



SONAE FINANCIAL REPORT '16

MANAGEMENT REPORT



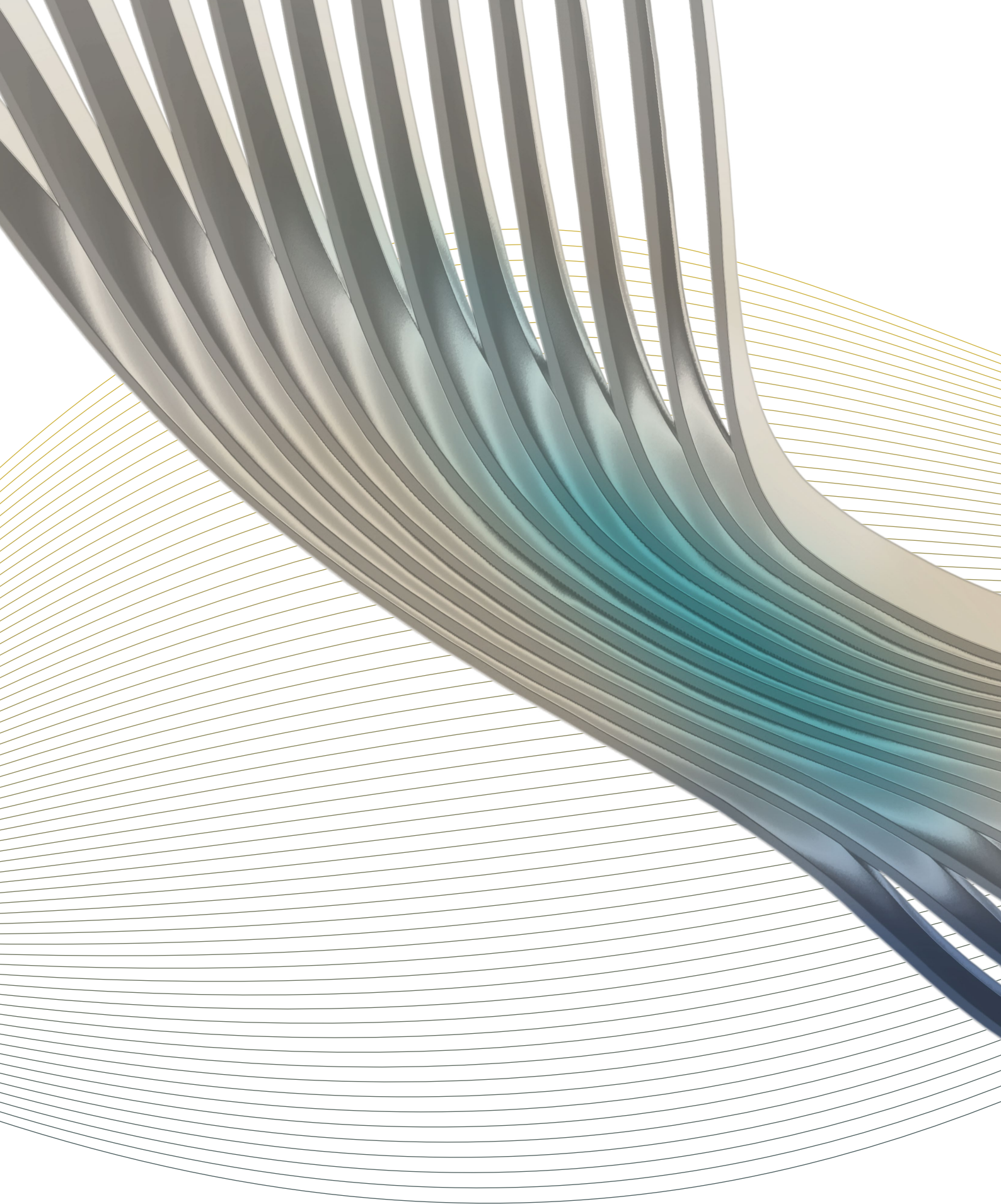
IMPROVING LIFE

At Sonae, each day is a new beginning
for new opportunities,
new challenges and new triumphs.



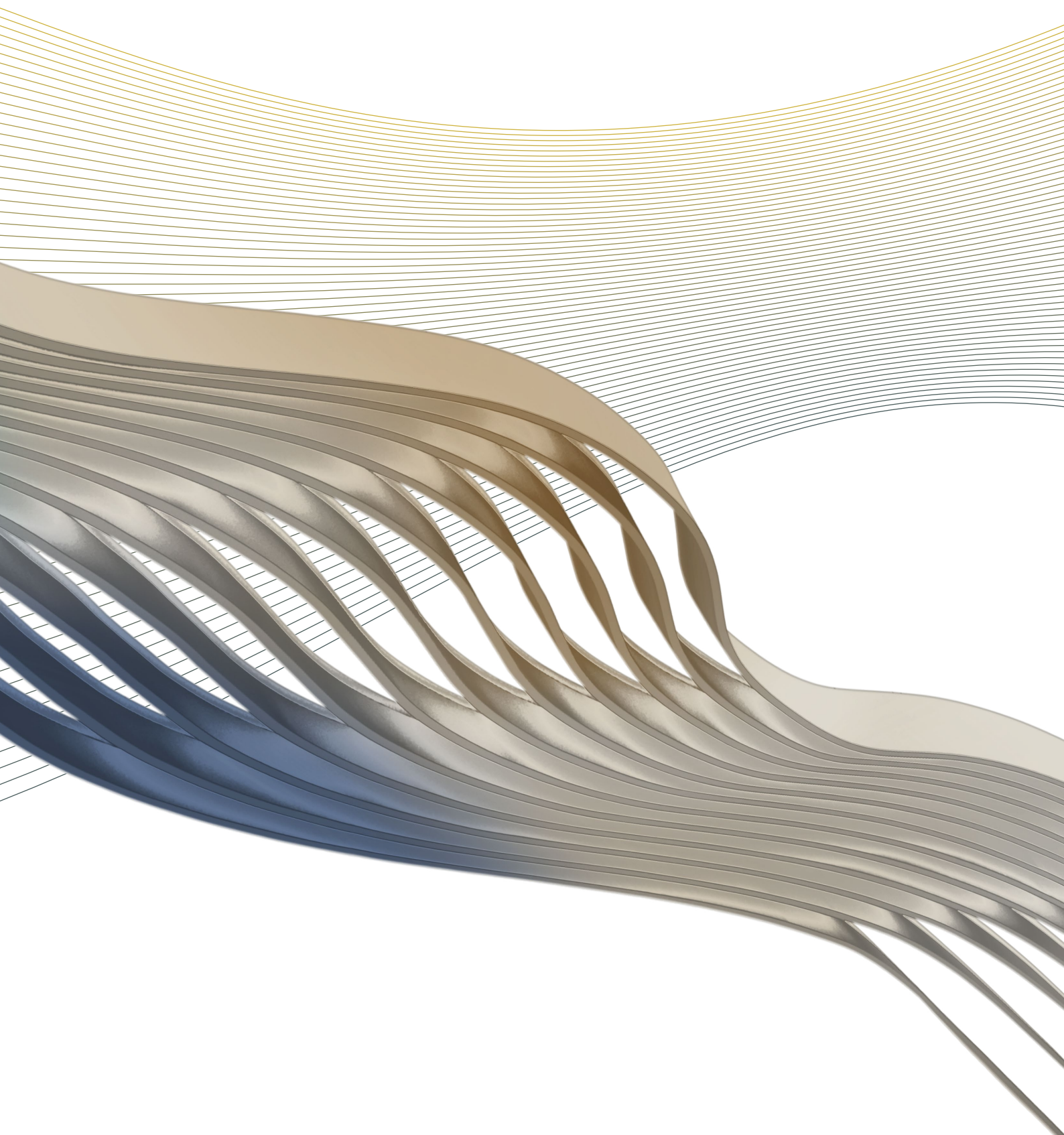
CONTENTS

SONAE AT A GLIMPSE○————	5
SONAE GROUP○————	15
PORTFOLIO PERFORMANCE○————	51
CLOSING REMARKS AND ACKNOWLEDGEMENTS○————	81
GLOSSARY○————	85
APPENDIX○————	91



SONAE

**SONAE AT
A GLIMPSE**

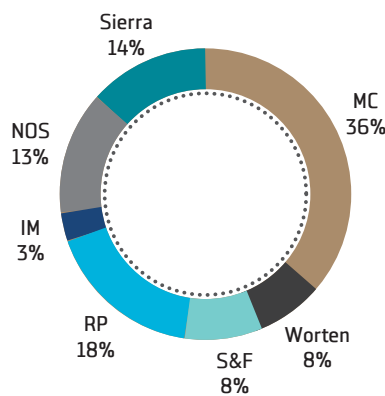


SONAE AT A GLIMPSE

Our numbers in 2016

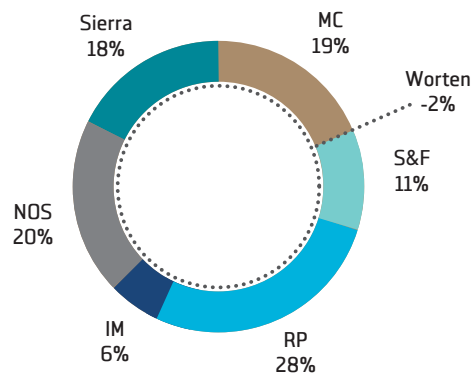
Enterprise Value

Split



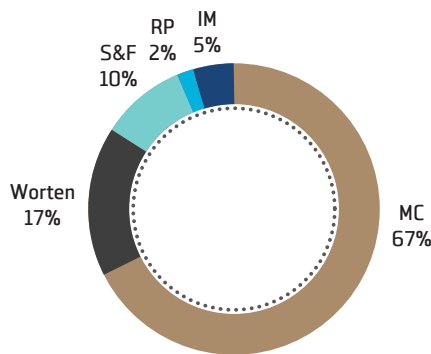
Invested Capital

Split



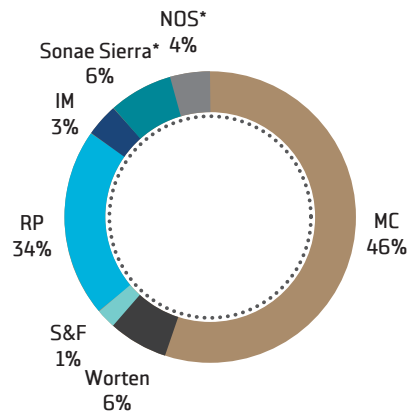
Turnover

Split



EBITDA

Split



* Equity consolidated



Turnover evolution (M€)

.....



EBITDA evolution (M€)

.....





Our world



Europe

Armenia
Austria
Azerbaijan
Belgium
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Italy
Kazakhstan
Latvia
Luxembourg
Netherlands
Poland
Portugal
Republic of Ireland
Romania
Russia
Serbia
Slovakia
Slovenia
Spain
Switzerland
Turkey
UK
Ukraine

Asia

Bahrain
Bangladesh
Cambodia
Qatar
China
Singapore
India
Indonesia
Iraq
Israel
Japan
Kuwait
Lebanon
Malaysia
Myanmar
Pakistan
Philippines
Republic of Korea
Saudi Arabia
Taiwan
Thailand
UAE
Vietnam

America

Argentina
Bahamas
Brazil
Canada
Cayman Islands
Chile
Colombia
Dominican Republic
Ecuador
Guatemala
Martinique
Mexico
Nicaragua
Peru
Puerto Rico
Trinidad & Tobago
USA
Venezuela

Africa

Algeria
Angola
Cape Verde
Egypt
Ghana
Libya
Morocco
Mozambique
Nigeria
Kenya
South Africa
Tanzania
Tunisia

Oceania

Australia
New Zealand

Awards and recognitions

The Kaizen Institute award recognises the outstanding adoption of continuous improvement methodologies as a strategic factor. Paulo Azevedo, Sonae Chairman and Co-CEO was the first individual recipient to ever receive this award; Sonae SR was also awarded.



CDP focus on improving corporate awareness through the measurement and disclosure of the environmental footprint. Sonae is one of the Iberian Leaders to be recognised by the CDP index and to achieve the Leadership A – award for its environmental reporting policy.



The Stevie Awards recognise the best practices and the success of organisations and professionals from all over the world. Sonae's new corporate website was distinguished in the Best Overall Web Design category.



The European Excellence Award honours the world's best communication and public relations projects. Sonae was the recipient of the award in the category of "External Publication" for its pioneering "Retail Book of Innovation'15".



The *Prémio Excelência – Inovação no Retalho* recognises innovative approaches to the retail business in the Portuguese retail sector. Sonae received 4 awards (Continente, Zippy, Mo and Note!)



The Portugal Digital Awards distinguish distinctive and innovative projects or individuals that stand out in relation to digital transformation. Worten and BIT were both recipients of awards.



The Vertex Awards are the only global competition devoted exclusively to the art of Private Brand package design. Sonae was the recipient of 7 awards in 2016.



The CIO of the Year by CIONET recognises excellence in managing Information and Communication Technologies as a strategic driver in sustainable success. David Alves, CIO at Sonae was the recipient of this award.



Sonae – Several brands, but the same Culture of Success
Our customers are our success. Their recognition is paramount to us and it represents our commitment and responsibility to work our hardest every day.



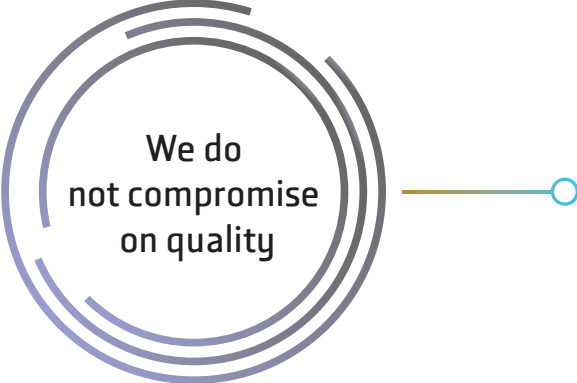
15 Escolha do Consumidor awards



2 Portugal Superbrands awards




6 Marca de Confiança awards



**We do
not compromise
on quality**

146,497 quality analyses

(79,313 internally and 67,184 externally)
of our suppliers around the world




**We value
our team**

**One of the largest employers
in Portugal**

44.4 thousand colleagues

sharing a common goal



**The environment
is a priority**

One of the Iberian Leaders

to be recognised by the CDP index

Leadership A- awarded for
our environmental reporting policy

**CO₂ emissions decreased
by 13% when compared to 2015**



16 innovative projects

distinguished internally for their significant contribution to the business

176 external awards

confirm our complete commitment to quality and sustainable success

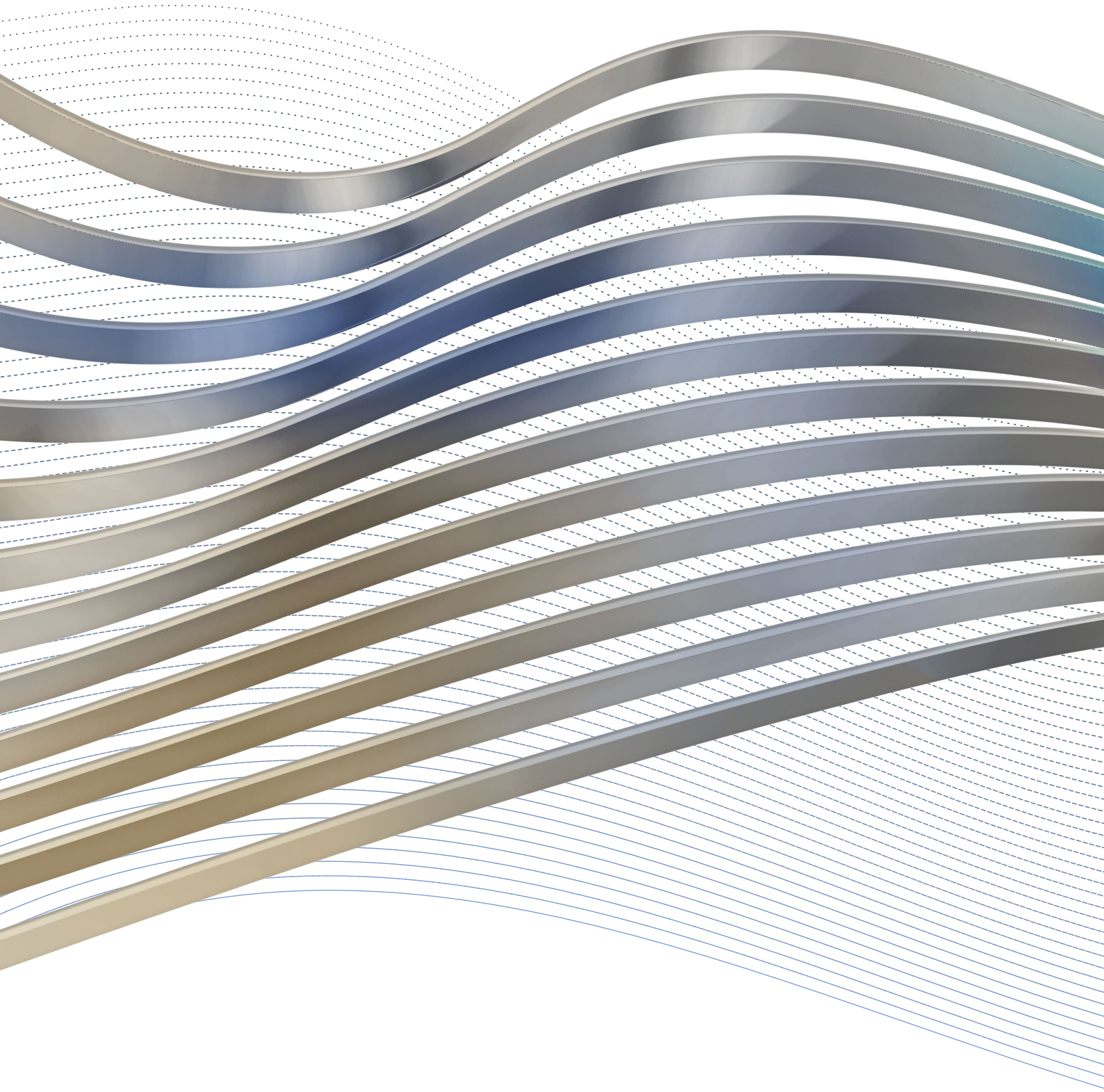


€10 M in community support

to social, human and cultural causes

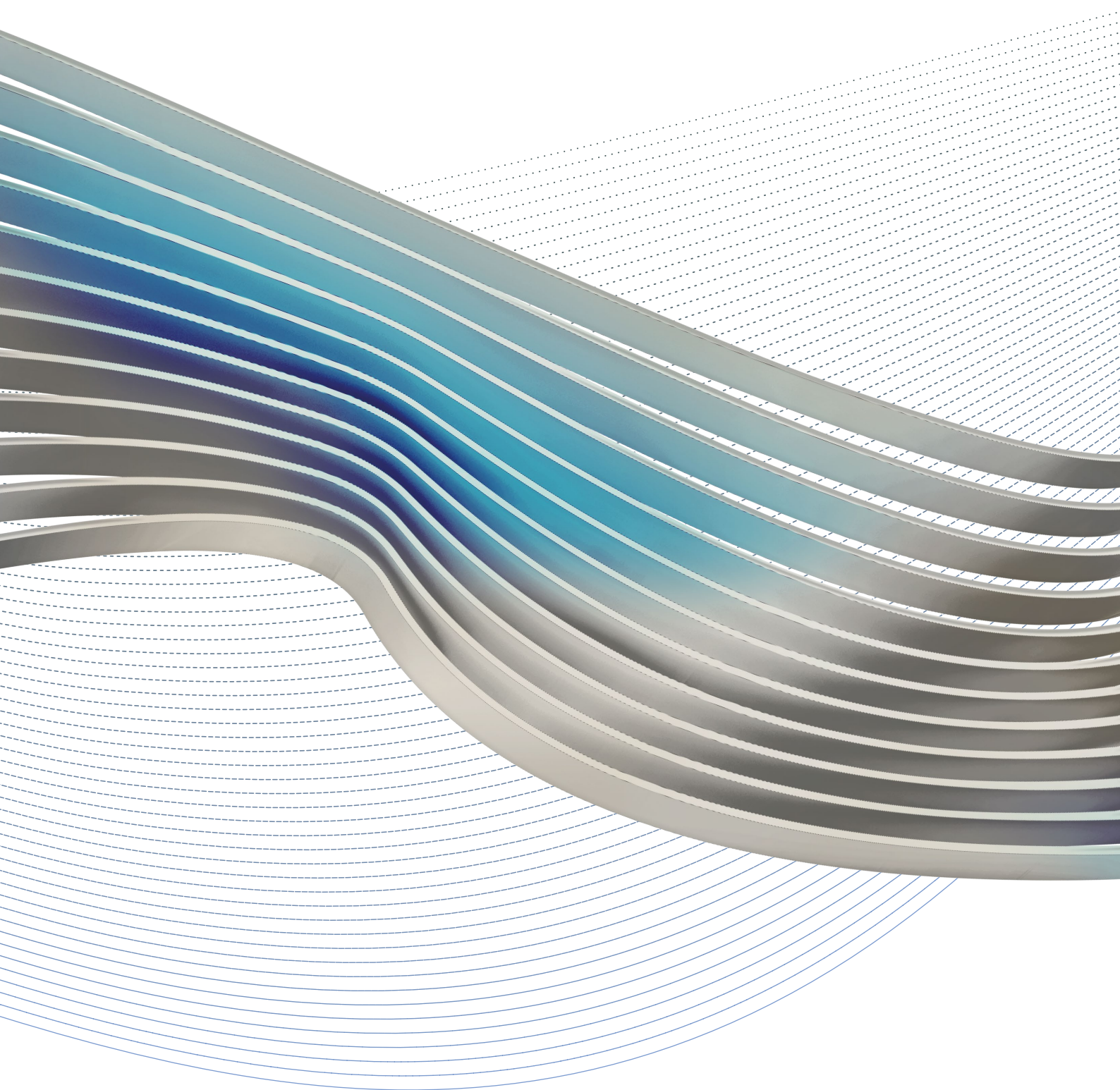
1,393 institutions supported

5,988 hours of volunteering to help the community



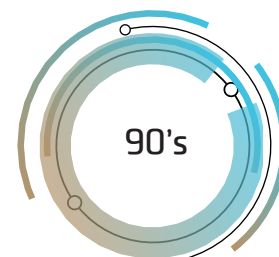
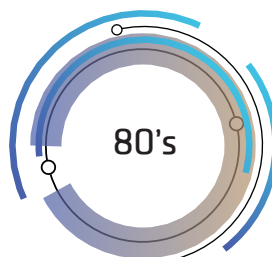
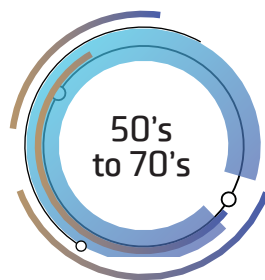
SONAE

