



## SONAE SIERRA

### Consolidated Financial Statements - 1<sup>st</sup> Half 2006

#### **INTRODUCTION**

Sonae Sierra's Net Consolidated Profit (after minority interests) reached € 87,4 million for the first six months of 2006, an increase of 118% compared to the same period of last year.

In consolidated terms, Sonae Sierra ended the first six months of 2006 with Direct Profits of € 41,3 million, which represent an increase of 51%, compared with the first six months of 2005. Indirect profits were € 98,9 million, an increase of 118% compared with the same period of last year. During the first six months of 2006 there was a considerable growth in activity resulting from (i) the opening in 2005 of Plaza Éboli (Madrid – Spain), Loureshopping (Loures – Portugal), Serra Shopping (Covilhã – Portugal) and Mediterranean Cosmos (Thessaloniki – Greece), (ii) the acquisition of Valecenter (Marcon – Italy) and Airone (Monselice – Italy) and (iii) the recent inauguration of Rio Sul (Seixal – Portugal). Also, as observed in 2005, Sonae Sierra's Consolidated Results were greatly influenced by the valuation of assets owned as a result of a general decrease in yields in Portugal and Spain.

The Open Market Value (OMV) of all Sonae Sierra's real estate fixed assets were valued by an independent firm as at 30 June 2006, and totalled € 4,454 million (€ 4,099 million as at 31/12/2005), of which € 2,691 million (€ 2,498 million as at 31/12/2005, an increase of 8%) are controlled by Sonae Sierra. On a like-for-like basis, the attributable value increased by 6%.

As of 30 June 2006, the NAV per share ("Net Asset Value") of the attributable property portfolio stood at € 41,72 (€ 38,90 as of 31/12/2005), an increase of 7,3% during the first six months of 2006.

#### **MAIN EVENTS DURING THE FIRST HALF OF 2006**

The main events during the first half of 2006 were the following:

January: Sonae Sierra sold 50% of the companies' owners of two Shopping Centres in Portugal, at 9 of January, to the Pan European Fund, managed by Rockspring Property Investment Managers. The two centres involved are RioSul Shopping, then still under development in Seixal (south of Lisbon) and latter inaugurated at the 21 of March, and SerraShopping in Covilhã (north-west Portugal) which recently inaugurated at the 22 of November of 2005. Sonae Sierra retained management of both shopping centres. The RioSul shopping and leisure centre results from the expansion of the Continente shopping centre in Seixal and involves a total investment of € 65.30 million. It will offer a GLA of around 40,000 m2, distributed amongst

140 shop units including restaurants. SerraShopping, which was designed around the expansion of the Modelo supermarket in Covilhã, represents a total investment of € 30.86 million and offers a total of 86 shop units with a GLA of 17,677 m<sup>2</sup>.

**February:** Public launch by Sonae Sierra, at the 1st of February, of its future shopping and leisure centre, called Freccia Rossa ("Red Arrow"), the largest downtown shopping and leisure centre in Italy. The development, to be built in the historic centre of the Italian city of Brescia, is scheduled to be inaugurated in the Spring of 2007. Representing an investment of € 140 million, to be supported by Sonae Sierra (50%) in partnership with AIG Global Real Estate Investments Corp (40%) and Coimpredil (10%), the Freccia Rossa will have 30.000 m<sup>2</sup> of GLA and a total of 130 shops, including 23 restaurants.

**March:** Inauguration by Sonae Sierra at the 21 of March of the RioSul Shopping and Leisure centre, in Seixal (south of Lisbon - Portugal). The Shopping Centre represents an investment of €68 million with a GLA of 39.734 m<sup>2</sup> and a total of 137 shops. The centre was fully developed by Sonae Sierra (100%) but 50% of ownership was sold in January (previous to opening) to the Pan European Fund. This new development generated 920 new jobs, to add to the 330 that already existed in the Continente do Seixal Shopping Centre and totaling 1250 jobs. 98% of the GLA was already let at inauguration and 7,7 million visits are expected this year.

Public disclosure, by Sonae Sierra and Foncière Euris, the owners and developers of Alexa, of the concept and first tenants for the new shopping and leisure centre on the Alexanderplatz in Berlin (Germany). Alexa, a themed shopping and leisure centre, represents an investment of € 290 million and has a GLA of 54,000 m<sup>2</sup>. The project is planned to have 180 shop units including 17 restaurants, and 1,600 carparking spaces, with the opening scheduled for Autumn 2007. The centre is forecasted to create 1,000 jobs.

**May:** The joint-venture of Acropole Charagionis and Sonae Sierra (50-50%) has earned the usage rights of the Galatsi Olympic Hall, in Athens-Greece for the next 40 years following the conclusion of the final phase of Olympic Properties International Tender. The two partners submitted a proposal for an innovative Shopping and Leisure Centre with a GLA of 38.100 m<sup>2</sup>, representing a total investment of € 78 million. The centre is scheduled to start its operations on the 2nd semester of 2008.

June: Public disclosure, by Sonae Sierra of its new shopping and leisure centre, called "El Rosal", located in Ponferrada, Spain. Owned and developed by a partnership between Sonae Sierra (70%) and the Mall Group (30%), shopping centre "El Rosal" will represent an investment of €111 million, and will have 152 shops, with a GLA of 49.200 m2 and a construction area of 151.307 m2. It is expected to open in the Autumn of 2007 and will create more than 1400 new direct jobs.

## **BUSINESSES**

### **SIERRA INVESTMENTS**

In the first half of 2006, the performance of Sierra Investments shopping centres continued above expectations. As in the previous year, assets in Portugal and Spain underwent significant revaluation as a result of the general fall in yields. In addition, the high rate of growth in Sierra Investments business activity, compared with the same period last year, resulted not only from the increase of the operational activity of the shopping centres already in operation, but also from the increase in the portfolio of assets owned, as consequence of the openings and acquisitions during 2005 and 2006.

#### **Portugal**

Sonae Sierra is the owner (or co-owner) of 17 Shopping Centres in Portugal, with a total of 733,136 m2 of GLA.

During the first half of 2006, the total rental income of these centres was € 84 million, an increase of 8%, compared to the same period of 2005. This increase was driven by a positive trend in fixed rents as a result of contract renegotiations with tenants and from the opening of the new centres, SerraShopping (Covilhã), RioSul Shopping (Seixal) and LoureShopping (Loures).

#### **Spain**

Sierra Investments is the owner (or co-owner) of 11 shopping centres, with a total of 478,126 m2 of GLA.

During the period, total rental income increased by 6,5% compared to the same period of 2005. This increase is explained in large part by the opening of Plaza Éboli in March 2005, which fully contributed during the first six months of 2006. On a like-for-like basis, total rental income increased by 3.3%.

### **Italy**

In Italy, Sierra Investments is the owner of 2 Shopping Centres with a total GLA of 73,324 m<sup>2</sup>: Valecenter (Marcon) and Airone (Monselice).

In the first six months of 2006 total rental income from these centres was € 3,7 million.

Italy is currently one of the target markets for the development and acquisition of new shopping centres by Sierra Investments. The company believes Italy to have great potential for long-term value creation and expects to increase its asset portfolio considerably over the next few years.

### **Greece**

Sierra Investments is the owner of 1 shopping centre in Greece, with a total GLA of 45,957 m<sup>2</sup>: Mediterranean Cosmos (Thessaloniki).

In the first six months of 2006, the total rental income from this centre reached € 6 million.

The opening of Mediterranean Cosmos (Thessaloniki) was Sierra Investment's first step into the Greek market, as part of Sonae Sierra's internationalisation policy. Greece is one of the company's target markets for the development of new shopping centres.

## **SIERRA DEVELOPMENTS**

### **Portugal**

The VIII Avenida (São João da Madeira) project, currently underway and due to open in October 2007, represents an investment of € 48,5 million. With a GLA of 17,700 m<sup>2</sup>, this Centre is the result of the public tender won by Sonae Sierra to purchase a municipal site adjacent to the Modelo supermarket.

The future commercial and leisure centre in Évora being developed by Sierra Developments is due to open in 2008. The project is the result of the expansion of the already existing Modelo and represents an investment of € 60 million with a GLA of 25,310 m<sup>2</sup> distributed between 95 shops. This project has several new initiatives: 25% - 30% of the shopkeepers will be local retailers and there will be 60,000 m<sup>2</sup> of green areas, in compliance with environmental certification standards ISO 14001:2004.

The Setúbal Retail Park (Setúbal) and the Lima Retail Park (Viana do Castelo) are the result of the 50% partnership in Portugal with Miller Developments, for the development of retail parks. The Setúbal Retail Park represents an investment of €23 million with a GLA of 20,300 m<sup>2</sup> distributed amongst 18 shops. The Lima Retail Park represents an investment of € 13 million with a GLA of 10,900 m<sup>2</sup> split between 12 shops and is forecast to open in the Spring of 2007.

### **Spain**

In Malaga, work has begun on the Plaza Mayor Shopping Centre. This project, in partnership with Castle Management (25%), represents an investment of € 47 million with 18,750 m2 of GLA.

The future commercial and leisure centre El Rosal, located in the polygonal expansion area of "La Rosaleta" Ponteferrada, is a project undertaken in partnership with Mall Inversiones (30%) and represents an investment of € 111 million, with a GLA of 49,200 m2 and its opening is forecast for Autumn 2007. The project is currently at an early stage of development.

### **Italy**

Construction of Freccia Rossa (Brescia) began immediately after the construction licence had been obtained. This project represents an investment of € 117 million, in partnership with AIG (40%) and Coimpredil (10%). With a GLA of 29,400 m2 and 125 stores, opening is forecast for the Autumn of 2007.

The second investment in Italy, the Gli Orsi commercial and leisure centre in Biella, came about as a result of the partnership with NovaCoop, who will own and operate a supermarket of 13,500 m2 (included in the GLA). However, the centre is 100% owned by Sonae Sierra. This project is likely to represent an investment of € 87 million and a GLA of 34,700 m2 with opening scheduled for the second half of 2008.

Sonae Sierra and ING Real Estate Development have established a partnership (50/50) for the promotion of a new shopping and leisure centre, named "Le Terrazze", in La Spezia, with opening planned for the Spring of 2008. With a GLA of 38,300 m2 and representing an investment of € 120 million, the centre will have a hypermarket operated by Coop Liguria as its main anchor store.

### **Germany**

Construction and commercialisation have continued on the modern Alexa Shopping Centre in Berlin with 60% of GLA already taken up. This partnership with the Foncière Euris Group (50/50) is a project involving an investment of € 290 million and a GLA of 54,650 m2. The Centre is expected to be completed in the autumn of 2007.

