Maia, 15 November 2013

Positive progress in operations boosts support to families who reward Sonae with increased market share

SONAE INCREASES SALES AND OPERATING EFFICIENCY

1. HIGHLIGHTS OF FIRST NINE MONTHS OF 2013:
   • Increased market share while preserving operating profitability;
   • Focus on internationalization by entering new markets and exploring alternative formats;
   • 2% growth in sales to €3,467 million, driven by the areas of food and non-food retail;
   • 11% increase in underlying EBITDA with 7.4% margin;
   • Comparable decrease in net debt for the 16th consecutive quarter;
   • Total community support benefits around 1,500 institutions with more than €6 million;
   • Purchases of perishables from domestic producers increase to €527 million;
   • Portuguese families benefit from €313 million in card and receipt discounts.

With regard to these results, Sonae CEO Paulo Azevedo says: “The world economy continues to see very different behaviour in different regions in 2013, offering Sonae interesting challenges and opportunities in the more than 60 countries where it is present. On the Iberian Peninsula, the first nine months of the year saw a decline in private consumption, although this trend has gradually improved since July. Germany saw strong resilience and a recent upward revision of its growth forecast, while Brazil’s economy continues to be dynamic, although at more contained levels. In this setting, Sonae again had a strong set of operating and financial results, only possible thanks to the mounting consumer preference for our products and services and our customers’ great loyalty.

In retail, with our continued commitment to be close to families, we kept our strategy of translating improved efficiency and processes into customer value, both in terms of prices and discounts as well as variety and quality in our products and services.

In an adverse market setting, Sonae MC successfully grew its sales above the market, while Sonae SR did important work in the areas of operating efficiency and business transformation, with very positive results.

Looking to the future, we have implemented new store concepts at Worten, Sport Zone, MO and Zippy in Portugal and Spain, reinforced by key developments in e-commerce, namely the launch of new platforms by Continente, Worten and Sport Zone.

Sonae continued its business internationalization beyond the Iberian Peninsula with the launch of Zippy in three new countries in the last quarter through franchising agreements, and the expansion of Sonae Sierra to Turkey through a new joint venture.
In the third quarter of 2003, the merger between ZON and Optimus was completed following authorization from the competition authority, creating a benchmark company in Portugal’s telecommunications sector with the capacity for innovation and ambitions of leadership. However, the merger reduced the liquidity of Sonaecom’s shares, with less shareholder visibility over their assets. In view of this, Sonaecom decided to launch a takeover bid to allow its minority shareholders to exchange their shares for those of ZON OPTIMUS, thereby gaining liquidity and direct exposure to the company’s primary asset. The exchange ratio represents a two-digit gain vis-à-vis market benchmarks for the transaction, which involves 24.14% of Sonaecom’s share capital.

In financial terms, we again strengthened our cash flow and reduced our debt to bolster the soundness of our business. This, coupled with the operating transformations we have been implementing over the years, has made us stronger and better equipped to capitalize on a new economic cycle.”

2. GIVING BACK TO THE COMMUNITY

• COMMITMENT TO FAMILIES OFFERS €313 MILLION IN DISCOUNTS
Sonae, through its retail brands, increased its discount volume by 5% in the first nine months of 2013 for a total of €313 million, giving Portuguese families real savings and better management of their household budgets. The Continente card is expanding its advantages to new areas, and has already won more than 3.3 million Portuguese families. The Sport Zone card also continues to increase its market penetration, helping to reinforce Sport Zone’s leadership position in Portugal’s retail sports market.

• PURCHASES OF PERISHABLES FROM DOMESTIC PRODUCERS INCREASE 3.5% TO €527 MILLION
Sonae continued its policy of supporting domestic production in the first nine months of the year, increasing its purchases of perishables from domestic producers by 3.5%. Sonae has contributed to domestic production with a total of €527 million, helping to create wealth and employment throughout the entire country. The Continente Producers’ Club continued its mission of supporting domestic producers in the agri-food sector in developing their business and innovation processes, and expanded its number of associates by 5% to 266 members (including individual producers, producer associations and cooperatives), with purchases of around €171 million.

• COMMUNITY SUPPORT BENEFITS AROUND 1,500 INSTITUTIONS WITH MORE THAN €6 MILLION
Sonae upheld its commitment to the community in 2013 through social initiatives in areas such as welfare, education, health and sports, environmental awareness, culture and science, and innovation. Its support benefited around 1,500 institutions helping children, youth and families throughout the country, with contributions distributed directly to third-sector organizations exceeding €6 million in the first nine months of the year, including around €3 million in food donations.

3. OPERATING AND FINANCIAL ANALYSIS

In the first nine months of 2013 (9M13), private consumption in Spain and Portugal continued to be negatively impacted by the austerity measures implemented in both countries over the last two years. In the case of Portugal, the falling rate of consumption is now estimated to be slower compared to 9M12, but still accounts
for a decrease of 3.1% in 9M13 (5.4% in 9M12).