SONAE
GROUP



SONAE GROUP

Our history



Capital Markets

- Launch of Sonae in the **Capital Markets** (1983)
- 7 IPOs for: Particleboard, Food Retail, Tourism, Media, Robotics, Shopping Centres, Electricity and Cooling (1987)

- Acquisition of a controlling position in **Tafisa** (wood panels) (1993)

M&A/ Disposals

- Acquisition of **NOVOPAN** (1971)

- Acquisition of **STAR** (travel agency) (1989)

- Opening of **Centro Colombo**, the largest Shopping Centre in the Iberian Peninsula (1997)

- Launching of **Optimus** (1998 - telco operator)

Openings

- Opening of the 1st **Hypermarket** in Portugal: **Continente** (1985 - Matosinhos)

- Opening of the **Sheraton Palácio Hotel** (1986) (currently Porto Palácio Hotel)

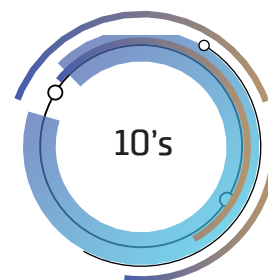
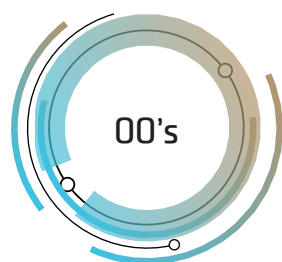
- Opening of the first two **Shopping Centres** built and managed by Sonae (1989 - Portimão and Albufeira)

Holding Operations

- Foundation of **Sonae - Sociedade Nacional de Estratificados** (18th August 1959)

- **Belmiro de Azevedo** was hired (1965)

- Set up of **Sonae Tourism** (1994)
- Partnership between **Sonae Sierra** and **Grosvenor** (1997)



	• Sonae Sierra delisting (2001)	• Spin-off of Sonae Capital (2007)	
Capital Markets	• Spin-off of Sonae Indústria (2005)		
	• Sonaecom takeover bid for PT and PT Multimédia (2006)		
	• Partnership between MDS (insurance company) and Cooper Gay (insurance broker) (2004)	• Acquisition of Carrefour Portugal (2007)	
M&A/ Disposals	• Disposal of Sonae Distribuição Brasil to the Wal-Mart Group (2005)	• Sale of 49.9% of MDS capital to Suzano Group (2009)	
	• Disposal of Enabler, by Sonaecom (2006)		
			• Acceleration of international expansion of several brands from Sonae (2010) (Zippy, Worten, Sport Zone, Berg, Deeply, ...)
Openings			
		• Paulo Azevedo becomes the CEO of Sonae (2007)	• Launching of the new corporate identity (2010)
Holding Operations			• Launching of "Obrigações Continente", a €200 M bond issue available through a public subscription offer to retail investors (2012)



Capital Markets

- Sonaecom launches a tender offer for the acquisition of a maximum of 24.16% of its share capital. The level of acceptance reaches 62%, corresponding to aprox. 55 M Sonaecom shares (2014)

- Cash settled equity swap term extension

M&A/ Disposals

- Merger between Zon and Optimus and creation of the NOS brand (2013)
- Sonae SR acquires Losan, a company specialised in kidswear wholesale with strong international presence (2015)
- Sonae sells GeoStar (2015)
- Sonae IM pursues its strategy of active portfolio management: sells Mainroad to NOS, acquires 60% of S21Sec capital and invests in Movvo

- Sonae SR acquires 50% of Salsa capital
- Agreement for the acquisition of a 51% participation in Go Well
- Acquisition of 2 food retail stores in Mozambique
- Four Sale and Leaseback transactions

Openings

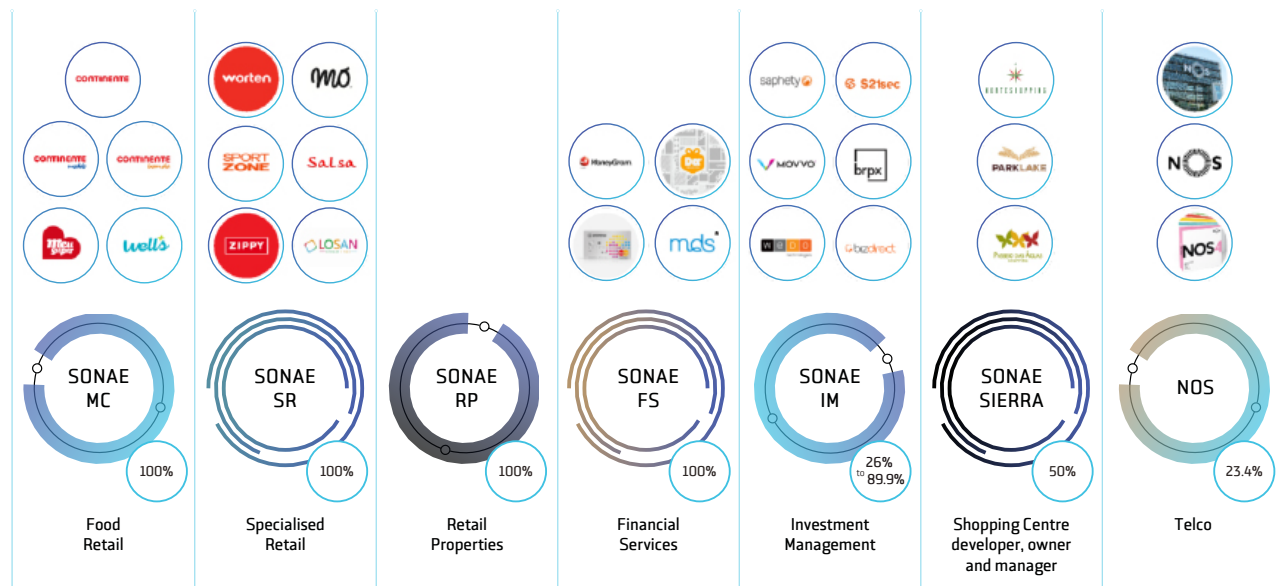
- Sonae Sierra opens ParkLake Shopping Centre in Bucharest
- Sonae MC opens its 1st supermarket specialised in healthy food

Holding Operations

- Launch of a convertible bonds offer due in 2019 with a principal amount of € 210.5 M (2014)
- Paulo Azevedo becomes Chairman and Co-CEO of Sonae. Ângelo Paupério is elected as Co-CEO (2015)

- Bond issue amounting to €60 M with a maturity of 7 years
- Acquisition and amortisation of 600 bonds in the amount of €60 M

Portfolio structure



FULLY CONSOLIDATED

*to be integrated in 2017

EQUITY CONSOLIDATED

Chairman's message

I believe we have demonstrated our ability to withstand very difficult market conditions and fierce competitive battles always taking into consideration the long term sustainability and profitability of our company

In a perhaps expectable sequence, political uncertainty was the latest addition to a streak of concerning world negative developments, which included financial, economic, environmental and security crisis.

We are naturally concerned with the possible consequences and we attempt to understand the possible societal and business impacts in all markets where we operate. Despite these risks, which can by no means be downplayed, we, at Sonae, feel somewhat reassured by the resilience and ability to adapt we have demonstrated. Our strong corporate culture and ethical approach to business has also proved to be a distinctive asset.

Our focus on the long term, innovation and sustainability has helped us steer through one of the worst economic crisis in Southern Europe and come out with a stronger company and new prospects – and always at a very healthy distance from the many political and corporate scandals that arose in the period.

We stayed true to our values and beliefs, worked harder and continued to invest in our future. 2016 was a particularly rewarding year because we were able to add turnover growth (+7.2%) to the positive performance in profitability and financial strength of the last few years.

The Iberian Peninsula, it is fair to say, has exceeded the modest expectations in most economic forecasts and has helped us significantly in obtaining this growth. Perhaps more importantly both Spain and Portugal managed to form relatively stable governments in seemingly difficult circumstances. The fact that this was partly achieved at the expense of tackling long term structural issues does of course leave Iberia in a vulnerable situation for the foreseeable future.

Our robust consolidated performance, with growth in turnover, EBITDA, direct and indirect results and with net debt reduction was achieved with positive evolutions across the board of our business units. Furthermore, this was possible in a year of strong investment in defending our leading position in our core markets and investing in innovation and internationalisation.

Sonae MC was particularly successful in further increasing its customer value proposition and accelerating the expansion of our smaller size formats into areas where we had small market shares. As a result, we achieved simultaneous growth in like-for-like sales and turnover growth through new store openings. This was only possible because the team put in an amazing amount of work to find and implement improvements in an extensive number of areas. Within Sonae MC we also made significant progress in preparing two new growth avenues – Health & Wellness and Internationalisation – where we expect to be able to show significant results in 2017.

Sonae SR has reorganized itself into an Electronics and a Sports & Fashion division. This increased specialization is showing early signs of focus and motivation. Both divisions contributed to the growth in turnover and EBITDA. Worten further developed its omnichannel strategy and customer value proposal, launching new websites, rebranding and further developing the latest store concepts. Sports & Fashion continued to work on product range and store network to achieve profitability in the original businesses at the same time that it develops a “House of Banners” concept and integrates new acquisitions and partnerships, with increasing international reach.

Sonae Sierra continued its successful strategy of being an integrated developer and manager of retail based real estate in own property and for third parties in Europe, South America, Northern Africa and the Middle East. We were particularly pleased to have significantly enlarged the number of clients and partners in services and investment. The opening of ParkLake Shopping Centre in Bucharest was also an extremely successful display of our innovative capabilities in development and we were proud to receive the CIJ Award 2016 for Best Retail Development & Developer of the year.

NOS continued to grow in turnover and profitability successfully managing a major battle for premium sports content and leading the market in convergence, product innovation and service quality.

2016 was not just a year of financial progress. We continued to increase and develop our people, support local communities, improve Health and Safety ratios, energy and water consumption and reduce CO₂ emissions. It is difficult to know which of the 176 award we received in the year to highlight, but running the risk of being unfair, I would like to mention two achievements:

- The AAMBA global award which selected SONAE as best company in the world at integrating and developing MBA students.
- The reduction of 13% of our carbon emissions, despite our significant expansion of activity, following last year's public commitment to make our subscription to the "Paris Pledge for Action" a very real acceleration to our progress in environmental performance.

Over the last few years, and in particular in 2016, I believe we have demonstrated our ability to withstand very difficult market conditions and fierce competitive battles always taking into consideration the long term sustainability and profitability of our company.

We trust this will be increasingly apparent and that our shareholders will be rewarded accordingly.

I am extremely thankful to all our teams and all our partners for the work, energy, creativity and resilience they have shown.

Looking forward, we are committed to developing our portfolio based on our 3 strategic pillars and our plans are, as always, to produce outstanding economic value at the same time that we:

**Improve our Work
Improve our People
and Improve our Planet**

Paulo Azevedo, Chairman and Co-CEO





Corporate strategy

Sonae's Mission

.....

To create long-term economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people.

Our Way

.....

We are a multinational group with solid roots and a constant drive towards progress. Our culture, how we conduct ourselves in life and in business is what bonds us and makes us special, in any business or geographic area.

The values we share, which can be found in our origins and in our DNA, are a legacy for the future and the way we create long-term economic value.

We face each day as a fresh new beginning for new opportunities, new challenges and new triumphs.

Sonae's Values

.....



Trust and Integrity

We are committed to creating economic value in the medium and long term, built on relationships founded on integrity and trust.



Social Responsibility

We have an active sense of social responsibility, and try to contribute to improving the communities within which we operate. Our behaviour takes into account the most recent environmental concerns and sustainable development policies.



People are at the Centre of Our Success

Setting constant challenges and being open to change are crucial in order to attract ambitious people. Our people are a determining factor in the markets where we operate and, for that reason, we invest in developing their capabilities and skills, thereby further enriching our culture.



Frugality and Efficiency

We aim to optimise the use of resources and maximise their return, seeking cost efficiency, and avoiding any waste or extravagance. As a priority, we focus on achieving operating efficiency, promoting healthy competition, and delivering high impact projects.



Ambition

Ambition stems from continuously establishing goals which push us beyond our limits, reinforcing our efforts and determination. Ambition drives us and keeps us dissatisfied with the status quo, forcing us to reach beyond our past successes.



Cooperation and Independence

We are willing and ready to cooperate with central and local governments, in order to improve regulatory, legal and social frameworks, and to ensure the best solutions for the communities within which we operate, but we also take care to maintain our independence in relation to all such entities.



Innovation

Innovation is at the heart of our businesses. Innovation involves risks, but we are aware of the importance of identifying and managing these risks, so as to maintain within reasonable limits. We know that only by innovating, can we grow sustainability.

Sonae's Strategic Pillars

VALUE CREATION THROUGH THREE STRATEGIC PILLARS



We constantly strive to reinforce our strongest competitive positions and explore new business opportunities that leverage our exceptional capabilities and asset base as a way to nurture our portfolio of options for future growth.



Internationalisation remains our key growth driver for years to come and we will continue to deploy resources accordingly, as we have the opportunity to enlarge our international footprint and reinforce Sonae's status as a multinational corporation.



We will maintain a high level of flexibility in pursuing different business models (from organic expansion to wholesale, franchising and services rendering) and investment styles (including wholly owned businesses and majority stakes, but also joint ventures and minority stakes).

Strengthen and leverage our key assets and competencies

Reinforcing our strongest competitive positions is a key condition for our long-term sustainability. It is the stepping stone for our growth strategy and it is where most of our key competences and assets currently reside. We will therefore continue to explore new business opportunities that leverage our exceptional capabilities and asset base in Portugal, as a way to nurture our portfolio of options for future growth. Below is a description of a few examples of this strategic pillar.

Go Natural restaurants - A strategic investment for Sonae MC

As a market leader in food retail, Sonae MC is in a privileged position to anticipate market trends and to quickly and strategically invest. Based on MC's capacity to better understand the food retail market, Sonae MC has been significantly increasing its presence in the healthy food market.

Go Natural is a benchmark brand in the healthy lifestyle sector which owns 22 healthy food restaurants in Portugal typically located in shopping centres, in a variety of formats such as grab & go, sushibar, made to order and breakfasts.

This acquisition (which is expected to be completed in 2017) is in line with Sonae MC's strategy towards investing in the area of health and wellness, namely in healthy food, providing an answer to consumers' growing demand for options that promote a healthy lifestyle and contribute to improving their quality of life. It also strengthens Sonae MC's market position as a specialist in wellbeing and reinforces its investment in solutions adapted to a healthy lifestyle.

"Go Natural is recognised in the market for its distinctive offers in the area of healthy food and it is very much in line with our strategy of promoting healthy lifestyle habits. In partnership with our current shareholders, we will foster their strengths and promote new opportunities for growth and development."

Luís Moutinho | CEO of Sonae MC



Go Natural – Sonae MC's first supermarket totally dedicated to healthy food

Sonae MC launched its first specialised supermarket focused on a healthy lifestyle, under the Go Natural brand, at the end of 2016.

The first Go Natural supermarket opened in Lisbon with a retail sales area of 350 sqm, introducing a comprehensive and articulated concept that was developed to create an organic and natural environment.

It also includes a corner with a Go Natural restaurant, featuring an appealing design in a comfortable environment, where customers are able to try nutritional juices, soups, salads, pastas, sushi, in addition to hot meals and a salad bar where they can create their own salad.

At the supermarket, customers can find a wide range of healthy, organic and dietetic products, specific ingredients appropriate for people with food intolerances or restrictions, as well as supplements, vitamins and sports nutrition, with a broad range of products available at the best price.

"Sonae MC is committed to democratising access to healthy and organic products, with special nutritional qualities, available to all consumers, at attractive prices. Launching the Go Natural supermarkets is an important step in this strategy, as it allows us to offer our customers a distinctive shopping experience and service, strengthening our growing specialisation in the area of healthy food. Additionally, customers will also benefit from a strong promotional dynamic with several direct discounts and discounts on the Continente card, which is valid at these stores."

Inês Valadas | Director of Sonae MC



Well's Health Plan – Sonae MC has strengthened its commitment further to the Health segment

The launch of the Well's Health Plan is directly in line with Sonae MC's drive to strengthen and leverage its key assets and competencies by reinforcing the value of its loyalty card and bringing health services to a significant part of the Portuguese population.

Well's concern for health and wellbeing has resulted in launching Well's Health Plan, which is designed to offer easier access to private medical care. This Plan reinforces Well's position in the health area and aims to facilitate access to private health services to the more than five million Portuguese people who do not have insurance or health plans or access to subsystems. This option is available to Continente card holders and their families and it is expected to allow Portuguese families to save more than €15 M in medical services every year, providing direct discounts on medical services and accumulating an extra 15% discount on their Continente card.

To access this plan, clients need to have a Continente loyalty card and have spent an average of €50 per month over the last six months. "Well's Health Plan is for you, your family, it is for everyone."

"All Portuguese people can now enjoy and benefit from this plan. We aim to democratise access to private health in a transversal way, by providing our clients with affordable prices for consultations, examinations, minor surgeries and other medical services. It is our conviction that the Well's Health Plan brings value to all Portuguese people, especially the 53% who do not have any other solution."

