

## Sonae Sierra recorded a Net Profit of €110 million in 2017



Maia – Portugal, March 13th, 2018

- Direct Result rises to €65 million
- EBIT reaches €105 million
- Growth of services provision
- Tenant sales and rents performed positively

Sonae Sierra recorded a Net Profit of €110.0 million in 2017, compared to the €181.2 million recorded in 2016 impacted by a lower value created in Investment Properties.

EBIT reached €105 million, a 8.5% increase over the previous year.

The Direct Result rose to €65 million, an improvement of 14% compared to 2016. This reflects higher EBIT across the portfolio in Europe and in Brazil and the increase in Services' turnover and margins.

The Indirect Result stood at €45 million, €79 million below the previous year, mainly due to lower value created in investment properties (lower yield compression in Iberia in 2017), lower gains on sales of investments and the fact that 2016 benefited from the opening of ParkLake.

In operational terms, tenant sales grew by 7.8% overall in the European portfolio compared to 2016, with a significant growth in Romania due to the successful opening of ParkLake in Bucharest. In Spain and Portugal total tenant sales increased by 10.8% and 5.6% respectively, reflecting the continuing economic recovery. This positive trend was chiefly felt within the Portuguese portfolio, where tenant sales increased by 5.6%, on a like-for-like basis, quite above the country Retail Sales Index for 2017 of 4.6%. In Brazil tenant sales climbed steeply also, rising 6.8% in Brazilian Real.

The global occupancy rate of the portfolio shifted down slightly to 96.0%, a fall of 0.6 p.p. compared to 2016, due to small variations across the global portfolio. In Europe, occupancy remained stable at 97.1%. Occupancy rose in Portugal and Spain, to 99.1% and 94.4% respectively. Brazil saw its unit-shop occupancy decline from 94.8% to 92.5%.

Total rents grew 7.6%, rising 8.4% in Europe and 4.9% in Brazil (in Brazilian Real), above the average inflation rate of the period in both markets.

According to **Fernando Guedes de Oliveira, Sonae Sierra's CEO**, "2017 was a very good year for Sonae Sierra in both operational and financial terms. Furthermore, we increased our exposure to developments and amplified the scale and geographical reach of our services business."

## Active implementation of the capital recycling strategy

Sonae Sierra's capital recycling strategy included several acquisitions and disposals throughout 2017.

Iberia Coop Fund, in which Sonae Sierra holds a 10% share, acquired 100% of Albufeira Retail Park.

ORES, the SOCIMI with Bankinter in which Sonae Sierra is the operating partner and owner of a 3.75% interest, acquired 16 Investment Properties. Nine of these are located in Spain and seven in Portugal.

Furthermore, Sonae Sierra (15%) in joint venture with AXA Investment Managers – Real Assets (85%) also completed the purchase of the Area Sur Shopping Centre in Jerez, Spain.

Sonae Sierra acquired MaiaShopping and GuimarãeShopping, from the Sierra Fund, through a 20/80 partnership with Ocidental.

Sierra Portugal Fund sold AlbufeiraShopping and CCC Portimão, to Square Asset Management. Both properties continue to be managed by Sonae Sierra.

## Focusing on developments and services provision growth

The Company's development pipeline includes: Jardín Plaza Cúcuta (Colombia), the urban regeneration scheme in Nuremberg (Germany), Shopping Centre Zenata (Morocco), the McArthurGlen Designer Outlet Málaga (Spain), and in Portugal, the NorteShopping and Centro Colombo expansions.

Construction works already started on the McArthurGlen Designer Outlet Malaga (Spain). This 50/50 joint venture between McArthurGlen and Sonae Sierra represents a €115 million investment, to create 30,000 m<sup>2</sup> of new retail space. It will offer consumers a strong mix of over 170 brands.

Sonae Sierra and Central Control also began construction works on Jardín Plaza Cúcuta. The project has a total investment of 52 million euros and a gross leasable area of 43,000 m<sup>2</sup>, making it the largest shopping centre in the city. The opening is planned for the end of 2018.

The execution of the NorteShopping expansion started at end of 2017, to add circa 15,000 m<sup>2</sup> to the existing 54,618 m<sup>2</sup> of GLA, representing an investment of €72 million.

