



## **Company Profile**

Sonae Sierra is one of the world's leading international shopping centre specialists. As the first retail property company to combine shopping with leisure, we are passionate about bringing imagination, innovation and emotion to the shopping centre industry. Our integrated approach to our business combines the ownership, development, management and knowledge-based activities that we believe help create leading-edge destinations for consumers.

As at 31 December 2009, we owned a total of 52 shopping centres in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil with a Gross Lettable Area of more than two million square metres. We had three projects under construction and nine new projects in different phases of completion in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil. We also managed a further 17 shopping centres on behalf of others. In the course of 2009, our shopping centres welcomed more than 436 million visits.

Sonae Sierra was incorporated in 1989 in Portugal and is 50% controlled by Sonae (Portugal) and 50% by Grosvenor (United Kingdom).

## **Our Mission and Values**

Sonae Sierra aims to become, and be recognised as, the world's best shopping centre specialist, with an international footprint and a sustainable long-term business.

Our mission is to create value for our shareholders, through the shopping centre business, while taking into account our social responsibilities towards our other stakeholders, and our environmental responsibilities. We firmly believe this balance is crucial to achieving the continuing success of our company.

Our vision and mission are underpinned by core values and principles concerning our business culture, responsibilities towards our staff and local communities, and by our independence from political power.

## **Organisational structure**

Our four-part organisational structure reflects our three main business areas – European shopping centre ownership, development and management – and our activities in Brazil. Our European business divisions also act as knowledge providers to third parties.

### **Sierra Investments**

Owns Sonae Sierra's assets and is responsible for the investments in Europe. It also holds 50.1% of the Sierra Fund's equity and 42% of Sierra Portugal Fund's equity and acts as investment manager of both Funds and its properties.

### **Sierra Developments**

Responsible for the development of our shopping and leisure centres in Europe. Its activities include all aspects of procurement, conceptual development, architectural design and construction management.

### **Sierra Management**

Responsible for the property management of European shopping centres, including those owned by Sierra Investments or by third parties.

### **Sonae Sierra Brazil**

Operates autonomously, investing in, developing and managing a number of shopping and leisure centres in Brazil.

### **Sierra Corporate Services**

Provides a portfolio of services to the other companies: financial, legal, human resources, environmental, communications, safety and health and back-office, which supports our operations.

## **Our sector focus**

Sonae Sierra is focused solely on the shopping and leisure centre sector of the property industry, where we create unique facilities that reflect our belief – and the desire of many people – that shopping should be more than just an enjoyable experience, it should be a stimulating leisure activity as well.

Our investment strategy takes a long-term view of our market, its trends and development.

While we prefer to own the assets we develop, we also invest in established shopping centres with potential for improvement through a combination of redevelopment and active, innovative 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 real flair for innovation and quality.

## **Corporate Governance**

### **Our Organization**

The Shareholders' General Assembly is the highest governing body of Sonae Sierra. It appoints the officers of the Shareholders' General Assembly, the Fiscal Board and External Auditor, the Remunerations Committee and the Board of Directors of Sonae Sierra SGPS.

The Sonae Sierra Board of Directors reports to the Shareholders' General Assembly and is chaired by a non-executive Chairman and has four other non-executive members. The Board also includes the Chief Executive Officer (CEO) and other executive members, all of whom have designated responsibilities.

The Board of Directors is responsible for the company's strategy, long-term business plan, finance and reporting. To the extent permitted by law, the Sonae Sierra Board of Directors has delegated some of its corporate decision-making to specialised committees.

The Executive Committee is responsible for the day-to-day operations of the company, which encompass Corporate Responsibility (CR) activities. The Executive Committee is supported by three Committees: Investment, Finance and Audit & Compliance. The Investment Committee and the Finance Committee are chaired by the CEO. The Audit & Compliance Committee is chaired by an independent, external officer chosen by the Board of Directors.

### **Ethical Conduct**

We have adopted a Code of Conduct governing the ethical conduct of all our stakeholders. All employees are expected to operate within its framework. It is also regarded as a set of guiding principles that apply to everything we do and outline our commitment to success whilst operating with integrity, openness and honesty. The Code also promotes ethical and responsible decision-making by providing guidance on dealing with important issues such as bribery, corruption, race and gender equality and human rights. Ethical conduct is a personal responsibility and every employee is held accountable for his or her behaviour.

The Sierra Ombudsman promotes compliance with our Code of Conduct and encourages behaviour aligned with our ethical principles. The Ombudsman is an independent facilitator to whom all

stakeholders can present their complaints, knowing they will be processed, investigated, and responded to in a timely and sensitive manner.

## **Our CR Management System**

The key CR issues material to our business are managed through our CR management system, which is built around a cyclical model that helps us to achieve continuous improvement in our performance across all nine impact areas: Energy and Climate, Water, Waste, Biodiversity and Habitats, Suppliers, Tenants, Communities and Visitors, Employees and Safety and Health. We establish annual targets, policies and strategies in order to achieve our long-term objectives and translate our values and commitments into practical actions. We also monitor our progress against key performance indicators and targets on an annual basis, to ensure we accomplish our long-term goals.

## **CR Governance**

Our CR Management System is managed by six CR Working Groups that, between them, govern all CR impact areas. The Heads of each Working Group are represented on our CR Steering Committee, which is chaired by our CEO. The CR Steering Committee is responsible for overseeing the organisation's identification and management of material CR issues and ensuring that performance in these critical areas is monitored and improved.

*"We have developed a Code of Conduct for ethical behaviour that provides a framework of integrity, openness and honesty within which we expect all our stakeholders to act at all times."*

## Our Stakeholders

### A continuing dialogue

We firmly believe that conducting our activities in a way that is sensitive and responsive to our stakeholders' needs and concerns is vital for the long-term success of our business. As a company, we foster strong and lasting relationships with key stakeholders and have developed a reputation for consistency and excellence.

Over the past few years, we have extended our stakeholder engagement activities. In 2009, we sought and responded to feedback from our stakeholders using various techniques. Besides the specific methods reported on, we have established some general methods of gathering feedback from all our stakeholders. These include:

- **Sierra Ombudsman** In 2009 our Ombudsman received 125 complaints from stakeholders, compared to 75 in 2008, covering topics such as service quality and systems and Code of Conduct infringement. All these complaints were responded to, but none raised major concerns.

- **CR Report Feedback** We received CR Report feedback forms from 119 people following the publication of our 2008 CR Report; a 72% increase in the response rate compared to 2008. In response to readers' suggestions, we have placed a greater emphasis on energy and innovation in our 2009 CR Report.

## **Economic Performance**

### ***2009 a year of contrasts and progress***

Sonae Sierra could not escape the effects of the international financial crisis of 2008. However, thanks to the strength of our investment portfolio and the scope of our operations, which span continental Europe and include Brazil, we have been able to maintain our pattern of growth, albeit at a moderate rate in comparison to earlier years.

*“We believe the current economic situation will improve over time, and that we will be ready to play an important part in re-shaping our industry for the future.”*

**Edmundo Figueiredo**

Chief Financial Officer

### **A difficult year for growth**

2009 was a year of contrasts for Sonae Sierra. On the one hand, despite our best efforts, our business in Europe could not escape the effects of the international financial crisis. On the other hand, in line with the Brazilian economy's continuing growth, our operations in Brazil have made considerable progress.

Overall, the constraints of the financial markets – which grew out of the crisis – had the most impact on our activities. During the period under review, credit became difficult to obtain as the major banks adopted severe restrictions in relation to loans. In some cases, loan to value ratios have been set at between 50% and 60%, with maturities reduced to between three and seven years.

Despite these difficulties, the quality of our portfolio and our record as successful shopping centre developers, owners and managers has made it possible for us to continue re-financing most of our operating centres and sustain our development projects.

As we had feared, in Europe, the financial crisis has now mutated into an economic recession. In both Spain and Portugal, for example, consumer spending fell during 2009, while unemployment rose particularly sharply in Spain. We have seen a similar scenario in Italy, Romania and Greece. The impact has been less severe in Germany, where consumer spending has remained comparatively stable.

Overall, the combination of reduced consumer spending and fragile economic confidence has affected the number of visits to our shopping centres and impacted on our tenants' profits. As a result, our European performance has suffered and we took early action in order to maintain our strategy.

## **A focus on efficiency**

Our first act was to review and subsequently reduce our pipeline of development projects and curtail our ongoing operations. At the end of 2009, only two – LeiriaShopping in Portugal and Le Terrazze in Italy – were fully active.

We have also taken steps to improve the net income from our operating shopping centres, by increasing their income efficiency per m2 and reducing the costs associated with the generation of those incomes.

At the same time, we have reviewed the capital expenditure at each of our centres, including current refurbishment programmes as well as day-to-day maintenance costs. In doing so, we have gone deep into our processes, improved our operating performance and yet retained our core resource: our people.

We have also conducted an analysis of our portfolio to determine which of our centres to hold and which to potentially sell. As a result, we have sold a major portion of our interest in Alexa in Berlin. With this transaction, we have maintained complete control over the centre management and intend to retain a 9% interest in the property in the future.

Prior to the financial crisis, we had also introduced SuperCom, an internal management programme based on messaging and communications technologies. Three-quarters of our staff now have access to voice, video, messaging and conferencing facilities, which allow meetings to take place on a pan-European and trans-continental basis without any associated travel costs.

Finally, we have decided to invest much more in the selling to third parties of services related to shopping centre activities, in particular those centred on development and property management, as a way of increasing our income and broadening the possibilities of further investment in existing and future international markets.

All these initiatives were in hand before the financial crisis broke. Its effect has been to accelerate their implementation.

Ultimately, today's new realism may benefit many businesses, including ours. It will make us think twice about how we do things and should improve our business efficiency without compromising our corporate responsibility principles.

## **Ready for the future**

While the recession may take some time to pass, with an uneven rate of recovery across Europe, we will benefit from being in diversified markets, in particular from Brazil, which has not been affected by the crises to the same degree.

Our objective is still to develop and grow our company. We believe shopping centres have an important role to play in society.

As one of the most successful companies in our sector, we have endured the recent crises comparatively unscathed and are ready to respond to the market when conditions improve.

## **Our partnerships**

We have continued our policy of developing partnerships with interested parties based in the countries of the European Union, the USA and Brazil.

It is our aim to develop long-term partnerships with organizations that share our values and see us as a partner of choice in the shopping and leisure centres sector.

The table opposite shows the scope of these relationships.



## Joint-Ventures

Country	Partners
Portugal	Estevão Neves NSL Group CGD Sonae Distribuição
Spain	Mall Group Lar Group Iberdrola
Netherlands	ING Real Estate ABP
France	Foncière Euris CNP Assurances Ecureuil Vie CDC
Germany	Deka
Greece	Grupo Charagionis Lamda Development Acropole Charagionis
U.K.	Grosvenor Fund Management Pan European Miller Developments Rockspring Castle City Aberdeen Property Investors
Italy	Coimpredil
U.S.A.	AIG DDR Trans European II TIAA- CREF
Finland	LGPI Ilmarinen Continental European Fund I Continental European Fund II
Brazil	Multiplan Tivoli EP Enplanta Engenharia

## Operational performance - Europe

The financial crisis of 2008 had an unavoidably negative effect on all our operations in Europe. As 2009 progressed and credit became difficult to secure, the economic recession began to bite and we experienced a slight reduction in our visitor numbers and occupancy rates. Nevertheless, we made good progress during the period under review.

*“The highly successful opening of Loop5, our second development project in Germany, has established us as the most innovative market-leaders in this territory.”*

**Ana Guedes Oliveira**

Director, European Developments

*“Despite the difficulties of the year, we made significant progress in both our shopping centre management and our letting activities by adding to our portfolio and improving efficiency.”*

**João Correia de Sampaio**

Director, European Property Management

*“We have adopted a strategy that prioritises occupancy maximization, so that we can protect our income stream and quickly benefit from the economic upturn, as soon as it happens.”*

**Pedro Caupers**

Director, European Investment & Asset Management

*“We plan to expand our portfolio of third-party centres under management, and increase our activities as a provider of expert services in both existing and new markets.”*

**João Correia de Sampaio**

Director, European Property Management

## LOOP5 sets new standards in Germany

The operational highlight of our European year was, without doubt, the inauguration of Loop5, our new shopping centre in Weiterstadt, near Frankfurt, in Germany. This 55,500 m<sup>2</sup> development, with a total of 117 shops and parking for 3,000 cars, opened to great acclaim in October 2009.

Together with Münster Arkaden in Münster and Berlin's Alexa, our centres in Germany are now setting new standards in this market. Where local consumers were once sceptical about our innovative

approach that brings shopping and leisure together under one roof, they are now enthusiastic about this concept. As proof, Loop5 – which features several international brands, including Media Satur, H&M, Esprit, C&A and Thalia – opened with a 96% occupancy rate. Encouraged by this and the underlying strength of the German economy, we are currently analysing a number of interesting new prospects across this particular market.

Elsewhere in Europe, the effects of the international financial and economic crises inevitably compromised our planned pipeline of new developments. As a result, we have had to curtail our activities until such time as conditions in Europe improve.

Nevertheless, despite the economic climate, we are continuing construction at LeiriaShopping in Portugal. This €75 million shopping centre, which will offer 43,200 m<sup>2</sup> of Gross Lettable Area (GLA), is scheduled for inauguration on 25 March 2010. We are also in the early stages of the development of Centro Bordalo in Caldas da Rainha, a 24,000 m<sup>2</sup> GLA centre, which will begin construction in 2011.

We have everything in place to commence construction at Le Terrazze in La Spezia, Italy, in early 2010. This €105 million project, which will ultimately offer 38,460 m<sup>2</sup> of GLA, is due for completion in November 2011.

## **Refurbishments and expansions continue**

Notwithstanding our self-imposed economic restraints, we have completed our refurbishment and expansion projects at a number of our operational centres.

In Italy, for example, we have improved the layout of Valecenter, near Venice. In Portugal, we have refurbished the food court and enhanced other aspects of Lisbon's Centro Colombo, and improved and expanded several of the facilities at GuimarãesShopping. AlbufeiraShopping has also been the subject of a general refurbishment programme.

Projects for the future include – among others – improvement works at Centro Vasco da Gama in Lisbon, Plaza Mayor Parque de Ocio and Parque Principado in Spain, as well as in Münster Arkaden in Germany.

## **Asset disposals**

During the year we successfully completed the sale to Union Investment of Centro Colombo's Torre Oriente for approximately €70 million and the sale of Plaza Mayor Shopping to the Sierra Fund.

Looking ahead, we will continue our strategy of recycling capital, by selling part or the entirety of our stake in some Shopping Centres, in order to reinvest the proceeds, either in other projects developed by Sonae Sierra or in projects acquired from third parties, provided they demonstrate significant potential to create value, either by expanding or by improving the tenant-mix.

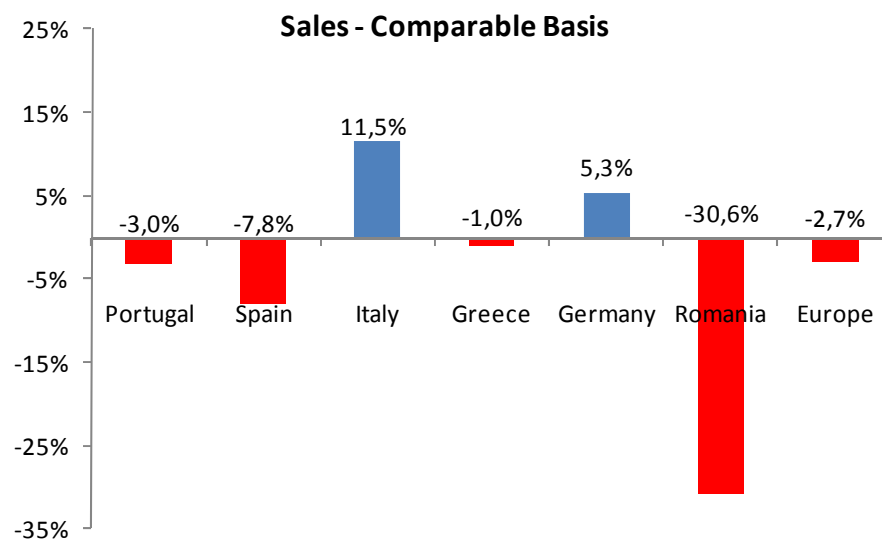
As part of our ongoing policy of capitalising on our assets, we have made considerable progress in the marketing of our expertise as developers of shopping centre projects and our property and asset management skills. Not only does this activity contribute to our overall income stream, it also improves our chances of breaking into new markets by enhancing our presence in territories where we currently have no operating shopping centres.

We believe that, by capitalising on our skills and experience in this way, we will broaden the understanding and appreciation of our innovative approach to shopping centre development and management.

## **Recession affects tenant sales**

The effects of the turmoil in the international financial markets and the subsequent economic crisis, and their impact on retail sales were felt most acutely in Portugal, Spain, Greece and Romania, where we saw a decline in tenant sales. The most affected country was Spain, where the figures fell by 7,8% compared with 2008, followed by Portugal, where there was a 3,0% reduction. In both Greece and Romania, trading conditions have been particularly affected by both countries' continuing problems with public and private debt.

The picture in Germany and Italy is a little more positive, with sales up slightly in both territories during the year, despite the economic conditions.



## New leasing activities

While tenant sales have been contracting, we have been expanding our property management activities.

