

PRESS RELEASE

Maia, 12 November 2014

Commitment to families, higher market share, reinforcement abroad and improved profitability in 9M14

SONAE BOOSTS SALES AND INTERNATIONALIZATION

1. HIGHLIGHTS OF FIRST NINE MONTHS OF 2014 (9M14):

- Turnover up 4.1% to €3,610 million, maintaining positive contribution from all businesses;
- Sales up 1.8% at Sonae MC and 10.4% at Sonae SR;
- All key retail formats gain market share;
- Underlying EBITDA up 0.7%, with total EBITDA reaching €293 million;
- Direct results grows 20.3% to €92 million;
- Net income Group share¹ increases from €64 million to €95 million;
- Total community support reaches €6.8 million, benefiting 1,874 institutions;
- Portuguese families benefit from price drop (2.4%) and €291 million in card and receipt discounts.

With regard to these results, Sonae CEO Paulo Azevedo says: “Sonae strengthened its sustainability in the first nine months of the year, once again showing consistent sales growth in every business area and continuing with ongoing operating and financial improvements.

In food retail, where a highly competitive environment brought some additional challenges, we upheld our commitment to Portuguese families to have the lowest prices on the market, together with a wide-ranging and innovative product range. Reinforcing competitive prices and boosting investments in increasingly more valuable promotions reduced the average price around 2.4% in the first nine months of the year, only made possible by our efficient operations and the financial soundness of our business. This commitment was rewarded by customer loyalty, allowing Continente to strengthen its market share in a positive trend that peaked in the year’s third quarter, and to generate volume which more than compensated for the sharp price cut.

In specialized retail, we continue to implement new store models and invest in e-commerce, with service integrated with our stores. Sonae SR’s turnover grew double digits (10.4%), bearing out the success of its strategy. This growth was leveraged by recent years’ work to streamline and optimize resources, where Sonae SR saw major improvements to operating profitability.

In the area of shopping centres, we saw a higher occupancy rate of our assets, thanks to their quality and attractiveness. This was coupled with overall improvements to operating indicators, particularly like-for-like growth in retailers’ sales and visits.

¹ Excluding effects of the Zon-Optimus merger and impairments from 3Q13



Sonae is a retail company with two major partnerships in the shopping centres (Sonae Sierra) and telecommunications sectors (Sonaecom). At the end of 2013, Sonae’s turnover was around €4.8 million. The company’s strategic goals are internationalization, a diversified investment style and leveraging and reinforcing its competency and asset base.
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NOS kept its focus on offering customers the market's best value proposition, while simultaneously leveraging synergies between its businesses, based on a convergent offer. Despite being a new brand, NOS is already on the path to success: in the area of individual customers, it is already a clear leader in subscriptions to quadruple-play services, while in the area of corporate customers it has won some of the country's biggest companies, thanks to its high-quality infrastructure and the capacity of its human resources.

Sonae IM saw most of its business portfolio evolve positively, broadening the scope of its business to cybersecurity with the acquisition of a stake in the company S21Sec.

In the strategic area of internationalization, of particular note were the efforts of most businesses towards international expansion, with Sonae MC seeing its brands embraced abroad with exports to 10 geographies, specialized retail consolidating its position in Latin America with the entry into Chile, shopping centres expanding management services for third parties in the Russian market, and SSI winning key contracts in Russia and Mexico.

The data disclosed today bolsters our confidence in the strategy we are pursuing; despite our success, however, we remain prudent with regard to the future. We must continue to reinforce the confidence of families and companies to lay a more favourable groundwork for developing business and empowering economic growth.”

