# Earnings Announcement
# 31 March 2011

(Translation from the Portuguese original)

The quarter's main figures...

- **Turnover: 30.4 M.€**
- **EBITDA: -3.4 M.€**
- **Net Profit: -3.3 M.€**

... mostly driven by:

- **Low demand in the real estate market;**
- **Seasonality effect on resort management and hospitality (Easter scheduling);**
- **Impact of VAT increase in Fitness;**
- **Impact of *Casino de Tróia* opening in Atlantic Ferries passengers traffic;**
- **Overall contraction in consumption and investment and liquidity crisis effects (namely in Selfrio and real estate oriented business units);**
- **Improved profitability in the cogeneration business.**

The Group remains focused in pursuing the sale of non-strategic assets and businesses while pursuing internal cost contention and process efficiency measures to counterbalance the adverse environment. This optimisation effort is widespread to all organisational structures, including the decrease in the number of members of the Board of Directors from seven to five directors.

Additionally, as by the date of this announcement, the Group has successfully concluded the refinancing of debt maturing in 2011.



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*Disclaimer:*

Unless otherwise stated, comparable figures (presented within brackets), percent or absolute changes mentioned in this announcement refer to the comparable period of the previous year for performance figures and to the year 2010 for financial position figures.

Following the sale of the shareholding in Box Lines, which took effect as from 16 September 2010, this business unit's contribution to performance figures is disclosed under discontinued operations in 2010 and is no longer included in the consolidated financial position of the company as at 31 December 2010.

In view of the above considerations, comparisons presented throughout this announcement will be made on a like for like basis, not taking into account discontinued operations in the 2010 consolidated profit and loss statement.

# 1. Executive Summary

| | 1Q 11 | 1Q 10 (Continued Operations) |
|---|---|---|
| ▪ Turnover | 30.4 M.€ | 33.8 M.€ |
| ▪ EBITDA | -3.4 M.€ | -0.5 M.€ |
| ▪ Net Income | -3.3 M.€ | -5.1 M.€ |

| | 31.03.11 | 31.12.10 |
|---|---|---|
| ▪ Net Debt | 288.2 M.€ | 277.2 M.€ |
| ▪ Capex[1] | 4.0 M.€ | 10.2 M.€ |

[1] Relates to continued operations in 2010.

As in previous periods, Sonae Capital's first quarter results continued to be under pressure, impacted by economic uncertainty and a general lack of confidence, as recession threatens performance in the short term.

Consolidated turnover fell by around 10% to 30.4 million euro, with Resort Development and the Selfrio Group accounting for most of the fall (1.9 million euro and 1.0 million euro respectively). Despite the fact that the Easter holiday season did not fall in the first quarter of 2011, Resort Management and Atlantic Ferries increased their contributions to turnover by 12% and 19%, the latter favourably impacted by the opening of the *Casino de Tróia* on 1 January 2011. Also on the positive side, SC Assets and Energy and Environment posted significant double digit turnover growth (31% and 22% respectively).

Consolidated operational cash-flow (EBITDA) was negative 3.4 million euro (negative 0.5 million euro), with Resort Development (-2.2 million euro) and Hospitality (-2.4 million euro) delivering major negative contributions. Also in Tourism, and although still negative, contributions from Resort Management and Atlantic Ferries grew by 15% and 43%. The VAT increase clearly negatively impacted Fitness profitability, where EBITDA fell by 0.6 million euro to positive 0.5 million euro. Selfrio continued to post a positive contribution of 0.8 million euro, despite suffering erosion of margins as competition intensifies in the refrigeration and HVAC markets. EBITDA of the Energy and Environment business increased by 0.2 million euro, to 0.3 million euro, as the cogeneration plant enters into cruising speed. SC Assets contribution was also positive, at 0.1 million euro.

Net profit for the quarter was negative 3.3 million euro (negative 5.1 million euro), including 1.7 million euro from investment income (mostly explained by the positive price adjustment on the sale of Choice Car), and 0.9 million euro of profits from associated undertakings (mainly Imosede Fund and TP).

Most of the quarter's capex relates to relevant investments at **troia**resort (namely the refurbishment of Aqualuz **troia**rio, since from a commercial standpoint it was deemed necessary to standardise the quality of accommodation to the level of **troia**mar, and construction of the Aqualuz Events Centre) and an additional stake in the previously announced Colombo cogeneration project. The Group intends to continue to limit capex in view of the tougher economic environment. Net Debt increased by around 11.0 million euro to 288.2 million euro, compared to the end of the previous year, as a result of lower cash flow generated from operations, investment in the period and cash-calls from TP (as set out in the Eneop agreement). The Group remains focused on reducing its debt level, mainly through the sale of non strategic assets (as in the case of TP).