The 3DO shopping centre in Dortmund represents a total investment of € 272 million and will have a GLA of 66.800 m2 shared between 20 shops. Currently this is at the negotiation stage with opening scheduled for Autumn 2009.

Resulting from the acquisition of land already licensed, development has begun on the new Weiterstadt shopping centre, at Weiterstadt (Frankfurt). At a total investment of € 198 million this centre will have a GLA of 56,147 m2.

### **Greece**

In a 50-50% partnership with the Greek group Acropole Charagionis, Sonae Sierra won a 40 year concession to develop the Galatsi Olympic Hall in Athens – one of the 2004 Olympic Games areas. The project is for a new commercial and leisure centre with a GLA of 38,100 m<sup>2</sup> at a forecasted investment of €78 million. The project is currently at an initial stage of development and is forecast to open in the second half of 2008.

### **SIERRA MANAGEMENT**

Sierra Property Management business continues to strengthen its structures in Italy, Greece and Germany in order to respond to the constant increase in its portfolio of assets under management and being commercialised. The company now manages 5,603 contracts covering 1,683 thousand m<sup>2</sup> of GLA.

### **Portugal**

During the first six months of 2006 Sierra Management began commercialisation of RioSul Shopping Centre (Seixal) and was managing a total of 913 thousand m<sup>2</sup> GLA, equal to 3,625 tenant contracts. Performance was good with a total of 106 million visitors and sales reached € 939 million, an increase of 6,0%, compared with the same period from the previous year.

The portfolio occupancy rate was 96,3%.

### **Spain**

During the first half of 2006, Sonae Sierra was managing a total of 14 shopping centres and 2 galleries. Currently Sierra Management has 1,620 tenant contracts, representing 590 thousand m<sup>2</sup> of GLA. Performance was positive during this period with an 11.5% growth in sales (€ 379 million) and 3,4% (35 million) in visits, compared with the same period from the previous year. Occupancy rate reached 91,6%.

### **Italy**

During the first half of 2006, Sonae Sierra was managing 4 shopping centres, representing 165 tenant contracts and 134 thousand m<sup>2</sup> of GLA (an increase of 82% over the same period of the previous year). Sales rose to € 18,4 million and visits to 3,4 million. Occupancy rate reached 78,4%.

### **Greece**

During the first six months of 2006 Sierra had 1 shopping centre under management, with 193 tenant contracts and 46 thousand m<sup>2</sup> of GLA.

Sales during this period reached € 48,0 million with 3,5 million visits. Occupancy rate reached 92,3%.

### **SONAE SIERRA BRASIL**

In Brasil, Sonae Sierra Brasil is the owner (or co-owner) of 8 shopping centres, equal to a total of 305 thousand m2 of GLA.

During the first six months of 2006, total rental income from the Brazilian portfolio grew by 26,1% in Reais, compared to the same period of the previous year, an increase of 8,7% on a like-for-like basis.

Sonae Sierra in Brazil manages 1,464 tenant contracts. The portfolio received almost 37,4 million visits and sales reached more than R\$ 993,5 million (€ 367,6 million) an increase of 17,2% (in Reais) compared with the same period of the previous year. Like-for-like comparison shows sales growth of 14,7%. The occupancy rate for this portfolio reached 85,1%.

Exercising due prudence and caution, the company continues to investigate further investment opportunities in this market. Currently Sonae Sierra Brasil holds a 10% interest in the Campo Limpo project (São Paulo) representing a total investment of € 19,7 million and 20,000 m2 of GLA.

## **FINANCIAL POSITION AND RESULTS**

### **Consolidated Financial Performance**

Sonae Sierra's Net Profit for the first six months of 2006 reached €140,1 million, an increase of 93% over the same period of last year. Minority interests include 49,9% from the SIERRA Fund. This improvement in the consolidated results comes about mainly as a result of increased activity in acquisitions and openings during 2005 and 2006 and from revaluation gains during the 1st half of 2006 resulting from decreased yields in Portugal and Spain.

Sonae Sierra closed the first six months of 2006 with consolidated direct investment income of €120,3 million, compared with € 99,16 million during the same period last year; this was an increase of 21,3%.

EBITDA was € 73,9 million in the first half of 2006 compared to € 56,7 million in the first half of 2005, which represents an increase of 30,4%. EBITDA was favourably influenced by:

- 1) the inauguration during 2005 of Plaza Éboli (Madrid – Spain), Loureshopping (Loures – Portugal), Serrashopping (Covilhã – Portugal and Mediterranean Cosmos (Thessaloniki – Greece);
- 2) the opening of Rio Sul (Seixal – Portugal ) which took place during the first quarter of 2006;
- 3) the acquisition during 2005 of Valecenter (Marcon – Italy) and Airone (Monselice – Italy);
- 4) the acquisition during 2005 of Plaza Sul (São Paulo – Brasil);
- 5) the start up of the new Portuguese project in São João da Madeira and the Lima Retail Park, located in São João da Madeira-Portugal and Viana do Castelo-Portugal respectively, as well as the Weiterstadt, located in the near Frankfurt-Germany.

Indirect Profit during the first half of 2006 was € 98,9 million, an increase of 118% over the similar period of the previous year. Value created on investments totalled € 143,1 million resulting from the general fall in yields on Portuguese and Spanish assets. The gain achieved on investments relates to capital gains resulting from the sales of Zubiarte (Bilbao – Spain) and of Avenida M40 (Madrid – Spain) to the Sierra Fund and to the loss resulting from the full amortization Caselle (Turin - Italy) project investment in the amount of € 2,983 million.

The write-off of the Caselle investment (Italy) was decided given that the agreement Sonae Sierra had established with the land vendors could not be executed. In fact, Sonae Sierra had an agreement with the vendors of the project in which it would purchase the whole share capital of its vehicle company, SATAC SpA, upon fulfilment of a number of conditions, the main ones being the approval, at regional level of the Detailed Zoning Plan, thus making it possible to apply for the building license for the Centre and the approval of the application, by SATAC, of the corresponding trading license.



The deadline for fulfilment of those conditions was originally set at the end of 2005 and was subsequently extended until the end of May 2006. These main conditions were fulfilled.

However, in the second quarter of 2006 the approval of the Detailed Zoning Plan was challenged by third parties with a complaint filed at the President of the Italian Republic and the approval of the trading license was equally challenged by the same parties at the Administrative Regional Court.

Although we are monitoring closely the situation in order to be fully updated and to exploit any opportunity that might arise to establish a new agreement, Sonae Sierra considered the project abandoned given the uncertainty about the outcome of these complaints, that could result in the cancellation of the approvals, making it impossible to develop the project

Analysis of the Consolidated Balance Sheet confirms that Sonae Sierra continues to demonstrate a continued sound financial position. Gearing (measured as net indebtedness as a percentage of total assets less cash and equivalents) was 32,8% at the end of June 2006, a very comfortable percentage for this type of business.

**Sonae Sierra**

(un-audited accounts)

<b>Consolidated Profit and Loss Account (€000)</b>	<b>1<sup>st</sup> semester 2006</b>	<b>1<sup>st</sup> semester 2005</b>	<b>% 06/05</b>
<b>Direct Income from Investments</b>	<b>120.309</b>	<b>99.165</b>	<b>21,3%</b>
Operating costs	42.512	38.149	11%
Other costs	3.923	4.347	-10%
<b>Direct costs from investments</b>	<b>46.435</b>	<b>42.496</b>	<b>9%</b>
<b>EBITDA</b>	<b>73.874</b>	<b>56.669</b>	<b>30,4%</b>
<b>Depreciation</b>	<b>891</b>	<b>1.312</b>	<b>-32%</b>
<b>Recurrent net financial costs</b>	<b>22.090</b>	<b>20.119</b>	<b>10%</b>
<b>Direct profit before taxes</b>	<b>50.893</b>	<b>35.237</b>	<b>44%</b>
<b>Corporate tax</b>	<b>9.633</b>	<b>7.928</b>	<b>22%</b>
<b>Direct profit</b>	<b>41.260</b>	<b>27.309</b>	<b>51%</b>
Realized on properties	1.273	1.929	-34%
Value created on investments	146.051	54.462	168%
<b>Indirect income</b>	<b>147.323</b>	<b>56.392</b>	<b>161%</b>
<b>Deferred tax</b>	<b>48.455</b>	<b>11.086</b>	<b>337%</b>
<b>Indirect profit</b>	<b>98.868</b>	<b>45.305</b>	<b>118%</b>
<b>Net profit before minorities</b>	<b>140.128</b>	<b>72.614</b>	<b>93%</b>
<b>Attributable to :</b>			
Equity holders	87.362	39.990	118%
Minority interests	52.766	32.624	62%

**Sonae Sierra**

(un-audited accounts)

<b>Consolidated Balance Sheet (€000)</b>	<b>30-06-2006</b>	<b>31-12-2005</b>	<b>Var. (06 - 05)</b>
Investment properties	2.684.579	2.491.398	193.181
Properties under development and others	331.278	254.910	76.368
Goodwill	49.057	52.346	-3.289
Deferred taxes	28.689	27.673	1.016
Other assets	106.373	121.843	-15.470
Deposits	192.831	256.841	-64.010
<b>Total assets</b>	<b>3.392.807</b>	<b>3.205.011</b>	<b>187.796</b>
<b>Net worth</b>	<b>1.066.262</b>	<b>1.002.154</b>	<b>64.109</b>
<b>Minorities</b>	<b>349.577</b>	<b>298.896</b>	<b>50.681</b>
Bank loans	1.242.345	1.196.942	45.403
Shareholder loans from minorities	73.657	77.254	-3.596
Deferred taxes	455.205	402.727	52.478
Other liabilities	205.760	227.039	-21.279
<b>Total liabilities</b>	<b>1.976.968</b>	<b>1.903.962</b>	<b>73.007</b>
<b>Net worth, minorities and liabilities</b>	<b>3.392.807</b>	<b>3.205.011</b>	<b>187.796</b>

**Management Financial Statements by business (un-audited)**

We present pro-forma financial statements (un-audited) by business in accordance with International Accounting Standards (IAS).

**Sierra Investments**

The first six months of 2006 were very positive for Sierra Investments with a contribution to Consolidated Results of € 61,6 million compared to € 42,3 million in the first half of 2005, an increase of 46%.

The increase in Sierra Investments' portfolio, compared with the same period of the previous year, resulting from (i) the opening during 2005 of the Plaza Éboli (Pinto – Spain), LoureShopping (Loures – Portugal), SerraShopping (Covilhã – Portugal) and Mediterranean Cosmos (Thessaloniki – Greece, (ii) the opening during the first quarter of 2006 of Rio Sul (Seixal – Portugal) and (iii) the acquisition in Italy of Valecenter (Marcon) and Airone (Monselice) during the third quarter of 2005, accounted to a large extent for the 15% growth in Operating Income compared with that of the similar period of 2005.