2. GIVING BACK TO THE COMMUNITY

• COMMITMENT TO FAMILIES OFFERS LOW PRICES AND €291 MILLION IN DISCOUNTS

The first nine months of the year bore out Sonae's solid commitment to Portuguese families. Their loyalty was rewarded with 2.4% lower prices and a promotional policy to help make managing household budgets easier. Card and receipt discounts from its retail brands gave actual savings of €291 million to Portuguese families, reflecting Sonae's commitment to support its customers with the best value proposition on the market at all times. The efforts of Sonae brands have contributed towards the high degree of customer loyalty and success of card offerings. The number of families who used Continente and Sport Zone cards surpassed 4.5 million, with more than 90% of purchases at Continente done via its credit card, which was extended to Zippy.

• PURCHASES OF PERISHABLES FROM DOMESTIC PRODUCERS INCREASE 6.5%

Sonae strengthened its commitment to domestic production in the first nine months of the year, increasing its purchasing quantities of perishables by 6.5% and expanding its supplier network with 24 new partners. This focus resulted in domestic production purchases of €458 million, accounting for 77% of the total. The Continente Producers' Club continued its mission of supporting domestic producers in the agri-food sector in developing their business and innovation processes, with purchases up 4.3% to €178 million.

• COMMUNITY SUPPORT SURPASSES €6.8 MILLION AND BENEFITS 1,874 INSTITUTIONS

Sonae strengthened its community commitment by supporting 1,874 third-sector institutions throughout the country in the first nine months of the year. Between January and September, Sonae distributed €6.8 million under its corporate responsibility policy, benefiting 420 more organizations than the same period last year. Sonae's activities revolved around areas such as social solidarity, health and sports, environmental awareness, culture, education, and science and innovation. In view of the needs found, Sonae upped its involvement with third-sector institutions through food donations and technical and financial support. In the third quarter, special attention was also paid to promoting health and sports, namely through the Sport Zone Half Marathon and various initiatives encouraging active lifestyles among thousands of people throughout the country. Also of note



was the launch of the Sonae Media Art award aimed at distinguishing and publicizing artistic creations in the area of multimedia, with a €40,000 prize for the winner.

3. OPERATING AND FINANCIAL ANALYSIS

Introductory note: The 9M13 results are shown on a pro forma basis for purposes of direct comparison, without the effects of the Zon-Optimus merger and impairments from 3Q13.

Sonae's consolidated turnover was €3,610 million in the first nine months of the year, up 4.1% year-over-year. This result was largely due to the improved performance of Sonae SR and Investment Management, whose turnover grew 10.4% and 13.5%, respectively.

In food retail, Sonae MC's turnover totalled €2,537 million in 9M14, up €45 million (or 1.8%) year-over-year. In a backdrop of intense competition in the Portuguese food retail sector, where Continente maintained solid promotional efforts and cut base prices by 2.4%, the higher turnover was driven by growth of approximately 4.2% in quantities sold, and leveraged by six new Continente Modelo stores and five new Continente Bom Dia stores in the past 12 months. Sonae MC continued to solidify its leadership position in the Portuguese food retail market (+1.1 pp), thanks to the loyalty of customers who believe in the price/quality ratio of its products. The Continente brand portfolio accounted for approximately 30% of turnover in the categories of fast-moving consumer goods (FMCG), proving that they are embraced by customers. Sonae MC's e-commerce platform saw 10% growth in online sales compared to the same period in 2013. In addition, Sonae MC continues in an initial prospecting phase for wholesaling and franchising.

In specialized retail, Sonae SR's turnover was €913 million in 9M14, up €86 million (10.4%) over 9M13, and representing like-for-like store growth of 7%. Worten consolidated its leadership position in the Portuguese electronics market with an estimated gain in market share of 1.5 pp; the new concept adopted in Spain continues to achieved good results, with organic international sales per square meter at Worten, Sport Zone and Zippy increasing 18%; MO in Portugal saw two-digit like-for-like growth, bearing out the success of the new value proposition, which includes enhancements to the brand, store and product; and Zippy began a partnership with the Continente Card, offering Portuguese families new solutions for saving. This partnership will contribute to Zippy's growing attractiveness in Portugal, with the initial impacts anticipated in 4Q14, a period already witnessing a stronger position in Latin America with October's entry into the Chilean market.

