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SONAE SIERRA

Introduction

We are ... passionate about innovation

SONAE SIERRA IS A SPECIALIST INTERNATIONAL COMPANY WHICH OWNS, DEVELOPS AND MANAGES PROPERTIES IN THE SHOPPING AND LEISURE CENTRE SECTOR.

IN ALL THAT WE DO, WE STRIVE TO COMBINE HIGH LEVELS OF ENERGY, IMAGINATION AND INTEGRITY TO DELIVER INNOVATIVE PROPERTY SOLUTIONS AND REWARDING INVESTMENT RESULTS.

Our strategy for growth

Sonae Sierra aims to become one of the leading companies in the European shopping and leisure centre sector.
Currently operating in Portugal, Spain, Italy, Germany, Greece and Brazil, our strategy for growth is based on the innovative deployment of our specialist skills organised according to a successful business model.
The key to the model's success lies in its integrated structure. This reflects the three operational strands of our business: ownership, development and management.
Sonae Sierra also places great importance on the value of partnerships. By working with both international investors and local partners, we are able to constantly develop the strength of our financial base, improve the quality of our products, and increase the depth and breadth of our market knowledge. As a result, we are always able to respond swiftly to every new business opportunity.

Our sector focus

Sonae Sierra is an international organisation focused solely on the shopping and leisure centre sector of the property industry.
With our emphasis on specialisation, our investment strategy takes a long-term view. While we prefer to own the assets we develop – thus making it possible for us to foster their progression – we also invest in established shopping centres to which we know we can add value through a flexible combination of redevelopment and innovative, active property and asset management.

The financial stability which stems from this policy, coupled with our creative approach to design and construction, has earned us an enviable reputation as developers with a flair for real innovation and quality.

Capital Social €162.244.860 CRC Maia (Matricula nº 2252 A) Pessoa Colectiva nº 502 290 811

Highlights of 2005

2005 HAS BEEN A YEAR OF CONSIDERABLE PROGRESS FOR SONAE SIERRA. NOT ONLY HAVE WE FIRMLY ESTABLISHED OUR NEW BRAND IDENTITY, WE HAVE ALSO DEVELOPED NEW MARKETS IN SOUTHERN EUROPE, SPECIFICALLY IN GREECE AND ITALY, AND CONSOLIDATED OUR POSITION IN THE OTHER COUNTRIES WE OPERATE IN.

- EBITDA increased from € 107.6 million to € 125.7 million, equal to growth of 17%
- NAV per share increased from € 32.6 to € 38.9, a growth of 19%
- Total NAV of € 1,265 million at year-end
- Net Profit attributable to equity holders € 148.1 million, a growth of 80%
- Asset gearing of 31.9%
- Interest cover of 2.52
- Shareholdings acquired in eight shopping centres
- Four new shopping centres inaugurated
- GLA under management in Portugal, Spain, Italy, Greece and Brazil totals 2 million m2
- Operating in six countries with a team of 709 people and 11 different nationalities

Performance Indicators	2001	2002	2003	2004	2005
Real Estate NAV as of 31 Dec (€ million)	934	1.037	948	1.060	1.265
Real Estate NAV as of 31 Dec per share (€)	24,9	27,67	29,16	32,60	38,90
GLA owned in operating centres (000's m^2)	790	1.140	1.203	1.362	1.586
GLA under management (000's m^2)	1.128	1.517	1.564	1.839	2.025
Number of tenant contracts under management	3.949	5.089	5.399	6.134	7.166
Consolidated EBITDA – Portuguese GAAP (€ million)	n.a	n.a	n.a	n.a	n.a
Consolidated EBITDA – IAS (€ million)	73,8	95,5	98,1	107,6	125,7
Consolidated Net Profit – Portuguese GAAP (€ million)	n.a	n.a	n.a	n.a	n.a
Consolidated Net Profit - IAS (€ million)	120,9	144,4	208,7	82,3	148,15

Non-audited accounts

% variation	2001	2002	2003	2004	2005
Real Estate NAV as of 31 Dec per share	24%	11%	5%	12%	19%
GLA (m^2) owned in operating centres	35%	44%	5%	13%	17%
GLA (m^2) under management	18%	34%	3%	18%	10%
Nr. of tenant contracts under management	14%	29%	6%	14%	17%

Non-audited accounts

The Main Events of 2005

ALMOST EVERY YEAR HERALDS AT LEAST ONE NEW BEGINNING FOR OUR COMPANY. 2005 HAS BEEN NO EXCEPTION.

The inauguration of Mediterranean Cosmos, our first shopping and leisure centre in Greece and the first of its kind in the country, was a major milestone for us. It marked a step change in our progress as an international shopping and leisure centre owner, developer and manager.
This ground-breaking project – a € 110 million investment featuring more than 210 shopping and leisure facilities on a single 250,000 m2 site overlooking the Mediterranean – has not only expanded our operational scope by establishing our presence in a new territory, it has also set down a marker for our competitors.
As the first purpose-built centre of its kind in Greece, it represents the start of a new phase which already has us as standard-bearers in a challenging yet exciting new market.

Italian expansion

While it is easy to see the inauguration of Mediterranean Cosmos as the high point of 2005, other events have been no less significant.
For example, during the year, we finalised new joint ventures and partnerships with co-investors which will result in a major project in Caselle in Turin and another in La Spezia. Together with our acquisition of two operating shopping centres near Venice and Padova, these projects will significantly enhance our growing presence in Italy.

We also opened two new shopping centres in Portugal – LoureShopping on the outskirts of Lisbon, and Serra Shopping in Covilhã – and began work on Lima Retail Park in Viana do Castelo. And we won a public tender for a new project, to be known as Nova Avenida, in S João da Madeira.

We opened another new centre in Spain – Plaza Éboli in Pinto, on the outskirts of Madrid – and are on course to complete two more centres during the coming year.

All these programmes confirm our continuing commitment to a policy of expansion through organic growth and acquisition.

Environmental first

In December we achieved another first when our Environmental Management System received certification in accordance with ISO 14001:2004. This award, from Lloyd's Register Quality Assurance, had never before been granted in our sector. It is, we believe, deserved recognition for all the hard work which goes into ensuring we sustain a high level of environmental responsibility. Its receipt was doubly pleasing because, as well as recognising our collective work as a corporation, two of our shopping centres – Centro Colombo in Lisbon and NorteShopping in Matosinhos – also received individual ISO 14001:2004 certificates in recognition of their achievements.

Finally, we began this year with a new name and a new identity. Their introduction marked a new beginning for our company. Our ambition now remains what it always has been: to be the first company people think of when they think of the European and Brazilian shopping and leisure centre industry.

Partnerships

Sonae Sierra has continued its policy of developing partnerships in all the countries in which we operate. The table below shows the international breadth of these relationships.

Joint-Ventures

Centres in Operation	Partners	Country	Sonae Sierra
Viacatarina, Porto, Portugal Centro Colombo, Lisboa, Portugal Centro Vasco da Gama, Lisboa, Portugal Grancasa, Zaragossa, Spain Max Centre, Bilbao, Spain Valle Real, Santander, Spain Zubiarte, Bilbao, Spain La Farga, Hospitalet, Barcelona, Spain	**ING Real Estate**	Netherlands	**50%**
GaiaShopping, Porto, Portugal Arrábida Shopping, Porto, Portugal	**CNP Assurances(25%)** **Ecureuil Vie (25%)**	France	**50%**
CascaiShopping, Cascais, Portugal	**Pan European (25%)** **Trans European II (25%)**	U.K. U.S.A	**50%**
NorteShopping, Porto, Portugal	**TIAA- CREF**	U.S.A	**50%**
MadeiraShopping, Funchal, Portugal	**Estevão Neves**	Portugal	**50%**
Parque Atlântico, Ponta Delgada, Portugal	**NSL Group**	Portugal	**50%**
Serra Shopping, Covilhã, Portugal	**Pan European**	U.K.	**50%**
Parque Principado, Oviedo, Spain	**LAR Grosvenor**	Spain	**50%**
Parque D. Pedro, Campinas, São Paulo, Brazil	**Sierra Enplanta**	Brazil	**97,9%**
Boavista Shopping, São Paulo, Brazil	**Sierra Enplanta**	Brazil	**97,7%**
Plaza Sul Shopping, São Paulo, Brazil	**Sierra Enplanta**	Brazil	**20%**
Mediterranean Cosmos, Thessalónica, Greece	**Charagionis Group (19,95%)** **Lamda Development (60,1%)**	Greece	**19,95%**

Centres under Development	Partners	Country	Sonae Sierra
Setúbal Retail Park, Setúbal, Portugal Viana Retail Park, Vianna do Castelo, Portugal	**Miller Developments**	U.K.	**50%**
RioSul, Seixal, Portugal	**Pan European**	U.K.	**50%**
Plaza Mayor Shopping, Málaga, Spain	**Castle City**	U.K.	**75%**
Aegean Park, Athens, Greece	**Charagionis Group**	Greece	**50%**
Freccia Rossa, Brescia, Italy	**AIG (40%)** **Coimpredil (10%)**	U.S.A Italy	**50%**
Alexa, Berlin, Germany	**Foncière Euris**	France	**50%**
El Rosal, Ponferrada, Spain	**Mall Group**	Spain	**70%**
Shopping Campo Limpo, São Paulo, Brazil	**Tivoli EP**	Brazil	**20%**
La Spezia, Spezia, Italy	**ING Real Estate Development**	Netherlands	**50%**

Others	Partners	Country	Sonae Sierra
Sierra Charagionis - Development, management and investment of Shopping Centres (Greece)	**Charagionis Group**	Greece	**50%**
Sierra Enplanta, S.A. - Development, management and investment of Shopping Centres (Brazil)	**Enplanta Engenharia**	Brazil	**50%**
Mediterranean Cosmos - Property Management (Greece)	**Charagionis Group (37,5%)** **Lamda Group (25%)**	Greece	**37,5%**
SEgest -Management of Shopping Centres (Italy)	**Espansione Commerciale**	Italy	**50%**
Sierra Fund	**ABP** **CDC** **CNP Assurances** **Ecureuil Vie** **TIAA- CREF**	Holanda France France France U.S.A	**50,1%**

Business Highlights

Sierra Investments

With rental incomes up and a further increase in the Asset Values of our portfolio, 2005 was a good year for the property business headed by Sierra Investments. The acquisition of four operational centres from Sierra Developments and the sale of four others to the Sierra Fund contributed positively, as did the consolidation of our presence in the Italian market.

Sierra Developments

The opening of Mediterranean Cosmos in Greece, the progression of our construction at Alexa in Berlin, and the expected completion of our negotiations in Dortmund all contributed to the further establishment of our development business in new markets.

Sierra Management

With nine new centres introduced into our portfolio during the year, 2005 saw us increase the geographical scope of our management activities so that we now operate in five European countries.

Sonae Sierra Brazil

The purchase of a stake in Plaza Sul in São Paulo brought the number of shopping centres in our portfolio to eight. Our objective is to add to this figure, and consolidate our position as innovative developers, owners and managers in the Brazilian retail market.

SIERRA INVESTMENTS

WE ARE PARTICULARLY PLEASED TO HAVE INITIATED OUR INVESTMENT ACTIVITY IN GREECE, WITH THE ACQUISITION OF MEDITERRANEAN COSMOS, AND IN ITALY, THROUGH THE SIERRA FUND'S ACQUISITION OF VALECENTER AND AIRONE. THESE MOVES ENHANCE THE GEOGRAPHICAL DIVERSIFICATION OF THE COMPANY'S ASSETS.

Highlights of 2005

- Acquisition of Valecenter and Airone in Italy from third parties
- Acquisition of additional interests in five shopping centres from third parties
- Acquisition of four shopping centres from Sierra Developments
- Sale of Coimbra Retail Park in Coimbra, Portugal
- Contribution of four shopping centres to the Sierra Fund
- Increase of € 647 million, a growth of 21%, in the portfolio market value

Business activities

Sierra Investments owns the company's shopping and leisure centres and is at the helm of the investment business in Europe. Its objective is to actively manage all the company's operating shopping and leisure centres and to increase their asset value.

The division contributes to the company's results through a combination of rental income and rising market values attributable to the shopping centres owned. Within Sierra Investments, Sierra Asset Management also provides income-producing asset management services to the properties.

Acting on behalf of the company, the division takes a long-term view, investing in assets developed by Sierra Developments as well as in established centres acquired for the potential increase in value likely to be achieved through good control, active management and expansion or refurbishment.

Sierra Investments holds 50.1% of the Sierra Fund, thus maintaining its position as co-owner and manager of the Fund's underlying assets.

2006 Prospects

Economic growth in the European Union remained slow during the last few months of 2005, with year-on-year GDP growth increasing only modestly as rising oil prices and subdued consumer demand continued to impact on the economy.

The outlook for 2006 is somewhat more optimistic. Even Europe's slowest growing economies are starting to show some signs of improvement. However, inflation remains a significant downside risk, with some indications suggesting that – after a two-year hiatus, and in an attempt to combat rising price pressures within the Eurozone – the European Central Bank may keep on increasing interest rates in 2006.

Nevertheless, the investment market is buoyant, with pension funds, institutional investors and wealthy private investors still displaying an insatiable appetite for retail properties, and considerable competition from investors looking to source good quality stock. As a consequence, significant gains in value have been taking place on the back of strongly decreasing yields. With demand for quality investment property creating strong capital appreciation, we took the opportunity to sell some non-strategic assets, at a price reflecting the premium the market is willing to pay, which contributed to improved results.

While the marketplace remains so competitive, the scarcity of good, available investment properties is likely to continue. Although we remain optimistic, we believe there will be few opportunities for acquiring quality assets under such circumstances.

2005 Performance

WITH AN INCREASE IN RENTAL INCOME OF 15%, AND A FURTHER INCREASE IN THE NET ASSET VALUE OF OUR TOTAL PORTFOLIO OF 21% ACHIEVED THROUGH CAPITAL APPRECIATION AND SELECTIVE ACQUISITION OF NEW CENTRES, WE HAVE EXCEEDED OUR FORECASTS FOR 2005.

During the year, we acquired four operating centres from Sierra Developments: Plaza Éboli, which serves the town of Pinto near Madrid; LoureShopping, with a catchment area on the north-eastern outskirts of Lisbon; Serra Shopping in Covilhã, in the East of Portugal; and Mediterranean Cosmos, the first-ever modern, purpose-built shopping and leisure centre in Thessalonica, Greece.

Sierra Investments also acquired 35% of the Eroski shareholding in Dos Mares near Murcia, 40% of the Avenida M40 centre in Madrid, 35% of Luz del Tajo, which serves Toledo, and 35% of Plaza Éboli, thus controlling 100% of these assets, all of which are in Spain.

In line with our current investment and partnership policies, we sold Sierra's share in Coimbra Retail Park to Scottish Widows Investment Partnership, and disposed of 50% of our holding in Serra Shopping to PanEuropean Investments.

Four of our centres – Parque Principado in Oviedo, Spain, Dos Mares, Luz del Tajo and Estação Viana in Viana do Castelo in northern Portugal – were brought into the Sierra Fund during the year, with all of them making significant contributions to the Fund's underlying performance.

As part of our move to consolidate our position in the Italian shopping and leisure centre sector, the Sierra Fund also acquired two established operations in Italy: Valecenter, in the metropolitan area of Venice, and Airone in Monselice, near Padova. The Fund also purchased an additional 25% interest in La Farga, in Hospitalet, Barcelona, Spain.

Rents & Sales

	Fixed rents		Variable rents		Total rents		% 05/04 rents		Sales		% 05/04 sales	
	2005	2004	2005	2004	2005	2004	total	like-for-like	2005	2004	total	like-for-like
Portugal	151.133	145.419	10.117	10.927	161.250	156.346	3,1%	3,0%	1.845.791	1.784.537	3,4%	2,6%
Spain	61.968	45.705	2.360	2.001	64.328	47.706	34,8%	4,9%	766.516	603.589	27,0%	6,4%
Italy	7.449	0	0	0	7.449	0	-	-	53.395	0	-	-
Greece	1.204	0	161	0	1.365	0	-	-	23.045	0	-	-

Figures in Euro (thousands)

Occupancy Rate

	Occupancy Rate	
	2005	2004
Portugal	97%	97%
Spain	94%	95%
Italy	94%	-
Greece	78%	-

Property values

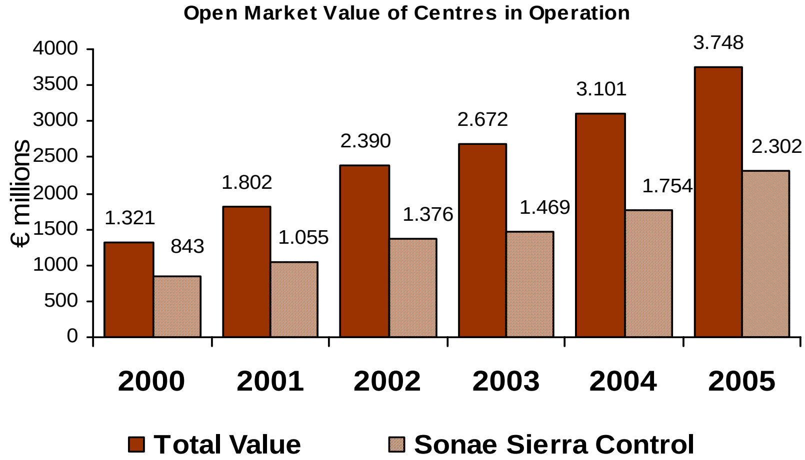
As a property company, we continue to assess the performance of our real estate assets through the evolution of their Open Market Value (OMV) as per the independent valuation performed every semester by Cushman & Wakefield Healey & Baker.

The decrease in cap rates and discount rates in both Portugal and Spain had a positive influence on our valuations during 2005. The increase in the valuation of the established investments in our portfolio, when compared with their values at the end of December 2004, was 7.4%. This is the result of an increase in portfolio value of 9.3% in Spain and 6.6% in Portugal, due mainly to the decrease in cap rates and discount rates in all our centres.

Open Market Value — Figures in Euro (thousands)

Shopping Centres in Operation	% Sierra * 31 Dec. 2005	Open Market Value 31 Dec. 2005	Open Market Value 31 Dec. 2004	OMV Variation Total	OMV Variation %
AlgarveShopping	100%	115.977	98.100	17.877	18%
Arrábida Shopping	50%	67.240	64.028	3.212	5%
CascaiShopping	50%	142.772	133.310	9.462	7%
Centro Colombo	50%	311.399	297.956	13.444	5%
Centro Vasco da Gama	50%	118.028	108.727	9.301	9%
CoimbraShopping	100%	37.239	34.803	2.436	7%
Estação Viana	100%	73.301	67.440	5.861	9%
GaiaShopping	50%	71.103	67.346	3.757	6%
GuimarãeShopping	100%	42.592	39.700	2.892	7%
LoureShopping 5)	100%	110.419	-	-	-
MadeiraShopping	50%	36.301	35.385	916	3%
MaiaShopping	100%	56.453	53.687	2.766	5%
NorteShopping	50%	168.301	155.956	12.345	8%
Parque Atlântico	50%	30.914	28.431	2.483	9%
Viacatarina	50%	35.755	34.966	789	2%
SerraShopping 5)	50%	20.370	-	-	-
Edifício Grandela	100%	5.021	5.059	-38	-1%
Gare do Oriente	100%	1.162	998	164	16%
Coimbra Retail Park 1)	0%	0	8.278	-	-
Total Portugal		**1.444.344**	**1.234.167**	**210.177**	**-**
Avenida M40 4)	100%	92.077	60.050	32.027	53%
Dos Mares 3)	100%	48.056	23.741	24.315	102%
Grancasa	50%	80.490	69.008	11.482	17%
La Farga 2)	50%	28.747	12.193	16.554	136%
Luz Del Tajo 3)	100%	89.460	48.230	41.230	85%
Max Centre	50%	77.547	69.588	7.960	11%
Parque Principado	50%	78.492	67.532	10.960	16%
Plaza Eboli 5)	100%	54.647	-	-	-
Plaza Mayor	100%	80.222	79.045	1.177	1%
Valle Real	50%	45.256	38.089	7.167	19%
Zubiarte	50%	43.766	52.410	-8.645	-16%
Total Spain		**718.758**	**519.884**	**198.873**	**-**
Valecenter 6)	100%	99.258	-	-	-
Airone 6)	100%	17.257	-	-	-
Total Italy		**116.515**	**0**	**116.515**	**-**
Mediterranean Cosmos	19,95%	22.353	-	-	-
Total Greece		**22.353**	**0**	**22.353**	**-**
Total		**2.301.969**	**1.754.051**	**547.918**	**-**

* In Centres owned by SIERRA Fund, it means control
1) Coimbra Retail Park was sold during 2005
2) Acquisition of an additional share of 25% during 2005
3) Acquisition of an additional share of 30% during 2005
4) Acquisition of an additional share of 40% during 2005
5) Opening during 2005
6) Acquisitions during 2005



Retail market outlook

The retail market outlook suggests that, despite forecasts of uncertain economic growth across Europe, there will be opportunities for the continuing development of our core activities.

Portugal

The short-term economic forecast is marginally better than last year, although Portugal is expected to continue to under-perform the Eurozone. However, structural changes and modernization continue to drive the retail and retail property markets. Retailer interest remains firm, and strong investor demand could lead to further yield compression. With sales continuing to grow, the retail sector is robust, and is being backed up by steadily increasing employment. High yields relative to other countries are helping to maintain substantial domestic and international investor interest. However, those yields are coming under increasing pressure and are expected to harden further. Until leasing reforms are finally pushed through parliament, retail parks and shopping centres are set to continue to outperform the high street. Watered down lease reform may mean that liquidity on the high street takes longer to filter through.

Spain

Whilst Spain's economic growth is expected to slow in 2006, the continuing imbalance between supply and demand should support and even push up rental levels for the best retail property. Retailer demand for the key high streets still outstrips availability, and new shopping centres are experiencing strong interest. To a large extent, the limited availability of good quality property continues to drive the market, with space pressures most acute in-town. Shopping centres continue to provide the bulk of new space, which tends to be absorbed fairly quickly. The retail warehouse sector also continues to expand in terms of floor space, with numerous projects in the pipeline, including some mixed shopping centre/retail park schemes. However, given the significant shifts already seen in yields, gains through further compression are likely to be more limited. Retail warehousing offers potential for further yields falls as retailer and investor interest appears to be getting stronger. The market remains characterised by high liquidity on the buy-side, but the lack of product means that sourcing stock is difficult and investors may need to be creative in their approach, perhaps through forward funding or by offering shares-for-assets as has recently been seen in the Spanish market.

Italy

Retail spending growth is expected to remain relatively subdued, but structural change new development will continue to drive the market. GDP growth is expected to improve somewhat over the next two years, averaging 1.3%, with falling unemployment also providing more positive news on the economic front.

Opportunities to source new stock are more likely to occur in central and southern Italy, given that the focus of new development is now shifting away from the north. While the amount of hypermarket, shopping centre and retail warehouse space continues to increase, the market as a whole has not reached saturation with modern space and the overall level of provision remains below that of comparable markets. Supply risk is therefore not yet a significant issue, although the picture will differ from city to city. Market consolidation remains a key strategic reason for investing in Italian retail, whereby an increasing proportion of retail spend will be channelled through national and international multiples, and thus through modern retail property.

Greece

Economic activity is expected to continue to ease over the next two years, due to the reduced growth in domestic demand. Nevertheless, GDP growth will remain significantly above the wider European Union average.

Retail yields generally – and in particular shopping centre yields – are high in a wider European context and this should continue to attract more investor interest. However, whilst the development pipeline is relatively strong, schemes can sometimes be prone to slippage. Moreover, the likelihood of existing schemes being held by developers on a long-term basis is expected to further reduce opportunities to source investment stock. Development and forward funding will therefore be even more critical to gaining exposure to the market. Shopping centre yields are currently stable, but compression is anticipated as the market matures and liquidity improves. As more shopping centre space comes onto the market, competition with the high street will increase and rents in the weaker locations may come under further pressure, as has been seen in recent months. Once shopping centre trading patterns settle down, it will become clearer as to whether current rental levels are sustainable.

Germany

After a difficult year, the German economy is set to improve slightly in 2006, with GDP growth expected to reach 1.6% on the back of strong export growth and domestic investment. The summer's football World Cup will give the economy a much needed boost, while some areas of the retail sector are set to benefit from 2006 being the final year before a 3% rise in VAT. The new 19% VAT could make 2007 a difficult year for retailers. Occupier demand is relatively strong for the prime high street locations and key shopping centres, particularly from large clothing retailers, but rental uplift is likely to be limited in the first half of the year. International retailers expanding into Germany are also contributing to good demand in shopping centres.

Pipeline shopping centre space per capita is robust but lower than comparable mature markets, such as the UK and France. New schemes totalling around 800,000 m2 are set to come on stream in the next two years. The market should be able to absorb them, even though this will put further pressure on older shopping centre schemes and secondary high street locations, where vacancy rates are already a concern. The investment market for retail property has enjoyed a solid year and a healthy interest in shopping centres amongst international investors is expected over the coming six months. The ongoing problems suffered by open-ended funds could prompt some major changes in the short term. Many players favour the introduction of Real Estate Investment Trusts (REITs), which would attract money – particularly from short-term investors – away from the funds. The thorny issue of how the REITs should be taxed remains a stumbling block but, if the government is able to find an acceptable solution, they could be introduced in 2007.

Future prospects

Looking ahead, we intend to remain focused on our ultimate objective of achieving superior results through new investments in operating shopping centres, and by delivering effective asset management services. Our performance will be judged by the quality of our assets and their profitability.

We plan to increase our presence in Germany and Italy through the acquisition of additional shopping centres, following a strategy of identifying properties which have significant improvement and add-value potential under our management.

During 2006, we aim to initiate an 8,000 m2 expansion of Arrábida Shopping in Porto (Portugal), as well as major refurbishment programmes at Centro Colombo in Lisbon (Portugal), GranCasa in Zaragoza (Spain), and Valecenter in metropolitan Venice (Italy), all of which are designed to revitalise the centres and maintain their attractiveness to clients.

Sierra Fund

THE SIERRA FUND WAS ESTABLISHED IN 2003 WITH A TOTAL COMMITTED EQUITY OF € 1.08 BILLION. SONAE SIERRA HOLDS 50.1% OF THE FUND AND SIERRA INVESTMENTS MANAGES ITS ASSETS. IN THE LAST YEAR, THE FUND'S PERFORMANCE HAS EXCEEDED EXPECTATIONS.

The objective of the Sierra Fund is to provide its investors with dividends and capital appreciation derived from investments in high quality, actively managed shopping centres in Sonae Sierra's targeted European markets in Portugal, Spain, Italy, Germany and Greece.

Our five partner investors in the Fund are Stichting Pensioenfonds ABP of Holland, the French companies Caisse des Dépôts et Consignations EP, CNP Assurances and Ecureuil Vie, and TIAA-CREF which is based in the US.

The commitment of these experienced and knowledgeable international institutional investors not only validates the quality of Sonae Sierra's existing assets and development programme, but also provides new knowledge sources which will help Sonae Sierra improve its performance going forward.

Benefiting from a good operating performance from its assets, and from a decrease in real estate yields in both Portugal and Spain, the Sierra Fund had a very positive year, with the overall return to its investors above expectations.

Reflecting its active portfolio management strategy, a large number of transactions – mainly outside Portugal – were closed during 2005, thus reducing Portugal's relative weight in the Fund's total portfolio.

During the year, the Sierra Fund acquired a number of assets from Sierra Investments. These included Parque Principado, Dos Mares, and Luz del Tajo in Spain, and Estação Viana in Portugal. The Fund also acquired an additional 25% of La Farga in Spain and two shopping centres in Italy, Valecenter and Airone, directly from third parties.

2005 Financial Report

Financial Highlights of 2005

- Retail operating income of € 156 million;
- EBITDA increased by 14% to € 128.9 million;
- Value created on properties of € 144 million;
- Net profit attributable to equity holders of € 103.6 million, an increase of 69%.

Sierra Investments contributed € 103.6 million to the Consolidated profit of Sonae Sierra.
The Company consolidates the SIERRA Fund in full, given that it holds effective control with 50,1% of the capital.

Direct Profits

The Direct Profits of Sierra Investments comes from the operation of shopping and leisure centres that are part of its portfolio, including those assets that are in the Sierra Fund. The Direct Profits also include the asset management services provided to the properties by Sierra Asset Management.
The growth in turnover over 2004 is largely the result of growth in the portfolio: (1) acquisition from Sierra Developments during 2005 of projects that began operations in the year; (2) acquisitions in Italy; (3) acquisition of a further 25% of La Farga (Hospitalet, Spain). In addition, rents in Portugal were affected by the sale of Coimbra Retail Park (Coimbra, Portugal). Shopping centre operational profits grew by 14%.
The increase in asset management over 2004 is the result of the increase in the portfolio of the Sierra Fund.
Net financial costs rose 21% compared to 2004 due to an increase in bank debt from € 870 million to a total of € 1.093 million. This increase is largely the result of the acquisition of assets during 2005 and of several refinancing of the existent portfolio.

Indirect Profits

Indirect Profits arises either from the change in value of the investment properties or the realization of capital gains on the sale of assets and/or shareholding positions.
The value created on investment properties reached € 144 million in 2005, of which € 91 million relate to value creation on assets in Portugal, € 49 million in Spain and the remaining € 4 million on asset value creation in Italy.
Capital gains on property sales amounted to € 18 million and mainly came from a price adjustment related with the 50% sale of CascaiShopping that occurred in 1996.
Minority interests of € 69.2 million correspond mainly to 49.9% ownership of our five partners in the Sierra Fund results.

Sierra Investments

Profit & Loss Account (€ 000)	2005	2004	% 05/04
Fixed Rental Income	134.002	112.003	20%
Turnover Rental Income	8.234	8.018	3%
Key-Money Income	7.665	8.402	-9%
Other Income	5.682	4.781	19%
Retail Operating Income	155.584	133.204	17%
Property Management Services	8.889	7.526	18%
Letting & Promotion	2.914	1.876	55%
Capital Expenditures	4.572	3.478	31%
Other Costs	13.510	10.716	26%
Retail Operating Costs	29.886	23.596	27%
Retail Net Operating Margin	125.697	109.608	15%
Parking Net Operating Margin	3.321	3.527	-6%
Co-generation Net Operating Margin	1.180	1.008	17%
Shopping Net Operating Margin	**130.199**	**114.144**	**14%**
Offices Net Operating Margin	**362**	**321**	**13%**
Income from Asset Management Services	7.496	6.057	24%
Total Overheads	9.117	7.180	27%
EBITDA	**128.939**	**113.341**	**14%**
Depreciation	203	3.734	-95%
Provisions	2.353	379	-
Recurrent net financial costs/(income)	42.491	35.214	21%
Non-recurring costs/(income)	(361)	1.046	-135%
Results Before Corporate Taxes	**84.254**	**72.968**	**15%**
Corporate Taxes	15.182	13.149	15%
Direct Profit	**69.072**	**59.819**	**15%**
Realized Property Profit	18.221	3.096	-
Non -Realised Property Profit	144.200	65.002	122%
Total Indirect Income from Investments	**162.421**	**68.097**	**139%**
Deferred tax	52.218	23.160	125%
Indirect Profit	**110.203**	**44.937**	**145%**
Net Profit for the Period	**179.275**	**104.756**	**71%**
Attributable to :			
Equity holders	103.629	61.406	69%
Minority interests	69.155	38.300	81%
Minorities - Asset Management Fee *	6.491	5.050	29%

Non-audited accounts

* Include the payment of Preferential Dividends

Sierra Investments

Consolidated Balance Sheet (€ 000)	31-12-2005	31-12-2004	var. (05 - 04)
Investment Properties & Others	2.350.906	1.844.598	506.308
Tenants	10.127	7.813	2.314
Tax Shelter	16.335	14.261	2.074
Other Assets	97.683	90.115	7.568
Deposits & Short Term Investments	399.645	438.847	-39.202
Total Assets	**2.874.696**	**2.395.633**	**479.063**
Net Worth	**787.687**	**761.305**	**26.381**
Minorities	**293.484**	**221.056**	**72.428**
Bank Loans	1.106.952	870.124	236.828
Shareholder Loans	89.252	96.668	-7.416
Deferred Taxes	384.000	285.014	98.986
Other Liabilities	213.321	161.465	51.855
Total liabilities	**1.793.525**	**1.413.271**	**380.254**
Net Worth, Minorities and Total Liabilities	**2.874.696**	**2.395.633**	**479.063**

Non-audited accounts

SIERRA DEVELOPMENTS

JOINT VENTURES IN ITALY, SPAIN AND PORTUGAL, AND THE START OF CONSTRUCTION AT NEW CENTRES IN SPAIN AND PORTUGAL, WILL SET THE SEAL ON OUR PLANS FOR GROWTH IN THESE KEY TERRITORIES.