As at the date of this report, total residential units sold at **troia**resort amounted to 224 (no changes since the last reporting date). On 25 May 2011, there was one open reservation for a **troia**resort Village unit. Sales figures remain weak impacted by the negative outlook for the Portuguese economy.

## 2. Selected Main Events

During the first quarter of the year, the following events were announced to the market:

| Financing |
|---|
| **17 January 2011**<br>Sonae Capital, SGPS, SA announced the completion of an unsecured bond issue, by private placement, arranged and led by Banco BPI, in the amount of 10 million euro, with a tenor of 5 years and call and put options at the end of the third year. |

| Asset disposals |
|---|
| **14 March 2011**<br>Sonae Capital, SGPS, SA informed about the agreement signed with Finerge – Gestão de Projectos Energéticos, SA, a company owned by Enel Green Power España, SL, regarding the terms for the sale of the whole of its 50% shareholding in the share capital of TP – Sociedade Térmica Portuguesa, SA. The transaction is subject to non opposition by the Portuguese Competition Authority and is expected to generate a cash inflow of around 36.9 million euro and an impact of circa 22.9 million euro on the 2011 consolidated results of Sonae Capital. |

| Corporate Governance |
|---|
| **31 March 2011**<br>Sonae Capital, SGPS, SA informed about resolutions taken in the Shareholders' General Meeting and about decisions of the Board of Directors held on that date. |

## 3. Consolidated Financial Statements Review

### 3.1. Consolidated Profit and Loss Statement

Values in $10^3$ euro

| | 1Q 11 (A) | 1Q 10 Total Operations | 1Q 10 Discontinued Operations | 1Q 10 Continued Operations (B) | Δ (A/B) |
|---|---|---|---|---|---|
| Turnover | 30,438.7 | 42,131.5 | 8,357.1 | 33,774.4 | -9.9% |
| Other Operational Income | 3,560.0 | 1,446.6 | 39.9 | 1,406.7 | >100% |
| **Total Operational Income** | **33,998.6** | **43,578.0** | **8,397.0** | **35,181.1** | **-3.4%** |
| Cost of Goods Sold | -9,312.6 | -6,760.0 | 0.0 | -6,760.0 | -37.8% |
| Change in Stocks of Finished Goods | -514.2 | -3,096.5 | 0.0 | -3,096.5 | +83.4% |
| External Supplies and Services | -13,405.8 | -21,957.5 | -7,939.9 | -14,017.6 | +4.4% |
| Staff Costs | -10,399.6 | -11,268.9 | -396.3 | -10,872.6 | +4.3% |
| Other Operational Expenses | -1,664.3 | -1,072.9 | -112.1 | -960.8 | -73.2% |
| **Total Operational Expenses** | **-35,296.6** | **-44,155.8** | **-8,448.3** | **-35,707.5** | **+1.2%** |
| **Operational Cash-Flow (EBITDA)** | **-3,362.5** | **-583.7** | **-51.3** | **-532.3** | **<-100%** |
| Amortisation and Depreciation | -3,280.4 | -3,364.1 | -54.7 | -3,309.4 | +0.9% |
| Provisions and Impairment Losses | -13.1 | -2,116.7 | 0.0 | -2,116.7 | +99.4% |
| **Operational Profit/(Loss) (EBIT)** | **-4,591.4** | **-6,058.6** | **-106.1** | **-5,952.5** | **+22.9%** |
| Net Financial Expenses | -2,361.9 | -2,137.3 | 2.8 | -2,140.1 | -10.4% |
| Share of Results of Associated Undertakings | 911.3 | 477.1 | 0.0 | 477.1 | +91.0% |
| Investment Income | 1,693.3 | -604.5 | 0.0 | -604.5 | - |
| **Profit before Taxation** | **-4,348.7** | **-8,323.2** | **-103.2** | **-8,220.0** | **+47.1%** |
| Taxation | 1,098.7 | 3,105.5 | 3.2 | 3,102.3 | -64.6% |
| **Net Profit** | **-3,250.1** | **-5,217.8** | **-100.0** | **-5,117.8** | **+36.5%** |
| Attributable to Equity Holders of Sonae Capital | -3,229.6 | -5,206.4 | -100.0 | -5,106.5 | +36.8% |
| Attributable to Non-Controlling Interests | -20.4 | -11.3 | 0.0 | -11.3 | -80.6% |

