

Sonae Sierra displayed a solid performance in 2018, recording an overall Net Result of €110.1 million in 2018



Maia – Portugal, March 21st, 2019

Overview

- EBIT and Direct Result grew 2.8% and 3.0% to €107.7 million and €66.5 million respectively
- Company NAV increased by 1.6% to €1,455 million
- €1.0 billion of debt refinanced resulting in a decrease in average cost of debt to 3.5%
- Loan to Value reduced to 26.6%

Sonae Sierra continued to focus on the execution of its long-term strategy of capital recycling and growing its services and development businesses, which resulted in a solid operational performance and a robust level of capital recycled.

In 2018, Sonae Sierra managed to sell shopping centres with a Gross Asset Value of almost €600 million, achieving attractive gains, saw its Services EBIT grow by 11% y-o-y, and invested over €165 million in expansions such as NorteShopping, Outlets in Spain and Greece and in a new shopping centre in Colombia, which opened on February 27th.

Sonae Sierra's EBIT increased by 2.8%, reflecting the improved performance of its portfolio in Europe and Brazil, as well as improvements in its Services business. This is particularly noteworthy as the increase in EBIT was affected by Brazilian Real exchange rate fluctuations and by the company's 2017 disposals. On a LfL (like-for-like) basis, EBIT increased by 5.5% during 2018.

Sonae Sierra's European portfolio increased its Tenant sales by 2.1% y-o-y. Spain and Romania recorded particularly strong tenant sales growth of 10.8% and 11.5% respectively, impacted by portfolio expansion in Spain and improved performance from Parklake, in Romania. On a LfL basis, sales grew by 2.3% in Europe, benefiting from a strong performance in Portugal, Spain and Romania where the increases were of 3.1%, 5.5% and 11.5%, respectively. Total LfL rents grew 2.0% in Europe, which was mainly driven by better performance in Portugal and Spain, which recorded 3.7% and 3.5% LfL rental growth, respectively.

Occupancy rates in Europe continued to be strong with Portugal recording a 99.1% occupancy rate, compared to 97.1% on a European basis. Brazil saw its occupancy rate rise from 92.5% to 93.4%.

Indirect net profit reached €43.6 million, as a result of realised gains on the 2018 disposals and the gain on the opening of Fashion City Outlet in Greece plus an increase in the valuation of our Investment properties.

Sonae Sierra continues to be proactive in the management of its capital structure. In 2018, the company refinanced total debt facilities of around €1 billion, on a 100% basis, leading to a decrease in the average cost of debt by 30bps to 3.5%.

As of December 31, 2018, Sonae Sierra's NAV stood at €1.5 billion, a 1.6% increase despite dividend distributions and the adverse effect of the depreciation of the Brazilian Real. Excluding the adverse BRL exchange-rate effect, NAV increased by 3.7%.

Capital Recycling and Developments

- Acquisition of the remaining 50% stake in ParkLake, Romania
- Disposal of CoimbraShopping and partial dilution of SerraShopping in Portugal, and of GranCasa, Max Centre and Valle Real in Spain
- Opening of Fashion City Outlet, in Greece
- Significant advances in the expansion of NorteShopping, in Portugal, Jardin Plaza in Colombia and Designer Outlet Malaga, in Spain

Sonae Sierra continued to implement its capital recycling strategy throughout 2018. In December, it announced the signing of a Joint Venture agreement with J&T to acquire the Gran Casa, Max Centre and Valle Real shopping centres in Spain for a total of €485 million. Under the agreement, our JV partner will have a shareholding of 87.5%, with Sonae Sierra owning the remaining 12.5% and providing all the management services.

The Ores Socimi, a fund managed by Sierra's Investment Management Services business continued to record a good investment pace, having acquired 18 properties in 2018, for a total investment of circa €174 million.

The successful execution of Sonae Sierra's development pipeline also continued throughout 2018. The new Fashion City Outlet (Greece), a partnership between Sonae Sierra and Bluehouse Capital, opened on November 15th with a total area of 20,000 m². Construction also advanced on Jardín Plaza Cúcuta, in Colombia, through the joint-venture between Sonae Sierra and Central Control. This development represents a total investment of €52 million and a gross leasable area of 40,000 m² for 180 shops, making it the largest shopping centre in the city. The opening took place on February 27th 2019. Furthermore, construction work continues apace at McArthurGlen Designer Outlet Malaga (Spain). This 50/50 joint venture between McArthurGlen and the Sierra Fund represents a €140 million investment to create 30,000 m² of new retail space.

In 2019, the business will continue with its selective capital recycling activity whilst committing to the long-term strategic growth of its most dominant flagship assets in Iberia, and focus on further strengthening its international presence.

Sonae Sierra's Profit and Loss Account and Consolidated Balance Sheet

Consolidated Profit and Loss Account (€ million)	2018	2017	Var.
Direct income from properties	144.3	145.3	- 1%
Direct costs from properties	55.6	57.5	- 3%
EBIT from properties	88.7	87.7	1%
Services rendered	77.4	76.6	1%
Direct costs from services	58.5	59.6	- 2%
EBIT from services	19.0	17.0	11%
Net financial costs	26.8	24.9	8%
Current tax	14.3	15.2	- 6%
Direct Result	66.5	64.6	3%
Gains on sale of investments	30.9	5.9	-
Value created in investments	65.1	70.5	- 5%
Deferred tax	52.5	31.1	69%
Indirect Result	43.6	45.3	- 4%
Net Result	110.1	110.0	0%

Consolidated Balance Sheet (€ million)	31 Dec 18	31 Dec 17	Var. (18-17)
Investment properties	2,097	2,046	50
Properties under development and others	114	72	42
Other assets	80	134	- 54
Cash & Equivalents	260	144	117
Total assets	2,551	2,396	155
Net worth	1,179	1,151	29
Bank loans	843	780	63
Deferred taxes	368	334	34
Other liabilities	161	132	30
Total liabilities	1,372	1,245	127
Net worth and liabilities	2,551	2,396	155

END**About Sonae Sierra**

Sonae Sierra (www.sonaesierra.com) is the international company dedicated to developing and servicing vibrant retail-centred properties. The company operates from corporate offices in 11 countries providing services to clients in geographies as diverse as Portugal, Algeria, Brazil, Colombia, Germany, Greece, Italy, Morocco, Poland, Romania, Russia, Slovakia, Spain and Tunisia.

Sonae Sierra owns 42 shopping centres with a market value of more than €7 billion and manages and/or lets 82 Shopping Centres with a Gross Lettable Area of 2.7 million m² and about 9,300 tenant contracts. At present, Sonae Sierra has 14 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.