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SONAE ACCELERATES GROWTH AS SALES INCREASE BY 11% IN THE FIRST SIX MONTHS

1. MAIN HIGHLIGHTS OF FIRST HALF OF 2019:

- Sonae consolidated turnover increased by 11% to €2,985 M
- Improved operational profitability as underlying EBITDA grew 24% to €243 M and EBITDA increased 9.6% to €284 M
- Net results reached €38 M, having grown by 24% on comparable basis (excluding the impact of selling the stake in Outsystems in 2Q18)
- Investment rose to €189 M, a 25.3% growth driven by organic expansion and acquisitions
- Net debt decreased €131 M on a comparable basis

Cláudia Azevedo, CEO of Sonae, says *“Sonae had a very positive first half of the year, with strong growth, profitability improvements and important milestones in terms of portfolio management.*

Consolidated turnover grew 11.0% y.o.y. to €2,985 M, with a particularly strong contribution from Sonae MC, solid growth at Sonae IM, and a better performance of Worten and Sonae Fashion in the second quarter. Non-consolidating businesses also posted very positive top line evolutions, especially MDS and ISRG, both with strong double-digit growth. These results give us great comfort that the value propositions of our businesses are being truly appreciated by our customers.

Underlying EBITDA increased 24.4% to €243 M, with Sonae MC maintaining its benchmark profitability level and Sonae Fashion improving its margins on the back of higher sales and its ongoing transformation programme. Total EBITDA grew 10% y.o.y. despite the challenging comparable of 2018, marked by the capital gain of the Outsystems transaction.

Regarding portfolio management, in the quarter Sonae Sierra Brasil reached a final merger agreement with Aliansce Shopping Centers to create the largest shopping centre operator in Brazil. Also in the second quarter Sonae IM continued to invest in technology-based companies and, already in July, announced the agreement with Mobileum to sell WeDo. This transaction illustrates Sonae IM’s value creation model and we are confident that, under the new ownership, WeDo will be able to continue its growth trajectory in years to come.

Given this set of results, the robustness of our value propositions and the strength of our management teams, we remain confident that 2019 will be a very positive year for Sonae.”.



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

Find out more at www.sonae.pt.

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2. CONSOLIDATED ANALYSIS



Growth across all operational indicators

€2,985 M

+11%

Turnover

In the first half of 2019 (1H19), Sonae **turnover** increased 11% y.o.y., to €2,985 M, benefiting from strong growth at Sonae MC (+€198 M) and Sonae IM (+€21 M), and also from the consolidation of Sonae Sierra's statutory revenues (+€86 M). In the 2Q, growth was accelerated as turnover grew 13.1%, surpassing €1,500 M.

€284 M

+9.6%

Consolidated
EBITDA

The growing sales reflected in improved operational profitability. **Underlying EBITDA** grew 24.4%, from €195 M in the 1H18 to €243 M in the 1H19, sustained by the positive performance of Sonae MC, Sonae Fashion and Sonae FS, as well as by the consolidation of Sonae Sierra. On a comparable basis and excluding the contribution of Sonae Sierra, the underlying EBITDA would have grown 10% compared to the same period last year.

On the other hand, **EBITDA** grew around 10%, to €284 M, also benefitting from growth in the equity method results, which were driven by the consolidation of Sonae Sierra and by the clear improvement of ISRG's performance, having a positive contribution of €3 M.

Despite the strong operational performance, with growth in sales and profitability, net income groups share stood at €38 M, below the amount registered last year, mostly due to the capital gain registered in the 2Q18 related with the Outsystems transaction. Excluding this operation, net income group share would have increased by 24%.

Investment grows 25% concentrating on M&A and organic expansion

€189 M

+25.3%

Capex

Investments increased 25.3%, to €189 M, with special focus on the investment of Sonae MC towards acquiring the Spanish network of para-pharmacies and perfumeries, Arenal, and of Sonae IM by acquiring stakes in Cellwize and CB4. Concerning the expansion capex, Sonae MC continues its fast expansion programme, having inaugurated 30 new stores operated by the company, including five Continente Bom Dia stores.

Reduction of 131 million euros in debt on a comparable basis

Sonae continued to strengthen its financial solidity, as net debt decreased €131 M on a comparable basis, compared to the 1H18. Considering the changes in the portfolio over the last months (namely the investments in Sonae Sierra and Arenal), total net debt stood at €1,755 M, as the group's average gearing at market value is currently at 0.5x, having improved 0.1x compared to the 1H18.