Inês Valadas | Administradora da Sonae MC

WELL'S HEALTH PLAN IN A NUTSHELL

- 5.6 Million Portuguese people do not have any insurance or health plan.
- In partnership with AdvanceCare, the plan allows an average saving of 40% on the actual value of a consultation or examination.
- Has no membership costs or monthly fees, no limit of use or waiting period, no age limit or exclusion due to pre-existing conditions.
- Provides access to General Practice and Specialised Consultations, Dental Care, Examinations and Blood Tests, Birth and Small Surgeries, Emergency Consultations and House Calls (24h/day), Physiotherapy, Psychology or Nutrition.



Universo Card – Taking customer loyalty a step further

Launched in October 2015 with a clear goal of becoming a major player in household payment methods in Portugal, *Universo* card has reached more than 400 thousand clients at the end of 2016, far exceeding the best expectations of the Financial Services' team.

The *Universo* card is an example of Sonae's ability to reinforce an already strong competitive position, as it strengthens the value proposal of the Continente loyalty card by combining it with a payment and a discount tool. The previous success with loyalty programmes has served to leverage the launch of the *Universo* card, allowing it to establish itself as a successful discount and payment platform for Portuguese families, integrating Sonae stores as well as the growing network of partners within the Continente programme and all the benefits of a universally accepted MasterCard, with no annual fees.

"In just over one year, we have been able to reach more than 400 thousand clients, a number that is naturally very satisfying, which confirms how extremely useful this innovative solution is in the national market. The *Universo* Card came about to strengthen Sonae's commitment to be at the side of the Portuguese people at all times, providing them with effective savings and better management of their family budgets. It is our ambition to continue to take the benefits of the *Universo* Card to an increasing number of Portuguese families."

Carlos Braziel David | COO of Sonae FS



Worten – Omni-channel shopping experience

In a market branded by fast moving trends, constant technological changes and fierce competition, Worten is continuously evolving and adapting, creating a unique dynamic and becoming a reference for customers. Based on its omni-channel strategy, Worten is committed to providing customers with diversity, affordability and convenience, by integrating its online shopping functionalities with its network of stores. It is increasingly common for a customer to calmly choose and buy a product at Worten.pt, and then pick up the order at the store closest to them.

"We want to make it very clear that Worten finds everything a customer wants, even if it does not exist in the store. We deal with a more demanding and knowledgeable client, who has access to information about a huge variety of articles. It is therefore natural that their expectation is to have concrete access to all those varieties of products. Even if there is no stock in the stores, Worten guarantees that the article the customer wants will be ordered, with the added value of delivering it wherever they want, whether it is at home, at work or at a Worten store of the client's choice."

Inês Drummond Borges | Worten Marketing Director

Worten – The online experience

Worten's website plays a pivotal role in Worten's omni-channel strategy. Accordingly, Worten took this a step further with the introduction of a new website, more innovative and intuitive, incorporating the most modern e-commerce practices. It is 100% responsive (viewable on a desktop, laptop, tablet or smartphone) with smooth interaction effects, intuitive usability and easy navigation. Its fresh look and new features make it more appealing, ultimately reflecting the innovation and dynamism of the Worten brand itself. More flexible and efficient, the new website also highlights more product categories and introduces new product simulators and comparators to make the buying process easier - either online or through the in-store reservation option. The website was first introduced in the Spanish market and was launched last November in the Portuguese market with an impressive impact.



Sonae Sierra – Renowned expertise in Shopping Centre management

Sonae Sierra has been developing its portfolio of projects by expanding the services provided to third parties. The company's international footprint and extensive experience in developing and managing shopping centres creates a unique profile that allows Sonae Sierra to enter any shopping centre project at any stage and bring unique strengths and expertise to the table.

In 2016, Sonae Sierra signed a contract with Marjaneto to provide leasing services to the Tachefine Shopping Centre (Casablanca). With this new contract, Sonae Sierra currently provides specialised services to nine shopping centres in Morocco. At the same time, it is also continuing with the development of Zenata Shopping Centre.

"Morocco is a strategic market for Sonae Sierra at the international level. The country is a strong market with high potential for development, in which the middle class offers multiple opportunities for companies whose business is based on consumption. Our growth in third party service provision and confidence in our management capacity has enabled us to engage in the first development with our own capital, namely Zenata. Nonetheless, with this new contract Sonae Sierra continues to grow in the field of third party services."

Alberto Bravo | Managing Director of Property Management for Eastern Europe and North Africa at Sonae Sierra



Tachefine Shopping Centre, Casablanca

InovRetail – Expanding Sonae IM's portfolio of retail intelligence

Sonae IM has become a reference shareholder in the start-up InovRetail. InovRetail is a company whose core business is the development of advanced analytical tools, focusing on supporting retailers in decision-making and improving their performance. The solutions developed by InovRetail allow retailers to adjust supply and increase sales based on analytical data, while enabling forecasts to be made with high levels of reliability. In addition, they also create new opportunities to improve the in-store customer experience. These solutions are already implemented in reference retailers in the areas of sport, electronics, fashion, food, among others, representing more than 500 stores.

The entry of Sonae IM will contribute to making InovRetail a technological reference company for retailers at a global level and enables Sonae IM to foster its options for future growth, further developing its portfolio around retail and telco technology.

The next steps will be to accelerate InovRetail growth in the markets where it already operates, as well as to enter new markets by investing in team growth, improving its SaaS (Software as a Service) platform and strengthening research and development. InovRetail's ambitious global expansion plan will be based on a team with extensive experience in information technology related to retail, specialised in data and analysis.

"We believe in the underlying potential of InovRetail in becoming a global player, and we will help to accelerate the company's growth. This investment approach is aligned with Sonae IM's strategy – to invest in teams and companies with great global growth potential, with distinctive technologies for the vertical retail"

Eduardo Piedade | Executive Director of Sonae IM

Inovretail

THE RETAIL INTELLIGENCE COMPANY

Drive international expansion

Internationalisation will remain our key growth driver for many years to come. Therefore, this is one of Sonae's strategic priorities and we will deploy resources accordingly. Below is a description of a few examples of this strategic pillar.

Salsa – Sports and Fashion's most recent acquisition

Sports and Fashion has concluded the acquisition of a 50% stake in Salsa at the end of 1H16. Established in 1994, Salsa is a Portuguese jeanswear brand, internationally renowned for its entrepreneurship and ability to develop innovative products. Salsa is a truly global company, with its products available in 32 countries. Salsa's turnover generated outside Portugal is above 50% and the company has had a consistent track record of double digit EBITDA margin.

Salsa is known for its strong operational knowledge in textile innovation and third-party distribution, robust international growth perspectives, solid and consistent operational profitability and an extremely loyal client base. These qualities, coupled with Sonae's international ambition, strong network capabilities and shopping centre international footprint, will lead to additional international expansion, while adding efficiency through synergies and economies of scale.



SPORTS AND FASHION'S LONG-TERM GOALS FOR SALSA ARE AMBITIOUS:

- Accelerate growth both in current and new countries
- Reach 70% of international revenues by 2020
- Maintain strong profitability levels
- Reinforce the brand position beginning with the Iberian market

Salsa has been fully consolidated in Sonae SR's – Sports and Fashion financial statements since the beginning of 2H16.

Salsa

ParkLake – Sonae Sierra's flagship project

ParkLake is an example of Sonae Sierra's unique knowledge and capacity to operate as a global player.

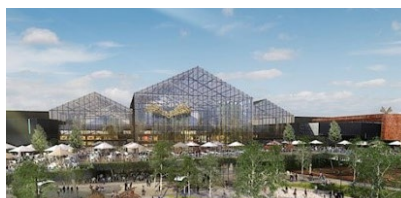
The €180 M investment from Sonae Sierra and Caelum Development comprises more than 200 shops and creates approximately 2,000 new direct jobs, bringing several new brands and retail concepts to the Romanian market for the first time.

ParkLake was inspired from its inception to be a project that would redefine excellence in sustainability, a clear demonstration of Sonae Sierra's ambitions in the international arena, going beyond the most demanding requirements in terms of quality, safety and sustainability.

With appealing architecture and a design that perfectly matches the neighbouring Titan Park, ParkLake offers a comfortable and pleasant shopping experience, complemented with a distinctive mixture of leisure and sports features.

"ParkLake is our first development in Romania and one that sets new standards at an international level. The shopping centre brings together the different concepts of shopping, nature and family and we have developed sport's features, children's entertainment, events and relaxation areas like no other place in the city. ParkLake is set to become the place in town where you can go shopping and eat, but also relax, enjoy a walk, practise sport and watch live shows; and all of this linked to the amazing Titan Park. We wanted bring a new perspective to shopping and leisure activities in Bucharest and from tomorrow onwards, everyone can enjoy the new ParkLake experience."

Ingo Nissen | Managing Director of Sonae Sierra, responsible for Development in Romania



Zippy – Growing its international footprint

In order to expand its business, Zippy is concentrating on diversifying its business models and is focusing in particular on franchising as a way to become more international. Products of the brand are now available in more than 40 countries and the aim is to continue to grow through franchising agreements, wholesale or store-in-store solutions.

Zippy continued to pursue its international expansion in 2016, ending the year with 72 stores outside Portugal, 54 of which were through franchising agreements. In 2016, Zippy entered Ukraine through a partnership with a fashion department retailer to create nine selling corners in the country. Additionally, Zippy has signed a franchising agreement for Cyprus which includes the possibility of opening five new units over the next five years.

“Zippy has been investing in developing quality products that combine price, style and innovation, which has allowed us to win over partners and customers around the world. Through its own stores, franchising and wholesale business models, Zippy’s products are currently available in over 40 countries, contributing to establishing Sonae as a multinational corporation that is able to compete in the most varied markets, from more mature economies to countries with strong economic potential.”

Joana Ribeiro da Silva | Executive Director of Sonae SR and Zippy CEO



Losan – “happy fashion” international expansion

Following the acquisition of the multinational brand Losan, a Spanish based company specialised in the wholesale of children's clothing, the Sports and Fashion division was able to expand its international presence.

Losan's network includes more than 40,000 sale points in more than 40 countries, with international sales representing more than 50% of Losan's turnover. Their already strong international presence keeps growing and in 2016, Losan entered new relevant markets, such as the Persian Gulf and China, and opened a subsidiary in Russia.

In 2016, Sports and Fashion opened this brand to the international retail market through the establishment of the first franchising contract, in Bahrain, which includes the opening of one store in 2016, and up to 15 stores in the next 5 years.

"Sonae's acquisition of Losan has helped us to reconfirm our strategic plan, creating new growth perspectives. Entering Bahrain is the beginning of a franchising expansion in the GCC region, a new expansion format that capitalises on our ability to develop children's fashion products at attractive prices and adapted to the daily lives of all children."

Gerd Loewen | CEO of Losan



Continente Wholesale – A strong base to conquer new markets

Sonae MC's unique network of supply partners and the quality of its own brand products are a key determinant in its international wholesale strategy.

Sonae MC wholesale is now present in 20 countries and continues to improve its internationalisation strategy and processes in both food and non-food retail, making sure that it is able to answer the most demanding challenges with the same quality that has made Continente a reference in retail.



Diversify business and investment approach

.....

Sonae ensures high levels of flexibility in pursuing its growth ambitions, by adopting different business models and investment styles. Business models range from organic expansion to wholesale, franchising and rendering services, while the investment approach varies between full ownership and majority stakes to joint ventures and minority stakes. Each model is selected and deployed according to our ability to accelerate specific opportunities and manage risk. Below is a description of a few examples of this strategic pillar.

Sonae MC – Diversification of business models and investment style

Meu Super - Enlarging the influence of the Continente brand through franchising



Meu Super is a solid example of Sonae MC's growth strategy via franchising, which allows the diversification of the food business through the establishment of local food convenience stores located in residential areas. This model already combines 260 local Meu Super stores, in which the franchisees have access to Continente's private label and to the integration of Continente's loyalty card programme. Franchisees do not pay royalties or start-up commission and benefit from Sonae MC's know-how to study the business viability, as well as the store operation.



.....

Hilton Food – A partnership that provides the extra step in food preparation and in the commitment to national production

Sonae MC partnered with Hilton Food Group, a specialist in meat preparation and packing, with the main goal of further upgrading the quality of its products. This partnership will allow the position of Continente to be strengthened further in the development of innovation and sustainable promotion of the agro-food business in Portugal.

Under this agreement, Sonae MC and Hilton Food will work together towards the optimisation and development of the Meat Processing Centre, a unit that is currently responsible for a weekly supply of more than 1,000 tons of meat to Continente stores across Portugal.

This partnership confirms Sonae MC's ambition to increase value creation in the meat department, while reinforcing its commitment to support the sustainable development of national production.



Sonae SR – Diversification of business models and investment style

Losan - Expertise in global supply chain

Losan, currently fully owned by Sonae Sports and Fashion division, is the second largest Spanish operator in children's wholesale fashion, ranking third in markets such as Italy or Portugal.

The company brings a team with in-depth experience of the Spanish market and an operational infrastructure that allows Sonae SR to increase its tools and competences in the wholesale area and supply chain, empowering new business opportunities and strengthening its position in the global fashion market, especially in children's fashion.



Sonae SR - Joint venture for the Canary Islands

Sonae continuously looks for opportunities to strengthen its international presence, focusing on the development of partnerships with players that share its values and have extensive local or industry expertise. The joint venture with Grupo Número 1 for the opening of specialised retail stores in the Canary Islands is an example of such an approach.

The joint venture with Grupo Número 1 is aimed at accelerating the internationalisation of Worten and Sport Zone via the opening of 14 Worten stores and 13 Sport Zone stores.

The necessary investment is aligned with the implementation of a capital light approach towards expansion, with real estate being owned by third parties and with Sonae benefiting from a local network. The entry into the Canary Islands market follows new models that Sonae can adopt in the expansion to new markets.



Sonae Sierra – Pursuing a capital recycling strategy

In order to finance its investments, Sonae Sierra has been carrying out a “capital recycling” strategy. The company releases equity holdings in mature projects and reinvests them in the development of new projects, maintaining a minority stake, the property management of shopping centres, and in some cases also its fund management.

With the easing of the financial crisis, Sonae Sierra’s assets, which are concentrated in southern Europe, are again very attractive to investors, allowing the company to recycle capital and concentrate once again on its main activity, namely the development of new projects.

During 2016, Sonae Sierra sold a percentage stake of the Sierra Portugal Fund to Madison International Realty and established Iberia Coop, a new fund in partnership with CBRE GIP to own and operate shopping centres in the Iberian Peninsula. The venture was launched with the acquisition of three regional shopping centres in Spain (Luz Del Tajo) and Portugal (AlgarveShopping and Estação Viana Shopping), previously owned by the Sierra Fund. Under the arrangement, CBRE GIP has a majority stake in the centres, while Sonae Sierra retains a minority share and assumes the role of local operating partner and asset and property manager.



NOS - Success in managing a JV with clear value creation

Since the merger to create NOS, which occurred in 2013, NOS has been delivering a positive operating and financial performance in a highly competitive market, and meeting its demanding target for market share growth ahead of Sonae's expectations. This company achieved both a turnover and EBITDA growth of 4.9% and 4.4%, respectively. NOS' performance is driven by innovation and service quality, which allows market share across all business segments to be increased, particularly in the business segment.

During 2016, NOS achieved a key position in the sports segment, by signing major contracts with Sport Lisboa and Benfica and Sporting Clube de Portugal.



Há mais em nós

Leadership and Governance

Sonae's leadership is the result of a lean structure that empowers each colleague in the organisation to believe that they can help the company to create a living and thriving organisation, based on solid corporate values and determined to create a sustainable future based on a better society.

We want Sonae to grow both in segments and geographically. In a fast-moving business landscape, where barriers to competitors are becoming increasingly lower, where investors are more demanding both in accountability and performance and where market trends change swiftly. Our companies need to be agile and need to excel in different markets, each one with its own idiosyncrasies. We want the best of all the dimensions. We want our business units to be successful and at the same time we want to create value through the combination of a singular portfolio of companies designed to work together and create a strong competitive advantage from the synergies created.

In order to achieve higher levels of business specialisation, we have provided each business unit with dedicated management teams, with unique knowledge about each market. Sonae is an anchor to investors focused on the

long-term performance and we want to make sure that investors perceive how unique our skills are in each segment and we want investors to access each unit performance with the same level of scrutiny that we impose. To do so, we need to stay faithful to our values and promote a high level of transparency across the whole organisation.

Our corporate governance structure is designed to protect small investors and to comply strictly with the best corporate governance practices. We have selected members with a strong commitment to sustainability and with a reputable background both as individuals and as professionals.

Sonae's Board of Directors reflects our commitment to higher levels of efficiency while maintaining a high level of independency, with 2 executive directors (and both co-CEOs) and 7 non-executive and independent directors. The structure of Sonae's Board of Directors represents our commitment to small investors, bringing in a multidisciplinary team comprised of independent, world-renowned experts in different areas covering all the critical dimensions of Sonae's strategy. We want to receive advice from the best and we want investors to feel that we promote an open management approach.



1. **Tsega Gebreyes** – Expertise in finance and strategy across different sectors and geographic. Founding Director and Managing Partner of Satya Capital, a London-based, African-focused private equity firm.
2. **Dag Skattum** – Longstanding career in the financial sector, namely in capital markets and M&A advisory with JP Morgan and TPG. Currently Vice-Chairman of JPMorgan Chase EMEA.
3. **Paulo de Azevedo** – Chairman and Co-CEO. Has held senior positions in Sonae Group since 1988.
4. **José Neves Adelino** – Professor of Economics and Finance in leading universities in Europe over the last 40 years. Has held non-executive positions in several listed companies and is currently a Director at Fundação Calouste Gulbenkian.
5. **Lorraine Trainer** – Career specialised in HR and talent management, particularly in the financial sector. Has spent the last few years mostly in

corporate advisory roles with a strong focus on Board-level succession planning services and director development.

6. **Christine Cross** – Longstanding career in retail, particularly in the food segment (14 years of senior positions held at Tesco PLC). Currently providing independent advisory and serving on several non-executive Board positions.
7. **Ângelo Paupério** – Co-CEO. Has held senior positions in Sonae Group since 1989.
8. **Andrew Campbell** – Renowned expert on Corporate-level Strategy. Currently Director of the Ashridge Strategic Management Centre. Previous positions held at the London Business School and McKinsey & Company.

Marcelo Faria de Lima (not in the picture) – Strong expertise in the Brazilian market, particularly in the financial/investment management sector. Currently holds several non-executive roles in leading Brazilian corporations.

(from left to right)

The Board of Directors is responsible for ensuring the management of Sonae's business, exercising all management acts pertaining to Sonae's corporate purpose, setting strategic guidelines and appointing and generally supervising the activity of the Executive Committee and of its specialised committees.

Sonae Executive Committee comprises of our two Co-CEOs. A light weight team who collaborate closely together and that is responsible for the implementation of the strategic

guidelines, working every day to achieve long-term sustainable success.

The Executive Committee manages our business portfolio assisted by a dedicated and highly-qualified team with specialised knowledge of each business segment, the Group of Senior Executives.

The Group of Senior Executives includes the CEOs of all the business units and plays a pivotal role in managing and developing Sonae's portfolio.



1. Luís Reis – Corporate Centre, Sonae FS and Sonae RP CEO.

2. Miguel Mota Freitas – Sonae SR, Worten and Sports and Fashion CEO.

3. Paulo Azevedo – Sonae Chairman and Co-CEO.

4. Fernando Guedes de Oliveira – Sonae Sierra CEO.

5. Cláudia Azevedo – Sonae IM CEO.

6. Miguel Almeida – NOS CEO.

7. Ângelo Paupério – Sonae Co-CEO.

8. Luís Moutinho – Sonae MC CEO.

(from left to right)

Corporate Governance

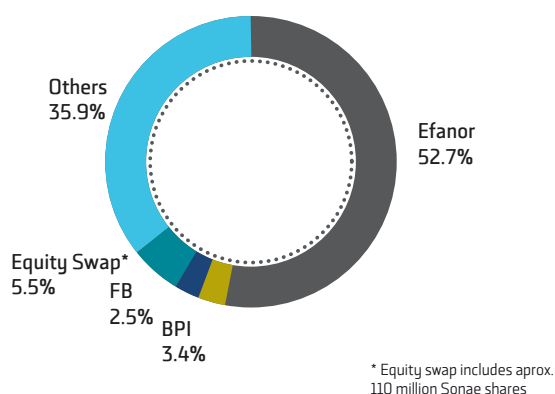
Sonae is aware of its impact on society and we stand by our responsibilities. Our corporate values reflect our vision towards stakeholders and we are committed to the highest standards of corporate governance based on transparency, ethics and responsible behaviour, contributing towards our history of success and, more importantly, to our future.