Quarterly contributions to the Group's consolidated turnover, 30.4 million euro (33.8 million euro), were as follows:

Values in $10^3$ euro

| | Turnover | | |
|---|---|---|---|
| | 1Q 11 | 1Q 10 | Δ |
| Resorts | 2,976.7 | 4,754.4 | -37.4% |
| Resort Development | 2,064.2 | 3,973.8 | -48.1% |
| Resort Management (Golf, Marina and Market) | 235.3 | 209.5 | +12.3% |
| Atlantic Ferries | 677.2 | 571.0 | +18.6% |
| Hotels | 1,939.8 | 2,182.5 | -11.1% |
| Fitness | 4,483.3 | 4,706.9 | -4.8% |
| Other | 2.8 | 6.5 | -57.5% |
| **Sonae Turismo's contribution** | **9,402.5** | **11,650.3** | **-19.3%** |
| Residential Property Development | 126.2 | 837.6 | -84.9% |
| Operational Assets | 613.3 | 638.4 | -3.9% |
| Other Assets | 1,946.2 | 568.9 | >100% |
| **SC Assets's contribution** | **2,685.7** | **2,044.9** | **+31.3%** |
| Selfrio Group | 15,574.2 | 16,558.8 | -5.9% |
| Energy and Environment | 1,389.8 | 1,143.0 | +21.6% |
| Other | 1,353.3 | 2,278.8 | -40.6% |
| **Spred's contribution** | **18,317.2** | **19,980.6** | **-8.3%** |

Resorts contribution to consolidated turnover amounted to 3.0 million euro (4.8 million euro):

- Four sales deeds were signed for residential units in **troia**resort (one for an Ácala building apartment with a PPA signed in the past, another for a Marina apartment with no underlying PPA and the remaining two involving an exchange of units). In the first quarter of 2010, 7 sales deeds were signed, thus explaining the 1.9 million euro fall in the contribution of Resort Development, to 2.1 million euro;
- Atlantic Ferries grew its turnover contribution by 19%, to 0.7 million euro, mainly due to the 32% increase in passenger traffic as a result of the opening of *Casino de Tróia* this year, more than off-setting a 15% fall in vehicle traffic;
- Despite being of small significance in the overall context of Sonae Capital, Resort Management businesses turnover grew by 12% to 0.2 million euro by the end of the period. **troia**golf was the major driver of this turnover increase, reflecting improved sales and marketing.

Following the trend already evidenced in the last quarters of 2010, the Selfrio Group's refrigeration and HVAC Portuguese operations continued to be negatively impacted, with their contribution to consolidated turnover falling by circa 2.4 million euro to 11.6 million euro. Once again, the contribution of general maintenance services increased by around 2% to 1.5 million euro, while that from international operations (Brazil and Spain) grew by more than 2.5 times to 2.3 million euro (with most of this increase in Spain). This trend clearly demonstrates Selfrio Group's commitment to international expansion and its ability to move into new service areas which can offset the lower revenue and growth potential in the home market.

Hospitality's contribution to turnover decreased around 11%, to 1.9 million euro, partly reflecting 2011 Easter schedule effect:

- Porto Palácio Hotel reached 1.6 million euro turnover, down 0.1 million euro, with a 1.2 p.p. increase in occupancy rates and an average daily revenue 3.2% down on last year's comparable, at 86.6 euro;
- Aqualuz **troia**resort units posted 0.3 million euro of turnover, a 0.1 million euro decrease, with increased occupancy rates (+4.3 p.p.) and average daily revenue (+6%) at 71.4 euro, despite the fact that there was no contribution from the Easter season to the 1Q11 figures, in contrast to the comparable 2010 figures. Lower Food & Beverage revenues, a trend which seems to be emerging in the hotel business following the adverse economic environment, explain most of the decrease in the quarter;
- Aqualuz Lagos turnover performance was impacted by Easter occurrence in late April 2011, and not in early April as in 2010. Turnover totalled 0.05 million euro (0.1 million euro), reflecting lower occupancy rates (-5.8 p.p.) and a 7.5% decrease in average daily revenue to 39.6 euro. As in 1Q10, the hotel was closed for around 4 weeks in January.

