# EARNINGS ANNOUNCEMENT
30 JUNE 2018

SONAE CAPITAL

# 1. CEO'S MESSAGE AND MAIN HIGHLIGHTS

*"Sonae Capital presented a positive operating performance in the first half of 2018.*

*We remained focused in the strengthening of our Business Units, both in terms of growth and value creation, closing the semester with an EBITDA margin of 8.7%, approximately 70 basis points above the same period of 2017.*

*In the real estate business, we fulfilled very significant objectives, especially with the closing of the promissory purchase and sale agreement of UNOP 3, in Tróia, in the amount of 20M€. Also in Tróia, but in the residential touristic units' area, as well as in the remaining assets' area, both the amount of sales deeds signed and the promissory purchase and sale agreements in place continued to evolve in line with expectations.*

*As a result, on a consolidated basis, turnover kept the positive trend of the previous quarters and reached 92.6M€, 27.8% above the same period of 2017 while, at the same time, the operating profitability grew to 6.7M€, an increase of 21.7% strongly backed by a 40.6% growth in the profitability of the Business Units. In the meantime, we continued investing in our businesses and Capex reached 19.7M€ in the first half of 2018. The operating cash-flow generated, coupled with the level of investment and the dividends distributed in the amount of 15M€, kept debt at a controlled level, and an adequate capital structure when considering the Group's portfolio of businesses and real estate assets held: in which Net Debt to EBITDA stood at 2.8x and Loan-to-Value reached 21.7%.*

*This semester I end my collaboration with Sonae Capital in the quality of CEO. I truly believe that the path drawn so far, which is anchored in the values that have been part of this Group's DNA for many decades, allowed the creation of a company with a renewed portfolio, a stronger company, always based on the premise that one can not grow and create shareholder value without, at the same time, create economic and social value."*

*Cláudia Azevedo*

*"I am very proud to continue to collaborate with Sonae Capital, now as CEO. We believe in the strategy that has been implemented and we will strive to deserve the confidence of our stakeholders, knowing in advance that we count with the adequate resources to face the challenges ahead."*

*Miguel Gil Mata*

### 1H18 MAIN HIGHLIGHTS

- Maintenance of the positive trend in Business Units turnover (+29.4%) and improvement of the operating profitability (+40.6%), with the positive contribution of almost all the segments, namely:
  - Fitness segment, showing a strong turnover and EBITDA performance (growth of 54.5% and 94.6%, respectively), backed by organic and non-organic growth;
  - Energy segment, increasing turnover and operating profitability, benefiting with the operations acquired in 2017;
  - Hospitality segment, posting a RevPAR increase of 12.6% in 1H18, and an EBITDA of 0.5M€ in 2Q18, 73.1% above 2Q17. EBITDA of Porto Palácio Hotel positive in 1H18;
- In the Real Estate Business:
  - Troia Resort: (i) PPSA of UNOP 3 in the amount of 20M€ (not yet reflected in 1H18 results); and, (ii) 19 deeds of residential touristic units in Tróia, in the amount of 7.1M€, plus 11 contracts in Reserve / PPSA, for a total amount of 5.2M€, at the date of this report;
  - Other Real Estate Assets: PPSAs of 4.4M€ in addition to sale and purchase deeds signed in the amount of 1.2M€, at the date of this report.
- Operational improvement recorded in the majority of businesses not yet seen in Net results, due to non-recurrent costs in 1H18, including the estimate of the closing of RACE Brazil, and due to higher Amortizations, consequence of the new operations in the portfolio;
- Net Debt of 144.4M€, driven by: (i) dividends paid in May 2018 (totalling 15M€); (ii) the payment of a deferred component in the amount of 9M€, related to the acquisitions completed in 2Q17 in the Energy segment; and, (iii) the investments made (amounting to 19.7M€), in which the acquisition of *Pump* Fitness chain and the beginning of a biomass-fuelled cogeneration project development are included;
- Capital structure under control and adequate when considering the Group's portfolio of businesses and real estate assets held: Net Debt to EBITDA of 2.8x and LTV of 21.7%.