Sonae is a transparent organisation and we are deeply committed to maintaining good communications with all investors and we devote particular attention to small investors. We advocate the highest levels of information quality and transparency on the market.

Our Investor Relations department is permanently available to discuss any issue with our stakeholders and all relevant information is made available both in Sonae and on the Stock Exchange Commission websites. Our reporting policies go beyond the regulatory requirements and we are committed to reporting all relevant information on a voluntary basis. For further information on Corporate Governance related issues, please refer to our Corporate Governance Report.

Shareholding structure

Shareholding Structure



Creating value for shareholders

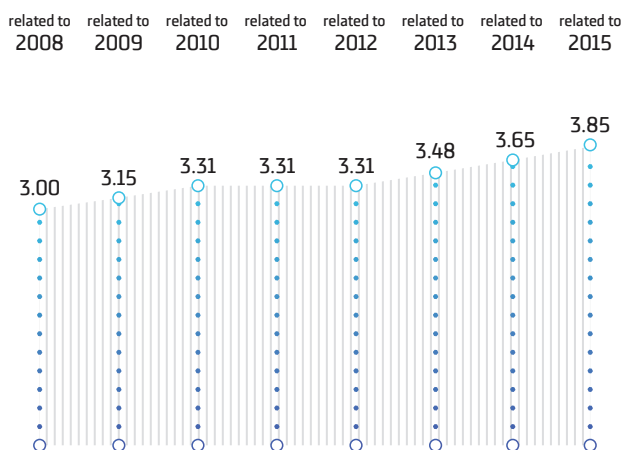
Despite all the turmoil that continues to shape today's socioeconomic landscape, Sonae has delivered another strong performance, anchored on the success of our strategy that allows for sustainable growth.

Dividends are a very relevant component of our shareholders' value creating strategy and coupled with our strong economic performance has been an anchor for long-term sustainable return on investment. Our stable dividend practice reflects a long-term focus on creating value for the shareholders and is based on the simple principle that our dividends will always be the same as last year's and, in recent history, only twice dividends did not increase.

For the year ended December 31st, 2016 the Board of Directors will propose at the Shareholders' General Meeting the distribution of a gross dividend of €0.04 per share, 5% above the dividend distributed in the year before.

Dividend per share evolution

(in € cents)



This dividend corresponds to a dividend yield of 4.6%, based on the closing price as at December 31st 2016, and to a payout ratio of 54% of the consolidated direct income attributable to equity holders of Sonae.

Share information

Sonae's shares are quoted on the Portuguese stock exchange, NYSE Euronext Lisbon, and are included in several indices, including the PSI 20, with a market cap weighting of 4.4%, as at the end of December 2016.

ISIN code	PTSONOAM0001
BLOOMERG code	SON PL
REUTERS code	SONP.IN
Share capital	2,000,000,000

The table below shows the key indicators of Sonae's share performance throughout the last 3 years:

	2014	2015	2016
Year close	1.024	1.048	0.874
Year high	1.419	1.500	1.083
Year low	0.942	0.975	0.621
Average trading volume per day (nr. of shares)	3,786,300	3,652,518	3,990,139
Average trading volume per day (€)	4,518,003	4,417,704	3,308,696
Market cap. as at 31 st Dec (M €)	2,048	2,096	1,748

Share Price Evolution 2016



Sonae's shares ended the year 2016 quoted at €0.874, reflecting a nominal decrease of 16.6% during the year, which compares with a decrease of approximately 11.9% of the reference index of the Portuguese Stock Market – the PSI 20. The share price was particularly affected by the global financial crisis, but also by macro and financial problems in Portugal.

The trading volume decreased slightly as Sonae's average in 2016 was approximately 4 million shares per day.

During 2016, Sonae did not carry out any transaction with its own shares.

During 2016, the main announcements, which may have had a possible impact on Sonae's share price were as follows:

20.01.2016 – 2015 preliminary retail sales

01.02.2016 – Sonae announces its sale and leaseback operation

25.02.2016 – Sonae announces the completion of a bond issue and bond purchase for amortisation

01.03.2016 – Sonae announces its sale and leaseback operation

16.03.2016 – 2015 consolidated results

30.03.2016 – Sonae announces its sale and leaseback operation

12.05.2016 – 2016 first quarter results

12.05.2016 – Preliminary announcement on the acquisition of Salsa

30.06.2016 – Sonae announces its acquisition of Salsa

18.08.2016 – 2016 first semester results

09.11.2016 – 2016 first nine months results

02.12.2016 – Sonae announces the acquisition of Go Natural

30.12.2016 – Sonae announces its sale and leaseback operation

Analysts Coverage

Sonae has the following analysts covering its share price.

Broker	Recommendation	Price Target	Date
Barclays	Hold	€0.90	Mar. 17
Equita	Buy	€1.30	Feb. 17
BPI	Buy	€1.15	Jan. 17
Haitong	Buy – Silver Bullet	€1.08	Jan. 17
Caixa BI	Buy – Top Pick	€1.45	Jan. 17
Fidentiis	Buy	€1.03	Sep. 16
Big	Buy	€1.37	Apr. 16
MainFirst	Outperform	€1.40	Jan. 16

The average price target totals €1.21, representing a discount of 27.8% when compared to Sonae's closing price of December 31st 2016 (€0.874).

In 2016, the Investors Relations team attended the following events.

Date	Location	Event	Organization
Jan. 16	London	Iberian Conference	Haitong
Feb. 16	Paris	Meeting with Convertible Investors	Octo Finances
Mar. 16	London	Roadshow	BPI
Aprl 16	Paris	ESN Conference	ESN
Aprl 16	Madrid	Roadshow	Haitong
May 16	London	JP Morgan Global Consumer and Retail Conference	JP Morgan
May 16	London	Reverse Roadshow (with Analysts)	Sonae
May 16	Milan	Equita European Conference	Equita
Jun. 16	New York	Haitong Conference	Haitong
Jun. 16	Lisbon	Meeting with Portuguese Funds	ESN
Sep. 16	Oporto	BPI Iberian Conference	BPI
Oct. 16	Warsaw	Haitong Retail Conference	Haitong
Oct. 16	Maia	Meeting with investors	Mirabaud
Dec. 16	London	Roadshow	BPI

Sustainable Business

Corporate responsibility is paramount to our overall strategy as we believe that organisations emerge from and are a thriving part of society. Therefore, organisations must demonstrate a steadfast commitment towards corporate responsibility and a better society. Corporate responsibility is an area in which we excel when it comes to defining new benchmarks. We continuously reinforce our dedication towards the solid values of our corporate responsibility policies, ensuring that our strategy and its impact are meticulously executed and remain in line with our long-term objectives. We do not compromise on a sustainable future where transparent, ethical and responsible behaviour are fundamental principles guiding our social and business operations. We communicate regularly with our stakeholders, uniting everyone with a common goal to make a better, more sustainable world.

For further information on our Sustainability related issues, please refer to our Sustainability Report.


Respect for the environment

.....

Respect for the environment is central to our values. Our environmental strategy is designed to reduce our environmental footprint to the absolute minimum while using our prominent position in society to increase the community's awareness and understanding of environmental matters. We strongly advocate actions which support the environment and circulate information enabling our stakeholders to make well-informed, up-to-date choices regarding environmental issues. We ensure that our environmental management policies are executed with high levels of commitment and care.

We look at environmental matters as a challenge to be more efficient, to be innovative and to bring our stakeholders closer together towards a common goal. We answer those challenges with a determined commitment to make a difference. It is our responsibility to guarantee that the environmental legacy to which future generations are entitled is one that warrants being entrusted to the next generation.

ParkLake – Excellence in sustainability



Sonae Sierra, together with Caelum Development, inaugurated the new shopping centre – ParkLake (Romania). Parklake offers its visitors an innovative shopping experience, taking advantage of the natural environment surrounding, the outstanding architecture and the adoption of sustainability as a characteristic intrinsic to its development. 2.8 million visits in just four months of opening is a clear evidence of its success.

Awarded for its Architecture and Design, Parklake has been developed to the highest international standards of quality, safety and sustainability. The concept of sustainability is transversal throughout the project, aiming to continuously reduce its environmental impact, through the efficient use of energy resources. The success of this initiative has been recognised with various international distinctions:

- Awarded the best "Concept & Design Project of the Year" at the SEE Real Estate Awards.
 - Named "Developer of the year" by CIJ Awards.
 - BREEAM and UNE 170001-2 Certifications.
 - Construction work certified according to ISO 14001 and OHSAS 18001 standards, for environmental and health and safety management, respectively.
-

Sourcing with integrity

.....

It is of the utmost importance at Sonae and for our customers that the origin of our products can be easily identified. Our customers need to know how and from where we source our products, reassuring them that our products are of the highest quality. In this respect, safety too is of great concern within the organisation itself and in terms of our customers. Our suppliers' network is always carefully monitored so as to guarantee superior levels of efficiency and quality. This also allows any problems to be rapidly addressed and best practices to be streamlined. We take painstaking care with our supply network, working in close collaboration with our partners towards enduring success. It is vital that our partners are fully aligned with our approach to

business. At Sonae, there are extensive continuous learning programmes and support forums in place, which provide training and guidance so as to ensure adherence to our rigorous corporate responsibility policies. We want to make certain that we source products with integrity and quality, working with our partners to build a sustainable future together.

Clube de Produtores Continente **- Sharing values**

The *Clube de Produtores Continente* (Continente Producers Club) has signed a protocol with Portugal Fresh for the promotion of national fruits and vegetables. The first action this partnership put in place was the distribution of a piece of fruit and/or vegetable, every weekend, to children visiting the Continente stores.

The involvement of producers has been a key factor in the success of this initiative and reinforces the convergence of the values we share with our producers. We highlight the efforts of our partners Frutalvor, Central do Painho, Campotec, SOMA, VitaCress and Lusofruta, which up until now have contributed about 4.5 tons of fruits and vegetables, namely apples, rocha pears and baby carrots.

Innovation is essential for our sustainable success

Our relentless drive towards innovation has paved our way for success. Our past triumphs always remain a source of pride but we hold even higher expectations for the future. Boundaries do not deter us, we reach beyond them to extend our horizons, shaping the future of innovation and innovative technologies.

At Sonae, we genuinely believe that everyone is able to innovate. The ability to transform innovative initiatives into practical ideas is key to our success and it is an achievement for which we have grown to enjoy a world-wide reputation. As a value driver innovation is effective on two levels. First of all, innovation takes place within our organisation, on an internal basis, increasing levels of efficiency and allowing specialisations to be developed. Additionally, we promote innovative initiatives in relation to the products and services provided to our customers. Creating an ethos which facilitates change is critical, as innovation leads to long-standing success.

Innovation at the core of our business

Sonae SR, in partnership with Porto Design Factory and with Stanford University launched an open innovation initiative aimed at meeting the challenges posed by Berg Cycles and Worten.

CITY BIKE

Sustainable mobility, based on new models and transport options, has emerged to respond to the tendencies and concerns of the younger generations. With increasing environmental awareness, Sonae SR - Sports and Fashion has decided to launch an initiative for the design of prototypes for a city bike for Berg Cycles. The challenge was to present more sustainable alternative mobility solutions which would improve travel in large cities and the result was the development of a bicycle that provides greater accessibility and comfort.

MONITORING, MANAGING AND CONTROLLING APPLIANCES

The initiative launched by Worten challenged the students of Porto Design Factory and the University of Modena and Reggio Emilia to present a creative and innovative solution to improve customer's service experience at Worten. The team has developed the App Wsempre, accessible through any mobile device, which offers the customer the possibility of controlling and monitoring various equipment and their consumption, and also includes an SOS button to contact customer support, among others. Thus assisting them with service and maintenance.

We value our team

Sonae is a living organisation built by people for people. Our motto 'The success of our team is our success' is one in which we take great pride, because at Sonae a skilled, passionate and satisfied team is the only way to ensure that the highest quality products and services are available to our customers. Our team strives every day to deliver superior products and services to our customers. The invaluable role of our team spans across the whole organisation and it is a priority for us to promote the best possible conditions for their personal and professional development. We believe we have the best team, from a diversity of backgrounds and with a multitude of skills. Moreover, we operate in a large variety of business segments, all around the world, creating an inspiring and energetic workplace that advances creativity, initiative and innovation. We make it our business to ensure that each colleague and each team enjoy the best opportunities for growth.

Programa Contacto – 30 years of new talents

The Programa Contacto (Contacto Programme) celebrated its 30th birthday. This programme was created with the goal of recruiting final year undergraduate/masters degree students from the best universities to carry out an internship at Sonae and, afterwards, depending on their performance in relation to expectations, to join our team.

In the new edition of the 2016 Contacto Programme, “Gyroscopos” were selected – young talent, with an open mind and global perspective. These are young people with different academic backgrounds, nationalities and exceptional extracurricular achievements, who are able to bring and integrate their experiences into their day-to-day work like one of Sonae’s colleagues. The young people selected have begun a 9-month paid internship, where they will have the opportunity to build a large networking system and have contact with experienced leaders in challenging contexts. In this way, by promoting knowledge and innovation, the Contacto Programme offers participants a unique opportunity for personal and professional development. Throughout its lifecycle, the Contacto Programme has always been successful, and we would like to highlight the following milestones:

- Participation of more than 4,500 youngsters from various areas of training, since the beginning of the programme.
- 40 thousand applications since the beginning of the programme.
- 45 internships carried out in Portugal in 2016/2017.

Making a positive difference to our community

As a market leader we are aware that contributing towards making a difference in our community is part of our definition of sustainable growth. We proudly and actively accept the responsibility of making a significant difference to our community and we place great importance on this positive influence. Our priority is to have an effect that is both extensive and enduring. We believe that we can make a stronger positive impact through a multidimensional strategy, which focuses on different social dimensions that together promote a better society and a better world. The scope of our social responsibility extends to six principal areas that we consider vital to foster a sustainable and better society: the environment, culture, education, health and sports, science and innovation and social solidarity.

We coordinate our community campaigns through ActivShare, a platform designed to help us to respond more effectively to those who need our help, by streamlining our alignment and communication efforts. We actively participate in several initiatives to help our community and we are proud of having a team that shares this value.

Always supporting our communities

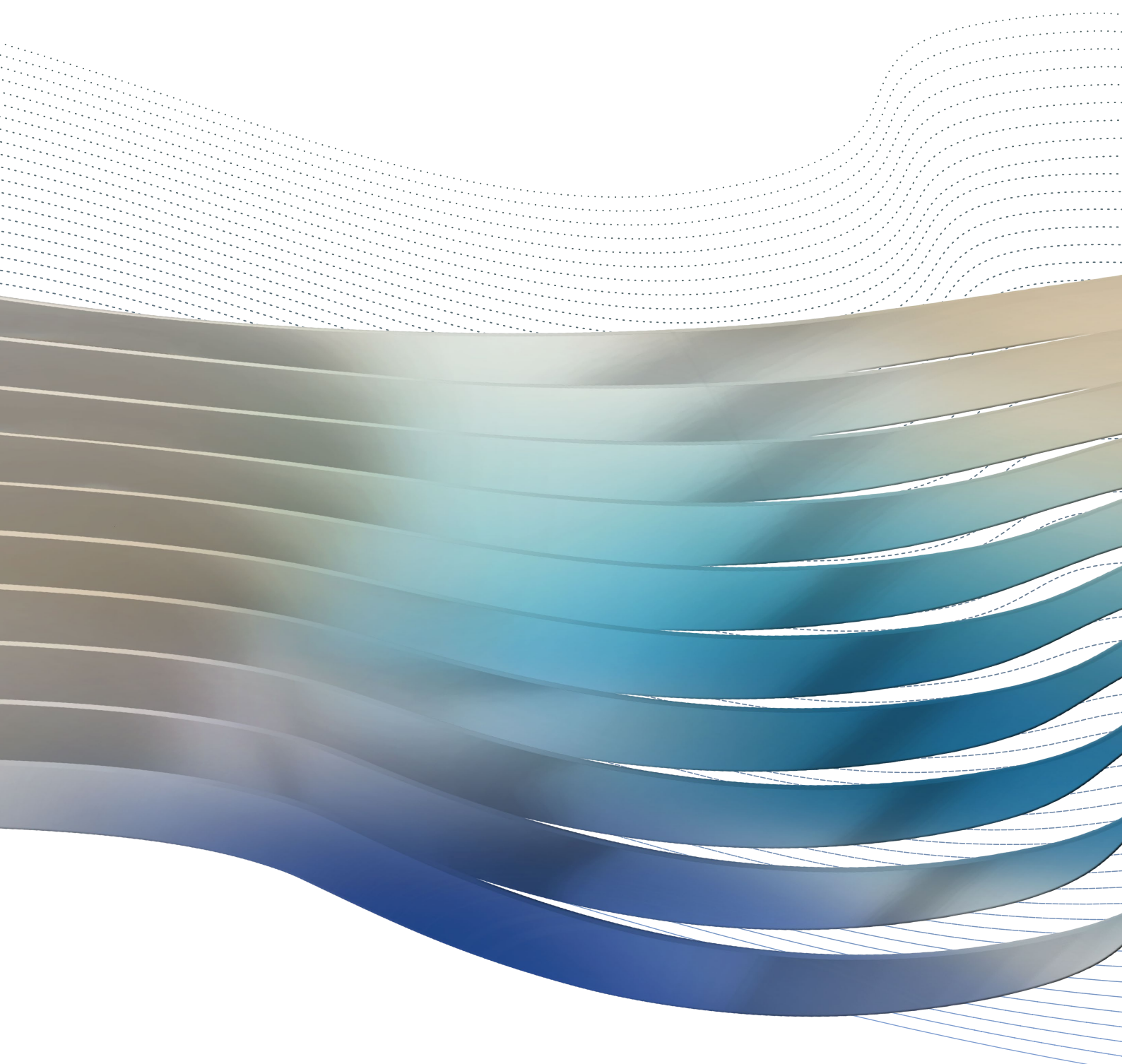
The diversity of business areas, roles and skills that exist throughout Sonae's different businesses, creates a once in a lifetime opportunity for young people to develop their professional and personal interests in a real work context, uniquely diverse at all levels.

The **Sonae Summer Experience project – Launch yourself into the Future**, arose precisely from the belief that Sonae could play a very important role in the process of young people's vocational choice and that this process could contribute in an effective way to the development of skills that are important for their professional and personal future.

