

Sonae Sierra recorded a Net Profit of €77.7 million in the first nine months of 2018



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- Direct Result rises 9,7% to €49.6 million
- EBIT reaches €77.5 million, a 2.3% increase
- Tenant sales and rents perform positively
- Successful implementation of the capital recycling strategy
- Continued growth in services turnover and margin

Sonae Sierra recorded a positive performance across its portfolio of assets and businesses during the first nine months of 2018. Its Direct Result increased by 9.7%, on a proportional basis, while the Net Profit remained broadly flat y-o-y (year-on-year) at €77.7 million.

Sonae Sierra's Shopping Centres continued their growth momentum during the period. Tenant sales grew by 1.3% in the European portfolio as a whole, when compared to the same period of 2017. Spain and Romania, recorded particularly strong tenant sales growth of 9.8% and 7.3% respectively. Spain benefitted from the effect of the acquisition of Area Sur in June 2017, and Romania from the ramp-up effect of ParkLake. In Brazil, tenant sales improved by 2.4% in Brazilian Real.

Total LfL (like-for-like) rents grew 1.7% in Europe, which was mainly driven by a strong performance in Portugal and Spain, which recorded 3.9% and 2.6% LfL rental growth, respectively. The Brazilian portfolio grew LfL rents by 3.1% in Brazilian Real.

The global occupancy rate of the portfolio rose to 96.3%, an improvement of 0.7 b.p. compared to the same period of 2017. In Europe, occupancy remained largely stable at 97.1% whilst Brazil saw its unit-shop occupancy improve from 90.3% to 93.6%.

Sierra's proportional EBIT from Properties was €64.0million in the first nine months of the year, representing a 0.6% reduction compared to the same period last year. This is the result of the effects of the 2017 asset sales in Europe, and the negative impact from the depreciation of the Brazilian Real. Excluding the latter effect, EBIT from properties would have increased by 4.2%.

The positive performance of Sierra's Services business led to an increase in Sierra's total proportional EBIT of 2.3% to €77.5 million. Sierra's Services business recorded a strong performance with its proportional EBIT growing by 19% y-o-y, reflecting good organic momentum and new contract wins. The Ores Socimi, a fund managed by Sierra's Investment Management Services business continued to record a good investment pace,

having acquired several properties in Spain and Portugal, for a total investment of circa €145 million in the period.

As a result of the above dynamics and improved financial results, proportional Direct Result rose to €49.6 million, an improvement of 9.7% compared to the same period of 2017. The Indirect Result stood at €28.1 million, reflecting the positive impact of the operational performance of Sierra's portfolio and an overall marginal portfolio yield compression.

Active implementation of the capital recycling strategy

Sonae Sierra continued to successfully implement its capital recycling strategy in the first nine months of the year, with the stake decrease in SerraShopping shopping centre and the continued successful execution of its development pipeline, which now includes: the Jardín Plaza Cúcuta (Colombia), the Emilia District in Parma (Italy), the Fashion City Outlet (Greece), the McArthurGlen Designer Outlet Málaga (Spain), the Shopping Centre Zenata (Morocco), and in Portugal, the NorteShopping and Centro Colombo expansions. Of these developments the following are expected to be completed in the short term:

- The new Fashion City Outlet (Greece), a partnership between Sonae Sierra and Bluehouse Capital, is set to open its doors on November 16th with a total area of 20,000 sq.m. It will accommodate more than 70 well-known stores, offering selected fashion brands, at significantly reduced prices, all year round.
- Construction work continues apace on the McArthurGlen Designer Outlet Malaga (Spain). This 50/50 joint venture between McArthurGlen and Sonae Sierra represents a €140 million investment to create 30,000 m² of new retail space. It will offer consumers a strong mix of over 170 brands. The opening is planned for the beginning of 2019.
- Construction is also advanced on Jardín Plaza Cúcuta, in Colombia, a partnership between Sonae Sierra and Central Control. The project has a total investment of €52 million and a gross leasable area of 43,000 m², making it the largest shopping centre in the city. The opening is planned for the beginning of 2019.

