

Maia, 21 March 2019

SONAE IN 2018: SIGNIFICANT GROWTH AND STRENGTHENED PROFITABILITY

1. 2018 ANNUAL RESULTS HIGHLIGHTS:

- Sonae turnover reached 8.1% to €5,951 M, with growth across all business units
- Improved profitability, as underlying EBITDA grew 8.4% to €372 M
- Net result increased 33.7%, from €166 M to €222 M
- Investment rose to €702 M, driven by organic expansion and acquisitions
- Proposed dividend increase to 4.4 euro cents per share, corresponding to a dividend yield of 5.4%

Ângelo Paupério, Sonae Co-CEO, says, *"2018 was a successful year for Sonae, marked by significant growth, improved profitability and the conclusion of an important stage of our strategic development."*

Consolidated turnover reached €6 bn (+8.1%), with a positive contribution of all business units, in particular Sonae MC (+7.0%) and Worten (+7.6%), both showing also strong LfL growth levels.

In terms of profitability, recurrent EBITDA increased by 12.2% to €425 M and EBITDA reached €483 M, corresponding to a growth of 26.7%. I would also like to highlight the performance of Sonae MC, which, in a challenging market environment, maintained its benchmark profitability levels.

The Group's net income exceeded €220 M, growing by 33.7%, with a particularly positive evolution of direct income which increased 58.3% versus 2017.

2018 was also marked by the endeavor to optimize the Group's organisational structure, with a special focus on strengthening management teams, ensuring competencies and complementarities that enable greater levels of autonomy, agility and inherent accountability, thus creating the conditions to better respond to the growing challenges of ever-changing competitive landscapes.

In terms of portfolio management, we began the year by concluding the merger between SportZone and JD Sprinter, which led to the creation of ISRG, a strong Iberian operator benefitting from important synergies and already delivering very positive results. Also of considerable importance was the additional investment in Sonae Sierra, enhancing the Group's international profile and creating the conditions to accelerate the implementation of our capital recycling strategy and take advantage of existing real estate value creation opportunities in an international context. Finally, we must highlight the continued strong investment, in both capital and skills, in our growth avenues, particularly in the areas of health and wellness, technology for retail and telecommunications, and new financial services.

This intense activity coincided with the last year of the current Board of Director's mandate of which I was part as Co-CEO and ensured that the transfer of responsibilities now taking place was made with increased comfort and confidence. I am certain that our company is prepared for the challenges ahead and I have the deepest conviction and sincere wishes that the new executive team led by Cláudia Azevedo will continue to enhance the success of this unique project that unites us all, which is Sonae."



Sonae is a multinational company managing a diversified portfolio of businesses in retail, financial services, technology, shopping centres and telecommunications. Present in over 70 countries, it reached a turnover of more than 5.9 billion euros at end of 2018.

Find out more at www.sonae.pt.

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2. CONSOLIDATED ANALYSIS



All businesses accelerate sustained growth

€5,951 M

+ 8.1%

Turnover

In 2018, Sonae businesses continued to post a strong performance in both sales and profitability. **Turnover** increased 8.1% y.o.y to about 6 billion euros. This performance benefitted from positive contributions of Sonae's retail businesses, namely from like-for-like sales and expansion of store network.

€483 M

+26.7%

consolidated
EBITDA

Similar to top line growth, Sonae's **underlying EBITDA** grew 8.4% y.o.y to €372 M and, consequently, margin remained flat compared to 2017, at 6.3%.

€222 M

+33.7%

Net income group
share

Sonae EBITDA had a significant increase of €102 M, reaching €483 M, mainly fuelled by a strong operational performance and capital gains, from both Sonae Sierra's sale of assets and Sonae RP's sale and leaseback transactions, and also by the positive impact of the joint-venture with JD/Sprinter (ISRG). This EBITDA performance was the main reason for the 58% increase in direct results to €209 M, €+77 M when compared to 2017, and thus the net income group share which surpassed €220 M, versus €166 M in the previous year.

From a statutory point of view, Sonae now includes the full consolidation of Sonae Sierra following Sonae's shareholding increase from 50% to 70% at the end of 3Q18. Thus far, Sonae Sierra was considered through the equity method. On a pro-forma basis, and excluding Sonae Sierra's total turnover from 4Q18 figures, Sonae consolidated turnover would have grown 7.3% and, excluding Sonae Sierra underlying EBITDA of €11 M, consolidated underlying EBITDA would have grown by 5.2% y.o.y, corresponding to a 6.1% margin.