# 2. OVERALL PERFORMANCE

**Consolidated Profit and Loss Account**

| Million euro | 2Q 2018 | 2Q 2017 | Δ 18/17 | 1H 2018 | 1H 2017 | Δ 18/17 |
|---|---|---|---|---|---|---|
| **Turnover** | | | | | | |
| **Business Units** | **45.69** | **35.71** | **+27.9%** | **84.76** | **65.52** | **+29.4%** |
| Energy | 13.64 | 11.58 | +17.8% | 25.55 | 21.37 | +19.5% |
| Industrial Engineering | 3.03 | - | - | 6.36 | - | - |
| Fitness | 8.80 | 5.60 | +57.1% | 17.74 | 11.48 | +54.5% |
| Hospitality | 6.39 | 5.92 | +7.9% | 9.25 | 8.68 | +6.5% |
| Refrigeration & HVAC | 11.27 | 9.91 | +13.8% | 22.06 | 20.13 | +9.6% |
| Troia Resort - Operations | 2.55 | 2.70 | -5.4% | 3.81 | 3.86 | -1.4% |
| **Real Estate Assets** | **6.14** | **6.46** | **-5.1%** | **10.68** | **9.91** | **+7.8%** |
| Troia Resort | 3.72 | 4.42 | -15.9% | 6.59 | 5.74 | +14.8% |
| Other Real Estate Assets | 2.42 | 2.04 | +18.5% | 4.09 | 4.17 | -1.8% |
| Eliminations & Adjustments | -1.60 | -1.73 | +7.9% | -2.89 | -3.03 | +4.7% |
| **Consolidated Turnover** | **50.23** | **40.44** | **+24.2%** | **92.55** | **72.40** | **+27.8%** |
| Other Operational Income | 1.18 | 1.24 | -4.2% | 1.81 | 1.90 | -4.9% |
| **Total Operational Income** | **51.42** | **41.68** | **+23.4%** | **94.36** | **74.30** | **+27.0%** |
| **EBITDA** | | | | | | |
| **Business Units** | **5.35** | **4.34** | **+23.3%** | **7.34** | **5.22** | **+40.6%** |
| Energy | 3.89 | 3.58 | +8.8% | 7.08 | 5.68 | +24.6% |
| Industrial Engineering | -0.26 | - | - | -0.47 | - | - |
| Fitness | 1.37 | 0.41 | >100% | 2.54 | 1.30 | +94.6% |
| Hospitality | 0.48 | 0.28 | +73.1% | -0.97 | -1.22 | +21.1% |
| Refrigeration & HVAC | 0.16 | -0.28 | - | 0.09 | -0.01 | - |
| Troia Resort - Operations | -0.30 | 0.35 | - | -0.92 | -0.53 | -73.0% |
| **Real Estate Assets** | **-0.02** | **1.51** | **-** | **0.53** | **2.02** | **-73.9%** |
| Troia Resort | -0.91 | -0.38 | <-100% | -0.99 | -0.49 | <-100% |
| Other Real Estate Assets | 0.89 | 1.89 | -52.9% | 1.51 | 2.51 | -39.8% |
| Eliminations & Adjustments | -0.69 | -0.72 | +3.2% | -1.16 | -1.73 | +33.1% |
| **Consolidated EBITDA** | **4.63** | **5.13** | **-9.7%** | **6.71** | **5.51** | **+21.7%** |
| Amortization & Depreciation | 5.65 | 4.16 | +35.8% | 11.47 | 8.23 | +39.3% |
| Provisions & Impairment Losses | -0.05 | 0.03 | - | 0.08 | -0.26 | - |
| Non-recurrent costs/income (1) | 0.04 | -0.16 | - | 0.72 | 0.08 | >100% |
| **EBIT** | | | | | | |
| **Business Units** | **1.51** | **2.33** | **-35.1%** | **-1.02** | **0.95** | **-** |
| **Real Estate Assets** | **-0.87** | **0.60** | **-** | **-2.02** | **-0.66** | **<-100%** |
| Eliminations & Adjustments | -1.65 | -1.82 | +9.6% | -2.53 | -2.83 | +10.5% |
| **Consolidated EBIT** | **-1.01** | **1.10** | **-** | **-5.57** | **-2.54** | **<-100%** |
| Net Financial Expenses | -0.89 | -1.06 | +15.9% | -2.00 | -2.05 | +2.6% |
| Investment Income and Results from Assoc. Undertakings | 0.02 | 1.93 | -98.9% | 0.22 | 2.00 | -89.0% |
| **EBT** | **-1.88** | **1.96** | **-** | **-7.35** | **-2.59** | **<-100%** |
| Taxes | -0.29 | -0.47 | +38.4% | -0.66 | -0.75 | +11.8% |
| **Net Profit - Continued Businesses** | **-2.17** | **1.50** | **-** | **-8.00** | **-3.33** | **<-100%** |
| **Net Profit - Discontinued Businesses** | **-0.02** | **-0.58** | **+95.7%** | **-2.05** | **-0.60** | **<-100%** |
| **Net Profit - Total** | **-2.19** | **0.92** | **-** | **-10.06** | **-3.93** | **<-100%** |
| Attributable to Equity Holders of Sonae Capital | -2.46 | 0.57 | - | -9.93 | -4.48 | <-100% |
| Attributable to Non-Controlling Interests | 0.27 | 0.34 | -21.0% | -0.13 | 0.55 | - |