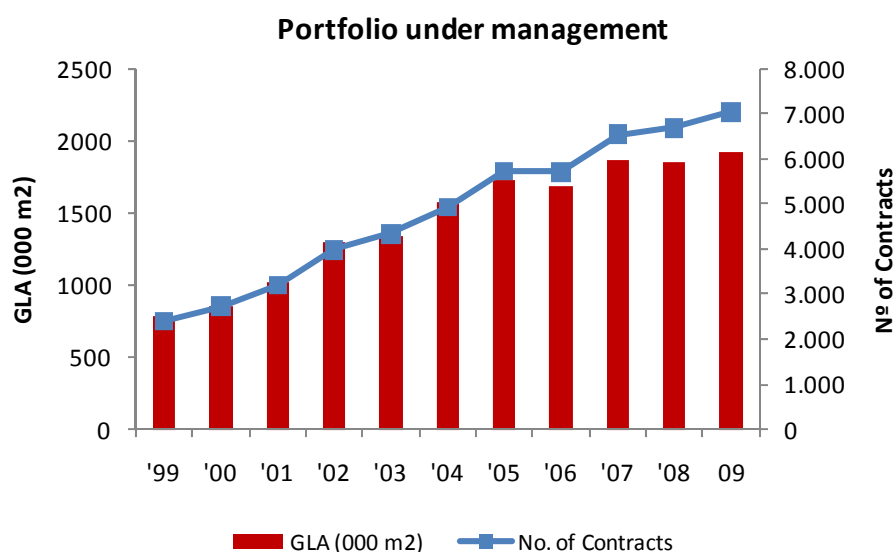
In January 2009, we started managing the third-party-owned Post Galerie shopping centre in Karlsruhe, Germany. In October, we took over the management of the new Loop5 centre.

Our progress in Italy includes further lettings at Gli Orsi in Biella and the consolidation of our operations at Freccia Rossa in Brescia and Valecenter in Venice, all of which opened in 2008. By the end of 2009, we had let more than 35% of the GLA at Le Terrazze, which is currently under construction in La Spezia.

In Portugal, we have taken over the management of Viseu Retail Park, which is owned by an investment fund managed by Rockspring, and of Tavira Grand Plaza, a 27,100 m<sup>2</sup> GLA shopping centre owned by Martifer. We also completed the letting of the expanded Guimarães Shopping complex and signed a management agreement with Commerz Real for their Albufeira Retail Park.

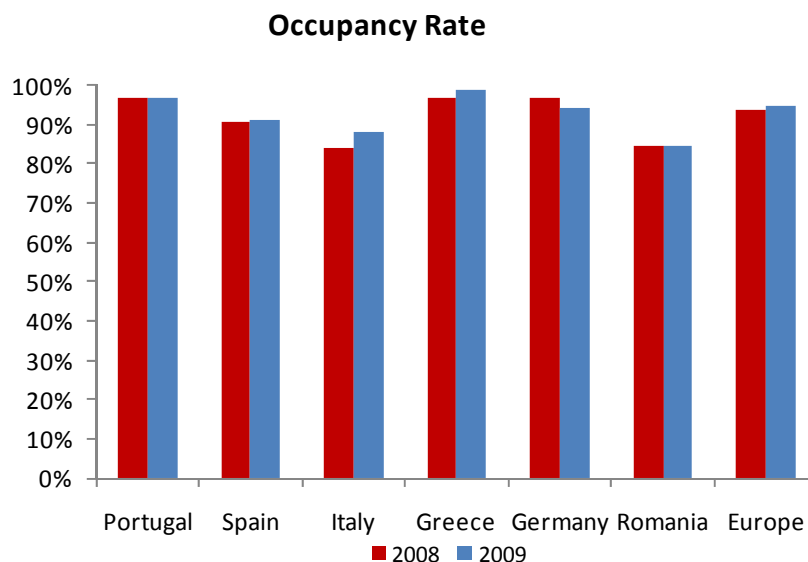
Our Spanish management activities now include contracts with ING for the letting of their Grand Plaza shopping centre in Vigo and their El Tormes centre in Salamanca.

In Romania we have been appointed letting agents for the recently-opened Grand Arena Mall in Bucharest, which is owned by a third-party, while in Greece we have improved the tenant mix at Mediterranean Cosmos and completed our first year of operation at Pantheon Plaza.



## Vacancy levels sustained

As at the end of December 2009, our occupancy levels across all our European shopping centres stood at approximately 94.5%.



This has been achieved through a combination of various measures, most notably a drive to ensure tenancy levels have been kept as high as possible, to compensate for falling rents.

	Fixed Rents		Variable Rents		Total Rents		%09/08 Rents	
	2009	2008	2009	2008	2009	2008	total	like-for-like
Portugal	185.836	184.544	6.324	7.928	192.160	192.472	-0,2%	-0,2%
Spain	72.512	74.295	2.533	2.692	75.044	76.988	-2,5%	-7,1%
Italy	22.782	14.055	767	766	23.549	14.822	58,9%	14,3%
Greece	19.661	17.214	1.657	1.862	21.319	19.076	11,8%	9,1%
Germany	28.150	23.950	1.370	2.186	29.521	26.136	12,9%	-1,6%
Romania	2.681	2.979	1	0	2.681	2.979	-10,0%	-10,0%
Europe	331.623	317.038	12.652	15.435	344.274	332.473	3,5%	-2,1%

Following a systematic assessment of traffic and sales levels, we have adjusted the opening hours at some of our centres. Across our entire portfolio, and in return for a cut in our tenants' service charges, we have made judiciously selected reductions in the services we provide. All these measures have been taken to help ease our tenants' passage through this difficult trading period.

Within our own organisation, we have reduced the promotional budgets in each of our centres by focusing our marketing activities on sales activation programmes and the creation of additional resources through co-branding events.

In essence, we have adopted a defensive strategy designed to keep our centres as close as possible to being fully occupied, so that our overall income stream is protected for the future. The result has

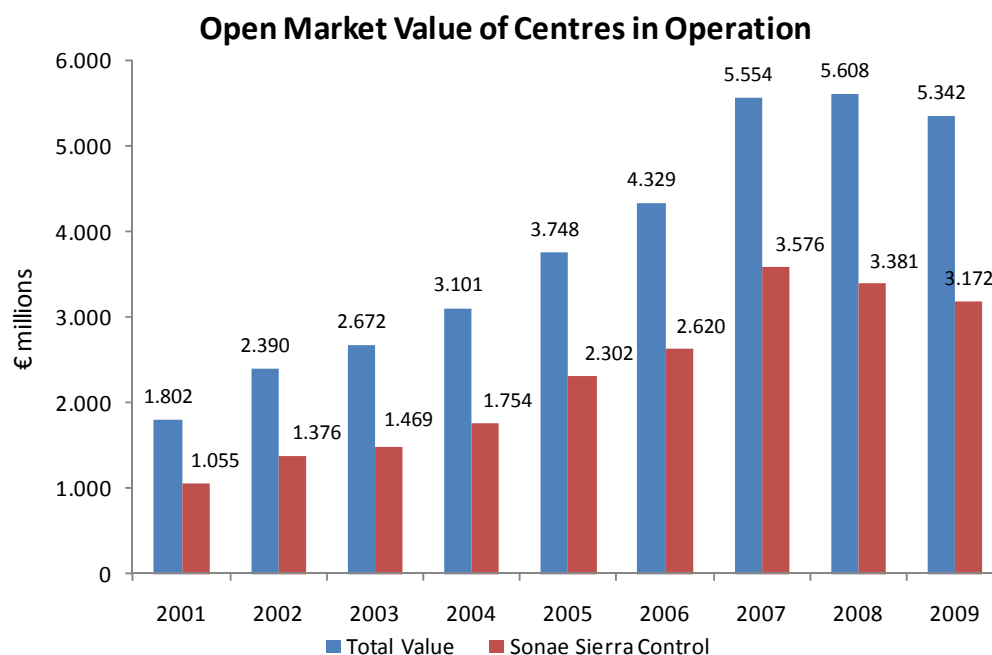
been a marginal decrease of -2,1% in our rental income, which – we believe – confirms our portfolio's resilience in the face the current difficulties.

### Asset value affected

Unfortunately, we have been unable to prevent a decrease of 4,8% during the year in the overall market value of our portfolio.

The majority of this reduction is due to the economic conditions caused by the financial crisis of 2008. The retail property market has been depressed across the board and, in certain cases, competitive pressure has made matters worse.

In broad terms, we face difficulties on two fronts. Many of our tenants have been posting reduced profits, which leads to a loss of rental income on our part, and property yields have increased, which impacts on our indirect profits. In both cases, we hope for some improvement in the coming year, as suggested by the lower increase of market values during the last quarter of 2009.



## **The Sierra Fund in 2009**

The objective of the Sierra Fund is to provide its investors with dividends and capital growth from investments in high quality, actively managed shopping centres in Portugal, Spain, Italy, Germany and Greece. Our five partner investors are APG Investments of Holland, the French companies Caisse des Dépôts et Consignations EP, CNP Assurances and Ecureuil Vie, and TIAA-CREF, which is based in the USA. Sonae Sierra has a 50.1% interest in the Sierra Fund, with the other investors owning a combined interest of 49.9%.

During the year, we reached an agreement with our partners in relation to the expiry of the commitment period of the Fund. As a result, the Fund acquired an interest in Plaza Mayor Shopping in Málaga, Spain, and small adjustments were made in relation to the processes related to some of the Fund's financing decisions.

The Fund's performance in 2009 was inevitably affected by the international financial crisis and its impact on market values and yields. We expect this performance will improve, as soon as market conditions ease.

## **The Sierra Portugal Fund**

The Sierra Portugal Fund was launched in April 2008 with total committed equity of up to €300 million. Its aim is to provide investors with dividends and capital growth from a diversified portfolio of high quality, actively managed shopping centres in Portugal.

The Fund was seeded with eight shopping centres and currently benefits from one pipeline property: LeiriaShopping.

At launch, the Fund had commitments from three investors – Finland's Local Government Pensions Institution, Ilmarinen, a Finnish mutual pension insurance company, and Schroder Property Investment Management's Continental European Fund 1 and Continental European Fund 2 – which were subsequently joined by Aberdeen Eurozone Fund of Funds and Aberdeen Eurozone Fund of Funds II, both managed by Aberdeen Property Investors. Currently, these five investors own a combined interest in the Fund of approximately 58%, with Sonae Sierra owning the remaining 42%.

The Fund consolidated its operations during 2009, with the first distributions of income taking place in the second half of the year. In 2010, the Fund will be acquiring LeiriaShopping and hopes to generate additional distributions of income to its shareholders.



## The Outlook

We believe the economic recession of 2009 will ease during the latter part of 2010, although economic growth will probably be both slow and variable across Europe. In Portugal and Spain, for example, high unemployment is expected to depress retail sales. In Italy the situation is less severe and confidence levels are rising. In Greece and Romania, public and private debt is still causing economic problems while, in Germany, the picture is more positive.

The recent stabilisation of the commercial real estate markets should help us as the number of transactions increases and new development opportunities come to the fore. The currently depressed land prices and construction costs should also improve the viability of some already identified opportunities.

## Operational performance – Brazil

*“The opening of Manauara Shopping in Manaus is a significant step forward for our plans for growth outside Brazil’s south-eastern region.”*

**João Pessoa Jorge**

Executive Director, Sonae Sierra Brazil

With the continuing increase in Brazil’s GDP growth, we expect our turnover to improve at a rate well above inflation while vacancy levels are likely to fall.

The highlight of the year in Brazil was the opening of Manauara Shopping in Manaus, the country’s largest northern city. With 46,660 m2 of GLA, Manauara Shopping is the most important centre in the region and offers the market an entirely new concept in terms of design and tenant mix. It also marks a significant step forward in our plans for growth outside Brazil’s south-eastern region, and enhances our reputation as shopping centre specialists.

While our main focus during the year was on the inauguration of Manauara Shopping, we also completed the first phase of the expansion of Shopping Metr pole and finalised the designs for three new projects: Boulevard Londrina Shopping, Uberl ndia Shopping and Shopping Goi nia.

Boulevard Londrina Shopping will be built in two phases. The first embraces a three-level building with approximately 48,300 m2 of GLA, 203 stores and over 2,500 parking spaces. The second phase consists of an additional 13,000 m2 of GLA and 400 more parking spaces.

Uberlândia Shopping will also be built in two phases. The first, which we expect to complete in 2011, will offer approximately 37,800 m2 of GLA, 201 stores and over 2,500 parking spaces. The second phase consists of a 13,300 m2 expansion of GLA and 1,000 more parking spaces.

Our new shopping centre in the city of Goiânia in the State of Goiás, which is expected to open during first half of 2012, will become the second largest centre in our portfolio.

In July, Parque D. Pedro 1 BV, sold a 10,5% interest in Parque D. Pedro Shopping for R\$75.2 million and – in a December public offering – a further interest of approximately 12,6% for R\$100 million. The objective of both these sales – which have no effect on our indirect ownership of 51% of Parque D. Pedro Shopping – was to recycle capital and obtain new funds for investment projects.

In October we acquired an additional 17% stake in Shopping Metr pole for R\$42.8 million. Combined with the land swap agreed with the Municipality of S o Bernardo do Campo, which governs Shopping Metr pole's location, this has enabled the resumption of the renovation and expansion of this property. The first phase saw the construction of a new food court. The second phase aims to create 25 more shop units, one mid-sized store and two additional large stores, three outdoor restaurants, a new multiplex cinema, additional parking spaces and a remodelled fa ade.

During the year we achieved an increase on tenant sales of 13.8% on the figures for 2008. Like-for-like sales, excluding Manauara Shopping, which opened in April, increased by 5.4% during the same period.

Tenant Sales (R\$ 000)	% 09/08	
	total	like-for-like
Brazil	13,8%	5,4%

Our shopping centres welcomed some 93 million visitors – a rise of 4.5% on 2008 – with a like-for-like figure estimated at 89 million, again excluding Manauara Shopping, representing an 0,4% increase from 2008.

	Visits		% 09/08	
	2009	2008	total	like-for-like
Brazil	92.639	88.621	4,5%	0,4%

Visits in thousands

The aggregate rental income from our assets totalled R\$179.2 million for the year; an increase of 19.4% from 2008. Like-for-like rental income rose 9.2% in 2009.

	Fixed Rents		Variable Rents		Total Rents		% 09/08 Rents
	2009	2008	2009	2008	2009	2008	total
Brazil	165.864	137.777	13.326	12.352	179.190	150.129	19,4%

Figures in Reais (thousands)

We ended the year with a vacancy rate of 3.2%, which we consider both normal and important for the constant improvement of our shopping's tenant mix. We had begun the year with 195 vacant units and ended with just 72, which is testament to the work of our commercial team, who reduced the vacancies in Boavista Shopping to 4.0% in 2009 from 7.7% in 2008. Two of our centres – Tivoli Shopping and Shopping Plaza Sul – had occupancy rates of 100.0% as of the end of 2009. Manauara Shopping was 96% occupied when it opened in April 2009.

GLA for Lease	Occupancy Rate	
	2009	2008
Brazil	96,8%	96,8%

With Brazil experiencing rapid economic growth – reduced interest rates, new tax cuts and easier credit have all helped boost business activity – Sonae Sierra Brazil's portfolio ended 2009 with an OMV of R\$2,506 million (€997.8 million), an increase of 36.7% from December 2008. Taking into account the appreciation of the Real in 2009, this increase was an even more impressive 76.6% uplift from the €565.1 million recorded in 2008.

While economic recovery remains fragile in the developed world, Brazil offers positive prospects. We expect a continuing increase in GDP growth, mainly driven by private consumption, which should improve conditions in the country's capital and financial markets.

We are confident we will be able to make progress with the implementation of our expansion plan and that turnover in our shopping centres will grow well above inflation as vacancies decline.

## **Consolidated Accounts**

### **Sierra Investments**

Sierra Investments contributed with a negative result of €116,5 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 and consolidates the Sierra Portugal Fund by the proportional method, as the interest in SPF is 42%.

#### **Direct profits**

The direct profits of Sierra Investments are derived from the operation of shopping and leisure centres that are part of its portfolio, including those assets that are in the Sierra Fund and in the Sierra Portugal Fund. The direct profits also include the asset management services provided to the properties by Sierra Asset Management.

The 4% growth in Shopping Centre Net Operating Margin over 2008 is mostly due to the full year contribution of the 2008 openings and to the 2009 openings. On a L4L basis the total rental income decreases by 2,1%.

The decrease in asset management income over 2008 is consequence of the decrease in the value of the existing portfolio, partially compensate by the increase in the portfolio.

Net financial costs decrease 9% compared to 2008 due to the lower interest rates offset by the higher financial costs related with the new assets and with new financing/ refinancing of the existing portfolio.

#### **Indirect profits**

Indirect profits arise either from the change in value of the investment properties or the realisation of capital gains on the sale of assets and/or shareholding positions.

The Realized Property Profit results mainly from the sale of the Centro Colombo Torre Oriente.

The losses in value created on investment properties reached the amount of €261 million in 2009, reflecting the average yield increase in all the countries where Sonae Sierra operates.

The Deferred Taxes shows a negative amount of €59 million mainly resulting from the decrease in the valuations of the existing portfolio.

Minority interests are negative in the amount of €47 million and correspond mainly to 49.9% ownership of our five partners in the Sierra Fund results.

