, an 8.0% increase compared to 9M16. Sonae Sierra has been continuously looking for new development opportunities as well as strengthening professional services. Presently, Sonae Sierra has the following projects in pipeline: Nuremberg (Germany), Málaga McArthurGlen Designer Outlet (Spain), the NorteShopping and Colombo expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco). Regarding the Málaga McArthurGlen Designer Outlet, construction works have already begun earlier this year and opening is scheduled for 2018. This project will comprise 30,000 sqm, representing a €115 M investment. Also scheduled for 2018 is the Norteshopping expansion, which likewise started construction works this year. The additional projects are evolving as planned.

Throughout 3Q17, Sonae Sierra continued to strengthen its services rendered, with 56 new contracts signed, closing 9M17 with 145 new contracts in the amount of €12 M. Additionally, within the scope of the Sonae Sierra and Bankinter partnership, ORES Socimi continued to look for assets in Iberia, having acquired 6 assets in 3Q17, in the amount of €74 M. Already in October 2017, 5 assets were acquired, which now places the portfolio with 9 assets in Spain and 7 assets in Portugal.

In operational terms, Sonae Sierra maintained a strong performance in 9M17, posting occupancy rates of 95.6%. Tenant sales grew 7.4% in 9M17 in Europe and 5.8% in Brazil (local currency), corresponding to a LfL tenant sales variation of 3.8% and 7.7%, respectively.

In **telecommunications**, NOS maintained its growth trend in all key operating metrics and continued to show a robust financial performance. Operating revenues reached €1,162 M in 9M17, growing 3.4% compared to 9M16, with all segments posting a positive contribution: telecommunications, audiovisuals and cinema. EBITDA totalled €452 M in 9M17, in comparison to the €432 M of 9M16, which corresponds to an EBITDA margin of 38.8%. Net results improved by 34.5% compared to 9M16, registering €106 M.

Regarding the operational indicators, the number of RGUs in 9M17 reached 9,366 thousand, growing 4.7% regarding 9M16, while convergent RGUs increased 11.0%, to 3,632 thousand.

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Consolidated profit and loss account

Million euros	9M16	9M17	Var	3T16	3T17	Var
Turnover	3,849	4,115	6.9%	1,439	1,513	5.1%
Underlying EBITDA	202	221	9.6%	96	105	10.0%
Underlying EBITDA margin	5.2%	5.4%	0.1pp	6.7%	7.0%	0.3pp
Equity method results (Sierra and NOS)	39	48	21.2%	14	16	15.1%
Non-recurrent items	56	4	-	0	9	-
EBITDA	297	273	-8.1 %	110	130	18.9%
EBITDA margin	7.7%	6.6%	-1.1pp	7.6%	8.6%	1.0pp
EBIT	152	121	-20.4%	61	78	27.9%
Net financial activity	-36	-28	22.2%	-11	-10	8.0%
EBT	116	93	-19.8%	49	67	36.1%
Taxes	3	9	-	3	-8	-
Direct results	119	102	-14.4%	53	59	12.0%
Indirect results	21	37	-	10	4	-
Total net income	140	139	-0.9%	63	64	1.0%
Non-controlling interests	-3	-6	-	-2	-3	-
Net income group share	137	133	-2.9%	61	60	-1.0%

Business performance (Million euros)	9M16	9M17	Var	3Q16	3Q17	Var
Turnover						
Sonae Retail	3,815	4,067	6.6%	1,429	1,503	5.1%
Sonae Sierra	150	162	8.0%	51	55	7.8%
NOS	1,124	1,163	3.4%	381	393	3.2%
Sonae IM	88	95	7.7%	27	25	-7.3%
Sonae FS	12	17	40.0%	4	6	41.0%



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