(1) Non-recurrent items mainly related to restructuring costs and one-off income

## 2.1. PROFIT AND LOSS STATEMENT

- Business Units' turnover stood at 84.8M€ in 1H18, showing an increase of 29.4% y.o.y.. In the same period, consolidated turnover reached 92.6M€, which represents an increase of 27.8% compared to 1H17, a positive evolution driven by the performance of the Business Units and the Real Estate business.
- In 1H18, Business Units' EBITDA grew to 7.3M€, 40.6% above 1H17, equivalent to an EBITDA margin of 8.7%, 0.7pp above the 1H17. The consolidated EBITDA increased 21.7%, to 6.7M€, generating an EBITDA margin of 7.2%, 0.4pp below 1H17, driven mostly by the Real Estate business.
- Net results (continued businesses) stood at negative 8.0M€, which represents a decrease of 4.7M€ when compared to the same period of 2017. Notwithstanding the EBITDA increase (+1.2M€), Net Results were primarily impacted by: (i) an increase in Amortization & Depreciation line (+3.2M€), driven by the acquisitions made in Energy and Fitness segments; (ii) non-recurrent costs in the amount of 0.7M€, impacted mostly by staff restructuring costs and an impairment related to a business carried out by RACE Brazil, as reported in 1Q18; and, (iii) the recognition, in 1H17, of Badwill in the amount of 1.8M€, consequence of the operations acquired in the Energy segment.

- Net results (discontinued businesses) show, as already reported, the recognition of costs related to the discontinuation of RACE's Brazilian operation, in the amount of 2.0M€
- Therefore, consolidated net results stood at negative 10.1M€.

## 2.2. CAPITAL STRUCTURE

**Capital Structure/Capex/Ratios**

| Million euro | Jun 2018 | Dec 2017 | ∆ 18/17 |
|---|---|---|---|
| **Net Capital Employed** | **406.5** | **400.7** | **+1.4%** |
| Fixed Assets | 328.8 | 322.6 | +1.9% |
| Non-Current Investments (net) | 6.1 | 8.6 | -29.3% |
| Working Capital | 75.1 | 71.8 | +4.5% |
| Capex (end of period) | 19.7 | 61.6 | -68.1% |
| % Fixed Assets | 6.0% | 19.1% | -13.1pp |
| **Net Debt** | **144.4** | **109.4** | **+32.0%** |
| % Net Capital Employed | 35.5% | 27.3% | +8.2pp |
| Debt to Equity | 55.1% | 37.5% | +17.6pp |
| **Capital Structure Ratios** | | | |
| Loan to Value (Real Estate) | 21.7% | 15.9% | +5.8pp |
| Net Debt/EBITDA (recurrent) | 2.84x | 2.57x | +10.5% |

Capex stood at 19.7M€ in 1H18, mostly a consequence of the investments made in Fitness segment (acquisition of *Pump* Fitness chain in the amount of 8.4M€) and in the Energy segment (beginning of the biomass-fuelled cogeneration project development in the amount of 6.4M€).

- Levered Free Cash Flow reached negative 20.3M€ at the end of June 2018 (before the payment of dividends), an output of the above-mentioned investments, coupled with the payment of a deferred component of 9M€, related to the acquisitions made in the Energy segment in 2Q17.
- Consequence of the Capex registered (19.7M€), the dividends paid, in the amount of 15M€, on May 2018, and the payment of a 9M€ tranche, as previously explained, Net Debt has shown an increase versus the end of 2017, reaching 144.4M€. We continue to maintain an adequate capital structure when considering the Group's portfolio of businesses and real estate assets held: Net Debt to EBITDA of 2.8% and LTV of 21.7%.
- Net capital employed increased by 1.4% when compared to the end of 2017, to 406.5M€, motivated by an increase in fixed assets and working capital.
- Following the Net Debt and Total Equity evolution, Debt to Equity reached 55.1%, +17.6pp when compared to 2017 year-end.

# 3. BUSINESS UNITS

## 3.1. ENERGY

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| Profit and Loss Account - Energy | | | | | | |
|---|---|---|---|---|---|---|
| **Million euro** | **2Q 2018** | **2Q 2017** | **Δ 18/17** | **1H 2018** | **1H 2017** | **Δ 18/17** |
| **Total Operational Income** | **14.06** | **11.66** | **+20.6%** | **26.17** | **21.59** | **+21.2%** |
| **Turnover** | **13.64** | **11.58** | **+17.8%** | **25.55** | **21.37** | **+19.5%** |
| Other Operational Income | 0.41 | 0.08 | >100% | 0.62 | 0.22 | >100% |
| **Total Operational Costs** | **-10.16** | **-8.08** | **-25.8%** | **-19.09** | **-15.91** | **-20.0%** |
| Cost of Goods Sold | -7.12 | -6.09 | -17.0% | -13.35 | -11.81 | -13.0% |
| External Supplies and Services | -1.58 | -1.11 | -42.4% | -3.09 | -2.43 | -27.4% |
| Staff Costs | -0.75 | -0.58 | -29.1% | -1.51 | -1.17 | -29.8% |
| Other Operational Expenses | -0.72 | -0.31 | <-100% | -1.14 | -0.51 | <-100% |
| **EBITDA** | **3.89** | **3.58** | **+8.8%** | **7.08** | **5.68** | **+24.6%** |
| EBITDA Margin (% Turnover) | 28.5% | 30.9% | -2.4pp | 27.7% | 26.6% | +1.1pp |
| **EBIT** | **1.70** | **2.40** | **-29.4%** | **2.58** | **3.46** | **-25.4%** |
| EBIT Margin (% Turnover) | 12.4% | 20.8% | -8.3pp | 10.1% | 16.2% | -6.1pp |
| **Capex** | **1.57** | **34.88** | **-95.5%** | **7.15** | **38.41** | **-81.4%** |
| **EBITDA-Capex** | **2.32** | **-31.30** | **-** | **-0.08** | **-32.73** | **+99.8%** |
| **Total Capacity (MW)** | **65.5** | **72.5** | **-9.7%** | **65.5** | **72.5** | **-9.7%** |
| Owned & Operated | 62.3 | 62.3 | -0.1% | 62.3 | 62.3 | -0.1% |
| Operated (not consolidated) | 3.2 | 10.2 | -68.6% | 3.2 | 10.2 | -68.6% |