In order to achieve this goal, the Sonae Academy developed a programme, in partnership with the Faculty of Psychology and Educational Sciences of the University of Porto, a consultant in the design of the programme implemented, and with Católica Porto Business School, responsible for the management and leadership classes and vocational orientation. Furthermore, the programme benefitted on the active participation of more than 40 colleagues with different roles, backgrounds, ages and geographic areas, who shared their knowledge and experience with the participants. This combination, resulted in the first programme in Portugal for vocational development in a real work context: **The Sonae Summer Experience project – Launch yourself into the Future**

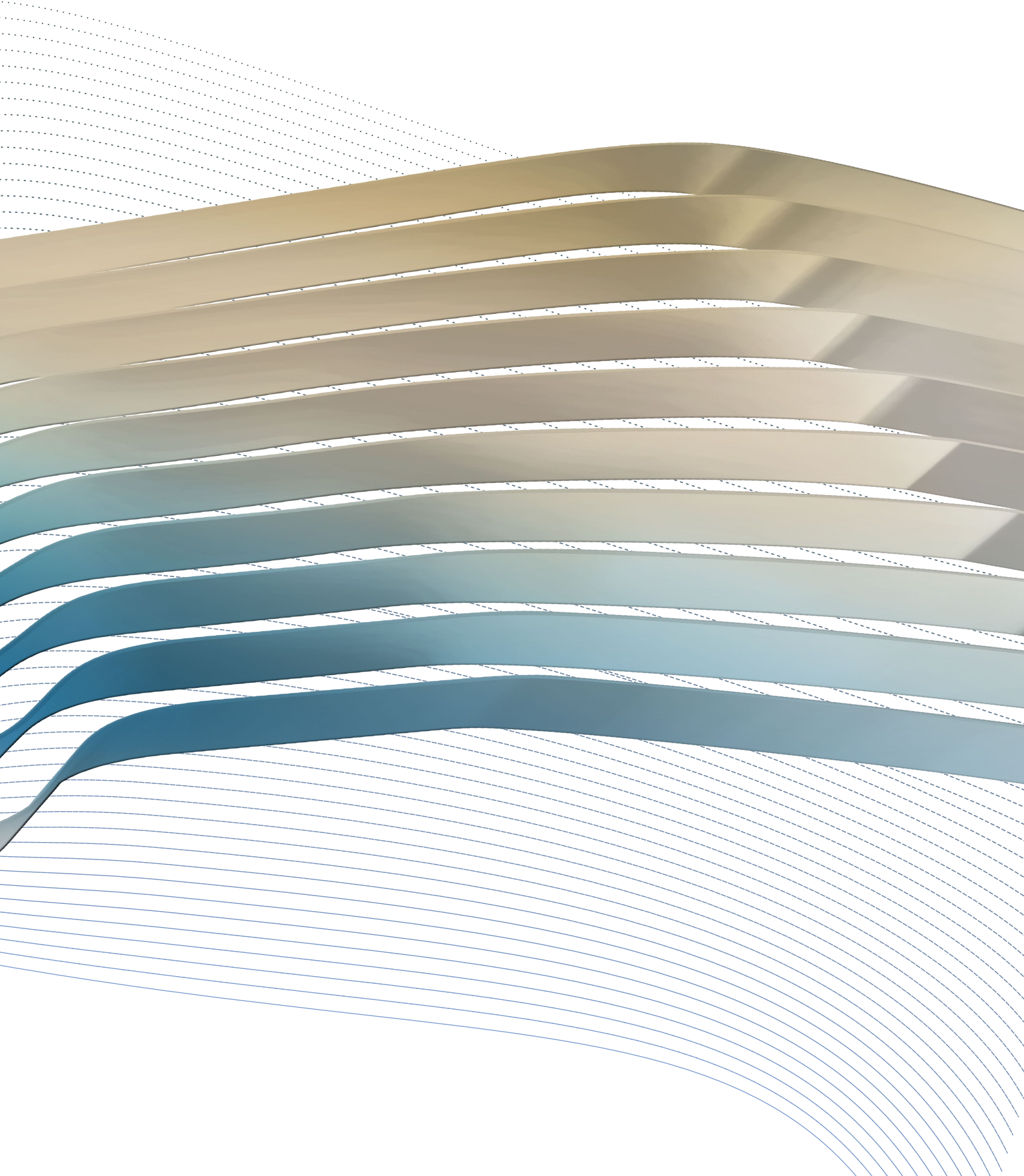
During the period of one week, the Sonae Summer Experience project, provided 26 young people the opportunity to be part of the company, by visiting different businesses and participating in shadowing experiences with colleagues with different roles, receiving training in multiple management and leadership areas, responding to business challenges playing sports and, based on this experience, reflecting upon their educational and professional future.





SONAE

PORTFOLIO PERFORMANCE



PORTFOLIO PERFORMANCE

CEO's message

We enter 2017 as a better, stronger company, enjoying an improved portfolio and increasingly comfortable with our strategy

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 in which we have a controlling position, 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 approximated 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 the provision of services 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.

Ângelo Paupério, Sonae Co-CEO





Consolidated financial performance

Macroeconomic context

.....

2016 in review

The global economic recovery slowed down in 2016. World output expanded by 3.0%¹, the slowest pace since the recession in 2009, hampered by weak activity in emerging markets, while in advanced economies growth remained surprisingly robust. Nevertheless, despite disappointing growth, economic conditions have gradually stabilised, and the World will enter 2017 with strong fundamentals and thus better growth prospects.

2016 was particularly marked by rising geopolitical turmoil, with events such as the Brexit, the US presidential election, the attempted *coup d'état* in Turkey, the impeachment of the Brazilian President Dilma Rousseff and the "No" vote in Italy, among others, fuelling uncertainty and volatility in markets, and ultimately having a negative effect on growth.

GDP around the globe

UNITED STATES: +1.6%

CHINA: +6.7%

EUROZONE: +1.7%

PORTUGAL: +1.4%

SPAIN: +3.2%

In the **United States**, activity started to decelerate in mid-2015, but regained pace in the second half of 2016. Growth was primarily fuelled by strong household spending, driven by a solid labour market which has nearly reached full employment levels. Conversely, investment remained subdued, particularly in the energy sector dragged by low energy prices, while uncertainty related with the presidential election and the Brexit may have led to investment delays. Overall, the US economy fell behind expectations in 2016, with an increase in GDP of only +1.6%, circa 1.p.p. below the 2015 pace of growth.

The evolution in **Emerging Markets** was much more diverse. In Asia, China's economic growth remained resilient (+6.7%), supported by economic policies, and India continued to perform well (+6.6%) albeit with somewhat less strength. Conversely, other emerging countries like Brazil, Argentina, Russia and Turkey still faced recessions.

In the **Eurozone**, fundamentals remained globally supportive, namely low oil prices, ECB's accommodative monetary policy stance, limited euro appreciation and a slightly more expansionary fiscal policy associated with expenses with refugees. These factors continued to support private consumption which remains the main driver of economic growth. Nevertheless, the economy was penalised by geopolitical tensions and political uncertainty, as well as incipient growth in emerging markets and weak global trade. Moreover, in some economies, the recovery is still being dragged down by the effects of past crises. All in all, GDP expanded by +1.7%, growing at a higher rate than the US for the first time since 2008.

Portugal's economic growth fell behind expectations, dragged by the still incipient recovery of exports, penalised by falling sales to Angola, domestic uncertainties and, above all, by the weakness of both private and public investment, while private consumption remained strong. Nevertheless, a second semester that was better than expected gave a slightly positive contribution to the annual growth and added a positive tilt to growth in 2017. GDP² expanded by +1.4% in 2016, decelerating from 1.6% in 2015.

Private consumption in nominal terms (+3.4%)³ grew faster than disposable income, following the same path since the start of the recovery in 2014. The exceptional performance of consumption was particularly supported by an unprecedented low savings rate (4%)³, associated with a post-crisis boost to confidence and to the wealth effect. Against a background of growth in disposable income, the reversion of austerity, falling unemployment rate and house price recovery, consumer confidence ended 2016 at its highest level since April 2000.

Strong private spending in recent years was associated with demand for durable goods, which suffered the most during the crisis, supported by consumer credit. In 2016, households continued to favour durable goods, and in particular vehicles (+16.1%)⁴, albeit to a lesser extent, as consumption approached pre-crisis levels. In turn, spending in other categories gained strength, reflected in tourism behaviour (+9.6%)⁵ and in retail sales growth (+2.7%)⁶, particularly in food and beverages (+4.1%), but also in the recovery of non-food categories (+0.9%), namely clothing (+4.8%).

In Spain, the economy proved to be more resilient than expected, with GDP expanding by 3.2%⁷, the same rate as in 2015, and the strongest among the major European economies. This is particularly striking given the context of global uncertainty and the ten months of domestic political deadlock.

Economic recovery was boosted by external and internal tailwinds. The former still include low oil prices and the continued positive impact of ECB's monetary policy. Internally, dynamic job creation, supportive credit conditions, expansionary fiscal policy and the extraordinary performance of tourism continued to drive domestic demand.

During 2016, private consumption remained the main driver of economic recovery, growing by +3.2%⁸ in real terms. The dynamism of private spending reflected increasing household purchasing power and consumer confidence, supported by a sustained labour market improvement and growing real estate wealth within the context of favourable financial conditions. Families continued to favour discretionary consumption, particularly vehicles (+12.4%)⁹ and tourism and restaurants (+6.8%)¹⁰, categories that suffered the most during the crisis. Retail sales¹¹ performed relatively well during the year (+2.1%), particularly the non-food sector (+3.4%), while the pace of growth in the food market was more moderate (+2.2%).

Perspectives

In 2017, the path for the global economy will be dependent on how three hard transitions progress in a context of great political uncertainty: i) transition from monetary to fiscal policy; ii) transition from globalisation to de-globalisation; iii) China's economic and currency regime transition.

The inauguration of Donald Trump as the President of the US, the forthcoming elections in several European countries and the National Congress of the Chinese Communist Party, all taking place in 2017, will contribute to a highly uncertain global economic and political context.

However, if these three transitions progress in an orderly fashion, global growth is expected to improve moderately, underpinned by a continued recovery in developed economies and by stronger activity in most of the emerging world.

Outlook

A POSITIVE OUTLOOK FOR THE ADVANCED ECONOMIES THE PORTUGUESE ECONOMY WILL ACCELERATE MODERATELY

The outlook for **advanced economies** is somewhat more favourable, reflecting the strengthening of activity in the second half of 2016, reinforced by still supportive monetary policies in some economies and a renewed fiscal boost in others, particularly in the US.

The Portuguese economy is expected to accelerate slightly (+1.6%)¹², continuing the moderate recovery path that has characterised recent years. This healthier outlook is mainly associated with an improving external sector and most of all with the recovery of investment. Nevertheless, the outlook continues to face significant risks, mainly associated with the fragilities of the financial sector and high debt stocks. As demand for durable goods is set to decelerate, private spending is expected to moderate towards a more sustainable pace in 2017, growing in line with real disposable income, as savings rates remain at low levels.

EMERGING MARKETS WILL GROW FASTER SPAIN WILL CONTINUE TO RECOVER

The picture for **emerging markets** is also more positive, with some of the large economies that have been under pressure stabilising, while for commodity-exporting countries the outlook is improving as the price of these resources recovers. In Spain, economic recovery is set to continue in 2017 (+2.5%)¹³, underpinned by sustained monetary stimulus and by a dynamic exporting sector and the continued recovery of the real estate sector. However, economic growth is expected to decelerate, driven by uncertainty, rising oil prices limiting households' purchasing power gains, limited room to further reduce the cost of credit and a fiscal policy that may become restrictive in order to control public deficit. Household consumption is forecast to grow at a more moderate pace in line with the gradual slowdown in job creation, while this gentle slowdown will be more evident in durable goods, which are already close to the pre-crisis levels.

In short, the **Iberian** economies seem to be heading towards more sustainable growth, nevertheless divergence persists, with stronger albeit decelerating activity in Spain, but only a modest improvement, expected in Portugal. **Main risks** to the outlook are coming from the external front and are globally skewed to the downside, mainly related with rising political uncertainty and the unpredictable global spill overs from changes in the US economic policy stance.

¹ Data for main economic blocks: European Economic forecast, Winter 2017, February 2017, GDP growth in real terms;

² INE, Gross Domestic Product at market prices (chain linked volume detail annual), March 2017;

³ INE, quarterly economic accounts for households and non-profit institutions serving households, four quarters cumulated sum, last data available 3Q16;

⁴ Passenger car sales;

⁵ INE, Nights spent in hotel establishments;

⁶ INE Retail sales index, excluding car sales and fuels;

⁷ INE, Quarterly National Spanish accounts, March 2017;

⁸ Idem;

⁹ Ministry of Industry and competitiveness;

¹⁰ INE, Turnover index in Tourism and restaurants;

¹¹ INE, Retail sales index;

¹² European Economic Forecast, Winter 2017, February 2017, GDP growth in real terms;

¹³ Idem.

Competitive advantages of such a diversified portfolio

Our portfolio is continuously and carefully designed to work together, promoting the individual success of each business unit while creating synergies across the whole portfolio. Each company has to have the capacity to individually create value for shareholders but together they write a history of success.

Sonae's portfolio is increasingly diversified, offering a set of distinctive competitive advantages.

Leading market position in the food retail market, with benchmark profitability

Sonae MC the market leader in Portuguese food retail, with the largest and increasing market share in terms of turnover (€3,687 M in 2016, growing 5.6% above 2015). Despite the 50bps decrease in comparison to 2015, Sonae MC's EBITDA margin at 5.7% still defines the industry benchmark.

As market leader, Sonae MC is capable of not only anticipating market trends, positioning itself in a privileged position to enter new segments with growth potential, but also to accelerate new project developments by using its market presence as leverage. Furthermore, Sonae MC continues to look for higher levels of efficiency through process innovation and lean management.

In addition, Sonae MC e-commerce operation has had double digit growth and is the market leader in a market, which although small, has considerable growth potential. Additionally, Sonae MC's private label products have a relevant market acceptance and represent 30% of sales.

Finally, the Continente loyalty card is a case study that represents more than 90% of Continente sales and is a part of every Portuguese family.

Sonae MC – A solid partnership with Portugal

Sonae MC, opened its first Continente hypermarket in Portugal more than 30 years ago, starting a profound revolution in Portuguese society, in particular in consumer habits. Today, Continente still drives the market and has a privileged position that allows Sonae MC to position itself in new growth markets ahead of its competitors. The success of Well's is a demonstration of Sonae MC's ability to leverage and strengthen new projects and we expect the same from our most recent partnership in the Health & Wellness sector via the acquisition of Go Natural.

Sonae MC fosters a network of 41 Continente hypermarkets, 130 Continente Modelo supermarkets, 77 Continente Bom Dia convenience stores, 260 Meu Super franchises and 198 Well's parapharmacies.

For the last 14 years, Continente has been selected by consumers as one of the most trusted brands, with a network designed to be where our customers need us.



CONTINENTE

CONTINENTE
bom dia

well's
SAÚDE-CRUA

CONTINENTE
modelo

BAGGA

note



The telco operator with the highest turnover growth in the market, and continuously improved profitability

NOS is a clear demonstration of the success of our diversification in investment styles and its capacity to design strategic partnerships aimed at success.

NOS' strong operational trends are generating market share gains and improvements in the company's financial performance. NOS is the most active and the fastest growing player in the market, continuously delivering an outstanding and solid performance at all levels.

NOS – The market recognises our excellence

Following the merger between Optimus and Zon, and the subsequent creation of NOS, and since September 9th 2013, the day when new shares issued were listed, to December 31st 2016, the company's market capitalisation has increased 32%, corresponding to a share price increase from €4.27 to €5.64.



Shopping centres with proven renowned international quality and Sierra pursuing its recycling capital strategy

Sonae Sierra is a joint venture with Grosvenor. The company operates from corporate offices in 13 countries and owns 45 shopping centres, totalling a Net Asset Value of €1,418 M.

Sonae Sierra has positioned itself as a major player in the international arena, with exceptional experience in both project development and shopping centre management that has been proven internationally and clearly distinguishes itself from its competitors, which often focus on only one of these dimensions.

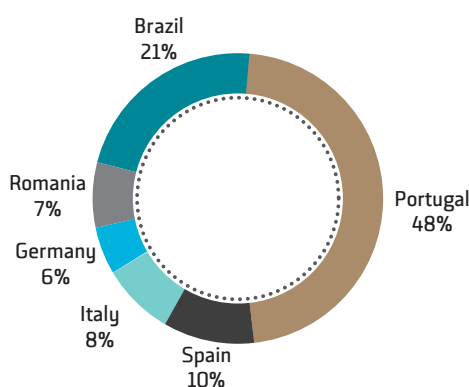
The quality of Sonae Sierra's past projects is a major determinant in the success of its recycling capital strategy. Sonae Sierra has been recycling capital from mature, non-controlled assets to other projects with development potential, which on the one hand demonstrates there is a market for its projects even when they mature, a signal of intrinsic project quality, and on the other hand allows Sonae Sierra to be a front runner embracing new dynamic projects.

• RELEASED CAPITAL DURING 2016

- Sale of 41% of Loop5
- Sale of 25% of Sierra Portugal Fund
- Reduction in the ownership share of Algarveshopping and Estação de Viana (Portugal) e Luz del Tajo (Spain), all have a partnership with CBRE Global Investment Partners

OMV Breakdown 2016

.....



• 5 SHOPPING CENTRE DEVELOPMENTS IN THE PIPELINE

Zenata (Morocco), McArthurGlen Designer Outlet Málaga (Spain), Cucuta (Colombia), Norte Shopping expansion (Portugal), Nuremberga (Germany)

The Iberian omni-channel electronics player

Worten is included in the top 3 Iberian players in electronics. With a portfolio of 234 physical stores in Iberia, Worten has been developing a truly omni-channel strategy. Throughout its history, Worten has been demonstrating a unique capacity to adapt and drive consumer habits in an incredibly fast-moving market driven by constant technological changes. In Portugal, Worten is the market leader with a growing market share and with a benchmark and profitable performance. The omni-channel strategy with the in-store pickup and store reservation options already represents 30% of all online sales.

- Turnover growth of 2.1% in the Iberian market
- Turnover of €910 M gradually approaching €1 billion
- EBITDA margin of 2.9% in 2016
- Portuguese electronics market leader with a growing market share (+20bps in December 2016)
- More than 50% increase in December's online sales after the launching of Worten's new website in Portugal

worten

Focus on building competencies to reach increased profitability levels in Sports and Fashion

Sports and Fashion is focused on building competencies to reach increased profitability levels in the Sports and Fashion businesses while expanding its international footprint. The combination of its network of 363 own stores with an expanding franchise network, and the recent acquisition of Salsa and Losan, is driving a fast growth both in Portugal and abroad.

Sports and Fashion turnover has already surpassed €500 M and EBITDA margin has been growing.

The MoU that was announced with JD Group and JD Sprinter already in 2017 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.

SPORTS AND FASHION – A UNIQUE ORIGINAL PORTFOLIO



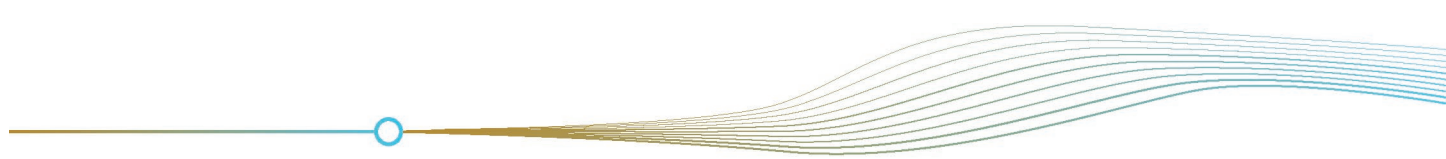
A GROWING PORTFOLIO



Sale and leaseback transactions at Sonae RP generating capital gain above €150 M

Sonae RP is focused on optimising the management of the retail real estate portfolio, in line with Sonae's main strategic guidelines, in support of the growth of its retail businesses.

During the last 6 years Sonae RP pursued an asset monetisation strategy, aimed at meeting freehold targets and deleveraging Sonae. After selling and leasing back a group of properties, Sonae RP released more than €580 M in cash proceeds and had a capital gain above €150 M.

- 
- Net Asset Value of €931 M
 - Gross Book Value of €1,260 M
 - 50% Freehold in Sonae MC
 - 21% Freehold in Sonae SR

SONAE RP

Financial Services

Sonae FS was created with the objective of fostering financial services. It currently includes the pre-paid card programme (card Dá), the cross-selling over store credit, Continente Money Transfer and the recently launched Universo card. MDS, the group's insurance player will soon be integrated into Sonae FS.

As Sonae's portfolio grows, the company believes in the potential for synergies to increase for its loyal customers, a cornerstone of the company's success.

The Universo card is the result of a natural evolution of the Continente card and we believe it has the potential to become a key player in consumer payments. So far the launch of the new card has been a success and shows the benefits of our experience and of an integrated approach across a rich portfolio.