Highlights of 2005

- Four shopping centres opened in Europe: Mediterranean Cosmos in Greece, Plaza Éboli in Spain, LoureShopping and Serra Shopping in Portugal
- Three new projects started construction: El Rosal in Spain, Lima Retail Park in Portugal and Freccia Rossa in Italy
- Construction continued at two projects: Rio Sul in Portugal and Alexa in Germany
- Sale of 50% of Serra Shopping and Rio Sul
- New partnerships with ING Real Estate Development and Mall Inversiones

Business activities

Sierra Developments is responsible for the development of the company's new shopping and leisure centres in Europe. Our work encompasses land procurement as well as concept creation, construction management, and other managerial activities required to complete successful shopping centre developments.

Sierra Developments contributes significantly to Sonae Sierra's consolidated income through project management services supplied to our development partners during the course of the concept creation and construction process, and through the value added during the development phase. Each project's full asset value is realised on its completion, when the entire property is sold to Sierra Investments.

It is in the development of shopping and leisure centres that the most added value is created. The constant recycling of capital enables the company to invest in innovative assets, backed up by a rigorous procurement policy and excellent management standards.

Effective marketing and letting are other factors which are key to the success of our projects under development. These services are contracted out to our sister division, Sierra Management.

2006 Prospects

The general economic outlook in Europe shows signs of improving, which should be a positive factor for developers.

We are very optimistic about the opportunities in Iberia, where we expect our development business to continue its recent pattern of growth. In Portugal, we have two new projects due to open during 2006: Rio Sul Shopping in Seixal, on the southern bank of the river Tejo, and Lima Retail Park in Viana do Castelo. We will also be starting the construction of a new project – Nova Avenida – in S João da Madeira. In Spain, the construction of El Rosal in Ponferrada and Plaza Mayor Shopping in Malaga will continue.

The 2006 elections in Italy may cause some delays in gaining approval for large projects; schemes like ours can attract opposition from special interest groups, which in some areas still carry a remarkable electoral weight. Our priority is to concentrate on downtown projects, such as Freccia Rossa, which are generally more acceptable and are seen as supporting their surrounding retail communities.

In Germany, the signs of economic recovery and our established presence in the market should help the development process, although we are likely to experience increased competition for good development opportunities.

Our prospects for further developments in Greece are good. However, while we aim to establish ourselves in this market, we believe it will take time for us to achieve the leading position we are aiming for.

Our long term objective is to guarantee that all the properties developed by us continue to create value during their life. The key factors in achieving this are strict site procurement sustained by strong market research, tight cost controls, and a degree of flexibility which allows us to adapt to market forces.

We are becoming more selective in our choice of development opportunities, and innovative in terms of our concepts, tenant mix and services. As part of an integrated group, we have the benefits of a guaranteed take-out investor at the end of each development. We also get excellent centre design and tenant mixes created by both our own design department and Sierra Management.

We are developing our organisational structure and staff needs so that we have the resources required to tackle our expansion plans, both in new business and in project development.

2005 Performance

2005 WAS A POSITIVE YEAR FOR SIERRA DEVELOPMENTS, WITH NEW CONSTRUCTION PROJECTS UNDER WAY AND THE BUSINESS IN PORTUGAL AND SPAIN PERFORMING BETTER THAN EXPECTED.

A positive year

2005 was a positive year for Sierra Developments, with the inauguration of Mediterranean Cosmos in Greece being a clear high point for us all.

With Iberia continuing as the engine of the business, and performing better than expected, projects in some other countries in our portfolio did less well.

The principal drivers of our Iberian success were the opening of three new projects and the sale of a 50% stake in one of them – and of a fourth which is still under construction – augmented by the effects of lower real estate yields.

Elsewhere, the acquisition of Valecenter and Airone by the Sierra Fund, and the start of construction at Freccia Rossa, helped to establish our company as a recognised shopping centre operator in Italy. They have also given us a base on which to build our future expansion in that market.

In Germany, the continuing lack of business confidence and the accompanying flatness of consumer spending have depressed retail rents and made retailers more cautious.

Our business activities rely to a great extent on the creation of partnerships with other developers. The new relationships created during 2005 include a 50/50 partnership with ING Real Estate Development to develop La Spezia in Italy, scheduled for opening in 2008, a 70/30 partnership with Mall Inversiones to develop El Rosal in Ponferrada, Spain, and a 50/50 partnership with Miller Developments to develop Lima Retail Park in Viana do Castelo, Portugal.

Progress in Portugal

We opened two new shopping centres in Portugal during 2005: LoureShopping in Loures on the outskirts of Lisbon, which was inaugurated on October 27, and Serra Shopping, in Covilhã, which opened on November 23, much earlier than its scheduled inauguration which had been set for Spring 2006.

LoureShopping is a € 67 million development with a GLA of 38,640 m2 featuring 121 shops and 26 restaurants serving a catchment area to the north east of Lisbon. It is expected to attract almost eight million visitors every year.

Serra Shopping is a € 30.8 million development with a GLA of 17,677 m2. It has 86 shops and has created 800 in jobs in the local community.

At year-end, we sold a 50% stake in Serra Shopping, which opened 100% let, and a similar stake in Rio Sul Shopping, which is due to open early in 2006 in Seixal, south of Lisbon. This new centre is set to modernise both retail and leisure facilities in the region, and will have a GLA of some 39,700 m2. Both these centres were sold to PanEuropean Property Limited, a fund managed by Rockspring Property Investment Managers Limited.

We have started construction of Lima Retail Park in Viana do Castelo and are very pleased to have won a public tender for the development of a new project – to be known as Nova Avenida – in S João da Madeira.

	Rio Sul	Lima Retail Park	Setúbal Retail Park	Nova Avenida
Location	Seixal, Portugal	Viana do Castelo, Portugal	Setúbal, Portugal	S. João da Madeira, Portugal
Opening Date	Spring 2006	Autumn 2006	Autumn 2007	Autumn 2007
Catchment Area	326.000 inhab	125.000 inhab	154.000 inhab	294.000 inhab
GLA (m^2)	39.700	10.900	20.300	17.700
Nr. of parking places	2.300	420	880	1.000
Shops	140	12	18	90
Gross Investment (€ million)	67	13	23	50
Developers	Sierra Developments	Sierra Developments / Miller Developments	Sierra Developments / Miller Developments	Sierra Developments
Owners	Sierra Developments (50%) / Pan European (50%)	Sierra Developments (50%) / Miller Developments (50%)	Sierra Developments (50%) / Miller Developments (50%)	Sierra Developments

Spanish ventures

Our progress in Spain during 2005 was marked by the opening of Plaza Éboli in Pinto, which was inaugurated on March 16, and by the creation of a 70/30 joint venture with Mall Inversiones for the development of a new centre – El Rosal – in Ponferrada.

Plaza Éboli is a € 56.1 million investment developed in conjunction with the Eroksi Group. It has a GLA of 32,030 m2, currently occupied by 101 shops, including an Eroski hypermarket, an eight-screen cinema complex and a dozen restaurants. It serves a catchment area with a population of 156,000.

El Rosal, which is under construction and due to open in the Fall of 2007, will have a total GLA of 48,600 m2, 155 shops, parking for 2,370 vehicles, and will be anchored by a Carrefour hypermarket.

Construction is also under way in Malaga, of Plaza Mayor Shopping, adjacent to our other property Plaza Mayor Parque de Ócio, with a total GLA of 18,750 m2, which is due to open in Spring 2007. An investment of € 47 million, it will have 58 shops and 900 parking spaces. Its catchment area has a population of some 990,000.

	Plaza Mayor Shopping	El Rosal
Location	Malaga, Spain	Ponferrada, Spain
Opening Date	Spring 2007	Autumn 2007
Catchment Area	990.000 inhab	178.000 inhab
GLA (m^2)	18.750	48.600
Nr. of parking places	900	2.370
Shops	58	155
Gross Investment (€ million)	47	111
Developers	Sierra Developments / Castle Management	Sierra Developments / Grupo Mall
Owners	Sierra Developments (75%) / Castle Management (25%)	Sierra Developments (70%) / Grupo Mall (30%)

Italian expansion

We made significant progress in Italy during 2005, with new joint ventures signed and trading licenses secured for Caselle, a new € 250 million development of 76,000 m2 GLA offering space for a total of 300 shops close to Turin.

Our 50/50 partnership with ING Real Estate Development will bear fruit in 2008, when we open a new shopping and leisure centre in La Spezia. This project, which will have a GLA of 38,300 m2, is a € 120 million investment. Its main anchor store will be a hypermarket managed by Coop Liguria serving the urban environment around La Spezia. Its standards of construction and environmental management are likely to become a reference point for retailing in this region.

	Freccia Rossa	Biella	La Spezia	Caselle
Location	Brescia, Italy	Biella, Italy	La Spezia, Italy	Turin, Italy
Opening Date	Autumn 2007	Spring 2008	Spring 2008	Spring 2009
Catchment Area	580.000 inhab	168.900 inhab	210.500 inhab	1.750.000 inhab
GLA (m^2)	29.400	34.700	38.300	76.000
Nr. of parking places	2.420	2.950	2.400	7.000
Shops	125	80	125	300
Gross Investment (€ million)	117	87	120	250
Developers	Sierra Developments / AIG / Coimpredil	Sierra Developments	Sierra Developments / ING Real Estate Development	Sierra Developments
Owners	Sierra Developments (50%) / AIG (40%) / Coimpredil (10%)	Sierra Developments	Sierra Developments (50%) / ING Real Estate Development (50%)	Sierra Developments

On course in Germany

Due for completion in 2007, our Alexa project in Berlin is making steady progress. This € 260 million scheme is being built on a 3.2 hectare site and will accommodate approximately 180 Tenants. It will feature a large covered car park and leisure facilities which will include a number of restaurants and bars.

Negotiations in connection with our 3DO project in Dortmund are largely complete. When it is finished in 2009, this € 272 million new centre will have a GLA of 66,800 m2 and 200 shops serving the needs of regional retailers and a local community of 3,400,000.

	Alexa	3DO
Location	Berlin, Germany	Dortmund, Germany
Opening Date	Spring 2007	Autumn 2009
Catchment Area	1.800.000 inhab	3.400.000 inhab
GLA (m^2)	54.750	66.800
Nr. of parking places	1.600	2.000
Shops	180	200
Gross Investment (€ million)	260	272
Developers	Sierra Developments	Sierra Developments
Owners	Sierra Developments (50%) / Fonciére Euris (50%)	Sierra Developments

A double first for Greece

The inauguration of Mediterranean Cosmos in Thessalonica was a first on two counts. It marked the completion of our first development in Greece, and the opening of the first-ever, purpose-built, modern shopping centre created for the Greek market.

An investment of € 110 million, providing 46,000 m2 GLA, Mediterranean Cosmos brings together a total of more than 210 shopping and leisure facilities in a setting inspired by a combination of nature and local culture. Its use of colour, materials and natural lighting is matched by the magnificent view over the Mediterranean and historic Mount Olympus. The facilities include a church, a cinema complex, traditional restaurants and an outdoor theatre with seating for 400.

This important development, which has already proved popular with local people, has created a total of 2,500 new jobs in the area.

Through Sierra Charagionis, efforts continue to obtain the necessary licenses to promote and build the Aegean Park, in Athens.

	Aegean Park
Location	Athens, Greece
Opening Date	Spring 2009
Catchment Area	1.100.000 inhab
GLA (m^2)	51.000
Nr. of parking places	2.500
Shops	155
Gross Investment (€ million)	152
Developers	Sierra Charagionis
Owners	Sierra Developments (50%) / Grupo Charagionis (50%)

2005 Financial Report

Financial Highlights of 2005

- Development services rendered € 13.1 million
- Value created on assets € 42.3 million
- Net profit attributable to equity holders € 35.5 million

Sierra Developments contributed € 35.5 million to Sonae Sierra's consolidated profits for 2005.
These profits have two essential components. The first is direct profit, which is derived from project development fees in connection with the normal activity of property development. The second – indirect profit – corresponds to the value added to our assets during the development process.

Direct Net Profits

As a result of increased activity in Germany and the introduction of new developments in Portugal and Italy, the value of our project development services capitalised on projects in progress in Europe grew by 25% compared to 2004.

Operational costs increased 22% over the previous year, due to the exploitation of new business opportunities internationally and an increase in the number of staff we employ.

The increase of net financial income also derives from higher levels of activity and new projects in Portugal, Germany and Italy.

Indirect Profit

The sale of a 50% stakes in Serra Shopping and Rio Sul, together with the openings of Plaza Éboli, Mediterranean Cosmos, LoureShopping and Serra Shopping in 2005, generated a gain of € 47 million.
The value created in centres under development reached €12 million. This performance stems from the decline of the real estate yields and our excellent project management, together with the leasing of projects which were either completed or still under development.

Sierra Developments

Profit & Loss Account (€ 000)	2005	2004	% 05/04
Project Development Services Rendered	**13.136**	**10.533**	**25%**
Operating costs	25.191	20.610	22%
EBITDA	**(12.055)**	**(10.076)**	**-20%**
Depreciation and provisions	149	250	-40%
Net financial costs/(income)	(4.088)	1.946	-310%
Non-recurring costs/(income)	6	267	(0)
Results Before Corporate Taxes	**(8.122)**	**(12.539)**	**35%**
Corporate Taxes	(1.296)	(1.793)	28%
Direct Net Profit	**(6.825)**	**(10.746)**	**36%**
Realised Property Profit	47.019	19.931	136%
Anticipated Non -Realised Property Profit	12.057	25.259	-52%
Total Indirect Income from Investments	**59.075**	**45.190**	**31%**
Deferred tax	16.752	13.039	28%
Indirect Net Profit	**42.324**	**32.151**	**32%**
Net Profit for the Period	**35.499**	**21.406**	**66%**
Atributable to :			
Equity holders	35.500	21.916	62%
Minority interests	(1)	(511)	100%

Non-audited accounts

Sierra Developments

Consolidated Balance Sheet (€ 000)	31-12-2005	31-12-2004	Var. (05 - 04)
Properties under Development	244.431	232.607	11.824
Customers	3.420	2.750	669
Other Assets	140.595	67.957	72.638
Deposits	13.310	12.640	670
Total Assets	**401.756**	**315.954**	**85.801**
Net Worth	**96.476**	**62.080**	**34.397**
Minorities	**2.244**	**19.764**	**-17.521**
Bank Loans	58.297	18.020	40.277
Shareholder Loans	161.379	127.868	33.511
Deferred Taxes	5.859	10.876	-5.016
Other Liabilities	77.500	77.346	154
Total Liabilities	**303.036**	**234.110**	**68.925**
Net Worth, Minorities and Total Liabilities	**401.756**	**315.954**	**85.801**

Non-audited accounts

SIERRA MANAGEMENT

WITH AN INCREASED NUMBER OF SHOPPING CENTRES UNDER MANAGEMENT IN OUR CORE TERRITORIES, OUR TOTAL GLA NOW STANDS AT MORE THAN 1.7 MILLION M^2.

Highlights of 2005

- nine new centres came into our portfolio in 2005: two in Portugal, two in Spain, four in Italy and one in Greece;
- opening in Greece of the Mediterranean Cosmos shopping centre in Thessalonica;
- international recognition of the work excellence at both the ICSC Solal Awards and the Maxi Awards, where we collected a total of six distinctions in four categories;
- staffing-up of operations in Italy and Greece, and setting up of management team in Germany

Business activities

Sierra Management is responsible for managing, marketing and letting a wide range of shopping and leisure centres – either owned by Sonae Sierra or by third parties – in Portugal, Spain, Italy Greece and Germany.

Our role is to maintain vital links between owners and tenants and thus contribute to Sonae Sierra profits through the various management services we provide in the shopping centres we are responsible for.

As a pioneer in our sector, we have long recognised that services like these must be maintained at the highest levels if the shopping centres in our care are to increase in value over time. This approach is particularly important in matters relating to tenant mix, where we have achieved some notable successes.

2006 Prospects

Building on the significant growth achieved during 2005, we expect 2006 to be a year of consolidation.

This is not to say that we do not anticipate any growth in our activities. On the contrary, we not only expect to be opening a new centre and a new retail park in Portugal during the coming year, both developed by Sonae Sierra, but also expect to enhance or portfolio by adding two more third-party-owned sites to the number of shopping and leisure centres under our management in other countries.

2005 Performance

THE OPENING OF MEDITERRANEAN COSMOS IN GREECE HAS CONSIDERABLY INCREASED THE GEOGRAPHICAL SCOPE OF OUR BUSINESS. WE NOW OPERATE IN FIVE EUROPEAN COUNTRIES.

Throughout the year, the focus of our activities has remained concentrated on shopping and leisure centre management, marketing and letting. However, the scope of our business has broadened during this time so that we now have a total of 67 centres and galleries under management, making us one of the leading European companies in the shopping centre management business.

Of the nine centres which came into our portfolio in 2005, two are in Portugal, two in Spain, four in Italy and one in Greece. In terms of size, the two most important of these are Valecenter near Venice in

Italy, which we started the management by the end of second quarter of the year, and Mediterranean Cosmos in Thessalonica, Greece, which was inaugurated last October.

Mediterranean Cosmos is not only the first shopping and leisure developed by us in Greece, but it was also the first centre of its kind anywhere in the country. Its opening not only expands our portfolio, but also considerably extends the geographical scope of our activities. We now operate in five European countries.

Overall, more than 90% of our portfolio under management is still in Iberia, with Portugal and Spain still our most important operational territories. We reached critical mass here some time ago, and can now take advantage of the economies of scale. The challenge for us lies in our three other European territories, where critical mass is still some way off.

In Italy, we have very good prospects for swift growth and could be managing as many as ten centres within the next three years.

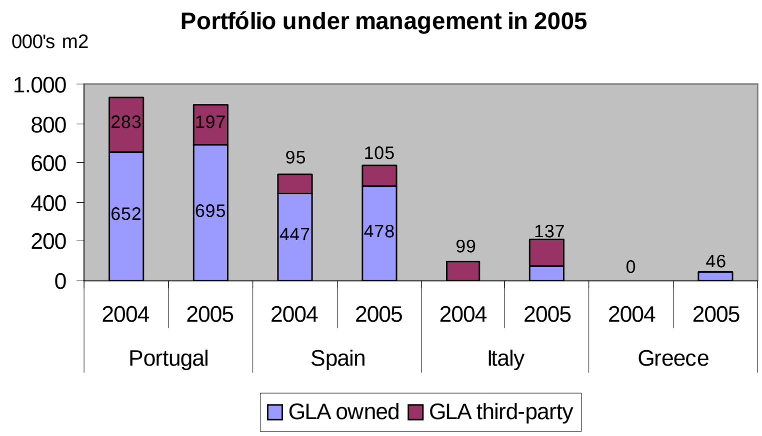
In Greece, the challenge is to reach the minimum efficient operational size – at least three centres under management – which will require organic growth as there are virtually no third party shopping centres available for acquisition.

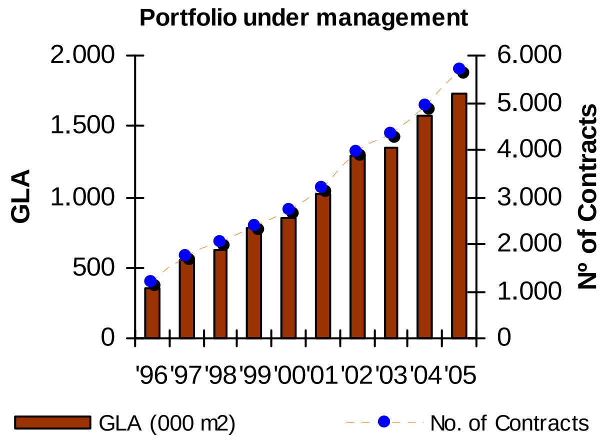
In Germany, the short term aim is to complete the letting of the two projects we now have under development, preparing also the future local management teams, before they are inaugurated. Over the medium term, there may be opportunities for the acquisition of third party centres which would come under our management, enhancing our growth.

Against this background, we will be consolidating our property management operations in Italy, Germany and Greece in the year ahead, and will be pursuing growth strategies designed to help us reach critical mass as soon as possible. In the past year alone, we have seen an increase of some 18% in our property management revenues, from € 25.9 million at the end of 2004 to € 30.6 million at the end of 2005.

	Visits		% 05/04		Sales		% 05/04	
	2005	2004	total	like-for-like	2005	2004	total	like-for-like
Portugal	244.562	270.568	-9,6%	-1,6%	2.075.652	2.003.358	3,6%	2,8%
Spain	78.776	65.693	19,9%	-3,3%	870.537	659.411	32,0%	5,7%
Italy	15.911	7.257	119,2%	8,9%	225.113	147.257	52,9%	16,6%
Greece	1.534	-	-	-	23.045	-	-	-

Sales in Euro (thousands)
Visits in thousands





Marketing activities

The Sonae Sierra New Technologies business unit achieved encouraging results during its first full year of operation. This unit, which is key to the support of our web-based processes and acts as the web interface for all our centres under management, owes much of its success to our customers' Gift Voucher scheme, which yet again achieved triple digit growth over the year and currently boasts a portfolio of promising pipeline projects.

2005 also saw us refocus our marketing activity with the objective of making more efficient use of our resources. Great importance has been attached to the benchmarking and rolling out of our most successful practices and activities.

In Portugal and Spain, we started to organise our centres under the same positioning and communication guidelines. The objective here is to reduce the complexity of our advertising and positioning and concentrate our efforts on what we do best.

We also conducted a full review of the events surrounding each centre's inauguration. As result, new objectives were set for each activity and a new mix of priorities and resource allocation was both defined and implemented.

The excellence of our work was again internationally recognised at both the ICSC Solal Awards and the Maxi Awards, where we collected a total of six distinctions in four categories.

Market research also created a new dimension to our work by proactively contributing to the publication of know-how about our business through the creation of knowledge papers offering up-to-date information on our centres' potential and performance.

Last but not least, we have created a key account function which is responsible for the interface with and decision-making of our top 30 customers. We believe this function will add value to the relationship with our customers in the near future.

Portugal

The highlights of our year in Portugal include the successful leasing of LoureShopping on the outskirts of Lisbon, and of Serra Shopping in Covilhã. Both these centres opened fully let and, since then, have both been trading well above the expectations.
We have also achieved an excellent performance at AlgarveShopping, where the centre was able to take advantage of the opening of an excellent FNAC store, creating a positive differentiation.

Spain
In March, we successfully opened Plaza Éboli in Pinto, near Madrid, and in November we began work on the management of El Teler, a third-party owned centre in Ontenient, near Valencia.

We also achieved very good performances at our Dos Mares centre in San Javier, near Murcia, and at Luz del Tajo in Toledo, both of which are showing spectacular growths in sales when compared with 2004.

Germany
In Germany, although we do not have any shopping centres under management as yet, we have created a new company – Sierra Management Germany GmbH – responsible for the letting and management activities in this market. In the beginning, the company, is focused on the letting of our two projects under development, Alexa in Berlin, and 3DO in Dortmund. We are also working on the recruitment and training of the future management teams and respective information systems.
Once secured the letting of good brands for the larger stores on Alexa, we will be starting the letting of unit shops until the opening in 2007.

Italy
In Italy, as anticipated in last year's Report, we took over the management of the Biccoca and 45º Nord centres, both of which have been developed and are owned by Pirelli Real Estate. We also began managing Valecenter, in metropolitan Venice, and Airone, near Padova, two established centres acquired by Sonae Sierra, which bring the number of centres under management in Italy up to five.
In terms of lettings in our own developments, we successfully let the largest stores of Freccia Rossa, a new centre being built by Sonae Sierra in Brescia, which is scheduled to open in the spring of 2007.

Greece
Without doubt, the highlight of our year has been the opening in Greece of the Mediterranean Cosmos shopping centre in Thessalonica.
We faced two major difficulties at the outset of this project.
The first was to get the prospective Greek Tenants to understand the advantages of what was, at that time, a new concept in the market. The second was to explain the Tenants obligations, such as to the need of adhering to agreed opening hours and fulfilling the shopping centre regulations foreseen in their letting contracts. Both these topics are new in a market where, until recently, didn't exist commercial centres.
To assure the management of Mediterranean Cosmos, we created – with our local partners – a Greek property management company. The centre is now trading well and we expect it to be 100% let by mid 2006.

2005 Financial Report

Financial Highlights of 2005

- Income from management services of € 30.6 million
- EBITDA of € 6.2 million
- Net profit of € 3.2 million

Sierra Management contributed € 3.2 million to Sonae Sierra's consolidated profit.

An increase in our business activity – through new centre openings in Portugal, Spain and Greece – resulted in total income growing by 18% overall between 2004 and 2005. The increase in the portfolio under management, for third party owned commercial centres, during 2005 also contributed to this year's increase in income.

Operating costs – including staff costs, which are an important component of costs in any service activity – grew by 31% in 2005. This exceptional growth, which outstripped the growth in income, was due to our staffing-up of operations in Italy and Greece, as well as the setting up of the management team in Germany. The benefits of our economies of scale will be felt only in the future, when we expect to see an increase in the portfolio under management in these territories.

As a result of the growth of the Sierra Management structure, operational profits (EBITDA) fell by 15% between 2004 and 2005, still remaining above the initial expectations.

Sierra Management

Profit & Loss Account (€ 000)	2005	2004	% 05/04
Property Management Income	22.171	19.407	14%
Letting Services Income	3.861	4.534	-15%
Other Income	4.528	1.913	137%
Total Income from Management Services	30.560	25.854	18%
Operating Costs	24.331	18.534	31%
EBITDA	**6.229**	**7.320**	**-15%**
Depreciation and Provisions	1.412	1.277	11%
Net financial costs/(income)	(728)	(695)	-5%
Non-recurring costs/(income)	170	91	87%
Results Before Corporate Taxes	**5.375**	**6.647**	**-19%**
Corporate taxes	2.151	1.794	20%
Net Profit for the Period	**3.224**	**4.853**	**-34%**
Atributable to :			
Equity holders	3.226	4.803	-33%
Minority interests	(2)	50	-104%

Non-audited accounts

Sierra Management

Consolidated Balance Sheet (€ 000)	31-12-2005	31-12-2004	var. (05 - 04)
Net Fixed Assets	730	511	219
Goodwill	7.099	8.412	-1.313
Tenants	11.763	9.649	2.115
Tax Shelter	202	452	-250
Other Assets	11.429	4.247	7.182
Deposits	16.393	27.130	-10.737
Total Assets	**47.617**	**50.400**	**-2.783**
Net Worth	**6.114**	**7.893**	**-1.779**
Minorities	**12**	**58**	**-46**
Shareholder Loans	0	8.846	-8.846
Other Liabilities	41.491	33.603	7.888
Total Liabilities	**41.491**	**42.449**	**-958**
Net Worth, Minorities and Total Liabilities	**47.617**	**50.400**	**-2.783**

Non-audited accounts

SONAE SIERRA BRAZIL

THE PURCHASE OF A 20% STAKE IN SHOPPING PLAZA SUL, AND THE START OF WORK ON OUR NEW CAMPO LIMPO SHOPPING CENTRE, BOTH IN SÃO PAULO, ARE A MOVED TOWARDS OUR GOAL OF BEING ONE OF THE TOP THREE BRAZILIAN COMPANIES IN OUR SECTOR

Highlights of 2005

- start of the construction of a new development in Campo Limpo - São Paulo
- acquisition of 20% of Shopping Plaza Sul - São Paulo.
- occupancy rate increased from 81.7% in 2004 to 85.6% in 2005
- increase in the net worth of € 65.8 million resulting from the improvement in the exchange rate of the Real, together with a net profit of € 4.4 million

Business activities

Sonae Sierra Brazil is an independent operational division of Sonae Sierra with the vision of becoming one of the leading Brazilian companies and a Partner of Choice in the shopping and leisure centre sector. The division's ambition is being achieved through a two-legged strategy: a clear focus on its chosen sector and growth. Our strategy for growth is based on the innovative deployment of our specialist skills.

We are convinced that the shopping and leisure centre sector will go through a period of consolidation over the next couple of years, during which only the larger players will succeed.

Brazil has been perceived, until recently, as a risky market by international investors. However, the country's present and expected economic situation has significantly improved, and we are witnessing a growing appetite for this market amongst international institutional investors.

We anticipate that the market will certainly mature over the coming years as the changing conditions enable the market to be included in international real estate investors' targets.

2006 Prospects

The stabilisation of the Brazilian economy during 2005 both encouraged and increased consumer spending, and helped attract foreign investors. Both of these trends are expected to become more evident through 2006, creating a unique opportunity for implementing our growth strategy.

We believe that all the conditions needed to attract foreign investment partners to the shopping centre business are gathered and that an agreement with such a partner would lead to a further consolidation of our presence in Brazil. Our aim is to be innovative in this area, and successful in our search for alternative funding opportunities or equity investors.

The expected reduction in interest rates will certainly boost the growth prospects for Sonae Sierra Brazil over the next years through financial leverage that has not been used by us until now.

In order to achieve the critical mass needed to become one of the leading companies in Brazil, we plan to complement our constant search for new development opportunities with an acquisition plan. We will be looking to acquire operating shopping centres to which we can add value through our expertise in property management and our refurbishment know-how.

We are convinced that 2006 will be a challenging and exciting year during which major steps will be taken to consolidate our growth strategy in the market.

2005 Performance

THE BALANCE SHEET OF SONAE SIERRA BRAZIL IN EUROS HAD A SIGNIFICANT IMPROVEMENT, WITH NET WORTH INCREASING MORE THAN 66 MILLION EUROS. WE HAD THE CONTRIBUTION OF THE REAL VALUATION AGAINST THE EURO COMPLEMENTED WITH A POSITIVE EVOLUTION IN THE OPERATIONAL PERFORMANCE OF OUR ASSETS.