- In 1H18, Energy turnover reached 25.6M€, 19.5% above the same period of 2017, much because of the contribution of the operations acquired in 2017, which had a turnover of 5.4M€ in 1H18 (+4.3M€ vs. 1H17).
- EBITDA stood at 7.1M€, performing a growth of 24.6% y.o.y. and generating an EBITDA margin of 27.7%, +1.1pp above 1H17. It should be highlighted that operating profitability kept the positive trend of the previous quarters, notwithstanding the impact of CO2 prices and the reduced solar resource during the period. The EBITDA contribution of the operations acquired was paramount for the performance of the semester, reaching 3.0M€ in 1H18 (+2.0M€ vs 1H17).
- EBIT registered a decrease of 25.4% due to higher Amortization & Depreciation, fully driven by the operations acquired in 2017.
- Capex stood at 7.2M€, greatly because of the beginning of the development of a new biomass-fuelled cogeneration power plant, announced in 4Q17, which is expected to start operating in 2H19.
- Currently, all the projects of the segment operate in regulated market. The first project to be carried over the free market corresponds to 10MW (solar energy), which will take place in 2H21.

## 3.2. INDUSTRIAL ENGINEERING

| Profit and Loss Account - Industrial Engineering | | | | | | |
|---|---|---|---|---|---|---|
| **Million euro** | **2Q 2018** | **2Q 2017** | **Δ 18/17** | **1H 2018** | **1H 2017** | **Δ 18/17** |
| **Total Operational Income** | **3.17** | **-** | **-** | **6.62** | **-** | **-** |
| **Turnover** | **3.03** | **-** | **-** | **6.36** | **-** | **-** |
| Other Operational Income | 0.14 | - | - | 0.27 | - | - |
| **Total Operational Costs** | **-3.43** | **-** | **-** | **-7.10** | **-** | **-** |
| Cost of Goods Sold | -1.82 | - | - | -4.01 | - | - |
| External Supplies and Services | -0.56 | - | - | -0.93 | - | - |
| Staff Costs | -0.94 | - | - | -1.90 | - | - |
| Other Operational Expenses | -0.11 | - | - | -0.26 | - | - |
| **EBITDA** | **-0.26** | **-** | **-** | **-0.47** | **-** | **-** |
| EBITDA Margin (% Turnover) | -8.4% | - | - | -7.5% | - | - |
| **EBIT** | **-0.49** | **-** | **-** | **-0.94** | **-** | **-** |
| EBIT Margin (% Turnover) | -16.1% | - | - | -14.7% | - | - |
| **Capex** | **0.19** | **-** | **-** | **0.44** | **-** | **-** |
| **EBITDA-Capex** | **-0.45** | **-** | **-** | **-0.91** | **-** | **-** |

- The Industrial Engineering segment includes Adira, a company acquired in July 2017; throughout 1H18, we kept focused in the investment on a structure of adequate and sufficient resources for the implementation with success of the growth strategy set. We would like to stress the recent achievements in the operational areas.
- Therefore, 1H18 results are still impacted by the ongoing restructuring process, namely in the suitability to the processes of the Group.
- Although not visible in terms of results, the number of machines continued to evolve positively, totalling 88 in 1H18 (42 machines in 1Q18 and 46 machines in 2Q18, respectively). In addition, it should be noted the positive evolution in orders backlog.
- This segment's contribution to the consolidated results reached 6.4M€ and negative 0.5M€ at turnover and EBITDA, respectively.

