

Maia, 22 August 2018

SONAE STRENGTHENS SALES AND PROFITABILITY

1. MAIN HIGHLIGHTS OF FIRST HALF OF 2018:

- Sonae turnover grew 6.6% to €2,680 M
- Improved profitability across all businesses, as EBITDA rose by 11%
- Net results grow from €73 M to €98 M
- Net debt falls 6.7%, or €95 M compared to the end of the same period last year
- Investment (Capex) increased €30 M to €151 M

Ângelo Paupério, Sonae Co-CEO, says: *“The growth achieved in the 2nd quarter allowed Sonae to end the 1st half of 2018 with a turnover increase of more than 6% over the same period last year, with positive contributions from all our business areas, particularly food retail which grew by 7.2%. The overall profitability also improved, with EBITDA reaching €154 M, 11.1% above the 1st semester of 2017.*

It was also possible to reduce the Group’s net debt by an additional €95 M while increasing investment levels and continuing to grow by 5% the dividend paid to our shareholders.

The quarter was, however, marked by the results reached in terms of portfolio management, with relevant steps in the preparation of the potential IPO of Sonae MC, with the partial sale of a stake in Outsystems (indirectly owned by Sonae IM) and particularly with the acquisition of an additional 20% stake of Sonae Sierra, an operation that contributed to a more balanced portfolio and to reinforce the group’s international profile, which remains at the forefront of Sonae’s strategic priorities.”

2. CONSOLIDATED ANALYSIS



Businesses grow in 1H18

€2,680 M

+6.6%

Turnover

From a statutory view, Sonae consolidated turnover grew by 6.6% in comparison to the same period last year, amounting to €2,680 M in 1H18, particularly impacted by Sonae Retail which contributed with additional €167 M.

+11.1%

€154 M

*Consolidated
EBITDA*

Consolidated EBITDA improved €15 M, to €154 M, supported by a higher underlying EBITDA (+€8 M) and equity method results (+€9 M). Results before taxes (EBT) rose by 30.1% to €37 M in 1H18, similar to the amount registered in direct results.

€98 M

*Net income group
share*

Indirect results reached €68 M in 1H18, more than double the amount from 1H17, mainly due to portfolio revaluations, capital gains in Sonae IM and value created in investment properties of Sonae Sierra.

Thanks to growing sales and profitability, along with indirect results, the net income group share improved by €25 M or + 34.2% y.o.y. to €98 M.

Investment stood at €151 M, increasing €30 M when compared to last year, especially thanks to a higher capex level in Sonae MC, linked to refurbishments, and Sonae IM, linked to M&A operations.

Decrease of 95 million euros in debt strengthens financial solidity

Sonae continued to strengthen its financial solidity, as net debt decreased by €95 M y.o.y., to €1,324 M in 1H18, and its financial leverage stood at 38.3%, 2.8 p.p. less compared to 1H17.

The average gearing at market value improved in comparison to the same period last year, to 0.6x, namely driven by an average market cap increase and the net debt decrease, when compared to the same period in 2017.

The Group maintained its practice of remaining fully financed for the coming 18 months, while also having improved its general funding conditions. Moreover, Sonae was able to decrease the average cost of debt outstanding to 1.0% with no material impact on the average maturity profile.

Creation of more than 1,700 jobs and support to over 800 institutions

Sonae created more than 1,700 jobs over the last 12 months, closing this year's first half with over 45 thousand employees. This evolution reflects the company's general growth in all business areas, both in Portugal and abroad, resulting in boosted competences for Sonae.

During the first six months of the year, Sonae also maintained its commitment to the community, supporting over 800 institutions across Portugal, providing material goods, skills and financial resources. Among the areas of intervention that benefited from Sonae support were Social Solidarity, Culture, Education, Environmental Awareness, and Health and Sports.

3. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

SONAE MC Sonae MC strengthens leadership stance with accelerated growth**€1,906 M****+ 7.2%**

Turnover

In food retail, Sonae MC turnover grew by 7.2% compared to 1H17, rising to €1,906 M, benefitting from a Lfl sales growth of +2.7% coupled with the ongoing expansion of the Continente Bom Dia store network.