The year was marked the start of the construction of a new development in Campo Limpo in São Paulo – Campo Limpo shopping centre – and the acquisition of 20% of Shopping Plaza Sul, also in São Paulo.

The Campo Limpo shopping centre is a project with a total GLA of 20,000 m2. The first phase – the relocation of an existing hypermarket with a small gallery in the lower level – was completed and opened in November 2005. A shopping centre on two additional levels is being added will be opened in two further phases: one in May 2006 and the other in November 2006.

	Campo Limpo
Location	São Paulo
Opening Date	1st phase - Nov 2005 2nd phase - May 2006 3rd phase - Nov 2006
Catchment Area	956.500 inhab
GLA (m^2)	19.742
Nr. of parking places	1.098
Shops	163
Gross Investment (€ million)	29,8
Developers	Sierra Enplanta / Tivoli
Owners	Tivoli (80%) / Sierra Enplanta (20%)

The Plaza Sul shopping centre offers 26,600 m2 of GLA in an arrangement which accommodates a total of 207 stores and 22 restaurants. The centre also features parking for over 1,600 vehicles.

The purchase of this stake in Plaza Sul raised the total number of our operating shopping centres in Brazil to eight. In addition to this new venture, our portfolio includes Boavista Shopping and Penha Shopping in São Paulo, Parque D.Pedro in Campinas (SP), Pátio Brasil in Brasília, Shopping Metrópole in São Bernardo do Campo (SP), Tivoli Shopping in Santa Bárbara D´Oeste (SP) and Franca Shopping in Franca (SP). Together, these developments offer a total GLA of 293,383 m2.

An encouraging year

Following the problems created by the low levels of consumption in 2004, total sales in euros on our shopping centres have increased by 49.9% in 2005. Even after eliminating the effect of the positive evolution of the Brazilian Real exchange rate, total sales (in reais) have improved 24.0%. On a like-for-like basis, after adjusting for the opening of Boavista and the expansion of Penha, the increase was 15.5%.

The growth in total rents was slightly below the growth in total sales given the fixed component of the rent. Total rents in euros have increased by 45.9% in 2005, while, in reais, the growth was 20.7%. On a like-for-like comparison, total rents have increased by 13.8%.

On the letting side, we have managed to reduce vacancy. The occupancy rate has increased from 81.7% in 2004 to 85.6% in 2005.

Nevertheless, we know we must remain committed to innovation, concentrate on the renewal of tenancies and do all that we can to help our tenants achieve better performance levels.

We have progressed significantly on the environmental concerns by adopting most of the European standards, constantly challenging the local standards. Our involvement with the local community is being assumed as a priority and several actions have already been implemented.

Open market values

The table below provides a comparison between the Open Market Value of properties owned by Sonae Sierra Brazil at the end of 2004 and at the end of 2005.

Open Market Value — Figures in Euros (thousands)

Shopping Centres in Operation	Open Market Value 31 Dec. 2005	Open Market Value 31 Dec. 2004	OMV Variation Total	OMV Variation %
Boavista Shopping	18.687	17.314	1.372	8%
Franca Shopping	3.814	2.670	1.145	43%
Parque D. Pedro	135.601	110.723	24.879	22%
Pátio Brasil Shopping	3.073	2.103	970	46%
Plaza Sul 1)	8.116	-	-	-
Shopping Metropole	1.875	1.421	455	32%
Shopping Penha	22.770	18.005	-	-
Tivoli Shopping	1.675	1.292	383	30%
Total	**195.611**	**153.527**	**42.084**	**-**

1) Acquisitions during 2005

2005 Financial Report

Financial Highlights of 2005

- Shopping centre operating margin up by 49% to € 13 million
- EBITDA increased by 78% to € 11.5 million
- Net profit attributable to equity holders € 4.4 million

Sonae Sierra Brazil's contribution to Sonae Sierra's consolidated profits was € 4.4 million.

Direct Profit

In our investment business, retail operating income grew by 37% during 2005. This success owes much to the first full year of operations of the expanded Penha Shopping, an increase in the occupancy rates of Parque Dom Pedro and Boavista Shopping, and the positive evolution of the Real exchange rate. The year also saw a 49% increase in our operating margin.

In our development business, with fewer projects in hand than in 2004, our income fell from € 248,000 to € 151,000.

Income from our management business grew by 48% during 2005 as a result of the increase in our portfolio and higher occupancy rates in several of our shopping centres.

Indirect Profit

Over the year, the value created on properties was negative at minus € 15 million, due to the decrease in the Open Market Value in local currency of Parque Dom Pedro and Boavista Shopping caused by lowered expectations on real rental growth.

Balance Sheet

The improvement in the exchange rate of the Real, together with a net profit of € 4.4 million, led to an increase in the net worth of € 65.8 million. The value of Investment properties has benefited from the positive effect of a better exchange rate, as this demonstrates.

Sonae Sierra Brazil

Profit & Loss Account (€ 000)	2005	2004	% 05/04
Fixed Rental Income	16.260	10.844	50%
Turnover Rental Income	1.063	721	47%
Key-Money Income	773	1.703	-55%
Other Income	624	363	72%
Retail Operating Income	18.720	13.631	37%
Property Management Services	682	281	143%
Letting & Promotion Services	972	1.149	-15%
Other Costs	4.061	3.462	17%
Retail Operating Costs	5.715	4.891	17%
Parking Net Operating Margin	49	15	233%
Shopping Net Operating Margin	**13.054**	**8.754**	**49%**
Income from Project Development Services	151	248	-39%
Income from Property Management Services	1.857	1.257	48%
Total Income from Services Rendered	**2.008**	**1.504**	**33%**
Overheads	3.611	3.843	-6%
EBITDA	**11.450**	**6.415**	**78%**
Depreciation	84	58	45%
Provisions	2.561	571	348%
Net financial costs/(income)	1.689	2.770	-39%
Non-recurring costs/(income)	164	142	16%
Results Before Corporate Taxes	**6.952**	**2.874**	**142%**
Corporate taxes	794	(1.674)	147%
Direct Profit	**6.158**	**4.548**	**35%**
Non -Realised Property Profit (Inv. Propert.)	(14.386)	1.238	-
Non -Realised Property Profit (Under Dev.)	(751)	(6.854)	89%
Total Indirect Income from Investments	**(15.137)**	**(5.615)**	**-170%**
Deferred tax	(13.562)	(191)	-
Indirect profit	**(1.576)**	**(5.424)**	**71%**
Net Profit for the Period	**4.583**	**(876)**	**-**
Atributable to:			
Equity holders	4.419	(917)	-
Minority interests	163	41	294%

Non-audited accounts

Sonae Sierra Brazil

Consolidated Balance Sheet (€ 000)	31-12-2005	31-12-2004	var. (05 - 04)
Properties	196.782	153.527	43.255
Investments	195.611	153.527	42.084
Projects Under Development	1.170	0	1.170
Tenants	3.932	3.897	34
Tax Shelter	6.370	4.131	2.238
Other Assets	6.287	2.651	3.636
Deposits	6.894	1.008	5.887
Total Assets	**220.264**	**165.215**	**55.050**
Net Worth	**197.187**	**131.346**	**65.841**
Minorities	**3.157**	**2.518**	**639**
Bank Loans	413	772	-359
Shareholder Loans	2.361	257	2.104
Deferred Taxes	13.292	20.703	-7.411
Other Liabilities	3.855	9.618	-5.764
Total liabilities	**19.921**	**31.351**	**-11.430**
Net Worth, Minorities and Total Liabilities	**220.264**	**165.215**	**55.050**

Non-audited accounts

CORPORATE RESPONSIBILITY: A YEAR OF PROGRESS

Since the publication of Sonae Sierra's first standalone Corporate Responsibility (CR) report in 2005, our CR programme has made significant progress.

We have introduced a Corporate Responsibility Working Group (CRWG) whose remit includes the setting of appropriate economic, social and environmental standards, targets and key performance indicators (KPIs) as well as ensuring their delivery. The CRWG is also responsible for taking a strategic overview of corporate responsibility across the business functions – including finance, the environment, safety and health, and human resources – and ensuring effective communication with our principal external stakeholders in leasing, marketing, investor and institutional relations. The CRWG also works with the people responsible for the company's development and management businesses in the markets in which it operates. The CRWG is chaired by Álvaro Portela, Sonae Sierra's CEO, and ultimately co-ordinated by the head of the Sonae Sierra Environmental Department.

Environmental management progress
One of the tools we use to measure our fitness as a twenty-first century citizen is our Environmental Management System (EMS), which is part of our Corporate Responsibility programme.

It is particularly pleasing that, during this past year, and as a direct result of the introduction of our EMS, we became the first company in our sector to receive a certification under ISO Standard 14001:2004. This award not only recognises the effort we put into minimising the environmental impact of our activities, but also rewards our commitment to continuous improvement of our environmental performance.

In addition to Sonae Sierra's corporate certification, two of our shopping and leisure centres in Portugal – Centro Colombo in Lisbon and NorteShopping in Matosinhos – received ISO 14001:2004 certification, while LoureShopping, Serra Shopping and Rio Sul, also in Portugal, and Plaza Éboli in Spain, received ISO 14001:2004 certification for the management of their construction phase during the year. Our goal for 2006 is to achieve ISO 14001 certification at eight of our operational centres, and similar certification for the management of construction works at all our sites by the time of their opening.

2005 also saw Sonae Sierra achieve first place for best overall score in Euronatura's survey, "Climate Changes and Corporate Management: Response Index 2004", which evaluated 31 Portuguese companies' performance in terms of their ability to handle the challenge of climate change. We took part in this study on a voluntary basis. Our excellent performance was achieved as a result of our careful measurement and monitoring of energy use across all business activities, and our efforts to address climate change related impacts at all stages of the development and management of our shopping and leisure centres. In future, we aim to develop a long-term Carbon Management Plan to reduce the company's greenhouse gas emissions and mitigate the tangible business risks associated with climate change.

In the coming year, we aim to improve our environmental performance even further by setting targets and goals for each of our main business activities – investment, architecture and design, construction, and operational management. Through the implementation of our EMS, we aim not only to comply with its policy, but also to set some of the best environmental practices in our sector. Indeed, this is illustrated by the development of our Environmental Standards for Retail Developments (ESRD), which encompasses best environmental practices in the planning and design of new shopping and leisure centres. This detailed set of standards forms an integral part of our EMS, and ensures that environmental efficiencies can be factored in at the design stage so as to minimise the life cycle impacts of our shopping centres. In 2005, we undertook a comprehensive review of our ESRD, tightening up the requirements to ensure that we remain at the leading edge of best practice.

Our environmental goals are fully in line with our CR policy. We believe they give us clear competitive advantages, both through eco-efficiencies in the operational aspects of our business and by future-proofing and enhancing the market value of our shopping and leisure centres.

As Sonae Sierra continues to grow and expand into new markets, our environmental challenges get bigger, accentuating the imperative for us to achieve the commitments set out in our CR and Environmental policies.

RISK MANAGEMENT

Risk management continues to be a key focus of Sonae Sierra's CR strategy although, as a company, we are also keen to capitalise on opportunities. During the year, we identified and evaluated key risks related to the environment, security, safety and health, and financial disciplines and targets were set as follows:

- environmental, insurance, technical, legal, fiscal and financial audits were performed on the shopping centres which opened during the second half of 2004 and the first half of 2005;
- environmental management procedures were implemented in all our shopping centres in all the countries where Sonae Sierra operates;
- security audits were carried out on all the shopping centres in Portugal, and corrective actions implemented;
- bi-annual real-time simulations of emergency procedures (fire, bomb threat and total evacuation of the building) were undertaken in operating centres during opening hours with the participation of the relevant local authorities (the police, fire-brigades, and civil protection units).

During 2005, the company maintained a policy of hedging its interest rate risk through loans financing operating shopping centres made for an average period of five years. In executing this policy, the company has preferred the use of derivatives (on the basis of an ISDA standard) rather than fixed-rate loans.

Personæ and Safety & Health

The planned roll-out of our Personæ project has continued with increasing success during 2005. Personæ's main goal is to accelerate the delivery of social responsibility through a cultural change designed to increase safety awareness and minimise risks.

The characteristics of our organisational structure, together with its rapid growth and individuals' ambitions and innovation, create challenges for an aspiration which necessitates the voluntary participation of all employees, partners and customers.

Nevertheless, thanks in part to our senior management's commitment to Personæ and Safety and Health generally, we believe we are on schedule to meet our targets. Moreover, we can see that Personæ is making an important contribution to the overall improvement of both the company's work culture and its operational discipline in areas other than safety and health.

Personæ recorded two major achievements during 2005.

The first was the development of our Safety Preventive Observations (SPO) tool. This new tool is designed to enable management staff of individual shopping centres to make regular visits to each tenant unit – including the unit's storage and technical areas, as well as the mall and other parts of the centre – and to focus on positive interaction with retail staff, to inspire a safety-conscious culture. A by-product of these visits is a systematic assessment, via a reporting tool, of unsafe practices and behaviour, and their resulting unsafe conditions, found during these visits. As a result, SPOs give us a measurement system to evaluate safety attitudes of all the people working in our shopping centres.

The second important achievement is that, as a result of the SPOs and other Personæ-generated initiatives, we have evidence that our safety culture has started to improve, and that the incidence of unsafe behaviour has decreased since August. We are convinced that our shopping centres, and our general working environment, are both becoming safer than ever before, and that we are progressing towards our goal of zero accidents.

In the year ahead, we will be focusing our safety and health efforts on our shopping centre tenants. Tenants have tremendous influence on the safety and health risks of any shopping centre as they are our direct customers, and each has their own incentives to promote safety and health. We believe our property management skills are such that we will achieve an alignment of tenants around our Personæ project, and enable them to learn alongside us. The large anchor chains we have contacted so far have been very receptive to the project, and we expect them to encourage smaller retailers to actively collaborate.

Stakeholders' well-being
While 2005 has seen much effort focused on our Environment and Safety & Health programmes, we are also conscious of our wider responsibilities in ensuring the economic and social well-being of all our key stakeholders.

Further details of the way in which we seek to foster positive relationships with our investors and financiers, tenants, visitors, employees, suppliers and the local community can be found in our stand-alone CR Report, which should be read in conjunction with this Annual Report. It includes detailed descriptions of our stakeholders' key areas of concern, as well as measurements of our performance and highlights of our successes.

SONAE SIERRA

SONAE SIERRA SGPS – CONSOLIDATED ACCOUNTS

WE EXPECT TO MAINTAIN LAST YEARS' POSITIVE TREND, WITH OUR ASSETS IN OPERATION INCREASING IN VALUE THROUGH IMPROVED PERFORMANCE AND FURTHER REDUCED MARKET YIELDS.

- 36% increase in direct net profits from € 50.8 million to € 68.8 million
- 17% increase in EBITDA from €107.6 million to € 125.7 million
- Total net profit attributable to equity holders € 148.1 million
- Net Asset Value increased by € 205 million or 19.3%
- Bank debt increased from € 934 million to € 1,197 million, increasing the net asset gearing from 28.8% to 31.9%
- Interest cover ratio maintained at a comfortable 2.52 level
- Reduction of the average cost of debt to 4.2%, the majority of which is at fixed rate

Sonae Sierra has had a very positive 2005. We have achieved strong growth in all our financial indicators, backed by an ever-stronger balance sheet. The business fundamentals are robust, our strategy has proved correct and has been steadily implemented as we have expanded our international businesses and protected our leading position in Portugal.

During the year, Sonae Sierra increased its total consolidated net profit attributable to equity holders by 80% to € 148.1 million. EBITDA increased by 17% and direct net profit by 36%. Compared with 2004, this represents an improvement in operational performance driven by increased rental income from existing and recently opened shopping centres, and by keeping a tight control on costs, in spite of the growth experienced, especially in international markets. Our indirect net profit was also very strong, reflecting the increase of our portfolio's value and the sales closed during 2005.

Our business risk indicators are still conservative. Asset gearing indicators stood at 31.9%, interest cover ratio reached 2.52 and development risk decreased from 33.4% to 25.8%.

Ratios	31-12-2005	31-12-2004
Asset Gearing	31,9%	28,8%
Interest Cover	2,52	2,67
Development Risk	25,8%	33,4%

Leveraging assets through debt raising

During 2005, we contracted a total of € 920 million of new debt, on a 100% project/asset basis, for new projects under development and properties in operation either owned or co-owned by us. With the exception of the debt relating to the Zubiarte centre in Bilbao, which was led by our partner ING, we led the arrangement of all of these loans.

The fact that most of the 2005 bank debt has been granted to projects under development outside Portugal is a clear indication of the banking community's confidence in our know-how and ability to succeed in international markets.

Among the most notable mortgaged-backed, financing operations in connection with properties under development were: € 208 million contracted with Eurohypo for the Alexa shopping centre in Berlin

(Germany); € 119 contracted with a UBMC-led syndicate for the Freccia Rossa shopping centre in Brescia (Italy); and € 101 million contracted with Eurohypo for the El Rosal shopping centre in Ponferrada (Spain).

Sustaining performance

In 2004 our return on equity was 12.8%. In 2005 this indicator reached 21.5%. This improvement in equity return is the consequence of our policy of steadily increasing the company's asset gearing, a policy we will maintain throughout 2006. By refinancing our assets in operation, and by financing new projects, we aim to continue the funding of the development of our shopping centre pipeline, focusing mainly on the international markets in which we are established.

Recognising that the banking community is an important driver for sound and sustainable growth, we cherish our long and enduring partnerships with all our stakeholders. We maintain close relationships with a number of international banks specialising in the financing of real estate projects with the objective of securing long term financial solutions for both our assets in operation and projects under development.

Our constant aim is to manage our financial position in a prudent manner, keeping relatively low gearing ratios, a suitable level of interest cover and a policy of hedging interest rate risk, backed by a continuously improved operational performance and a strong balance sheet.

NAV ("Net Asset Value")

In 2001, the company decided to adopt International Accounting Standards (IAS) in the preparation of its consolidated accounts. This led to the Open Market Value (OMV) of the investment properties being reflected in the company's balance sheet. However, the company does not believe that the Net Asset Value (NAV) resulting from such a balance sheet truly reflects its value, for two reasons.

In the first instance, under IAS rules, properties being developed and properties held for sale are not booked at market value. In the case of Sonae Sierra, shopping centres under development are therefore booked at historic cost. The undervaluation of these assets can be significant.

In the second instance, under IAS rules, deferred taxes on unrealised gains on investment properties are accounted for in the balance sheet. From the company's point of view, the deduction of this deferred tax is arguable, as the transactions of Coimbra Retail Park in Coimbra, Serra Shopping in Covilhã, and Rio Sul in Seixal, all of which are in Portugal, have once again confirmed. When a property is sold, the market practice is not to sell the property as such, but to sell the holding company which owns it. Moreover, in various jurisdictions, capital gains arising from the sale of shares are sheltered from tax.

For these reasons, the company calculates and publishes an NAV which results from valuing all its properties at Open Market Value and does not include a deduction for deferred taxes on unrealised capital gains. Neither does the NAV include the value of its operating businesses, other than that resulting from acquisitions.

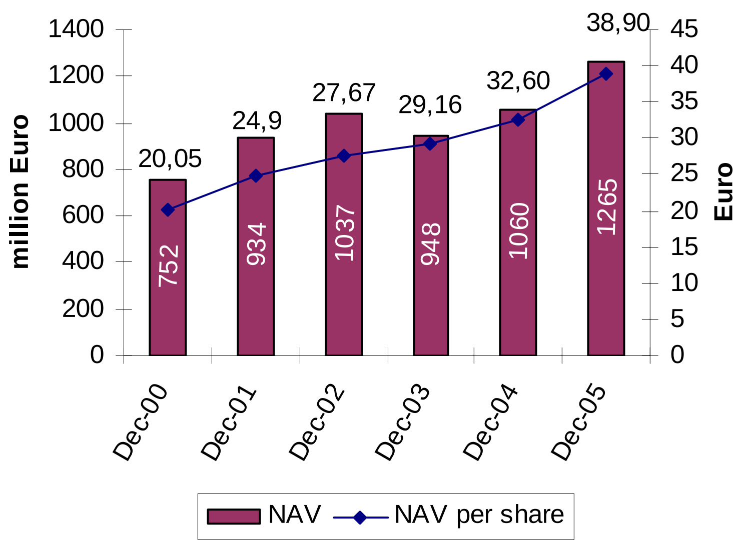
The calculation now presented is consistent with the NAV calculation published in previous years.

The NAV on 31 December 2005 of the properties attributable to Sonae Sierra was € 1,264.9 million compared with € 1,059.9 million on 31 December 2004. The NAV per share of the properties attributed to the company is € 38.90 against € 32.60 on 31 December 2004, an increase of 19.3%.

Net Asset Value (NAV) 2005

	Total
Open market value	2.856.845
Investment properties	2.533.769
Properties under development & others	323.076
Total bank debt	-1.196.942
Cash & Deposits	256.841
Minorities	-482.166
Other net liabilities	-156.661
Dividend paid	-13.006
NAV 2005	**1.264.911**

Figures in Euro (thousands)



ANALYSIS OF CONSOLIDATED ACCOUNTS

Consolidated Profit and Loss Accounts

The total direct income from investments increased by € 35.6 million, from € 184.6 million to € 220.2 million. This reflects the increase in the portfolio resulting mainly from the full year effect of the five inaugurations and one expansion in 2004, the five openings – Plaza Éboli in Madrid (Spain), Mediterranean Cosmos in Thessalonica, (Greece), Serra Shopping in Covilhã (Portugal), LoureShopping in Loures (Portugal), and Plaza Sul, in São Paulo (Brazil) in 2005 – and the acquisition of Valecenter in metropolitan Venice (Italy) and Monselice near Padova (Italy) during the year.

The company presented an Indirect Profit from Investments of € 150.7 million resulting from the increase in the OMV of the investment properties and the gains from the openings of shopping centres during 2005. During the same period, the market yields have fallen, resulting in a considerable increase in value of the investment properties which are part of the company's portfolio.

Sierra Developments recognises as non-realised gains the margins in the projects under development, but these margins are not recognised at Sonae Sierra level, given that under IAS rules, the value created is only recognised at the time of the opening of the shopping centre.

The company realised gains of € 33.7 million from the following transactions:

- Sale of 50% of Coimbra Retail Park (Coimbra, Portugal) to third parties
- Sale of 100% of Luz del Tajo (Toledo, Spain) to the Sierra Fund
- Sale of 100% of Dos Mares (Murcia, Spain) to the Sierra Fund
- Sale of 100% of Estação Viana (Viana, Portugal) to the Sierra Fund
- Sale of 50% of Rio Sul (Seixal, Portugal) to third parties
- Sale of 50% of Serra Shopping (Covilhã, Portugal) to third parties
- Price adjustment resulting from sale of 50% of CascaiShopping during 1996

The transactions completed during 2005 have confirmed, once again, that the Open Market Value, less company liabilities and excluding the deferred taxes, reflects the Net Asset Value.

The Total Net Profit attributable to Minorities has also increased by 60% to € 71.3 million and corresponds, almost exactly, to the direct and indirect profit attributable to the Sierra Fund's external investors.

Sonae Sierra

Consolidated Profit and Loss Account (€ 000)	2005	2004	% 05/04
Direct Income from Investments	**220.175**	**184.586**	**19,3%**
Operating costs	82.983	71.462	16%
Other costs	11.532	5.481	110%
Direct costs from investments	**94.516**	**76.943**	**23%**
EBITDA	**125.659**	**107.643**	**17%**
Depreciation	**1.743**	**6.161**	**-72%**
Recurrent net financial costs	**39.049**	**39.230**	**0%**
Direct profit before taxes	**84.867**	**62.252**	**36%**
Corporate tax	**16.084**	**11.497**	**40%**
Direct net profit	**68.783**	**50.755**	**36%**
Indirect Income from gains on sale of Investments	24.378	1.654	-
Indirect Income from valuation of Investments	183.753	113.376	62%
Indirect income	**208.131**	**115.029**	**81%**
Deferred tax	**57.440**	**39.022**	**47%**
Indirect net profit	**150.691**	**76.007**	**98%**
Total Net Profit	**219.474**	**126.762**	**73%**
Attributable to:			
Equity Holders	**148.149**	**82.251**	**80%**
Minority Interests	**71.324**	**44.511**	**60%**

Non-audited accounts

Consolidated Balance Sheet
The company consolidates the Sierra Fund in full, given that it has effective control through ownership of 50.1% of the capital and full management responsibilities.

Sonae Sierra

Consolidated Balance Sheet (€ 000)	31-12-2005	31-12-2004	Var. (05 - 04)
Investment properties	2.491.398	1.984.733	506.665
Properties under development and others	254.910	246.117	8.793
Goodwill	52.346	18.989	33.357
Deferred taxes	27.673	18.885	8.788
Other assets	121.843	125.206	-3.363
Deposits	256.841	245.212	11.629
Total assets	**3.205.011**	**2.639.142**	**565.870**
Net worth	**1.002.154**	**821.818**	**180.336**
Minorities	**298.896**	**250.077**	**48.819**
Bank loans	1.196.942	933.970	262.972
Shareholder loans from minorities	77.254	95.105	-17.851
Deferred taxes	402.727	315.807	86.920
Other liabilities	227.039	222.365	4.674
Total liabilities	**1.903.962**	**1.567.247**	**336.715**
Net worth, minorities and liabilities	**3.205.011**	**2.639.142**	**565.870**

Non-audited accounts

The Total Assets amounted to € 3,205 million at the end of 2005. This represents an increase of € 565 million compared with the previous year, and results mainly from an increase in the investment portfolio arising from the openings and acquisitions of the year.

The increase in bank debt for the year amounts to € 263 million and results from the re-financing policy for operating investment properties and the financing of the projects under development. During the year, several operating shopping centres were re-financed – AlgarveShopping, CascaiShopping, ArrábidaShopping, MadeiraShopping (all in Portugal), Valecenter (Italy) – and the following projects under development were financed: Alexa (Germany), Freccia Rossa (Italy), Mediterranean Cosmos (Greece), El Rosal (Spain), LoureShopping, Rio Sul and Serra Shopping (Portugal).

Despite the substantial increase in bank debt during 2005, the company maintains a solid financial position, with net asset gearing at 31.9% and an interest cover ratio of 2.52.

The development risk, measured as the amount invested and to be invested to conclude projects under development as a percentage of total assets, plus the amount needed to conclude the same projects, reduced from 33.4% to 25.8%, due to the new openings during the year.

The Minority Interests result, mostly, from the external investor shareholdings at the Sierra Fund.

The year ahead
Looking ahead to 2006, we expect to maintain last years' positive trend, with our operational assets increasing in value through improved performance and further reduced market yields.

Next year, we will increase our exposure to international markets, and give priority capital allocation to our development business.

We will pursue our internationalisation plans, putting significant efforts into the development of new shopping centres, 90% of which will be located outside Portugal.

Our most important investments will be in some of our most significant projects such as Alexa in Berlin (Germany), Plaza Mayor in Malaga (Spain), El Rosal in Ponferrada (Spain), and Caselle in Turin (Italy). We will also maintain our pro-active approach to acquiring assets in operation where value can be created, either through refurbishments and expansions or through improvements in operational performance.

We will also sustain our policy of acting as a "merchant developer" in the retail park sector by promoting new retail park projects for sale to specialised owners and investors.

In 2005, Sonae Sierra was voted Best European Developer in the Shopping Centre Sector by the European Property Awards jury. Yet again, international recognition for the quality of the products developed and managed by us confirms our belief that excellence is the best safeguard against increasing competition and economic downturn.

SHARE CAPITAL AND OWN SHARES OF SONAE SIERRA, SGPS, SA

In 1999, in accordance with Article 17 of Decree-Law 343/98, Sonae Sierra, SGPS, SA proceeded to the re-nomination in Euro of its shares representing the share capital, using the standard method. Thus since 1999 and after incorporating PTE 15,194,250 (€ 75,788.60) of Free Reserves into share capital, the share capital of the Company was € 187,125,000.

On 29 November 2003, it was decided at a shareholders' meeting to reduce the share capital of Sonae Sierra, SGPS, SA from € 187,125,000 to € 162,244,860, by extinguishing 4,986,000 bearer shares to be purchased to the shareholders using available reserves.

As a result of this decision, Sonae Sierra, SGPS, SA acquired 4.986.000 shares from its shareholders for a total of € 150,028,740.

After acquisition of these own shares and a favorable decision at the Shareholders' Meeting that took place on 4 December 2003, Sonae Sierra reduced its share capital by extinguishing these own shares by public deed signed on 17 December 2003.

As specified in Portuguese Commercial law, a special reserve subject to the regulations concerning Legal Reserves was set up to an amount equivalent to the nominal value of the extinguished shares (€ 24,880,140).

During 2004 and 2005 the Company did not acquired own shares and does not posses at this moment own shares.

As at 31 December 2005, the share capital of Sonae Sierra, SGPS, SA was € 162,244,860 and was made up of 32,514,000 ordinary shares each with a nominal value of € 4.99.

DIVIDEND PROPOSAL FROM THE BOARD OF DIRECTORS

The Board of Directors of Sonae Sierra, SGPS, SA recommend to the General Meeting of the Company, the payment of a gross dividend of € 0.739 per share, amounting to the total sum of € 24,027,846.0 (twenty four million, twenty seven thousand and eight hundred forty six Euro). This proposal corresponds to a dividend increase of 84.8% relative to 2004 dividend distribution of € 0,400 per share.

OTHER IMPORTANT EVENTS

In December 2004, Sonae SGPS reached an agreement with Grosvenor for the sale of 17.04% of the share capital of Sonae Sierra to Grosvenor. This transaction was subject to the final clearance of the Portuguese Competition Authority, which became effective during last February 2006. After this agreement, Sonae SGPS and Grosvenor will hold 50% each of Sonae Sierra's share capital. The agreement signed between the two shareholders means that there is no change in the strategy of Sonae Sierra, SGPS, which will maintain its goal of sustaining and improving its relevant position in as an international company specialising in shopping and leisure centres.

BOARD OF DIRECTORS

The Board of Directors of Sonae Sierra was increased during 2005 by the appointment of two new Directors: António Casanova, Executive Director, and Benoit Prat-Stanford, Non Executive Director.

The Board's five Non-Executive Directors are:

Belmiro Mendes de Azevedo - Non-executive Chairman

Angelo Ribeirinho Paupério - Non-executive Director

Jeremy Henry Moore Newsum - Non-executive Director

Neil Leslie Jones - Non-executive Director

Benoit Prat-Stanford - Non-executive Director

The Executive members of the Board are:

Álvaro Portela - CEO, with direct responsibility for investment and asset management, institutional relations, environment, safety and health and corporate communications

João Pessoa Jorge - Director, responsible for all the company's business in Brazil, where he lives

José Edmundo Figueiredo - Director, responsible for finance, management control, legal, mergers and acquisitions, and back office

Pedro Caupers - Director, responsible for the company's shopping centre management and letting operations in Europe

Fernando Guedes de Oliveira - Director, responsible for expansion, developments, design and architecture of shopping and leisure centres in Europe

António Casanova - Director, responsible for key accounts, marketing and new technologies business

THE FUTURE

We aspire to be a top tier international company specialising in shopping and leisure centres and a partner of choice in every market we operate in.

We will also analyse new markets and opportunities, either by steadily growing a pipeline of shopping centres under development, or by acquiring shopping centres in operation, complemented by the creation of new alliances with local partners or important institutional investors.