Sonae Investment Management, which includes the businesses of MDS, Maxmat, GeoStar and Tlantic, along with Sonaecom's Software & Information Systems (SSI) and Online & Media units, continued to improve its performance, with sales up 13.5% to €186 million. This result was partially impacted by the higher turnover of the SSI units, which totalled €89.3 million in 9M14, as well as higher turnover in other areas. MDS sustained its market position in Portugal and in Brazil, while Geostar increased its sales despite downward trends in the sector. MaxMat saw its best quarter of the years in terms of growth. At SSI, the sale of Mainroad was announced, and a stake in cybersecurity company S21Sec was acquired. Saphety expanded its business to Russia and won a major contract in Mexico, while Sonae E.Ventures acquired a stake in Movvo technology.

In terms of strategic partnerships, the benchmark quality of Sonae Sierra's assets continues to be reflected by the high rate of occupancy, which totalled 95.1% in 9M14. Retailers' like-for-like sales rose 4.2% in Europe, bearing out the positive prospects for the sector. Furthermore, after its entry into China and Morocco, Sonae

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Sierra signed an agreement for a new 50/50 joint-venture in Russia with OST Development for the provision of shopping centre marketing and management services, thereby reinforcing its internationalization.

More and more, NOS is proving to be a natural leader in convergence, with net additions of customers in every key segment, while structural cost savings from the merger process are simultaneously becoming more visible, and are offsetting pressure on prices. Growth accelerated in primary convergent services, reaching 1,488 million convergent RGUs at the end of 3Q14 with 480,000 net adds, and with net adds in mobile reaching 139,000 in 3Q14, driven by continued solid growth in prepaid services.

The consolidated **underlying EBITDA** was up 0.7% to €259 million, despite the intense competitive environment in the Portuguese retail food market, with EBITDA totalling €293 million. This result was backed by improvements at Sonae SR (+82.9%) and Investment Management (+45.7%), while the specialized retail area also achieved a positive operating profit of €4 million in the third quarter of the year.

The **direct results** were €92 million, up €16 million (20.3%) year-over-year. This result was mostly driven by operational growth, lower amortization and depreciation and improved net financial activity, which more than offset the decreased consolidated results through the equity method.

The **net income** attributable to the group¹ was €95 million, up €31 million (47.7%) year-over-year, primarily due to the higher direct profit, together with Sonae Sierra's indirect profit which benefited from lower yields in the real estate sector.

Total net debt was €1,414 million at the end of September, demonstrating the strong generation of operating cash flow and payment of Sonaecom shares to France Telecom in August. Without this payment, the total net debt would be €88 million. In this manner, the company continued to improve its key leveraging ratios. With regard to the debt's maturity profile, Sonae completed a series of transactions in the 3Q14 with maturities up to six years, allowing Sonae to soften its maturity profile, optimize its financing cost, bolster its capital structure and diversify financing sources.

The **investment** of Sonae's retail units (Sonae MC, Sonae SR and Sonae RP) was €122 million, 11% higher than 9M13. Of particular note were investments to open new stores, implement new formats and develop the international business.

Consolidated income statement			
Million euros	9M13PF	9M14	Var.
Turnover	3,467	3,610	4.1%
Underlying EBITDA	258	259	0.7%
Underlying EBITDA margin	7.4%	7.2%	-0.2 pp
EBITDA	299	293	-1.9%
EBITDA margin	8.6%	8.1%	-0.5 pp
EBIT	153	162	6.0%
Net financial activity	-65	-58	11.0%
EBT	88	104	18.7%
Taxes	-11	-12	-7.6%
Direct results	77	92	20.3%
Indirect results	289	5	-
Non-controlling interests	-124	-2	-
Net income Group share	242	95	-
Indirect results ¹	-10	5	-
Non-controlling interests ¹	-2	-2	-
Net income Group share¹	64	95	47.7%

¹ Excluding effects of the Zon-Optimus merger and impairments from 3Q13