## 3.3. FITNESS

| Profit and Loss Account - Fitness | | | | | | |
|---|---|---|---|---|---|---|
| **Million euro** | **2Q 2018** | **2Q 2017** | **Δ 18/17** | **1H 2018** | **1H 2017** | **Δ 18/17** |
| **Total Operational Income** | **9.15** | **5.65** | **+62.0%** | **18.15** | **11.60** | **+56.5%** |
| **Turnover** | **8.80** | **5.60** | **+57.1%** | **17.74** | **11.48** | **+54.5%** |
| Other Operational Income | 0.36 | 0.05 | >100% | 0.41 | 0.12 | >100% |
| **Total Operational Costs** | **-7.78** | **-5.24** | **-48.5%** | **-15.61** | **-10.29** | **-51.7%** |
| Cost of Goods Sold | -0.03 | -0.04 | +27.1% | -0.09 | -0.09 | -5.3% |
| External Supplies and Services | -4.63 | -3.30 | -40.4% | -9.24 | -6.27 | -47.3% |
| Staff Costs | -2.80 | -1.71 | -63.4% | -5.52 | -3.44 | -60.5% |
| Other Operational Expenses | -0.33 | -0.19 | -70.7% | -0.76 | -0.50 | -52.9% |
| **EBITDA** | **1.37** | **0.41** | **>100%** | **2.54** | **1.30** | **+94.6%** |
| EBITDA Margin (% Turnover) | 15.5% | 7.3% | +8.3pp | 14.3% | 11.4% | +2.9pp |
| **EBIT** | **0.62** | **0.13** | **>100%** | **0.71** | **0.57** | **+25.1%** |
| EBIT Margin (% Turnover) | 7.1% | 2.2% | +4.9pp | 4.0% | 4.9% | -0.9pp |
| **Capex** | **1.25** | **0.45** | **>100%** | **10.83** | **0.98** | **>100%** |
| **EBITDA-Capex** | **0.12** | **-0.04** | **-** | **-8.29** | **0.33** | **-** |
| **# Health Clubs in Operation** | **29** | **17** | **+12** | **29** | **17** | **+12** |

- The Fitness segment was able to reinforce, once again, its competitive position, and continued to show positive operating and financial results. At the end of 1H18, the consolidation of *Solinca* and *Pump* operations led the average number of active members to 84,722, more than 70% above the same period of 2017. At the same time, turnover in the period grew by 54.5% (which include a growth of 1% on average membership fees on a like-for-like basis).

- We ended the 1H18 with 29 clubs in operation: 20 *Solinca* clubs and 9 *Pump* clubs. Throughout the coming quarters, we will continue working in order to expand our position in the Fitness market, in both segments.
- Fitness EBITDA reached 2.5M€ in 1H18, 94.6% above 1H17, generating an EBITDA margin of 14.3%, 2.9pp above 1H17.
- EBIT stood at 0.7M€, a value that compares with 0.6M€ in 1H17. As previously reported, EBIT in 1H18 was negatively impacted by the registration of an impairment of approximately 0.3M€, driven by the discontinuation of the Crossfit operation in "Cascais", whose profitability was not in line with expectations.

## 3.4. HOSPITALITY

**Profit and Loss Account - Hospitality**

| Million euro | 2Q 2018 | 2Q 2017 | Δ 18/17 | 1H 2018 | 1H 2017 | Δ 18/17 |
|---|---|---|---|---|---|---|
| **Total Operational Income** | **6.52** | **6.04** | **+7.9%** | **9.50** | **8.91** | **+6.6%** |
| **Turnover** | **6.39** | **5.92** | **+7.9%** | **9.25** | **8.68** | **+6.5%** |
| Other Operational Income | 0.13 | 0.12 | +8.6% | 0.25 | 0.23 | +7.9% |
| **Total Operational Costs** | **-6.04** | **-5.77** | **-4.6%** | **-10.46** | **-10.14** | **-3.2%** |
| Cost of Goods Sold | -0.20 | -0.33 | +37.5% | -0.71 | -0.77 | +7.7% |
| External Supplies and Services | -3.84 | -3.58 | -7.2% | -6.20 | -5.96 | -4.0% |
| Staff Costs | -1.80 | -1.68 | -7.0% | -3.18 | -3.04 | -4.9% |
| Other Operational Expenses | -0.20 | -0.19 | -6.5% | -0.37 | -0.37 | +0.2% |
| **EBITDA** | **0.48** | **0.28** | **+73.1%** | **-0.97** | **-1.22** | **+21.1%** |
| EBITDA Margin (% Turnover) | 7.6% | 4.7% | +2.8pp | -10.4% | -14.1% | +3.7pp |
| **EBIT** | **0.38** | **0.18** | **>100%** | **-1.17** | **-1.41** | **+16.6%** |
| EBIT Margin (% Turnover) | 5.9% | 3.1% | +2.8pp | -12.7% | -16.2% | +3.5pp |
| **Capex** | **0.37** | **0.27** | **+36.3%** | **0.52** | **0.49** | **+6.1%** |
| **EBITDA-Capex** | **0.11** | **0.01** | **>100%** | **-1.48** | **-1.71** | **+13.4%** |
| **# Units** | **5** | **5** | | **5** | **5** | |