Reduction of 223 million euros in debt on a like-for-like basis

Sonae strengthened its financial solidity, as net debt stood at €1,317 M at the end of 2018, including the acquisition of 20% of Sonae Sierra for €256 M and the consolidation of this company's net debt. Taking into consideration the restated figures (pro-forma), that is, including the full consolidation of Sonae Sierra's net debt at the end of 2017, Sonae's net debt decreased by €223 M (-17.4%) y.o.y, to €1,061 M.

Sonae's average gearing at book value decreased to 0.5x in 4Q18 compared to 0.6x in 4Q17, due to the group's reinforced capital structure which is now composed of 71% equity.

In addition, excluding Sonae Sierra, Sonae was able to maintain a low average cost of debt of around 1%. Since the end of 2018, Sonae has already refinanced €200 M in long term facilities, which enables Sonae to secure a comfortable average maturity profile of around 4 years.

Capex above €700 M and support to 1,175 institutions

Investment in 2018 rose to €702 M, which includes: capex related with maintaining and expanding retail businesses, €256 M related with the acquisition of 20% of Sonae Sierra and Sonae Sierra capex in 4Q.

Growth across the several business units was accompanied by Sonae's strengthened commitment to community, having invested 11 million euros in social economy organisations, through material goods, competences and financial resources to 1,175 institutions.



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3. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

SONAE MC Sonae MC reaches record growth of the last decade**€4,158 M****+ 7.0%***Turnover***€228 M****€+15 M***underlying
EBITDA***+ 2.8%***LfL sales**Inflation over the
same period
(0.7%)*

In food retail, despite the strong competition, Sonae MC was again able to deliver a top line growth of 7.0% y.o.y, the highest annual increase over the last decade and surpassing €4 bn in sales.

This performance was supported by a LfL sales growth of 2.8% in 2018, as well as by the store network expansion. It is also worth highlighting the fast-developing e-commerce platform with double-digit growth figures during 2018, driven by both additional customers and higher average tickets.

The year ended with a total store network of 1,085 (including franchises), 122 more versus 2017, among which 3 owned stores Continente Modelo and 13 Continente Bom Dia stores. In 2019, Sonae MC has already opened 3 additional Continente Bom Dia and 1 Continente Modelo stores.

Underlying EBITDA improved €15 M to €228 M in 2018 and €5 M in 4Q18, while margins remained stable both in 2018 and 4Q18, at 5.5% and 6.3%, respectively. In the most important quarter of the year, which includes the Christmas season, Sonae MC proved once again its solid

value proposition, by continuing to reinforce its market leadership. This positive overall performance reflects a sound top line delivery coupled with cost discipline, despite the persistently competitive environment and the ongoing investment in the expansion plan.

The Health & Wellness segment remained one of the main areas of growth and, already in 2019, the company concluded the acquisition of a 60% stake in Arenal, a Spanish para-pharmacy and perfumery retailer.

worten**Worten accelerates growth and furthers expansion with physical stores and online****€1,095 M****+ 7.6%***Turnover***+ 5.6%***LfL sales*

Worten registered a strong 4Q contributing to €1.1 bn in total turnover in FY18, 7.6% above the €1 bn threshold surpassed in FY17. This performance was underpinned by the 5.6% LfL sales growth and the e-commerce double digit growth (both in Portugal and in Spain). Despite the tough comparable, LfL sales grew 5.6% in 4Q18 as Worten sales reached €343 M, representing an 8.1% sales growth compared to 4Q17, with an important contribution from the Black Friday period.

The store network expanded with 17 units, reaching a total of 257 Worten stores in Iberia by the end of the year. This expansion and the Black Friday impact led to a stable underlying EBITDA at

€35 M, with a 3.2% margin.

SONAE S&F
SPORTS & FASHION**Sonae Sports & Fashion increases sales against market trend****€369 M****+ 1.9%***Turnover*

2018 was a challenging year for the entire fashion sector, but Sonae S&F posted a positive 4Q growing above market references. This business unit recorded a 7.2% LfL growth and sales of €104 M in 4Q18, implying a total growth of 7.9% when compared to 4Q17. With this quarterly performance, Sonae S&F total sales reached €369 M in 2018, having increased 1.9% when compared to 2017.