Already in 2018, a new project was announced in Parma, Italy, with construction works already started. This 50/50 joint venture between Sonae Sierra and Impresa Pizzarotti & c. S.p.A represents an investment of around €200 million to develop an urban regeneration project that will create a Shopping Centre and a Retail Park with a total 74,000 m<sup>2</sup> of GLA and 170 units.

In the professional services area, Sonae Sierra signed a total of 187 new contracts in 2017: 157 for Development Services, 26 for Property Management, and 4 for Investment Management for a total of circa €16 million.

## Net Asset Value (NAV) and Financial Ratios

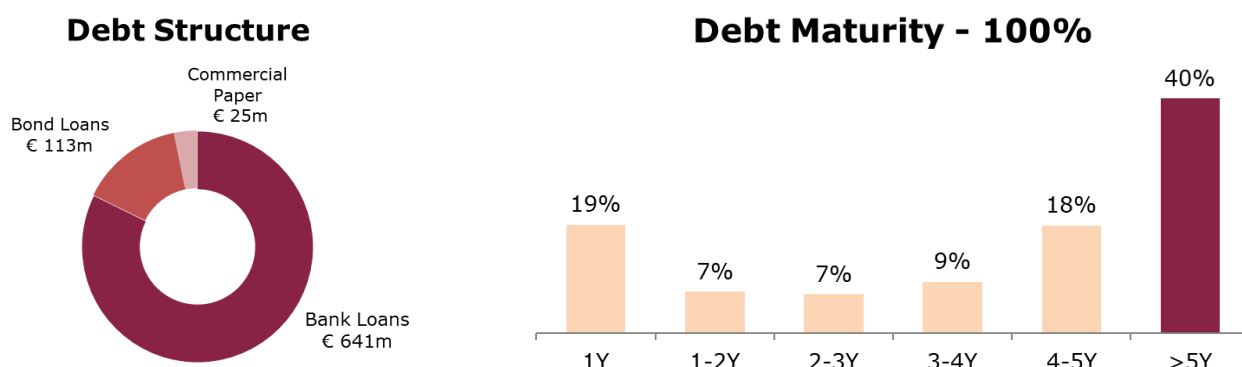
Sonae Sierra calculates its NAV according to the guidelines published in 2007 by INREV (European Association for Investors in Non-Listed Real Estate Vehicles).

Based on this methodology, as of December 31, 2017, Sonae Sierra's NAV stood at €1.4 billion. This value represents a 1.0% increase compared to December 2016 – the net results of the year were partially offset by the dividend payment and the adverse effect on Reserves of the depreciation of the Brazilian Real.

<b>Net Asset Value (NAV) (€ million)</b>	<b>31 Dec 17</b>	31 Dec 16
NAV as per the financial statements	<b>1,150.5</b>	1,159.7
Revaluation to fair value of developments	<b>2.7</b>	3.3
Deferred tax for properties	<b>274.9</b>	251.2
Goodwill related to deferred tax	<b>-9.4</b>	-9.2
Gross-up of Assets	<b>13.5</b>	13.4
<b>NAV</b>	<b>1,432.3</b>	1,418.4
<b>NAV per share (in €)</b>	<b>44.05</b>	43.62

Sonae Sierra maintained its conservative long-term funding and hedging strategies. The Company's capital structure is supported by an average debt maturity of 3.4 years, 40% of which with hedged interest costs.

The next chart illustrates Sonae Sierra's debt as of 31 December 2017:

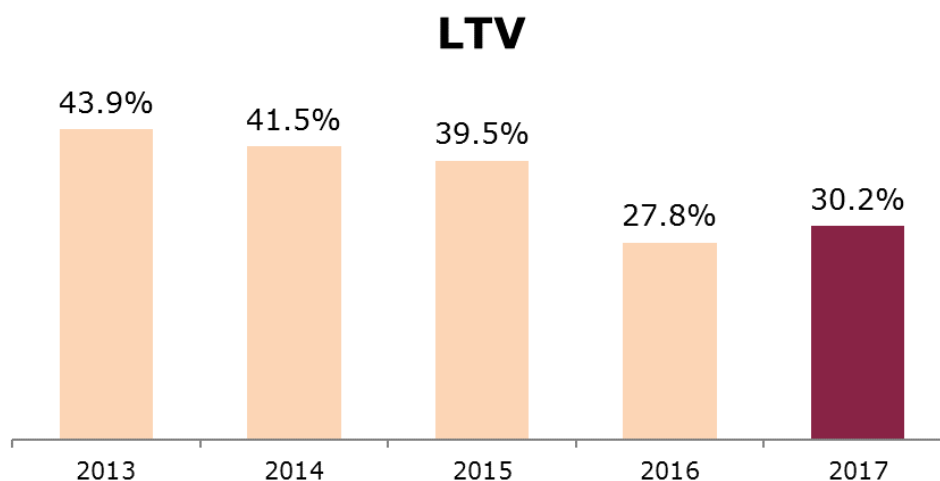


Sonae Sierra continues to benefit from good access to debt funding. In 2017, the company refinanced the debt of six shopping centres for a total amount of € 729 million.

The average cost of debt for Sonae Sierra is 0.2 p.p. below 2016 and currently stands at 3.8%. Excluding Brazil, the average cost of the debt is stable at 3.1%.

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

<b>Ratios</b>	<b>31 Dec 17</b>	<b>31 Dec 16</b>
Loan-to-value	<b>30.2%</b>	27.8%
Interest cover	<b>3.6x</b>	3.2x
Development Ratio	<b>14.0%</b>	12.2%



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

<b>Consolidated Profit and Loss Account</b> (€ million)	<b>2017</b>	<b>2016</b>	<b>% 17/16</b>
Direct income from properties	<b>145.6</b>	138.4	5%
Direct costs from properties	<b>57.8</b>	53.8	8%
<b>EBIT from properties</b>	<b>87.7</b>	<b>84.7</b>	<b>4%</b>
Services rendered	<b>78.2</b>	70.8	10%
Direct costs from services	<b>61.2</b>	59.0	4%
<b>EBIT from services</b>	<b>17.0</b>	<b>11.9</b>	<b>44%</b>
Net financial costs	<b>24.9</b>	26.1	-5%
<b>Direct profit before taxes</b>	<b>79.9</b>	<b>70.4</b>	<b>13%</b>
Current tax	<b>15.2</b>	13.7	11%
<b>Direct profit</b>	<b>64.6</b>	<b>56.7</b>	<b>14%</b>
Gains on sale of investments	<b>5.9</b>	13.3	-55%
Value created in investments	<b>71.2</b>	154.1	-54%
Debt recovery & Impairment	<b>-0.7</b>	0.9	-
Deferred tax	<b>31.1</b>	43.8	-29%
<b>Indirect profit</b>	<b>45.3</b>	<b>124.5</b>	<b>-64%</b>
<b>Net profit</b>	<b>110.0</b>	<b>181.2</b>	<b>-39%</b>

<b>Consolidated Balance Sheet</b> (€ million)	<b>31 Dec 17</b>	<b>31 Dec 16</b>	<b>Var. (17 - 16)</b>
Investment properties	<b>2,046</b>	2,033	13
Properties under development and others	<b>72</b>	65	7
Other assets	<b>134</b>	108	26
Cash & Equivalents	<b>144</b>	201	-57
<b>Total assets</b>	<b>2,396</b>	<b>2,406</b>	<b>-10</b>
<b>Net worth</b>	<b>1,151</b>	<b>1,160</b>	<b>-3</b>
Bank loans	<b>780</b>	781	-2
Deferred taxes	<b>334</b>	316	18
Other liabilities	<b>132</b>	150	-18
<b>Total liabilities</b>	<b>1,245</b>	<b>1,247</b>	<b>-1</b>
<b>Net worth and liabilities</b>	<b>2,396</b>	<b>2,406</b>	<b>-10</b>

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## About Sonae Sierra

Sonae Sierra ([www.sonaesierra.com](http://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 euros, and manages and/or lets 81 Shopping Centres with a Gross Lettable Area of about 2.5 million m<sup>2</sup> and circa 9,100 tenants. At present, Sonae Sierra has 14 projects under development, including 7 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.