EBITDA totalled €66,3 million, an increase of 16% compared with the same period of last year.

Net Financial Costs went up by 20% compared with the same period of last year, due to the increase in bank indebtedness resulting from the Portfolio growth during 2005 and 2006 involving openings and acquisitions, and the refinancing of already existing shopping centres.

Value created on properties reached €119,7 million during this period compared with € 57 million in similar period of 2005, as result of the general fall in yields observed in Portugal and Spain, leading to an increase in the OMVs of the assets owned.

The increase in deferred taxes of € 20,3 million, compared with the same period of 2005 resulted from the general increase in value of the investments owned.

**Sierra Investments**

(un-audited accounts)

<b>Profit &amp; Loss Account</b> <b>(€000)</b>	<b>1<sup>st</sup> semester</b> <b>2006</b>	<b>1<sup>st</sup> semester</b> <b>2005</b>	<b>% 06/05</b>
Fixed rental income	75.360	63.546	19%
Turnover rental income	1.978	2.046	-3%
Key-money	2.947	4.326	-32%
Other income	2.949	2.642	12%
Retail operating income	83.235	72.561	15%
Property management services	4.474	3.779	18%
Letting & promotion	1.534	1.938	-21%
Capital expenditure	970	1.501	-35%
Other costs	7.646	5.811	32%
Retail operating costs	14.624	13.028	12%
Retail operating margin	68.611	59.532	15%
Parking operating margin	1.492	1.474	1%
Co-generation operating margin	626	577	8%
<b>Shopping centre net operating margin</b>	<b>70.730</b>	<b>61.584</b>	<b>15%</b>
<b>Offices operating margin</b>	<b>179</b>	<b>173</b>	<b>3%</b>
Overheads	4.585	4.596	0%
<b>EBITDA</b>	<b>66.324</b>	<b>57.161</b>	<b>16%</b>
Depreciation and Provisions	666	1.403	-53%
Recurrent net financial costs/(income)	23.358	19.520	20%
Non-recurring costs/(income)	243	233	4%
<b>Direct profit before taxes</b>	<b>42.057</b>	<b>36.006</b>	<b>17%</b>
Corporate tax	8.773	6.992	25%
<b>Direct profit</b>	<b>33.284</b>	<b>29.013</b>	<b>15%</b>
Gain on sale of properties	720	6.045	-88%
Value created on properties	119.710	57.077	110%
<b>Indirect income</b>	<b>120.429</b>	<b>63.121</b>	<b>91%</b>
Deferred tax	39.686	19.387	105%
<b>Indirect profit</b>	<b>80.743</b>	<b>43.734</b>	<b>85%</b>
<b>Net profit before minorities</b>	<b>114.027</b>	<b>72.747</b>	<b>57%</b>
<b>Attributable to :</b>			
Equity holders	61.595	42.257	46%
Minority interests	52.432	30.490	72%

**Sierra Investments**

(un-audited accounts)

<b>Consolidated Balance Sheet</b> <b>(€000)</b>	<b>30-06-2006</b>	<b>31-12-2005</b>	<b>Var.</b> <b>(06 - 05)</b>
Investment properties & others	2.541.881	2.350.906	190.975
Tenants	10.175	10.127	48
Deferred taxes	16.603	16.335	268
Other assets	82.203	97.683	-15.479
Deposits & short term investments	365.869	399.645	-33.775
<b>Total assets</b>	<b>3.016.731</b>	<b>2.874.696</b>	<b>142.036</b>
<b>Net worth</b>	<b>761.743</b>	<b>787.687</b>	<b>-25.943</b>
<b>Minorities</b>	<b>343.472</b>	<b>293.484</b>	<b>49.988</b>
Bank loans	1.150.519	1.106.952	43.567
Shareholder loans	81.784	89.252	-7.468
Deferred taxes	432.223	384.000	48.223
Other liabilities	246.989	213.321	33.669
<b>Total liabilities</b>	<b>1.911.516</b>	<b>1.793.525</b>	<b>117.991</b>
<b>Net Worth, minorities and liabilities</b>	<b>3.016.731</b>	<b>2.874.696</b>	<b>142.036</b>

### Sierra Developments

This business contributed with € 15,3 million to Consolidated Results after minority interests, representing an increase of 196% compared with the same period of the previous year.

During 2006 Sierra Developments registered gains of € 10,3 million in investments resulting mainly from (i) the opening of Rio Sul (Seixal – Portugal), (ii) price adjustments to assets subsequently sold to Sierra Investments, (iii) full amortization of the investment in Caselle project (Turin – Italy), previously explained in this report.

During the first half of 2006 the Board fully amortized its investment in the Caselle project. This decision had a negative impact of € 2,983 million on Indirect Profit.

Value created on properties under development totalled € 12,3 million during the first six months of 2006. This came about as the result of developments during the first half of 2006 on projects currently underway – Freccia Rossa (Brescia – Italy), El Rosal (Ponferrada – Spain), VIII Avenida (São João da Madeira – Portugal) and Weiterstadt (Frankfurt – Germany),

### **Sierra Developments**

(un-audited accounts)

<b>Profit &amp; Loss Account (€000)</b>	<b>1<sup>st</sup> semester 2006</b>	<b>1<sup>st</sup> semester 2005</b>	<b>% 06/05</b>
<b>Development services rendered</b>	<b>6.511</b>	<b>6.117</b>	<b>6%</b>
Operating costs	10.650	10.606	0%
<b>EBITDA</b>	<b>(4.139)</b>	<b>(4.488)</b>	<b>8%</b>
Depreciation and provisions	(8)	117	-107%
Net financial costs/(income)	(1.792)	107	-
Non-recurring costs/(income)	(40)	(527)	0
<b>Direct profit before taxes</b>	<b>(2.299)</b>	<b>(4.185)</b>	<b>45%</b>
Corporate tax	(376)	(872)	57%
<b>Direct profit</b>	<b>(1.923)</b>	<b>(3.312)</b>	<b>42%</b>
Realized on properties	10.320	(7.970)	229%
Value created on investments	12.329	23.769	-48%
<b>Indirect profit</b>	<b>22.649</b>	<b>15.799</b>	<b>43%</b>
Deferred tax	5.456	7.336	
<b>Net profit before minorities</b>	<b>15.270</b>	<b>5.151</b>	<b>196%</b>
<b>Attributable to :</b>			
Equity holders	<b>15.270</b>	<b>5.152</b>	196%
Minority interests	(0)	(1)	100%

**Sierra Developments**

(un-audited accounts)

<b>Consolidated Balance Sheet (€000)</b>	<b>30-06-2006</b>	<b>31-12-2005</b>	<b>Var. (06 - 05)</b>
Properties under development	307.938	244.431	63.508
Tenants	1.755	3.420	-1.664
Other assets	188.807	140.595	48.212
Deposits	23.102	13.310	9.792
<b>Total assets</b>	<b>521.604</b>	<b>401.756</b>	<b>119.848</b>
<b>Net worth</b>	<b>102.012</b>	<b>96.476</b>	<b>5.536</b>
<b>Minorities</b>	<b>2.229</b>	<b>2.244</b>	<b>-15</b>
Bank loans	67.423	58.297	9.126
Shareholder loans	264.891	161.379	103.511
Deferred taxes	8.212	5.859	2.352
Other liabilities	76.837	77.500	-663
<b>Total liabilities</b>	<b>417.363</b>	<b>303.036</b>	<b>114.327</b>
<b>Net worth, minorities and liabilities</b>	<b>521.604</b>	<b>401.756</b>	<b>119.848</b>

### Sierra Management

This business contributed € 2,3 million to the Consolidated Results of Sonae Sierra during the first half of 2006, which compares with € 1,7 million in the same period of the previous year.

EBITDA was € 3,4 million during this period compared with € 3,2 million for the same period last year, representing an increase of 5%. The increase in EBITDA was driven primarily by the 13% increase in income from management services, due to the enlarged portfolio and to commercialisation services in Portugal.

The increase of 16% in operating costs, compared to the same period of last year, came about as the result of investment in management structures in Italy, Greece and Germany. The strengthening of international services undertaken during the first half of 2006 is aligned with Sonae Sierra's internationalization strategy.

#### **Sierra Management**

(un-audited accounts)

<b>Profit &amp; Loss Account (€000)</b>	<b>1<sup>st</sup> semester 2006</b>	<b>1<sup>st</sup> semester 2005</b>	<b>% 06/05</b>
Property management fees	12.059	10.923	10%
Letting fees	2.224	1.489	49%
Other income	1.449	1.469	-1%
Income from prop. management services	15.733	13.881	13%
Operating costs	12.327	10.648	16%
<b>EBITDA</b>	<b>3.405</b>	<b>3.233</b>	<b>5%</b>
Depreciation	418	696	-40%
Net financial costs/(income)	(443)	(388)	-14%
Non-recurring costs/(income)	(23)	103	-122%
<b>Profit before taxes</b>	<b>3.454</b>	<b>2.822</b>	<b>22%</b>
Corporate tax	1.136	1.110	2%
<b>Net profit before minorities</b>	<b>2.317</b>	<b>1.713</b>	<b>35%</b>
<b>Attributable to :</b>			
Equity holders	2.278	1.704	34%
Minority interests	39	9	335%

#### **Sierra Management**

(un-audited accounts)

<b>Consolidated Balance Sheet (€000)</b>	<b>30-06-2006</b>	<b>31-12-2005</b>	<b>Var. (06 - 05)</b>
Net fixed assets	330	730	-400
Goodwill	6.687	7.099	-412
Tenants	11.959	11.763	196
Deferred taxes	285	202	84
Other assets	7.010	11.429	-4.419
Deposits	14.401	16.393	-1.992
<b>Total assets</b>	<b>40.673</b>	<b>47.617</b>	<b>-6.944</b>
<b>Net worth</b>	<b>2.100</b>	<b>6.114</b>	<b>-4.014</b>
<b>Minorities</b>	<b>25</b>	<b>12</b>	<b>13</b>
Shareholder loans	0	0	0
Other liabilities	38.548	41.491	-2.943
<b>Total liabilities</b>	<b>38.548</b>	<b>41.491</b>	<b>-2.943</b>
<b>Net worth, minorities and liabilities</b>	<b>40.673</b>	<b>47.617</b>	<b>-6.944</b>

### Sonae Sierra Brasil

Sonae Sierra Brasil comprises the Development, Investment and Property Management businesses in Brazil.

Retail operating income totalled € 11,5 million, an increase of 54% compared to the same period of 2005, mainly due to the increase in occupancy rates in shopping centres and to the acquisition of the Plaza Sul shopping centre during the last quarter of 2005.