PROSPECTS

We know that we can only achieve our objectives in the future by paying close attention to the way we do business in the present.

By continuing to exercise our expertise and imagination, and by maintaining the highest standards of innovative professionalism in all that we do, we can sustain the momentum needed for success.

FINAL NOTES

The Board of Directors would like to thank all shopping centre tenants, official entities, financial institutions and suppliers for all the trust and support they have shown throughout the year.

We would also like to thank our official Auditor for the co-operation.

Finally we would like to thank our staff for their commitment during this year, which is clearly reflected in the results achieved.

Maia, 08th March 2006

The Board of Directors

Belmiro Mendes de Azevedo
Chairman (non-executive)

Ângelo Ribeirinho Paupério
Director (non-executive)

Jeremy Henry Moore Newsum
Director (non-executive)

Neil Leslie Jones
Director (non-executive)

Benoit Prat-Stanford
Director (non-executive)

Álvaro Carmona e Costa Portela
President

João Gonçalo Sassetti Pessoa Jorge
Director

José Edmundo Medina Barroso de Figueiredo

Director

Pedro José D'Hommée Caupers

Director

Fernando Maria Guedes Machado Antunes Oliveira

Director

António José Santos Silva Casanova

Director

STATUTORY AUDIT AND AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

Introduction

1. In compliance with the applicable legislation we hereby present our Statutory Audit and Auditors' Report on the consolidated financial information contained in the Management Report and the consolidated financial statements of Sonae Sierra, S.G.P.S., S.A. ("the Company") for the year ended 31 December 2005, which comprise the consolidated balance sheet (that presents a total of 3,172,063,242 Euros and shareholders' equity of 1,301,049,444 Euros, including net profit attributable to the shareholders of the Company of 148,149,441 Euros), the consolidated statement of profit and loss by nature, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended and the corresponding notes.

Responsibilities

2. The Company's Board of Directors is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of an appropriate system of internal control; and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position and results of operations.

3. Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4. Our examination was performed in accordance with the Auditing Standards ("*Normas Técnicas e as Directrizes de Revisão/Auditoria*") issued by the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. An examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the significant estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation. An examination also includes verifying the consolidation procedures, the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined, assessing the adequacy of the accounting policies used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, verifying the adequacy of the overall presentation of the consolidated financial statements and assessing if, in all material respects, the consolidated financial information is complete, true, timely, clear, objective and licit. An examination also includes verifying that the consolidated financial information included in the consolidated Management Report is consistent with the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly in all material respects, the consolidated financial position of Sonae Sierra, S.G.P.S., S.A. as of 31 December 2005 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the financial information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Lisbon, 8 March 2006

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Jorge Manuel Araújo de Beja Neves

REPORT AND OPINION OF THE STATUTORY AUDITOR

CONSOLIDATED ACCOUNTS

(Translation of a report originally issued in Portuguese)

To the Shareholders of
Sonae Sierra, S.G.P.S., S.A.

In compliance with the applicable legislation and our mandate we hereby submit our Report and Opinion which covers our work and the documents of presentation of the consolidated annual accounts of Sonae Sierra, S.G.P.S., S.A. ("Sonae Sierra") for the year ended 31 December 2005, which are the responsibility of the Sonae Sierra's Board of Directors.

We accompanied with the timing and extension we considered necessary in the circumstances, the operations of Sonae Sierra and that of its principal companies included in the consolidation, the writing up of their accounting records and their compliance with statutory and legal requirements, having obtained, from the Board of Directors and personnel of Sonae Sierra and its principal companies included in the consolidation, the information and explanations required.

In performing our work, we examined the consolidated balance sheet as of 31 December 2005, the consolidated statement of profit and loss by nature, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended and the related notes, which were prepared based on the accounting records of the companies included in the consolidation, maintained in accordance with generally accepted accounting principles in the countries of each participated company, adjusted, in the consolidation process, to the International Financial Reporting Standards as adopted by the European Union. In addition, we analysed the consolidated Management Report for 2005 prepared by the Board of Directors and the proposal included therein. As a consequence of the work performed, we issued on this date, the Statutory Audit and Auditors' Report on the consolidated financial statements, which does not include any qualification.

Considering the above, in our opinion, the consolidated financial statements referred to above and the consolidated Management Report, as well the proposal included therein, are in accordance with accounting, legal and statutory requirements and so can be approved by the Shareholders' General Meeting.

We wish to thank the Board of Directors and the personnel of Sonae Sierra and its participated companies for the assistance provided to us.

Lisbon, 8 March 2006

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DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Jorge Manuel Araújo de Beja Neves

Annexe to the Board of Directors' Report as at 31 December 2005

This annexe gives a brief description of the Corporate Governance practices of Sonae Sierra, SGPS, SA and was prepared to comply with Regulation of the CMVM (Portuguese Stock Exchange Commission) nº 4/2004, of 27th of May, amended by Regulation of the CMVM nº 10/2005 of 3rd of November.

Given that this is an annexe to the Board of Directors Report, it should be read together with and as a complement to that document since this report contains omissions whenever it is more appropriate to describe a topic in the main body of the report, thus avoiding the duplication of information.

Corporate Governance

Chapter I. Disclosure

1. The decision making responsibilities of the Board of Directors are described on page 44 of the Directors' Report.

2. The Company does not have a defined dividend policy. However a proposal concerning dividend distribution was made in the Board of Directors' Report.

3. There are no stock option or stock distribution plans currently in force.

4. The Company uses the Internet, electronic mail and other technologies for disclosing financial information, in particular through its website: www.sonaesierra.com.

Chapter II. Voting Rights and Shareholding Representation

Each group of one hundred shares corresponds to one vote and each shareholder has as many votes as result from dividing the total number of shares he/she owns by one hundred, rounded to the nearest whole number.

The Shareholders' General Meeting is composed only of those shareholders who provide proof of their title as shareholders, in accordance with the law, and that comply with the Company's Articles of Association, with at least eight days in advance of the meeting.

Shareholders who are private individuals can be represented at Shareholders' General Meetings by their spouse or direct family, a director or other shareholder, by sending a letter to the Chairman of the Board of the Shareholders' Meeting, stating the name and address of the representative and the date of the meeting.

Corporate entities will be represented by a person nominated by them by written letter whose authenticity will be verified by the Chairman of the Board of the Shareholders' Meeting.

The Board of the Shareholders' General Meeting is formed by a President, a Vice-President and a Secretary.

Chapter III. Company Rules

The Company's objective is to manage financial investments as an indirect form of exercising economic activity.

The Company can acquire or dispose of financial investments in companies incorporated under Portuguese or foreign law with the same or different objective to that referred to in article three of the company's Articles of Association, in companies that are regulated by special laws and in limited liability companies, in accordance with the law.

1. The Company has its own internal audit service.

2. The Company is aware of a shareholders' agreement between its current shareholders.

Chapter IV. Management Bodies

1. The Board of Directors of SONAE SIERRA is currently made up of eleven members of whom six are executive and five are non-executive.

A) In accordance with the Company's Articles of Association and without prejudice to other obligations required by law, the Board of Directors is responsible for the management of the business and for carrying out all operations related to the company's objectives, and, for this purpose, the widest powers are conferred upon it, including the following:

a) to represent the company, in or outside court, proposing or contesting any legal proceedings, the continuing and abandoning of these actions, and their settlement through arbitration. To that end, the Board of Directors can delegate its powers to a sole mandated person;

b) to approve the company's business plan and budget;

c) to acquire, dispose of or encumber any real estate or other assets, in accordance with the law. Including shares, stakes, quotas or bonds;

d) to sell or acquire any business activity, in accordance with the law;

e) to decide on any association between the Company and other parties, as per article five of the statues;

f) to decide to issue bonds, contract loans on the domestic or international markets and to fulfil any obligations vis-à-vis the lenders;

g) to appoint third parties, individuals or corporate entities, to exercise offices in other companies;

h) to decide that the company will give technical and financial assistance to affiliated or associated companies.

B) All the documents that legally bind the company, including cheques, bills of exchange, promissory notes, will be valid when signed by:

a) two members of the Board of Directors;

b) one member of the Board of Directors and a legally mandated signatory when signed within his/her respective mandate;

c) one member of the Board of Directors acting alone when duly appointed for the purpose or purposes when the appointment has been minuted at a board meeting;

d) two legally mandated signatories, operating within their respective mandates;

e) one legally mandated signatory, in accordance with section A), paragraph a) of this chapter;

f) One legally mandated signatory, if appointed for the purpose or purposes by the Board of Directors or a legally mandated signatory.

Also in accordance with the Company's Articles of Association, a meeting of the Board of Directors shall normally be held once per quarter and, in addition, whenever either the Chairman, Managing Director or two Board Directors convene a meeting. Any decisions taken shall be included in the minutes of the respective meeting.

During 2005, the Board of Directors met twelve times.

The remuneration of members of statutory entities is decided upon by the Remuneration Committee that meets once a year or whenever it decides necessary. The members of the Committee are: Belmiro Mendes de Azevedo, José Manuel Neves Adelino and Jeremy Henry Moore Newsum.

The remuneration of the executive members of the Board of Directors in the year 2005 was as follows:

Fixed remuneration = € 1,352,150.00

Variable remuneration = € 1, 230.412.00

Half of the variable remuneration is deferred and will only be paid in 2008. The performance bonus is indexed to a group of financial indicators that best align the interests of Directors with those of the company and its shareholders.

Non-executive members were not remunerated.

The remuneration of the statutory auditor in 2005 was € 587,730.34.

SONAE SIERRA

SONAE SIERRA, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2005 AND 2004

(Translation of balance sheets originally issued in Portuguese - Note 45)

(Amounts stated in Euro)

ASSETS	Notes	2005	2004
NON CURRENT ASSETS:			
Investment properties	7	2 469 044 658	1 992 304 793
Investment properties in progress	7	250 037 810	224 893 570
Property, plant and equipment	8	1 929 062	2 180 871
Goodwill	9	45 252 263	18 989 313
Intangible assets	10	8 320 814	9 159 420
Investments in associates and companies excluded from consolidation	5	8 211 643	2 834 879
Deferred tax assets	24	27 565 270	18 526 246
Other non current assets	11	20 104 859	20 307 102
Total non current assets		2 830 466 379	2 289 196 194
CURRENT ASSETS:			
Trade receivables	12	21 474 965	18 144 734
Other shareholders	13	65 475 000	130 000 000
Other receivables	14	53 317 664	64 558 035
Other current assets	15	17 077 489	11 435 227
Cash and cash equivalents	16	184 251 745	115 212 239
Total current assets		341 596 863	339 350 235
Total assets		3 172 063 242	2 628 546 429
EQUITY, MINORITY INTERESTS AND LIABILITIES			
EQUITY:			
Share capital	17	162 244 860	162 244 860
Reserves		49 836 465	4 796 283
Retained earnings		641 922 760	572 530 009
Consolidated net profit for the period attributable to the equity holders of Sonae Sierra		148 149 441	82 246 357
Equity attributable to the equity holders of Sonae Sierra		1 002 153 526	821 817 509
Minority interests	18	298 895 918	250 077 187
Total Equity		1 301 049 444	1 071 894 696
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term debt - net of current portion	19	1 042 522 833	844 869 988
Debentures loans - net of current portion	19	-	30 000 000
Other loans	20	-	-
Other shareholders	21	69 655 258	89 517 203
Finance Lease Creditors	22	6 824 761	-
Trade payables	26	31 387 903	-
Other non current liabilities	23	11 723 742	10 888 231
Deferred tax liabilities	24	403 612 636	315 547 896
Total non current liabilities		1 565 727 133	1 290 823 318
CURRENT LIABILITIES:			
Current portion of long term debt	19	99 886 649	39 364 097
Current portion of long term of debentures loans	19	31 279 638	11 939 990
Short term debt and other borrowings	20	15 907	41 573
Other shareholders	21	4 339 000	5 568 242
Current portion of long term of finance lease creditors	22	1 142 364	-
Trade payables	26	55 087 902	100 239 871
Other payables	27	32 494 468	33 035 217
Other current liabilities	28	79 127 136	74 973 632
Provisions	29	1 913 601	665 793
Total current liabilities		305 286 665	265 828 415
Total equity, minority interests and liabilities		3 172 063 242	2 628 546 429

The accompanying notes form an integral part of these consolidated balance sheets.

The Board of

SONAE SIERRAM, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Translation of statements of profit and loss originally issued in Portuguese - Note 45)

(Amounts stated in Euro)

	Notes	2005	2004
Operating revenue:			
Sales		-	23 000
Services rendered	30	272 289 147	235 779 870
Variation in fair value of the investment properties	31	193 807 378	113 249 252
Other operating revenue	32	27 469 914	29 242 509
Total operating revenue		493 566 439	378 294 631
Operating expenses:			
Cost of inventories sold		-	(21 163)
External supplies and services		(113 852 315)	(111 452 848)
Personnel expenses		(39 231 276)	(32 255 827)
Depreciation and amortisation	8 e 10	(1 909 866)	(3 367 817)
Provisions and impairment	29	(5 169 386)	(1 747 901)
Other operating expenses	33	(30 876 612)	(16 882 952)
Total operating expenses		(191 039 455)	(165 728 508)
Net operating profit		302 526 984	212 566 123
Financial income	34	15 511 439	10 912 720
Financial expenses	34	(55 266 891)	(49 732 702)
Share of results of associated undertakings	35	(3 349 052)	(172 377)
Investment income	36	33 670 116	3 715 701
Profit before income tax		293 092 596	177 289 465
Income tax	25	(73 618 915)	(50 532 015)
Profit after income tax		219 473 681	126 757 450
Net profit after tax from discontinuing operations		-	-
Consolidated net profit for the period		219 473 681	126 757 450
Attributable to:			
Equity holders of Sonae Sierra		148 149 441	82 246 357
Minority interests	18	71 324 240	44 511 093
		219 473 681	126 757 450
Consolidated net profit per share:			
Basic		4.556	2.530
Diluted		4.556	2.530

The accompanying notes form an integral part of these consolidated statements of profit and loss.

The Board of Directors

SONAE SIERRA S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Translation of statements of changes in equity originally issued in Portuguese - Note 45)

(Amounts stated in Euro)

		Attributable to Equity Holders of Sonae Sierra								
			Reserves							
	Notes	Share capital	Legal Reserves	Translation reserve	Hedging reserve	Retained earnings	Net profit	Total	Minority Interests	Total
Balance at 31 December 2003		162 244 860	56 883 214	(53 296 011)	(1 518 974)	374 239 613	208 667 527	747 220 229	194 629 961	941 850 190
Appropriation of consolidated net profit for 2003										
Transfer to legal reserves and retained earnings		-	445 898	746 694	-	198 371 015	(199 563 607)	-	-	-
Dividends distributed		-	-	-	-	-	(9 103 920)	(9 103 920)	(7 024 842)	(16 128 762)
Currency translation differences		-	-	1 521 416	-	-	-	1 521 416	285 127	1 806 543
Fair value of hedging instruments		-	-	-	(8 881)	-	-	(8 881)	56 690	47 809
Deferred tax in fair value of hedging instruments		-	-	-	22 927	-	-	22 927	10 615	33 542
Capital increase		-	-	-		-	-	-	18 471 144	18 471 144
Acquisitions/sale of subsidiaries effect		-	-	-		-	-	-	(1 049 026)	(1 049 026)
Consolidated net profit for 2004		-	-	-	-	-	82 246 357	82 246 357	44 511 093	126 757 450
Others		-	-	-	-	(80 619)	-	(80 619)	186 425	105 806
Balance at 31 December 2004		162 244 860	57 329 112	(51 027 901)	(1 504 928)	572 530 009	82 246 357	821 817 509	250 077 187	1 071 894 696
Balance at 31 December 2004		162 244 860	57 329 112	(51 027 901)	(1 504 928)	572 530 009	82 246 357	821 817 509	250 077 187	1 071 894 696
Appropriation of consolidated net profit for 2004:										
Transfer to legal reserves and retained earnings		-	-	-	-	69 240 757	(69 240 757)	-	-	-
Dividends distributed	41	-	-	-	-	-	(13 005 600)	(13 005 600)	(5 663 552)	(18 669 152)
Currency translation differences		-	-	44 406 057	-	-	-	44 406 057	1 029 545	45 435 602
Fair value of hedging instruments		-	-	-	845 868	-	-	845 868	(5 273)	840 595
Deferred tax in fair value of hedging instruments		-	-	-	(211 743)	-	-	(211 743)	(22 141)	(233 884)
Capital increase		-	-	-		-	-	-	26 726 435	26 726 435
Acquisitions/sale of subsidiaries effect		-	-	-		-	-	-	(44 576 938)	(44 576 938)
Consolidated net profit for 2005		-	-	-	-	-	148 149 441	148 149 441	71 324 240	219 473 681
Others		-	-	-	-	151 994	-	151 994	6 415	158 409
Balance at 31 December 2005		162 244 860	57 329 112	(6 621 844)	(870 803)	641 922 760	148 149 441	1 002 153 526	298 895 918	1 301 049 444

The accompanying notes form an integral part of these consolidated balance sheets.

The Board of Directors

SONAE SIERRA, SGPS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Translation of statement of cash flow originally issued in Portuguese - Note 45)

(Amounts stated in Euro)

	2005		2004	
OPERATING ACTIVITIES:				
Received from clients	279 571 679		249 534 763	
Paid to suppliers	(101 030 489)		(96 369 960)	
Paid to personnel	(36 686 436)		(31 013 788)	
Flows from operations	141 854 754		122 151 015	
(Payments)/receipts of income tax	(10 610 509)		(20 118 067)	
Other (payments)/receipts relating to operating activities	(5 470 667)		(50 289 950)	
Flows from operating activities [1]		125 773 578		51 742 998
INVESTING ACTIVITIES:				
Receipts relating to:				
Investments	68 350 522		45 132 823	
Tangible fixed assets	284 699		1 027 516	
Interest income	10 554 283		11 971 209	
Other	-	79 189 505	-	58 131 548
Payments relating to:				
Investments	(139 792 850)		(45 918 682)	
Tangible fixed assets	(220 064 523)		(165 056 909)	
Intangible fixed assets	(1 300 315)		(266 979)	
Other	(19 061 969)	(380 219 657)	(114 131)	(211 356 701)
Variation in Loans granted		79 027 292		(20 105 827)
Flows from investing activities [2]		(222 002 860)		(173 330 980)
FINANCING ACTIVITIES:				
Receipts relating to:				
Capital increase and share premiums	1 737 249		18 866 802	
Other	-	1 737 249	-	18 866 802
Payments relating to:				
Interest expenses	(59 034 553)		(46 974 789)	
Dividends	(18 771 293)		(16 138 754)	
Decrease of share capital - nominal value and discounts and premiums	(1 564 636)		(125 132)	
Other	(6 269)	(79 376 751)	-	(63 238 675)
Variation in Loans obtained		241 895 488		96 178 434
Flow from financing activities [3]		164 255 986		51 806 561
Variation in cash and cash equivalents [4]=[1]+[2]+[3]		**68 026 704**		**(69 781 421)**
Effect of exchange differences		432 549		(313 499)
Effect of the acquisitions and sales of companies		928 836		45 000
Cash and cash equivalents at the beginning of the year		115 212 179		185 262 099
Impairment of the short term aplication of Parque Dom Pedro		(364 430)		-
Cash and cash equivalents at the end of the year		184 235 838		115 212 179

The accompanying notes form an integral part of these consolidated statements of cash flows.

The Board of Directors

SONAE SIERRA, SGPS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2005

(Translation of notes originally issued in Portuguese – Note 42)

(Amounts expressed in Euro)

1. INTRODUCTION

SONAE SIERRA, S.G.P.S., S.A. ("the Company" or "Sonae Sierra"), which has its head office in Lugar do Espido, Via Norte, Apartado 1197, 4471-909 Maia – Portugal, is the parent company of a group of companies, as explained in Notes 3 and 4 ("the Group").

The Group's operations consist of investment, management and development of shopping centres.

The Group operates in Portugal, Brazil, Spain, Greece, Germany, Italy and Netherlands.

These financial statements are presented in Euro because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policy set out in Note 2.2.e).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

2.1. Basis of preparation

The accompanying consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for investment properties and financial instruments which are stated at fair value (Notes 2.3 and 2.6.f)), from the accounting records of the companies included in the consolidation (Notes 3 and 4) maintained in accordance with generally accepted accounting principles in the countries of each company adjusted, in the consolidation process, to International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC"), applicable to economic years beginning on 1 January 2005 and approved by the European Union.

In the preparation of the accompanying financial statements, were used estimates that affect the reporting amounts of the assets and liabilities, as well the reporting amounts of income and expenses. All the estimates and assumptions made by the Board of Directors were however made, based on the best knowledge existing, as of the approval date of the financial statements, of the events and transaction in course.

The Group adopted International Financial Reporting Standards in the preparation of consolidated financial statements as from 1 January 2001 and, consequently, some of the generally accepted accounting principles in Portugal, as defined in the Official Plan of Accounts (Plano Oficial de Contas - "POC"), were not applied, namely the historical cost convention relating to investment properties and financial instruments, which are stated at their fair value.

The effect of the adjustments as of 31 December 2000, relating to changes in accounting principles to IFRS, amounting to Euro 222,683,763, was recorded in the equity captions “Retained earning” (Euro 223,565,176), “Hedging reserve” (negative amount of Euro 946,300) and “Translation reserve” (Euro 64,887).

2.2. Consolidation principles

The consolidation methods adopted by the Group are as follows:

a) Investments in Group’s companies

Investments in companies in which the Group owns, directly or indirectly, more than 50% of the voting rights at Shareholders’ General Meetings and is able to govern the financial and operating policies so as to benefit from its activities (definition of control normally used by the Group), are included in the consolidated financial statements by the full consolidation method. The equity and net profit attributable to minority shareholders are shown separately, in the caption Minority interests, in the consolidated balance sheet and consolidated statement of profit and loss, respectively.

When losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the equity of the subsidiary, the excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority’s share of losses previously absorbed by the majority has been recovered.

On acquisition, the assets and liabilities of each subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is recognised as income in the statements of profit and loss of the period of acquisition.

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions (including gains/losses obtain in sales within the Group), balances and dividends distributed within the Group, are eliminated on consolidation.

The companies included in the consolidated financial statements by the full consolidation method are listed in Note 3.

Investments in Group companies excluded from the consolidation are immaterial and stated at cost (Note 5).

Whenever the Group hold, in substance, the control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full integration method. As of the balance sheet date, no special purpose entities exist.

b) Investments in jointly controlled companies

Investments in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportional consolidation method as from the date the control is acquired. In accordance with this method the assets and liabilities, revenue and costs of these companies are included in the accompanying consolidated financial statements on a line-by-line basis, in proportion to the Group’s participation in the companies.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is recognised as income in the statements of profit and loss of the period of acquisition.

Intercompany balances and transactions, and dividends distributed have been eliminated, in the proportion of the Group's participation.

Investments in joint ventures (usually 50% owned) are classified as such based on the agreements that regulate the joint control.

The companies included in the accompanying consolidated financial statements in accordance with the proportional method are listed in Note 4.

Investments in jointly controlled companies excluded from the consolidation are immaterial and stated at cost (Note 5).

c) Investments in associated companies

Investments in associated companies (companies where the Group holds a significant influence but does not hold the control or the joint control over the decisions, through the participation in the financial and operating decisions - generally in the case of investments between 20% and 50% in a company's capital) are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to the Group's proportion on the movements in equity (including the net results) of the associated companies and dividends received.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (Note 2.2.d)), which is kept in the caption where the investment in associates in recognised. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is recognised as income in the statements of profit and loss of the period of acquisition.

An assessment of investments in associates is performed when there is an indication that the asset has been impaired. An annual assessment of the goodwill existing under the caption of "associated companies" is also performed. Any impairment loss existing as of the balance sheet date is recorded as cost in the consolidated statements of profit and loss.

When the group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.

Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the associate against the investment in the associate. Unrealised losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated companies are listed in Note 5.

d) Goodwill

Differences between cost and the fair value of group, jointly controlled entities and associated companies as of the date of their acquisition are recorded in the intangible asset caption of "Goodwill" (in the case of investments in group and jointly controlled companies) or as part of the investment in associated companies (in the case of associated companies).

The goodwill relating to acquisitions occurred until 31 March 2004 was, until the end of the exercise of 2004 and according to the IFRS 3 – Business Combinations ("IFRS 3"), depreciated during the expected period to recover the investment. Depreciation and impairment losses of goodwill are recorded under the consolidated statement of profit and loss caption "Other operating expenses". After 1 January 2005, this "goodwill" relating to the acquisitions occurred until 31 March 2004 was no longer depreciated, according to IFRS 3, and being reviewed for impairment, at least annually.

The goodwill related to acquisitions occurred after 31 March 2004 is not depreciated, being review for impairment at least annually.

Any impairment loss is immediately recognised in the consolidated statement of profit and loss under the caption “Other operating expenses”, being that impairment loss never reverted.

Differences between cost and the fair value of the assets and liabilities of group, jointly controlled entities and associated companies located in foreign countries as of the date of their acquisition, are stated in the reporting currency of that companies, being translated to the reporting currency of the Group (Euro) at the exchange rate existing as of the balance sheet date. The resulting translation differences are recorded in the equity caption “Translation reserve”.

e) Translation of financial statements of foreign entities

The entities that operate abroad and are financially, economically and organisationally autonomous are considered as foreign entities.

The assets and liabilities of the foreign entities are translated to Euro at the exchange rate existing as of the balance sheet date and, the income and expenses and also the cash-flow statement are translated to Euro using the average exchange rate. The amount related to the exchange rate difference is recorded in the equity under the caption “Translation reserve”.

Goodwill and fair value adjustments resulting from the acquisition of those foreign entities are considered as assets and liabilities of that foreign entity, being translated to Euro at the exchange rate existing as of the balance sheet date.

Whenever a foreign entity is derecognised, the cumulative exchange difference is recognised as gain or loss in the consolidated statements of profit and loss.

The following exchange rates were used to translate the financial statements of the foreign Group and associated companies to Euro:

	2005		2004	
	05.12.31	Average	04.12.31	Average
Brazilian real	0.364430	0.332790	0.276650	0.275260

2.3. Investment Properties

Investment properties consist of investments in buildings and other constructions in shopping malls that are held to earn income rentals or for capital gain, rather than for use in the production or supply of goods or services or for administration purposes or for sale in the ordinary course of business.

Investment properties are initially recorded at cost and then adjusted to their fair value based on annual appraisals by an independent specialised entity - Cushman & Wakefield Healey & Baker (fair value model). Changes in fair values of investment properties are accounted for in the period in which they occur, under the statement of profit and loss captions “Variation in fair value of investment properties”.

Developed and constructed assets which qualify as investment properties are recognised as such when they start being used. Up to the end of the construction or development period of assets which will become investment properties, they are accounted for at cost under the caption Investment properties in progress, as an item of property, plant and equipment (Note 2.4). At the end of the construction and development period, the difference between cost and the fair value at that date is accounted for in the consolidated statement of profit and loss caption “Variation in fair value of investment properties”.

Expenses relating to investment properties in use, such as maintenance, repairs, insurance and property taxes are recognised in the consolidated statement of profit and loss for the period to which refer. Beneficiations that are estimated to generate additional economic benefits, are capitalised under the caption Investment properties.

Fit out contracts are contracts through which the Group supports part of the expenses incurred with the fit out expenses and the tenant assumes the responsibility to reimburse the Group by the amount invested along the contract period, in terms and conditions that are specific to each contract. The amounts paid by the Group on each fit out contract are recorded at cost under the caption “Investment Property”, being subsequently adjusted to the corresponding fair value, at each balance sheet date, determined by a specialised independent entity (Cushman & Wakefield Healey & Baker). The methodology used to determine the fair value of the fit out contracts is similar to the one used in determining the fair value of the investment property to which the fit out contract relates. Variations in fair value of the fit out contracts are recorded in the consolidated statements of profit and loss under the caption Variation in fair value of the investment properties.

2.4. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis, as from the date the assets start being used, over the estimated period of useful life of each group of assets.

The rates of depreciation used correspond the following periods of useful life of the assets:

	Years
Buildings and other constructions	50
Machinery and equipment	10
Transport equipment	5
Tools and utensils	4
Administrative equipment	10
Other property, plant and equipment	5

Current maintenance and repair costs are charged to the statement of profit and loss of the period in which they occur. Improvements or beneficiations that are estimated to generate additional economic benefits are capitalised and depreciated over the remaining estimated useful lives of the corresponding assets.

Fixed assets in progress are stated at cost, deducted by eventual impairment losses. As fixed assets in progress relate mainly to tangible fixed assets, that will qualify in the future as investment properties, those are classified separately in the consolidated balance sheet, under the caption “Investment properties in progress”.

Gains and losses relating the sale or write-off of items of property, plant and equipment are determined as being the difference between the sale price and the corresponding carrying amount as of the sale date, being recorded in the consolidated statement of profit and loss, under the captions “Other operating income” or “Other operating expenses”.

2.5. Intangible assets

Intangible assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits attributable to the assets will flow to the Group, are controlled by the Group and the cost of the asset can be measured reliably.

Intangible assets as of 31 December 2005 relate essentially to management rights of installations, which are depreciated on a straight-line basis over the estimated period of the management right (periods ranging from 10 to 15 years) and goodwill arising on the concentration of business combinations.

Depreciation of intangible assets (other than goodwill, which is recorded as mentioned in Note 2.2.d) above) is recorded under the statement of profit and loss caption “Depreciation and depreciation”.

2.6. Financial assets and liabilities

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through results
- Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. The investments classified as held to maturity have defined maturity and the Group has intention and capacity to maintain them until the maturity date.

Investments measured at fair value through results are classified as current assets.

Available-for-sale investments are classified as non current assets.

All purchases and sales of investments are recognised on the trade date, independently of the liquidation date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and investments measured at fair value through results are subsequently carried at fair value without any deduction for transaction costs which may be incurred on its sale by reference to their quoted market price at the balance sheet date. Whenever this investment are non listed equity investments, and is not possible to estimate reliably the corresponding fair value, they are stated at cost deducted by eventual impairment losses.

Gains or losses on measurement to fair value of available-for-sale investments are recognised directly in the fair value reserve in shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Changes in the fair values of investments measured at fair value through results are included in the consolidated statement of profit and loss for the year.

Held to maturity investments are carried at depreciated cost using the effective interest rate method, net of capital reimbursements and interest income received.

b) Receivables

Receivables are stated at their nominal value less eventual impairment losses (recorded under the caption “Impairment losses in accounts receivable”), so that they reflect their net realisable values. Usually these receivables do not bear interests.

c) Loans

Loans are stated as liabilities at their nominal value, net of eventual expenses incurred on its issuance.

Costs incurred to obtain the loans are depreciated on a straight-line basis over their term and are classified as a deduction to the balance sheet caption “Bank loans”.

Financial expenses with interest expenses and similar expenses (namely stamp tax), are recorded in the consolidated statement of profit and loss on an accrual basis. The amounts due and not paid at the balance sheet date are recorded under “Other current liabilities”.

d) Payables

Payables are stated at their nominal value. Usually these payables do not bear interests.

e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at banks in demand and term deposits and other treasury applications which mature in less than three months that are subject to insignificant risk of change in value.