Fitness turnover decreased around 5% to 4.5 million euro, explained by the recent VAT increase on sports activities and increased pressures on customer disposable income, thus leading to lower retention rates and new membership contracts.

The 0.6 million euro increase in SC Assets contribution, to 2.7 million euro in the first quarter, resulted from higher sales of real estate assets in the period.

In the Energy and Environment business, there was growth in turnover of 0.2 million euro to 1.4 million euro, the main contributor once again being the cogeneration unit, which has now reached its targeted operational capacity.

Consolidated operational cash-flow (EBITDA) for the first quarter of the year was negative 3.4 million euro (negative 0.5 million euro), split as follows:

Values in $10^3$ euro

| | Operational Cash-Flow (EBITDA) | | |
|---|---|---|---|
| | 1Q 11 | 1Q 10 | Δ |
| Resorts | -2,833.0 | -902.2 | <-100% |
| Resort Development | -2,231.9 | 9.7 | - |
| Resort Management (Golf, Marina and Market) | -249.4 | -294.7 | +15.4% |
| Atlantic Ferries | -351.7 | -617.3 | +43.0% |
| Hotels | -2,350.6 | -2,357.8 | +0.3% |
| Fitness | 480.2 | 1,055.3 | -54.5% |
| Other | 350.6 | -3.6 | - |
| **Sonae Turismo's contribution** | **-4,352.8** | **-2,208.3** | **-97.1%** |
| Residential Property Development | -216.6 | -82.0 | <-100% |
| Operational Assets | 679.1 | 686.1 | -1.0% |
| Other Assets | -374.8 | 217.1 | - |
| **SC Assets's contribution** | **87.7** | **821.2** | **-89.3%** |
| Selfrio Group | 847.9 | 1,161.9 | -27.0% |
| Energy and Environment | 309.1 | 70.8 | >100% |
| Other | 5.8 | -160.2 | - |
| **Spred's contribution** | **1,162.8** | **1,072.5** | **+8.4%** |

The negative 2.8 million euro contribution from Resorts, 1.9 million euro down on last year's comparable period, includes different impacts:

- In line with the trend of **troia**resort residential tourism sales, the Resort Development generated a negative 2.2 million euro contribution to consolidated operational cash-flow (EBITDA), compared to a nil contribution in the first quarter of 2010;
- Atlantic Ferries increased turnover and the optimised traffic schedules according to observed demand patterns, delivering a 43% increase in consolidated operational cash-flow (EBITDA), to negative 0.4 million euro;
- Resort Management had a 15% improvement in operational cash-flow (EBITDA) to negative 0.2 million euro, as a result of improved profitability in golf operations.

Hospitality contribution was at the same level as last year's figure, despite a fall in turnover, reflecting the impact of some organisational improvements and cost reduction programmes implemented.

Profitability of the Fitness business was badly affected by the recent VAT increase (5% of which not passed on to the final customer) and also reflects the opening of a new health club (February 2011). Operational cash-flow amounted to 0.5 million euro in the first quarter (1.1 million euro).

In line with the performance of turnover and reflecting increased competitive pressures, mainly in the Portuguese market, Selfrio Group's operational cash-flow (EBITDA) fell by 0.3 million euro to 0.8 million euro.

The Energy and Environment business made a positive contribution of 0.3 million euro to consolidated operational cash-flow (EBITDA) (positive 0.1 million euro), mainly due to the positive performance of the cogeneration unit currently in operation.

Net financial expenses grew 0.2 million euro to 2.4 million euro, as market interest rates began to rise and refinancing cost increases started to show.

The 0.9 million euro quarterly profits from associated undertakings, up 0.4 million euro, are mostly explained by Imosede Fund and TP, with individual contributions of 0.6 million euro and 0.5 million euro respectively.

Investment income for the period of 1.7 million euro is mostly explained by the positive price adjustment from the sale of Choice Car as set out in the sale agreement. Last year's first quarter negative 0.6 million euro investment income included the 1.5 million euro gain from the sale of Essences Fines and negative 2.1 million euro of impairment losses relating to shareholdings in associated undertakings.

The net loss for the period was 3.3 million euro (net loss of 5.1 million euro), including lower level of current taxes and deferred tax assets compared to last year, as a result of lower operational profitability and lower impairment losses accounted for in the period.