## Sierra Investments

<b>Profit &amp; Loss Account</b> <b>(€000)</b>	<b>2009</b>	<b>2008</b>	<b>% 09/08</b>
Retail Net Operating Margin	170.549	164.496	4%
Parking Net Operating Margin	3.672	3.548	3%
Co-generation Net Operating Margin	1.340	1.385	-3%
<b>Shopping Centre Net Operating Income</b>	<b>175.561</b>	<b>169.429</b>	<b>4%</b>
Offices Net Operating Income	214	576	-63%
Asset Management Net Operating Income	5.590	10.391	-46%
<b>Net Operating Income (NOI)</b>	<b>181.365</b>	<b>180.396</b>	<b>1%</b>
Recurrent net financial costs/(income)	75.987	83.191	-9%
Non-Recurring costs/(income)	3.115	2.449	27%
<b>Corporate Taxes</b>	<b>17.979</b>	<b>19.996</b>	<b>-10%</b>
<b>Direct Profit</b>	<b>84.284</b>	<b>74.760</b>	<b>13%</b>
Realized Property Profit	608	4.699	-87%
Non-Realised Property Profit	(260.584)	(266.248)	2%
Deferred tax	(59.163)	(40.035)	-48%
<b>Indirect Profit</b>	<b>(200.813)</b>	<b>(221.513)</b>	<b>9%</b>
<b>Net Profit for the Period</b>	<b>(116.528)</b>	<b>(146.754)</b>	<b>21%</b>
<b>Attributable to :</b>			
Equity holders	(69.610)	(71.509)	3%
Minority interests	(46.918)	(75.245)	38%

<b>Consolidated Balance Sheet</b> <b>(€000)</b>	<b>31-12-2009</b>	<b>31-12-2008</b>	<b>Var.</b> <b>(09 - 08)</b>
Investment properties & others	3.236.562	3.454.681	-218.118
Other assets	178.219	145.985	32.235
Cash & Equivalents	77.297	183.667	-106.371
<b>Total assets</b>	<b>3.492.078</b>	<b>3.784.333</b>	<b>-292.254</b>
Net worth	688.649	794.288	-105.639
Minorities	365.496	412.839	-47.343
Bank loans	1.788.097	1.807.633	-19.536
Deferred taxes	407.973	480.566	-72.592
Other liabilities	241.864	289.008	-47.144
<b>Net Worth, minorities and liabilities</b>	<b>3.492.078</b>	<b>3.784.333</b>	<b>-292.254</b>

## Sierra Developments

Sierra Developments contributed negatively with € 70 million to the Consolidated Net Profit of Sonae Sierra. This negative contribution is mainly related to the value decreased in the openings of the last two years partially compensated by the value created in the projects under development and the favourable impact of the successful inauguration in Germany – LOOP5.

The lower income from the development services, capitalized on the projects under development, relates with the slowdown on the development business.

The operating costs decreased by 16% when compared with 2008, reflecting the cutting costs effort in the year in all the countries where the company operates.

### Sierra Developments

<b>Profit &amp; Loss Account</b> <b>(€000)</b>	<b>2009</b>	<b>2008</b>	<b>% 09/08</b>
Project Development Services Rendered	6.535	14.301	-54%
Value created in projects	(43.606)	(139.541)	69%
<b>Operating Income</b>	<b>(37.071)</b>	<b>(125.240)</b>	<b>70%</b>
<b>Operating costs</b>	<b>26.746</b>	<b>31.813</b>	<b>-16%</b>
<b>Net Operating Income (NOI)</b>	<b>(63.817)</b>	<b>(157.053)</b>	<b>59%</b>
Depreciation and provisions	(9)	226	-104%
Net financial costs/(income)	5.103	4.525	13%
Non-Recurring costs/(income)	352	0	-
Corporate taxes	395	(17.936)	102%
<b>Net Profit for the Period</b>	<b>(69.660)</b>	<b>(143.868)</b>	<b>52%</b>
<b>Attributable to :</b>			
Equity holders	<b>(69.660)</b>	<b>(143.868)</b>	52%
Minority interests	0	0	-

<b>Consolidated Balance Sheet</b> <b>(€000)</b>	<b>31-12-2009</b>	<b>31-12-2008</b>	<b>Var.</b> <b>(09 - 08)</b>
Properties under development	245.479	289.855	-44.376
Other assets	109.407	131.642	-22.235
Cash & Equivalents	2.724	68.021	-65.297
<b>Total assets</b>	<b>357.610</b>	<b>489.518</b>	<b>-131.908</b>
Net worth	-5.526	62.940	-68.466
Minorities	0	0	0
Bank loans	33.315	62.999	-29.683
Shareholder loans	202.960	312.600	-109.640
Deferred taxes	4.464	992	3.472
Other liabilities	122.396	49.987	72.409
<b>Net worth, minorities and liabilities</b>	<b>357.610</b>	<b>489.518</b>	<b>-131.908</b>

## Sierra Management

Sierra Management contributed €3,7 million to Sonae Sierra's consolidated profit.

Sierra Management portfolio of centres under management grew by 4 centres in 2009. This portfolio increase was not enough to compensate the slowdown on the openings with the correspondent decrease on the Letting Income.

Total Operating Costs decreased by 6%, due to the cost cutting efforts implemented in 2009.

Financial income decreased due to lower applications and lower interest rates.

### Sierra Management

<b>Profit &amp; Loss Account (€000)</b>	<b>2009</b>	<b>2008</b>	<b>% 09/08</b>
Total income from management services	33.923	35.619	-5%
Operating costs	28.467	30.399	-6%
<b>Net operating income (NOI)</b>	<b>5.455</b>	<b>5.220</b>	<b>5%</b>
Net financial costs/(income)	(1.256)	(1.713)	27%
Non-recurring costs/(income)	569	956	-40%
Corporate taxes	2.378	1.873	27%
<b>Net Profit for the period</b>	<b>3.764</b>	<b>4.105</b>	<b>-8%</b>
<b>Atributable to :</b>			
Equity holders	3.666	4.006	-8%
Minority interests	98	99	-1%

<b>Consolidated Balance Sheet (€000)</b>	<b>31-12-2009</b>	<b>31-12-2008</b>	<b>Var. (09 - 08)</b>
Other assets	34.343	31.357	2.986
Cash & Equivalents	28.148	24.015	4.133
<b>Total assets</b>	<b>62.491</b>	<b>55.372</b>	<b>7.119</b>
Net worth	4.327	4.453	-126
Minorities	134	127	7
Other liabilities	58.030	50.792	7.238
<b>Net Worth, minorities and liabilities</b>	<b>62.491</b>	<b>55.372</b>	<b>7.119</b>

## **Sonae Sierra Brazil**

Sonae Sierra Brazil consolidates the Brazilian companies with the structure in Europe and are consolidated by the proportional method (50%) in the Sonae Sierra consolidated accounts.

### **Direct Profit**

In the investment business, Shopping Centre Operating Margin grew by 24% during 2009. This increase is due to the increase in the portfolio with the opening of Manauara and to the good operational performance of the Brazilian shopping centres during the year.

The Development and Property Management Services Rendered has had a very positive year, with a substantial increase in the income (28%) due to the new developments and to the increase in the portfolio under management and the good performance of the existing portfolio, respectively.

### **Indirect Profit**

Indirect profit presents a lower increase in the Open Market Value of the assets, mainly due to the lower yields compression in the Brazilian's real estate market.

The Realized Property Profit relates with the gain on the sale of the Parque D. Pedro quotas – private and public offer.

### **Balance Sheet**

The increase in the exchange rate of the Real drove an increase in the total net worth of € 110 million. The value of the investment properties increased € 298 million due to the opening of Manauara, the favourable change in the exchange rates and the increase in the value of the existing portfolio.

The Cash and Equivalents will be used in the 3 new projects under developments.



## Sonae Sierra Brazil

<b>Profit &amp; Loss Account</b> <b>(€000)</b>	<b>2009</b>	<b>2008</b>	<b>% 09/08</b>
Retail Operating Margin	39.055	32.547	20%
Parking Net Operating Margin	2.493	991	152%
<b>Shopping Centre Net Operating Margin</b>	<b>41.548</b>	<b>33.537</b>	<b>24%</b>
Total Income from Services Rendered	10.266	8.023	28%
Overheads	10.844	12.944	-16%
<b>Net Operating Income (NOI)</b>	<b>40.970</b>	<b>28.616</b>	<b>43%</b>
Net financial costs/(income)	5.376	(441)	1319%
Non-recurring costs/(income)	5.053	2.166	133%
Corporate taxes	4.680	5.550	-16%
<b>Direct Profit</b>	<b>25.861</b>	<b>21.342</b>	<b>21%</b>
Realised Property Profit	6.405	1.131	466%
Non-Realised Property Profit	63.334	72.578	-13%
Deferred tax	15.600	24.650	-37%
<b>Indirect profit</b>	<b>54.139</b>	<b>49.059</b>	<b>10%</b>
<b>Net Profit for the Period</b>	<b>80.000</b>	<b>70.401</b>	<b>14%</b>
<b>Atributable to:</b>			
Equity holders	71.175	68.300	4%
Minority interests	8.825	2.100	320%

<b>Consolidated Balance Sheet</b> <b>(€000)</b>	<b>31-12-2009</b>	<b>31-12-2008</b>	<b>Var.</b> <b>(09 - 08)</b>
Properties	759.144	461.041	298.103
Other assets	30.044	24.072	5.972
Cash & Equivalents	37.619	3.929	33.690
<b>Total Assets</b>	<b>826.807</b>	<b>489.042</b>	<b>337.766</b>
Net worth	540.912	349.812	191.100
Minorities	83.203	13.332	69.871
Bank loans	68.511	41.980	26.530
Deferred taxes	112.529	71.021	41.508
Other liabilities	21.653	12.896	8.756
<b>Net Worth, minorities and liabilities</b>	<b>826.807</b>	<b>489.042</b>	<b>337.766</b>

## **Sonae Sierra Consolidated Accounts**

### **Profit & Loss Accounts**

The total direct income from investments increased € 12 million, from € 299 million to € 311 million. This reflects the increase in the portfolio resulting from the full year impact of 2008 inaugurations (Freccia Rossa, Plaza Mayor Shopping, Pantheon Plaza and Gli Orsi), the inaugurations of 2009 (Manauara and Loop5) and the organic growth of the Brazilian portfolio. These favourable contributions more than compensated the lower income from Developments services due to the reduced development activity consequence of the current market status and the little compression on the European rents.

Sonae Sierra Net operating result increased 6% due to the higher income explained above and to the cost cutting efforts implemented in the Company.

The Direct net profit reached € 76,8 mn which compares with the € 64,1 mn in 2008. This increase is explained by the decrease in the net financial costs, consequence of lower interest rates, in addition to the net operating result increase.

The big shift in the Company's Results happened, once again, at the level of Indirect Results. In this area, the Company booked a loss of €236.7 million at 2009 year end, whereas it had booked a loss of €249.7 million in the same period of 2008. This Indirect Result has three main components.

In the first (Gains Realized on Investments), the Company shows a gain in the period of € 4.2 mn corresponding basically to the gains made on the sale of positions to third parties investors in the Parque D. Pedro Shopping, Colombo Tower Oriente and Plaza Mayor Shopping. In 2008 the gain relates with the sale of the Mediterranean Cosmos to Sierra Fund, the price adjustment in Cascais and the sale of part of Manauara's land.

The second relates with the Provision for funds at risk created in 2009. In 2008 the imparity loss was related with the Romanian projects – Craiova and Ploiesti.

The third component (Value Created on Investments) corresponds to changes in value, on the basis of independent valuations, of the properties in the portfolio. In this component, the Company booked in the period a loss of €291.8 million.

The market value of the investment properties are being affected by the negative climate prevailing in the properties markets of most of the developed countries where the Company operates. This context led to an upwards shift of the capitalization yields applied in the valuations carried out on assets in those countries, this increase implying a reduction in the value of the corresponding property.

The losses in Value Created on Investments were mitigated however by the value created on openings of the year and on properties under developments and the valuation gains in Brazil, a market that was not affected by the crisis and where yields remain relatively stable.

In the case of Sonae Sierra, the exclusive effect of the variation in the yields led to a reduction in the value of the Investment Properties of 8%, which amounted to €294.6 million. The biggest losses occurred in Portugal and Spain, the other European countries had a very small impact and Brazil recorded a gain.

In terms of yield variation in the portfolio, these numbers translate an average yield increase of 89 basis points in Portugal, 60 basis points in Spain and an average yield reduction in Brazil of 7 basis points.

The total Net Profit attributable to minorities corresponds, almost exactly, to the direct and indirect profits attributable to the Sierra Fund's external investors.

## **Balance Sheet**

The total assets amounted to € 4.108 million at the end of 2009. This represents a decrease of € 183 million when compared with the previous year and results mainly from the decrease in the properties' valuations, partially compensated by the increase in the investment portfolio arising from the openings of the year.

The bank debt remains stable with the new drawdown's in the development business being compensated by the reduction in the existing portfolio.

The development risk, measured as the amount invested and to be invested to conclude the projects under development as a percentage of total assets, reduced from 11,8% to 8,5%, mainly as a result of the openings of the year and to the reduced pipeline under development.

## Sonae Sierra

Consolidated Profit and Loss Account (€000)	2009	2008 PF *	2008	% 09/08PF
Direct Income from Investments	311.190	299.143	315.160	4%
Direct costs from investments	130.936	129.725	135.299	1%
<b>Net Operating Result</b>	<b>180.254</b>	<b>169.418</b>	<b>179.861</b>	<b>6%</b>
Net financial costs	82.527	79.529	88.312	4%
Other non-recurrent income/cost	-2.219	-5.463	-2.745	59%
<b>Direct profit before taxes</b>	<b>95.508</b>	<b>84.426</b>	<b>88.804</b>	<b>13%</b>
<b>Corporate tax</b>	<b>18.729</b>	<b>20.292</b>	<b>21.035</b>	<b>-8%</b>
<b>Direct net profit</b>	<b>76.778</b>	<b>64.134</b>	<b>67.769</b>	<b>20%</b>
Gains realized on sale of investments	4.161	19.410	19.410	-79%
Impairment & Development funds at risk provision	-6.384	-65.832	-65.832	90%
Value created on investments	-291.787	-223.497	-243.975	-31%
<b>Indirect income</b>	<b>-294.009</b>	<b>-269.918</b>	<b>-290.396</b>	<b>-9%</b>
Deferred tax	-57.324	-20.256	-24.443	-183%
<b>Indirect net profit</b>	<b>-236.685</b>	<b>-249.662</b>	<b>-265.954</b>	<b>5%</b>
<b>Net profit before minorities</b>	<b>-159.907</b>	<b>-185.528</b>	<b>-198.184</b>	<b>14%</b>
Attributable to :				
Equity holders	-110.985	-106.393	-116.126	-4%
Minority interests	-48.922	-79.135	-82.058	38%

\* 2008 PF - with the Sierra Portugal Fund consolidated by the proportional method since January 2008.

## Sonae Sierra

Consolidated Balance Sheet (€000)	31-12-2009	31-12-2008	Var. (09 - 08)
Investment properties	3.595.147	3.629.503	-34.355
Properties under development and others	265.852	352.171	-86.319
Other assets	196.459	192.516	3.943
Cash & Equivalents	50.674	117.378	-66.704
<b>Total assets</b>	<b>4.108.133</b>	<b>4.291.567</b>	<b>-183.434</b>
<b>Net worth</b>	<b>994.533</b>	<b>1.103.109</b>	<b>-108.576</b>
<b>Minorities</b>	<b>407.232</b>	<b>419.990</b>	<b>-12.758</b>
Bank loans*	1.945.667	1.946.703	-1.036
Deferred taxes	469.012	516.502	-47.490
Other liabilities	291.688	305.262	-13.574
<b>Total liabilities</b>	<b>2.706.368</b>	<b>2.768.468</b>	<b>-62.100</b>
<b>Net worth, minorities and liabilities</b>	<b>4.108.133</b>	<b>4.291.567</b>	<b>-183.434</b>

## Net Asset Value

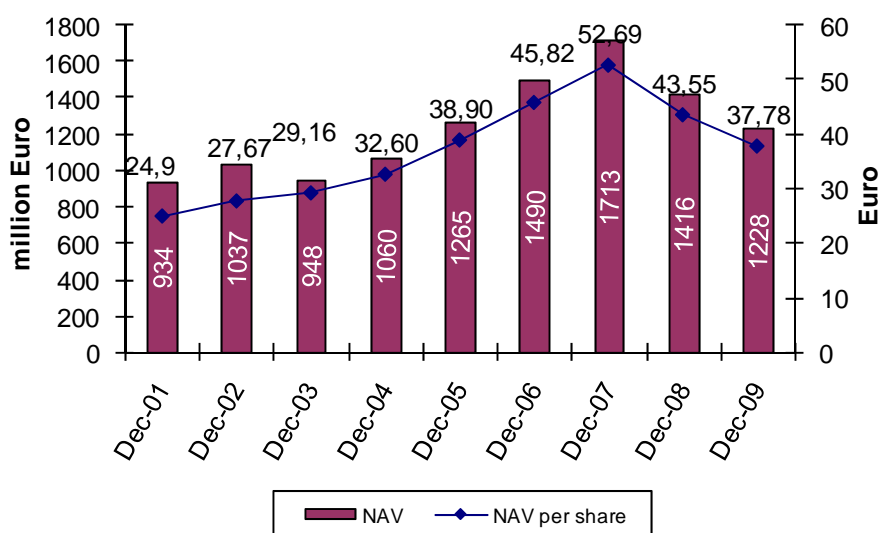
The NAV presented is calculated following the INREV methodology, being the addition of the estimated Promote Fee related with the Sierra Fund (the Fund will pay a fee to the fund manager, at the end of the life of the Fund, to remunerate the manager if the Fund achieves a superior performance) and the Transfer Taxes - valuation of the European portfolio on a gross basis (our independent valuer discounts from the OMVs a certain % related with transaction costs, which we are reversing for the calculation of the NAV) the main differences from the calculation published in 2007 and previous years.

The NAV on 31 December 2009 of the properties attributable to Sonae Sierra was €1,228 million compared with €1,416 million on 31 December 2008. The NAV per share of the properties attributed to the company is €37,78 against €43,55 on 31 December 2008, a decrease of 13,2%.

### Net Asset Value (NAV) 2009

	Total
Open market value	3.875.519
Investment properties	3.595.147
Properties under development & others	280.372
Total bank debt	-1.994.642
Cash & Deposits	87.607
Minorities	-594.836
Other net liabilities	-98.331
Dividend paid	-46.820
NAV 2008	1.228.497

Figures in Euro (thousands)



### Ratios

Ratios	30-12-2009	30-12-2008
Loan-to-value	49,9%	46,7%
Interest Cover	1,91	1,75
Development Risk	8,5%	11,8%

The Loan-to-value increased from 46,7% to 49,9% as the result of the decrease in total assets and the Interest cover even higher than 2008 still below the Company target (2,00).