For purposes of the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption “Other loans”.

f) Derivatives

In term of financial risks, the Group is mainly exposed to risks derived from exchange rate and interest rate fluctuations. The Group uses derivatives in the management of its financial risks relating interest rate fluctuations, only to hedge such risks. Derivatives are usually not used by the Group for trading (speculation) purposes.

Cash flow hedge instruments in the form of swaps or collars are used by the Group to hedge interest rate risks on loans obtained. The conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of the amount of the loans, maturity dates of the interest and repayment schedules of the loans and for these reason they qualify as perfect hedges.

The Group’s criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecasted transaction that is subject of the hedges is highly probable

Cash flow hedge instruments used by the Group to hedge the exposure to changes in the interest rate of its loans are initially accounted for at cost, if any, and subsequently adjusted to the corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognised in the statement of profit and loss over the period of the cash flow hedge instrument.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit and loss of the year or to the carrying amount of the asset; subsequent variations in fair value are recorded in the statement of profit and loss.

2.7. Accounting for leases

A lease is classified as (i) a finance lease if the risks and rewards incident to ownership lie with the lessee and as (ii) as an operating lease if the risks and rewards incident to ownership do not lie with the lessee.

Classifying a lease as finance or an operating lease depends upon the substance of transaction rather than the form of the contract.

Accounting for leases where a Group is the lessee

The assets acquired through finance lease contracts, as well as the corresponding responsibilities, are posted by the financial method, posting in the balance sheet the acquired asset and the pending debts according to the contractual financial plan. In addition, the interests included in the rents amount and the changes in the fair value of the investment property or the depreciation of the tangible assets, are posted in the profit and loss of the year.

The existing situations where the Group is the lessee are operating leases (usually for cars) and as such the lease payments are recognised as an expense on a straight-line basis over the lease term.

Accounting for leases where a Group is the lessor

The existing situations where the Group is the lessor relate to the contracts with the tenants of the shopping centres. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent - invoiced in advance –, a variable rent, invoiced if the monthly sales of the tenant are higher than the limit established in the contract and the payment of tenant's share in the shopping centre operating expenses (common charges). The contract with the tenant may also establish the payment of an entrance fee in the shopping centre (key income). These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is made by the tenant it must pay a cancellation fee to the company established in the contract.

In accordance to the conditions of these contracts, they are classified as operating leases, being the rents (fixed and variable rents) and the common charges recorded in the statement of profit and loss in the year to which they respect. The expenses as well as the key income and the cancellation fee related with the operating leases are recorded as expenses or income in the statement of profit and loss to which they respect. This procedure is consistent with the one followed by the specialized independent entity whom determines the fair value of the investment property with which the contacts are associated (Note 2.3).

2.8. Borrowing costs

Borrowing costs are normally expensed as incurred.

Borrowing costs relating directly to the acquisition, construction or production of fixed assets are capitalised as part of the cost of the qualified asset. Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the asset is suspense. Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying asset, are deducted to the financial expenses that qualify for capitalisation.

2.9. Provisions

Provisions are recognised when, and only when, the Group has an obligation (legal or implicit) resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at the balance sheet to reflect the best estimate as of that date.

Restructuring provisions are recorded by the Group whenever a formal and detailed plan for the restructuring exists and that plan has been communicated to the involved parties.

2.10. Income tax

Income tax is computed based on the taxable results of the companies included in the consolidation and considers deferred taxes.

Current income tax is determined based on the taxable results (which are different from accounting results) of companies included in the consolidation, in accordance with the tax rules in force where their head offices are located.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are not recognised when the corresponding temporary differences arise from goodwill or from the initial recognition of assets and liabilities other than in a business combination.

Deferred tax assets and liabilities are calculated and valued annually at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date a review is made of the deferred tax assets and they are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the statements of profit and loss, except if they relate to items directly recorded in equity captions. In these situations the corresponding deferred tax is recorded in the same corresponding caption.

2.11. Balance sheet classification

Assets and liabilities due in more than one year from the balance sheet date are classified as non current assets and liabilities, respectively.

2.12. Revenue recognition and costs

Revenue from the sale of goods is recognised in the consolidated statement of profit and loss when the risks and rewards of ownership have been transferred to the buyer and the amount of the provisions can be reasonably quantified. Sales are recognised net of sales taxes and discounts and other expenses relating the fair value of the amount received or to receive.

Revenue from services rendered, which corresponds essentially to fixed and variable rent from tenants (Note 2.7), common expenses recovered from the tenants and revenue from operation of the car parking, is recognised in the year to which it relates.

Revenue relating to the right of entry to the stores (key money) and the contract transfer fee are recognised in the statement of profit and loss caption “Other operating income” and “Service rendered” respectively, when invoiced to the tenants (Note 2.7). The discounts concede to the tenants over the fixed rents and the contract renewal costs are recognised in the statement of profit and loss caption “Service rendered” and “Other operating costs”, respectively (Note 2.7)

Dividends are recognised as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which its real amount is not known are estimated.

The captions of “Other current assets” and “Other current liabilities”, include income and expenses related to the reporting year but for which the corresponding receipt or payment will occur only in the future. Those captions also include revenue and expenses that have already occurred but the corresponding income or cost relate to future years, being in this case recognised in the statement of profit and loss of the year to which they will relate.

2.13. Balances and transactions expressed in foreign currencies

Transaction in currencies other than Euro, are translated to Euro using the exchange rate prevailing as of the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to Euro at the exchange rates prevailing as of that date.

Exchange gains and losses arising due to differences between the historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as profits or losses in the consolidated statement of profit and loss for the year.

2.14. Impairment of non current assets, except goodwill

Assets are assessed for impairment at each balance sheet date and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised under the statement of profit and loss caption “Other operating expenses”.

The recoverable amount is the higher of an asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when there is an_indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in the statement of profit and loss as operating result. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation or depreciation) had no impairment loss been recognised for that asset in prior years.

2.15. Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.16. Subsequent Events

Post-year-end events that provide additional information about conditions that exist at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events (non adjusting events) are disclosed in the notes when material.

2.17. Segment information

All business and geographic segments of the Group are identified annually.

Information regarding the business and geographic segments identified is included in Note 43.

3. GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their head offices, and the percentages of their share capital held by the Group as of 31 December 2005 and 2004, are as follows:

			Percentage of share capital held	
	Company	**Head office**	**05.12.31**	**04.12.31**
	Mother company			
	Sonae Sierra, SGPS, S.A. (ex. Sonae Imobiliária, SGPS, S. A.)	Maia	-	-
	Subsidiaries			
	Corporate services			
	Sierra Corporate Services- Apoio a Gestão, S.A (ex. Sonae Imobiliária III- Serviços de Apoio a Empresas, S.A.)	Lisbon	100.00%	100.00%
	Sierra Corporate Services Holland, BV (ex. Imopraedium, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Investment companies			
	3shoppings - Holding,SGPS, S.A (ex. Rule, SGPS, S.A.)	Maia	50.10%	50.10%
	Algarveshopping- Centro Comercial, S.A. (ex. AlgarveShopping - Empreendimentos Imobiliários, S.A.)	Maia	50.10%	50.10%
	Avenida M-40 B.V. (ex. Imospain III, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
2)	Avenida M40, S.A.	Madrid (Spain)	100.00%	60.00%
	Cascaishopping Holding I, SGPS, S.A. (ex. Caisgere, SGPS, S. A.)	Maia	50.10%	50.10%
	Clérigoshopping- Gestão do Centro Comercial, S.A. (ex. Prediguarda - Sociedade Imobiliária, S.A.)	Maia	100.00%	100.00%
	Coimbrashopping- Centro Comercial, S.A. (ex. Omala - Imobiliária e Gestão, S.A.)	Maia	50.10%	50.10%
4)	Dos Mares - Shopping Centre B.V. (ex. Imocontrol, B.V.)	Amesterdam (Netherlands)	50.10%	100.00%
3) 4)	Dos Mares-Shopping Centre, S.A. (ex. Comercial de San Javier Shopping, S.A.)	Madrid (Spain)	50.10%	65.00%
	Estação Oriente- Gestão de Galerias Comerciais, S.A. (ex. Paracentro - Plan.Comerc.e Gestão de Centros Comerciais, S.A.)	Maia	100.00%	100.00%
14)	Estação Viana- Centro Comercial, S.A. (ex. Centerstation – Imobiliária, S.A.)	Maia	50.10%	100.00%
	Guimarãeshopping- Centro Comercial, S.A. (ex. GuimarãesShopping - Empreendimentos Imobiliários, S.A.)	Maia	50.10%	50.10%
	Inparsa - Gestão de Galeria Comercial, SA (ex. Datavénia - Gestão de Centros Comerciais, S.A.)	Maia	100.00%	100.00%
8)	Loureshopping- Centro Comercial, S.A. (ex. LouresShopping - Empreendimentos Imobiliários, S.A.)	Maia	100.00%	100.00%
3) 5)	Luz del Tajo – Centro Comercial S.A. (ex. Proyecto Shopping 2001, S.A.)	Madrid (Spain)	50.10%	65.00%
5)	Luz del Tajo B.V. (ex. Imospain VII, B.V.)	Amesterdam (Netherlands)	50.10%	100.00%
	Maiashopping- Centro Comercial, S.A. (ex. MaiaShopping - Empreendimentos Imobiliários, S.A.)	Maia	50.10%	50.10%
6) 7)	Monselice Center, Srl	Venece (Italy)	50.10%	-
	Plaza Eboli B.V. (ex. Imoconstruction, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
3) 9)	Plaza Eboli – Centro Comercial S.A. (ex. Comercial de Pinto Shopping, S.A.)	Madrid (Spain)	100.00%	65.00%

	Plaza Mayor Holding, SGPS, S.A. (ex. RPU, SGPS, S.A.)	Maia	50.10%	50.10%
	Plaza Mayor Parque de Ócio B.V. (ex. Imospain V, B.V.)	Amesterdam (Netherlands)	50.10%	50.10%
	Plaza Mayor Parque de Ocio, S.A	Madrid (Spain)	50.10%	50.10%
	Project Sierra Holding Portugal III, SGPS, S.A. (ex. Conquista, SGPS, S.A.)	Maia	100.00%	100.00%
7)	Valecenter Sierra, Srl (ex. Naviglio 2003, Srl)	Sondrio (Italy)	-	100.00%
4)	Shopping Centre Parque Principado B.V. (ex. Imospain, B.V.)	Amesterdam (Netherlands)	50.10%	100.00%
	Sierra Asset Management - Gestão de Activos, S.A. (ex. Sonae Imobiliária Asset Management, S. A.)	Maia	100.00%	100.00%
	Sierra European Retail Real Estate Assets Holdings BV (ex. Sonae Imobiliária European Retail Real Estate Assets Holdings, BV) ("Sierra BV")	Amesterdam (Netherlands)	50.10%	50.10%
	Sierra GP Limited	Guernesey	99.99%	99.99%
	Sierra Investments (Holland) 1 BV (ex. Imospain VIII, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Sierra Investments (Holland) 2 BV (ex. Imocolombo Investments, BV)	Amesterdam (Netherlands)	100.00%	100.00%
	Sierra Investments Holding B.V. (ex. Imovalue, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Sierra Investments SGPS, S.A.; (ex. Sonae Imobiliária Assets, SGPS, S. A.)	Maia	100.00%	100.00%
6) 7)	Templo, Srl	Venece (Italy)	-	-
6) 7)	Valecenter Sierra, Srl (ex. Valecenter Spa)	Venece (Italy)	50.10%	-
	Management companies			
10)	Norteshopping 2- Gestão do Centro Comercial, S.A (ex. Norteshopping - Gestão de Centro Comercial, S.A.)	Lisbon	-	100.00%
	Pridelease Investments Ltd	Cascais	100.00%	100.00%
	Sierra Management II, Gestão de Centros Comerciais, S.A. (ex. Sonae Imobiliária Property Management II-Consult.e G. Imobil., S.A.)	Lisbon	100.00%	100.00%
	Sierra Management Germany GmbH (ex. Sonae Germany, GmbH)	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Management Italy S.r.l. (ex. Sonae Imobiliária Itália - Prop. Management, Srl)	Sondrio (Italy)	100.00%	100.00%
	Sierra Management New Tech. Business-Serv.Comun. em C. C., S.A. (ex. Have Fun-Prest.Serv.Comun., Mark. e Pub.de C. C., S.A.)	Lisbon	100.00%	100.00%
	Sierra Management Portugal - Gestão de Centros Comerciais, S.A. (ex. Sonae Imobiliária - Gestão, S.A.)	Lisbon	100.00%	100.00%
	Sierra Management Spain - Gestión de Centros Comerciales SA (ex. Consultoria de Centros Comerciales, S.A.)	Madrid (Spain)	100.00%	100.00%
	Sierra Management, SGPS, S.A. (ex. Sonae Imobiliária Property Management, SGPS, S. A.)	Maia	100.00%	100.00%
	Development companies			
	3DO Holding GmbH	Dusseldorf (Germany)	100.00%	100.00%
	3DO Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%
	Plaza Mayor Shopping B.V. (ex. Imospain IX, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Plaza Mayor Shopping, S.A.	Madrid (Spain)	75.00%	75.00%
	Project Sierra – Shopping Centre GmbH (ex. PA-Zehnte, Beteiligungsverwaltungs, GmbH)	Vienna (Austria)	100.00%	100.00%
	Project Sierra 1 B.V. (ex. Imoground, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Project Sierra 2 B.V. (ex. Imoline, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
1)	Project Sierra Germany 1, GmbH	Dusseldorf (Germany)	100.00%	-
	Project Sierra Holding Portugal I, SGPS, S.A. (ex. Ameia, SGPS, S.A.)	Maia	100.00%	100.00%
6)	Project Sierra Holding Portugal IV, SGPS, S.A.	Maia	100.00%	-
6)	Project Sierra Holding Portugal V, SGPS, S.A.	Maia	100.00%	-
1)	Project Sierra Italy 1, S.r.l.	Milano (Italy)	100.00%	-
1)	Project Sierra Italy 2 - Shopping Centre, S.r.l.	Milano (Italy)	100.00%	-
	Project Sierra Portugal II- Centro Comercial, S.A. (ex. Castelo do Queijo - Empreendimentos Imobiliários S.A.)	Maia	100.00%	100.00%
	Project Sierra Portugal III- Centro Comercial, S.A. (ex. Mosquete - Empreendimentos Imobiliários S.A.)	Maia	100.00%	100.00%
	Project Sierra Portugal IV- Centro Comercial, S.A. (ex. Nó Górdio,	Maia	100.00%	100.00%

	Empreendimentos Imobiliários, S.A.)			
	Project Sierra Portugal V- Centro Comercial, S.A. (ex. Vilalambert - Sociedade Imobiliária, S.A.)	Maia	100.00%	100.00%
	Project Sierra Portugal VI - Centro Comercial, S.A. (ex. Circe, SGPS, S.A.)	Maia	100.00%	100.00%
	Project Sierra Spain 1 B.V. (ex. Imospain X, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
11)	Project Sierra Spain 1- Centro Comercial– S.A. (ex. Proyecto Park, S.A.)	Madrid (Spain)	70.00%	100.00%
	Project Sierra Spain 2 B.V. (ex. Imospain XII, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 2- Centro Comercial S.A. (ex. Inmo Development and Investment, S.A.)	Madrid (Spain)	75.00%	75.00%
	Project Sierra Spain 3 B.V. (ex. Imostructure, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 3- Centro Comercial S.A. (ex. Procoginm, S.A.)	Madrid (Spain)	100.00%	100.00%
	Sierra Developments Germany AG (ex. Sonae West Shopping AG)	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Developments Germany Holding B.V. (ex. Imogermany, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Sierra Developments Holding B.V. (ex. Imodevelopment, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Sierra Developments Iberia 1, Promoção Imobiliária, S.A. (ex. Sonae Imobiliária Development II, S.A.)	Maia	100.00%	100.00%
	Sierra Developments Italy S.r.l. (ex. Sonae Imobiliária Itália, Srl)	Sondrio (Italy)	100.00%	100.00%
	Sierra Developments- Serviços de Promoção Imobiliária, S.A. (ex. Sonae Imobiliária Development IV-Consult. e Prom. Imobil., S.A.)	Maia	100.00%	100.00%
	Sierra Developments Spain - Promociones de Centros Comerciales SL (ex. Sonae Imobiliária Desarrollo, S.L.)	Madrid (Spain)	100.00%	100.00%
	Sierra Developments, SGPS, S.A. (ex. Sonae Imobiliária Development, SGPS, S. A.)	Maia	100.00%	100.00%
	Sierra Italy Holding B.V. (ex. Imoitalie II, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Companies in Brazil			
	Boavista Shopping Centre B.V. (ex. Imobrasil I, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
1) 12)	Fundo Investimento Imobiliário Shop. Parque Dom Pedro Shopping, SA	São Paulo (Brazil)	97.90%	-
	Parque D. Pedro 1 BV Sarl (ex. Dom Pedro I Sarl)	Luxembourg	100.00%	100.00%
	Parque D. Pedro 2 BV Sarl (ex. Dom Pedro II Sarl)	Luxembourg	100.00%	100.00%
13)	Parque Dom Pedro Shopping, S.A.	São Paulo (Brazil)	100.00%	97.90%
	Pátio Boavista Shopping, Ltda.	São Paulo (Brazil)	97.70%	97.55%
	Pátio Penha Shopping, Ltda.	São Paulo (Brazil)	100.00%	100.00%
	Project Sierra Brazil 1 B.V. (ex. Imobrasil II, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Shopping Penha B.V. (ex. Imobrasil III, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Sierra Brazil 1 B.V. (ex. Sonaeimo, B.V.)	Amesterdam (Netherlands)	100.00%	100.00%
	Sonae Sierra Brasil, S.A. (ex. Sonae Imobiliária Brasil, Ltda)	São Paulo (Brazil)	100.00%	100.00%
	Sonae Sierra Brazil BV Sarl (ex. Sonae Imobiliária Brasil, Sarl)	Luxembourg	100.00%	100.00%

1) Companies created in 2005;
2) Acquisition of the remain 40% in June 2005;
3) Acquisition of the remain 35% in June 2005;
4) Transfer of the participation from Sierra Investments Holdings, BV to Sierra BV in June 2005;
5) Transfer of the participation from Sierra Investments Holdings, BV to Sierra BV in September 2005;
6) Companies acquired in June 2005;
7) Partial de-merge of the company Valecenter Spa into Monselice, followed by a merger of companies Valecenter Sierra and Templo into Valecenter Spa, which has change is designation to Valecenter Sierra,Srl;
8) Opening of the Shopping "Loureshopping" in October 2005;
9) Opening of the Shopping "Plaza Éboli" in March 2005;
10) Merged into Sierra Management Portugal - Gestão de Centros Comerciais, S.A , reported to the 1 January 2005;
11) Capital increase with change in the percentage of capital held in February 2005;
12) Company that become the owner of the assets of the Shopping Parque Dom Pedro;

13) Acquisition of the remain 2.1% in September 2005;
14) Transfer of the participation from Sierra Investments Holdings, BV to Sierra BV in December 2005;

These companies were included in the consolidation by the full consolidation method, as explained in Note 2.2.a).

4. JOINTLY CONTROLLED COMPANIES

The jointly controlled companies included in the consolidation, their head offices, and the percentages of their share capital held by the Group as of 31 December 2005 and 2004, are as follows:

			Percentage of share capital held	
	Company	**Head office**	**05.12.31**	**04.12.31**
	Investment companies			
	Arrábidashopping- Centro Comercial, S.A. (ex. Capital Plus - Investimentos e Participações, S.A.)	Maia	25.05%	25.05%
	Cascaishopping- Centro Comercial, S.A. (ex. SM - Empreendimentos Imobiliários, S.A.)	Maia	25.05%	25.05%
	Cascaishopping Holding II, SGPS, S.A (ex. Omne - Sociedade Gestora de Participações Sociais, S.A.)	Maia	25.05%	25.05%
	Centro Colombo- Centro Comercial, S.A. (ex. Empreendimentos Imobiliários Colombo, S.A.)	Maia	25.05%	25.05%
	Centro Vasco da Gama - Centro Comercial, S.A. (ex. Vasco da Gama - Promoção de C. Comerciais, S.A.)	Maia	25.05%	25.05%
	Gaiashopping I- Centro Comercial, S.A. (ex. Teleporto - Empreendimentos Imobiliários, S.A.)	Maia	25.05%	25.05%
	Gaiashopping II- Centro Comercial, S.A. (ex. Lisedi - Urbanização e Edifícios, S.A.)	Maia	25.05%	25.05%
	Iberian Assets, S.A	Madrid (Spain)	24.95%	24.95%
	La Farga Shopping Centre, S.L (ex. Hospitalet Center S.L.)	Madrid (Spain)	24.95%	12.50%
	Madeirashopping- Centro Comercial, S.A. (ex. MadeiraShopping - Soc. de C.Comerciais, S.A.)	Funchal (Madeira)	25.05%	25.05%
	Norte Shopping Retail and Leisure Centre B.V. (ex. Imonorth, B.V.)	Amesterdam (Netherlands)	25.05%	25.05%
	Norteshopping- Centro Comercial, S.A. (ex. Imo R - Companhia Imobiliária, S.A.)	Maia	25.05%	25.05%
	Parque Atlântico Shopping - Centro Comercial, SA (ex. Micaelense Shopping- Empreend. Imobili., S.A.)	Ponta Delgada (Azores)	25.05%	25.05%
7)	Parque Principado, S.L.	Madrid (Spain)	25.05%	50.00%
2) 3)	Serra Shopping- Centro Comercial, S.A. (ex. Alfange - Imobiliária e Gestão, S.A.)	Lisbon	50.00%	100.00%
4)	Sóguia - Sociedade Imobiliária, S.A.	Maia	-	50.00%
	Torre Colombo Ocidente- Imobiliária, S.A.	Maia	25.05%	25.05%
	Torre Colombo Oriente- Imobiliária, S.A.	Maia	25.05%	25.05%
	Via Catarina- Centro Comercial, S.A. (ex. Viacatarina - Empreendimentos Imobiliários, S.A.)	Maia	25.05%	25.05%
	Zubiarte Inversiones Inmobiliarias, S.A	Madrid (Spain)	49.82%	49.82%
	Management companies			
	MC Property Management, S.A.	Athens (Greece)	37.50%	37.50%
	Oriogest, Srl	Sondrio (Italy)	40.00%	40.00%
	Segest S.r.l. (ex. Segest - Sonae Espansione Gestione, S.r.l.)	Sondrio (Italy)	50.00%	50.00%
	Sierra Charagionis Property Management S.A. (ex. Sonae Charagionis Property Management, S.A)	Athens (Greece)	50.00%	50.00%
	Development companies			
	Aegean Park Constructions Real Estate and Development, S.A.	Athens (Greece)	50.00%	50.00%
5)	ALEXA Holding GmbH (ex. A.L.E.X.A. GmbH)	Dusseldorf (Germany)	50.00%	51.00%

5)	ALEXA Shopping Centre GmbH (ex. Projekt Berlin SB II GmbH)	Dusseldorf (Germany)	50.00%	51.00%
	ALEXA Side GmbH & Co. KG (ex. Immo Projekt Berlin Alexanderstraße G. GmbH & Co. KG)	Dusseldorf (Germany)	50.00%	50.00%
	ALEXA Administration GmbH (ex. Immo Projekt Berlin Alexanderstraße Verwaltung. MbH)	Dusseldorf (Germany)	50.00%	50.00%
1)	Corso Magenta 85, Srl	Milano (Italy)	50.00%	-
	Freccia Rossa- Shopping Centre S.r.l. (ex. Transalproject 2000, Srl)	Sondrio (Italy)	50.00%	50.00%
6)	Limadarque, Retail Park, S.A.	Viana do Castelo	50.00%	-
	Project SC B.V. (ex. Imogreece IV, B.V.)	Amesterdam (Netherlands)	50.00%	50.00%
	Project Sierra Charagionis 1 - Development of Shopping Centres S.A. (ex. Victoria Park, S.A.)	Athens (Greece)	50.00%	50.00%
2)	Project Sierra Portugal I- Centro Comercial, S.A. (ex. Arquiflecha - Empreendimentos Imobiliários S.A.)	Maia	50.00%	100.00%
2)	Rio Sul- Centro Comercial, S.A. (ex. Parque Seixal - Empreendimentos Imobiliários, S.A.)	Lisbon	50.00%	100.00%
	SC Aegean B.V. (ex. Imogreece II, B.V.)	Amesterdam (Netherlands)	50.00%	50.00%
	SC Mediterranean Cosmos B.V. (ex. Imogreece III, B.V.)	Amesterdam (Netherlands)	50.00%	50.00%
	Sierra Charagionis Development of Shopping Centers, S.A (ex. Sonae Charagionis Services, S.A.)	Athens (Greece)	50.00%	50.00%
	SRP - Parque Comercial de Setúbal, S.A. (ex. Centro Retail Park-Parques Comerciais, S.A.)	Maia	50.00%	50.00%
	Companies in Brazil			
	Sierra Enplanta, S.A. (ex. Sonae Enplanta, S.A.)	São Paulo (Brazil)	50.00%	50.00%
	Unishopping Administradora Lda	São Paulo (Brazil)	50.00%	50.00%
	Unishopping Consultoria Imobiliária Lda	São Paulo (Brazil)	50.00%	50.00%

1) Company created in 2005;
2) Sale of 50% of the share capital in December 2005;
3) Opening of the Shopping "Serra Shopping" in November 2005;
4) Sold in June 2005;
5) Sale of 1% of the participation held in ALEXA Holding GmbH in February 2005, which becomes consolidate using the proportional method as it's subsidiary ALEXA Shopping Centre GmbH;
6) Company acquired in October 2005;
7) Transfer of the participation in Shopping Centre Parque Principado BV from Sierra Investments Holdings, BV to Sierra BV in June 2005;

These companies were included in the consolidation by the proportional consolidation method, as explained in Note 2.2.b).

The effect of the consolidation of these companies by the proportional consolidation method is as follows:

	31.12.05	31.12.04
Non current assets	1 562 222 850	1 389 511 090
Current assets	48 898 788	46 515 289
Non current liabilities	960 631 348	888 548 339
Current liabilities	89 761 141	96 005 722

	2005	2004
Income	224 491 104	167 350 723
Expenses	(117 935 267)	(78 436 655)

5. ASSOCIATED COMPANIES

The associated companies included in the consolidation, their head offices, percentages of their share capital held by the Group and balance as of 31 December 2005 and 2004, are as follows:

		Percentage of share capital held		Balance sheet amount	
Company	**Head office**	**05.12.31**	**04.12.31**	**05.12.31**	**04.12.31**
Associated companies:					
Campo Limpo Lda	S. Paulo (Brazil)	10.00%	-	1 125 173	-
Mediterranean Cosmos Shopping Centre Investments S.A.	Athens (Greece)	19.95%	19.95%	6 757 291	2 488 242
SIC INDOOR - Gestão de Suportes de Publicidade, S.A.	Lisbon	35%	35%	-	17 500
Sonaegest - Soc. Gestora de Fundos de Investimento, S.A.	Maia	20%	20%	275 308	281 039
Torino Srl	Torino (Italy)	25%	-	2 500	-
				8 160 272	2 786 781
Other participations:					
Ercasa Cogeneración S:A	Grancasa (Spain)	5%	5%	48 091	48 098
				48 091	48 098
Group companies excuded from consolidation:					
Pátio Sertório	S. Paulo (Brazil)	90%	-	3 280	-
				3 280	-
				8 211 643	2 834 879

The associated companies were included in the consolidation by the equity method, as explained in Note 2.2.c).

The Group and jointly controlled companies excluded from the consolidation above mentioned were excluded from the consolidation due to their immateriality, both individually and in total, in relation to the financial position and results of operations of the Group and are accounted for in the accompanying consolidated financial statements at cost (Note 2.2.a) and b)).

During the years ended 31 December 2005 and 2004, the movement occurred in associated companies was as follows:

	2005	2004
Opening balance	2 786 781	2 959 158
Creation	2 500	
Acquisitions	1 857 243	-
Capital increase	6 862 800	
Sales	-	-
Effect of the application of the equity method (Note 35):		
Net profit	(2 057 658)	(172 377)
Accumulated impairment losses	(1 291 394)	-
	8 160 272	2 786 781

In addition the main financial indicators of these associated companies as of 31 December 2005 and 2004, is as follows:

	31.12.05	31.12.04
Total assets	30 601 863	49 323 926
Total liabilities	21 053 119	38 116 533
Income	2 380 716	-
Expenses	(4 438 374)	(863 964)

6. ACQUISITION AND SALE OF COMPANIES

The main acquisitions and sales of companies occurred during the years ended 31 December 2005 and 2004 were as follows:

Acquisition of subsidiaries

During the first half year of 2005, the Group acquired the remaining capital pf the following subsidiaries:
- 35% of the subsidiary Dos Mares - Shopping Centre, SA ("Dos Mares") by Euro 6.128.256 creating a Goodwill of Euro 1.298.307 (Note 9);
- 40% of the subsidiary Avenida M40, SA ("Avenida M40"), by Euro 4.731.763 creating a Goodwill of Euro 1.180.575 (Note 9);
- 35% of the subsidiary Luz del Tajo, Centro Comercial, SA ("Luz del Tajo") by Euro 11.087.415 creating a Goodwill of Euro 3.655.115 (Note 9); and
- 35% of the subsidiary Plaza Éboli, Centro Comercial, SA ("Plaza Éboli") by Euro 6.788.048 creating a Goodwill of Euro 3.355.876 (Note 9).

These acquisitions were effective on 30 June 2005, because they happened during the second quarter of 2005. On that data impairments tests to the goodwills were made and were recorded in consolidated statement of profit and loss the amounts of Euro 2.190.514, Euro 1.180.575 and Euro 736.126 referred to the goodwill impairment of Plaza Éboli, Avenida M40 and Luz del Tajo, respectively (Note 9).

These acquisitions had no impact on the assets, liabilities, revenue and expenses included in the consolidation of the Group as these companies at the date of the acquisition, were already included in the consolidation by the full integration. The variation in perimeter derived from these acquisitions only had impact on the movement in minority interests (Note 18).

In June 2005 Valecenter Sierra, Srl (own by Sierra BV in 100%) acquired 100% of the share capital of Valecenter, Spa ("Valecenter") by Euro 81.293.345 and 48% of the subsidiary Templo, Srl ("Templo") by Euro 3.623.121, being the remaining 52% held by Valecenter. Goodwills of Euro 28.090.444 and Euro 1.265.088 were recorded respectively for Valecenter and Templo. These acquisitions were effective on the 30 June 2005 and included in the consolidation by the full integration. On that date impairments tests to the goodwills were made and the amount of Euro 1.015.102 (Note 9) was recorded in consolidated statement of profit and loss. On the second half year of 2005, Templo and Valecenter Sierra, Srl were incorporated by merge into Valecenter; because of this the both "goodwills" are presented as a single "goodwill".

On the second quarter of 2004, Alexa Shopping Center GmbH (owned by the group in 51%) acquired 50% of the share capital of Alexa Side GmbH & Co. KG ("Alexa Side") by Euro 36.278.724. With this acquisition a Goodwill of Euro 10.876.616 was recorded. This acquisition is reported to 31 December 2004 and the company was consolidated according the proportional consolidation method.