UNIVERSO CARD

Innovative payment and loyalty card

More than 400 thousand subscribers in approximately 1 year after launching

Discount platform for Portuguese families, including Sonae stores, as well as the growing network of partners within the Continente loyalty programme

CARD DÁ

A pre-paid card accepted in more than 1,000 stores both in Portugal and Spain

CROSS-SELLING OVER STORE CREDIT

Cross-selling of credit insurance and personal loans to store credit customers

CONTINENTE MONEY TRANSFER

A service for money transfers across the globe at our stores, at the customer's convenience



Financial statements analysis

Sonae performance and capital structure

Sonae Consolidated results

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	5,014	5,376	7.2%	1,375	1,494	8.6%
Sonae MC	3,490	3,687	5.6%	941	1,002	6.6%
Sonae SR ⁽¹⁾	1,294	1,438	11.1%	377	430	13.9%
Sonae RP	121	92	-24.2%	29	23	-21.8%
Sonae IM ⁽²⁾	249	258	3.7%	62	68	10.4%
E&A ⁽³⁾	-140	-98	-	-34	-29	-
Underlying EBITDA	331	320	-3.3%	105	109	4.2%
Sonae MC	215	210	-2.1%	63	63	1.1%
Sonae SR	5	35	-	14	27	89.1%
Sonae RP	109	80	-26.2%	26	20	-22.8%
Sonae IM ⁽²⁾	16	13	-21.4%	7	4	-47.0%
E&A ⁽³⁾	-15	-18	-	-5	-5	-
Underlying EBITDA margin	6.6%	5.9%	-0.6 p.p.	7.6%	7.3%	-0.3 p.p.
Equity method results ⁽⁴⁾	48	44	-9.2%	10	8	-19.5%
o.w. S. Sierra (direct results)	31	28	-6.8%	9	8	-10.9%
o.w. NOS	18	17	-5.0%	2	1	-16.7%
Non-recurrent items	14	53	-	-14	-3	81.1%
EBITDA	393	416	5.9%	101	115	14.0%
EBITDA margin	7.8%	7.7%	-0.1 p.p.	7.3%	7.7%	0.4 p.p.
D&A ⁽⁵⁾	-187	-203	-8.6%	-52	-57	-9.3%
EBIT	206	213	3.5%	49	58	19.0%
Net financial activity	-57	-46	19.0%	-5	-9	-68.3%
EBT	149	167	12.1%	44	49	13.1%
Taxes	-21	-19	10.9%	-17	-21	-21.8%
Direct results ⁽⁶⁾	128	148	15.9%	26	28	7.3%
Indirect results	49	74	-	5	52	-
Net income	177	222	25.6%	31	81	159.3%
Non-controlling interests	-1	-7	-	2	-4	-
Net income group share	175	215	22.7%	33	77	134.2%

⁽¹⁾ The SR and Sports and Fashion turnover values were readjusted when compared to the information reported in Sonae's Trading Statement for 2016. The turnover of each Sports and Fashion company was correct but there was an accounting change introduced in this Earnings Announcement, in eliminations & adjustments;

⁽²⁾ Includes Technology and Partnerships contribution;

⁽³⁾ Eliminations & adjustments;

⁽⁴⁾ Equity method results: includes direct income related to investments consolidated by the equity method (mainly Sonae Sierra and NOS);

⁽⁵⁾ Depreciations & amortisations including provisions & impairments;

⁽⁶⁾ Direct results before non-controlling interests.

Sonae consolidated turnover stood at €5,376 M in 2016, increasing 7.2% when compared to 2015, benefiting from the positive performance of all businesses apart from RP, which was impacted by the lower freehold level.

Sonae EBITDA increased by €23 M in 2016, to €416 M, mostly driven by:

- (i) a €30 M increase in SR's underlying EBITDA: amounting to approximately €8 M at Worten and €21 M at Sports and Fashion (driven mostly by the consolidation of Losan and Salsa, but also including the positive contribution of the original portfolio);
- (ii) the impact of MC's price investment and expansion of its store network, which has resulted in a €5 M reduction in underlying EBITDA; and,
- (iii) the positive contribution of non-recurrent items.

Sonae net financial activity improved by €11 M, registering a negative €46 M in 2016, driven by the combination of the lower average net debt and by the lower cost of outstanding debt. Sonae average interest rate of outstanding debt continued to decrease and reached 1.3% on December 31st 2016. It should be noted that Sonae financial results exclude Sonae Sierra and NOS businesses.

Sonae direct results amounted to €148 M, increasing 15.9% when compared to 2015. This was driven by the higher EBITDA, the less negative net financial activity and lower taxes, notwithstanding the higher D&A.

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.

Sonae net income group share stood at €215 M, increasing 22.7% when compared to the previous year, benefiting both from direct and indirect results performance.

Sonae net invested capital

Million euros	2015	2016	y.o.y.
Net invested capital	3,088	3,279	6.2%
Technical investment	1,944	1,995	2.6%
Financial investment	1,313	1,372	4.5%
Goodwill	606	654	8.0%
Working capital	-775	-741	4.4%
Sonae shareholders funds	1,795	2,064	15.0%
Sonae net debt ⁽¹⁾	1,293	1,215	-6.0%
Net debt / Invested capital	41.9%	37.0%	-4.8 p.p.

⁽¹⁾ Financial net debt + net shareholder loans.

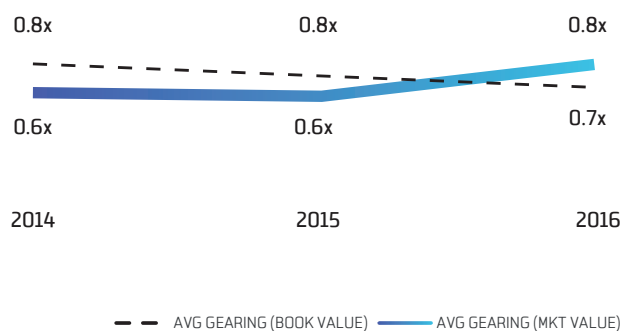
Sonae shareholders' funds stood at €2,064 M in 2016, €270 M above 2015.

Sonae net debt reached €1,215 M, decreasing 6.0% in comparison to 2015.

Average gearing at book value reached 0.7x, decreasing 0.1x in comparison with 2015. Average gearing at market value stood at 0.8x, increasing y.o.y. driven mostly by Sonae's market price evolution.

Gearing

.....



.....

Million euros	2015	2016	y.o.y.
Net financial debt	1,290	1,215	-5.8%
MC, SR and RP	646	683	5.8%
IM	15	9	-37.1%
Holding & other	629	522	-17.0%
Sonae net debt	1,293	1,215	-6.0%

Sonae continues to focus on presenting a robust capital structure, optimising funding costs whilst maintaining sufficient back up liquidity and an improved maturity profile.

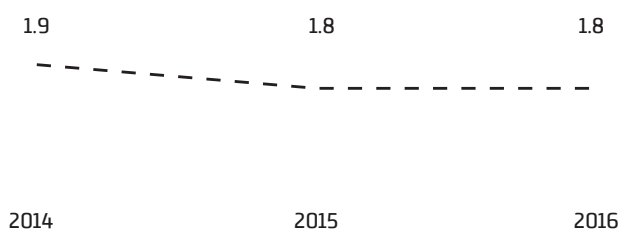
Sonae carried out during 2016 an ambitious programme to further strengthen its capital structure by launching a formal tender with local and international banks for the refinancing of its facilities, having refinanced more than €1,125 M, €775 M of which is in long-term facilities and around €350 M in short-term facilities, allowing the average maturity profile to increase, remaining above 4 years. 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.

Net financial debt of MC, SR and RP reached €683 M in 2016, €37 M above 2015, driven mostly by the cash-out related to the acquisition of 50% of Salsa, coupled with the consolidation of Salsa's debt. The **net debt to EBITDA** at MC, SR and RP stood at 1.8x, maintaining the level registered in 2015.

Holding net debt totalled €522 M, decreasing 17.0% y.o.y. and benefiting from the sale of the direct participation at NOS, which took place in June 2016. **Loan-to-value** ratio of the Holding stood at 11%, benefiting from the lower Holding net debt.

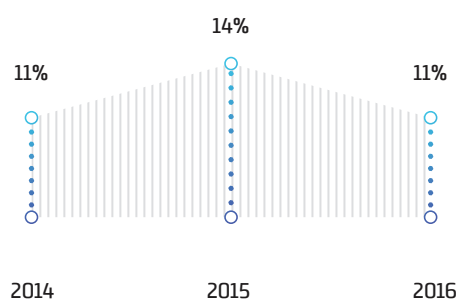
Capital Structure - MC, SR and RP

Net debt to EBITDA



Capital Structure

Loan-to-value (%) - Holding



Sonae Capex

Million euros	2015	2016	% of Turnover
Capex	300	437	8.1%
Sonae MC	114	167	4.5%
Sonae SR	111	152	10.6%
Sonae RP	60	62	67.8%
Sonae IM	11	51	19.9%

Sonae Capex increased from €300 M to €437 M, mostly due to MC, SR and IM:

- **MC Capex** increased by €53 M to €167 M, driven by the acceleration of the expansion of its store network, which includes the opening of 25 Continente Bom Dia stores, 1 Continente hypermarket and 25 Well's stores;
- **SR Capex** reached €152 M in 2016, increasing by €41 M, more than explained by the Capex related to the acquisition of Salsa, which took place on June 30th 2016;
- **RP Capex** totalled €62 M in 2016, remaining flat when compared to 2015. RP Capex is mostly driven by MC's expansion of its store network and future developments;
- **IM Capex** reached €51 M in 2016, increasing €40 M y.o.y., mostly due to the acquisitions in the technology area: InovRetail and Armilar Venture Partners.

Sonae MC results

Turnover and underlying EBITDA

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	3,490	3,687	5.6%	941	1,002	6.6%
LfL sales (%)	-1.7%	1.9%	-	-0.2%	2.1%	-
Underlying EBITDA	215	210	-2.1%	63	63	1.1%
Underlying EBITDA margin	6.2%	5.7%	-0.5 p.p.	6.7%	6.3%	-0.3 p.p.

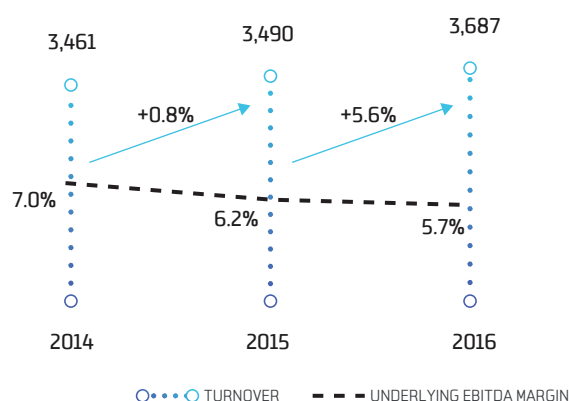
MC turnover reached €3,687 M in 2016, growing 5.6% when compared to the previous year. This performance was backed by LfL **sales growth** of 1.9%, and by the expansion of the store network, in which we would like to highlight the opening of 1 Continente hypermarket, 25 Continente Bom Dia and 77 Meu Super stores. The expansion of these last two formats contributed to increasing the number of convenience stores at MC.

On a quarterly basis, **turnover** for the 4Q16 stood for the very first time above €1,000 M, reaching €1,002 M and growing 6.6% versus 4Q15. Thus, MC continued to increase market share, which has occurred consistently over the course of the year.

The Portuguese competitive environment continues to be very strong, and has been this way for many years, naturally having an impact on profitability. Despite the continuous investment in price competitiveness, MC's **underlying EBITDA margin** reached 5.7% in 2016, 50bps below 2015, and stood at 6.3% in 4Q16, 34bps below 4Q15. Also in 4Q16, it should be noted that MC's **underlying EBITDA** performance was flat versus 4Q15 and reached €63 M.

The improvement of the value proposition was one of MC's major objectives for 2016. The company remained focused on closely monitoring a series of leading 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.

Turnover and Underlying EBITDA evolution



Also in 2016, MC took a few steps to expand 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.

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover ⁽¹⁾	1,294	1,438	11.1%	377	430	13.9%
Worten	891	910	2.1%	266	276	4.0%
Sports and Fashion ⁽¹⁾	403	527	30.9%	112	154	37.6%
LfL (%)	-1.1%	2.5%	-	-0.1%	3.8%	-
Worten	0.0%	3.3%	-	1.5%	4.0%	-
Sports and Fashion	-2.9%	1.0%	-	-3.2%	3.3%	-
Underlying EBITDA	5	35	-	14	27	89.1%
Worten	18	26	43.8%	16	17	9.5%
Sports and Fashion	-13	8	-	-2	10	-
Underlying EBITDA margin (%)	0.4%	2.4%	2.0 p.p.	3.8%	6.3%	2.5 p.p.
Worten	2.0%	2.9%	0.8 p.p.	6.0%	6.3%	0.3 p.p.
Sports and Fashion	-3.2%	1.6%	4.8 p.p.	-1.4%	6.3%	7.7 p.p.

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** increased by 9.5% and reached €17 M, despite the company's focus on improving its operation through providing a better service, as well as the promotion driven market in Portugal.

Year	Turnover	Underlying EBITDA Margin
2015	891	2.0%
2016	910	2.9%

Change in Turnover: +2.1%

Change in Underlying EBITDA Margin: 2.9%

¹ According to GfK as of December 2016, last available information.

The **Sports and Fashion** division comprises an original portfolio that includes Sport Zone, MO and Zippy, as well as two businesses acquired in 4Q15 and 2Q16, respectively: Losan and Salsa.

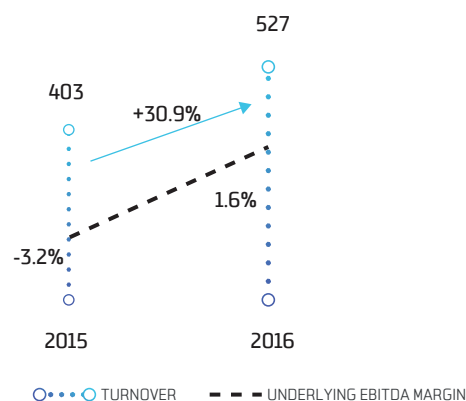
The **Sports and Fashion turnover** increased 30.9% in 2016, to €527 M. This growth resulted largely from Losan and Salsa's contributions, and also from the performance of the original portfolio. Sport Zone maintained its positive sales per m2 performance, despite the increased number of stores. Zippy 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 an improvement of €21 M 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 MoU 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.

SR turnover stood at €1,438 M in 2016, posting an increase of 11.1% when compared to 2015, backed by Worten and the Sports and Fashion divisions. As for **SR underlying EBITDA**, it increased to €35 M in 2016, also driven by both SR divisions.

Sports and Fashion Turnover and Underlying EBITDA evolution



Sonae RP results

Turnover and Underlying EBITDA

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	121	92	-24.2%	29	23	-21.8%
Underlying EBITDA	109	80	-26.2%	26	20	-22.8%
Underlying EBITDA margin	90.0%	87.5%	-2.5 p.p.	89.6%	88.5%	-1.2 p.p.

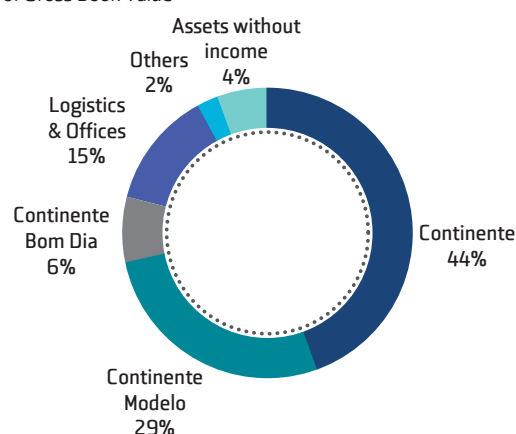
RP business unit is responsible for the management of Sonae's retail real estate portfolio. As of 31 December 2016, the portfolio of real estate assets had a gross book value amounting to €1,260 M, equivalent to a net book value of €931 M.

Throughout 2016, RP continued to implement its strategy of asset monetisation and completed 4 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 reached the 50% target announced and included 21 Continente stores, 62 Continente Modelo stores and 26 Continente Bom Dia stores on December 31st 2016. As for SR's freehold, it stood at 21%.

RP turnover decreased 24.2% in 2016, to €92 M, driven mostly by freehold reduction at MC, from 62% at the 2015 year-end, to 50%. The underlying EBITDA amounted to €80 M, corresponding to an underlying EBITDA margin of 87.5%.

RP Portfolio

as % of Gross Book Value



Sonae IM results

Technology portfolio	
WeDo Technologies	Movvo
Saphety	Brightpixel
Bizdirect	InovRetail
S21Sec	Armlar Venture Partners

Turnover and Underlying EBITDA

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	115	117	1.6%	26	29	9.8%
Underlying EBITDA	10	5	-52.8%	4	2	-56.8%
Underlying EBITDA margin	8.6%	4.0%	-4.6 p.p.	13.5%	5.3%	-8.2 p.p.

IM has 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 and with an international focus. IM's core areas of interest include business analytics solutions, mobility solutions for retail, in-store technologies, fraud assurance and cybersecurity solutions. Armilar Venture Funds includes 3 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.

Sonae IM also includes the following partnerships - MDS, Maxmat, Tlantic and Público - which reached a turnover of €142 M and an underlying EBITDA of €9 M in 2016.

In the Technology arm, IM turnover totalled €117 M, increasing 1.6% when compared to 2015. Underlying EBITDA amounted to €5 M, representing an underlying EBITDA margin of 4.0%.

Sonae Sierra results

Operational Indicators

Million euros	2015	2016	y.o.y.
Footfall (million visitors)	433	430	-0.6%
Europe & New Markets	326	333	2.1%
Brazil	107	97	-8.8%
Occupancy rate (%)	95.2%	96.6%	1.3 p.p.
Europe	96.1%	97.1%	1.0 p.p.
Brazil	92.6%	94.8%	2.2 p.p.
Like-for-Like (LfL) tenant sales			
Europe	3.1%	3.4%	-
Brazil (local currency)	2.8%	0.9%	-
Tenant sales (million euros)	4,501	4,495	-0.1%
Europe (million euros)	3,182	3,285	3.2%
Brazil (million euros)	1,319	1,211	-8.2%
Brazil (million reais)	4,806	4,644	-3.4%
Nº of shopping centres owned and managed (EOP)	66	65	-1
Europe	54	55	1
Brazil	12	10	-2
Nº of shopping centres owned/co-owned (EOP)	45	45	0
Europe	35	36	1
Brazil	10	9	-1
GLA under Management ('000 sqm)	2,273	2,316	1.9%
Europe & New Markets	1,742	1,835	5.3%
Brazil	531	481	-9.3%

Financial Indicators

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	226	209	-7.2%	64	59	-7.4%
EBIT	105	97	-8.2%	29	26	-9.4%
EBIT margin	46.6%	46.1%	-0.5 p.p.	44.9%	44.1%	-0.7 p.p.
Direct results	61	57	-7.1%	19	16	-11.8%
Indirect results	81	125	54.3%	28	72	156.0%
Net results	142	181	27.9%	47	89	89.2%
... attributable to Sonae	71	91	27.9%	23	44	89.2%

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.

Over the last year, regarding **asset disposals**, Sierra sold 41% of Loop5, in Germany, diluted 25% of its position in the Sierra Portugal Fund and reduced its ownership in AlgarveShopping, Estação Viana Shopping and Luz del Tajo (following the closing of a partnership with CBRE Global Investment Partners).

ParkLake, which was opened on September 1st 2016, in Romania, was the major **development** of the past year. 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 McArthurGlen Designer Outlet Málaga (Spain), NorteShopping Expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco).

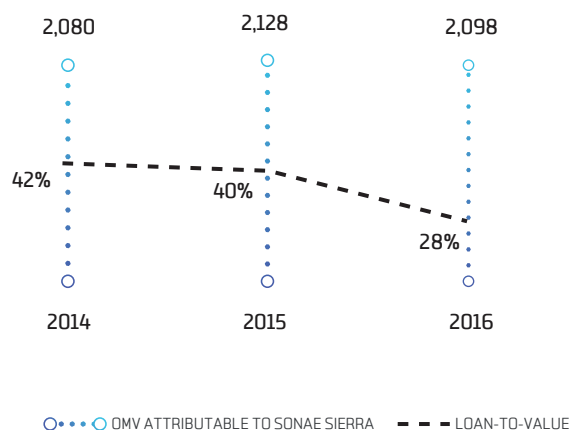
In December 2016, Sonae Sierra and Bankinter launched ORES Socimi – a real estate investment vehicle aimed at investing in single assets with long-term rentals such as supermarkets and hypermarkets, retail parks, high street retail, among others mainly located in the major cities of Iberia. Total investment 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.