## **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 favourable 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).

As at 31 December 2009, 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 € 0,84 per share, amounting to the total sum of € 27,311,760.00 (twenty seven million, three hundred and eleven thousand and seven hundred and sixty Euro), which compares with a dividend distribution of € 1.47 per share in 2008.

## **The Future**

Our aim is to be the best international company specialising in shopping centres and the partner of choice in all the markets we operate in.

As part of our ongoing activities, we are constantly analysing new opportunities for imaginative developments. We are also keen to foster new alliances with local partners or important institutional investors who share our enthusiasm for new ideas.

At the same time, as a way of introducing our concepts and methods to new customers, we are actively engaged in marketing our shopping centre development and retail property management skills in new territories.

## **Prospects**

The events of the past year have not dampened our enthusiasm.

We have weathered the worst of the financial and economic crises and emerged as a strong, efficient organisation; one that is ready to capitalise on all the opportunities that will present themselves as the international economic situation improves.

We know we will be operating in a changed world, but we are prepared for change and ready to move forward when the time comes.

Through a combination of organic growth, judicious acquisitions and the careful management of our resources, we believe we can maintain our position in our industry and enhance our prospects for the future.

## Final Notes

The Board of Directors would like to thank all our shopping centre tenants, our suppliers, our financial partners and the official organisations who have trusted and supported us throughout the year.

The Board wants also to express its gratitude to Álvaro Portela for the activity he developed as CEO in favour of the Company during the last 20 years.

We would also like to thank our official Auditors for their co-operation.

Finally we would like to thank our staff for their enthusiasm and commitment during what has been a difficult year for all of us.

Maia, 11<sup>th</sup> March 2010

The Board of Directors

Duarte Paulo Teixeira de Azevedo  
Chairman

Álvaro Carmona e Costa Portela  
Chief Executive Officer

Fernando Maria Guedes Machado Antunes Oliveira  
Deputy Chief Executive Officer

Ana Maria Guedes Antunes de Oliveira  
Director (executive)

Ângelo Ribeirinho Paupério  
Director (non-executive)

João Gonçalo Sassetti Pessoa Jorge  
Director (executive)



José Edmundo Medina Barroso de Figueiredo  
Director (executive)

Mark Robin Preston  
Director (non-executive)

Neil Leslie Jones  
Director (non-executive)

Nicholas Richard Scarles  
Director (non-executive)

Pedro José D'Hommée Caupers  
Director (executive)

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

## STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2009 AND 2008

(Translation of the statement of financial position originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

ASSETS	Notes	31 December 2009	31 December 2008
<b>NON CURRENT ASSETS:</b>			
Investment properties	7	3.354.126	3.367.901
Investment properties in progress	7	239.694	331.039
Property, plant and equipment	8	3.070	3.158
Goodwill	9	49.287	49.891
Intangible assets	10	5.903	6.018
Investments in associates and companies excluded from consolidation	5	77.527	90.819
Deferred tax assets	22	35.782	29.299
Derivative financial instruments	18	26	150
State and other public entities	25	102	102
Other non current assets	11	23.630	21.126
<b>Total non current assets</b>		<b>3.789.147</b>	<b>3.899.503</b>
<b>CURRENT ASSETS:</b>			
Trade receivables	12	36.661	34.017
State and other public entities	25	39.325	50.852
Other receivables	13	49.332	34.614
Other current assets	14	14.585	25.226
Cash and cash equivalents	15	76.450	110.256
<b>Total current assets</b>		<b>216.353</b>	<b>254.965</b>
Assets held for sale		-	-
<b>Total assets</b>		<b>4.005.500</b>	<b>4.154.468</b>
<b>EQUITY, MINORITY INTERESTS AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	16	162.245	162.245
Reserves	16	57.329	57.329
Translation Reserve		10.850	(44.900)
Hedging Reserve		(24.519)	(17.884)
Retained earnings		899.614	1.062.445
Consolidated net profit for the period attributable to the equity holders of Sonae Sierra		(110.986)	(116.127)
Equity attributable to the equity holders of Sonae Sierra		994.533	1.103.108
Minority interests	17	407.232	419.990
<b>Total Equity</b>		<b>1.401.765</b>	<b>1.523.098</b>
<b>LIABILITIES:</b>			
<b>NON CURRENT LIABILITIES:</b>			
Long term debt - net of current portion	18	1.544.785	1.641.265
Debentures loans - net of current portion	18	74.652	74.550
Derivative financial instruments	18	44.732	32.638
Other shareholders	20	12.477	13.716
Finance Lease Creditors		-	840
Trade payables	24	2.306	861
Other non current liabilities	21	13.503	14.009
Provisions	28	212	-
Deferred tax liabilities	22	462.407	504.682
<b>Total non current liabilities</b>		<b>2.155.074</b>	<b>2.282.561</b>
<b>CURRENT LIABILITIES:</b>			
Current portion of long term debt	18	183.838	100.503
Current portion of long term of debentures loans	18	(102)	(96)
Short term debt and other borrowings	19	60.924	12.040
Other shareholders	20	10.946	12.859
Trade payables	24	42.804	68.908
State and other public entities	25	18.317	14.234
Other payables	26	29.823	23.578
Other current liabilities	27	101.853	116.674
Provisions	28	258	109
<b>Total current liabilities</b>		<b>448.661</b>	<b>348.809</b>
<b>Total equity, minority interests and liabilities</b>		<b>4.005.500</b>	<b>4.154.468</b>

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

The Board of Directors

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

## CONSOLIDATED STATEMENTS OF PROFIT AND LOSS BY NATURE

FOR THE PERIODS ENDED 31 DECEMBER 2009 AND 2008

(Translation of statement of profit and loss by nature originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

	Notes	2009	2008
Operating revenue:			
Services rendered	29	365.829	364.776
Variation in fair value of the investment properties	7 and 30	(285.506)	(230.414)
Other operating revenue	31	17.532	20.724
Total operating revenue		<u>97.855</u>	<u>155.086</u>
Operating expenses:			
Cost of inventories sold		-	-
External supplies and services		(140.658)	(144.200)
Personnel expenses		(56.385)	(52.464)
Depreciation and amortisation	8 and 10	(2.347)	(2.369)
Provisions and impairment	28	(6.535)	(3.800)
Write-off and impairment losses	32	(9.804)	(72.515)
Other operating expenses	33	(16.239)	(10.989)
Total operating expenses		<u>(231.968)</u>	<u>(286.337)</u>
Net operating profit		(134.113)	(131.251)
Financial income	35	6.551	27.689
Financial expenses	35	(82.888)	(115.473)
Share of results of associated undertakings	5 and 36	(9.877)	(7.208)
Gains and losses on investments	36	20.806	21.883
Profit before income tax		(199.521)	(204.360)
Income tax	23	<u>39.613</u>	<u>6.175</u>
Profit after income tax		(159.908)	(198.185)
Net profit after tax from discontinuing operations		-	-
Consolidated net profit for the period		<u>(159.908)</u>	<u>(198.185)</u>
Attributable to:			
Equity holders of Sonae Sierra		(110.986)	(116.127)
Minority interests	17	<u>(48.922)</u>	<u>(82.058)</u>
		<u>(159.908)</u>	<u>(198.185)</u>
Consolidated net profit per share:			
Basic	-	(3,413)	(3,572)
Diluted	-	(3,413)	(3,572)

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 STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 31 DECEMBER 2009 AND 2008

*(Translation of the statement of comprehensive income originally issued in Portuguese - Note 46)*

*(Amounts stated in thousands of Euro)*

	Notes	2009	2008
Consolidated net profit for the period		(159.908)	(198.185)
Changes in the currency translation differences		60.972	(49.274)
Changes in the fair value of hedging instruments		(13.477)	(48.684)
Income tax related to components of other comprehensive income		3.412	12.125
Others		(456)	(169)
Other comprehensive income of the period		50.451	(86.002)
Total comprehensive income for the period		(109.457)	(284.187)
Attributable to:			
Equity holders of Sonae Sierra		(59.746)	(186.283)
Minority interests		(49.711)	(97.904)
		(109.457)	(284.187)

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 PERIODS ENDED 31 DECEMBER 2009 AND 2008

(Translation of statements of changes in equity originally issued in Portuguese - Note 46)

(Amounts stated in thousands of 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 (Note 17)	Total
Balance at 31 December 2007		162.245	57.329	2.642	5.697	896.326	214.897	1.339.136	448.970	1.788.106
Appropriation of consolidated net profit for 2007:										
Transfer to legal reserves and retained earnings		-	-	-	-	165.151	(165.151)	-	-	-
Dividends distributed	42	-	-	-	-	-	(49.746)	(49.746)	(5.153)	(54.899)
Currency translation differences		-	-	-	-	165.151	(214.897)	(49.746)	(5.153)	(54.899)
		-	-	(47.542)	-	-	-	(47.542)	(1.732)	(49.274)
Fair value of hedging instruments	18	-	-	-	(29.662)	-	-	(29.662)	(19.022)	(48.684)
Deferred tax in fair value of hedging instruments	22	-	-	-	7.467	-	-	7.467	4.658	12.125
Capital increase									74.982	74.982
Acquisitions/sale of subsidiaries effect (Note 3)					(1.386)	1.387		1	(905)	(904)
Consolidated net profit for period ended 31 December 2008		-	-	-	-	-	(116.127)	(116.127)	(82.058)	(198.185)
Others		-	-	-	-	(419)	-	(419)	250	(169)
Balance at 31 December 2008		162.245	57.329	(44.900)	(17.884)	1.062.445	(116.127)	1.103.108	419.990	1.523.098
Balance at 31 December 2008		162.245	57.329	(44.900)	(17.884)	1.062.445	(116.126)	1.103.109	419.990	1.523.099
Appropriation of consolidated net profit for 2008:										
Transfer to legal reserves and retained earnings		-	-	-	-	(162.946)	162.946	-	-	-
Dividends distributed	42	-	-	-	-	-	(46.820)	(46.820)	(775)	(47.595)
Currency translation differences		-	-	-	-	(162.946)	116.126	(46.820)	(775)	(47.595)
		-	-	57.760	-	-	-	57.760	3.212	60.972
Transfer to minority interests	17	-	-	(2.010)	-	-	-	(2.010)	2.010	-
Fair value of hedging instruments	18	-	-	-	(8.993)	-	-	(8.993)	(4.484)	(13.477)
Deferred tax in fair value of hedging instruments	22	-	-	-	2.358	-	-	2.358	1.054	3.412
Capital increase		-	-	-	-	-	-	-	10.190	10.190
Acquisitions/sale of subsidiaries effect (Note 3)		-	-	-	-	-	-	-	25.528	25.528
Consolidated net profit for period ended 31 December 2009		-	-	-	-	-	(110.986)	(110.986)	(48.922)	(159.908)
Others		-	-	-	-	115	-	115	(571)	(456)
Balance at 31 December 2009		162.245	57.329	10.850	(24.519)	899.614	(110.986)	994.533	407.232	1.401.765

The accompanying notes form an integral part of these consolidated statement of changes in equity.

The Board of Directors

# SONAE SIERRA, SGPS, S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED 31 DECEMBER 2009 AND 2008

(Translation of statement of cash flow originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

	2009	2008
<b>OPERATING ACTIVITIES:</b>		
Received from clients	361.540	353.448
Paid to suppliers	(131.623)	(139.024)
Paid to personnel	(53.981)	(51.739)
<b>Flows from operations</b>	<b>175.936</b>	<b>162.685</b>
(Payments)/receipts of income tax	(16.817)	(20.936)
Other (payments)/receipts relating to operating activities	1.271	(1.333)
<b>Flows from operating activities [1]</b>	<b>160.390</b>	<b>140.416</b>
<b>INVESTING ACTIVITIES:</b>		
<b>Receipts relating to:</b>		
Investments	43.740	144.682
Tangible fixed assets	10.329	233
Interest income	5.880	27.491
Dividends	684	721
Other	9.523	-
	70.156	173.127
<b>Payments relating to:</b>		
Investments	(4.559)	(9.023)
Tangible fixed assets	(200.941)	(353.087)
Intangible fixed assets	(1.090)	(382)
Other	(3.093)	(13.621)
Variation in Loans granted	(1.009)	(376.113)
	(140.536)	(217.943)
<b>FINANCING ACTIVITIES:</b>		
<b>Receipts relating to:</b>		
Capital increase and share premiums	7.574	3.216
Bank loans obtained	225.930	390.373
Other	-	-
	233.504	393.589
<b>Payments relating to:</b>		
Interest expenses	(84.602)	(105.755)
Dividends	(47.684)	(54.386)
Decrease of share capital - nominal value and discounts and premiums	(491)	-
Bank loans obtained	(138.669)	(112.488)
Other	-	-
Variation in Loans obtained - others	(10.224)	(272.629)
	(271.446)	(543.958)
<b>Flow from financing activities [3]</b>	<b>(48.166)</b>	<b>133.728</b>
<b>Variation in cash and cash equivalents [4]=[1]+[2]+[3]</b>	<b>(28.312)</b>	<b>56.201</b>
<b>Effect of exchange differences</b>	<b>4.418</b>	<b>(7.361)</b>
<b>Effect of the acquisitions and sales of companies:</b>		
SPF	-	(8.244)
Gli Orsi	-	1.631
Le Terrazze	1.475	-
Torre Oriente	(81)	-
Avenida M40	(282)	-
Harvey Dos	1.003	-
Vuelta	(19)	-
<b>Cash and cash equivalents at the beginning of the year</b>	<b>98.216</b>	<b>55.989</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>76.418</b>	<b>98.216</b>

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 2009

*(Translation of notes originally issued in Portuguese – Note 46)*

*(Amounts stated in thousands of Euro - kEuro)*

### **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, Romania 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 according to the International Financial Report Standards (“IFRS”) and approved by the European Union, applicable to economic years beginning on 1 January 2009. These correspond to the 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”) and approved by the European Union.

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”), as approved by the European Union.

#### New accounting standards and their impact in these consolidated financial statements

Until the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions with mandatory application to the economic year beginning on 1 January 2009:

<b>Standard / Interpretation</b>	<b>Applicable for financial years beginning on/after</b>	
IFRS 1/IAS 27 – Amendments (Cost of an investment in a subsidiary, jointly-controlled entity or associate)	1-Jan-09	These amendments specifies the measure of the cost of an investment in a subsidiary, jointly-controlled entity or associate when adopting for the first time the IFRS and, the recognition of the dividends obtained from the subsidiaries in the separate financial statements of the parent company.
IAS 39 – Amendments (Reclassification of Financial Assets)	1-Jul-08	These amendments allows within limited conditions, the reclassification of a non-derivative financial instrument from the categories fair value through profit and loss and available for sale, to other categories
IAS 39 – Amendments (Eligible hedged items)	1-Jul-09	Clarifies the following hedge accounting aspects: (i) inflation considered as a covered risk and (ii) hedge with options.
IFRS 2 – Amendments (Vesting conditions and cancellations)	1-Jan-09	Clarifies the definition of vesting conditions, when introducing the concept of non-vesting conditions and clarifies the treatment of cancellations.
IAS 23 – Borrowing costs (revised)	1-Jan-09	This revised standard requires the capitalization of the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, eliminating the option of immediately expensing these costs.

<b>Standard / Interpretation</b>	<b>Applicable for financial years beginning on/after</b>	
IAS 32/IAS 1 – Amendments (Puttable financial instruments and obligations arising on liquidation)	1-Jan-09	These amendments change the criteria of classifying a financial instrument as equity or as a financial liability, allowing that some instruments that can be bought back, be classified as equity rather than financial liability.
IAS 1 – Presentation of financial statements (revised)	1-Jan-09	The 2007 revision of IAS 1 introduced some changes in the terminology, including new labels for the financial statement's components, and also some changes in the formats and contents of these components.
IFRIC 13 – Customer loyalty programmes	1-Jul-08	This interpretation states that the bonus granted to the customers as part of a sale, must be recorded as a separate component of the transaction.
IFRS 8 – Operating segments	1-Jan-09	The IFRS 8 replaces IAS 14 and is composed essentially by disclosures. The new standard requires a new definition of the reportable segments of the entity and the information to be reported.
IFRS 7 – Amendments (Improving disclosures about fair value measurements and liquidity risk)	1-Jan-09	The amendments require enhanced disclosures about fair value measurements and liquidity risk.
"Annual Improvements 2007"	Several (on/after 1-Jan-09)	Where made improvements in 32 standards.

With the exception of IAS 40- Investment property (that is part of the "Annual Improvements 2007"), which the Group decided adopt yearly in 2008, the other standards endorsed by the European Union, as mentioned above, were adopted for the first time in 2009, and they do not represent important impacts in the enclosed consolidated financial reports, with the exception of the IAS 1- Presentation of financial statements (revised) and IFRS 8 – Operating Segments.

The revision of the IAS 40 – Investment Property, mentioned above, is part of the "Annual Improvements 2007" and has as consequence a change in the treatment of investment properties under development – now covered by IAS 40 – Investment Property; whereas previously were covered by IAS 16 – Property, Plant and Equipment. Under this change of scope of IAS 40 – Investment Property, yearly adopted by the Group in 2008, the investment properties under development are being measured at fair value, when the conditions to determine a reliable fair value are met (which are described in Note 2.3), and the counterpart is being booked in the income statement.

The impact arising from the adoption of the amendment of IAS 40 - Investment Property, applied prospectively from the fiscal year beginning on 1 January 2008, resulted in the increase in the assets, liabilities and equity, kEuro 12,740, KEuro 4,236 and kEuro 8,504, respectively. The increase in equity, included an increase of kEuro 10,101 in net income.