+9.5%*ISRG sales from
1 Feb to 2 Nov*

Regarding profitability, underlying EBITDA reached €14.9 M, with a 4.0% margin, with the focus on the 4Q that posted a positive contribution and evolution compared to the previous year (underlying EBITDA of €12 M, €+2.5 M).

In sports, during the approximately 9 months of the first year of the Iberian Sports Retail Group (ISRG) joint-venture, turnover reached €411 M, a 9.5% improvement mostly driven by Sprinter and JD sales performance. The group's EBITDA stood at €22 M, impacted by Sport Zone's store conversion to the Sprinter model in Spain.

SONAE FS**Sonae FS grows 27.3% and nearly doubles profitability****€31 M****+ 27.3%***Turnover***747****thousand***Universo Card
subscribers*

Sonae FS ended a very good year with positive evolution in key indicators: production surpassed the €1 bn threshold (+22.8% vs 2017), turnover jumped 27.3% y.o.y to €31 M and underlying EBITDA almost doubled to €5.7M.

The Universo operation continues to enhance its role in the payments market and to be the main responsible for the strong performance of this business unit. During the 4Q, the Universo card reached almost 50k additional subscribers, totalling 747 thousand subscribers at the end of the year, thus net adds of 142k in 2018, an impressive figure for an operation that was launched 3 years ago. Market share in the credit card payments market also continued at high levels.

SONAE RP**Retail real estate concludes new sale & leaseback transactions****€94 M****+ 2.1%***Turnover*

Sonae RP, the business unit responsible for managing the retail real estate portfolio, increased its turnover by 2.1% y.o.y, to €94 M, as the underlying EBITDA stood at €81.4 M, corresponding to an 86.5% margin. At the end of the year, Sonae RP portfolio represented a gross book value of €1,247 M.

In the last two months of 2018, Sonae RP completed 2 sale & leaseback transactions corresponding to 6 assets and total proceeds of €82.8 M, with total €37 M in capital gains. With these two transactions, Sonae MC freehold (percentage of assets held) stood at 43% at the end of 2018.

SONAE IM**Sonae IM grows and makes new investments****€155 M****+ 22.7%***Turnover*

Sonae IM turnover rose to €155 M at the end of 2018, growing 22.7% y.o.y, fuelled by all the portfolio companies and by the integration of Nextel (through the merger with S21Sec in 3Q18, which resulted in the most relevant pure player in the cybersecurity sector, both in terms of turnover and in the number of experts). Underlying EBITDA maintained an upward trend in 2018 with €+2 M y.o.y, to €6.6 M.

In 2018, Sonae IM continued to implement its active portfolio management strategy, with significant portfolio shifts notably with the sale of half of our Outsystems indirect stake, the second Portuguese-born "unicorn", generating an important capital gain. Besides the reinforcement in some portfolio companies and some early stage investments, Sonae IM acquired a minority stake in a Singapore retail tech company called Visenze, and added a controlling stake in a cybersecurity company – Excellium – in Luxembourg, which represents an important step in the building of the European cybersecurity group now covering Iberia and key central European markets. Already in March 2019, Sonae IM has come to an agreement to sell Saphety (100%) to the members of its management team.



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SONAE SIERRA Shopping centres invest in services and promote recycling with success

At the end of 3Q18, Sonae concluded the agreement with the Grosvenor group to acquire an additional 20% stake in Sonae Sierra for the amount of €256 M. Following this transaction, Sonae owns 70%, thus fully consolidates Sonae Sierra's balance sheet in the 3Q18 and its P&L from 4Q18 onwards.

Sonae Sierra's management accounts (on a proportional basis) show that the company continues to deliver solid performance of €222 M and EBIT increasing by €2.9 M to €108 M. Consequently, direct results increased to €67 M, +3.0% y.o.y, underpinned by a strong performance of the shopping centre portfolio in both Europe and Brazil, coupled with a good growth of the services division.

During 2018, Sonae Sierra progressed with its capital recycling strategy with almost €600 M of OMV of assets sold and the acquisition of the remaining 50% stake of the ParkLake shopping centre in Romania. As for its development pipeline execution, Sonae Sierra reopened the Fashion City Outlet in Greece (4Q), achieved significant advances in the expansion of Norteshopping and in the Designer Outlet in Malaga and, already in 2019, opened the first shopping centre in Colombia (Cucuta).