Indirect results reached €125 M in 2016, benefiting from strong yield compression, mainly in Iberia, as well as from the positive effect of the value created in the Parklake development. Consequently, on December 31st 2016, the **Investment and Development Properties** attributable to Sierra reached €2.098 bn, €30 M below the 2015 year-end, driven by the disposals, which more than off-set the investments in projects under development, the positive exchange rate effect in the Brazilian real (closing rate 12M16 vis-à-vis closing rate 12M15) and assets valuation.

The **operational performance** continued to provide evidence of the high quality and efficient management approach of Sierra assets: in **Europe**, tenant sales increased 3.2%, to €3,285 M, corresponding to an increase in LfL

Open Market Value (OMV)¹ and leverage

billion euros



¹ Includes investment properties at open market value and development properties at cost.

tenant sales of 3.4% and occupancy rates increased further to 97.1%; in **Brazil**, LfL tenant sales reached 0.9%, maintaining the positive trend registered in the previous quarter, but declining 3.4% y.o.y. to 4,644 M reais, due to the still challenging macroeconomic environment. Despite this, **occupancy rates** continued to grow, reaching 94.8% in 2016, 220bps above 2015.

Sierra turnover stood at €209 M, which represents a 7.2% decrease when compared to 2015. This was mostly driven by asset disposals. The **EBIT** reached €97 M, less 8.2% y.o.y., corresponding to an **EBIT margin** of 46.1%. Excluding the portfolio changes and the unfavourable exchange rate effect, EBIT would have increased 6% due to higher rental income and higher EBIT margin from services rendered.

NAV reached €1,418 M at the end of 2016, €239 M above December 2015, reflecting both the direct and indirect results of the period, the favourable exchange rate effect less the dividends payment. **Loan-to-value** stood at 28% in 2016, compared to 40% in 2015, an improvement that reflects the cash position of the company.

NOS results

Financial Indicators

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Operating revenues	1,444	1,515	4.9%	376	391	3.8%
EBITDA	533	557	4.4%	123	125	1.4%
EBITDA margin	36.9%	36.7%	-0.2 p.p	32.7%	32.0%	-0.8 p.p
Net results	83	90	9.3%	9	12	30.5%
Capex	408	393	-3.8%	114	100	-12.0%

Operational Indicators

('000)	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Total RGUs (Net adds)	839	612	-	188	135	-
Convergent RGUs (Net adds)	1,000	534	-	189	116	-
Mobile (Net adds)	480	333	-	98	60	-
Pay TV (Net adds)	67	57	-	22	15	-
Total RGUs	8,465	9,077	7.2%	8,465	9,077	7.2%
Convergent RGUs	2,854	3,387	18.7%	2,854	3,387	18.7%
Convergent customers	591	680	15.1%	591	680	15.1%
ARPU/Unique subscriber with fixed access (euros)	42	43	3.1%	43	44	2.1%

NOS published its results on March 2nd 2017, which are available at www.nos.pt.

NOS continued to show a very solid operating and financial performance.

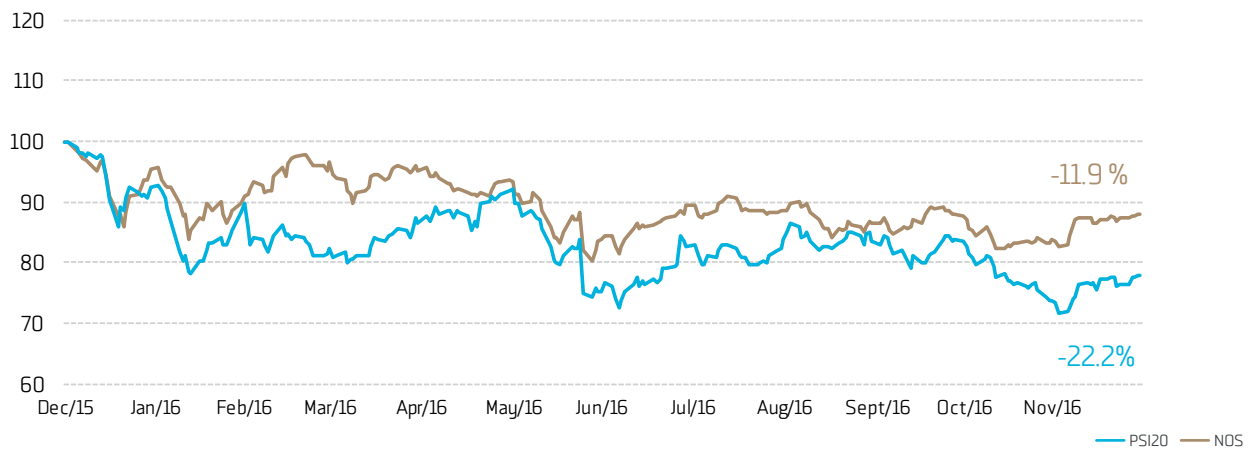
The **operating revenues** increased 4.9% y.o.y., to €1,515 M, maintaining the positive top line performance throughout all the segments.

EBITDA registered €557 M, improving 4.4% when compared to 2015 and corresponding to an EBITDA margin of 36.7%.

Net results increased by 9.3% y.o.y, to €90 M.

Total RGUs grew by 7.2%, to 9,077 M, surpassing the 9,000 M threshold. The **convergent RGUs** increased to 3,387 M, + 18.7% y.o.y..

Share price performance



During 2016, **NOS** market capitalisation decreased 22.2%, corresponding to a share price decrease from €7.25 to €5.64.

The PSI-20, the main Portuguese index, decreased its market capitalisation 11.9% in the same period.

NOS approved a proposal to submit at the Shareholders' Annual General Meeting the payment of a gross dividend of €0.20 per share, an increase of 25% when compared to the dividend paid in the previous year.

Sonae statement of financial position

Million euros	2015	2016	y.o.y.
TOTAL ASSETS	5,232	5,513	5.4%
Non current assets	3,759	4,104	9.2%
Tangible and intangible assets	1,681	1,978	17.7%
Assets available for sale	131	8	-
Goodwill	606	654	8.0%
Investment properties	1	1	-4.4%
Other investments	1,244	1,383	11.1%
Deferred tax assets	64	61	-4.3%
Others	32	19	-39.2%
Current assets	1,473	1,409	-4.4%
Stocks	635	696	9.7%
Trade debtors	96	116	20.6%
Liquidity	283	345	22.1%
Others	459	251	-45.3%
SHAREHOLDERS' FUNDS	1,795	2,064	15.0%
Equity holders	1,658	1,894	14.2%
Attributable to minority interests	136	171	25.3%
LIABILITIES	3,437	3,448	0.3%
Non-current liabilities	1,427	1,372	-3.9%
Bank loans	566	508	-10.3%
Other loans	707	702	-0.7%
Deferred tax liabilities	79	114	45.1%
Provisions	40	26	-34.9%
Others	36	22	-40.2%
Current liabilities	2,009	2,077	3.4%
Bank loans	259	350	35.5%
Other loans	56	11	-80.5%
Trade creditors	1,162	1,137	-2.2%
Others	533	579	8.5%
SHAREHOLDERS' FUNDS + LIABILITIES	5,232	5,513	5.4%

Risk management

Risk management is a natural dimension of Sonae's culture and plays a pivotal role in our corporate governance structure. We approach risk management as a value creation driver, by managing and controlling the risks and threats that come our way, as we believe that it is a part of a sustainable future. Effective risk management across the whole organisation allows us to better understand the business environment and to reinforce our leadership.

Our activities are exposed to the risks that shape the business landscape and we monitor these risks using a multidimensional approach based on a wide range of analytical tools that spans from customer and market surveys to adjusting our offers and shopping experience to market trends and consumer preferences, whilst adhering to strict programmes of food safety audits for stores, coffee shops, warehouses and manufacturing centres. This allows us to detect any potential issue so that corrective measures can be implemented as soon as possible.

Additionally, we mitigate these risks by incorporating risk management in our strategy, namely via business and market diversification, alternative investment approaches, innovation, cost management and the launching, promotion and adaptation of our portfolio of products and services to adapt to market trends and consumption profiles.

Please refer to our Corporate Governance Report and Financial Statements for a more comprehensive description of the risks impending over Sonae's activities.

Trends and outlook

For 2017, Sonae will continue to follow its strategy, which is based on three pillars: strengthen and leverage key assets and competencies, drive international expansion and diversify business and investment approach. Also, as an active portfolio manager, Sonae will continue working towards finding the most value accretive solutions for all its assets.

MC will remain focused on improving its leadership position in the food retail business by continuously improving its value proposition and expanding its convenience store presence. At the same time, **MC** will continue pursuing business opportunities in adjacent segments, namely in health and wellness. **MC** believes that despite the very intensely competitive market, it will be able to keep benchmark profitability levels in 2017.

Worten will continue implementing its omni-channel strategy in Iberia. This will involve creating an increasingly robust operation, capable of improving its position in the electronics market. The efforts behind the **Sports and Fashion** division will continue to be the geographical expansion of its portfolio of brands, while improving its profitability, already leveraged by the double-digit EBITDA performance of Salsa. Most importantly, the MoU recently announced provides very positive expectations, as the **Sports and Fashion** division will have a much more competitive, strong and profitable position in the Sports segment.

Sierra aims to increase exposure to developments in Europe and emerging markets and intensify the focus on providing real estate services to clients. Capital recycling acts as an enabler to future growth by releasing capital to finance new developments, reducing exposure to investment risks, and protecting future returns by securing management contracts.

At **NOS**, the positive financial and operational performance reached in 2016 is a step further towards the objective of becoming an even more relevant player in the Portuguese telecoms market.

Although we are still cautious in relation to next year's, the results reached in 2016 reinforce our positive stance for 2017.

Individual Net Income

Sonae, SGPS, SA operations, on a stand-alone basis, are essentially associated with the management of the share-holdings in its subsidiaries. In 2016, the individual net income of Sonae, SGPS, SA stood at 61,300,218.37 euros.

The amount of 383,647.00 euros is already reflected in the net income and is planned for the variable remuneration of executive directors, as a distribution of profit, pursuant to art. # 31 of the Articles of Association as proposed by the Shareholders Remuneration Committee, which is responsible for the implementation of the remuneration policy as approved at the Shareholders General Meeting held on April 29th, 2016.

Proposal for the appropriation of the financial year Net Income

Taking into consideration Sonae's shareholder remuneration policy, the Group's financial position, and the amount of distributable reserves which allow for compliance with article 32 of the Portuguese Companies Act, the Board of Directors hereby proposes to the Shareholders' General Meeting that pursuant to the terms of the law and the Articles of Association:

- the net profit, in the amount of 61,300,218.37 euros, is allocated as follows:

Legal Reserves: 3,065,011.00 euros

Dividends: 58,235,207.37 euros

- and that free reserves in the amount of 21,764,792.63 euros are also distributed to the shareholders, thereby proposing an overall gross dividend per share amounting of 0.04 euros. From the total dividends of 80,000,000.00 euros shall be excluded the amount of dividends that would be attributable to the shares that, at the dividends distribution date, are held by the Company or by any of its subsidiaries, which should be added to Free Reserves.

This dividend corresponds to a dividend yield of 4.6% considering the closing price of December 31st 2016 and to a payout ratio of 54% considering the direct results attributable to Sonae's shareholders.



Subsequent events

.....

February 17th 2017

Sonae Sierra and Bankinter launched their recently created Socimi on the Alternative Stock market. This listed real estate investment company was created in December 2016 on a 50:50 basis, and its major investment focus is on hypermarkets and supermarkets, retail parks and high street retail. Shopping centres will not be included in the asset portfolio.

March 9th 2017

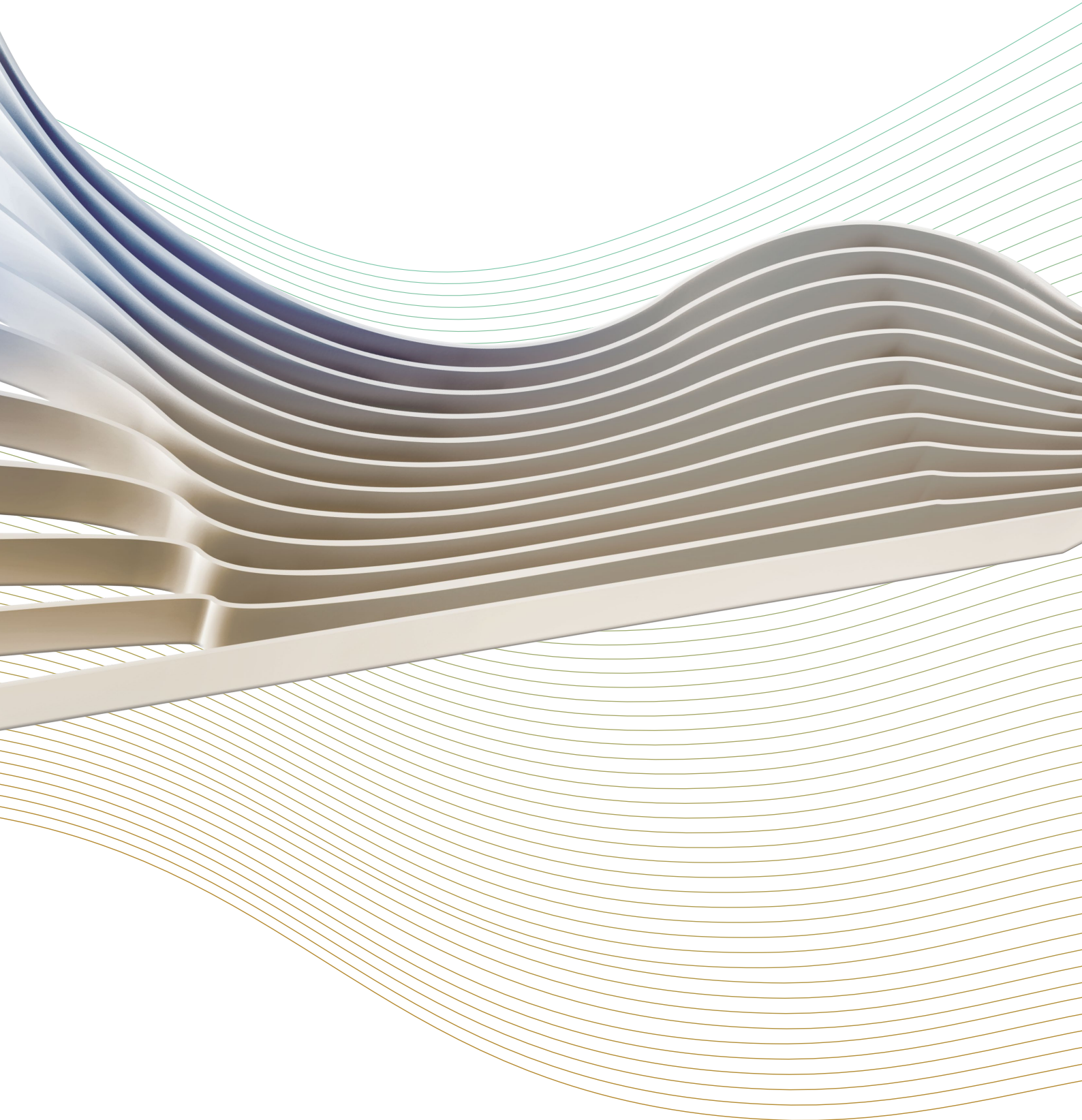
Sonae announced that agreed with JD Sports Fashion Plc (JD Group), and JD Sprinter Holdings (JD Sprinter), a Memorandum of Understanding (MoU) which would see the combination of the JD Group's existing businesses in Iberia and JD Sprinter, with Sport Zone's business.

This MoU establishes the key parameters for the creation of an Iberian Sports Retail Group that will have as shareholders the JD Group, Sonae and the family shareholder of JD Sprinter, with shareholdings of approximately 50%, 30% and 20%, respectively.



SONAE

CLOSING REMARKS AND ACKNOWLEDGEMENTS



CLOSING REMARKS AND ACKNOWLEDGEMENTS

The Board of Directors would like to thank the Statutory Audit Board and the Statutory External Auditor for their valuable advice and assistance. The Board would also like to express its gratitude to suppliers, banks and other business associates of Sonae for their continuing involvement and for the confidence that they have shown in the organisation.

The Board of Directors also expresses its gratitude to all employees for their effort and dedication throughout the year.

Approved at the meeting of the Board of Directors held on March 14th 2017

THE BOARD OF DIRECTORS

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

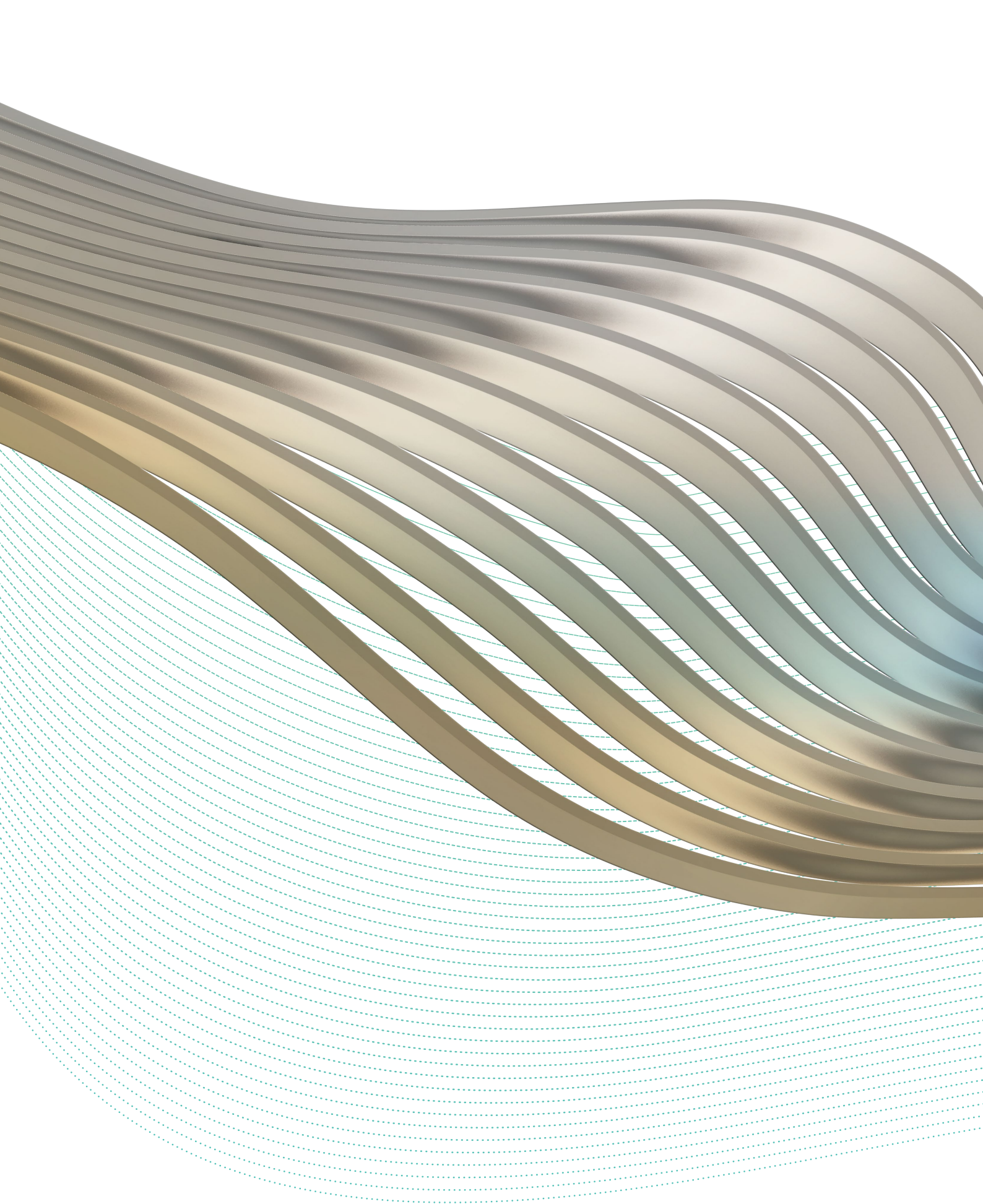
Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