Sonae maintained its cost of debt stable at 1.3% throughout the 1H19 and has been able to increase its average maturity profile above 4 years. Excluding Sonae Sierra, Sonae kept its practice of being fully financed for the coming 18 months with a stable cost of debt of 1.0%.

Creation of over 1,200 jobs

Growth across all business areas, as a result of consumers' preference, allowed to create more than 1,200 new jobs during the last 12 months. This evolution was also accompanied by Sonae's consolidated commitment towards the community, which benefited around 900 institutions of social economy by providing material goods, along with skills and financial resources.



3. OPERATIONAL AND FINANCIAL ANALYSIS PER BUSINESS

SONAE MC Sonae MC surpasses 2 billion euros in sales

€2,180 M

+ 10.0%

Turnover

+ 3.9%

Like for Like sales
(LfL) 1H19

In food retail, Sonae MC registered, once again, a solid top line performance in the 1H19, with turnover surpassing 2 billion euros, a 10.0% y.o.y. increase. This growth was underpinned by strong LfL evolutions in all segments (total of 3.9% in the 1H and 6.7% in the 2Q), mostly fuelled by increased volumes, by continued expansion efforts, with the opening of 30 new operated stores (including 5 Continente Bom Dia stores and 1 Continente Modelo store), and by the Arenal acquisition (with a total of 42 stores operating by the end of 1H19). In terms of operational profitability, Sonae MC's underlying EBITDA amounted to €207 M, rising €26,4 M compared to the same period last year. The underlying EBITDA margin reached 9.5%, versus 9.1% in the previous year.

worten

Worten strengthens omnichannel strategy

€473 M

Turnover

€15 M

Underlying
EBITDA

In electronics retail, Worten reached €473 M in turnover this semester, in line with last year. This stability in business turnover, coupled with continued efforts towards digital transformation, led to an underlying EBITDA of €15 M.

This performance is the result of a y.o.y. increase in sales in this second quarter, of 2%, despite the 2018 sales boost of image categories (namely TV sets) driven by the Football World Cup. In line with our digital-enabled, omnichannel strategy, Worten's marketplace is evolving well, reinforcing online sales growth, which stood above 50% in the 2Q in Portugal. In the face of this success, Worten decided to strengthen its omnichannel strategy in Spain, implementing an

ambitious programme aimed at improving profitability in this geography in the short to medium term, which comprises strengthening the investment in the online channel, a **better cost and structure efficiency** and suspension of stores with lower return rates.

Sonae Fashion grows 10.2% LfL during the quarter

€177 M

+ 3.5%

Turnover

Sonae Fashion delivered a strong turnover growth in the 2Q19 with a y.o.y. increase of 7.4% (+10.2% LfL), with every brand showing high single digit LfL figures in the period. In the semester, total growth levels reached +3.5% y.o.y. to €177 M, with a LfL of 7.5%. In terms of profitability, Sonae Fashion was able to improve its underlying EBITDA by €2.3 M, leveraging the benefits of its ongoing transformation plan, and reached a margin of 6.3%.

These improvements are leveraged by the benefits of the ongoing transformation plan, which focuses on greater agility, digitization and fashion component. It is worth highlighting that all brands have been achieving important milestones in the ecommerce front and all together were able to increase online sales by more than 30% y.o.y. in the 1H19.

ISRG accelerates and reaches two-digit growth

+13.9%

ISRG sales 3
Nov to 5 May

The last six months were very positive for ISRG. Turnover increased by 13.9% or €40 M, compared to the same period last year, reaching €328 M, driven by JD and Sprinter. EBITDA improved from €13 M to €25 M in the 1Q19, leading to a 7.8% margin. The contribution to Sonae's revenues stood at €3 M, €6 M above the 1H18.



SONAEFS**Sonae FS grows 20% and Universo Card surpasses 800 thousand subscribers****€17 M****+ 19.7%***Turnover***800 thousand***Subscribers of
Universo Card*

Sonae FS maintained the positive trend of the last quarters, with both top line and underlying EBITDA growing two digits in the 1H19. Turnover increased 19.7% or €2.9 M to €17 M and underlying EBITDA grew €2 M, with a margin of 23.3%.