Given this adverse setting, **consolidated turnover** grew 2% to €3,467 million, primarily due to higher market share in the food business and renewed growth in specialized retail in the third quarter of the year.

The turnover of **Sonae MC** (food retail) was €2,492 million, 4% higher than in 9M12. This growth reflects a sales increase of 1.5% among all stores, compared to market average, and was due to higher quantities sold. It is believed that Sonae MC has once again strengthened its leading market share in Portugal’s food sector, benefiting from customer loyalty and the recognition of its efforts to be closer to families through promotional campaigns helping them to save. In addition, its portfolio of special Continente brands continues to be widely embraced by customers, accounting for 31% of the categories of fast-moving consumer goods in 9M13.

**Sonae SR** (specialized retail) had turnover of €827 million, with noteworthy performance vis-à-vis market trends on the Iberian Peninsula. After being affected by declining consumption for eight consecutive quarters, Sonae SR’s sales grew 1% in 3Q13, benefiting from the measures taken to reposition Worten, Sport Zone, Zippy and MO which resulted in more market share, together with positive signs in private consumption since July. International sales were €229 million over these nine months of the year, accounting for 28% of the total; the third quarter saw like-for-like growth of 5 pp, a clear sign of improvement in Sonae SR’s international business. In the last three months, Zippy entered into three new countries (USA, Jordan and Qatar) and MO entered into Malta through franchising agreements, in line with Sonae’s international development strategy.

Retail business investments in the first nine months of the year were €110 million, up around 75% compared to the same period last year. This increase is mainly due to the selective opening of new retail outlets, including one Continente Bom Dia store (Matosinhos Sul), five Continente Modelo stores on the island of Madeira and a mall in Sines including Continente Modelo, Worten, Sport Zone, MO, Well’s and Bom Bocado stores; and the successful remodelling of the Continente stores in Cascais and Évora, with a completely new and innovative layout. Sonae also invested in consolidating the network of Sonae SR outlets in international markets which, at the end of 9M13, had a total of 157 stores outside of Portugal, including 41 through franchising agreements.

The group’s underlying **EBITDA** was €258 million (+11%, or up 25 million euros), representing a profit margin of 7.4%, up 0.6 pp compared to the same period last year. This result is totally due to the improved operating performance of the food and non-food retail businesses, which combined improved sales with greater operating efficiency and productivity, together with the software and information systems businesses. Sonae MC increased its EBITDA margin to 7.3%, sustained by strict cost control and new gains in productivity. Sonae SR had a positive EBITDA in the quarter, recovering €7 million compared to the same period last year, while the Investment Management area improved the margin by 4.8 pp due to the higher weight of service revenues.

The direct profits of €130 million were €23 million higher than the same period last year, showing major improvements in sales, efficiency and operating profitability. As a result of this positive progress in operations and indirect profit, which was impacted by gains from the merger between Zon and Optimus, the **net profit attributable to shareholders** was €283 million.
Total net debt fell to €1,397 million by 30 September 2013, a decrease of €650 million compared to the same date in 2012, due to the deconsolidation of Optimus, together with the sustained cash flow generation over the past 12 months. As such, Sonae continues to strengthen its capital structure, with financial indebtedness falling to 43% of capital invested at the end of 9M13.

### Consolidated income statement

<table>
<thead>
<tr>
<th>Million euros</th>
<th>9M12</th>
<th>9M13</th>
<th>Var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>3,405</td>
<td>3,467</td>
<td>2%</td>
</tr>
<tr>
<td>Underlying recurring EBITDA</td>
<td>232</td>
<td>258</td>
<td>11%</td>
</tr>
<tr>
<td>Underlying EBITDA margin</td>
<td>6.8%</td>
<td>7.4 %</td>
<td>0.6 pp</td>
</tr>
<tr>
<td>EBITDA</td>
<td>333</td>
<td>353</td>
<td>6%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>9.8%</td>
<td>10.2%</td>
<td>0.4 pp</td>
</tr>
<tr>
<td>EBIT</td>
<td>179</td>
<td>206</td>
<td>15%</td>
</tr>
<tr>
<td>Financial results</td>
<td>-70</td>
<td>-65</td>
<td>8%</td>
</tr>
<tr>
<td>EBIT</td>
<td>109</td>
<td>142</td>
<td>29%</td>
</tr>
<tr>
<td>Taxes</td>
<td>-2</td>
<td>-11</td>
<td>-</td>
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<tr>
<td>Direct profit</td>
<td>107</td>
<td>130</td>
<td>22%</td>
</tr>
<tr>
<td>Indirect profit</td>
<td>-15</td>
<td>289</td>
<td>-</td>
</tr>
<tr>
<td>Minority interests</td>
<td>-27</td>
<td>-137</td>
<td>-</td>
</tr>
<tr>
<td>Net profit attributable to shareholders</td>
<td>65</td>
<td>283</td>
<td>334%</td>
</tr>
</tbody>
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