Operating profits of shopping centres rose from € 4,6 million to € 8,7 million, an increase of 90% compared to the first half of 2005.

Value created on properties totalled € 6,4 million during the first half of 2006, mainly due to the result of an increase in the value of Parque Pedro, Plaza Sul and Metropole.

### **Sonae Sierra Brasil**

(un-audited accounts)

<b>Profit &amp; Loss Account (€000)</b>	<b>1<sup>st</sup> semester 2006</b>	<b>1<sup>st</sup> semester 2005</b>	<b>% 06/05</b>
Fixed rental income	9.896	6.572	51%
Turnover rental income	516	361	43%
Key-money	683	386	77%
Other income	413	177	134%
<b>Retail operating income</b>	<b>11.508</b>	<b>7.496</b>	<b>54%</b>
Property management services	532	338	57%
Letting & promotion services	330	699	-53%
Other costs	2.017	1.872	8%
<b>Retail operating costs</b>	<b>2.879</b>	<b>2.910</b>	<b>-1%</b>
Parking operating margin	60	(11)	-
<b>Shopping centre net operating margin</b>	<b>8.689</b>	<b>4.575</b>	<b>90%</b>
Income from project development services	89	62	43%
Income from property management services	1.304	886	47%
<b>Income from services rendered</b>	<b>1.393</b>	<b>949</b>	<b>47%</b>
Overheads	2.469	1.845	34%
<b>EBITDA</b>	<b>7.614</b>	<b>3.679</b>	<b>107%</b>
Depreciation	29	44	-35%
Provisions	666	963	-31%
Net financial costs/(income)	968	879	10%
Non-recurring costs/(income)	212	5	-
<b>Direct profit before taxes</b>	<b>5.739</b>	<b>1.788</b>	<b>221%</b>
Corporate tax	1.199	410	192%
<b>Direct Profit</b>	<b>4.540</b>	<b>1.378</b>	<b>230%</b>
Value created on properties	6.400	(8.249)	178%
Value created on properties under development	0	0	-
<b>Indirect income</b>	<b>6.400</b>	<b>(8.249)</b>	<b>178%</b>
Deferred tax	1.705	(11.104)	115%
<b>Indirect profit</b>	<b>4.695</b>	<b>2.854</b>	<b>64%</b>
<b>Net profit before minorities</b>	<b>9.235</b>	<b>4.232</b>	<b>118%</b>
<b>Attributable to :</b>			
Equity holders	8.940	4.115	117%
Minority interests	295	117	152%



**Sonae Sierra Brasil**

(un-audited accounts)

<b>Consolidated Balance Sheet (€000)</b>	<b>30-06-2006</b>	<b>31-12-2005</b>	<b>Var. (06 - 05)</b>
Properties	202.122	196.782	5.340
investments	200.491	195.611	4.880
under development	1.631	1.170	461
Tenants	3.000	3.932	-932
Deferred taxes	6.363	6.370	-7
Other assets	7.728	6.287	1.441
Deposits	3.468	6.894	-3.426
<b>Total assets</b>	<b>222.681</b>	<b>220.264</b>	<b>2.417</b>
<b>Net worth</b>	<b>199.483</b>	<b>197.187</b>	<b>2.297</b>
<b>Minorities</b>	<b>3.851</b>	<b>3.157</b>	<b>694</b>
Bank loans	279	413	-134
Shareholder loans	18	2.361	-2.343
Deferred taxes	15.235	13.292	1.942
Other liabilities	3.815	3.855	-40
<b>Total liabilities</b>	<b>19.347</b>	<b>19.921</b>	<b>-574</b>
<b>Net worth, minorities and liabilities</b>	<b>222.681</b>	<b>220.264</b>	<b>2.417</b>

Maia, 6 September 2006.

The Board of Directors

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Belmiro Mendes de Azevedo  
Chairman (non-executive)

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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 Gonalo Sassetti Pessoa Jorge  
Director

---

José Edmundo Medina Barroso de Figueiredo  
Director

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Pedro José D'Hommée Caupers  
Director

---

Fernando Maria Guedes Machado Antunes Oliveira  
Director

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António José Santos Silva Casanova  
Director

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

CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2006, 31 DECEMBER 2005 AND 30 JUNE 2005

(Translation of balance sheets originally issued in Portuguese - Note 8)

(Amounts stated in Euro)

ASSETS	Notes	30 June 2006	31 December 2005	30 June 2005
<b>NON CURRENT ASSETS:</b>				
Investment properties	4	2 658 304 224	2 469 044 658	2 242 947 184
Investment properties in progress	4	319 112 020	250 037 810	263 455 579
Property, plant and equipment		1 776 135	1 929 062	1 973 843
Goodwill	5	45 252 263	45 252 263	42 876 377
Intangible assets		7 915 373	8 320 814	8 778 361
Investments in associates and companies excluded from consolidation		12 780 139	8 211 643	4 122 428
Deferred tax assets		28 066 974	27 565 270	25 695 693
Derivative financial instruments	6	7 950 243	-	-
Other non current assets		21 524 697	20 104 859	24 233 124
Total non current assets		3 102 682 068	2 830 466 379	2 614 082 589
<b>CURRENT ASSETS:</b>				
Trade receivables		18 894 928	21 474 965	17 899 263
Other shareholders		91 788 880	65 475 000	26 999 728
Other receivables		48 015 120	53 317 664	77 637 065
Other current assets		10 255 534	17 077 489	14 809 836
Cash and cash equivalents		100 707 193	184 251 745	81 034 833
Total current assets		269 661 655	341 596 863	218 380 725
Total assets		3 372 343 723	3 172 063 242	2 832 463 314
<b>EQUITY, MINORITY INTERESTS AND LIABILITIES</b>				
<b>EQUITY:</b>				
Share capital		162 244 860	162 244 860	162 244 860
Reserves		50 565 744	49 836 465	41 310 112
Retained earnings		766 089 449	641 922 760	641 809 127
Consolidated net profit for the period attributable to the equity holders of Sonae Sierra		87 362 005	148 149 441	39 989 872
Equity attributable to the equity holders of Sonae Sierra		1 066 262 058	1 002 153 526	885 353 971
Minority interests		349 576 887	298 895 918	247 506 369
Total Equity		1 415 838 945	1 301 049 444	1 132 860 340
<b>LIABILITIES:</b>				
<b>NON CURRENT LIABILITIES:</b>				
Long term debt - net of current portion	6	1 109 329 662	1 041 989 771	886 193 404
Debentures loans - net of current portion	6	-	-	30 000 000
Derivative financial instruments	6	68 594	533 062	7 637 407
Other shareholders		66 470 544	69 655 258	78 381 056
Finance Lease Creditors		6 519 552	6 824 761	-
Trade payables		30 994 004	31 387 903	-
Other non current liabilities		11 527 375	11 723 742	19 901 883
Deferred tax liabilities		454 336 337	403 612 636	351 421 693
Total non current liabilities		1 679 246 068	1 565 727 133	1 373 535 443
<b>CURRENT LIABILITIES:</b>				
Current portion of long term debt	6	86 606 860	99 886 649	123 187 799
Current portion of long term of debentures loans	6	30 000 000	30 000 000	-
Short term debt and other borrowings		23 603	15 907	318 969
Derivative financial instruments	6	549 490	1 279 638	-
Other shareholders		6 697 473	4 339 000	4 920 500
Current portion of long term of finance lease creditors		906 663	1 142 364	-
Trade payables		39 789 315	55 087 902	55 219 927
Other payables		35 386 066	32 494 468	41 871 824
Other current liabilities		75 448 082	79 127 136	98 863 293
Provisions		1 851 158	1 913 601	1 685 219
Total current liabilities		277 258 710	305 286 665	326 067 531
Total equity, minority interests and liabilities		3 372 343 723	3 172 063 242	2 832 463 314

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

The Board of Directors

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

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE

FOR THE SEMESTERS ENDED 30 JUNE 2006 AND 2005

(Translation of statements of profit and loss originally issued in Portuguese - Note 8)

(Amounts stated in Euro)

	Notes	2006	2005
Operating revenue:			
Sales		-	-
Services rendered		142 353 947	130 567 229
Variation in fair value of the investment properties	4	142 799 214	58 064 014
Other operating revenue		12 911 235	11 214 314
Total operating revenue		<u>298 064 396</u>	<u>199 845 557</u>
Operating expenses:			
Cost of inventories sold		-	-
External supplies and services		(55 516 709)	(56 806 430)
Personnel expenses		(19 580 042)	(17 315 798)
Depreciation and amortisation		(965 952)	(1 045 939)
Provisions and impairment		(1 444 471)	(2 332 016)
Other operating expenses		(10 326 198)	(11 965 847)
Total operating expenses		<u>(87 833 372)</u>	<u>(89 466 030)</u>
Net operating profit		210 231 024	110 379 527
Financial income		7 576 829	5 384 749
Financial expenses		(29 736 991)	(25 599 880)
Share of results of associated undertakings		3 217 186	(80 364)
Investment income		4 176 281	1 493 211
Profit before income tax		<u>195 464 329</u>	<u>91 577 243</u>
Income tax		(55 336 423)	(18 962 989)
Profit after income tax		<u>140 127 906</u>	<u>72 614 254</u>
Net profit after tax from discontinuing operations		-	-
Consolidated net profit for the period		<u>140 127 906</u>	<u>72 614 254</u>
Attributable to:			
Equity holders of Sonae Sierra		87 362 005	39 989 872
Minority interests		52 765 901	32 624 382
		<u>140 127 906</u>	<u>72 614 254</u>
Consolidated net profit per share:			
Basic		2.687	1.230
Diluted		<u>2.687</u>	<u>1.230</u>

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 SEMESTERS ENDED 30 JUNE 2006 AND 2005

(Translation of statements of changes in equity originally issued in Portuguese - Note 8)

(Amounts stated in Euro)