This evolution allowed Sonae MC to once again reinforce its market share and to demonstrate the effectiveness of the measures implemented throughout the previous years, namely the investment in its fresh offer, the improvement of price perception and the development of own brand products.

+ 2.7%

Lfl sales

Committed to furthering the strategic goal of expanding its Health & Wellness offer, Sonae MC opened the first Go Natural supermarket in Oporto in 2Q18, and acquired the Amor Bio stores in Lisbon, thus totalling 10 supermarkets entirely dedicated to healthy food. In 2Q18, the group also opened 3 Well's para-pharmacies, in a total of 228 by the end of June.

worten**Worten grows by 7.1% and continues online expansion****€474 M****+ 7.1%**

Turnover

Worten turnover grew by 7.1% compared to 1H17, amounting to €474 M in 1H18. This evolution benefited from the online operation growth and a positive Lfl sales performance, which reached +5.8%, despite lower seasonal products sales due to abnormally low temperatures felt in May and June, particularly in Spain.

+ 5.8%

Lfl sales

Underlying EBITDA totalled €6.1 M in 1H18, slightly above the amount registered last year.

SONAE S&F

SPORTS & FASHION

Sonae Sports & Fashion increases sales and boosts online importance**€168 M****+ 0.9%**

Turnover

The first half of the year was one of the most challenging periods ever for fashion players, as the entire fashion sector was negatively impacted by abnormal weather conditions and an earlier Easter. In this adverse context, Sonae Fashion turnover grew 0.9% in 1H18, as compared to the same period last year, online sales grew 56% at Zippy, 13% at Salsa and more than doubled at MO. As of now, international sales represent 45% of total sales.

+7.8%

IRSG sales from

February to

May

Following the merger of JD Sprinter and Sport Zone, the new company accounts, ISRG (Iberian Sports Retail Group), will be equity consolidated from this quarter onwards in Sonae's consolidated P&L. Due to the calendar reporting dates of JD Sports, ISRG figures refer to the period of 1st February to 5th May. During this period, ISRG turnover grew 7.8% y.o.y., reaching €116 M, mostly due to JD contribution following the expansion in Spain, as the underlying EBITDA improved €2.7 M y.o.y., benefitting from the positive contribution of all brands.

SONAEFS Sonae FS posts 27.5% growth in turnover**€14 M****+ 27.5%***Turnover*

Sonae FS turnover increased by 27.5% compared to 1H17, reaching €14 M in 1H18. Underlying EBITDA improved €0.8 M to €2.2 M in 1H18, which corresponds to an underlying EBITDA margin of 15.2% in 1H18.

Regarding the Universo card operation, the first half of the year ended with 667 thousand subscribers, as production increased by 31.8% when compared to 1H17, to €342 M.

SONAERP Retail real estate with a portfolio of more than 900 million euros**€47 M****+ 2.9%***Turnover*

Sonae RP, the business unit responsible for managing Sonae's retail real estate, ended the first half of the year with a portfolio of 20 Continente stores, 60 Continente Modelo stores and 31 Continente Bom Dia stores, with a net book value of €908 M.

Sonae RP turnover totalled €47 M in 1H18, 2.9% above 1H17, while the underlying EBITDA stood at €41 M, which corresponds to an underlying EBITDA margin of 86.9%.

SONAEIM Sonae IM grows and benefits from profits of investments made**€75 M****+ 8.7%***Turnover*

Sonae IM turnover increased by 8.7% y.o.y., to €75 M in 1H18, and the underlying EBITDA margin stood at 4.1%, 61 bps above last year's.

In 1H18, Outsystems (included in AVP Funds) announced it raised \$360 M in an investment round from KKR and Goldman Sachs, which led to a capital distribution for Sonae of €58 M before taxes. Sonae IM indirect results were €48 M, resulting from portfolio revaluations and capital gains.