- In Hospitality, the major operating indicators continued to show a positive evolution. In 1H18, we would like to highlight the growth of 12.6% in consolidated RevPAR, benefiting from the positive contribution of all units in operation in Porto (Porto Palácio Hotel, The Artist and The House).
- The performance of the units in operation in Porto was positive in 2Q18, both regarding occupancy rates and room revenues. The operation in Tróia was particularly damaged by the unfavourable weather conditions of the quarter, marked by high rainfall, with impact particularly in the performance of June (the most relevant month for 2Q18 operation).
- Turnover increased 6.5% when compared to 1H17, reaching 9.3M€. In the same period, EBITDA grew 21.1%, to negative 1.0M€. On a quarterly basis, EBITDA in 2Q18 was positive and reached 0.5M€, showing a growth of 73.1% versus 2Q17, the quarter in which the operation saw positive EBITDA for the very first time in the second quarter of the year. Hospitality EBITDAR stood at 1.5M€, which represents an improvement of 21.6% when compared to 1H17.
- Capex remained at a reduced level, totalling 0.5M€ in 1H18, 6.1% above 1H17.

## 3.5. REFRIGERATION & HVAC

RACE

| Profit and Loss Account - Refrigeration & HVAC | | | | | | |
|---|---|---|---|---|---|---|
| **Million euro** | **2Q 2018** | **2Q 2017** | **Δ 18/17** | **1H 2018** | **1H 2017** | **Δ 18/17** |
| **Total Operational Income** | **11.32** | **9.61** | **+17.8%** | **22.13** | **20.06** | **+10.3%** |
| **Turnover** | **11.27** | **9.91** | **+13.8%** | **22.06** | **20.13** | **+9.6%** |
| Other Operational Income | 0.05 | -0.30 | - | 0.07 | -0.07 | - |
| **Total Operational Costs** | **-11.16** | **-9.89** | **-12.8%** | **-22.04** | **-20.07** | **-9.8%** |
| Cost of Goods Sold | -6.29 | -4.51 | -39.5% | -11.46 | -9.04 | -26.8% |
| External Supplies and Services | -2.61 | -3.01 | +13.5% | -6.08 | -6.27 | +3.1% |
| Staff Costs | -2.24 | -2.04 | -9.9% | -4.34 | -4.24 | -2.3% |
| Other Operational Expenses | -0.02 | -0.33 | +92.8% | -0.16 | -0.51 | +68.8% |
| **EBITDA** | **0.16** | **-0.28** | **-** | **0.09** | **-0.01** | **-** |
| EBITDA Margin (% Turnover) | 1.4% | -2.8% | +4.2pp | 0.4% | -0.1% | +0.4pp |
| **EBIT** | **0.10** | **-0.30** | **-** | **-0.33** | **-0.29** | **-13.2%** |
| EBIT Margin (% Turnover) | 0.9% | -3.1% | +3.9pp | -1.5% | -1.4% | -0.0pp |
| **Capex** | **-0.01** | **0.03** | **-** | **0.09** | **0.09** | **+4.5%** |
| **EBITDA-Capex** | **0.17** | **-0.32** | **-** | **-0.01** | **-0.10** | **+92.3%** |

- Turnover in 1H18 increased 9.6%, to 22.1M€. Importantly, the volume of contracts in pipeline reached 21.1M€ at the end of the semester, equivalent to approximately 5 months of activity.
- EBITDA grew to 0.1M€ in 1H18, which represents a relevant increase when compared to the same period of 2017, driven mostly by a greater focus on Refrigeration, despite the negative effect of the operating margin deterioration in some specific HVAC projects, which were not carried out as planned. It should be noted that the positive performance of the segment in 1H18 was totally driven by the performance in 2Q18.
- EBIT reached negative 0.3M€, 13.2% below 1H17, driven by the recognition of non-recurrent costs in the amount of 0.4M€, consequence of an impairment related with a business made through RACE Brazil, as disclosed in 1Q18.