Notes	Attributable to Equity Holders of Sonae Sierra						Minority Interests	Total	
	Share capital	Reserves			Retained earnings	Net profit			
		Legal Reserves	Translation reserve	Hedging reserve					
Total									
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	-	-	-	-	-	(13 005 600)	(13 005 600)	(3 304 478)	(16 310 078)
Currency translation differences	-	-	37 883 171	-	-	-	37 883 171	365 610	38 248 781
Fair value of hedging instruments	-	-	-	(1 965 294)	-	-	(1 965 294)	(2 188 614)	(4 153 908)
Deferred tax in fair value of hedging instruments	-	-	-	595 952	-	-	595 952	651 195	1 247 147
Capital increase	-	-	-	-	-	-	-	5 866 438	5 866 438
Acquisitions/sale of subsidiaries effect	-	-	-	-	-	-	-	(36 735 215)	(36 735 215)
Consolidated net profit for the period ended 30 June 2005	-	-	-	-	-	39 989 872	39 989 872	32 624 382	72 614 254
Others	-	-	-	-	38 361	-	38 361	149 864	188 225
Balance at 30 June 2005	162 244 860	57 329 112	(13 144 730)	(2 874 270)	641 809 127	39 989 872	885 353 971	247 506 369	1 132 860 340
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
Appropriation of consolidated net profit for 2005:									
Transfer to legal reserves and retained earnings	-	-	-	-	124 121 595	(124 121 595)	-	-	-
Dividends distributed	-	-	-	-	-	(24 027 846)	(24 027 846)	(8 216 685)	(32 244 531)
Currency translation differences	-	-	(2 917 067)	-	-	-	(2 917 067)	52 977	(2 864 090)
Fair value of hedging instruments	-	-	-	5 307 650	-	-	5 307 650	3 545 150	8 852 800
Deferred tax in fair value of hedging instruments	-	-	-	(1 661 304)	-	-	(1 661 304)	(1 057 016)	(2 718 320)
Capital increase	-	-	-	-	-	-	-	4 739 588	4 739 588
Acquisitions/sale of subsidiaries effect	-	-	-	-	-	-	-	(1 114 352)	(1 114 352)
Consolidated net profit for the period ended 30 June 2006	-	-	-	-	-	87 362 005	87 362 005	52 765 901	140 127 906
Others	-	-	-	-	45 094	-	45 094	(34 594)	10 500
Balance at 30 June 2006	162 244 860	57 329 112	(9 538 911)	2 775 543	766 089 449	87 362 005	1 066 262 058	349 576 887	1 415 838 945

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 SEMESTERS ENDED 30 JUNE 2006 AND 2005

(Translation of statement of cash flow originally issued in Portuguese - Note 8)

(Amounts stated in Euro)

	2006	2005
<b>OPERATING ACTIVITIES:</b>		
Received from clients	152 791 738	132 458 672
Paid to suppliers	(56 576 231)	(51 687 118)
Paid to personnel	(21 982 946)	(17 426 109)
<b>Flows from operations</b>	<b>74 232 561</b>	<b>63 345 445</b>
(Payments)/receipts of income tax	(6 491 653)	(4 222 895)
Other (payments)/receipts relating to operating activities	(1 264 227)	3 875 605
<b>Flows from operating activities [1]</b>	<b>66 476 681</b>	<b>62 998 155</b>
<b>INVESTING ACTIVITIES:</b>		
<b>Receipts relating to:</b>		
Investments	6 774 514	5 486 539
Tangible fixed assets	40 691	232 022
Intangible fixed assets	2 039	-
Interest income	5 302 538	4 484 439
Other	12 747 540	-
	24 867 322	10 203 000
<b>Payments relating to:</b>		
Investments	(2 486 357)	(126 303 031)
Tangible fixed assets	(134 286 817)	(132 941 270)
Intangible fixed assets	(141 930)	(312 953)
Other	(3 584 385)	(2 192 564)
Net Loans granted	(27 208 426)	100 836 728
<b>Flows from investing activities [2]</b>	<b>(142 840 593)</b>	<b>(150 710 090)</b>
<b>FINANCING ACTIVITIES:</b>		
<b>Receipts relating to:</b>		
Capital increase and share premiums	502 611	355 589
Others	-	-
	502 611	355 589
<b>Payments relating to:</b>		
Interest expenses	(28 898 811)	(27 816 259)
Dividends	(30 607 720)	(16 321 442)
Decrease of share capital - nominal value and discounts and premiums	-	(72 367)
Other	-	(6 348)
Net Loans obtained	52 030 192	94 817 640
<b>Flow from financing activities [3]</b>	<b>(6 973 728)</b>	<b>50 956 813</b>
<b>Variation in cash and cash equivalents [4]=[1]+[2]+[3]</b>	<b>(83 337 640)</b>	<b>(36 755 122)</b>
<b>Effect of exchange differences</b>	<b>(29 909)</b>	<b>303 095</b>
<b>Effects of changes in the perimeter:</b>		
Acquisition / sale of companies	(184 699)	2 319 195
<b>Cash and cash equivalents at the beginning of the year</b>	<b>184 235 838</b>	<b>115 212 179</b>
<b>Impairment of the treasury application of Parque Dom Pedro</b>	<b>-</b>	<b>(351 008)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>100 683 590</b>	<b>80 728 339</b>

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

The Board of Directors

**Sonae Sierra SGPS, SA**

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4471-909 Maia Portugal

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SONAE SIERRA, SGPS, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF 30 JUNE 2006

(Translation of notes originally issued in Portuguese – Note 8)

(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.

2. PRINCIPAL ACCOUNTING POLICIES

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, from the accounting records of the companies included in the consolidation, 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 2006 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. 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).

The Board of the Company consider that the accompanying consolidated financial statements and their notes have an adequate presentation of interim consolidated information, prepared according to the IAS 34 – Interim Financial Reporting. For additional information about the accounting policies and other information, consult the consolidated financial statements of the Company and their notes for the year 2005.

### 3. CHANGES IN THE COMPOSITION OF THE GROUP

The main acquisitions and sales of companies occurred during the semester ended 30 June 2006 and 2005 were as follows:

#### Acquisition of subsidiaries

In April 2006 the Group acquired the remaining 25% of the share capital of Project Sierra Spain 2-Centro Comercial S.A. by the amount of Euro 15.250. The "Goodwill" related to the acquisition of Euro 514, was booked in the financial statements as an operational cost.

During the first semester of 2005 the Group acquired the remaining share capital of the following subsidiaries:

- 35% of the subsidiary Dos Mares – Shopping Centre, SA ("Dos Mares"). With the acquisition of this 35% by the amount of Euro 6.128.256 a Goodwill in the amount of Euro 1.298.307 was booked (Note 5);
- 40% of the subsidiary Avenida M40, SA ("Avenida M40"). With the acquisition of this 40% by the amount of Euro 4.731.763 a Goodwill in the amount of Euro 1.180.575 was booked (Note 5);
- 35% of the subsidiary Luz del Tajo, Centro Comercial, SA ("Luz del Tajo"). With the acquisition of this 35% by the amount of Euro 11.087.415 a Goodwill in the amount of Euro 3.655.115 was booked (Note 5) and,
- 35% of the subsidiary Plaza Éboli, Centro Comercial, SA ("Plaza Éboli"). With the acquisition of this 35% by the amount of Euro 6.788.048 a Goodwill in the amount of Euro 3.355.876 was booked (Note 5);

These acquisitions were reported to 30 June 2005, because they occurred during the second quarter of 2005. On this date impairment tests to the Goodwill's were made, and the amounts of Euro 2.190.514, Euro 1.180.575 and Euro 736.126 related to the impairments of the Goodwill of Plaza Éboli, Avenida M40 and Luz del Tajo, respectively, were booked in the Profit and Loss account (Note 5).

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 method. The variation in perimeter derived from these acquisitions only had impact on the movement in minority interests.



In June 2005 Valecenter Sierra, Srl (owned by Sierra European Retail Real Estate Assets Holdings, BV ("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 (Note 5). 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 5) 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".

During the first semester of 2005, Alexa Shopping Center GmbH (that became owned by the group in 50%) acquired 49% of the share capital of Alexa Site 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 was booked (Note 5). 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.

At the end of 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".

#### Sales of subsidiaries

In January 2006, the Group sold the investment held (50%) in the jointly controlled company Segest S.r.l. ("Segest") (company which owned 80% of the share capital of Oriogest Srl ("Oriogest")), by Euro 21.216. The sale was reported to 1 January 2006 and a loss of de Euro 2.186 was booked.

In March 2006 the company Sierra Investments Holdings, BV (held at 100% by the Group) sold the 50% of the investment held in the jointly controlled company Zubiarte Inversiones Inmobiliarias, S.A. ("Zubiarte") to Sierra BV (held by the Group at 50,1%) by Euro 15.021.742. Considering that Sierra BV is held by the Group in 50,1%, 49,9% of the total gain in this sale was computed (Euro 1.088.413). The company Zubiarte is still consolidated in the group accounts using the proportional method.

In June 2006, the subsidiary Sierra Investments Holdings, BV (owned by the Group in 100%) contributed in kind the 100% investment held in the company Avenida M-40, BV ("Avenida M40 BV") (company which owns 50% of the share capital of Avenida M-40, SA ("Avenida M40")) to the capital increase of the company Sierra, BV (owned by the Group in 50,1%). This capital increase was subscribed and carried through in kind only by Sierra Investments Holdings, BV, and after this, 49,9% of this investment was sold to third parties by Euro 6.496.568. Considering that the subsidiary Sierra BV is owned by the Group in 50,1%, only 49,9% of the gain in this sale was recognised (Euro 2.240.976). The subsidiaries Avenida M40 BV and Avenida M40 keep being consolidated according the full consolidation method, because the new shareholder, Sierra BV, is consolidated according the full consolidation method.

During the first semester 2006 the jointly controlled company Sierra Enplanta, SA ("Sierra Enplanta") (owned by the Group in 50%) contributed in kind the 10% held in the Shopping Pátio Metrópole ("Pátio Metrópole") in the capital increase of the subsidiary Pátio Boavista Shopping, Ltda ("Pátio Boavista") (held by the Group in 97,7% until this capital increase). After the capital increase the owning percentage of the Group becomes 95,27% and the effect of the percentage change of Euro 859.974 was booked in the profit and loss.

In June 2005, the Group sold the investment held in Sógua - Sociedade Imobiliária, S.A. ("Sógua"), by Euro 3.400.756. This sale was reported to the 30 June 2005 and from the sale a gain of Euro 968.994 was computed.

During the first semester of 2005 the Group sold 1% of the investment held in Alexa Holding GmbH ("Alexa Holding"), by Euro 250 and from this sale a loss of Euro 361.785 was computed. With this sale the Group has now 50% of the share capital of Alexa Holding and because of this is consolidated according the proportional method.

In May and June 2005, the subsidiary Sierra Investments Holdings, BV (owned by the Group in 100%) contributed in kind the 100% investment held in:

- Shopping Centre Parque Principado, BV ("Parque Principado BV") (company which owns 50% of the share capital of Parque Principado SL ("Parque Principado")), and
- Dos Mares Shopping, BV ("Dos Mares BV") (company which owns 100% of the share capital of Dos Mares Shopping Centre, SA ("Dos Mares")),

to the capital increase of the company Sierra Holdings, BV ("Sierra BV") (owned by the Group in 50,1%). These capital increases were subscribed and carried through in kind only by Sierra Investments Holdings, BV, and after this, 49,9% of this investment was sold to third parties by Euro 1.669.453 and Euro 4.069.805 related to Parque Principado BV and Dos Mares BV, respectively. Considering that the subsidiary Sierra BV is owned by the Group in 50,1%, only 49,9% of the gains/(losses) on this sale were recognised (Euro (283.157) and Euro 545.068 respectively for Parque Principado BV and Dos Mares BV) 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.