Until the date of approval of these consolidated financial statements the following standards and interpretations applicable to future economic years were endorsed by the European Union:

<b>Standard / Interpretation</b>	<b>Applicable for financial years beginning on/after</b>	
IFRS 3 – Business combinations and IAS 27 – Consolidate and separate financial statements (revised 2008)	1-Jul-09	This revised standard, effective in periods beginning on or after 1 July 2009, brings some changes in Business Combinations, in what concerns to: (a) the measurement of non-controlling interests (formerly called “minority interests”); (b) the recognition and subsequent measurement of contingent payments; (c) the treatment of direct costs related to the concentration; and (d) the registration of purchase transactions of interests in already controlled entities and sales transactions of interest without such resulting in the loss of control.
IFRS 1 (revised) – First-time adoption of International Financial Reporting standards	1-Jan-10	This standard was revised with the aim of grouping the many amendments that have been occurring since its first version.
IFRIC 12 – Service Concession Arrangements	01-Jan-10	This interpretation is mandatory in periods beginning on or after 1 January 2010 and introduces new recognition and measurement rules by the private operator involved in the services of infrastructure and operating construction, under the kind of concessions for public-private partnership.
IFRIC 15 – Agreements for the Construction of Real Estate	01-Jan-10	This interpretation refers to the way on how to assess whether a construction agreement of a property is under the scope of IAS 11 - Construction or under the scope of IAS 18 – Revenue, and how the corresponding revenue should be recognized.

<b>Standard / Interpretation</b>	<b>Applicable for financial years beginning on/after</b>	
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	01-Jul-09	This interpretation provides the guidelines on the accounting of hedging net investments in foreign operations.
IFRIC 9 e IAS 39 – Amendments (Reassessment of Embedded Derivatives)	Financial periods beginning on/after 30-Jun-09	These amendments establish the circumstances under which the subsequent reassessment of the separation of an embedded derivative requirement is permitted.
IFRIC 17 – Distributions of Non-cash assets to owners	01-Jul-09	This interpretation provides the guidelines on the proper accounting for assets other than cash distributed to shareholders as dividends.
IFRIC 18 – Transfers of Assets from Customers	Transfers made on /after 01-Jul-09	This interpretation provides the guidelines on the accounting of agreements in which an entity receives from a customer a tangible asset.

These standards, although endorsed by the European Union, were not adopted by the Group during the year 2009, because at the time they were not. The Group does not consider important retrospective impacts in the consolidated financial statements.

The following standards and interpretations were issued by the IASB and they are not yet endorsed by the European Union:

	<b>Applicable for financial years beginning on/after</b>
Improvements to IFRS (2008)	Several (on/after 01-Jan-09)
Amendments to IFRS 1 - Additional exemptions for First Time Adopters	01-Jan-10
Amendments to IFRS 2 - Group Cash-settled Share-based payments transactions	01-Jan-10
Amendment to IAS 32 Classification of Rights Issues	01-Feb-10
Amendment to IAS 24 Related Party Disclosures	01-Jan-11
Prepayments of a Minimum Funding Requirement - amendments to IFRIC 14 and IAS 19	01-Jan-11
IFRIC 19- Extinguishing Financial Liabilities with Equity Instruments	01-Jul-10
IFRS 9 - Financial Instruments	01-Jan-13

From these standards and interpretations already issued by the IASB but not approved by the European Union, the Group does not anticipate important impacts in the accompanying consolidated financial statements.

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 kEuro 222,684, was recorded in the equity captions "Retained earnings" (kEuro 223,565), "Hedging reserve" (negative amount of kEuro 946) and "Translation reserve" (kEuro 65).

## 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 statement of financial position 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 in-

tegration method. As of the reference date of the financial statements, 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 consolidation 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 is 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 existing impairment loss 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 were 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 is being reviewed for impairment at the financial position date. The impairment tests of goodwill are based on the Net Asset Value (NAV) of the financial investments, at the date of each statement of financial position.

The NAV corresponds to the evaluation at fair value, at the date of each statement of financial position, of the net assets of the company, excluding the deferred tax liabilities, related to unrealized gains on investment properties.

The goodwill related to acquisitions occurred after 31 March 2004 is not depreciated, being reviewed for impairment at least annually. Any impairment loss is immediately recognised in the consolidated statement of profit and loss under the caption "Impairment Losses", being that 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 functional currency of the Group (Euro) at the exchange rate existing as of the financial position 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 financial position 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 financial position 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:

	2009		2008	
	31.12.09	Average	31.12.08	Average
Brazilian real	0.398200	0.362820	0.308300	0.376570
New Romanian Leu	0.236510	0.236060	0.248600	0.271780

## 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.

The investment properties in progress are within the scope of IAS 40 – Investment Property, when they fulfil the conditions to measure reliably their fair value.

It is considered that an Investment property in progress fulfils the conditions for its fair value to be reliably measured, when exists a high probability that the project will be concluded in a short period. This probability is high when the following events are accomplished:

- land acquired
- construction license obtained
- financing contract for the property is signed
- construction started
- lease contracts with the main anchors stores signed.

Investment properties are recorded at their fair value based on appraisals by an independent specialised entity - Cushman & Wakefield (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".

The assets of the Group which qualify as investment properties are recognized as such when they start being used or, in the case of the investment properties in progress, when their development is considered irreversible, as mentioned in the above conditions. Until the moment this asset can be qualified as investment property, the asset is booked at historical or production cost under the caption "Investment Property in progress" in the same way as a tangible asset (Note 2.4). Since that moment, the investment properties in progress are recorded at their fair value. The difference between cost (of acquisition or production) 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" and the same for the subsequent changes in the fair value.

Expenses relating to investment properties in use, such as maintenance, repairs, insurance and property taxes are recognized in the 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 of shops 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 properties”, being subsequently adjusted to the corresponding fair value, at each financial position date, as determined by a specialised independent entity (Cushman & Wakefield). 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:

	<u>Years</u>
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

Fixed assets in progress and the investment properties in progress that have not fulfilled the conditions for their fair value to be reliably measured, are stated at cost of acquisition or production, 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 financial position, 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 2009 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).

Depreciation of intangible assets is recorded under the statement of profit and loss caption "Depreciation and amortisation".

## 2.6. Assets available for sale

The non-current assets (and all related assets and liabilities to dispose) are classified as available for sale if it is expected that the book value will be recovered through sale rather than through continuing use. This condition is considered fulfilled only when the sale is highly probable and the asset (and the set of assets and liabilities to dispose related to it) is available for immediate sale under current conditions. Additionally, must be in place actions that make expectable that the sale will be held within 12 months after the date of the classification under this caption.

Non-current assets (and all related assets and liabilities to dispose) classified as available for sale are measured at the lower of book value or fair value, less costs related to the sale. However, these assets are not amortized.

## 2.7. Financial assets and liabilities

### a) Investments

Investments are classified into the following categories:

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

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the financial position 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.

Held-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.

Held-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.

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 according to the amortised cost method over their term and are classified as a deduction to the 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 financial position date are recorded under "Other current liabilities".

#### d) Payables

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

#### 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 consolidated financial position 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 zero cost 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 an interest rate 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.

In the cases where the derivative is a component of a hybrid financial instrument that includes both the derivative and a host contract, the embedded derivative should be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and if the host contract is not measured at fair value with changes in fair value reported in net profit and loss.

The Group used until the end of year 2008, derivative contracts such as "Non-Deliverable Forward (NDF) for future acquisition of Real, to cover the exchange risk implicit in its investment program in Brazil. The fair value of derivative financial instruments was recorded under the income statement because it did not satisfy the conditions for hedge accounting under IAS 39 - Financial Assets and Liabilities.

## 2.8. 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 financial position 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 money income) and some discounts (usually in the first three years of the contract) to the fixed rent. These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is proposed by the lessor he must pay a cancellation fee to tenant.

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 who determines the fair value of the investment property with which the contacts are associated (Note 2.3).

## **2.9. Borrowing costs**

Borrowing costs are normally expensed as incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible assets (usually investment properties in progress) 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 development is suspended. 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.

## **2.10. 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 financial position date 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.

## **2.11. 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 financial position 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 financial position 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 used. At each year-end, 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.

## 2.12. Statement of financial position classification

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

## 2.13. Revenue and earnings

Revenue from services rendered, which corresponds essentially to fixed and variable rent from tenants

(Note 2.8), common charges 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 contract transfer fee is recognised in the statement of profit and loss caption "Other operating income" and "Services rendered" respectively, when invoiced to the tenants (Note 2.8). The discounts granted to the tenants over the fixed rents and the contract renewal costs are recognised in the statement of profit and loss caption "Services rendered" and "Other operating costs", respectively (Note 2.8)

Revenues related to other services rendered are recognised in the statement of profit and loss with reference to the degree of delivery of the service at the closing financial position date.

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.

## 2.14. 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 financial position 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 financial position, are recorded as profits or losses in the consolidated statement of profit and loss for the year.

## 2.15. Impairment of noncurrent assets, except goodwill

Assets are assessed for impairment at each financial position 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 “Impairment losses”.

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.

## 2.16. 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.

## 2.17. Risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department of the Group Sonae Sierra, under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk.

### a) Foreign exchange risk

The main activity of each company is developed inside its country and consequently the majority of the company transactions are maintained in the same currency of its country. The policy to cover this specific risk is to avoid, if possible, the contracting of services in foreign currency.

As the operational activity of the Company is maintained in Euros, the Company policy is to obtain its borrowings also in Euros, in order to eliminate the foreign currency risk.

### b) Credit risk

Credit risk arises mainly from the credit exposures to the tenants of the shopping centres managed by the Company and other receivables. The risk control related to the tenant's credit is made by an adequate evaluation of the quality of the tenant before its acceptance in the shopping centre and the limits of credit attributed to each tenant are regularly monitored.

### c) Liquidity risk

The needs of treasury are managed by the financial department of the Group that manages the surplus and deficits of liquidity in each one of the companies of the Group Sonae Sierra. The punctual needs of treasury are covered by an adequate control of the accounts receivables and by the maintenance of adequate limits of credit contracted by the Group with banking entities.

### d) Interest rate risk

The Group's income and operating cash-flows are substantially independent of changes in market interests rates, in the measure that its cash and cash equivalents and its financing granted to other companies of the Group are dependent only of the evolution of the interest rates in Euro which have had a minimum change.

The Group's interest rate risk arises from long-term borrowings. To cover this risk the Company uses cash flow hedge instruments in the form of swaps or zero cost collars to hedge this interest rate risk, which represents perfect covers of those long-term borrowings; in certain loans the Company chose to have a fixed rate in the first years of the financing contract and study afterwards the possibility of negotiating a interest rate swaps.



### Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the financial position date. For floating rate liabilities, the analysis is prepared assuming the following:

- Amount of liability outstanding at the financial position was outstanding for the whole year and the contractual re-pricing dates occur in the beginning of the year;
- Changes in market interests rates affect the interest income or expense of floating rate interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interests rates if these are recognize at their fair value;
- Changes in market interest rates affect the fair value of derivatives designated as hedging instruments and all interest rates hedges are expect to be highly effective;
- Changes in the fair values of derivative financial instruments (swaps) and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end and assuming a parallel shift in yield curves;
- Changes in the fair values of derivative financial instruments (zero cost collars or cap's) are estimated by projecting the forward rates and their volatility and discounting the expected cash-flows to the present using appropriate market rates prevailing at the year end and assuming a parallel shift in yield curves.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

If interest rates had been 75 basis points higher/lower and all other variables were held constant, assumption unlikely occur due to interest rates correlation with other variables, the impact in the Group net profit and equity would be the following:

	2009		2008	
	-25 b.p.	+75 b.p.	-75 b.p.	+75 b.p.
Net Profit <sup>(1)</sup>	557	-1,747	2,822	-2,656
Reserves <sup>(2)</sup>	-2,768	11,382	-13,910	13,785

(1) This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

(2) This is mainly as a result of the changes in the fair value of derivatives entered as cash flow hedges.

## 2.18. Financial instruments by category

The financial instruments, according to the policies described in Note 2.7. were classified as follows:

### Financial Assets

	Notes	Loans and accounts receivable	Derivatives used for cash flow hedging (Note 18)	Total
As of 31 December 2009				
Non current assets				
Investments				-
Derivatives	18		26	26
Other non-current assets	11	23,630		23,630
		<u>23,630</u>	<u>26</u>	<u>23,656</u>
Current assets				
Trade account receivables	12	36,661		36,661
Other debtors	13	49,332		49,332
Investments			-	-
Cash and cash equivalents	15	76,450		76,450
		<u>162,443</u>	<u>-</u>	<u>162,443</u>
		<u>186,073</u>	<u>26</u>	<u>186,099</u>
As of 31 December 2008				
Non current assets				
Investments				-
Derivatives	18		150	150
Other non-current assets	11	21,126		21,126
		<u>21,126</u>	<u>150</u>	<u>21,276</u>
Current assets				
Trade account receivables	12	34,017		34,017
Other debtors	13	34,614		34,614
Investments	-		-	-
Cash and cash equivalents	15	110,256		110,256
		<u>178,887</u>	<u>-</u>	<u>178,887</u>
		<u>200,013</u>	<u>150</u>	<u>200,163</u>

### Financial Liabilities

	Notes	Derivatives used for cash flow hedging (Note 18)	Financial liabilities at amortized cost	Total
As of 31 December 2009				
Non current liabilities:				
Bank loans	18		1,544.785	1,544.785
Bonds	18		74.652	74.652
Derivatives	18	44.732		44.732
Other non-current liabilities	21		28.286	28.286
		<u>44.732</u>	<u>1,647.723</u>	<u>1,692.455</u>
Current liabilities:				
Bank loans	18 and 19		244.762	244.762
Bonds	18		(102)	(102)
Trade creditors	24		42.804	42.804
Other creditors	26		40.769	40.769
		<u>-</u>	<u>328.233</u>	<u>328.233</u>
		<u>44.732</u>	<u>1,975.956</u>	<u>2,020.688</u>
As of 31 December 2008				
Non current liabilities:				
Bank loans	18		1,641.265	1,641.265
Bonds	18		74.550	74.550
Finance Lease creditors			840	840
Derivatives	18	32.638		32.638
Other non-current liabilities	21		28.586	28.586
		<u>32.638</u>	<u>1,745.241</u>	<u>1,777.879</u>
Current liabilities:				
Bank loans	18 and 19		112.543	112.543
Bonds	18		(96)	(96)
Trade creditors	24		68.908	68.908
Other creditors	26		36.437	36.437
		<u>-</u>	<u>217.792</u>	<u>217.792</u>
		<u>32.638</u>	<u>1,963.033</u>	<u>1,995.671</u>

## 2.19. Judgments and estimates

In the preparation of the accompanying consolidated financial statements estimations were used which are affecting the assets and liabilities and also the amounts booked as income and costs during the reporting period.

The estimates were calculated using the best information available, at the date of approval of the financial statements, of the events and transactions in course and of the experience from current and/or past events. However, events may occur in subsequent periods that were not expectable as of the date of these statements and, consequently were not included in those estimates. Changes in the estimates after the closing of the consolidated financial statements will be booked on a prospect basis, as defined in IAS 8.

The most important estimations of the Group relates with the fair value, namely the fair value of the investment properties, the goodwill, the derivatives and deferred tax assets, as follows:

### a) Investment property

The investment properties in operation and the investment properties under development, when the conditions defined by the Group to determine a reliable fair value are met (which are described in Note 2.3), are recorded at their fair value based on annual appraisals by an independent specialised entity - Cushman & Wakefield. Those valuations assume several assumptions, including the estimation of future income and cost of each property and the use of an appropriate discount rate.

Concerning investment properties under development measured at cost (properties that do not meet the conditions defined by the Group so that the fair value is reliably determinable), the Group follows the procedure of, on an annual basis, evaluate their performance through assessments carried out by independent specialized agencies (Cushman & Wakefield) and / or testing carried out internally, in which are considered the net cash flows expected of those properties.

### b) Derivatives

The derivatives are usually used by the Group to hedge the cash flow in form of swaps ("interest rate swap") or zero cost collars. The fair value of those derivatives is, in each reporting period, calculated by external entities (usually the financial institution where the derivative was contracted with). The fair value calculated by them is internally tested in order to validate the calculation performed by the third parties.

### c) Goodwill

The imparity tests to the goodwill are based on the open market value (OMV) at financial position date of the financial investment.

### d) Deferred tax assets

The deferred tax assets are recognized only if it is expectable that future fiscal profits will be enough to use the deferred tax assets. By the end of each reporting period the deferred tax assets are assessed, and they are reduced if it future recoverability is not expectable. This revision is based on projections of the future activity of each company where it is applicable.

The main assumptions used in the Group estimations are disclosed in the each related note.

## 2.20. Operating segments

Operating segments are reported in a manner consistent with the internal reporting used by the management of the Group.

## 2.21. Subsequent Events

Post-year-end events that provide additional information about conditions that exist at the financial position 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.