## 3.2 Consolidated Balance Sheet

Values in $10^3$ euro

| | 31.03.2011 | 31.12.2010 | Δ |
|---|---|---|---|
| Tangible and Intangible Assets | 265,211.8 | 264,939.8 | +0.1% |
| Goodwill | 61,133.3 | 61,133.3 | +0.0% |
| Non-Current Investments | 74,592.0 | 73,517.4 | +1.5% |
| Other Non-Current Assets | 38,980.0 | 36,897.2 | +5.6% |
| Stocks | 227,366.8 | 229,782.6 | -1.1% |
| Trade Debtors and Other Current Assets | 57,849.0 | 61,697.0 | -6.2% |
| Cash and Cash Equivalents | 4,243.5 | 3,199.3 | +32.6% |
| **Total Assets** | **729,376.3** | **731,166.7** | **-0.2%** |
| Total Equity attributable to Equity Holders of Sonae Capital | 323,561.6 | 326,914.8 | -1.0% |
| Total Equity attributable to Non-Controlling Interests | 8,330.8 | 12,454.8 | -33.1% |
| **Total Equity** | **331,892.4** | **339,369.6** | **-2.2%** |
| Non-Current Borrowings | 180,295.8 | 151,893.4 | +18.7% |
| Deferred Tax Liabilities | 3,653.6 | 3,616.0 | +1.0% |
| Other Non-Current Liabilities | 39,740.2 | 39,827.7 | -0.2% |
| **Non-Current Liabilities** | **223,689.5** | **195,337.1** | **+14.5%** |
| Current Borrowings | 112,109.2 | 128,515.5 | -12.8% |
| Trade Creditors and Other Current Liabilities | 60,086.4 | 65,239.5 | -7.9% |
| Provisions | 1,598.8 | 2,704.9 | -40.9% |
| **Current Liabilities** | **173,794.4** | **196,460.0** | **-11.5%** |
| **Total Liabilities** | **397,483.9** | **391,797.1** | **+1.5%** |
| **Total Equity and Liabilities** | **729,376.3** | **731,166.7** | **-0.2%** |

Capex amounted to 4.0 million euro in the quarter. **troia**resort made up around 1.5 million euro of this total and Fitness 0.2 million euro. Troia capex covered the construction works for Aqualuz Events Center and the conclusion of the refurbishment works for the Aqualuz **troia**rio hotel unit.

In April 2011, changes to the urbanization plan for the Troia Peninsula and the proposal for the UNOP 4 Detailed Plan were approved by the Grândola Municipality. A new 18 hole golf course is now permitted in the Peninsula and football pitches are projected for UNOPs 7 and 8, which plans are now in the public consultation stage. These projects will add to the range of services available at the resort and help reduce the seasonal effect of visitor flows.

SC Assets' and Spred's capex were 0.5 million euro and 1.8 million euro respectively, most of the latter for the Colombo cogeneration project now underway. This cogeneration facility located in the Colombo Shopping Centre, in Lisbon, is expected to start operations in early June this year, much earlier than the January 2012 date which had been announced when the agreement was signed.

The Group remains committed to strictly control its capital investment, proceeding only with projects which are significant to day to day operations and to the development of business areas defined as strategic and which represent growth options for the future.

As at 31 March 2011, Net Debt amounted to 288.2 million euro (277.2 million euro as at 31 December 2010). The trend of net debt has been consistent with operational performance and capex requirements in the period, and also reflect the Group's share of cash calls for the Eneop contract. The sale of non strategic assets (such as the expected sale of TP) will be an important source of significant cash inflows, which will contribute towards the Group's debt reduction objectives.

Gearing was 86.8% (81.7% as at 31 December 2010).

As at the date of this report, the Group has successfully concluded the refinancing process of debt maturing in 2011, a process which began at the end of 2010, increasing its average debt maturity to 2.9 years.

Maia, 25 May 2011

The Board of Directors,

## Glossary

- Average Daily Revenue = Lodging Revenues / Number of rooms sold.
- Capex = Investment in Tangible and Intangible Assets.
- Gearing = Net Debt / Equity.
- HVAC = Heating, Ventilation and Air Conditioning.
- Net Debt = Non Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments.
- Operational Cash-Flow (EBITDA) = Operational Profit (EBIT) + Amortisation and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in Stocks (included in Cost of Goods Sold) – Reversal of Impairment Losses and Provisions (included in Other Operating Income).
- PPA = Promissory Purchase Agreement.
- UNOP (Operational Planning Unit) = Planning and management operational units as specified in the Tróia Urbanisation Plan approved by the Portuguese Government Cabinet Resolution nr. 23/2000.

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