### Effect of the acquisitions and sales

The effect of the acquisitions and sales occurred during the half year ended 30 June 2006 is immaterial in terms of assets and liabilities and because of this no detail is presented in these notes. The effect of the acquisitions and sales occurred during the half year ended 30 June 2005 was as follows:

		05.06.30				
		Acquisitions				
		Templo	Valecenter Spa (Consolidado)	Proj. Sierra IV SGPS	Proj. Sierra V SGPS	Total
Cash and cash equivalents	(I)	-	1 835 832	604 823	6 004	2 446 659
Investment properties (Note 4)		-	110 149 000	-	-	110 149 000
Investment properties adjustment on the second semestre		-	1 851 000	-	-	1 851 000
Investment properties under construction		-	-	-	-	-
Investments		-	-	-	-	-
Deferred tax assets		-	-	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	2 049 495
Bank loans and shareholder loans - non current		-	-	-	-	-
Deferred tax liabilities		-	(28 340 431)	-	-	(28 340 431)
Other non current liabilities		-	(8 722 266)	-	-	(8 722 266)
Accounts payable and other liabilities - current		-	(23 326 450)	(2 837)	(23 781)	(23 353 068)
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	125 615 857
Goodwill (Note 5):						
Recorded as asset		1 265 088	28 090 444	-	-	29 355 532
Recorded as cost		-	-	37 786	47 682	85 468
Purchase amount	(II)	3 623 121	81 293 345	1 754 771	68 385 620	155 056 857
Net cash flow	(II-I)	3 623 121	79 457 513	1 149 948	68 379 616	152 610 198

		05.06.30
		Sales
		Soguia
Cash and cash equivalents	(I)	137 464
Investment properties		9 650 000
Deferred tax assets		122 702
Trade receivables		30 045
Other assets		752 584
Deferred tax liabilities		(902 987)
Bank loans and shareholder loans - non current		(6 095 345)
Accounts payable and other liabilities - current		(1 262 701)
Identifiable assets and liabilities at acquisition date		2 431 762
Profit/ (loss) on sale		968 994
Amount of sale	(II)	3 400 756
Net cash flow	(II-I)	3 263 292

#### 4. INVESTMENT PROPERTIES

The movement in investment properties during the period ended 30 June of 2006 and 2005 was as follows:

	06.06.30				
	Investment properties				
	In operation	"Fit Out"	In progress	Advances	Total
Opening balance	2 458 572 658	10 472 000	248 538 388	1 499 422	2 719 082 468
Increases	7 772 400	1 219 628	107 840 327	-	116 832 355
Transfers	250 000	(250 000)	(204 907)	(6 514)	(211 421)
Increases by transfer from investment properties in progress:					
Production cost	38 224 539	-	(38 224 539)	-	-
Adjustment to fair value	11 127 961	-	-	-	11 127 961
Variation in fair value of the investment properties between years:					
Gains	139 209 537	811 879	-	-	140 021 416
Losses	(6 658 523)	(1 364 990)	(326 650)	-	(8 350 163)
Increases through concentration of business activities (Note 3)	-	-	-	-	-
Changes in the consolidation percentage	1 913 171	-	-	-	1 913 171
Currency translation differences	(2 996 036)	-	(3 507)	-	(2 999 543)
Closing balance	2 647 415 707	10 888 517	317 619 112	1 492 908	2 977 416 244

  

	05.06.30				
	Investment properties				
	In operation	"Fit Out"	In progress	Advances	Total
Opening balance	1 984 732 629	7 572 164	224 893 570	-	2 217 198 363
Increases	7 836 179	1 753 328	80 885 957	-	90 475 464
Transfers	-	-	(2 031 635)	2 031 635	-
Increases by transfer from investment properties in progress:					
Production cost	42 326 064	-	(42 326 064)	-	-
Adjustment to fair value	9 582 936	-	-	-	9 582 936
Variation in fair value of the investment properties between years:					
Gains	70 649 121	327 960	-	-	70 977 081
Losses	(22 068 051)	(427 952)	-	-	(22 496 003)
Increases through concentration of business activities (Note 3)	110 149 000	-	-	-	110 149 000
Sale of investment property (Note 3)	(9 650 000)	-	-	-	(9 650 000)
Currency translation differences	40 163 806	-	2 116	-	40 165 922
Closing balance	2 233 721 684	9 225 500	261 423 944	2 031 635	2 506 402 763

At 30 June 2006, 31 December 2005 and 30 June 2005 investment properties in operation corresponded to the fair value of the Group's proportion of the following shopping centres:

	06.06.30			05.12.31			05.06.30		
	% of consolidation	Yield	Amount	% of consolidation	Yield	Amount	% of consolidation	Yield	Amount
<b>Portugal:</b>									
Algarveshopping	100%	6.00%	129 467 000	100%	6.50%	115 522 000	100%	7.15%	107 381 000
Arrabidashopping	50%	6.35%	67 498 500	50%	6.85%	67 239 500	50%	7.15%	66 032 000
Cascaishopping	50%	5.85%	156 575 500	50%	6.25%	142 771 500	50%	6.50%	140 369 000
Centro Colombo	50%	5.75%	332 334 500	50%	6.25%	311 399 000	50%	6.35%	305 245 500
Centro Vasco da Gama	50%	5.75%	132 640 500	50%	6.25%	118 028 000	50%	6.35%	116 539 000
Coimbrashopping	100%	6.50%	38 369 000	100%	7.00%	37 239 000	100%	7.25%	37 110 000
Estação Viana	100%	6.50%	76 603 000	100%	7.00%	72 049 000	100%	7.25%	67 505 000
Gaiashopping	50%	6.25%	74 522 000	50%	6.75%	70 809 500	50%	7.00%	69 137 000
Guimarãesshopping	100%	6.50%	46 227 000	100%	7.00%	42 592 000	100%	7.25%	42 149 000
LouresShopping	100%	6.00%	117 856 000	100%	6.50%	109 133 000			
Madeirashopping	50%	6.50%	36 518 000	50%	7.00%	36 300 500	50%	7.65%	36 245 500
MaiaShopping	100%	6.50%	57 304 000	100%	7.00%	56 453 000	100%	7.25%	56 235 000
Norteshopping	50%	5.75%	179 361 500	50%	6.25%	168 301 000	50%	6.35%	164 496 000
Parque Atlântico	50%	6.75%	32 747 500	50%	7.25%	30 459 500	50%	7.75%	29 194 000
Rio Sul	50%	6.25%	52 559 500	-	-	-	-	-	-
SerraShopping	50%	6.50%	21 552 500	50%	7.00%	20 121 000	-	-	-
Viacatarina	50%	6.50%	35 800 000	50%	6.90%	35 754 500	50%	7.25%	35 693 500
			<u>1 587 936 000</u>			<u>1 434 172 000</u>			<u>1 273 331 500</u>
<b>Brazil:</b>									
Franca Shopping (33.05%)	100%	12.00%	2 860 535	100%	12.00%	2 584 992	100%	12.00%	2 340 700
Parque Dom Pedro Shopping	100%	11.00%	137 943 439	100%	11.00%	135 601 123	100%	11.00%	133 598 834
Pátio Boavista	100%	12.50%	18 785 577	100%	12.50%	18 686 513	100%	13.00%	21 285 682
Metrópole (10%)	100%	12.00%	3 763 691	-	-	-	-	-	-
Pátio Penha (60,23%)	100%	12.50%	20 620 645	100%	12.50%	21 200 946	100%	12.50%	20 473 412
Plaza Sul (20%)	100%	12.00%	8 405 825	100%	12.00%	8 115 565	-	-	-
Sierra Enplanta	50%		8 110 995	50%		9 422 019	50%		8 992 556
			<u>200 490 707</u>			<u>195 611 158</u>			<u>186 691 184</u>
<b>Spain:</b>									
Avenida M 40	100%	6.50%	83 682 000	100%	6.50%	90 045 000	100%	6.75%	97 253 000
Dos Mares	100%	6.00%	53 028 000	100%	6.35%	47 694 000	100%	7.00%	41 234 000
Grancasa	50%	5.25%	84 153 500	50%	5.25%	80 489 500	50%	6.25%	69 013 500
Kareaga	50%	5.50%	83 470 500	50%	5.65%	77 547 000	50%	6.50%	72 016 000
La Farga	50%	6.25%	28 764 500	50%	6.50%	28 746 500	50%	7.50%	26 025 000
Luz del Tajo	100%	5.75%	97 327 000	100%	5.80%	89 059 000	100%	6.50%	78 027 000
Plaza Eboi	100%	6.25%	56 626 000	100%	6.50%	54 647 000	100%	6.90%	51 909 000
Plaza Mayor	100%	7.25%	77 739 000	100%	7.50%	76 534 000	100%	7.50%	76 534 000
Parque Principado	50%	5.65%	84 116 000	50%	5.65%	78 491 500	50%	6.60%	68 536 000
Valle Real	50%	5.50%	45 787 000	50%	5.50%	45 255 500	50%	6.60%	39 251 500
Zubiarte	50%	6.00%	43 794 500	50%	6.00%	43 765 500	50%	6.50%	43 751 000
			<u>738 488 000</u>			<u>712 274 500</u>			<u>663 550 000</u>
<b>Italy:</b>									
Airone	100%	7.25%	17 911 000	100%	7.50%	17 257 000	100%	7.75%	16 447 000
Valecenter	100%	6.25%	84 940 000	100%	6.50%	81 998 000	100%	7.00%	76 703 000
Warner Village	100%	7.25%	17 650 000	100%	7.50%	17 260 000	100%	7.50%	16 999 000
			<u>120 501 000</u>			<u>116 515 000</u>			<u>110 149 000</u>
			<u>2 647 415 707</u>			<u>2 458 572 658</u>			<u>2 233 721 684</u>

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).