## 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 2009 and 2008, are as follows:

		Percentage of share capital held	
Company	Head office	31.12.09	31.12.08
<b>Parent company</b>			
Sonae Sierra, SGPS, S.A.	Maia	-	-
<b>Subsidiaries</b>			
<b>Corporate services</b>			
Sierra Corporate Services- Apoio a Gestão, S.A	Lisbon	100.00%	100.00%
Sierra Corporate Services Holland, BV	Amsterdam (Netherlands)	100.00%	100.00%
<b>Investment companies</b>			
3shoppings - Holding, SGPS, S.A	Maia	50.10%	50.10%
Airone - Shopping Centre, Srl	Milan (Italy)	50.10%	50.10%
Algarveshopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
Avenida M-40 B.V.	Amsterdam (Netherlands)	50.10%	50.10%
1) Avenida M-40, S.A.	Madrid (Spain)	-	50.10%
Cascaishopping Holding I, SGPS, S.A.	Maia	50.10%	50.10%
Clérigoshopping- Gestão do Centro Comercial, S.A.	Maia	100.00%	100.00%
Coimbrashopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
Dos Mares - Shopping Centre B.V.	Amsterdam (Netherlands)	50.10%	50.10%
Dos Mares-Shopping Centre, S.A.	Madrid (Spain)	50.10%	50.10%
El Rosal Shopping, S.A.	Madrid (Spain)	70.00%	70.00%
Estação Viana- Centro Comercial, S.A.	Viana do Castelo	50.10%	50.10%
2) Gli Orsi - Shopping Centre Srl	Milan (Italy)	-	100.00%
Gli Orsi 1 Shopping Centre Srl	Milan (Italy)	100.00%	100.00%
Guimarãeshopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
Inparsi - Gestão de Galeria Comercial, SA	Maia	100.00%	100.00%
Luz del Tajo – Centro Comercial S.A.	Madrid (Spain)	50.10%	50.10%
Luz del Tajo B.V.	Amsterdam (Netherlands)	50.10%	50.10%
Maiashopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
Münster Arkaden, B.V.	Amsterdam (Netherlands)	50.10%	50.10%
Paracentro - Gestão de Galerias Comerciais, S.A.	Maia	100.00%	100.00%

	Plaza Eboli B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Plaza Eboli – Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Plaza Mayor Holding, SGPS, S.A.	Maia	50.10%	50.10%
	Plaza Mayor Parque de Ócio B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Plaza Mayor Parque de Ocio, S.A	Madrid (Spain)	50.10%	50.10%
3)	Plaza Mayor Shopping B.V.	Amsterdam (Netherlands)	50.10%	100.00%
3)	Plaza Mayor Shopping, S.A.	Madrid (Spain)	37.58%	75.00%
	Project Sierra 6 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Brazil 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
4)	Project Sierra Srl	Bucharest (Romania)	-	100.00%
	River Plaza B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	River Plaza Mall, Srl	Bucharest (Romania)	100.00%	100.00%
	Shopping Centre Parque Principado B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Sierra Asset Management - Gestão de Activos, S.A.	Maia	100.00%	100.00%
	Sierra Developments Germany Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra European Retail Real Estate Assets Holdings BV	Amsterdam (Netherlands)	50.10%	50.10%
	Sierra GP Limited	Guernsey	99.99%	99.99%
	Sierra Investments (Holland) 1 BV	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments (Holland) 2 BV	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments SGPS, S.A.	Maia	100.00%	100.00%
	SPF - Sierra Portugal	Luxembourg	100.00%	100.00%
	Valecenter, Srl	Milan (Italy)	50.10%	50.10%

#### Management companies

	Pridelease Investments Ltd	Cascais	100.00%	100.00%
	Sierra Management Germany GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Management II, Gestão de Centros Comerciais, S.A.	Lisbon	100.00%	100.00%
	Sierra Management Italy S.r.l.	Milan (Italy)	100.00%	100.00%
	Sierra Management New Tech. Business-Serv.Comun. em C. C., S.A.	Lisbon	100.00%	100.00%
	Sierra Management Portugal - Gestão de Centros Comerciais, S.A.	Lisbon	100.00%	100.00%
	Sierra Management Spain - Gestión de Centros Comerciales SA	Madrid (Spain)	100.00%	100.00%
	Sierra Management, SGPS, S.A.	Maia	100.00%	100.00%
	Sierra Property Management, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Property Management Greece, SA	Athens (Greece)	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%
	Craiova Mall, B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Dortmund Tower GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Ioannina Development of Shopping Centres, S.A.	Athens (Greece)	100.00%	100.00%
	KLC Holdings XII, SA	Luxembourg	100.00%	100.00%
	Lembo Services, Ltd	Cyprus	100.00%	100.00%
	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%
	Ploi Mall, B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project 4 Srl	Milan (Italy)	100.00%	100.00%
	Project SC 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 1 – Shopping Centre GmbH	Vienna (Austria)	100.00%	100.00%
	Project Sierra 10 B.V.	Amsterdam (Netherlands)	100.00%	100.00%

	Project Sierra 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 5 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 7 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 8 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 9 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Four, SA	Bucharest (Romania)	100.00%	100.00%
	Project Sierra Germany 2 (two) - Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Germany 3 (three) - Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Germany 4 (four) - Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Germany Shopping Centre 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Germany Shopping Centre 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
4)	Project Sierra Holding Portugal V, SGPS, S.A.	Maia	-	100.00%
	Project Sierra Italy 1 -Shopping Centre Srl	Milan (Italy)	100.00%	100.00%
	Project Sierra Italy 2 -Development of Shopping Centre Srl	Milan (Italy)	100.00%	100.00%
	Project Sierra Italy 3 - Shopping Centre, Srl	Milan (Italy)	100.00%	100.00%
	Project Sierra Italy 5 -Development of Shopping Centre Srl	Milan (Italy)	100.00%	100.00%
	Project Sierra One, Srl	Bucharest (Romania)	100.00%	100.00%
	Project Sierra Portugal II- Centro Comercial, S.A.	Maia	100.00%	100.00%
	Project Sierra Portugal IV- Centro Comercial, S.A.	Maia	100.00%	100.00%
	Project Sierra Portugal V- Centro Comercial, S.A.	Maia	100.00%	100.00%
	Project Sierra Portugal VI - Centro Comercial, S.A.	Maia	100.00%	100.00%
	Project Sierra Portugal VII - Centro Comercial, SA	Maia	100.00%	100.00%
	Project Sierra Portugal VIII - Centro Comercial, S.A.	Maia	100.00%	100.00%
	Project Sierra Spain 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 2- Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Project Sierra Spain 3 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 6 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 6- Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Project Sierra Spain 7 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 7- Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Project Sierra Three, Srl	Bucharest (Romania)	100.00%	100.00%
	Project Sierra Two, Srl	Bucharest (Romania)	100.00%	100.00%
	S.C. Microcom Doi, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Development of Shopping Centres Greece, S.A.	Athens (Greece)	100.00%	100.00%
	Sierra Development Romania, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Developments Germany GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Developments Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Developments Iberia 1, Promoção Imobiliária, S.A.	Maia	100.00%	100.00%
	Sierra Developments Italy S.r.l.	Milan (Italy)	100.00%	100.00%
	Sierra Developments- Serviços de Promoção Imobiliária, S.A.	Maia	100.00%	100.00%
	Sierra Developments Spain - Promociones de Centros Comerciales SL	Madrid (Spain)	100.00%	100.00%
	Sierra Developments, SGPS, S.A.	Maia	100.00%	100.00%
	Sierra Italy Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Weierstadt Shopping B.V.	Amsterdam (Netherlands)	100.00%	100.00%

- 1) Subsidiary excluded from the consolidated financial position at 31 December 2009, due to the Group has requested an insolvency plan on the 15 January 2010 that was accepted in February 2010.
- 2) Company merged into Gli Orsi 1 Shopping Centre Srl with effects since 1 January 2009
- 3) Transfer of the participation from Sierra Investments Holdings, BV to Sierra BV in November 2009;
- 4) Company merged into River Plaza Mall, Srl with effects since 1 April 2009;

- 5) Company merged into Sierra Development, SGPS, SA with effects since 1 January 2009.

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 2009 and 2008, are as follows:

		Percentage of share capital held		
Company		Head office	31.12.09	31.12.08
Investment companies				
	ALEXA Administration GmbH	Berlin (Germany)	50.00%	50.00%
1)	ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	50.00%	-
	ALEXA Holding GmbH	Dusseldorf (Germany)	50.00%	50.00%
	ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	50.00%	50.00%
	Arrábidashopping- Centro Comercial, S.A.	Maia	25.05%	25.05%
	Cascaishopping- Centro Comercial, S.A.	Maia	25.05%	25.05%
	Centro Colombo- Centro Comercial, S.A.	Maia	25.05%	25.05%
	Centro Vasco da Gama - Centro Comercial, S.A.	Maia	25.05%	25.05%
	Colombo Towers Holding, B.V.	The Hague (Netherlands)	50.00%	50.00%
	Freccia Rossa- Shopping Centre S.r.l.	Milan (Italy)	50.00%	50.00%
	Gaiashopping I- Centro Comercial, S.A.	Maia	25.05%	25.05%
	Gaiashopping II- Centro Comercial, S.A.	Maia	25.05%	25.05%
2)	Harvey Dos Iberica, S.L.	Madrid (Spain)	25.05%	-
	Iberian Assets, S.A	Madrid (Spain)	24.95%	24.95%
	La Farga Shopping Centre, S.L	Madrid (Spain)	24.95%	24.95%
	Larissa Developmnet of Shopping Centres, SA	Athens (Greece)	50.00%	50.00%
	Loop 5 - Shopping Centre, GmbH	Dusseldorf (Alemanha)	50.00%	50.00%
	Madeirashopping- Centro Comercial, S.A.	Funchal (Madeira)	25.05%	25.05%
	Norte Shopping Retail and Leisure Centre B.V.	Amsterdam (Netherlands)	25.05%	25.05%
	Norteshopping- Centro Comercial, S.A.	Maia	25.05%	25.05%
	Pantheon Plaza B.V.	Amsterdam (Netherlands)	50.00%	50.00%
	Parque Atlântico Shopping - Centro Comercial, SA	Ponta Delgada (Azores)	25.05%	25.05%
	Parque Principado, S.L.	Madrid (Spain)	25.05%	25.05%
	SC Mediterranean Cosmos B.V.	Amsterdam (Netherlands)	25.05%	25.05%
	Shopping Centre Colombo Holding B.V.	Amsterdam (Netherlands)	25.05%	25.05%
	Torre Ocidente - Imobiliária, S.A.	Maia	25.00%	25.00%
3)	Torre Oriente - Imobiliária, S.A.	Maia	-	25.00%
	Via Catarina- Centro Comercial, S.A.	Maia	25.05%	25.05%
4)	Vuelta Omega, S.L.	Madrid (Spain)	25.05%	-
	Zubiarte Inversiones Inmobiliarias, S.A	Madrid (Spain)	24.96%	24.96%

### Management companies

	MC Property Management, S.A.	Athens (Greece)	37.50%	37.50%
	Sierra Charagionis Property Management S.A.	Athens (Greece)	50.00%	50.00%
<b>Development companies</b>				
	Aegean Park Constructions Real Estate and Development, S.A.	Athens (Greece)	50.00%	50.00%
7)	Le Terrazze - Shopping Centre S.r.l.	Milan (Italy)	-	50.00%
8)	Le Terrazze - Shopping Centre 1 S.r.l.	Milan (Italy)	50.00%	50.00%
	Park Avenue Developement of Shopping Centers S.A.	Athens (Greece)	50.00%	50.00%
	Project SC 1 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
	Project Sierra Portugal I- Centro Comercial, S.A.	Maia	50.00%	50.00%
	Project Sierra Spain 3- Centro Comercial S.A.	Madrid (Spain)	50.00%	50.00%
	SC Aegean B.V.	Amsterdam (Netherlands)	50.00%	50.00%
	Sierra Charagionis Development of Shopping Centers, S.A	Athens (Greece)	50.00%	50.00%
	SRP - Parque Comercial de Setúbal, S.A.	Maia	50.00%	50.00%
<b>Companies in Brazil</b>				
5)	Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center	São Paulo (Brazil)	7.98%	-
6)	Fundo Investimento Imobiliário Shop. Parque Dom Pedro	São Paulo (Brazil)	42.50%	48.73%
	Parque D. Pedro 1 BV Sarl	Luxembourg	50.00%	50.00%
	Parque D. Pedro 2 BV Sarl	Luxembourg	50.00%	50.00%
9)	Pátio Boavista Shopping, Ltda.	São Paulo (Brazil)	47.83%	47.51%
9)	Pátio Goiânia Shopping, Ltda.	São Paulo (Brazil)	47.83%	47.51%
9)	Pátio Londrina Empreendimentos e Participações, Ltda.	São Paulo (Brazil)	47.83%	47.51%
9)	Pátio Penha Shopping, Ltda.	São Paulo (Brazil)	47.83%	47.51%
9)	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	47.83%	47.51%
9)	Pátio Sertório Shopping Ltda	São Paulo (Brazil)	47.83%	47.51%
9)	Pátio Uberlândia Shopping Ltda	São Paulo (Brazil)	47.83%	47.51%
	Sierra Brazil 1 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
9)	Sierra Enplanta, Ltda	São Paulo (Brazil)	47.83%	47.51%
9)	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	47.83%	47.51%
9)	Sonae Sierra Brasil, SA	São Paulo (Brazil)	47.83%	47.51%
	Sonae Sierra Brazil BV Sarl	Luxembourg	50.00%	50.00%
9)	Unishopping Administradora Lda	São Paulo (Brazil)	47.83%	47.51%
9)	Unishopping Consultoria Imobiliária Lda	São Paulo (Brazil)	47.82%	47.51%
1)	Company created in 2009.			
2)	Company acquired in April 2009.			
3)	Company sold in December 2009.			
4)	Company created in 2009 and subsequent sale of 50% in April.			
5)	Company created due to the unmerge of 15% of the company Fundo Investimento Imobiliário Shop. Parque Dom Pedro in June 2009 and subsequent sale of 84% of it share capital.			
6)	In June 2009 15% of the company was unmerged into the company Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center and 12% of the capital was sold afterwards.			
7)	Company merged into Le Terrazze - Shopping Centre 1 S.r.l. with effects since 31 December 2009.			
8)	Company acquired in September 2009.			
9)	Ownership changed due to the capital increase in Sonae Sierra Brasil SA, not subscribed and realized by its partner proportionally and due to the additional acquisition of shares to its Partner.			

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:

	31.12.09	31.12.08
Non current assets	2,353,557	2,300,010
Current assets	78,024	72,181
Non current liabilities	1,303,625	1,293,111
Current liabilities	121,191	101,490
	2009	2008
Income	66,587	132,432
Expenses	(88,285)	(134,434)

## 5 INVESTMENTS IN ASSOCIATES AND COMPANIES EXCLUDED FROM CONSOLIDATION

The associated companies and other companies excluded from consolidation, their head offices, percentages of their share capital held by the Group and balance as of 31 December 2009 and 2008, are as follows:

31 December 2009								
	Head Office	Assets	Liabilities	Equity	Net Profit	% own	Balance sheet amount	Net profit held
<b>Associated companies:</b>								
Campo Limpo Lda	S. Paulo (Brazil)	43,759	9,507	34,252	5,000	10.00%	3,425	500
Mediterranean Cosmos Shopping Centre Investments S.A.	Athens (Greece)	205,805	134,877	70,928	10,545	19.95%	14,150	2,103
SIC INDOOR - Gestão de Suportes de Publicidade, S.A.	Lisbon	-	-	-	-	35%	-	-
Sierra Portugal Real Estate ("SPF") <sup>(1)</sup>	Luxemburg	374,141	261,629	112,512	(27,856)	42%	47,259	(11,700)
Goodwill SPF							11,991	(833)
Sonaegest - Soc. Gestora de Fundos de Investimento, S.A.	Maia	2,179	117	2,062	263	20%	412	53
							77,237	(9,877)
<b>Other participations:</b>								
Ercasa Cogeneración S:A	Grancasa (Spain)					5%	48	-
Car Parking of Grancasa (Join Control Asset)	Grancasa (Spain)					62%	242	-
							290	-
							77,527	(9,877)

31 December 2008								
	Head Office	Assets	Liabilities	Equity	Net Profit	% own	Balance sheet amount	Net profit held
<b>Associated companies:</b>								
Campo Limpo Lda	S. Paulo (Brazil)	29,145	6,419	22,726	5,110	10.00%	2,272	511
Mediterranean Cosmos Shopping Centre Investments S.A.	Athens (Greece)	205,965	131,420	74,545	12,577	19.95%	14,872	2,509
SIC INDOOR - Gestão de Suportes de Publicidade, S.A.	Lisbon	183	1,376	(1,193)	(150)	35%	-	-
Sierra Portugal Real Estate ("SPF") <sup>(1)</sup>	Luxemburg	410,204	266,291	143,913	(24,412)	42%	60,443	(10,253)
Goodwill SPF							12,824	-
Sonaegest - Soc. Gestora de Fundos de Investimento, S.A.	Maia	1,939	140	1,799	125	20%	360	25
							90,771	(7,208)
<b>Other participations:</b>								
Ercasa Cogeneración S:A	Grancasa (Spain)					5%	48	-
							48	-
							90,819	(7,208)

(\*) Amounts related to the consolidated accounts of "SPF". This company owns the following investments:

	<u>% own</u>
8ª Avenida Centro Comercial, S..A.	100%
Arrábidasshopping- Centro Comercial, S.A.	50%
Gaiashopping I- Centro Comercial, S.A.	50%
Gaiashopping II- Centro Comercial, S.A.	50%
Loureshopping- Centro Comercial, S.A.	50%
Oeste Retail Park - Gestão Galerias Comerciais, SA	50%
Rio Sul- Centro Comercial, S.A.	50%
Serra Shopping- Centro Comercial, S.A.	50%
Sol Retail Park - Gestão Galerias Comerciais, SA	50%

(\*\*) Company extinguished in 2009

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

During the years ended 31 December 2009 and 2008, the movement occurred in associated companies was as follows:

	<u>2009</u>	<u>2008</u>
Opening balance	90,771	24,150
SPF - entry effect on associated companies (Note 6)		
- Equity held	-	74,625
- Goodwill	-	12,824
Capital decrease	(2,515)	(7,978)
Capital increase	-	-
Effect of the application of the equity method:		
Hedging reserve	(1,164)	(4,366)
Translation reserve	706	(555)
Net profit (Note 35)	(9,044)	(7,208)
Dividends	(684)	(721)
Accumulated impairment losses (Note 35)	(833)	-
	<u>77,237</u>	<u>90,771</u>

## 6 ACQUISITION AND SALE OF COMPANIES

The main acquisitions and sales of companies occurred during the year 2009 were as follows:

### **Acquisition of subsidiaries:**

In April 2009 the company Shopping Centre Principado BV (50% held by the Group) acquired 50% of Harvey Dos Iberica, S.L. ("Harvey") in exchange for the shares held on Vuelta Omega, S.L. ("Omega"), in the amount of kEuro 5,700. The Shopping Centre Principado BV sold to Vuelta, also during the halfyear ended in 30 June 2009, the 50% held on Parque Principado S.L., and Harvey acquired the remainder 50% of share capital of Parque Principado. After these operations, the company Parque Principado S.L. is still held on 50% by Shopping Centre Principado BV, resulting these operations on a loss of kEuro 5.