On the first half year of 2005, Alexa Shopping Center GmbH (that became owned by the group in 50%) acquired 49% of the share capital of Alexa Side by Euro 33.167.524. This acquisition and the initial acquisition of 50% were reported to 1 January 2005, and a total goodwill of Euro 2.881.113 (including the goodwill created in 2004 mentioned above) (Note 9). The financial statement of this company was included in the consolidated financial statements by the proportional consolidation method because Alexa Shopping Center GmbH is a jointly controlled company.

In June 2005, the Group acquired 100% of the share capital of Project Sierra Holding Portugal IV, SGPS, S.A. (ex - Efanet, SGPS, SA) ("Proj. Sierra IV SGPS") and Project Sierra Holding Portugal V, SGPS, S.A. (ex - Sonae Retalho Especializado, SGPS, SA) ("Proj. Sierra V SGPS"), by Euro 1.754.771 and Euro 68.385.620, respectively. The "Goodwills" of these acquisitions of Euro 37.786 and Euro 47.682, respectively were recorded in consolidated statement of profit and loss under caption "Other operational costs".

On the forth quarter of 2005, the Group acquired 50% of the share capital of Limadarque – Retail Park, S.A. ("Limadarque"), by Euro 2.927.796. This acquisition and the goodwill of Euro 798.121 were reported to 31 December 2005; the balance sheet of the company was included in the consolidated balance sheet by the proportional method.

On the forth quarter of 2005, Iberian Assets SA (owned by the Group in 50%), acquired the remain 49,9% of the share capital of La Farga Shopping Center SL ("La Farga") by Euro 10.557.575; with this acquisition Iberian becomes the only shareholder of the La Farga. This acquisition was reported to the 30 September 2005 and a Goodwill of Euro 406.310 was recorded (Note 9). On this date a impairment test to the goodwill was made and the amount of Euro 159.433 related to that impairment was recorded (Note 9). This acquisition had no impact on the assets, liabilities, revenue and expenses included in the consolidation of the Group as this company at the date of the acquisition, was already included in the consolidation by proportional method (through Iberian Assets, SA). The variation in perimeter derived from these acquisitions only had impact on the movement in minority interests (Note 18).

On 1 October of 2004 the Group acquired 25% of the share capital of the company Parque Principado, S.L. ("Parque Principado"). After this acquisition the Group owns 50% of this company jointly controlled. From this acquisition of 25% by Euro 4.563.747 a goodwill in the amount of Euro 997.416 was recorded.
As this acquisition was reported to 30 September 2004, profits and losses of these companies for the fourth quarter of 2004 were included in the consolidated statement of profit and loss at the proportion own by the Group (50%).

Sale of subsidiaries

In June 2005, the Group sold the investment held (50%) in the jointly controlled company Sóguia - Sociedade Imobiliária, S.A. ("Soguia"), by Euro 3.163.737. The sale was reported to 30 June 2005, and from this sale a gain of Euro 731.975 was recorded.

On the first semester of 2005, the Group sold 1% of the investment held in Alexa Holding GmbH ("Alexa Holding"), by Euro 250, from which a loss of Euro13.438 was recorded. After this sale the Group owns 50% of the share capital of Alexa Holding which becomes a jointly controlled company and was included in the consolidated financial statements by the proportional method.

In May, June, October and December of 2005, Sierra Investments Holdings, BV (own by the Group in 100%) contributed in kind 100% of the investment held in the following companies:

- Shopping Centre Parque Principado, BV ("Parque Principado BV") (company that owns 50% of the share capital of Parque Principado SL ("Parque Principado")),
- Dos Mares Shopping Centre, BV ("Dos Mares BV") (company that owns 100% of the share capital of Dos Mares Shopping Centre, SA ("Dos Mares")),
- Luz del Tajo BV ("Luz del Tajo BV") (company that owns 100% of the share capital of Luz Del Tajo – Centro Comercial, SA ("Luz del Tajo")) e
- Estação Viana – Centro Comercial, S.A. ("Estação Viana"),

in the capital increase of Sierra European Retail Real Estate Assets Holdings, BV ("Sierra BV") (own by the Group at 50,1%). These capital increase were subscribe and realized in kind only by Sierra Investments Holdings, BV, which after has sold to third parties 49,9% of these capital increase by Euro 1.669.453, Euro 4.069.805, Euro 9.285.309 and Euro 17.275.265, respectively for Parque Principado BV, Dos Mares BV, Luz del Tajo BV and Estação Viana. Considering that Sierra BV is a subsidiary own by the Group at 50,1%, only

49,9% of gains/losses on these sales (Euro (283.157), Euro 540.441, Euro 3.775.570 and Euro 3.640.301, respectively for Parque Principado BV, Dos Mares BV, Luz del Tajo BV and Estação Viana) (Note 36). As Sierra BV is integrated in the consolidated accounts by the full method consolidation, the companies contributed in kind and their subsidiaries continue to be integrated in the consolidated accounts by the method consolidation that was applicable before the contribution.

In December 2005 the Group sold to third parties 50% of the share capital of Serra Shopping – Centro Comercial, S.A. ("Serra Shopping") and Rio Sul – Centro Comercial, S.A. ("Rio Sul"), by Euro 3.575.972 and Euro 13.686.478, respectively. These sales were reported to 31 December 2005 and the gains of Euro 611.601 and Euro 12.651.071, respectively for Serra Shopping and Rio Sul were recorded. The sales contracts considered the possibility of a price adjustment in three different moments after the opening of the shopping centers included in each company if at that dates the assumptions considered in the calculation of the price have changed significantly. The Board of Directors considers that significant changes to the assumptions are not expected, hence, in the determination of the gain of the operation, no price adjustment provision was considered. Considering that these companies were previously owned by the Group at 100%, and because these sales were reported to 31 December 2005, the profits and losses of these companies were integrate in the consolidated accounts by the full method consolidation and the assets and liabilities were integrate in the consolidated accounts by the proportional method consolidation.

In December 2005 the Group sold to third parties 50% of the share capital of Project Sierra Portugal I – Centro Comercial, S.A. ("Proj. Sierra Portugal I") by Euro 25.000. This sale was reported to 31 December 2005, and a gain of Euro 1.109 was recorded. Considering that this company was previously owned by the Group at 100%, and because this sale was reported to 31 December 2005, the profits and losses of this companies were integrate in the consolidated accounts by the full method consolidation and the assets and liabilities were integrate in the consolidated accounts by the proportional method consolidation.

In January 2004 the Group sold the investment held in Sintra Retail Park – Parques Comerciais, S.A ("Sintra Retail") by Euro 8.786.259. This sale was reported at 1 January 2004 and from this sale a gain of Euro 2.060.456 was computed.

In July 2004 the Group sold 49% of the share capital of the company Alexa Holding GmbH ("Alexa Holding") by the negative amount of Euro 296.088 (net of expenses with the sale of Euro 1.325.000). This sale was reported at 1 July 2004 and a loss of Euro 109.202 was computed (Note 36). This sale had no impact in the assets, liabilities and profit and loss of the group accounts because the company was included in the consolidated accounts by the full method consolidation. The only impact of this sale is at the minority level (Note 18).

In September 2004 the company Sierra Investments Holdings, BV (held at 100% by the Group) sold the 50% of the investment held in Parque Atlântico – Centro Comercial, S.A. ("Parque Atlântico") to Sierra BV (held by the Group at 50,1%) by Euro 7.812.600. Considering that Sierra BV is held by the Group in 50.1%, 49,9% of the total gain in this sale was computed (Euro 957.913) (Note 36). The company Parque Atlântico is still consolidated in the group accounts using the proportional method.

Effect of the acquisitions and sales

The effect of the acquisitions and sales occurred during the years ended 31 December 2005 and 2004 was as follows:

		05.12.31					
		Acquisitions					
		Templo	Valecenter Spa (Consolidated)	Proj. Sierra H. Portugal IV	Proj. Sierra H. Portugal V	Limadarque	Total
Cash and cash equivalents	(I)	-	1 835 832	604 823	6 004	8 174	2 454 833
Investment properties (Note 7)		-	112 000 000	-	-	-	112 000 000
Investment properties under construction (Note 7)		-	-	-	-	4 297 936	4 297 936
Investments		-	-	-	-	-	-
Deferred tax assets (Note 24)		-	-	1 062 273	4 042 148	-	5 104 421
Other non current assets		-	534 512	-	1 124	-	535 636
Shareholders receivables		-	-	-	63 811 000	-	63 811 000
Trade receivables		-	84 411	-	-	-	84 411
Other current assets		-	1 495 326	52 726	501 443	2 999	2 052 494
Bank loans and shareholder loans - non current		-	-	-	-	(1 161 349)	(1 161 349)
Deferred tax liabilities (Note 24)		-	(28 340 431)	-	-	(798 325)	(29 138 756)
Other non current liabilities		-	(8 722 266)	-	-	-	(8 722 266)
Accounts payable and other liabilities - current		-	(23 326 450)	(2 837)	(23 781)	(219 760)	(23 572 828)
Minorities		2 358 033	(2 358 033)	-	-	-	-
Identifiable assets and liabilities at acquisition date		2 358 033	53 202 901	1 716 985	68 337 938	2 129 675	127 745 532
Goodwill (Note 9):							
Recorded as asset		1 265 088	28 090 444	-	-	798 121	30 153 653
Recorded as cost		-	-	37 786	47 682	-	85 468
Purchase amount	(II)	3 623 121	81 293 345	1 754 771	68 385 620	2 927 796	157 984 653
Net cash flow	(II-I)	3 623 121	79 457 513	1 149 948	68 379 616	2 919 622	155 529 820

		04.12.31		
		Acquisitions		
		Parque Principado	Alexa Grund.	Total
Cash and cash equivalents	(I)	1 030 236	382 186	1 412 422
Investment properties (Note 7)		32 550 500	-	32 550 500
Investment properties under construction (Note 7)		-	44 326 386	44 326 386
Investments		-	13 500	13 500
Deferred tax assets (Note 24)		-	-	-
Other non current assets		502 388	-	502 388
Shareholders receivables		-	-	-
Trade receivables		347 371	576 136	923 507
Other current assets		336 910	-	336 910
Bank loans and shareholder loans - non current		(27 146 417)	(7 691 850)	(34 838 267)
Deferred tax liabilities (Note 24)		(1 501 184)	(10 876 616)	(12 377 800)
Other non current liabilities		-	-	-
Accounts payable and other liabilities - current		(2 553 473)	(1 327 634)	(3 881 107)
Minorities		-	-	-
Identifiable assets and liabilities at acquisition date		3 566 331	25 402 108	28 968 439
Goodwill (Note 9)		997 416	10 876 616	11 874 032
Purchase amount	(II)	4 563 747	36 278 724	40 842 471
Net cash flow	(II-I)	3 533 511	35 896 538	39 430 049

		05.12.31						04.12.31
		Sales						sales
				Sale of 50%				
		Soguia	Alexa Holding	Serra Shopping	Rio Sul	Proj Sierra Portugal I	Total	Sintra Retail
Cash and cash equivalents	(I)	137 464	925 482	276 040	169 521	27 490	1 535 997	358 048
Investment properties (Note 7)		9 650 000	-	20 370 000	-	-	30 020 000	14 850 000
Investment properties under construction (Note 7)		-	7 159 512	-	33 074 873	5 677 249	45 911 634	-
Tangible fixed assets		-	-	-	-	-	-	-
Deferred tax assets (Note 24)		122 702	-	2 912	-	-	125 614	-
Investments		-	18 139 361	-		-	18 139 361	-
Other non current assets		-	-	-	-	-	-	-
Shareholders receivables		-	-	-	-	-	-	-
Trade receivables		30 045	-	96 918	27 806	-	154 769	6 864
Other current assets		752 584	964 467	2 465 851	5 392 985	2 263	9 578 150	49 241
Deferred tax liabilities (Note 24)		(902 987)	-	(1 117 922)	132	-	(2 020 777)	-
Bank loans and shareholder loans - non current		(6 095 345)	(4 569 537)	(8 998 364)	(24 076 105)	(5 640 000)	(49 379 351)	(6 005 601)
Accounts payable and other liabilities - current		(1 262 701)	(4 284 802)	(10 131 064)	(13 553 805)	(43 111)	(29 275 483)	(2 532 749)
Identifiable assets and liabilities at sales date		2 431 762	18 334 483	2 964 371	1 035 407	23 891	24 789 914	6 725 803
Minorities (note 18)		-	(18 320 795)	-	-	-	(18 320 795)	-
Profit/ (loss) on sale (Note 36)		731 975	(13 438)	611 601	12 651 071	1 109	13 982 318	2 060 456
Sale amount	(II)	3 163 737	250	3 575 972	13 686 478	25 000	20 451 437	8 786 259
Net cash flow	(II-I)	3 026 273	(925 232)	3 299 932	13 516 957	(2 490)	18 915 440	8 428 211

7. INVESTMENT PROPERTIES

The movement in investment properties during the years ended 31 December 2005 and 2004 was as follows:

	2005			
	Investment properties			
	In operation	"Fit Out"	In progress	Total
Opening balance	1 984 732 629	7 572 164	224 893 570	2 217 198 363
Increases	6 870 789	5 107 050	222 710 010	234 687 849
"Write-off" (Note 33)	-	-	(9 450 500)	(9 450 500)
Transfers	-	-	(5 684 831)	(5 684 831)
Increases by transfer from investment properties in progress:				
Production cost	140 836 650	-	(140 836 650)	-
Adjustment to fair value (Note 31)	64 805 913	-	-	64 805 913
Variation in fair value of the investment properties between years (Note 31):				
Gains	165 725 617	393 882	-	166 119 499
Losses	(34 765 938)	(2 352 096)	-	(37 118 034)
Increases through concentration of business activities (Note 6)	112 000 000	-	4 297 936	116 297 936
Sale of investment properties (Note 6)	(29 771 000)	(249 000)	(45 911 634)	(75 931 634)
Currency translation differences	48 137 998	-	19 909	48 157 907
Closing balance	2 458 572 658	10 472 000	250 037 810	2 719 082 468

	2004			
	Investment properties			
	In operation	"Fit Out"	In progress	Total
Opening balance	1 582 305 537	5 930 000	221 157 549	1 809 393 086
Increases	14 717 335	4 271 391	211 970 306	230 959 032
Transfers	-	-	-	-
Increases by transfer from investment properties in progress:				
Production cost	252 560 671	-	(252 560 671)	-
Adjustment to fair value (Note 31)	42 778 129	-	-	42 778 129
Variation in fair value of the investment properties between years (Note 31):				
Gains	74 527 072	-	-	74 527 072
Losses	(1 426 722)	(2 629 227)	-	(4 055 949)
Increases through concentration of business activities (Note 6)	32 550 500	-	44 326 386	76 876 886
Sale of investment properties (Note 6)	(14 850 000)	-	-	(14 850 000)
Currency translation differences	1 570 107	-	-	1 570 107
Closing balance	1 984 732 629	7 572 164	224 893 570	2 217 198 363

As consequence of the decision made by the Board of Directors in changing significantly the project related to the investment property under construction “Aegean Park”, a write-off of Euro 9.450.500 was recorded in 31 December 2005 (Note 33).

At 31 December 2005 and 2004 investment properties in operation corresponded to the fair value of the Group's proportion of the following shopping centres:

	05.12.31			04.12.31		
	% of consolidation	Yield	Amount	% of consolidation	Yield	Amount
Portugal:						
Algarveshopping	100%	6.50%	115 522 000	100%	7.50%	98 100 000
Arrabidashopping	50%	6.85%	67 239 500	50%	7.25%	64 027 500
Cascaishopping	50%	6.25%	142 771 500	50%	6.50%	133 310 000
Centro Colombo	50%	6.25%	311 399 000	50%	6.50%	297 955 500
Centro Vasco da Gama	50%	6.25%	118 028 000	50%	6.50%	108 727 000
Coimbra Retail Park	-	-	-	50%	8.25%	8 277 500
Coimbrashopping	100%	7.00%	37 239 000	100%	7.50%	34 803 000
Estação Viana	100%	7.00%	72 049 000	100%	7.50%	65 532 000
Gaiashopping	50%	6.75%	70 809 500	50%	7.15%	67 033 000
Guimarãeshopping	100%	7.00%	42 592 000	100%	7.50%	39 700 000
LoureShopping	100%	6.50%	109 133 000	-	-	-
Madeirashopping	50%	7.00%	36 300 500	50%	7.85%	35 385 000
Maiashopping	100%	7.00%	56 453 000	100%	7.50%	53 687 000
Norteshopping	50%	6.25%	168 301 000	50%	6.65%	155 956 000
Parque Atlântico	50%	7.25%	30 459 500	50%	8.00%	27 965 500
SerraShopping	50%	7.00%	20 121 000	-	-	-
Viacatarina	50%	6.90%	35 754 500	50%	7.50%	34 965 500
			1 434 172 000			1 225 424 500
Brazil:						
Franca Shopping (33.05%)	100%	12.00%	2 584 992	100%	12.00%	1 809 307
Parque Dom Pedro Shopping	100%	11.00%	135 601 123	100%	11.00%	110 722 515
Pátio Boavista	100%	12.50%	18 686 513	100%	13.00%	17 314 465
Pátio Penha (60,23%)	100%	12.50%	21 200 946	100%	13.00%	16 764 220
Plaza Sul (20%)	100%	12.00%	8 115 565	-	-	-
Sierra Enplanta	50%		9 422 019	50%		6 916 622
			195 611 158			153 527 129
Spain:						
Avenida M 40	100%	6.50%	90 045 000	100%	6.75%	98 164 000
Dos Mares	100%	6.35%	47 694 000	100%	7.25%	36 467 000
Grancasa	50%	5.25%	80 489 500	50%	6.50%	69 007 500
Kareaga	50%	5.65%	77 547 000	50%	6.75%	69 587 500
La Farga	50%	6.50%	28 746 500	50%	7.75%	24 385 500
Luz del Tajo	100%	5.80%	89 059 000	100%	6.75%	74 200 000
Plaza Eboli	100%	6.50%	54 647 000	-	-	-
Plaza Mayor	100%	7.50%	76 534 000	100%	7.50%	75 939 000
Parque Principado	50%	5.65%	78 491 500	50%	6.65%	67 531 500
Valle Real	50%	5.50%	45 255 500	50%	6.75%	38 089 000
Zubiarte	50%	6.00%	43 765 500	50%	6.60%	52 410 000
			712 274 500			605 781 000
Italy:						
Airone	100%	7.50%	17 257 000	-	-	-
Valecenter	100%	6.50%	81 998 000	-	-	-
Warner Village	100%	7.50%	17 260 000	-	-	-
			116 515 000			-
			2 458 572 658			1 984 732 629

The fair value of each investment property was determined by means of a valuation as of the balance sheet date made by an independent specialised entity (Cushman & Wakefield Healey & Baker).

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in England.

The methodology used to compute the market value of the investment properties consists in preparing 10 years projections of income and expenses of each shopping mall which are then discounted to the balance sheet date using a discount market rate. The residual amount at the end of year 10 is computed by applying a return rate ("Exit yield" or "cap rate") on the projected net income of year 11. The market values so obtained are then tested by calculating and analyzing the capitalization yield that is implicit in those values – corresponding to the yield shown in the list above. Projections are intended to reflect the actual best estimate of the valuator regarding future revenues and costs of each shopping mall. Both the return rate and discount rate are defined in accordance to the real estate local and institutional market conditions, being the reasonability of the market value thus obtained tested in terms of initial gain.

In the valuation of investment properties some assumptions, that in accordance with the Red Book are considered to be special, were in addition considered, namely in the case of recently inaugurated shopping malls, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

As of 31 December 2005 and 2004 the recoverable amount of the fit out contracts existing in each investment property was as follows:

	05.12.31			04.12.31		
	% of consolidation	Yield	Amount	% of consolidation	Yield	Amount
Portugal:						
Algarveshopping	100%	6.50%	455 000	-	-	-
Estação Viana	100%	7.00%	1 252 000	100%	7.50%	1 908 000
Gaiashopping	50%	6.75%	293 000	50%	7.15%	312 500
Loureshopping	50%	6.50%	1 286 000	-	-	-
Parque Atlântico	50%	7.25%	454 000	50%	8.00%	465 000
Serra Shopping	50%	7.00%	249 000	-	-	-
			3 989 000			2 685 500
Spain:						
Avenida M40	100%	6.50%	2 032 000	100%	6.75%	1 848 257
Dos Mares	100%	6.35%	362 000	100%	7.25%	57 000
Luz del Tajo	100%	5.80%	401 000	-	-	-
Plaza Mayor	100%	7.50%	3 688 000	100%	7.50%	2 981 407
			6 483 000			4 886 664
			10 472 000			7 572 164

The fair value of the fit out contracts was determined by means of a valuation as of the balance sheet date made by an independent specialised entity (Cushman & Wakefield Healey & Baker). The methodology used to compute the fair value of the fit out contracts consisted in determining the discounted estimated cash flows of each one of the fit out contracts, using a discounted marked rate, similar to the one used in determining the fair value of the investment property to which each fit out contract relates.

During the years ended on 31 December 2005 and 2004, income (fixed rents, variable rents, common spaces rents, key income and cession rents) and the corresponding direct operating expenses (property tax, insurance expense, maintenance expense, management fee and asset management fee and other direct operating expenses), relating the investment properties of the Group, had the following detail:

	Rents		Direct operating expenses	
	05.12.31	04.12.31	05.12.31	04.12.31
Portugal:				
Algarveshopping	9 204 150	8 294 399	549 352	419 253
Arrabidashopping	5 600 491	5 345 164	724 271	1 146 065
Cascaishopping	11 359 519	11 254 143	1 156 682	559 253
Centro Colombo	22 517 002	22 517 094	2 290 069	1 935 110
Centro Vasco da Gama	9 246 428	8 602 508	707 390	710 795
Coimbra Retail Park	337 642	513 904	45 974	44 540
Coimbrashopping	3 324 186	3 639 452	128 145	194 621
Estação Viana	5 293 011	6 502 083	364 205	429 233
Gaiashopping	5 830 467	5 672 145	331 919	356 668
Guimarãeshopping	3 522 282	3 494 567	619 391	178 914
Loureshopping	6 012 285	-	2 389 364	-
Madeirashopping	3 137 308	3 272 766	339 302	319 146
Maiashopping	4 629 372	4 796 194	354 019	312 113
Norteshopping	13 115 931	12 958 385	1 140 491	531 419
Parque Atlântico	2 508 186	2 692 555	158 114	130 472
Serra Shopping	2 071 912	-	1 100 446	-
Viacatarina	2 882 265	2 820 369	159 968	289 698
Brazil:				
Franca Shopping (33.05%)	368 768	252 268	78 045	19 413
Parque Dom Pedro Shopping	13 276 673	9 848 402	902 465	1 533 493
Pátio Boavista	1 662 181	1 989 769	304 374	793 168
Pátio Penha (60,23%)	1 986 387	572 638	367 529	185 023
Sierra Enplanta	1 171 605	887 267	192 082	118 867
Spain:				
Avenida M 40	4 996 215	3 324 533	232 301	2 420 749
Dos Mares	3 122 416	1 840 672	100 668	718 129
Iberian (Grancasa, Kareaga and Valle Real)	12 924 889	12 283 410	447 003	319 787
Plaza Éboli	2 404 665	-	905 316	-
La Farga	1 954 281	1 537 948	199 337	532 168
Luz del Tajo	5 208 994	1 087 385	75 931	1 167 967
Plaza Mayor	4 786 009	5 124 900	262 942	213 950
Parque Principado	4 922 858	3 204 072	152 700	378 353
Zubiarte	2 860 641	376 677	516 366	145 546
Italy:				
Monselice	794 486	-	-	-
Valecenter	3 568 700	-	245 096	-
	176 602 205	144 705 669	17 541 257	16 103 913

At 31 December 2005 and 2004 the following investment properties had been given in guarantee of bank loans:

- 3DO
- Airone
- Alexander Platz
- Algarveshopping
- Arrabidashopping
- Avenida M40
- Cascaishopping
- Centro Colombo
- Centro Vasco da Gama
- Coimbra Retail Park (2004)
- Coimbrashopping
- Dos Mares
- Estação Viana
- Feccia Rossa
- Gaiashopping
- Grancasa
- Guimarãeshopping
- Kareaga
- La Farga
- Las Medulas
- Loureshopping
- Luz del Tajo
- Madeirashopping
- Maiashopping
- Norteshopping
- Parque Atlântico
- Parque Principado
- Plaza Éboli
- Plaza Mayor
- Plaza Mayor Shopping
- Rio Sul
- Serra Shopping
- Valecenter
- Valle Real
- Viacatarina
- Zubiarte

At 31 December 2005 and 2004 there were no material contractual obligations to purchase, construct or develop investment properties or for repairs or maintenance, other than those referred to above.

Investment properties in progress at 31 December 2005 and 2004 are made up as follows:

	05.12.31	04.12.31
Portugal:		
Alverca	5 677 249	-
Lima Retail Park	4 297 936	-
Caldas da Rainha	588 492	-
Parque de Famalicão	2 983 467	2 967 131
Setubal Retail Park	1 473 529	1 349 363
Loureshopping	-	31 605 682
Torres Colombo	8 542 705	8 541 831
Cacém Shopping	1 750 353	1 641 090
Serra Shopping	-	3 989 183
Rio Sul	33 074 873	20 605 857
Arrábidashopping - expansion	242 382	-
Cascaishopping - expansion	263 519	-
Algarveshopping - expansion	-	529 584
Other	216 500	95 683
Germany:		
Alexander Platz	72 033 923	58 645 410
3DO	15 864 454	10 241 710
Brazil:		
Other	229 310	-
Spain:		
Las Medulas	40 674 498	-
Plaza Mayor Shopping	12 542 608	9 601 015
Plaza Éboli	-	29 455 470
Dos Mares - expansion	3 309 804	2 809 804
Other	-	104 572
Greece:		
Aegean Park	9 450 142	18 496 605
Other	20 321	-
Italy:		
Freccia Rossa	27 861 663	24 213 580
Biella	8 143 649	-
La Spezia	715 012	-
Other	81 421	-
	250 037 810	224 893 570

Investment properties in progress include borrowing expenses incurred during the construction period. As of 31 December 2005 and 2004, total borrowing expenses capitalised amounted to Euro 11.573.752 and Euro 4.783.625 respectively.

8. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment and corresponding accumulated depreciation during the years ended 31 December 2005 and 2004 was as follows:

	2005								2004
	Buildings and other constructions	Machinery and equipment	Transport equipment	Administrative equipment	Tools and utensils	Other tangible fixed assets	Tangible fixed assets in progress	Total	Total
Assets:									
Opening balance	1 612 718	1 394 601	110 465	2 580 624	155 301	665 515	236 183	6 755 407	8 552 263
Increases	9 358	101 173	33 142	476 228	5 096	20 223	10 908	656 128	836 748
Sales		(933)	(35 645)	(4 143)				(40 721)	(2 431 941)
Transfers and disposals	17 345	(1 910)		(66 667)		(3 362)	(247 091)	(301 685)	(206 776)
Currency translation differences		18 981	22 326	55 477				96 784	5 113
Change in consolidation perimeter	-	492	-	2 295	-	-	-	2 787	-
Closing balance	1 639 421	1 512 404	130 288	3 043 814	160 397	682 376	-	7 168 700	6 755 407
Accumulated depreciation and impairment losses:									
Opening balance	1 126 267	1 088 835	67 603	1 603 187	128 065	560 579	-	4 574 536	3 141 547
Depreciation for the year	60 937	120 212	25 059	413 545	14 360	40 521		674 634	2 082 810
Sales		(933)	(6 260)	(4 143)				(11 336)	(640 881)
Transfers and disposals		(1 910)		(51 950)		(2 977)		(56 837)	(10 441)
Currency translation differences		10 401	11 349	35 228				56 978	1 501
Change in consolidation perimeter	-	271	-	1 392	-	-	-	1 663	-
Closing balance	1 187 204	1 216 876	97 751	1 997 259	142 425	598 123	-	5 239 638	4 574 536
Net assets	452 217	295 528	32 537	1 046 555	17 972	84 253	-	1 929 062	2 180 871

9. GOODWILL

The movement in goodwill during the years ended 31 December 2005 and 2004 was as follows:

	2005	2004
Assets:		
Opening balance	26 621 770	15 988 810
Increases:		
Acquisitions	32 054 333	11 874 032
Sales, disposals and regularisations	-	(1 241 072)
Closing balance	58 676 103	26 621 770
Accumulated depreciation and impairment losses:		
Opening balance	7 632 457	6 229 536
Depreciation and impairments for the year	5 791 383	2 643 993
Sales and disposals	-	(1 241 072)
Closing balance	13 423 840	7 632 457
Net assets	45 252 263	18 989 313

Disposals in 2004 relate to the write off of goodwill of Euro 1.241.072 that was fully depreciated as of 31 December 2003.

At 31 December 2005 and 2004 goodwill was made up as follows:

	05.12.31					04.12.31
	Year of aquisition	Amount	Depreciation and impairment losses of the year (Note 33)	Accumulated depreciation and impairment losses	Book value	Book value
Sierra Management Spain, SA						
	1999	1 518 231	-	1 518 231	-	-
	2000	45 211	-	45 211	-	-
	2002	1 274 080	509 633	1 274 080	-	509 633
	2003	9 542	-	9 542	-	-
		2 847 064	509 633	2 847 064	-	509 633
Sierra Developments Germany AG	2002	153 996	-	92 397	61 599	61 599
Iberian Assets, S.A						
	2002	9 946 901	-	4 476 107	5 470 794	5 470 794
	2003	1 667 583	-	667 034	1 000 549	1 000 549
		11 614 484	-	5 143 141	6 471 343	6 471 343
La Farga Shopping Centre, S.L						
	2002	132 194	-	59 488	72 706	72 706
	2005	406 310	159 433	159 433	246 877	-
		538 504	159 433	218 921	319 583	72 706
Parque Principado (Note 6)	2004	997 416	-	-	997 416	997 416
Alexander Platz (Note 6)						
	2004	10 876 616	-	-	10 876 616	10 876 616
	2005	(7 995 503)	-	-	(7 995 503)	-
		2 881 113	-	-	2 881 113	10 876 616
Avenida M40 (Note 6)	2005	1 180 575	1 180 575	1 180 575	-	-
Plaza Eboli (Note 6)	2005	3 355 876	2 190 514	2 190 514	1 165 362	-
Luz del Tajo (Note 6)	2005	3 655 115	736 126	736 126	2 918 989	-
Dos Mares (Note 6)	2005	1 298 307	-	-	1 298 307	-
Limadarque, Retail Park, S.A. (Note 6)	2005	798 121	-	-	798 121	-
Valecenter Srl (Note 6)	2005	29 355 532	1 015 102	1 015 102	28 340 430	-
		58 676 103	5 791 383	13 423 840	45 252 263	18 989 313

As mentioned in Note 2.2.d), goodwill related to acquisitions occurred until 31 March 2004 was, until 31 December 2004, depreciated during the estimated period to recover the investment. After this date the goodwill is no longer depreciated and impairment tests have been made at the closing balance date.

Also, as mentioned in Note 2.2.d), goodwill relating acquisitions occurred after 31 March 2004 was not depreciated and was tested for impairment purposes.

The impairment tests made to the goodwill are based on the “Open Market Value” (“OMV”) at the balance date of the owned participations.