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 30 June 2006, 31 December 2005 and 30 June 2005 the recoverable amount of the fit out contracts existing in each investment property was as follows:

	06.06.30			05.12.31			05.06.30		
	% of consolidation	Yield	Amount	% of consolidation	Yield	Amount	% of consolidation	Yield	Amount
<b>Portugal:</b>									
Algarveshopping	100%	6.00%	600 000	100%	6.50%	455 000	-	-	-
Estação Viana	100%	6.50%	1 253 000	100%	7.00%	1 252 000	100%	7.25%	1 899 000
Gaiashopping	50%	6.25%	315 000	50%	6.75%	293 000	50%	7.00%	301 500
Loureshopping	50%	6.00%	1 298 000	50%	6.50%	1 286 000	-	-	-
Norteshopping	50%	5.75%	644 000	-	-	-	-	-	-
Parque Atlântico	50%	6.75%	561 000	50%	7.25%	454 000	50%	7.75%	467 000
Rio Sul	50%	6.25%	503 000	-	-	-	-	-	-
Serra Shopping	50%	6.50%	251 500	50%	7.00%	249 000	-	-	-
			<u>5 425 500</u>			<u>3 989 000</u>			<u>2 667 500</u>
<b>Spain:</b>									
Avenida M40	100%	6.50%	1 226 017	100%	6.50%	2 032 000	100%	6.75%	1 988 000
Dos Mares	100%	6.00%	322 000	100%	6.35%	362 000	100%	7.00%	380 000
Luz del Tajo	100%	5.75%	403 000	100%	5.80%	401 000	100%	6.50%	368 000
Plaza Mayor	100%	7.25%	3 512 000	100%	7.50%	3 688 000	100%	7.50%	3 822 000
			<u>5 463 017</u>			<u>6 483 000</u>			<u>6 558 000</u>
			<u>10 888 517</u>			<u>10 472 000</u>			<u>9 225 500</u>

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). 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.

Investment properties in progress at 30 June 2006, 31 December 2005 and 30 June 2005 are made up as follows:

	05.06.30	04.12.31	04.06.30
<b>Portugal:</b>			
Algarveshopping - expansion	-	-	1 139 150
Alverca	5 717 599	5 677 249	-
Arrábidasshopping - expansion	2 200 670	242 382	-
Cacém Shopping	1 808 956	1 750 353	1 692 593
Caldas da Rainha Shopping	634 705	588 492	-
Cascaishopping - expansion	463 567	263 519	-
Lima Retail Park	4 705 043	4 297 936	-
Loureshopping	-	-	60 584 523
Madeira - expansion	829 410	-	-
Parque de Famalicão	2 990 711	2 983 467	2 974 270
VIII Avenida	8 656 446	-	-
Rio Sul	-	33 074 873	35 445 901
Serra Shopping	-	-	12 210 001
Setubal Retail Park	1 569 702	1 473 529	1 410 146
Torres Colombo	8 226 340	8 542 705	8 408 912
Others	131 840	216 500	183 923
<b>Germany:</b>			
Alexa	87 782 133	72 033 923	59 325 035
3DO	18 267 092	15 864 454	13 372 400
Weiterstadt	55 575 847	-	-
Outros	2 025	-	-
<b>Brazil:</b>			
Others	234 866	229 310	15 533
<b>Spain:</b>			
El Rosal	47 603 795	40 674 498	1 033 229
Plaza Mayor Shopping	17 623 214	12 542 608	10 755 469
Plaza Éboli	-	-	-
Dos Mares - expansion	3 309 804	3 309 804	3 309 804
Others	105 793	-	-
<b>Greece:</b>			
Aegean Park	9 538 965	9 450 142	18 670 812
Others	21 600	20 321	19 282
<b>Italy:</b>			
Freccia Rossa	30 641 070	27 861 663	25 645 996
Gli Orsi	9 052 239	8 143 649	7 258 600
Le Terraze	1 300 998	715 012	-
Others	117 590	81 421	-
	319 112 020	250 037 810	263 455 579

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.

At 30 June 2006 and 31 December 2005 the following investment properties had been given in guarantee of bank loans:

- 3DO
- Airone
- Alexa
- Algarveshopping
- Arrabidashopping
- Avenida M40
- Cascaishopping
- Centro Colombo
- Centro Vasco da Gama
- Coimbrashopping
- Dos Mares
- Estação Viana
- Feccia Rossa
- Gaiashopping
- Grancasa
- Guimarãesshopping
- Kareaga
- La Farga
- El Rosal
- 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



## 5. GOODWILL

On the 30 June 2006 and 31 December 2005 the Goodwill was made up as follows:

06.06.30					
Year of acquisition	Amount	Impairment losses of the period	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	-	1 274 080	-	-
2003	9 542	-	9 542	-	-
	<u>2 847 064</u>	<u>-</u>	<u>2 847 064</u>	<u>-</u>	<u>-</u>
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
	<u>11 614 484</u>	<u>-</u>	<u>5 143 141</u>	<u>6 471 343</u>	<u>6 471 343</u>
La Farga Shopping Centre, S.L					
2002	132 194	-	59 488	72 706	72 706
2005	406 310	-	159 433	246 877	246 877
	<u>538 504</u>	<u>-</u>	<u>218 921</u>	<u>319 583</u>	<u>319 583</u>
Parque Principado					
2004	997 416	-	-	997 416	997 416
Alexa Site (Note 3)					
2004	10 876 616	-	-	10 876 616	10 876 616
2005	(7 995 503)	-	-	(7 995 503)	(7 995 503)
	<u>2 881 113</u>	<u>-</u>	<u>-</u>	<u>2 881 113</u>	<u>2 881 113</u>
Avenida M40 (Note 3)					
2005	1 180 575	-	1 180 575	-	-
Plaza Eboli (Note 3)					
2005	3 355 876	-	2 190 514	1 165 362	1 165 362
Luz del Tajo (Note 3)					
2005	3 655 115	-	736 126	2 918 989	2 918 989
Dos Mares (Note 3)					
2005	1 298 307	-	-	1 298 307	1 298 307
Limadarque, Retail Park, S.A.					
2005	798 121	-	-	798 121	798 121
Valecenter Srl (Note 3)					
2005	29 355 532	-	1 015 102	28 340 430	28 340 430
	<u>58 676 103</u>	<u>-</u>	<u>13 423 840</u>	<u>45 252 263</u>	<u>45 252 263</u>

## 6. BANK LOANS

At 30 June 2006 and 31 December 2005 bank loans obtained were made up as follows:

			06.06.30			05.12.31				
			Used amount			Used amount				
			Medium and long term			Medium and long term				
Entity			Limit	Short term	long term	Limit	Short term	long term	Due date	Reimbursement plan
Debtenture loans:										
Obrigações Sonae Imobiliária / 99				30 000 000	-		30 000 000	-	Dez/2006	Final
				30 000 000	-		30 000 000	-		
Bank Loans:										
3shoppings - Holding, SGPS, S.A	Eurohypo	(b)	64 843 727	1 296 875	61 601 540	64 843 727	1 296 875	61 601 540	Jul/2026	Annual
ALEXA Shopping Centre GmbH	Eurohypo	(a), (b), (c)	100 000 000	-	31 457 988	100 000 000	-	16 343 740	Oct/2015	Annual
ALEXA Shopping Centre GmbH	Eurohypo	(a), (b)	4 000 000	-	-	4 000 000	-	-	Sep/2009	Final
Algarveshopping- C.C., S.A.	European Property Capital 3 p.l.c	(b), (c)	55 000 100	1 392 000	16 317 496	55 000 100	1 357 000	17 022 496	May/2010	Quarterly
Sierra European R.R.E. Assets Hold. B.V.	European Property Capital 3 p.l.c	(b), (c)		-	33 514 504		-	33 514 504		
Sierra European R.R.E. Assets Hold. B.V.	European Property Capital 3 p.l.c	(b), (c)	13 178 216	406 322	12 572 043	13 178 216	402 098	12 776 118	May/2010	Quarterly
Arrábidasshopping - C.C., S.A.	Eurohypo	(a), (b), (c)	27 750 000	1 233 750	19 528 750	27 750 000	1 225 000	20 150 000	Mar/2017	Quarterly
Arrábidasshopping - C.C., S.A.	Eurohypo	(a), (b)	10 500 000	-	1 788 824	10 500 000	-	-	Mar/2017	Annual
Avenida M-40, S.A.	Westdeutsche Immobank	(b)	68 250 000	10 094 255	58 155 745	68 250 000	4 222 662	64 027 338	Dec/2014	Quarterly
Cascaishopping Holding II, SGPS, S.A.	Eurohypo	(a), (b)	61 428 000	1 228 560	57 742 320	61 428 000	1 228 560	58 970 880	May/2027	Annual
Cascaishopping - C.C., S.A.	Eurohypo	(a), (b), (c)	26 000 000	-	26 000 000	26 000 000	-	-	Jan/2016	Final
Centro Colombo - C.C., S.A.	Eurohypo	(a), (b)	112 250 000	-	112 250 000	112 250 000	-	112 250 000	Sep/2026	Annual
Centro Vasco da Gama - C.C., S.A.	ING Belgium SA/NV	(a), (b), (c)	65 000 000	1 950 000	61 100 000	65 000 000	1 950 000	61 100 000	Aug/2016	Annual
Dos Mares - Shopping Centre S.A.	Aareal Bank	(b)	22 500 000	787 500	20 975 000	22 500 000	675 000	21 425 000	Sep/2012	Quarterly
Dos Mares - Shopping Centre S.A.	Aareal Bank		-	-	-	-	1 934 781	-	Jan/2006	Final
Estação Viana- C.C., S.A.	BES	(b), (c)	42 000 000	1 680 000	39 543 000	42 000 000	1 554 000	40 446 000	Dec/2015	Half Yearly
Freccia Rossa - Shopping Centre S.r.l.	Unicredit	(a), (b), (c)	47 863 752	-	10 306 509	47 863 752	10 306 509	-	Dec/2025	Half Yearly
Freccia Rossa - Shopping Centre S.r.l.	Unicredit	(a), (b), (c)	11 409 230	-	4 492 491	11 409 230	-	-	Dec/2012	Final
Freccia Rossa - Shopping Centre S.r.l.	Unicredit		-	-	-	-	-	-	-	-
Gaishopping I- C.C., S.A.	Eurohypo	(a), (b)	27 500 000	412 500	26 675 000	27 500 000	412 500	26 675 000	Nov/2026	Annual
La Farga - Shopping Center, SL	Eurohypo	(a), (b)	15 000 000	-	15 000 000	15 000 000	-	15 000 000	Apr/2014	Annual
Iberian Assets, SA	Eurohypo	(a), (b)	39 967 305	1 502 530	24 190 737	39 967 305	1 427 404	24 942 002	Jun/2019	Half Yearly
Iberian Assets, SA	Eurohypo	(a), (b)	26 369 406	600 000	23 894 406	26 369 406	550 000	24 219 406	Nov/2020	Half Yearly
Iberian Assets, SA	Eurohypo	(a), (b)	12 500 000	395 000	11 250 000	12 500 000	395 000	11 250 000	Jul/2018	Annual
Iberian Assets, SA	Eurohypo	(a), (b)	6 500 000	205 500	5 849 500	6 500 000	205 500	5 849 500	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 Yearly
Loureshopping- C.C., S.A.	CGD	(b)	45 000 000	-	12 204 892	45 000 000	-	12 204 892	Feb/2020	Half Yearly
Luz del Tajo C.C. S.A.	Hypo Real Estate	(b), (c)	45 700 000	-	45 700 000	45 700 000	-	45 700 000	Jun/2014	Final
Luz del Tajo C.C. S.A.	Hypo Real Estate	(c)	8 000 000	2 804 322	-	8 000 000	3 877 768	-	Jan/2007	Final
Madeirashopping- C.C., S.A.	ING Real Estate Finance	(a), (b)	18 000 000	-	18 000 000	18 000 000	-	18 000 000	Aug/2015	Quarterly
Norteshopping - C.C., S.A.	BPI	(a), (b)	3 673 033	456 229	914 391	3 673 033	456 229	1 142 506	Jun/2009	Quarterly
Norteshopping - C.C., S.A.	Eurohypo, BPI	(a), (b)	18 750 000	1 403 320	13 097 652	18 750 000	1 403 320	13 799 312	Jun/2011	Quarterly
Norteshopping - C.C., S.A.	Eurohypo	(a), (b)		-	35 397 970		-	35 397 970		
Norte Shopping Retail & Leisure Centre B.V.	Eurohypo	(a), (b)		815 730	44 135 676		815 730	44 543 541		
Parque Atlântico Shopping - C.C., SA	CGD, BCP	(a), (b)	17 500 000	-	17 500 000	17 500 000	-	17 500 000	Dec/2015	Half Yearly
Parque Atlântico Shopping - C.C., SA	CGD, BCP	(a)	2 000 000	-	-	2 000 000	683 487	-	Jun/2006	Final
Parque Principado S.L.	Eurohypo	(a), (b)	48 080 966	44 745 351	-	48 080 966	1 232 075	43 513 276	Oct/2021	Annual
Plaza Eboli - C.C. S.A.	Hypo Real Estate	(b), (c)	37 500 000	-	37 500 000	37 500 000	-	37 500 000	Nov/2010	Quarterly
Plaza Mayor Shopping, SA	Eurohypo	(b)	37 000 000	-	-	37 000 000	-	-	Oct/2017	Annual
Plaza Mayor Shopping, SA	Eurohypo		4 500 000	-	-	4 500 000	-	-	Oct/2009	Final
Plaza Mayor Shopping, SA	Eurohypo	(b)	4 000 000	4 000 000	-	4 000 000	4 000 000	-	Oct/2006	Final
Plaza Mayor Shopping, SA	Eurohypo		2 000 000	2 000 000	-	2 000 000	-	-	Oct/2006	Final
Plaza Mayor - Parque de Ocio, S.A.	Eurohypo	(b)	35 459 714	1 322 227	30 531 415	35 459 714	1 262 125	31 853 641	Apr/2018	Annual
Project Sierra Spain 1 - C.C., SA	Eurohypo	(b)	83 000 000	-	10 250 000	83 000 000	-	6 000 000	Jul/2017	Quarterly
Project Sierra Spain 1 - C.C., SA	Eurohypo		18 000 000	5 850 000	-	18 000 000	4 600 000	-	Oct/2008	Final
Rio Sul - C.C., S.A.	Eurohypo	(b), (c)	20 500 000	-	20 500 000	20 500 000	-	17 047 168	Apr/2015	Annual
Serra Shopping - C.C., S.A.	CGD	(b)	12 000 000	-	12 000 000	7 400 000	-	4 998 899	Feb/2020	Half Yearly
Sierra Enplanta, S.A.	Banco ABC	(a)	364 742	278 703	-	364 742	309 489	103 163	Apr/2007	Monthly
Valecenter Srl	Eurohypo	(b), (c)	6 600 000	-	6 600 000	6 600 000	-	6 600 000	Jun/2015	Quarterly
Valecenter Srl	Eurohypo	(b), (c)	14 250 000	-	14 250 000	14 250 000	-	14 250 000	Jun/2015	Quarterly
Valecenter Srl	Eurohypo	(b), (c)	52 750 000	-	52 750 000	52 750 000	-	-	Jun/2015	Quarterly
Valecenter Srl	Eurohypo		-	-	-	-	52 000 000	-	-	-
Via Catarina- C.C., S.A.	Eurohypo	(a), (b)	19 600 000	294 000	19 012 000	19 600 000	294 000	19 306 000	Feb/2027	Annual
Zubiarte Inversiones Inmobiliarias, SL.	ING Real Estate Finance	(a), (b)	29 800 000	-	29 800 000	29 800 000	-	29 800 000	Jun/2017	Quarterly
Zubiarte Inversiones Inmobiliarias, SL.	Santander Espanha	(a)	2 300 000	682 594	-	2 300 000	722 079	-	Jul/2006	Final
Total Bank Loans			1 551 236 464	87 837 268	1 117 875 152	1 546 636 464	100 799 191	1 050 349 195		
				117 837 268	1 117 875 152		130 799 191	1 050 349 195		
Deferred bank expenses incurred on the issuance of bank debt				(440 201)	(6 515 538)		(627 787)	(6 869 021)		
				117 397 067	1 111 359 614		130 171 404	1 043 480 174		
Fair value of the financial hedging instruments - liability				549 490	68 594		1 279 638	533 062		
Fair value of the financial hedging instruments - asset				-	(7 950 243)		-	-		
				117 946 557	1 103 477 965		131 451 042	1 044 013 236		

(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 guarantees as guarantee of the repayment of this loan

At 30 June 2006 loans classified as medium and long term were repayable as follows:

2007	12 058 139
2008	25 857 120
2009	31 024 113
2010	126 299 407
2011	36 688 314
2012 and following years	885 948 059
	<u>1 117 875 152</u>

At 30 June 2006 and 31 December 2005, the Group's financial instruments related to interest rate swaps and collars and were as follows:

	06.06.30		05.12.31	
	Loan	Fair value of the financial instrument	Loan	Fair value of the financial instrument
<b>Financial hedging instruments:</b>				
<b>"Swaps":</b>				
Sonae Imobiliária / 99 Bonds	30 000 000	329 694	30 000 000	767 783
Estação Viana / BES	42 000 000	(1 930 334)	42 000 000	(840 338)
Freccia Rossa / Unicredit	25 837 692	(933 595)	-	-
Norteshopping / BPI	51 734 681	(1 530 319)	52 199 568	287 811
Norteshopping / Eurohypo / BPI	-	-	-	-
Norteshopping / Eurohypo	-	-	-	-
Norteshopping BV / Eurohypo	45 359 270	(1 507 985)	45 359 270	244 860
Iberian/Eurohypo	11 645 000	(26 600)	11 645 000	232 667
Iberian/Eurohypo	8 500 000	(29 657)	8 500 000	171 748
Iberian/Eurohypo	6 055 000	(51 153)	6 055 000	91 124
Valecenter / Eurohypo	6 600 000	(244 948)	6 600 000	(75 106)
Valecenter / Eurohypo	14 250 000	(574 889)	14 250 000	(191 228)
		<u>(6 499 786)</u>		<u>689 321</u>
<b>"Collars":</b>				
Cascaishopping / Santander	26 000 000	(452 831)	-	-
Centro Vasco da Gama / ING	63 050 000	(189 966)	63 050 000	197 566
Dos Mares / BBVA	21 931 250	(144 185)	22 100 000	(327)
Luz del Tajo / Hypo Real Estate	36 560 000	(389 497)	36 560 000	(29 180)
MadeiraShopping / BBVA	9 000 000	(28 802)	9 000 000	(4 231)
Plaza Eboli / Hypo Real Estate	30 485 000	68 594	30 485 000	447 696
Valecenter / Eurohypo	52 750 000	84 518	-	-
		<u>(1 052 169)</u>		<u>611 524</u>
<b>Non perfect hedging financial instruments:</b>				
Sonae Imobiliária / 99 Bonds	20 000 000	219 796	20 000 000	511 855
		<u>(7 332 159)</u>		<u>1 812 700</u>

The fair value of the financial hedging instruments was recorded under hedging reserves of the Group (Euro 4.050.427 and Euro (1.257.223) in 30 June 2006 and 31 December 2005 respectively) and hedging reserves of the minorities (Euro 3.501.528 and Euro (43.622) in 30 June 2006 and 31 December 2005 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.

7. APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised to issue on the 6 of September 2006.

8. 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.

For the attention of Mr. Edmundo de Figueiredo  
To the Board of Directors and Shareholders of  
Sonae Sierra, S.G.P.S., S.A.

6 September 2006

Dear Sirs,

Please find enclosed the translation to English of our Limited Review Report on the half year consolidated financial statements of Sonae Sierra, S.G.P.S., S.A. as of 30 June 2006.

This is a translation of a Limited Review Report originally issued in Portuguese on financial statements prepared in accordance with International Financial Reporting Standards as adopted in the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies the Portuguese language version prevails.

Yours faithfully,

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

LIMITED REVIEW REPORT ON THE HALF YEAR CONSOLIDATED FINANCIAL  
STATEMENTS

**To the Shareholders and Board of Directors of  
Sonae Sierra, S.G.P.S., S.A.**

(Translation of a report originally issued in Portuguese)

**Introduction**

1. We have performed a limited review of the half year consolidated financial statements of Sonae Sierra, S.G.P.S., S.A. ("Company"), which comprise the consolidated Balance sheet as of 30 June 2006 that reflects a total of 3,372,343,723 Euros and total equity of 1,415,838,945 Euros, including a profit for the period attributable to the shareholders of the Company of 87,362,005 Euros, the consolidated Statements of profit and loss by nature, changes in equity and cash flows for the half year then ended and the corresponding Notes.

**Responsibilities**

2. The preparation of financial statements that present a true and fair view of the financial position of the companies included in the consolidation and the results of their operations, their changes in equity and their cash flows, as well the adoption of adequate accounting principles and the maintenance of an appropriate system of internal control is the responsibility of the Company's Board of Directors. Our responsibility is to issue a moderate assurance report based on our limited review work on those financial statements.

**Scope**

3. Our review was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão / Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas") applicable to limited review works, which require that our work be planned and performed with the objective of obtaining moderate assurance on whether the financial statements are free of material misstatement. Our work consisted principally of enquiries to the Company's personnel and its participated companies and analytical review procedures to determine: the reliability of the assertions included in the financial information; the adequacy of the accounting policies adopted considering the circumstances and their consistent application; the applicability, or otherwise, of the going concern concept; and the presentation of the financial information. A limited review provides less assurance than an audit and, consequently, we can not express an audit opinion.

**Conclusion**

4. Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the financial statements referred to in paragraph 1 above, are not exempt from material misstatement that affects its conformity with the International Financial Reporting Standards as adopted in the European Union.

Oporto, 6 September 2006

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