Net Asset Value (NAV) and Financial Ratios

Sonae Sierra calculates its NAV according to the guidelines published in 2007 by INREV (European Association for Investors in Non-Listed Real Estate Vehicles).

Based on this methodology, as of September 30, 2018, Sonae Sierra's NAV stood at €1.4 billion. This value represents a 0.7% decrease compared to the value in December 2017, as the Net Result of the period was offset by the distribution of dividends and by the adverse effect on reserves of the depreciation of the Brazilian Real. Excluding the adverse BRL FX effect, NAV increased 2.2%.

Net Asset Value (NAV) (€ million)	30 Sep 18	31 Dec 17
NAV as per the financial statements	1,137.2	1,150.5
Deferred tax for properties	278.8	274.9
Other Adjustments	6.9	6.8
NAV	1,422.9	1,432.3
NAV per share (in €)	43.76	44.05

Sonae Sierra continues to benefit from good access to debt funding. In the first nine months of 2018, the company refinanced total debt facilities of € 705 million on a 100% basis.

The average cost of debt for Sonae Sierra is 0.6 b.p. below 2017 and currently stands at 3.2%. Excluding Brazil, the average cost of the debt has fallen to 2.7% mainly driven by the refinancing of the Bond Loan in January at lower interest rates.

The financial ratios show a prudent and solid approach and the financial strength of the Company's balance sheet.

Ratios	30 Sep 18	31 Dec 17
Loan-to-value	30.1%	30.2%
Interest cover	4.3x	3.6x
Development Ratio	11.4%	14.0%

Sonae Sierra's Profit and Loss Account and Consolidated Balance Sheet
(unaudited accounts)

Consolidated Profit and Loss Account	9M18	9M17	Var.
<i>(€ million)</i>			
Direct income from properties	102.6	106.0	-3%
Direct costs from properties	38.5	41.5	-7%
EBIT from properties	64.0	64.4	-1%
Services rendered	56.5	55.4	2%
Direct costs from services	43.0	44.1	-2%
EBIT from services	13.5	11.3	19%
Net financial costs	15.4	18.1	-15%
Direct profit before taxes	62.1	57.7	8%
Current tax	12.5	12.5	0%
Direct net profit	49.6	45.2	10%
Gains on sale of investments	2.8	2.3	18%
Value created in investments	41.7	48.8	-15%
Deferred tax	16.3	18.6	-12%
Indirect net profit	28.1	32.5	-14%
Net profit	77.7	77.8	0%

Consolidated Balance Sheet	30 Sep 18	31 Dec 17	Var.
<i>(€ million)</i>			
Investment properties	2,045	2,046	-1
Properties under development and others	124	72	52
Other assets	121	134	-13
Cash & Equivalents	158	144	15
Total assets	2,448	2,396	52
Net worth	1,137	1,151	-13
Bank loans	807	780	27
Deferred taxes	339	334	5
Other liabilities	164	132	33
Total liabilities	1,310	1,245	65
Net worth and liabilities	2,448	2,396	52

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About Sonae Sierra

Sonae Sierra (www.sonaesierra.com) is the international company dedicated to develop and service vibrant retail-centred properties. The company operates from corporate offices in 12 countries providing services to clients in geographies as diverse as Portugal, Algeria, Brazil, Colombia, Germany, Greece, Italy, Morocco, Romania, Russia, Slovakia, Spain, Tunisia and Turkey.

Sonae Sierra owns 46 shopping centres with a market value of about €7 billion and manages and/or lets 79 Shopping Centres with a Gross Lettable Area of about 2.6 million m² and more than 9,300 tenant contracts. At present, Sonae Sierra has 15 projects under development, including 9 for third parties.

Sonae Sierra currently works with more than 20 co-investors at asset level and manages four real estate funds for a large number of investors coming from across the world.