The impairment losses of Luz del Tajo of Euro 736.126 were recorded under the caption “Investment income” (Note 36), because in 2005 49,9% of the capital increase in Sierra BV, related to the contribution of this company, was also sold (Note 6).

10. INTANGIBLE ASSETS

The movement in intangible assets and corresponding accumulated depreciation during the years ended 31 December 2005 and 2004 was as follows:

	2005	2004
	Other rights	Other rights
Assets:		
Opening balance	13 531 169	12 701 183
Increases:		
Acquisitions	235 350	298 027
Price adjustments		-
Sales, disposals and regularisations	11 813	531 959
Closing balance	13 778 332	13 531 169
Accumulated depreciation and impairment losses:		
Opening balance	4 371 749	2 814 367
Depreciation for the year	1 076 909	1 027 947
Sales and disposals	8 860	529 435
Closing balance	5 457 518	4 371 749
Net assets	8 320 814	9 159 420

As of 31 December 2004, "Other rights" include the amount of Euro 7.090.202 (net of accumulated depreciation and impairment losses in the amount of Euro 2.629.061), relating the management right acquired in September 2002 of five shopping centres located in Spain, four of which (Grancasa, Kareaga, La Farga and Valle Real) are currently in operation. This right is being depreciated during a period of 12 years (corresponding to the initial contract period plus an additional equal period of renewal), being this period the estimated period to recover the investment.

11. OTHER NON CURRENT ASSETS

At 31 December 2005 and 2004 other non current assets were made up as follows:

	05.12.31	04.12.31
Advances on account of investments	320 250	6 264 300
Municipal Council of Lisbon	7 776 954	7 776 954
Municipal Council of Malaga	1 669 083	1 669 083
Rent deposits of tenants	7 332 032	4 019 297
Other non current assets	3 269 432	577 468
	20 367 751	20 307 102
Accumulated impairment losses on non current assets (Note 29)	(262 892)	-
	20 104 859	20 307 102

The amount of Euro 320.250 corresponds to an advance for capital increase foreseen for the associated company Sic Indoor.

The amount of Euro 7.776.954 due by the Municipal Council of Lisbon, relates to works developed by the jointly controlled company Empreendimentos Imobiliários Colombo, S.A. (“Colombo”) in the area surrounding the Centro Colombo. These works were developed on behalf of the Municipal Council of Lisbon (“CML”) in accordance with protocols signed between the technical services of CML and Colombo in the end of 2001. On the other hand, the caption "Other non current liabilities", at 31 December 2003, includes the amount of Euro 3.242.373 (Note 23) relating to works developed by CML on behalf of Colombo, and licenses. A legal action against CML was presented in 2001, reclaiming the totality of the improvements made by Colombo on account of CML and corresponding interests and other expenses incurred by Colombo under the above mentioned protocols. The Colombo’s Board of Directors believes that the legal action will be favourable to Colombo and consequently did not record any impairment loss to face eventual losses on this account receivable.

The amount of Euro 1.669.083 receivable from the Municipal Council of Malaga relates to the excess cost of the roads built by Plaza Mayor on account of that entity at the Plaza Mayor shopping centre.

The amount of Euro 7.332.032 relates to the deposit in official entities of rents deposits received from tenants of shopping centres located in Spain (Kareaga, Grancasa, La Farga, Valle Real, Plaza Mayor, Principado, Avenida M40, Luz del Tajo, Plaza Éboli, Plaza Mayor Shopping, Dos Mares and Zubiarte). The rent deposits received from tenants are classified under “Other non current payables” (Note 23) and “Other payables” (Note 27).

12. TRADE RECEIVABLES

At 31 December 2005 and 2004 trade receivables were made up as follows:

	05.12.31	04.12.31
Accounts receivable from customers:		
Portugal	10 696 305	7 499 283
Brazil	10 203 845	5 931 109
Spain	6 600 721	6 968 813
Other costumers	2 277 588	1 455 495
Notes receivable from customers	21 197	-
Doubtful accounts receivable	7 993 079	7 601 825
	37 792 735	29 456 525
Accumulated impairment losses on accounts receivable from customers (Note 29)	(16 317 770)	(11 311 791)
	21 474 965	18 144 734

The Group’s exposition to credit risk is attributed to accounts receivable relating the operating activity of the Group. The amounts shown in the balance sheet are net of the corresponding impairment losses on accounts receivable, which were estimated by the Group, based on the past experience of the Group and assessment of the economic environment. The Board of Directors believes that the carrying amount of its trade receivables is similar to the corresponding fair value. The Group has not a significant concentration of its credit risks, as that risk is diluted on a variety of different customers.

13. ACCOUNTS RECEIVABLE FROM SHAREHOLDERS

The amounts of Euro 65.475.000 and Euro 130.000.000 as of 31 December 2005 and 2004, respectively, relate to short term loans granted to the Sonae Sierra's shareholders and bear interests at market interest rates. These loans are expected to be reimbursed during the first half of 2006 and are made up as follows:

	05.12.31	04.12.31
Sonae Investments BV	20 826 840	76 983 672
Grosvenor	21 580 560	42 848 656
Sonae SGPS, S.A.	23 067 600	10 167 672
	65 475 000	130 000 000

14. OTHER RECEIVABLES

At 31 December 2005 and 2004 this caption was made up as follows:

	05.12.31	04.12.31
State and other public entities	42 035 574	45 746 578
Imoconti- Soc.Imobiliária,SA	113 410	44 690
Sesagest-Proj.Gestão Imobiliária,SA	158 113	-
Contimobe-Imobil.Castelo Paiva,SA	585 941	389 877
Predicomercial-Promoção Imobiliária,SA	133 185	-
Sonae SGPS, S.A.	22 023	-
Erosmer Ibérica	-	9 256 227
Rent deposits of tenants	21 706	39 700
Tax notification paid	791 418	791 418
Escrow account (Nota 29)	2 224 081	-
Advances to suppliers	1 211 364	2 654 802
Other	6 053 508	6 286 579
	53 350 323	65 209 871
Accumulated impairment losses on other receivables (Note 29)	(32 659)	(651 836)
	53 317 664	64 558 035

The amounts of Euro 42.035.574 and Euro 45.746.578 as of 31 December 2005 and 2004, respectively, receivable from state entities, relates basically to Value Added Tax ("VAT") receivable. In accordance to tax legislation, the Group follows the procedure of record under this caption the VAT included in the invoices from third parties during the period of construction of the shopping centres and the reimbursement of that VAT is asked to state entities only after the beginning of operation of the shopping centres.

The amount of Euro 9.256.227 receivable from Erosmer Ibérica, S.A. in 31 December 2004 relates to the amount pending to receive resulting from the dissolution of UTE ("Union Temporal de Empresas"), constituted for the building of the Shopping Centre Luz del Tajo, and was received in 2005.

The amount of Euro 791.418 relates to tax notifications on the income tax statements relating to years 1991 to 1997, paid by Cascaishopping – Centro Comercial, SA ("Cascaishopping") to tax authorities. The corrections proposed by tax authorities related basically to the depreciation policy of improvements made in third parties property that, for tax purposes, were being depreciated in five years, and that the Fiscal Authorities believe should be depreciated in 50 years. Cascaishopping contested the tax notifications received and did not record any impairment loss to face eventual losses on those amounts, as the Board of Directors believes that the contestation will be favourable to Cascaishopping.

The Group's exposition to credit risk is attributed to accounts receivable relating the operating activity of the Group. The amounts shown in the balance sheet are net of the corresponding impairment losses on accounts receivable, which were estimated by the Group, based on the past experience of the Group and assessment of the economic environment. The Board of Directors believes that the carrying amount of its trade receivables is similar to the corresponding fair value. The Group has not a significant concentration of its credit risks, as that risk is diluted on a variety of different customers.

15. OTHER CURRENT ASSETS

At 31 December 2005 and 2004 this caption was made up as follows:

	05.12.31	04.12.31
Interest income receivable	316 520	842 214
Variable rents receivable	3 963 157	2 715 801
Recovered costs receivable	3 904 908	2 345 902
Deferred rents	245 003	176 655
Deferred costs with projects	555 671	645 589
Management and administration services receivable	1 293 625	484 295
Others	6 798 605	4 224 771
	17 077 489	11 435 227

16. CASH AND CASH EQUIVALENTS

At 31 December 2005 and 2004 cash and cash an equivalent was made up as follows:

	05.12.31	04.12.31
Cash	255 677	555 686
Bank deposits payable on demand	25 365 183	26 777 975
Treasury applications	158 630 885	87 878 578
	184 251 745	115 212 239
Bank overdrafts (Note 20)	(15 907)	(60)
	184 235 838	115 212 179

The treasury applications relate to term deposits made by several companies included in the consolidation and bear interests at market interest rates.

17. SHARE CAPITAL

At 31 December 2005 the share capital was made up of 32.514.000 fully subscribed and paid up ordinary shares of Euro 4.99 each.

The following entities own the share capital at 31 December 2005 and 2004:

Entity	2005	2004
Sonae Investments, BV	-	17,04%
Sonae SGPS, S.A.	50,00%	50,00%
Grosvenor Investments (Portugal), Sarl	50,00%	32.96%

In December 2005 the shareholder Sonae Investments, BV sold is participation to the shareholder Grosvenor Investments (Portugal), Srl, becoming the owner of 50% of share capital of Sonae Sierra.

As mentioned in the Portuguese commercial legislation, Sonae Sierra constituted a special reserve to which the rules of the legal reserve apply, by an amount equivalent to the nominal amount of the shares extinguished (Euro 24.880.140).

18. MOVEMENT IN MINORITY INTERESTS

During the years ended 31 December 2005 and 2004 the movement in minority interests was as follows:

	Balance as of 04.12.31	Net Profit	Variation in translation reserve	Increase of share capital	Variation in hedging reserve	Dividends	Contribution in Kind	Acquisitions (Note 6)	Sales (Note 6)	Others	Balance as of 05.12.31
Avenida M40	4 477 757	(926 570)	-	-	-	-	-	(3 551 187)	-	-	-
Alexa Holding + Side	17 784 587	(1 141)	-	750 000	-	-	-	-	(18 320 795)	104 122	316 773
Dos Mares	3 788 098	1 073 038	-	-	-	-	-	(4 861 136)	-	-	-
Fundo D. Pedro	-	1 214 588	230 464	-	-	-	1 209 440	-	-	-	2 654 492
La Farga	5 575 944	822 275	-	-	-	-	-	(6 398 219)	-	48 293	48 293
Luz del Tajo	6 584 478	847 822	-	-	-	-	-	(7 432 300)	-	-	-
Parque D. Pedro Shopping	2 061 760	(972 245)	698 571	-	-	-	(1 788 085)	-	-	-	1
Plaza Eboli	1 400 000	2 032 172	-	-	-	-	-	(3 432 172)	-	-	-
Plaza Mayor Shopping, SA	564 855	-	-	659 750	-	-	-	-	-	-	1 224 605
Pátio Boavista	444 988	(78 938)	101 122	-	-	-	-	-	-	35 213	502 385
Project Sierra Spain 1	-	-	-	690 000	-	-	-	(2 484)	-	-	687 516
Sierra BV	206 850 147	67 251 866	-	24 626 685	(27 414)	(5 663 552)	-	-	-	26 276	293 064 008
Other	544 573	61 373	(612)		-	-	-	-	-	(207 489)	397 845
	250 077 187	71 324 240	1 029 545	26 726 435	(27 414)	(5 663 552)	(578 645)	(25 677 498)	(18 320 795)	6 415	298 895 918

	Balance as of 03.12.31	Net Profit	Variation in translation reserve	Increase of share capital	Variation in hedging reserve	Effect of changes in perimeter	Acquisitions (Note 6)	Sales (Note 6)	Others	Balance as of 04.12.31
Avenida M40	4 830 100	(352 343)	-	-	-	-	-	-	-	4 477 757
Alexa Holding + Side	-	(508 262)	-	18 386 005	-	-	-	(91 113)	(2 043)	17 784 587
Dos Mares	1 050 000	2 738 098	-	-	-	-	-	-	-	3 788 098
La Farga	5 905 762	(437 449)	-	-	-	-	-	-	107 631	5 575 944
Luz del Tajo	2 095 780	4 488 698	-	-	-	-	-	-	-	6 584 478
Parque D. Pedro Shopping	2 118 975	127 618	(1 075)	(104 396)		(79 362)			-	2 061 760
Plaza Eboli	1 400 000	-	-	-	-	-	-	-	-	1 400 000
Plaza Mayor Shopping, SA	565 221	(366)	-	-	-	-	-	-	-	564 855
Pátio Boavista	1 365	(32 114)	286 202	189 535	-	-	-	-	-	444 988
Sierra BV	176 340 093	38 430 993	-	-	67 305	(6 945 480)	-	(957 913)	(84 851)	206 850 147
Other	322 665	56 220	-	-	-	-	-	-	165 688	544 573
	194 629 961	44 511 093	285 127	18 471 144	67 305	(7 024 842)	-	(1 049 026)	186 425	250 077 187

19. BANK LOANS

At 31 December 2005 and 2004 bank loans obtained were made up as follows:

			05.12.31			04.12.31				
				Used amount			Used amount			
	Financing Entity		Limit	Short term	Medium and long term	Limit	Short term	Medium and long term	Due date	Reimbursement plan
Debenture loans:										
Sonae Imobiliária / 98 bonds				-	-		11 939 990	-	Jan/2005	Final
Sonae Imobiliária / 99 bonds				30 000 000	-		-	30 000 000	Dec/2006	Final
				30 000 000	-		11 939 990	30 000 000		
Bank Loans:										
3shoppings - Holding, SGPS, S.A	Eurohypo	(b)	64 843 727	1 296 875	61 601 540	64 843 727	972 656	62 898 415	Jul/2026	Annual
ALEXA Shopping Centre GmbH	Eurohypo	(a), (b), (c)	100 000 000	-	16 343 740	-	-	-	Oct/2015	Annual
ALEXA Shopping Centre GmbH	Eurohypo	(a), (b)	4 000 000	-	-	-	-	-	Sep/2009	Final
Algarveshopping- Centro Comercial, S.A.	European Property Capital 3 p.l.c.	(b), (c)	55 000 100	1 357 000	17 022 496	55 000 100	-	34 353 496	May/2010	Quarterly
Sierra European Retail Real Estate Assets Holdings B	European Property Capital 3 p.l.c.			-	33 514 504		1 290 000	17 540 504		
Sierra European Retail Real Estate Assets Holdings B	European Property Capital 3 p.l.c.	(b), (c)	13 178 216	402 098	12 776 118	-	-	-	May/2010	Quarterly
Arrábidashopping - Centro Comercial, S.A.	Eurohypo	(a), (b), (c)	27 750 000	1 225 000	20 150 000	27 750 000	1 250 000	21 375 000	Mar/2017	Quarterly
Arrábidashopping - Centro Comercial, S.A.	Eurohypo	(a), (b)	10 500 000	-	-	-	-	-	Mar/2017	Annual
Avenida M-40, S.A.	Westdeutsche Immobank	(b)	68 250 000	4 222 663	64 027 337	68 250 000	-	58 074 455	Dec/2014	Quarterly
Avenida M-40, S.A.	Sindicated Loan		-	-	-	9 000 000	3 954 325	-	Oct/2006	Final
Berlin KG	SEB AG	(a), (b)	-	-	-	8 000 000	7 691 850	-	Aug/2005	Final
Cascaishopping Holding II, SGPS, S.A.	Eurohypo	(a), (b)	61 428 000	1 228 560	58 970 880	61 428 000	1 228 560	60 199 440	May/2027	Annual
Cascaishopping - Centro Comercial, S.A.	Eurohypo	(a), (b), (c)	26 000 000	-	-	-	-	-	Jan/2016	Final
Centro Colombo - Centro Comercial, S.A.	Eurohypo	(a), (b)	112 250 000	-	112 250 000	112 250 000	-	112 250 000	Sep/2026	Annual
Centro Vasco da Gama - Centro Comercial, S.A.	ING Belgium SA/NV	(a), (b), (c)	65 000 000	1 950 000	61 100 000	65 000 000	1 950 000	63 050 000	Aug/2016	Annual
Dos Mares - Shopping Centre S.A.	Aareal Bank	(b)	22 500 000	675 000	21 425 000	17 500 000	350 000	17 150 000	Sep/2012	Quarterly
Dos Mares - Shopping Centre S.A.	Aareal Bank		2 700 000	1 934 781	-	2 700 000	1 602 496	-	Oct/2006	Final
Estação Viana- Centro Comercial, S.A.	BES	(b), (c)	42 000 000	1 554 000	40 446 000	-	-	-	Dec/2015	Half year
Freccia Rossa - Shopping Centre S.r.l.	Unicredit	(a), (c)	10 306 509	10 306 509	-	-	-	-	Feb/2006	Final
Freccia Rossa - Shopping Centre S.r.l.	Unicredit	(a), (b), (c)	47 863 752	-	-	-	-	-	Dec/2025	Half year
Freccia Rossa - Shopping Centre S.r.l.	Unicredit	(a), (b), (c)	11 409 230	-	-	-	-	-	Dec/2012	Final
Gaiashopping I- Centro Comercial, S.A.	Eurohypo	(a), (b)	27 500 000	412 500	26 675 000	27 500 000	412 500	27 087 500	Nov/2016	Annual
La Farga – Centro Comercial S.L.	Eurohypo	(a), (b)	15 000 000	-	15 000 000	15 000 000	-	13 967 712	Apr/2014	Annual
Iberian Assets, SA	Eurohypo	(a), (b)	39 967 305	1 427 404	24 942 002	39 967 305	1 277 153	26 369 407	Jun/2019	Half year
Iberian Assets, SA	Eurohypo	(a), (b)	26 369 406	550 000	24 219 406	26 369 406	450 000	24 769 406	Nov/2020	Half year
Iberian Assets, SA	Eurohypo	(a), (b)	12 500 000	395 000	11 250 000	12 500 000	427 500	11 645 000	Jul/2018	Annual
Iberian Assets, SA	Eurohypo	(a), (b)	6 500 000	205 500	5 849 500	6 500 000	222 500	6 055 000	Jul/2018	Annual
Iberian Assets, SA	Eurohypo	(a), (b)	8 500 000	-	8 500 000	8 500 000	-	8 500 000	Jul/2018	Annual
Iberian Assets, SA	Eurohypo	(a), (b)	15 025 303	-	15 025 303	15 025 303	-	15 025 303	Jan/2026	Half year
Loureshopping- Centro Comercial, S.A.	CGD	(b)	45 000 000	-	12 204 892	-	-	-	Feb/2020	Half year
Luz del Tajo Centro Comercial S.A.	Hypo Real Estate	(b), (c)	45 700 000	-	45 700 000	43 000 000	-	25 500 513	Jun/2014	Final
Luz del Tajo Centro Comercial S.A.	Hypo Real Estate	(c)	8 000 000	3 877 768	-	8 000 000	3 068 830	-	Dec/2006	Final
Madeirashopping- Centro Comercial, S.A.	BCP	(a), (b), (e)	-	-	-	14 253 148	1 839 116	8 276 022	May/2010	Quarterly
Madeirashopping- Centro Comercial, S.A.	ING Real Estate Finance	(a), (b)	18 000 000	-	18 000 000	-	-	-	Aug/2015	Quarterly
Parque Atlântico - Centro Comercial, S.A.	CGD, BCP	(a), (b)	17 500 000	-	17 500 000	11 500 000	977 500	10 522 500	Dec/2015	Half year
Parque Atlântico - Centro Comercial, S.A.	CGD, BCP	(a)	2 000 000	683 487	-	683 487	683 487	-	Jun/2006	Final
Norteshopping - Centro Comercial, S.A.	BPI	(a), (b)	3 673 033	456 229	1 142 506	3 673 033	456 229	1 598 735	Jun/2009	Quarterly
Norteshopping - Centro Comercial, S.A.	Eurohypo, BPI	(a), (b)	18 750 000	1 403 320	13 799 312	18 750 000	1 169 433	15 202 632	Jun/2011	Quarterly
Norteshopping - Centro Comercial, S.A.	Eurohypo	(a), (b)	81 572 970	-	35 397 970	81 572 970	-	35 397 970	Dec/2014	Half year
Norte Shopping Retail & Leisure Centre B.V.	Eurohypo	(a), (b)		815 730	44 543 541		815 730	45 359 270		
Parque Principado S.L.	Eurohypo	(a), (b)	48 080 966	1 232 075	43 513 276	48 080 966	1 171 974	44 745 351	Oct/2021	Annual
Plaza Eboli - Centro Comercial S.A.	Hypo Real Estate	(b), (c)	37 500 000	-	37 500 000	30 485 000	-	9 007 661	Nov/2010	Quarterly
Plaza Eboli - Centro Comercial S.A.	Hypo Real Estate	(e)	-	-	-	6 000 000	1 320 957	-	Jan/2007	Final
Plaza Mayor Shopping, SA	Eurohypo	(b)	37 000 000	-	-	-	-	-	Jan/2017	Annual
Plaza Mayor Shopping, SA	Eurohypo	(b)	4 000 000	4 000 000	-	-	-	-	Mar/2006	Final
Plaza Mayor - Parque de Ocio, S.A.	Eurohypo	(b)	35 459 714	1 262 125	31 853 642	35 459 714	1 202 024	33 115 767	Apr/2018	Annual
Project Sierra Spain 1 - Centro Comercial, SA	Eurohypo	(b)	83 000 000	-	6 000 000	-	-	-	Jul/2017	Quarterly
Project Sierra Spain 1 - Centro Comercial, SA	Eurohypo		18 000 000	4 600 000	-	-	-	-	Oct/2008	Final
Rio Sul - Centro Comercial, S.A.	Eurohypo	(b), (c)	20 500 000	-	17 047 168	-	-	-	Apr/2015	Annual
Serra Shopping - Centro Comercial, S.A.	CGD	(b)	7 400 000	-	4 998 899	-	-	-	Feb/2020	Half year
Sierra Enplanta, S.A.	Unibanco	(a)	-	-	-	317 760	317 760	-	Nov/2005	Monthly
Sierra Enplanta, S.A.	Banco ABC	(a)	412 652	309 489	103 163	453 934	193 517	260 417	Mar/2007	Monthly
Sóguia - Sociedade Imobiliária, S.A.	CGD, MG	(a), (b), (f)	-	-	-	4 500 000	493 224	3 945 794	Nov/2013	Half year
Sóguia - Sociedade Imobiliária, S.A.	CGD, MG	(a), (f)	-	-	-	784 282	784 282	-	Nov/2006	Final
Valecenter S.p.a.	Eurohypo	(b), (c)	6 600 000	-	6 600 000	-	-	-	Jun/2015	Quarterly
Valecenter S.p.a.	Eurohypo	(b), (c)	14 250 000	-	14 250 000	-	-	-	Jun/2015	Quarterly
Valecenter S.p.a.	Eurohypo		52 000 000	52 000 000	-	-	-	-	Jun/2006	Final
Via Catarina- Centro Comercial, S.A.	Eurohypo	(a), (b)	19 600 000	294 000	19 306 000	19 600 000	-	19 600 000	Oct/2021	Annual
Zubiarte Inversiones Inmobiliarias, SL.	ING Real Estate Finance	(a), (b)	29 800 000	-	29 800 000	-	-	-	Jun/2017	Quarterly
Zubiarte Inversiones Inmobiliarias, SL.	Santander Espanha	(a)	2 300 000	722 079	-	2 300 000	1 752 873	-	Aug/2005	Final
Zubiarte Inversiones Inmobiliarias, SL.	Santander Espanha	(a), (b), (e)	18 000 000	-	-	18 000 000	663 601	15 262 827	Jul/2015	Monthly
			1 570 440 883	100 799 192	1 050 349 195	990 498 135	39 990 077	848 106 097		
Total				130 799 192	1 050 349 195		51 930 067	878 106 097		
Fair value of the financial hedging instruments				1 279 638	533 062		1 807	3 632 912		
Deferred bank expenses incurred on the issuance of bank debt				(912 543)	(8 359 424)		(627 787)	(6 869 021)		
				131 166 287	1 042 522 833		51 304 087	874 869 988		

(a) These amounts are considered at the control proportion held by the Group

(b) To guarantee the repayment of these loans, the Group pledged the real estate properties owned by these companies

(c) To guarantee the repayment of this loan, the Group pledged the shares of this subsidiary

(d) The Group constituted bank garantees as guarantee of the repayment of this loan

(e) This loan was repaid before its term

(f) Company sold in 2005

Bank loans bear interests at market interest rates and were all contracted in Euro, except for the bank loans relating Sierra Enplanta, which were contracted in Brazilian Reais and translated to Euro using the exchange rate prevailing at balance sheet date (Note 2.2 e)).

At 31 December 2005, loans classified as medium and long term are repayable as follows:

2007	22 223 619
2008	26 221 517
2009	30 505 579
2010	125 387 320
2011 and following years	846 011 160
	1 050 349 195

At 31 December 2005 and 2004, the Group's financial instruments related to interest rate swaps and collars and were as follows:

	05.12.31		04.12.31	
	Loan	Fair value of the financial instrument	Loan	Fair value of the financial instrument
Financial hedging instruments:				
"Swaps":				
Obrigações Sonae Imobiliária / 98	-	-	11 939 990	1 807
Obrigações Sonae Imobiliária / 99	30 000 000	767 783	30 000 000	1 712 506
Estação Viana / BES	42 000 000	(840 338)	-	-
Norteshopping / BPI			2 054 964	28 929
Norteshopping / Eurohypo / BPI	52 199 568	287 811	16 372 065	145 704
Norteshopping / Eurohypo			35 397 970	(333 861)
Norteshopping BV / Eurohypo	45 359 270	244 860	46 175 000	(175 082)
Iberian/Eurohypo	11 645 000	232 667	12 072 500	297 874
Iberian/Eurohypo	8 500 000	171 748	8 500 000	232 363
Iberian/Eurohypo	6 055 000	91 124	6 277 500	154 885
Valecenter / Eurohypo	6 600 000	(75 106)	-	-
Valecenter / Eurohypo	14 250 000	(191 228)	-	-
		689 321		2 065 125
"Collars":				
Centro Vasco da Gama/ING	63 050 000	197 566	65 000 000	427 923
Dos Mares / BBVA	22 100 000	(327)	-	-
Luz del Tajo / Hypo Real Estate	36 560 000	(29 180)	-	-
MadeiraShopping / BBVA	9 000 000	(4 231)	-	-
Plaza Eboli / Hypo Real Estate	30 485 000	447 696	-	-
		1 300 845		2 493 048
Non perfect hedging financial instruments:				
Sonae Imobiliária / 99 Bonds	20 000 000	511 855	30 000 000	1 141 671
		1 812 700		3 634 719

The fair value of the financial hedging instruments was recorded under hedging reserves of the Group (Euro 1.257.223 and Euro 2.103.091 in 31 December 2005 and 2004 respectively) and hedging reserves of the minorities (Euro 43.622 and Euro 389.957 in 31 December 2005 and 2004 respectively).

The interest rate swaps and collars are stated at their fair value at the balance sheet date, determined by the valuation made by the bank entities with which the interest swaps were contracted. The computation of the fair value of these financial instruments was made taking into consideration the actualisation to the balance sheet date of the future cash-flows relating the difference between the interest rate to be paid by the Company to the bank entity with which the swap or collar was negotiated and the variable interest rate to be received by the Company from the bank entity that granted the loan.

The interest rate swap relating the Sonae Sierra's debenture loan (Sonae Imobiliária 99/Bonds), was contracted for the totality of the reimbursement period initially expected (with reimbursement date on December 2006), as, at the date of the contract of the swap, it was understood that the put option on that loan would not be exercised by the entity that subscribed the loan. Considering that in 2004 there was the anticipated reimbursement of the loan, the terms of the IAS 39 for perfect hedging were no longer valid, it was recorded by debit to the consolidated statements of profit and loss the portion of the swap that does not qualify as perfect hedging.

The main hedging principles used by the Group when negotiating these hedging financial instruments are as follows:

- Perfect matching between the cash-flows paid and received: there is coincidence between the dates of interest payments of the loans obtained and changed with the bank;
- Perfect matching in the index interest rate used: the reference index interest rate used in the interest rate swap and in the loan are coincident;
- In a scenario of increase or decrease in interest rates, the maximum amount of interest charges is perfectly calculated.

20. OTHER LOANS

At 31 December 2005 and 2004 other loans obtained were made up as follows:

	05.12.31		04.12.31	
	Short term	Medium and long term	Short term	Medium and long term
Bank loans:				
Imo R - Sociedade Imobiliária, S.A.	-	-	24 950	-
Maiashopping - Empreendimentos Imobiliários, S.A.	-	-	16 563	-
	-	-	41 513	-
Bank overdrafts (Note 16)	15 907	-	60	-
	15 907	-	41 573	-

Bank loans bear interests at market interest rates and were all contracted in Euro.

21. ACCOUNTS PAYABLE TO OTHER SHAREHOLDERS

At 31 December 2005 and 2004 this caption was made up as follows:

	05.12.31		04.12.31	
	Short term	Medium and long term	Short term	Medium and long term
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1"):				
Arrábidashopping- Centro Comercial, S.A.	-	1 250 045	-	1 250 045
Centro Colombo- Centro Comercial, S.A.	-	24 943 715	-	27 022 715
Centro Vasco da Gama - Centro Comercial, S.A.	-	3 838 523	-	4 531 523
Dos Mares - Shopping Centre B.V.	-	2 960 122	-	-
Gaiashopping I - Centro Comercial, S.A.	-	1 706 164	-	1 706 164
Iberian Assets, S.A	-	-	-	637 071
Luz del Tajo B.V.	-	3 982 947	-	-
Madeirashopping- Centro Comercial, S.A.	-	-	-	682 992
Parque Atlântico Shopping - Centro Comercial, SA	5 919	-	-	1 941 974
Sierra European Retail Real Estate Assets Holdings BV	2 217 778	-	-	1 275 222
	2 223 697	38 681 518	-	39 047 706
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2"):				
Arrábidashopping- Centro Comercial, S.A.	-	1 000 036	-	1 000 036
Centro Colombo- Centro Comercial, S.A.	-	19 954 673	-	21 618 173
Centro Vasco da Gama - Centro Comercial, S.A.	-	3 070 719	-	3 625 219
Dos Mares - Shopping Centre B.V.	-	2 368 122	-	-
Gaiashopping I - Centro Comercial, S.A.	-	1 364 931	-	1 364 931
Iberian Assets, S.A	-	-	-	509 657
Luz del Tajo B.V.	-	3 186 347	-	-
Madeirashopping- Centro Comercial, S.A.	-	-	-	546 393
Parque Atlântico Shopping - Centro Comercial, SA	4 735	-	-	1 553 580
Sierra European Retail Real Estate Assets Holdings BV	1 774 222	-	-	1 020 178
	1 778 957	30 944 827	-	31 238 167
Other shareholders of the following companies:				
Avenida M40, S.A.	-	-	3 365 652	8 439 969
Plaza Eboli – Centro Comercial S.A.	-	-	-	2 249 917
Dos Mares-Shopping Centre, S.A.	-	-	140 000	1 004 500
Luz del Tajo – Centro Comercial S.A.	-	-	-	2 940 000
Zubiarte Inversiones Inmobiliarias, S.A	-	-	2 062 590	-
ALEXA Holding GmbH	-	-	-	4 569 537
Other	336 346	28 913	-	27 407
	336 346	28 913	5 568 242	19 231 330
	4 339 000	69 655 258	5 568 242	89 517 203

The amounts payable to LuxCo 1 and LuxCo 2, relate to shareholder loans payable by the subsidiaries and jointly controlled companies of Sierra BV, to the other shareholders of Sierra BV. These loans bear interests at market interest rates and were contracted in Euro.