In September 2009 the subsidiary Le Terrazze Shopping Centre, Srl (50% held by the Group) acquired 100% of the company Le Terrazze Shopping Centre 1, Srl (Le Terrazze) by the amount of kEuro 3,667 generating goodwill of kEuro 2.720.

### **Sale of subsidiaries**

In July 2009, the company Parque D. Pedro I BV sold to third parties 12,39% of the investment held in the Fundo de Investimento Imobiliário - FII Shopping Parque D. Pedro (Fundo D. Pedro I) by the amount of kEuro 27,230 (kEuro 13,615 for the Group since the Parque D. Pedro I BV is owned 50% by the Group), realizing a gain of kEuro 2,466. Considering that after this sale the Fundo D. Pedro I continued to be majority owned by Parque D. Pedro I BV, the financial statements of the Fundo D. Pedro I continued to be included in the consolidated financial statements by the proportional consolidation method.

In November 2009, Parque D. Pedro I BV sold to third parties 84,03% of the investment held in the Fundo de Investimento Imobiliário - FII Shopping Parque D. Pedro (Fundo D. Pedro II) by the amount of kEuro 37,161 (kEuro 18,581 for the Group since the Parque D. Pedro I BV is owned 50% by the Group), realizing a gain of kEuro 2,177. Given that after this sale the Fundo D. Pedro II continued to be considered as an entity controlled by the Group Sierra Brazil (because of Sonae Sierra Brazil, Ltd., has subscribed a capital increase of 51% additional of Fundo D. Pedro II), the financial statements of Fundo D. Pedro II continued to be included in the consolidated financial statements by the proportional consolidation method.

In November 2009, Sierra Investments Holdings, BV (100% held by the Group) made a contribution in kind of 100% of the investment held in the subsidiary Plaza Mayor Shopping B.V. ("Plaza Mayor Shopping BV") (company that owns 75% of the share capital of Plaza Mayor Shopping, SA ("Plaza Mayor Shopping")) in the capital increase of Sierra BV (owned 50.1% by the Group). This capital increase was subscribed and paid in kind only by Sierra Investments Holdings, BV and, subsequently, sold to third parties 49.9% of that capital increase, on the amount of kEuro 2,335. Since Sierra BV is a subsidiary, owned 50.1% by the Group, only 49.9% of the gains realized on disposal (kEuro 154) were recognized by the Group (Note 36).

As Sierra BV is a subsidiary of the Group, integrated in the consolidated financial statements by the full consolidation method, the Plaza Mayor Shopping BV and its subsidiary Plaza Mayor Shopping continued to be included in the consolidated financial statements by the full consolidation method.

In December 2009, the Group sold the investment held (25%) in the jointly controlled company Torre Oriente - Imobiliária, SA ("Torre Oriente"), by the amount of kEuro 8,148, generating a capital gain of kEuro 1,412 (Note 36).

At the end of December 2009 and following the final non acceptance by the bank of the plans proposed by Avenida M 40, S.A. ("Avenida M-40") to renegotiate the bank debt, its Board of Directors decided to request the insolvency of Avenida M-40 to the Court. As so the Group considered that the control on this subsidiary was lost and decided to derecognise it with effect on 31 December 2009. The impact of the derecognition of Avenida M-40 amounted to kEuro 15,866 and was recorded by credit to "Gains and losses on investments" (Note 36).

The main acquisitions and sales of companies occurred during the year 2008 were as follows:

#### **Acquisition of subsidiaries:**

In June 2008 the Group acquired 100% of the company S.C. SRP Development S.A. (now Project Sierra Four, Srl) ("Ploiesti") for the amount of kEuro 22,362 with a Goodwill of kEuro 3,435.

In October 2008 the Group acquired 100% of the company Gli Orsi 1 Shopping Centre, Srl (the owner of the shopping centre "Gli Orsi" in Italy) ("Gli Orsi"), for the amount of kEuro 96,220 with a Goodwill of kEuro 4,165.

#### **Sale of subsidiaries**

In the 27 of March, 27 of June and 25 of July, the Group sold 40%, 9.692% and 8.305%, respectively, of its share in the Sierra Portugal Real Estate ("SPF"), which owns or co-owns the following assets:

Company	Head office	Percentage of share capital held by SPF
8ª Avenida Centro Comercial, S.A.	Maia	100.00%
Arrábidashopping- Centro Comercial, S.A.	Maia	50.00%
Gaiashopping I- Centro Comercial, S.A.	Maia	50.00%
Gaiashopping II- Centro Comercial, S.A.	Maia	50.00%
Loureshopping- Centro Comercial, S.A.	Maia	50.00%
Oeste Retail Park - Gestão Galerias Comerciais, SA	Maia	50.00%
Rio Sul- Centro Comercial, S.A.	Lisbon	50.00%
Serra Shopping- Centro Comercial, S.A.	Covilhã	50.00%
Sol Retail Park - Gestão Galerias Comerciais, SA	Maia	50.00%

This sale generated a net gain of kEuro 19,048. With the sale of the 8.305% occurred in July 2008, the SPF became an associated company. As consequence, and with reference to 30 June 2008, the SPF was incorporated in the enclosed consolidated financial statements by the equity method.

In July 2008 the company Sierra Investments Holdings, BV (held at 100% by the Group) sold the 50% of the investment held in the jointly controlled Mediterrean Cosmos, BV (which owns 39.9% of the company Pylea, S.A, from Greece)) to Sierra Sierra European Retail Real Estate Assets Holdings, BV ("Sierra BV"), (held by the Group at 50,1%) by kEuro 14,137. Considering that Sierra BV is held by the Group in 50,1%, 49,9% of the total gain in this sale was recorded (kEuro 1,684)) (Note 36). The company Mediterrean Cosmos, BV is still consolidated in the group accounts using the proportional consolidation method.

## Effect of the acquisitions and sales

The effect of the acquisitions occurred during the year 2009 was as follows:

		2009
		Acquisitions
		Le Terrazze
Cash and cash equivalents	(I)	1,475
Investment properties (Note 7)		-
Investment properties under construction (Note 7)		18,266
Other current assets		1,190
Deferred tax liabilities (Note 22)		(2,720)
Accounts payable and other liabilities - current		(12,264)
Minorities		-
Identifiable assets and liabilities at acquisition date		5,947
Goodwill:		
Recorded as asset (Note 9)		2,720
Recorded as cost		-
Purchase amount	(II)	8,667
Advance payment made in 2008	(III)	(5,000)
Net cash flow	(II+III-I)	2,192

The effect of the acquisitions occurred during the year 2008 was as follows:

		2008		
		Acquisitions		
		Ploiesti	Gli Orsi	Total
Cash and cash equivalents	(I)	-	1,631	1,631
Investment properties (Note 7)		-	-	-
Investment properties under construction (Note 7)		32,261	105,844	138,105
Other current assets		18	5	23
Deferred tax liabilities (Note 22)		(3,600)	(7,881)	(11,481)
Accounts payable and other liabilities - current		(9,752)	(7,544)	(17,296)
Minorities		-	-	-
Identifiable assets and liabilities at acquisition date		18,927	92,055	110,982
Goodwill:				
Recorded as asset (Note 9)		3,435	4,165	7,600
Recorded as cost		-	-	-
Purchase amount	(II)	22,362	96,220	118,582
Net cash flow	(II-I)	22,362	94,589	116,951

The effect of the sales occurred during the year 2009 was as follows:

	2009	
	Sales	
	Fundo D.Pedro I @ 30.06.09	Fundo D.Pedro II @ 30.09.09
Investment properties	109.174	23.542
Investment properties under construction	162	
Other current assets	1.060	627
Deferred tax liabilities	(20.093)	(4.602)
	(306)	(47)
	<u>89.997</u>	<u>19.520</u>
% sold	12,39%	84,03%
Transferred to minorities (*) (Note 17)	<u>11.149</u>	<u>16.404</u>
Profit/ (loss) on sale (Note 36)	2.466	2.177
Sale amount	<u><u>13.615</u></u>	<u><u>18.581</u></u>

(\*) these amounts include 602 and kEuro 1,408 of translation reserve, related to Fundo D.Pedro I and Fundo D. Pedro II, respectively (Note 17)

		2009		
		Sales		
		Vuelta Omega (-) Harvey Dos	Torre Oriente	Total
Cash and cash equivalents	(I)	(984)	81	(903)
Investment properties (Note 7)		-	17,774	17,774
Tangible fixed assets		-	-	-
Deferred tax assets (Note 22)		-	104	104
Other current assets		(92)	793	701
Deferred tax liabilities (Note 22)		-	(1,923)	(1,923)
Accounts payable and other liabilities - non-current		367	-	367
Accounts payable and other liabilities - current		<u>713</u>	<u>(10,094)</u>	<u>(9,381)</u>
Identifiable assets and liabilities at sales date		4	6,735	6,739
Profit/ (loss) on sale (Note 36)		(5)	1,412	1,407
Sale amount	(II)	<u>(1)</u>	<u>8,147</u>	<u>8,146</u>
Net cash flow	(II-I)	<u><u>983</u></u>	<u><u>8,066</u></u>	<u><u>9,049</u></u>

The effect of the derecognition of Avenida M40 was as follows:

		2009
		Excluded
		Avenida M40
Cash and cash equivalents	(I)	282
Investment properties (Note 7)		23,057
Other non current assets		783
Trade receivables		541
Other current assets		383
Deferred tax liabilities (Note 22)		32
Accounts payable and other liabilities - non-current		(36,496)
Accounts payable and other liabilities - current		(56,975)
Identifiable assets and liabilities at sales date		(68,393)
Impairment of assets (parent companies)		52,527
Profit/ (loss) on sale (Note 36)		15,866
Sale amount	(II)	-
Net cash flow	(II-I)	(282)

The effect of the SPF sale occurred during 2008, was as follows:

		31.03.08	30.06.08	30.06.08	Total
Cash and cash equivalents	(I)	6,595	8,244	8,244	
Investment properties (Note 7)		419,751	425,876	425,876	
Investment properties under construction (Note 7)		3,590	48	48	
Deferred tax assets (Note 22)		2,352	2,534	2,534	
Derivative financial instruments		895	-	-	
Trade receivables		1,794	1,746	1,746	
Other current assets		1,798	3,042	3,042	
Deferred tax liabilities (Note 22)		(59,458)	(61,880)	(61,880)	
Bank loans and shareholder loans - non current		(189,543)	(190,817)	(190,817)	
Bank loans and shareholder loans - current		(5,628)	(3,807)	(3,807)	
Accounts payable and other liabilities - current		(18,272)	(14,542)	(14,542)	
Identifiable assets and liabilities at sales date		163,874	177,679	177,679	
% sold		40.000%	9.692%	8.305%	
Minorities	(II)	65,550	17,221	14,756	
Profit/ (loss) on sale	(III)	25,470	6,041	5,244	36,755
Proportional Goodwill reversed due to sale (Note 9)		(12,212)	(2,959)	(2,536)	(17,707)
Net Profit/ (loss) on sale (Note 36)		13,258	3,082	2,708	19,048
Sale amount	(IV)=(II+III)	91,020	23,262	20,000	134,281
Net cash flow	(IV-I)	84,425	15,018	11,756	

The effect related to the consideration of the SPF as associated company, with reference at 30 June 2008, consisted in removing the net assets of the SPF (which includes the assets of the company and of its subsidiaries mentioned above), in the amount of kEuro 74,625 (Note 5). The remaining goodwill related to this subgroup, in the amount of kEuro 12,824 was also reclassified from the caption of "Goodwill" to the caption "Investments in associates and companies excluded from consolidation" (Notes 5 and 9).

## 7 INVESTMENT PROPERTIES

The movement in investment properties during the years ended 31 December 2009 and 2008 was as follows:

	2009					
	Investment properties					
	in operation	"Fit Out"	in progress at cost	in progress at fair value	Advances	Total
Opening balance	3,360,369	7,531	176,268	147,178	7,593	3,698,939
Increases	26,123	99	35,698	106,062	(5,868)	162,114
Impairments and write-off (Note 32)	-	-	(6,480)	-	-	(6,480)
Sales	-	-	(6,300)	-	-	(6,300)
Fit-out receivables	-	(1,056)	-	-	-	(1,056)
Transfers	(840)	-	(14,104)	(2,107)	-	(17,051)
Increases by transfer from investment properties in progress:						
Production cost	229,907	(1,229)	(34,832)	(193,846)	-	-
Adjustment to fair value (Note 30)	12,070	-	-	4,897	-	16,967
Variation in fair value of the investment properties between years (Note 30):						
Gains	40,714	300	-	-	-	41,014
Losses	(343,095)	(392)	-	-	-	(343,487)
Increases through concentration of business activities (Note 6)	-	-	18,266	-	-	18,266
Subsidiary excluded from consolidation (Note 6)	(22,348)	(709)	-	-	-	(23,057)
Sales of companies (Note 6)	(17,774)	-	-	-	-	(17,774)
Currency translation differences	64,456	-	924	6,345	-	71,725
Closing balance	3,349,582	4,544	169,440	68,529	1,725	3,593,820

	2008					
	Investment properties					
	in operation	"Fit Out"	in progress at cost	in progress at fair value	Advances	Total
Opening balance	3,730,358	9,785	380,986	-	4,218	4,125,347
Increases	42,208	550	216,147	-	5,000	263,905
Impairments and write-off (Note 32)	-	-	(56,680)	-	-	(56,680)
Sales	-	-	-	-	-	-
Fit-out receivables	-	(797)	-	-	-	(797)
Transfers	840	-	(7,832)	-	(914)	(7,906)
Increases by transfer from investment properties in progress:						
Production cost	299,959	1,400	(440,444)	139,796	(711)	-
Adjustment to fair value (Note 30)	37,434	(130)	-	15,160	-	52,464
Variation in fair value of the investment properties between years (Note 30):						
Gains	34,721	122	-	-	-	34,843
Losses	(316,329)	(1,392)	-	-	-	(317,721)
Increases through concentration of business activities (Note 6)	-	-	91,310	-	-	91,310
Sales of companies (Note 6)	(423,869)	(2,007)	(48)	-	-	(425,924)
Currency translation differences	(44,952)	-	(7,171)	(7,778)	-	(59,901)
Closing balance	3,360,370	7,531	176,268	147,178	7,593	3,698,940

In 2008 and following the global crisis, the Group revised the risk profile of emerging markets such as Romania and recognized impairment losses related to investment properties under development located there - Ploiesti and Craiova - amounting to kEuro 21,978 and kEuro 31,060, respectively (Note 34).



At 31 December 2009 and 2008 investment properties in operation corresponded to the fair value of the Group's proportion of the following shopping centres:

	31.12.09				31.12.08			
	% of consolidation	10 yr discount rate	Exit Yield	Amount	% of consolidation	10 yr discount rate	Exit Yield	Amount
<b>Portugal:</b>								
AlgarveShopping	100%	8.60%	6.35%	133,759	100%	7.90%	5.65%	149,053
ArrábidaShopping	50%	9.05%	6.80%	82,624	50%	8.25%	6.00%	90,530
CascaShopping	50%	8.50%	6.25%	160,225	50%	7.75%	5.50%	175,940
Centro Colombo	50%	8.35%	6.10%	364,332	50%	7.75%	5.50%	396,941
Centro Vasco da Gama	50%	8.25%	6.00%	148,705	50%	7.30%	5.40%	157,613
CoimbraShopping	100%	10.55%	8.30%	22,571	100%	9.35%	7.10%	25,325
Estação Viana	100%	9.50%	7.25%	72,684	100%	8.75%	6.50%	82,513
GaiaShopping	50%	9.05%	6.80%	75,268	50%	8.20%	5.95%	87,267
GuimarãesShopping	100%	9.40%	7.15%	56,569	100%	8.80%	6.55%	46,653
MadeiraShopping	50%	9.80%	7.55%	36,159	50%	9.15%	6.90%	37,722
MaiaShopping	100%	10.00%	7.75%	48,201	100%	9.10%	6.85%	54,690
NorteShopping	50%	8.30%	6.05%	188,051	50%	7.70%	5.45%	203,064
Parque Atlântico	50%	9.90%	7.65%	32,024	50%	9.15%	6.90%	34,416
Torre Colombo Ocidente	25%	9.50%	7.25%	1,685	25%	9.75%	7.50%	1,692
Torre Colombo Oriente	0%	0.00%	0.00%	-	25%	9.75%	7.50%	1,828
ViaCatarina	50%	9.75%	7.50%	28,258	50%	8.95%	6.70%	32,491
				<u>1,451,115</u>				<u>1,577,738</u>
<b>Brazil:</b>								
Parque D. Pedro	50%	12.75%	8.25%	165,733	50%	13.45%	8.25%	108,068
Pátio Boavista	50%	14.00%	9.50%	13,118	50%	14.95%	9.75%	9,639
Manauara Shopping	50%	13.00%	8.50%	73,210	0%	0.00%	0.00%	-
Shopping Metrópole (*)	50%	13.00%	8.50%	47,013	50%	13.70%	8.50%	26,374
Shopping Penha (73,18%)	50%	13.50%	9.00%	25,689	50%	14.45%	9.25%	15,851
Shopping Plaza Sul (30%)	50%	12.75%	8.25%	16,598	50%	13.70%	8.50%	11,747
Sierra Enplanta	50%	-	-	19,195	50%	-	-	11,652
				<u>360,556</u>				<u>183,331</u>
<b>Spain:</b>								
Avenida M40	100%	-	-	-	100%	12.35%	9.35%	30,742
Dos Mares	100%	9.55%	7.05%	48,763	100%	9.25%	6.25%	54,110
El Rosal	100%	10.40%	7.90%	89,866	100%	9.90%	6.90%	110,921
Grancasa	50%	8.90%	6.40%	79,566	50%	8.70%	5.70%	94,548
Max Center	50%	9.25%	6.75%	72,263	50%	8.75%	5.75%	83,196
La Farga	50%	11.40%	8.90%	21,983	50%	10.40%	7.40%	27,594
Luz del Tajo	100%	9.10%	6.60%	92,436	100%	9.35%	6.35%	96,798
Plaza Éboli	100%	11.10%	8.60%	35,332	100%	10.60%	7.60%	46,424
Plaza Mayor	100%	11.55%	9.05%	53,210	100%	11.80%	8.80%	57,965
Plaza Mayor Shopping	100%	9.25%	6.75%	64,088	100%	9.60%	6.60%	63,582
Parque Principado	50%	9.25%	6.75%	77,696	50%	9.20%	6.20%	84,997
Valle Real	50%	9.10%	6.60%	45,819	50%	9.10%	6.10%	48,979
Zubiarte	50%	11.20%	8.70%	21,486	50%	11.00%	8.00%	25,354
				<u>702,508</u>				<u>825,210</u>
<b>Italy:</b>								
Airone	100%	9.00%	7.70%	15,229	100%	8.70%	7.70%	17,796
Valecenter/Warner Village	100%	8.00%	6.90%	133,862	100%	8.00%	6.90%	147,302
Freccia Rossa	50%	8.10%	6.00%	68,423	50%	8.10%	5.80%	76,427
Gli Orsi	100%	9.50%	7.00%	82,107	100%	8.50%	6.20%	123,679
				<u>299,621</u>				<u>365,204</u>
<b>Germany:</b>								
Alexa	50%	6.50%	6.00%	158,056	50%	6.50%	6.00%	171,462
Loop 5	50%	6.75%	6.25%	151,784	-	-	-	-
Münster Arkaden	100%	6.50%	6.00%	159,011	100%	6.50%	5.75%	156,290
				<u>468,851</u>				<u>327,752</u>
<b>Romania:</b>								
River Plaza Mall	100%	10.75%	9.00%	29,961	100%	9.75%	8.00%	37,542
				<u>29,961</u>				<u>37,542</u>
<b>Greece:</b>								
Pantheon Plaza	50%	10.75%	7.00%	36,970	50%	10.75%	7.00%	43,593
				<u>36,970</u>				<u>43,593</u>
				<u>3,349,582</u>				<u>3,360,370</u>