## 3.6. TROIA RESORT - OPERATIONS

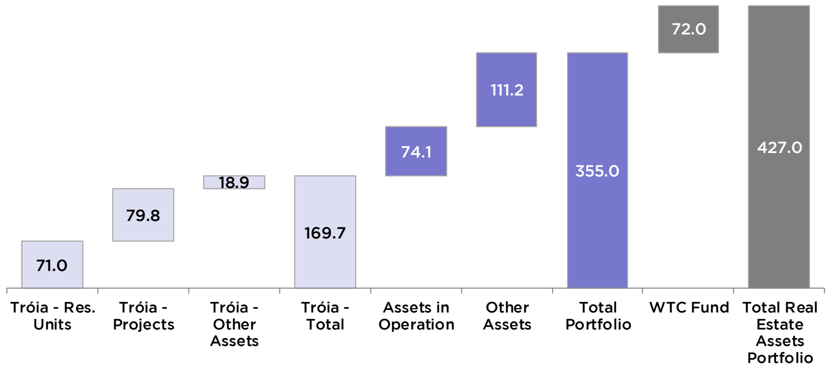
TROIA RESORT

| Profit and Loss Account - Troia Resort: Operations | | | | | | |
|---|---|---|---|---|---|---|
| **Million euro** | **2Q 2018** | **2Q 2017** | **Δ 18/17** | **1H 2018** | **1H 2017** | **Δ 18/17** |
| **Total Operational Income** | **2.65** | **2.99** | **-11.4%** | **4.01** | **4.29** | **-6.6%** |
| **Turnover** | **2.55** | **2.70** | **-5.4%** | **3.81** | **3.86** | **-1.4%** |
| Other Operational Income | 0.09 | 0.29 | -67.2% | 0.20 | 0.43 | -53.4% |
| **Total Operational Costs** | **-2.95** | **-2.64** | **-11.8%** | **-4.93** | **-4.83** | **-2.2%** |
| Cost of Goods Sold | -0.25 | -0.28 | +10.3% | -0.33 | -0.36 | +10.0% |
| External Supplies and Services | -1.61 | -1.28 | -25.7% | -2.60 | -2.40 | -8.3% |
| Staff Costs | -0.85 | -0.97 | +12.3% | -1.60 | -1.77 | +9.5% |
| Other Operational Expenses | -0.23 | -0.10 | <-100% | -0.40 | -0.29 | -37.6% |
| **EBITDA** | **-0.30** | **0.35** | **-** | **-0.92** | **-0.53** | **-73.0%** |
| EBITDA Margin (% Turnover) | -11.7% | 13.0% | -24.7pp | -24.3% | -13.8% | -10.4pp |
| **EBIT** | **-0.80** | **-0.08** | **<-100%** | **-1.87** | **-1.38** | **-35.8%** |
| EBIT Margin (% Turnover) | -31.2% | -3.0% | -28.3pp | -49.2% | -35.7% | -13.5pp |
| **Capex** | **0.21** | **0.12** | **+78.9%** | **0.25** | **0.15** | **+65.2%** |
| **EBITDA-Capex** | **-0.51** | **0.24** | **-** | **-1.17** | **-0.68** | **-71.3%** |

- This segment includes Atlantic Ferries river transportation and operations such Tróia Marina and Tróia Market.
- Turnover generated by Troia Resort operations reached 3.8M€ in 1H18, 1.4% below 1H17. This was caused by a slightly smaller reduction of the activity in the Resort, mostly driven by the unfavourable weather conditions.
- Capex remained at controlled levels and was mainly due to investments in the renovation and improvement of Tróia Marina and Atlantic Ferries river transportation.

# 4. REAL ESTATE ASSETS

**Real Estate Assets Portfolio :: 1H18**
Cushman & Wakefield and WTC Fund valuation (M€)




Within the Group's current real estate portfolio there are diversified assets with different licensing and construction stages, including land plots with and without construction viability, residential units, construction projects, offices, industrial premises and commercial areas, with wide geographical dispersion.

This block considers all the real estate assets of Sonae Capital Group, as well as the assets held by the WTC Fund.

- As of 30 June 2018, the capital employed in this set of real estate assets, excluding touristic residential units in Tróia and WTC Fund, stood at 176.3M€, which compares with 284.0M€, according to valuation made by the independent reference entity Cushman & Wakefield at the end of 2016.
- It should be noted that Sonae Capital's real estate assets portfolio (Cushman & Wakefield valuation), including the WTC Fund valuation (as of 30 June 2018), amounted to 427.0M€.

## 4.1. TROIA RESORT

The PPSA of UNOP 3, although not yet reflected in results, was one of the most important achievements of the real estate assets' unit in Troia Resort in 2Q18. In 1H18, this unit registered a turnover of 6.6M€, consequence of the following contributions:

- Signature of 14 deeds of touristic real estate units in 1H18, corresponding to 5.4M€, compared to 11 deeds in the amount of 4.1€ in 1H17. Out of the 14 deeds signed, 9 were made under the guaranteed income product.
- Already in 3Q18 and up to the date of this report, 5 additional deeds were signed (in the amount of 1.7M€) and there are still in stock 11 promissory purchase and sale agreements and reserves totalling 5.2M€.
- Rents related to the operation of the assets held (Hotels, Tróia Shopping, Car parking lots, Touristic Units in operation) amounted to 1.2M€, in line with the same period of 2017.

## 4.2. OTHER REAL ESTATE ASSETS

The unit of other real estate assets registered a turnover of 4.1M€, consequence of the following contributions:

- Signature of deeds in a global amount of 1.2M€ in 1H18, related to various real estate assets.
- Already in 3Q18 and up to the date of this report, there is still a group of promissory purchase and sale agreements and reserves in the amount of 4.4M€, providing good prospects for the coming months.