22. FINANCE LEASE CREDITORS

At 31 December 2005 this caption was made up as follows:

	31.12.05	
	Short term	Medium and long term
Airone Finance Lease	1 142 364	6 824 761
	1 142 364	6 824 761

This lease contract bear interests at market interest rates and the reimbursement plan of the minimum payments at 31 December 2005 are as follow:

	Minimum payments for finance lease
2006	1 142 364
2007	933 261
2008	5 891 500
	7 967 125

At 31 December 2005, the fair value of the financial obligations with this contract corresponds approximately to the book value.

The financial obligations for locations are guaranteed by the lien of the Airone shopping center.

23. OTHER NON CURRENT LIABILITIES

At 31 December 2005 and 2004 this caption was made up as follows:

	05.12.31	04.12.31
Municipal Council of Lisbon (Note 11)	3 243 373	3 243 373
Rent deposits from tenants (Note 11)	8 076 646	6 685 257
Other non current accounts payable	403 723	959 601
	11 723 742	10 888 231

24. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities at 31 December 2005 and 2004 in accordance to the temporary differences that generate them, are made up as follows:

	Deferred tax assets		Deferred tax liabilities	
	05.12.31	04.12.31	05.12.31	04.12.31
Difference between fair value and tax cost of tangible fixed assets and intangible assets	-	-	401 610 261	316 086 351
Difference between fair value and tax cost of the fit-out contracts			(2 133 341)	(2 186 683)
Write-off of deferred income related to key income, expenses related to the opening of shopping centers and difference between the valuation value and tax cost of the fit out contracts	-	-	4 135 716	1 648 228
Fair value of hedging financial instruments	405 648	725 340	-	-
Fair value of especulation financial instruments	140 760	313 960	-	-
Tax losses carried forward	25 626 452	17 355 650	-	-
Impairment losses on accounts receivable from customers	506 973	131 296		
Impairment losses on other assets and write-off of deferred costs	885 437	-	-	-
	27 565 270	18 526 246	403 612 636	315 547 896

Deferred income tax assets relating the fair value of the financial hedging instruments were recorded under hedging reserves of the Group (Euro 386.420 and Euro 598.163 at 31 December 2005 and 2004 respectively) and hedging reserves of the minorities (Euro 19.228 and Euro 127.177 at 31 December 2005 and 2004 respectively).

The movement in deferred income tax assets and liabilities (net balance) during the years ended 31 December 2005 and 2004 was as follows:

	2005	2004
Opening balance	297 021 650	247 739 603
Effect in net result:		
Difference between fair value and tax cost of tangible fixed assets and intangible assets	57 985 336	41 138 196
Difference between fair value and tax cost of the fit-out contracts	12 549	(840 809)
Write-off of deferred income related to key income and expenses related to the opening of shopping centers	2 430 688	(501 203)
Decrease / Increase of impairment losses not accepted for tax purposes	(375 677)	(14 441)
Decrease / Increase of tax losses carried forward	(1 876 705)	(1 158 723)
Fair value of speculation financial instruments	173 199	189 000
Other assets impairment and deferred costs write-off	161 147	-
Sub-total (Note 25)	58 510 537	38 812 020
Effect in equity:		
Valuation of hedging financial instruments	319 692	(28 718)
Currency translation differences	3 955 259	228 013
Goodwill adjustment	(5 815 646)	-
Changes in perimeter:		
Sales	(1 895 163)	(2 107 198)
Acquisitions (Note 6)	24 034 335	12 377 800
Others	(83 298)	130
Closing balance	376 047 366	297 021 650

The deferred income tax assets related to tax losses carried forward are made up as follows:

	05.12.31	04.12.31
Portugal:		
Centro Vasco da Gama - Centro Comercial, S.A.	-	21 366
Loureshopping- Centro Comercial, S.A.	321 898	-
Parque Atlântico Shopping - Centro Comercial, SA	17 414	13 617
Project Sierra Holding Portugal IV, SGPS, S.A.	633 611	-
Project Sierra Holding Portugal V, SGPS, S.A.	3 762 821	-
Sóguia - Sociedade Imobiliária, S.A.	-	78 771
SRP-Parque Comercial de Setúbal, SA	7 408	-
Serra Shopping - Centro Comercial, SA	2 912	-
Spain:		
Avenida M40, S.A.	3 010 216	1 093 310
Dos Mares-Shopping Centre, S.A.	-	78 314
Iberian Assets, S.A	4 663 184	6 528 050
La Farga Shopping Centre, S.L	486 250	-
Luz del Tajo – Centro Comercial S.A.	211 817	54 729
Parque Principado, S.L.	566 720	-
Plaza Eboli – Centro Comercial S.A.	728 012	-
Plaza Mayor Parque de Ocio, S.A	999 436	743 204
Zubiarte Inversiones Inmobiliarias, S.A	3 685 828	4 526 900
Italy:		
Sierra Management Italy S.r.l.	152 888	-
Freccia Rossa	11 093	-
Brazil:		
Parque Dom Pedro Shopping, S.A.	4 123 647	3 254 745
Pátio Boavista Shopping, Ltda.	1 946 454	938 450
Pátio Penha Shopping, Ltda.	247 901	15 807
Sierra Enplanta, S.A.	-	8 387
Unishopping Administradora Lda	26 241	-
Unishopping Consultoria Imobiliária Lda	20 701	-
	25 626 452	17 355 650

At the balance sheet date, the Group reviewed the tax losses carried forward, and only recorded the deferred income tax assets relating to the tax losses carried forward which will probably be recovered in the future. The expire date limit of that tax losses existing as of 31 December 2005 is as follows:

	Tax loss	Limit expire date
Portugal:		
Generated in 2000	2 290 458	2006
Generated in 2001	245	2007
Generated in 2002	13 683 757	2008
Generated in 2003	258	2009
Generated in 2004	84 379	2010
Generated in 2005	1 226 456	2011
	17 285 553	
Spain:		
Generated in 1996	12 386 076	2011
Generated in 1997	6 603 680	2012
Generated in 1998	4 300 404	2013
Generated in 1999	338	2014
Generated in 2000	178 133	2015
Generated in 2001	231 847	2016
Generated in 2002	2 338 584	2017
Generated in 2003	523 868	2018
Generated in 2004	4 272 277	2019
Generated in 2005	10 168 974	2020
	41 004 181	
Italy:		
Generated in 2004	74 864	2009
Generated in 2004	49 090	no limit date
Generated in 2005	409 799	no limit date
	533 753	
Brazil:		
Generated in 2002	11 182 949	no limit date
Generated in 2003	70 346	no limit date
Generated in 2004	3 697 175	no limit date
Generated in 2005	2 834 710	no limit date
	17 785 180	
	76 608 667	

25. INCOME TAX

Income tax for the years ended 31 December 2005 and 2004 is made up as follows:

	2005	2004
Current tax	15 108 378	11 719 995
Deferred tax (Note 24)	58 510 537	38 812 020
	73 618 915	50 532 015

The numerical reconciliation between tax expense and the accounting profit multiplied by the applicable tax rate is as follows:

	2005	2004
Profit before income tax	302 543 096	177 289 465
Gains related to the sale of companies	(33 670 116)	(3 650 731)
Depreciation of goodwill	-	2 643 993
Impairment of goodwill	5 055 256	-
Other permanent differences and tax losses for which the recuperability is not probable	6 088 496	4 930 549
Taxable profit	280 016 732	181 213 276
Effect of different income tax rates in other countries	(12 311 585)	14 693 122
	267 705 147	195 906 398
Income tax rate in Portugal	27.5%	27.5%
	73 618 915	53 874 259
Adjustments to taxable profit	-	(3 342 244)
	73 618 915	50 532 015

26. ACCOUNTS PAYABLE TO SUPPLIERS

At 31 December 2005 and 2004 accounts payable to suppliers were made up as follows:

	05.12.31		04.12.31
	Short term	Medium long term	Short term
Trade suppliers	20 265 783	-	21 235 023
Suppliers of fixed assets	34 822 119	31 387 903	79 004 848
	55 087 902	31 387 903	100 239 871

As of 31 December 2005 and 2004, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group’s activities. As of 31 December 2005, the Board of Directors believes that the carrying amount of these accounts payable is similar to its corresponding fair value.

The amount of Euro 31.387.903 is the payable amount related to the land acquisition for the construction of the shopping Las Medulas, and will be pay in several times until 2009.

27. OTHER PAYABLES

At 31 December 2005 and 2004 other payables were made up as follows:

	05.12.31	04.12.31
Advances from customers	2 359 134	1 722 974
State and other public entities	16 769 806	10 884 083
Efanor Investimentos, SGPS, S.A.	887 545	-
Sonae Capital,SGPS,SA	3 291 570	-
Gewobe	1 619 253	-
Rent deposits from tenants (Note 11)	348 040	4 780 033
Erosmer	-	6 115 181
Other payables	7 219 120	9 532 946
	32 494 468	33 035 217

According the current legislation, the fiscal reports of the Portuguese companies are subject to a revision and correction by the fiscal authorities within a period of four years, exception made when fiscal losses have occurred, fiscal incentives have been conceded or auditing or claims are in course, which in these cases, depending on circumstances, the due dates can be extended or suspended. Because of that the fiscal reports of the Portuguese companies of the years 2002 until 2005, can be changed.

The Board of Directors considerer that the possible changes to the fiscal reports will not have a significant impact in the financial statements as of 31 December 2005.

The amount of Euro 1.619.253 corresponds to the amount to be paid resulted from the acquisition of ALEXA Side, GmbH & Co. KG (Note 40). According to the acquisition contract this amount will be pay after the conclusion of the underground works of the shopping Alexander Platz, owned by ALEXA Side, GmbH & Co. KG.

The amount of Euro 6.115.181 payable to Erosmer in 31 December 2004 is related to value to be paid to this entity resulting from the dissolution of the UTE ("Union Temporal de Empresas"), constituted for the building of the Shopping Centre Luz de Tajo, and was paid in 2005.

As of 31 December 2005 and 2004, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2005, the Board of Directors believes that the carrying amounts of these accounts payable is similar to its corresponding fair value.

28. OTHER CURRENT LIABILITIES

At 31 December 2005 and 2004 other current liabilities were made up as follows:

	05.12.31	04.12.31
Payable interest expense	6 172 231	5 726 567
Vacation pay and vacation bonus	11 349 009	7 664 206
Accrued Real Estate tax	4 919 703	3 721 965
Accrued services payables	13 084 485	10 001 490
Condominium margin	4 477 818	3 098 666
Cascaishopping price adjustment	2 800 000	-
Accrued fixed asset expenses	17 226 061	27 826 572
Key income, invoiced in advance	3 088 135	1 216 942
Rental income invoiced in advance	8 214 829	7 387 631
Others	7 794 865	8 329 593
	79 127 136	74 973 632

As of 31 December 2005 and 2004, the amounts of Euro 17.226.061 and Euro 27.826.572, respectively, relate to the estimate, made by the Board of Directors, for liabilities assumed with the investments made in the investment properties, for which the corresponding invoices had not been received by the balance sheet date.

Vacation pay and vacation bonus as of 31 December 2005 and 2004, include the amounts of Euro 3.889.723 and Euro 3.024.253, respectively, related to remuneration bonus attributed to some employees of the Group, which will be paid after two years to the corresponding attribution date, as long as the employees involved are still employees of the Group as of the payment date. This remuneration bonus will be adjusted, until the corresponding payment date, by the annual variation of the Net Asset Value (NAV) of the Group. These remuneration premiums are, since 2005, deferred for three years (from the year of attribution until the year of payment) and recorded as expense, by the gross amount that was attributed to those employees, being the eventual subsequent adjustment, derived from the variation of the Group's NAV, recorded in the statements of profit and loss of the year in which the variation occurs.

29. PROVISIONS AND IMPAIMENT LOSSES ON ACCOUNTS RECEIVABLE

The movement in provisions and impairment losses on accounts receivable during the years ended 31 December 2005 and 2004 is made up as follows:

Captions	Balance as of 04.12.31	Increase	Decrease	Changes in perimeter	Translation differences	Balance as of 05.12.31
Impairment losses on accounts receivable:						
Customers (Note 12)	11 311 791	2 946 916	(56 771)	1 061 336	1 054 498	16 317 770
Other debtors (Note 11 and 14)	651 836	375 038	(4 223)	(727 100)	-	295 551
	11 963 627	3 321 954	(60 994)	334 236	1 054 498	16 613 321
Provisions for risks and costs:						
Other risks and costs	665 793	1 847 432	(599 624)	-	-	1 913 601
	12 629 420	5 169 386	(660 618)	334 236	1 054 498	18 526 922

Captions	Balance as of 03.12.31	Increase	Decrease	Changes in perimeter	Translation diferences	Balance as of 04.12.31
Impairment losses on accounts receivable:						
Customers	9 542 990	1 638 177	415 523	(305 585)	20 686	11 311 791
Other debtors	603 005	133 361	(390 115)	305 585	-	651 836
	10 145 995	1 771 538	25 408	-	20 686	11 963 627
Provisions for risks and costs:						
Other risks and costs	714 838	168 030	(217 075)	-	-	665 793
	10 860 833	1 939 568	(191 667)	-	20 686	12 629 420

Impairment losses on accounts receivable are deducted from the amount of the corresponding asset.

The caption "Other risks and costs" include the amount of Euro 1.666.634 related to the provision made by the subsidiaries Maiashopping – Centro Comercial, S.A. ("Maiashopping") and Norteshopping – Centro Comercial, S.A. ("Norteshopping"), to face the risks related to the legal process intent by a tenant (Adoma) against Sierra Management Portugal – Gestão de Centros Comerciais, S.A. ("SMP") (subsidiary of the Group that does the management of the shopping centres property of these subsidiaries), as consequence of a court order to SMP to pay an indemnity to Adoma. Because of that the Court decided in 2005 the pledged of the bank accounts of SMP by the amount of Euro 2.224.081 (Note 14), being recorded as a receivable account. Considering that SMP operates on behalf of the property companies (in this case Maiashopping and Norteshopping), was decide by the Board of Directors that the provision should be assume directly by Maiashopping and Norteshopping, independently of the entity against which the legal process was raised.

30. SALES AND SERVICES RENDERED

Sales and services rendered for the years ended 31 December 2005 and 2004 are made up as follows:

	2005	2004
Sales	-	23 000
Services rendered:		
Fixed rents	161 552 245	122 846 915
Turnover rents	9 391 282	8 738 893
Mall income	5 282 268	3 784 019
Common charges	54 331 770	59 952 565
Management and administration fees	22 623 331	21 353 155
Co-generation	3 172 440	3 061 485
Parking lot income	6 477 046	6 344 474
Other	9 458 765	9 698 364
	272 289 147	235 779 870
	272 289 147	235 802 870

31. VARIATION IN FAIR VALUE OF THE INVESTMENT PROPERTIES

The variation in fair value of the investment properties in 2005 and 2004 is made up as follows:

	2005	2004
Transfers from "in progress" (Note 7)	64 805 913	42 778 129
Variation in fair value between years (Note 7):		
- Gains	165 725 617	74 527 072
- Losses	(34 765 938)	(1 426 722)
Variation in fair value on "fit-out" contracts (Note 7)	(1 958 214)	(2 629 227)
	193 807 378	113 249 252

32. OTHER OPERATING REVENUE

Other operating revenue for the years ended 31 December 2005 and 2004 is made up as follows:

	2005	2004
Key income	13 992 135	11 090 428
Development fees	9 410 420	9 807 961
Other	4 067 359	8 344 120
	27 469 914	29 242 509

33. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2005 and 2004 are made up as follows:

	2005	2004
Real estate tax	6 197 031	2 782 724
Depreciation and impairment losses of goodwill (Note 9)	5 055 257	2 643 993
Indemnities paid to tenants	2 008 530	1 490 573
"Write-off" (Note 7)	9 450 500	-
Other	8 165 294	9 965 662
	30 876 612	16 882 952

34. NET FINANCIAL RESULTS

Net financial results are made up as follows:

	2005	2004
Expenses:		
Interest expense	51 029 675	46 653 535
Tax stamp related to financing	1 228 536	1 435 697
Foreign currency exchange losses	274 895	119 543
Other	2 733 785	1 523 927
	55 266 891	49 732 702
Net financial expenses	(39 755 452)	(38 819 982)
	15 511 439	10 912 720
Income:		
Interest income	13 817 790	10 440 530
Foreign currency exchange gains	983 028	143 414
Other	710 621	328 776
	15 511 439	10 912 720

35. SHARE OF RESULTS OF ASSOCIATED UNDERTAKINGS

Share of results of associated companies are made up as follows:

	2005	2004
Share of results of associated undertakings (Note 5):		
Net profit	(2 057 658)	(172 377)
Impairment losses	(1 291 394)	-
	(3 349 052)	(172 377)

36. INVESTMENT INCOME

Investment income is made up as follows

	2005	2004
Gains resulted from the contribution in kind to Sierra BV (Note 6):		-
Parque Principado	(283 157)	-
Dos Mares	540 441	-
Luz del Tajo	3 775 570	-
Estação Viana	3 640 301	-
Gains obtain on the sale to Sierra BV:		
Parque Atlântico (Note 6)	-	957 913
Cascaishopping price adjustment	12 153 492	-
Serra Shopping (Note 6)	611 601	-
Rio Sul (Note 6)	12 651 071	-
Project Sierra 1 (Note 6)	1 109	-
Soguia (Note 6)	731 975	-
Sintra Retail Park (Note 6)	-	2 060 456
Alexa Holding (Note 6)	(13 438)	(198 202)
Impairment loss of "goodwill" of Luz del Tajo (Note 9)	(736 126)	-
Other	597 277	895 534
	33 670 116	3 715 701

The amount of Euro 12.153.492 refers to the price adjustment, agreed and received in 2005, related to the sale of 50% of Cascaishopping Holding II, SGPS, SA (which owns 100% of Cascaishopping – Centro Comercial, SA) that occurred in 1996. At the time it was agreed with the buyer that the price would be adjusted after the opening of the expansion of the shopping centre Cascaishopping, and 2005 this adjustment was made.

37. OPERATING LEASES

In the operating leases where the Group is the lessor, the minimal lease payments (fixed rents) recorded during the years ended 31 December 2005 and 2004 amounted to Euro 161.552.245 and Euro 122.846.915, respectively (Note 30).

In addition, as of 31 December 2005, the Group has celebrated, as lessor, operating lease contracts, for which the minimal lease payments (fixed rent) are due as follows:

	05.12.31
Due in 2006	156 394 529
Due in 2007	140 736 188
Due in 2008	120 897 069
Due in 2009	105 108 844
Due in 2010	72 696 065
Due after 2010	71 181 989
	667 014 684

In the Operational Leases where the Group is the lessee, the minimum lease payments recognised as expense during the years ended 31 December 2005 and 2004 ascended to the amounts of Euro 1.013.152 and Euro 850.695, respectively.

In addition, as of 31 December 2005, the Group had celebrated as lessee, operating lease contracts, for which the minimum lease payments are due as follows:

	05.12.31
Due in 2006	882 511
Due in 2007	608 181
Due in 2008	310 143
Due in 2009	100 526
Due in 2010	1 512
Due after 2010	1 512
	1 904 385

38. RELATED PARTIES

Balances and transactions that existed with related parties during the years ended 31 December 2005 and 2004, in addition to the loans obtained from and concede to the shareholders mentioned in Notes 13 and 21, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other liabilities	
	05.12.31	04.12.31	05.12.31	04.12.31	05.12.31	04.12.31
Mother companies and other shareholders:						
Modelo Continente Hipermercados, S.A.	63 939	59 438	300 258	960 477	(329 572)	(740 825)
Modelo - Dist. de Materias de Construção, SA	46 775	-	-	-	(78 350)	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	9 945	36 249	-	-	(337 042)	(302 304)
Infofield - Informática, S.A.	10 537	5 600	-	-	(50 475)	(25 191)
Worten – Equipamentos para o Lar, S.A.	-	19 224	12 965	-	(183 222)	(146 964)
Safira Services – Limpeza e Espaços Verdes, S.A.		313	400 806	306 709	(29 607)	(8 970)
Sonae Investments BV		-		-	37 337	-
Sonae SGPS, S.A.		-		-	(25 142)	-
	131 196	120 824	714 029	1 267 186	(996 073)	(1 224 254)
Jointly controled entities and associate companies						
Modelo Continente Hipermercados, S.A.	100 839	167 084	8 792 839	-	-	-
Safira Services – Limpeza e Espaços Verdes, S.A.		-	1 238	-	-	-
	100 839	167 084	8 794 077	-	-	-

	Transactions							
	Sales and services rendered		Purchases and services obtained		Interest income		Interest expense	
	05.12.31	04.12.31	05.12.31	04.12.31	05.12.31	04.12.31	05.12.31	04.12.31
Mother companies and other shareholders:								
Modelo - Dist. de Materias de Construção, SA	1 050 916	-	-	-		-	-	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	4 031 915	3 720 162	-	-		-	-	-
Infofield - Informática, S.A.	1 325 998	1 243 689	-	-		-	-	-
Worten – Equipamentos para o Lar, S.A.	3 766 487	3 624 573	-	3 178		-	-	-
Safira Services – Limpeza e Espaços Verdes, S.A.	569	3 848	3 181 193	3 159 849		-	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-		-	204 259	-	179 461	203 797
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	-	-	163 406	-	144 105	163 040
Cecosa S.A.	-	-	-	-	-	-	-	496 184
Sonae Investments BV	-	-	-	-	774 326	1 805 922		-
Sonae SGPS, S.A.	-	-	-	-	237 782	614 791	-	-
Grosvenor	-	-	-	-	-	1 189 684	-	-
	10 175 885	8 592 272	3 181 193	3 163 027	1 379 773	3 610 397	323 566	863 021
Jointly controled entities and associate companies								
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-	-	-	-	-	2 181 964	3 272 824
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	-	-	-	-	1 745 556	2 606 227
	-	-	-	-	-	-	3 927 520	5 879 051

The remuneration of the Board of Directors, during the years ended 31 December 2005 and 2004, was as follows:

	2005	2004
Fixed remuneration	1 352 150	1 124 200
Variable remuneration	1 309 164	1 247 108
	2 661 314	2 371 308

39. CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2005 and 2004, the main contingent liabilities related to bank guarantees and had the following detail:

	05.12.31	04.12.31
Bank guarantees:		
Relating tax processes in course	3 069 994	2 956 729
Relating legal processes in course	167 112	52 631
Other	57 239 606	32 142 198
	60 476 711	35 151 558

The caption "Others" include the following guarantees:

- Euro 5.285.390 to support part of the debt of Freccia Rossa own by Sonae Sierra, related to the land acquisition, property of this subsidiary;
- Euro 10.800.000 to support part of the debt of Project Sierra Spain I to Centros Comerciales Carrefour, S.A. related to the acquisition and exchange of the land for the project Las Medulas;
- Euro 15.025.302 to support part of the debt of Project Sierra Spain I to Grupo Mall Empresarial, S.L no related to the acquisition and exchange of the land for the project Las Medulas;
- Euro 2.524.252 to support part of the debt of Project Sierra Spain I to Ponferrada Gestión Urbanística, S.A related to the acquisition and exchange of the land for the project Las Medulas;
- Euro 6.960.000 to support the debt of Project Sierra Spain I to Centros Comerciales Carrefour, S.A related to the fit-outs contracts of de Las Medulas;
- Euro 3.000.000 to support the payment by Sierra Developments SGPS, SA of the "Final price deferred " of the shares of Limadarque to Caixa Geral de Depósitos.

No provision to face risks derived from the tax and legal processes in course above mentioned was recorded, as the Board of Directors believes that the corresponding risk is not probable.

40. COMPROMISES NOT REFLECTED IN THE BALANCE SHEET

Following the sale of 49.9% of the share capital of Sierra Holdings BV to a group of Investors, Sonae Sierra has agreed to revise the sale price of such shares if certain of the shopping malls are sold by any of the participated companies of Sierra Holdings BV. The price revision can occur whether with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is directly or indirectly the owner of such asset. The price revision shall occur if the sale is made for a lower price than the Market Value or Net Asset Value of the shares of the company that owns the asset ("price difference").

In that case, the price revision will correspond to the maximum potential income tax on the profit that would arise if, instead of the contribution or sale of the shares of company that owns the asset to Sierra Holdings BV, the contribution or sale of the asset had occurred.

The price revision shall be computed considering the Investors' ownership percentage of the asset and is limited to:

(i) in the case of the asset sale, to a maximum amount of 119.341 thousands Euro;

(ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, to a maximum amount of 59.670 thousands Euro; the price revision will only take place if the price difference will can not be attributed to other reason than deferred income taxes;
(iii) in either case, the price revision cannot result in a new price that is greater than the Market Value or the Net Asset Value, as applicable, of the transfer of the asset or of the shares respectively.

These assurances are valid while the current agreements with the other stockholders of Sierra BV maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares in stake before the same are offered for purchase to a third party.

The Group believes that the direct sale of the asset is not an attractive solution for this kind of operations as it is subject to certain encumbrances that are inexistent in the sale of the shares of the company that owns the asset.

Sonae Sierra, through its subsidiary ALEXA Shopping Centre GmbH had, in 2004, the obligation to buy 44% of the subsidiary ALEXA Side GmbH & Co. KG, and there is also a Put-Call-option for the remaining 6%; in 2005 49% of the share capital of ALEXA Side were bought, existing at 31 December 2005 a debts of the amount of Euro 1.619.253 (Note 27)

41. DIVIDENDS

Following the Shareholders General Meeting deliberation, dated 4 April 2005, the dividends related to the net profit of 2004 amounted to Euro 13.005.600 (Euro 0,40 / share), were paid during 2005.

In relation to the dividends related to the net profit of 2005, the Board of Directors proposes an amount of Euro 24.027.846 (Euro 0,739 per share) to be paid as dividends. This proposal depends however of the corresponding approval by the Shareholders General Meeting and for that reason the dividends that are proposed to be distributed were not classified as liabilities in the accompanying balance sheet.

42. EARNINGS PER SHARE

As of 31 December 2005 and 2004, basic earnings per share correspond to the net profit divided by the weighted average number of ordinary shares of Sonae Sierra during the year, and was computed as follows:

	05.12.31	04.12.31
Profit considered to compute the basic earnings per share (net profit of the year)	148 149 441	82 246 357
Number of shares	32 514 000	32 514 000
Earning per share	4.56	2.53

Sonae Sierra has no potential diluted shares and for that reason the diluted earning per share is similar to the basic earning pr share.

43. SEGMENT INFORMATION

In 2005 and 2004 the following business segments were identified:

- Investment in Shopping centres;
- Management of Shopping centres;

The remaining Group activities and administrative services are classified as unallocated.

In 2005 and 2004 the following geographical segments were identified:

- Europe
- Brazil

The intra-segment transactions in 2005 and 2004 were eliminated in the consolidation process.

The average number of employees in 2005 e 2004, by business segment is detailed as follows:

	2005	2004
Investment in shopping centers	7	5
Management of shopping centers	425	405
Non allocated	203	175
	635	585

	2005	2004
Europe	583	533
Brazil	52	52
	635	585

The significant information relating to the business and geographical segments at 31 December 2005 and 2004 is presented in an appendix.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised to issue on the 8 of March 2006. However these financial statements are still depending on the corresponding approval by the Shareholders General Meeting under the commercial legislation prevailing in Portugal.

45. NOTE ADDED FOR TRANSLATION

The accompanying financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal, some of which may not conform with or be required by generally accepted accounting principles in other countries. In the event of discrepancies the Portuguese language version prevails.

	Investment in shopping centres		Management of shopping centres		Unallocated		Total	
	05.12.31	04.12.31	05.12.31	04.12.31	05.12.31	04.12.31	05.12.31	04.12.31
Revenue:								
Sales	-	23 000	-	-	-	-	-	23 000
Services rendered	186 194 735	155 411 458	94 329 247	94 836 796	23 342 252	18 939 257	303 866 234	269 187 511
Variation in fair value of the investment properties	193 807 378	113 249 252	-	-	-	-	193 807 378	113 249 252
Other operating income	17 960 687	15 554 770	1 118 792	3 978 205	7 799 199	8 364 644	26 878 678	27 897 619
	397 962 800	284 238 480	95 448 039	98 815 001	31 141 451	27 303 901	524 552 290	410 357 382
Inter-segment revenue	(763 971)	(1 615 958)	(15 590 939)	(17 414 049)	(14 630 941)	(13 032 744)	(30 985 851)	(32 062 751)
Total revenue	397 198 829	282 622 522	79 857 100	81 400 952	16 510 510	14 271 157	493 566 439	378 294 631
Operating result of the segment	272 493 905	239 107 336	(2 487 134)	(2 609 542)	32 520 213	(23 931 671)	302 526 984	212 566 123
Unallocated expenses								
Net interest expense							(37 211 885)	(36 213 005)
Other financial results							(5 892 619)	(2 779 354)
Income investment							33 670 116	3 715 701
Income tax							(73 618 915)	(50 532 015)
Minority interests							(71 324 240)	(44 511 093)
Net consolidated profit for the year							148 149 441	82 246 357
Segment assets:								
Investment properties	2 481 632 378	1 992 304 793	-	-	237 450 090	224 893 570	2 719 082 468	2 217 198 363
Other assets	235 586 435	308 680 892	30 531 035	23 650 247	178 651 661	76 182 048	444 769 131	408 513 187
Investment in associated companies	1 457 331	48 098		17 500	6 754 312	2 769 281	8 211 643	2 834 879
Unallocated assets						-	-	-
	2 718 676 144	2 301 033 783	30 531 035	23 667 747	422 856 063	303 844 899	3 172 063 242	2 628 546 429
Segment liabilities:								
Segment liabilities	1 656 226 893	1 375 102 617	34 694 976	27 199 212	180 091 929	154 349 904	1 871 013 798	1 556 651 733
Unallocated liabilities		-		-		-	-	-
	1 656 226 893	1 375 102 617	34 694 976	27 199 212	180 091 929	154 349 904	1 871 013 798	1 556 651 733
Cash flows:								
Cash flows from operating activities	149 781 578	94 224 964	(3 340 647)	(3 895 133)	(20 667 353)	(39 760 391)	125 773 578	50 569 440
Cash flows from investing activities	(114 985 309)	(118 700 656)	10 434 603	1 420 140	(117 452 154)	(56 050 464)	(222 002 860)	(173 330 980)
Cash flows from financing activities	122 890 827	52 717 926	(10 255)	(26 687)	41 375 414	(884 678)	164 255 986	51 806 561
	157 687 096	28 242 234	7 083 702	(2 501 680)	(96 744 093)	(96 695 533)	68 026 704	(70 954 979)

	Europe		Brazil		Total	
	05.12.31	04.12.31	05.12.31	04.12.31	05.12.31	04.12.31
Segment revenue	486 331 241	365 899 466	7 235 198	12 395 165	493 566 439	378 294 631
Segment assets	2 957 663 823	2 464 271 635	214 399 419	164 274 794	3 172 063 242	2 628 546 429