**NOS proceeds with operational and financial growth**

Operating revenues amounted to €1,576 M in 2018, +1.1% above last year with telco revenues growing 1.5% to €1,506 M. In the 4Q18, operating revenues grew 2.5% y.o.y to €409 M. Regarding profitability, consolidated EBITDA improved 2.8% y.o.y to €592 M in 2018, benefitting from a 4.0% growth of core telco EBITDA. Net results stood at €141 M in 2018, increasing 16% y.o.y.

Regarding operational indicators, NOS ended 2018 with 9,605 thousand total RGUs, with 35.1 thousand net adds in 4Q18. Even though the level of convergent penetration is already at 50.3%, NOS managed to register a y.o.y growth of 6.3% to 767 thousand convergent customers, corresponding to 3.9 million convergent RGUs and an average of 5 services per household.

4. DIVIDEND DISTRIBUTION PROPOSAL

In view of the Net Results for the financial year 2018 and according to our dividend policy, the Board of Directors will propose at the Shareholders' Annual General Meeting the payment of a gross dividend of 0.0441 euros per share, 5% above the dividend distributed last year. This dividend corresponds to a dividend yield of 5.4%, based on the closing price as of December 31st 2018 (which stood at €0.81), and to a payout ratio of 42% of the consolidated direct income attributable to equity holders of Sonae.

5. FINANCIAL INDICATORS

Consolidated results			
Million euros	2017 ⁽¹⁾	2018 ⁽¹⁾	Var
Turnover	5,506	5,951	8.1%
Underlying EBITDA	343	372	8.4%
Underlying EBITDA margin	6.2%	6.3%	0.0pp
Equity method results (incl. Sierra and NOS)	35	53	49.8%
Non-recurrent items	2	58	-
EBITDA	381	483	26.7%
EBITDA margin	6.9%	8.1%	1.2pp
EBIT	180	258	43.4%
Net financial results	-34	-36	-6.2%
EBT	146	222	51.8%
Taxes	-15	-14	6.5%
Direct results	132	209	58.3%
Indirect results	42	46	8.3%
Total net results	174	255	46.1%
Non-controlling interests	-8	-33	-
Net income group share	166	222	33.7%
<p>(1) Restated figures due to: a) the creation of Iberian Sports Retail Group in January 31st 2018, Sport Zone was registered as discontinued operation and from February onwards ISRG started to be consolidated through the Equity Method; b) the sale of 1,773 shares from MDS SGPS to IPLF Holding, MDS started to be consolidated through the Equity Method and was included under Sonae FS, in June 2017 (up to June 2017, MDS is registered as a discontinued operation); c) the discontinued operations namely Berg from Sonae S&F;</p> <p>(2) Equity method results: includes direct income related to investments consolidated by the equity method (mainly Sonae Sierra and NOS/Zopt) and discontinued operations results;</p> <p>(3) Depreciations and amortisations including provisions and impairments;</p> <p>(4) Direct results before non-controlling interests.</p>			
Sonae aggregated business overview (Million euros)			
2017	2018	Var	
Turnover			
Sonae Retail ⁽¹⁾	5,658	6,229	10.1%
Sonae Sierra ⁽²⁾	222	222	0.0%
NOS ⁽²⁾	1,559	1,576	1.1%
Sonae IM	126	155	22.7%
Sonae FS ⁽³⁾	79	90	14.7%
Underlying EBITDA			
Sonae Retail ⁽¹⁾	357	387	8.6%
Sonae Sierra ⁽²⁾	106	109	2.6%
NOS ⁽²⁾	575	592	2.8%
Sonae IM	5	7	41.9%
Sonae FS ⁽³⁾	10	15	41.5%
<p>(1) Sonae Retail figures: a) include Sonae MC, Sonae RP, Maxmat, Worten and Sonae S&F; b) include Sport Zone figures in 2017 and in 2018 Iberian Sports Retail Group figures following its creation on 31st January 2018; and c) exclude discontinued operations, namely Berg, from Sonae S&F.</p> <p>(2) Aggregated turnover and Underlying EBITDA equal 100% of the figures reported by NOS and Sonae Sierra;</p> <p>(3) Includes 100% turnover and underlying EBITDA of MDS.</p>			