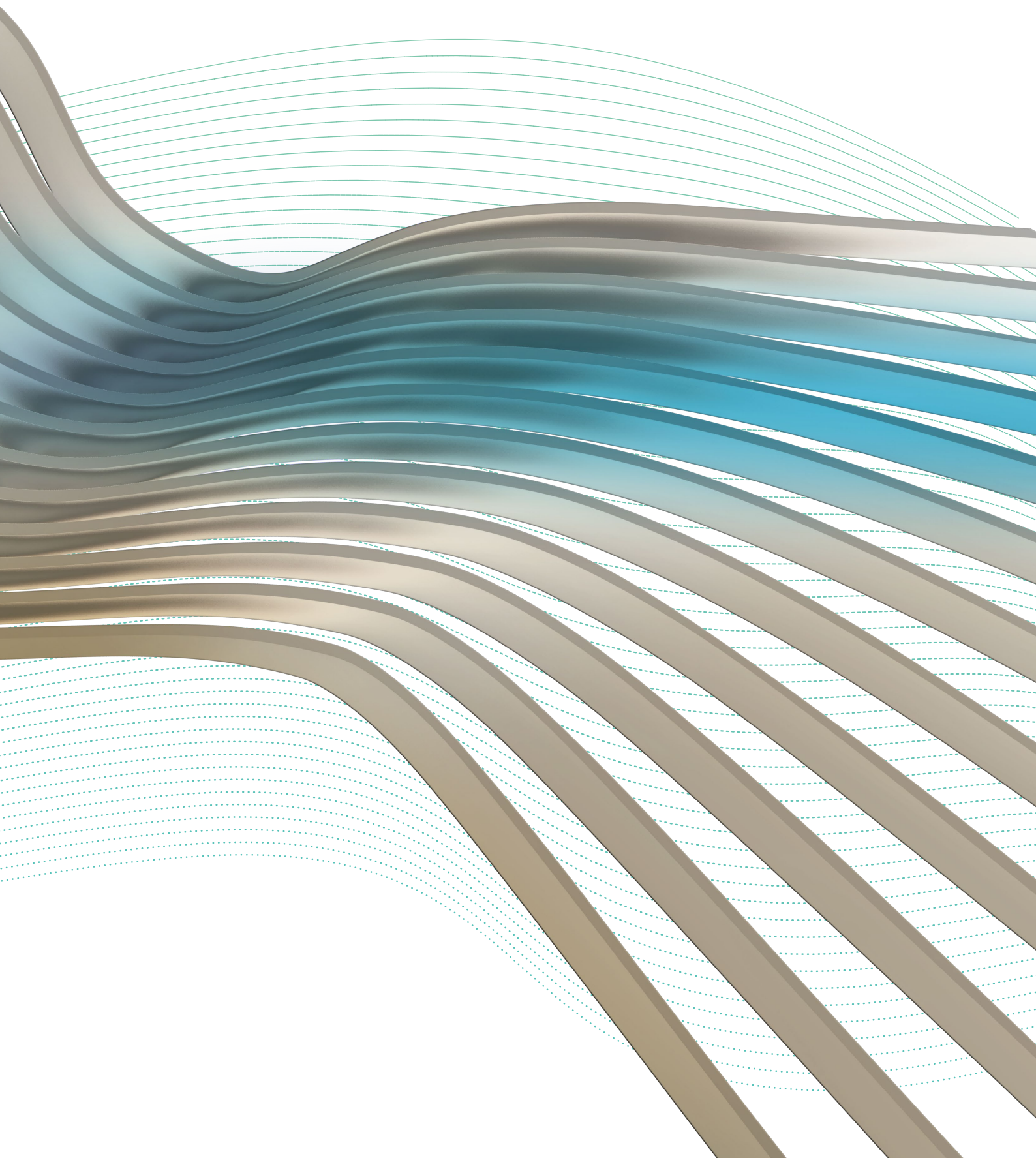
Margaret Lorraine Trainer, Non-Executive Director





SONAE

GLOSSARY



GLOSSARY



CAPEX

Investments in tangible and intangible assets and investments in acquisitions.



Direct results

Results excluding contributions to indirect results.

(Direct) EBIT

Direct EBT - financial results.



EBITDA

Underlying EBITDA + equity method results (Sonae Sierra direct results and ZOPT net results) + non-recurrent items.

EBITDA margin

EBITDA / turnover.

(Direct) EBT

Direct results before non-controlling interests and taxes.

E&A (Eliminations & adjustments)

Intra-groups + consolidation adjustments + contributions from other companies not included in the identified segments.

EoP

End of period.



Free Cash Flow (FCF)

EBITDA - CAPEX - change in working capital - financial results - income taxes.



Gearing (book value)

The average of the last four quarters considering, for each quarter, total net debt (EoP) / total shareholders' funds (EoP).

Gearing (market value)

The average of the last four quarters considering, for each quarter, total net debt (EoP) / equity value considering the closing price of Sonae shares on the last day of each quarter.

GLA

Gross Lettable Area: equivalent to the total area available to be rented in the shopping centres.



Indirect results

Includes Sonae Sierra's results, net of taxes, arising from: (i) investment property valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses of non-current assets (including goodwill) and (iv) provision for assets at risk. Additionally and concerning Sonae's portfolio, it incorporates: (i) impairments in retail real estate properties; (ii) reductions in goodwill; (iii) provisions (net of taxes) for possible future liabilities and impairments related with non-core financial investments, businesses, assets that were discontinued (or in the process of being discontinued/repositioned); (iv) results from mark to market methodology of other current investments that will be sold or exchanged in the near future; and (v) other non-relevant issues.

Investment properties

Shopping centres in operation owned and co-owned by Sonae Sierra.

**Liquidity**

Cash & equivalents + current investments.

Like for Like sales (LfL)

Sales made by stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods.

Loan to value (LTV) - Holding

Holding net debt / investment portfolio gross asset value; gross asset value based on market multiples, real estate NAV and market capitalisation for listed companies.

Loan to value (LTV) - Shopping Centres

Net debt / (investment properties + properties under development).

LTM

Last twelve months.

**Net asset value (NAV)**

Open market value attributable to Sonae Sierra - net debt - minorities + deferred tax liabilities.

Net debt

Bonds + bank loans + other loans + financial leases + shareholder loans - cash, bank deposits, current investments, and other long-term financial applications.

Net invested capital

Total net debt + total shareholders' funds.



Other income

Dividends.

Other loans

Bonds, leasing and derivatives.

Open market value (OMV)

Fair value of properties in operation and under development (100%), provided by independent international entities.



Return on Invested Capital (RoIC)

EBIT (LTM) / net invested capital.

Return on equity (ROE)

Total net income n (equity holders) / shareholders' funds n-1 (equity holders).

RGU

Revenue generating unit.



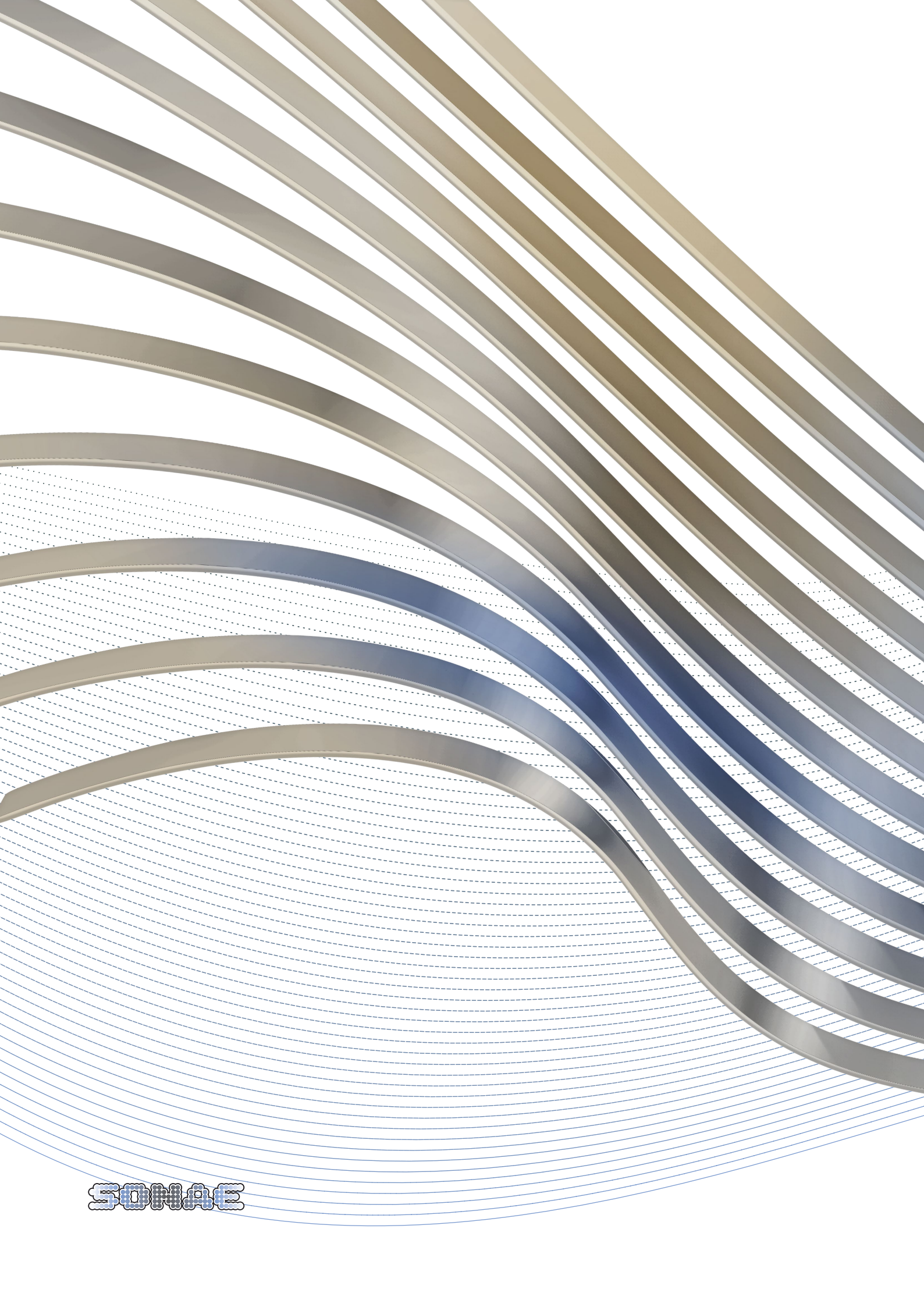
Technical investment

Tangible assets + intangible assets + other fixed assets - depreciations and amortisations.



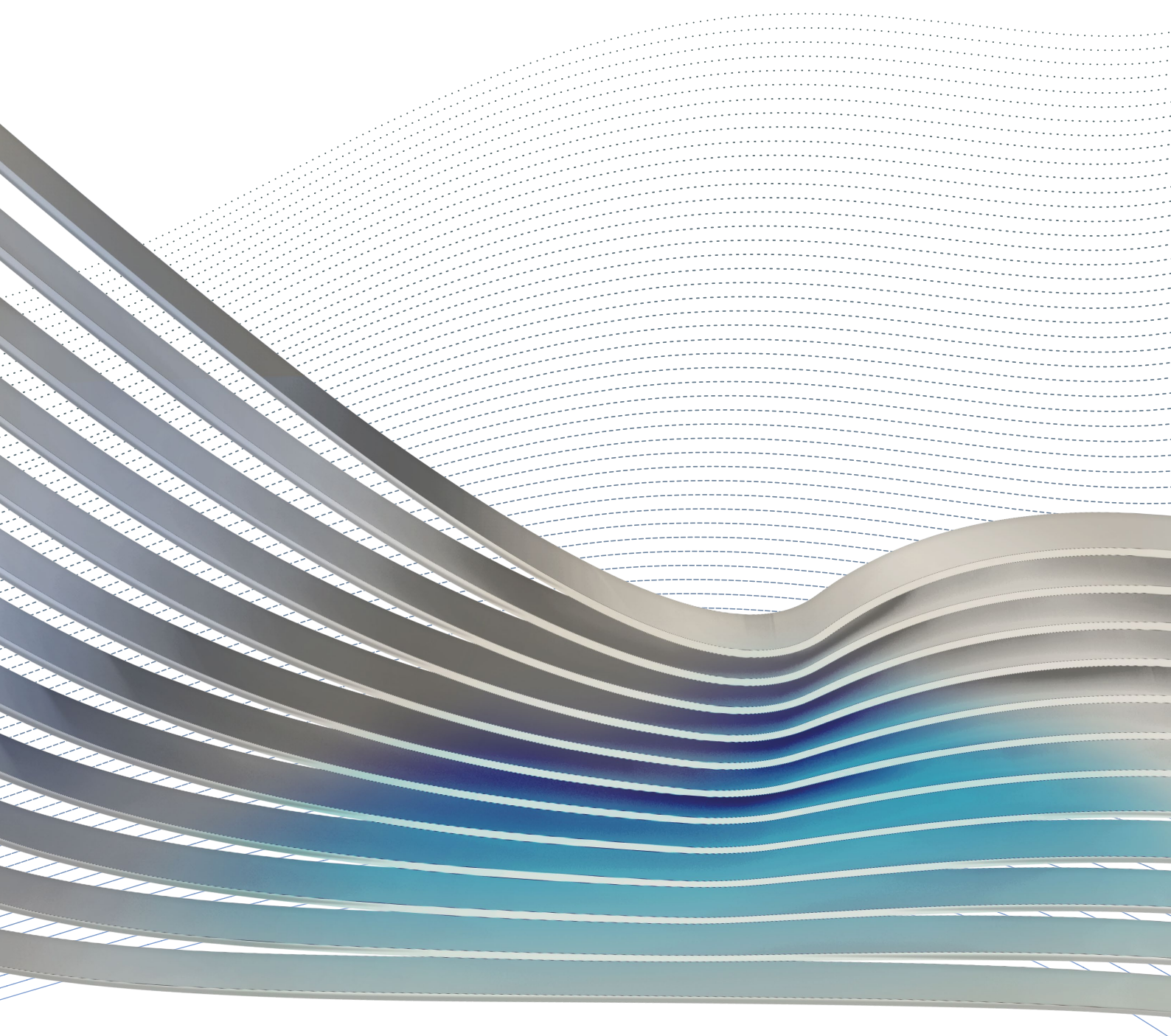
Underlying EBITDA

Recurrent EBITDA from the businesses consolidated using the full consolidation method.



SONAE

APPENDIX



STATEMENT UNDER THE TERMS OF ARTICLE 245 PARAGRAPH 1, C) OF THE PORTUGUESE SECURITIES CODE

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Approved at the meeting of the Board of Directors held on March 14th 2017

THE BOARD OF DIRECTORS

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

Article 447 of the Portuguese Companies Act and Article 14, paragraph 7, of the Portuguese Securities Commission (CMVM) Regulation no. 05/2008

Disclosure of the number of held shares and other securities issued by the Company and of the transactions executed over such securities, during the financial year in analysis, by the members the statutory managing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

		Additions		Reductions		Position on 31.12.2016	Balance on 31.12.2016
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €		Quantity
Duarte Paulo Teixeira de Azevedo (*) (**) (***) (a)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (4)						Dominant	
Sonae - SGPS, SA (3)							805,730
Shares purchased under the terms of the remuneration policy	29/3/16	805,730	0.051				
Ângelo Gabriel Ribeirinho dos Santos Paupério (*)							
Sonae - SGPS, SA (3)							214,248
Shares purchased under the terms of the remuneration policy	29/3/16	664,248	0.051				
Sale	20/12/16			450,000	0.882		
Enxomil - Consultoria e Gestão, SA (10) (b)						Dominant	
Enxomil - Sociedade Imobiliária, SA (11)						Dominant	
Belmiro Mendes de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Dominant	
Maria Margarida Carvalhais Teixeira de Azevedo (**)							
Sonae - SGPS, SA (3)							14,901
Maria Cláudia Teixeira de Azevedo (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA (3)							319,150
Shares purchased under the terms of the remuneration policy	29/3/16	114,472	0.051				
Linhacom, SGPS, SA (6)						Dominant	

	Additions		Reductions		Position on Balance on	
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €	Quantity
(1) Efanor Investimentos, SGPS, SA (1)						
Sonae - SGPS, SA (3)						200,100,000
Pareuro, BV (2)						Dominant
(2) Pareuro, BV						
Sonae - SGPS, SA (3)						849,533,095
(3) Sonae - SGPS, SA						
Sonae Investments, BV (7)						Dominant
Sontel, BV (8)						Dominant
Sonaecom, SGPS, SA (9)						Dominant
(4) Migracom, SA						
Sonae - SGPS, SA (3)						2,464,337
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority
(5) Imparfin - Investimentos e Participações Financeiras, SA						
Sonae - SGPS, SA (3)						4,105,280
(6) Linhacom, SGPS, SA						
Sonae - SGPS, SA (3)						439,314
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority
(7) Sonae Investments BV						
Sontel BV (8)						Dominant
(8) Sontel BV						
Sonaecom, SGPS, SA (9)						Dominant
(9) Sonaecom SGPS, SA						
Sonae - SGPS, SA (treasury shares)						0
Sale	31/3/16			137,859	1,064	
(10) Enxomil - Consultoria e Gestão, SA (b)						
Sonae - SGPS, SA (3)						2,021,855
(11) Enxomil - Sociedade Imobiliária, SA						
Sonae - SGPS, SA (3)						450,000
Purchase	20/12/16	450,000	0.882			

(*) Member of the Board of Directors of Sonae - SGPS, SA

(**) Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)

(***) Member of the Board of Directors of Imparfin - Investimentos e Participações Financeiras, SA (5)

(a) Shares previously held by family member of this person discharging managerial responsibilities ("dirigente"), have ceased to be attributable to that family member since the legal basis of imputation of article 248, paragraph 4), subparagraph a), of the Portuguese Securities Code, is no longer applicable

(b) Formerly known as Enxomil, SGPS, SA

Qualified holdings

Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of the Sonae - SGPS, SA, calculated according to article 20 of the Portuguese Securities Code, as required by article 8 paragraph 1, subparagraph b), of the Portuguese Securities Market Comissiolation no. 05/2008:

Shareholder	No. of shares	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, SA (I)			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	849,533,095	42.4767%	42.4767%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	319,150	0.0160%	0.0160%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae, SGPS, SA and Efanor Investimentos, SGPS, SA)	805,730	0.0403%	0.0403%
By Migracom, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Duarte Paulo Teixeira de Azevedo)	2,464,337	0.1232%	0.1232%
By Linhacom, SGPS, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Maria Cláudia Teixeira de Azevedo)	439,314	0.0220%	0.0220%
Total attributable to Efanor Investimentos, SGPS, SA	1,053,676,527	52.6838%	52.6838%
Banco BPI, SA	132,851,868	6.6426%	6.6426%
Banco Português de Investimento, SA	365,199	0.0183%	0.0183%
Fundos de Pensões do Banco BPI	40,071,372	2.0036%	2.0036%
BPI Vida - Companhia de Seguros de Vida, SA	4,751,416	0.2376%	0.2376%
Total attributable to Banco BPI, SA (II)	178,039,855	8.9020%	8.9020%
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.4925%	2.4925%
Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.4925%	2.4925%

Source: communications received by the Company regarding qualified shareholdings up to 31st December 2016

* Voting rights calculated based on the Company's share capital with voting rights, as per subparagraph b) of paragraph 3 of article 16 of the Portuguese Securities Code

**Voting rights calculated based on the Company's share capital with voting rights that are not subject to suspension of exercise

(I) Belmiro Mendes de Azevedo is, according to subparagraph b) of paragraph 1 of article 20 and paragraph 1 of article 21, both of the Portuguese Securities Code, the "ultimate beneficial owner", as he is the controlling shareholder of Efanor Investimentos, SGPS, SA and the latter wholly owns Pareuro BV

(II) total number of voting rights attributed to Banco BPI, SA as per article 20 of the Portuguese Securities Code

Article 448 of the Portuguese Companies Act

.....

Number of shares held by shareholders owning more than 10%, 33% and 50% of the Sonae - SGPS, SA share capital:

Number of shares held as of 31.December.2016	
Efanor Investimentos, SGPS, SA	
Sonae - SGPS, SA	200,100,000
Pareuro, BV	Dominated
Pareuro, BV	
Sonae - SGPS, SA	849,533,095