# 5. BACKUP – CONSOLIDATED BALANCE SHEET

| Consolidated Balance Sheet | | | |
|---|---|---|---|
| **Million euro** | **Jun 2018** | **Dec 2017** | **Δ 18/17** |
| **Total Assets** | **522.3** | **516.1** | **+1.2%** |
| Tangible and Intangible Assets | 276.1 | 275.3 | +0.3% |
| Goodwill | 52.7 | 47.4 | +11.3% |
| Non-Current Investments | 2.2 | 2.0 | +8.9% |
| Other Non-Current Assets | 29.9 | 34.4 | -12.9% |
| Stocks | 91.4 | 94.4 | -3.1% |
| Trade Debtors and Other Current Assets | 58.6 | 53.0 | +10.6% |
| Cash and Cash Equivalents | 9.1 | 7.3 | +24.7% |
| Assets held for sale | 2.1 | 2.4 | -12.7% |
| **Total Equity** | **262.1** | **291.4** | **-10.0%** |
| Total Equity - Equity Holders of Sonae Capital | 252.6 | 280.5 | -9.9% |
| Total Equity - Non-Controlling Interests | 9.5 | 10.9 | -12.9% |
| **Total Liabilities** | **260.2** | **224.8** | **+15.7%** |
| **Non-Current Liabilities** | **96.6** | **116.2** | **-16.9%** |
| Non-Current Borrowings | 70.6 | 88.5 | -20.2% |
| Deferred Tax Liabilities | 21.7 | 21.6 | +0.1% |
| Other Non-Current Liabilities | 4.3 | 6.1 | -28.9% |
| **Current Liabilities** | **163.5** | **108.6** | **+50.7%** |
| Current Borrowings | 82.9 | 28.2 | >100% |
| Trade Creditors and Other Current Liabilities | 75.0 | 75.5 | -0.7% |
| Liabilities associated to assets held for sale | 5.6 | 4.8 | +16.8% |
| **Total Equity and Liabilities** | **522.3** | **516.1** | **+1.2%** |

# 6. CORPORATE INFORMATION

## 6.1. CORPORATE INFORMATION 2Q18

On 3 May 2018, the Shareholders' General Meeting of Sonae Capital was held at the company's headquarters. Amongst the proposals presented, it was approved a dividend payment to the shareholders in the amount of 0.06€ per share.

On 15 May 2018, Sonae Capital informed about the date of dividends payment, 30 May 2018. Dividends' global amount is 15M€.

On 28 June 2018, Sonae Capital informed about the execution, through its subsidiary S.I.I. SOBERANA – INVESTIMENTOS IMOBILIÁRIOS, S.A., of a PPSA regarding the real estate asset in Tróia designated in Tróia Detailed Plan as UNOP 3, for the global amount of 20M€ with LAGUNE TROIA, S.A.. The execution of the sale and and purchase deed and the establishment of its respective terms is contingent upon a set of condition precedent that have not yet taken place.

## 6.2. SUBSEQUENT EVENTS

On 17 July 2018, Efanor Investimentos informed about the intention to appoint Cláudia Azevedo as the next CEO of Sonae, after the end of the present mandate. Subsequently, Cláudia Azevedo asked Sonae Capital Board of Directors to be released from her role as CEO. The Board accepted and has expressed its gratitude for the valuable contribution of Cláudia Azevedo as CEO. Additionally, Sonae Capital Board of Directors agreed to elect Miguel Gil Mata as CEO for the remaining of the current mandate. Cláudia Azevedo will remain as Board member of Sonae Capital, but as a Non-Executive Director.

# 7. METHODOLOGICAL NOTES

The quarterly consolidated financial information presented in this report is non-audited and has been prepared in accordance with the International Financial Reporting Standards ("IAS / IFRS"), issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union.

With the aim of continuing to provide the best financial information not only at the Consolidated level, but also, at each Business Unit level and aligning with the best market practices, the international operations (Mozambique and Brazil) of the Refrigeration & HVAC segment are considered as assets held for sale and therefore their contribution to the consolidated results is recognized as discontinued operations.

## GLOSSARY

- Capex = Investment in Tangible and Intangible Assets.
- EBITDA = Operational Profit (EBIT) + Amortization and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in Stocks (included in Costs of Goods Sold) – Reversal of Impairment Losses and Provisions (including in Other Operation Income).
- EBITDA, excluding Guaranteed Income Provisions = EBITDA + Provisions related to the estimated present value of potential costs for the full period of the Guaranteed Income from real estate sales at Troia Resort.
- EBITDAR = EBITDA + Building Rents.
- Gearing: Debt to Equity = Net Debt / Equity.
- HVAC = Heating, Ventilation and Air Conditioning.
- Loan to Value = Net Debt of real estate assets / Real estate assets Valuation.
- Net Debt = Non-Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments.
- Operational Cash Flow = EBITDA - Capex.
- PPSA = Promissory Purchase and Sale Agreement.
- RevPAR = Revenue Per Available Room.

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