Additionally, last June, Sonae IM signed an agreement for the merger of S21sec and the Spanish Nextel, resulting in the creation of the largest cybersecurity company in Iberia. Also during 2Q18, Sonae IM entered the capital of Nextail, a tech company that has developed a cloud-based platform combining artificial intelligence and prescriptive analytics to upgrade retailers' inventory management processes and store operations; and of Case on It, the developer of MedUX, a technology that obtains data on operator networks and quality of service in real time, without the need to track the final user.

SONAESIERRA Shopping centres area develops new projects and investments

As announced on 14th July, Sonae entered into an agreement with Grosvenor Group for the acquisition of a 20% stake of Sonae Sierra for a total estimated value of €255 M. Upon the conclusion of this transaction, which is expected to take place in 3Q18, Sonae will then fully consolidate Sonae Sierra accounts.

Sonae Sierra turnover stood at €106 M and direct results grew by 9.3% y.o.y., to €33 M, mostly explained by improved EBIT from the Services division, which coupled with better financial results due to lower costs with corporate debt (refinanced in January), more than offset the adverse FX effect of the Brazilian Real.

Throughout 1H18, Sonae Sierra further strengthened its services area, having signed 200 new contracts for the development, promotion and management of shopping centres, equivalent to €11.5 M. Regarding the development activity, the company signed a 50/50 joint-venture agreement with Impresa Pizzarotti for the development of a new shopping district in Parma, which represents an investment of circa €200 M. The pipeline of development projects also includes: Designer Outlet McArthurGlen in Malaga (Spain) and Jardín Plaza in Cucuta (Colombia), as well as the expansion of NorteShopping and Colombo (Portugal).


NOS grows operational and financially

NOS operating revenues totalled €772 M in 1H18, 0.6% above the same period last year. EBITDA reached €306 M, improving 2.6%, as the EBITDA margin increased 80 bps, to 39.6% in 1H18. Net results rose 9.2% to €79 M in 1H18. It is also worth mentioning the NOS capex amounted to €179 M, +4.3%. As regards to operational indicators, total RGUs stood at 9,499 thousand (+2.6%), while convergent RGUs reached 3,787 thousand (+5.6%), in 1H18.

4. FINANCIAL INDICATORS

Consolidated results			
Million euros	1H17	1H18	Var
Turnover	2,515	2,680	6.6%
Underlying EBITDA	123	130	6.3%
Underlying EBITDA margin	4.9%	4.9%	0.0pp
Equity method results (incl. Sierra and NOS)	21	30	41.7%
Non-recurring items	-5	-6	-
EBITDA	139	154	11.1%
EBITDA margin	5.5%	5.7%	0.2pp
EBIT	45	52	16.1%
Net financial results	-17	-16	7.4%
EBT	28	37	30.1%
Taxes	14	0	-
Direct results	43	37	-13.5%
Indirect results	33	68	-
Net income	75	104	38.8%
Non-controlling interests	-2	-7	-
Net income group share	73	98	34.2%
Business overview in aggregated terms (Million euros)			
	1H17	1H18	Var
Turnover			
Sonae Retail ⁽¹⁾	2,571	2,768	7.7%
Sonae Sierra ⁽²⁾	108	106	-1.8%
NOS ⁽²⁾	768	772	0.6%
Sonae IM	69	75	8.7%
Sonae FS ⁽³⁾	37	43	15.0%
Underlying EBITDA			
Sonae Retail ⁽¹⁾	128	132	3.0%
Sonae Sierra ⁽²⁾	50	52	3.6%
NOS ⁽²⁾	298	306	2.6%
Sonae IM	2	3	27.5%
Sonae FS ⁽³⁾	4	6	59.5%

(1) Sonae Retail includes Sport Zone figures in 1H17 and in 1H18 ISRG following its creation in January 31st 2018. (2) Aggregated turnover and underlying EBITDA include 100% of the figures reported by NOS and Sonae Sierra. In statutory accounts, the equity method is used. (3) Includes 100% turnover and EBITDA of MDS.