The Universo card has already surpassed 800 thousand subscribers at the end of June (+134 k y.o.y.) and production grew 21.5% y.o.y. to €415 M. Market share continues to grow, reaching 12.5% by the end of June.

SONAEIM **Sonae IM accelerates growth and an active portfolio management**

Sonae IM maintained an active portfolio management, investing in new companies, either strengthening in some or divesting in others. Year to date, the main portfolio changes are related with the sale of 100% of Saphety's shares to members of its management team, backed by Oxy Capital, and the agreement with Mobileum to sell 100% of Wedo's shares. Also, during the 2Q19, Sonae IM added Cellwize to its portfolio, an Israeli-based global leader in mobile network automation and orchestration for telecom carriers, after having already acquired a stake in CB4, which provides a patented solution of artificial intelligence software for retailers.

Regarding its operational performance, turnover grew 29.7% to €93 M, driven mostly by the integration of Nextel and the acquisition of Excellium. Underlying EBITDA stood at €0.3 M in the 1H19, mainly influenced by the consolidation of recently acquired companies.

SONAESIERRA **Shopping centres grow and continue capital recycling strategy****€113 M****+ 6.4%***Turnover*

Sonae Sierra registered a 6.4% increase in turnover in the 1H19, to €113 M, as EBIT stood at €55 M, increasing 5.7% y.o.y. Direct results amounted to €36 M, 9% above last year's, mostly a reflection of the positive performance of both its investment portfolio and the services division.

Sonae Sierra continued to successfully pursue its capital recycling strategy during the first semester of the year. In addition to the sales announced in the first quarter, in the second quarter the company sold Dos Mares, LeiriaShopping and Hofgarten Solingen, which corresponded to over €450 M of OMV sold in the 1H19.

Additionally, Sonae Sierra Brasil reached an agreement to merge with Aliansce Shopping Centers to create the largest shopping centre operator in Brazil, with 1.4 million sqm of managed GLA.

**NOS strengthens growth and operational profitability**

In the 1H19, operating revenues increased by 1.2% y.o.y. to €782 M, backed by a growth both in telco and audiovisuals & cinema revenues (+1.0% and +4.2%, respectively). The cost discipline enabled an EBITDA expansion higher than the revenue growth and margin grew to 42.5% in the 1H19. Investment stood at €208 M in the 1H19, increasing 2.3% when compared to last year, driven by transformational landline and mobile network projects. Free cash flow continues a year on year improvement, reaching €100 M in the 1H19, +8.7% versus 1H18.

In terms of operational performance, NOS ended the 2Q19 with a total of 9.6 million RGUs, +1.1% versus 2Q18, while convergent RGUs increased by 3.0% to 3.9 million in the 2Q19.



IMPROVING LIFE

5. FINANCIAL INDICATORS

Consolidated results			
Million euros	1H18 ⁽¹⁾	1H19	Var
Turnover	2,690	2,985	11.0%
Underlying EBITDA	195	243	24.4%
Underlying EBITDA margin	7.3%	8.1%	0.9pp
Equity methods results ⁽²⁾	27	52	-
Non-recurring methods	37	-11	-
EBITDA	259	284	9.6%
EBITDA margin	9.6%	9.5%	-0.1pp
EBIT	110	115	4.1%
Net financial results –leasing	-31	-36	
Net financial results – funding	-15	-21	-
Taxes	-9	-1	-
Direct results	56	56	0.9%
Indirect results	30	8	-
Net income	86	64	-25.1%
Non-controlling interests	-5	-26	-
Net income group share	80	38	-52.8%
<small>(1) Restated figures due to: a) IFRS16 accounting standard; and b) discontinued operations, namely Berg, from Sonae Fashion, and sale of Saphety by Sonae IM.</small>			
<small>(2) Equity method results: includes direct income by equity method results from Sonae Sierra statutory accounts, income related to investments consolidated by the equity method (mainly NOS/Zopt and ISRG) and discontinued operations results.</small>			

Note: In the 2Q19, there were no changes in Sonae's reporting methods. Much like in the first quarter, historical figures were restated to include the new perimeter for Sonae MC and the adoption of the IFRS 16 accounting standard. Sonae Sierra's accounts started being consolidated line-by-line since the 4Q18, after the acquisition of the additional 20% stake.