(\*) In 2008 the percentage own by Sonae Sierra was of 83%

The fair value of each investment property was determined by means of a valuation as of the financial position 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 centre added to the residual value, corresponding to a projected net income of year 11 and a return market rate ("Exit yield" or "cap rate"). These projections are then discounted to the valuation date using a discount market rate. Projections are intended to reflect the actual best estimate of the valuer regarding future revenues and costs of each shopping. Both the return rate and discount rate are defined in accordance to the local real estate and institutional market conditions, being the reasonability of the market value obtained in accordance to the methodology above referred, tested also in terms of initial return, and obtained with the estimated net income for the 1st year of projections.

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 centres, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

The open market value of the investment properties under development as at the reporting date is calculated by subtracting from the open market value at opening, calculated using the methodology described above, the investment necessary to finish the project and weighted by a risk factor defined by the valuer.

### **Market uncertainty**

According to the valuer whenever uncertainty could have a material effect on an opinion of value, the valuation needs to draw attention to this, indicating the cause of the uncertainty and the degree to which this is reflected in the valuation reported.

Since September 2008 we have seen unprecedented events, such as the failure of several major banks, the effective nationalization of others, and substantial reductions in interest rates. The global banking crisis and consequent hiatus of the debt markets, coupled with the downturn in the world economies, have caused unusually high levels of volatility in the European property market in recent months. The market has experienced sharp fall and is also far less liquid, with fewer transactions being completed.

As a consequence, there has been a significant reduction in market evidence upon which to base the valuation and so a greater degree of judgment had to be exercised.

The valuer considers that although most recent transactions could be considered distressed, it is inappropriate to conclude all recent market activity represents forced transactions. An imbalance between supply and demand (for example, fewer buyers than sellers) is not always a determinant of a forced transaction. A seller might be under financial pressure to sell, but it is still available to sell at a market price if there is more than one potential buyer in the market and a reasonable amount of time is available for marketing. Similarly, transactions initiated during bankruptcy should not automatically be assumed to be forced.

It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgment must therefore be applied. The valuers strongly recommend that the company keep the valuation of the

subject properties under review. The company should also anticipate a longer marketing period than would previously have been expected in the event that any property is offered for sale.

As of 31 December 2009 and 2008 the recoverable amount of the fit out contracts existing in each investment property was as follows:

	31.12.09				31.12.08			
	% of consolidation	10 yr discount rate	Yield	Amount	% of consolidation	10 yr discount rate	Yield	Amount
<b>Portugal:</b>								
AlgarveShopping	100%	8.60%	6.35%	158	100%	7.90%	5.65%	260
Estação Viana	100%	9.50%	7.25%	978	100%	8.75%	6.50%	1,013
Centro Vasco da Gama	50%	8.25%	6.00%	108	50%	7.30%	5.40%	439
CoimbraShopping	100%	10.55%	8.30%	32	100%	9.35%	7.10%	38
GaiaShopping	-	-	-	-	50%	8.20%	5.95%	43
MadeiraShopping	50%	9.80%	7.55%	61	50%	9.15%	6.90%	112
NorteShopping	50%	8.30%	6.05%	431	50%	7.70%	5.45%	649
Parque Atlântico	50%	9.90%	7.65%	442	50%	9.15%	6.90%	488
				<u>2,210</u>				<u>3,042</u>
<b>Spain:</b>								
Avenida M40	100%	0.00%	0.00%	-	100%	12.35%	9.35%	794
Dos Mares	100%	9.55%	7.05%	15	100%	9.25%	6.25%	39
El Rosal	100%	10.40%	7.90%	517	100%	9.90%	6.90%	539
Plaza Mayor	100%	11.55%	9.05%	1,713	100%	11.80%	8.60%	1,888
				<u>2,245</u>				<u>3,260</u>
<b>Italy:</b>								
Freccia Rossa	-	-	-	-	50%	8.10%	5.80%	1,229
<b>Greece:</b>								
Pantheon Plaza	50%	10.75%	7.00%	89	-	-	-	-
				<u>4,544</u>				<u>7,531</u>

The fair value of the fit out contracts was determined by means of a valuation as of the financial position 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.

During the years ended on 31 December 2009 and 2008, the income (fixed rents (net of possible discounts), variable rents, common spaces rents, key income and transfer fees) 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	
	31.12.09	31.12.08	31.12.09	31.12.08
<b>Portugal:</b>				
AlgarveShopping	9,689	10,092	293	455
ArrabidaShopping	6,233	9,384	377	439
C C Modelo de Albufeira	-	348	-	6
CascaShopping	12,053	11,670	463	513
Centro Colombo	23,402	23,330	1,750	1,541
Centro Vasco da Gama	10,666	9,527	1,176	562
CoimbraShopping	2,162	2,394	221	116
Estação Viana	5,330	5,596	410	427
GaiaShopping	5,746	9,167	352	375
GuimarãesShopping	4,113	3,825	251	223
LoureShopping	-	1,748	-	67
MadeiraShopping	3,333	3,451	170	176
MaiaShopping	4,084	4,608	296	327
8ª Avenida	-	2,139	-	135
NorteShopping	13,436	13,436	734	621
Parque Atlântico	2,620	2,706	113	83
C C Continente de Portimão	-	650	-	59
RioSul Shopping	-	1,776	-	(222)
Serra Shopping	-	747	-	56
Viacatarina	2,066	2,402	227	138
<b>Brazil:</b>				
Parque Dom Pedro Shopping	12,085	11,353	635	32
Pátio Boavista e Shopping Metrópole	4,006	3,896	260	216
Pátio Penha (73.18%)	2,050	1,919	151	149
Plaza Sul (30%)	1,185	1,132	67	68
Pátio Sertório	5,519	-	189	-
Sierra Enplanta	1,641	1,478	109	95
<b>Spain:</b>				
Avenida M 40	2,591	4,156	190	538
El Rosal	7,124	7,699	210	47
Dos Mares	3,651	3,680	15	233
Iberian (Grancasa, Kareaga e Valle Real)	13,734	14,445	559	349
Plaza Éboli	3,032	3,427	120	346
La Farga	1,795	2,073	70	85
Luz del Tajo	6,282	6,822	95	465
Plaza Mayor	4,991	4,795	256	443
Plaza Mayor Shopping	4,609	1,142	79	1,181
Parque Principado	5,393	5,587	22	284
Zubiarte	1,687	2,176	117	177
<b>Italy:</b>				
Airone	1,081	1,203	197	53
Valecenter	9,292	7,906	518	551
Freccia Rossa	4,324	4,130	317	1,036
Gli Orsi	5,104	2,373	390	725
<b>Germany</b>				
Münster Arkaden	8,353	8,573	34	-
Alexa	9,345	9,089	208	741
Loop 5	2,026	-	1,403	-
<b>Romany:</b>				
River Plaza Mall	2,748	3,039	463	320
<b>Romany:</b>				
Pantheon Plaza	891	1,551	1,261	210
	<u>229,472</u>	<u>232,640</u>	<u>14,768</u>	<u>14,441</u>

At 31 December 2009 and 2008 the following investment properties had been given in guarantee of bank loans:

- |                       |                       |
|-----------------------|-----------------------|
| •Airone               | •Loop 5               |
| •Alexa                | •Luz del Tajo         |
| •Algarveshopping      | •Madeirashopping      |
| •Alverca              | •Maiashopping         |
| •Arrabidashopping     | •Manauara Shopping    |
| •Cascaishopping       | •Max Center           |
| •Centro Colombo       | •Munster Arkaden      |
| •Centro Vasco da Gama | •Norteshopping        |
| •Coimbrashopping      | •Parque Atlântico     |
| •Dos Mares            | •Parque Principado    |
| •El Rosal             | •Plaza Éboli          |
| •Estação Viana        | •Plaza Mayor          |
| •Freccia Rossa        | •Plaza Mayor Shopping |
| •Gaiashopping         | •River Plaza Mall     |
| •Gli Orsi             | •Torre Occidente      |
| •Grancasa             | •Valecenter           |
| •Guimarãesshopping    | •Valle Real           |
| •La Farga             | •Viacatarina          |
| •Leiria               | •Zubiarte             |

At 31 December 2009 and 2008 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 2009 and 2008 are made up as follows:

	31.12.09	31.12.08
<b>Investment property at cost:</b>		
<b>Portugal:</b>		
Alverca	6,132	6,088
Cacém Shopping	-	2,268
Centro Bordalo	3,370	3,111
Parque de Famalicão	1,255	1,255
Setubal Retail Park	-	1,572
Torre Ocidente	1,040	-
GuimarãesShopping - expansion	-	209
<b>Germany:</b>		
Alexa Tower	11,000	11,565
Garbsen	1,734	1,434
<b>Brazil:</b>		
Uberlândia Shopping	4,588	3,013
Boulevard Londrina Shopping	2,698	772
Goiânia Shopping	7,541	4,889
Pátio Boavista	-	1,292
Others	46	-
<b>Spain:</b>		
Pulianas Shopping	206	14,224
Dos Mares - expansion	2,810	2,810
Alfaz del Pi	19,150	19,666
Los Barrios	-	6,456
Others	76	-
<b>Greece:</b>		
Aegean Park	9,850	9,763
Pantheon Plaza	1,778	1,765
Galatsi Shopping	11,543	9,540
Ioannina	27,063	25,869
<b>Italy:</b>		
Le Terrazze (Hypermarket)	6,522	10,106
Caldogno	9,876	9,617
Pavia	-	8,199
Others	515	13
<b>Romania:</b>		
Craiova Shopping	35,232	24,691
Ploiesti Shopping	14,831	13,452
	178,856	194,802
<b>Impairment for assets at risk</b>	(7,691)	(10,941)
	171,165	183,861
<b>Investment property at fair value:</b>		
<b>Portugal:</b>		
LeiriaShopping	49,195	13,763
Torres Oriente and Ocidente	-	6,621
<b>Brazil:</b>		
Manauara Shopping	-	35,885
<b>Germany:</b>		
Loop 5	-	90,909
<b>Italy:</b>		
Le Terrazze	19,334	-
	68,529	147,178
	239,694	331,039

The amounts of kEuro 7,691 and kEuro 11,052 in 31 December 2009 and 2008, respectively, recorded under caption "Impairment to Assets at Risk" are related to the provision made to anticipate losses due to the non development of some of the actual projects, because of the uncertainty of markets (Note 32).

The Aegean Park investment property in progress corresponds, at the moment, to the value of a site in Athens, Greece. In accordance with the information received, the local Municipal Authorities intention is to classify part of the site as green area, and the Management is being involved in negotiations with the local Municipal Authorities with the objective of determining which will be the final use of that site. The Board of Directors still believes that there will be no losses in the realization value of the site, therefore no impairment losses have been recognized.

Investment properties in progress include borrowing expenses incurred during the construction period. As of 31 December 2009 and 2008, total borrowing expenses capitalised amounted to kEuro 4,446 and kEuro 17,087, respectively.

## 8 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment and corresponding accumulated depreciation during the years ended 31 December 2009 and 2008 was as follows:

	2009							2008	
	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
<b>Assets:</b>									
Opening balance	1,450	1,599	209	4,304	353	1,057	9	8,981	7,376
Increases	300	62	165	323	15	26	7	898	1,983
Sales	-	(36)	(47)	(6)	-	-	-	(89)	(108)
Transfers and disposals	-	-	(4)	(4)	(3)	(4)	-	(15)	(59)
Currency translation differences	-	114	58	102	-	-	-	274	(211)
Change in consolidation perimeter	-	-	-	(2)	-	-	-	(2)	-
Closing balance	1,750	1,739	381	4,717	365	1,079	16	10,047	8,981
<b>Accumulated depreciation and impairment losses:</b>									
Opening balance	683	1,102	83	2,957	209	789	-	5,823	5,024
Depreciation for the year	244	195	65	480	25	89	-	1,098	961
Impairment Losses for the year	-	-	-	-	-	-	-	-	-
Sales	-	(18)	(31)	(5)	-	-	-	(54)	(37)
Transfers and disposals	-	-	(4)	(4)	-	(1)	-	(9)	(37)
Currency translation differences	-	41	15	65	-	-	-	121	(88)
Change in consolidation perimeter	-	-	-	(2)	-	-	-	(2)	-
Closing balance	927	1,320	128	3,491	234	877	-	6,977	5,823
<b>Net assets</b>	<b>823</b>	<b>419</b>	<b>253</b>	<b>1,226</b>	<b>131</b>	<b>202</b>	<b>16</b>	<b>3,070</b>	<b>3,158</b>

## 9 GOODWILL

The movement in goodwill during the years ended 31 December 2009 and 2008 was as follows:

	2009	2008
<b>Assets:</b>		
Opening balance	70,906	96,295
Increases (Note 6)	2,720	7,765
Sales (Note 6)	-	(17,707)
Transfer to associated companies (Note 5 and 6)	-	(12,824)
Price adjustment	-	390
Exchange rate change	-	(166)
Disposals and regularisations	-	(2,847)
Closing balance	73,626	70,906
<b>Accumulated depreciation and impairment losses:</b>		
Opening balance	21,015	13,331
Impairments for the year (note 32)	3,324	10,531
Sales and disposals	-	(2,847)
Closing balance	24,339	21,015
<b>Net assets</b>	<b>49,287</b>	<b>49,891</b>



At 31 December 2009 and 2008 goodwill was made up as follows:

		31.12.09			31.12.08	
	Year of aquisition	Amount	Depreciation and impairment losses of the year (Note 32)	Accumulated depreciation and impairment losses	Book value	Book value
Sierra Management Spain, SA						
	1999	1,518	-	1,518	-	-
	2000	45	-	45	-	-
	2002	1,274	-	1,274	-	-
	2003	10	-	10	-	-
		(2,847)	-	(2,847)	-	-
		-	-	-	-	-
Iberian Assets, S.A:						
Grancasa	2002	2,674	-	1,203	1,471	1,471
Max Center	2002	8,287	-	3,729	4,558	4,558
Valle Real	2002	(1,014)	-	(456)	(558)	(558)
Valle Real	2003	1,667	-	667	1,000	1,000
		11,614	-	5,143	6,471	6,471
La Farga						
	2002	132	-	59	73	73
	2005	406	-	159	247	247
	2009	-	58	58	(58)	-
		538	58	276	262	320
Alexa						
	2004	10,877	-	-	10,877	10,877
	2005	(7,996)	-	-	(7,996)	(7,996)
		2,881	-	-	2,881	2,881
Parque Principado						
Avenida M40	2005	1,181	-	1,181	-	-
Plaza Eboli	2005	3,356	743	2,933	423	1,166
Luz del Tajo	2005	3,655	-	736	2,919	2,919
Dos Mares	2005	1,298	-	-	1,298	1,298
Valecenter	2005	29,355	-	1,015	28,340	28,340
River Plaza Mall	2007	1,334	-	-	1,334	1,334
Craiova	2007	5,140	-	5,140	-	-
Larissa	2007	1,957	-	1,957	-	-
Ploiesti	2008	3,435	-	3,435	-	-
Gli Orsi	2008	4,165	2,523	2,523	1,642	4,165
Le Terrazze	2009	2,720	-	-	2,720	-
		73,626	3,324	24,339	49,287	49,891

The impairment tests made to the goodwill are based on the "Net Asset Value" ("NAV") at the statement of financial position date of the participations held.

The impairment losses recorded during 2009 were made directly in goodwill.

## 10 INTANGIBLE ASSETS

The movement in intangible assets and corresponding accumulated depreciation during the years ended 31 December 2009 and 2008 was as follows:

	2009	2008
	Other rights	Other rights
<b>Assets:</b>		
Opening balance	14,387	14,074
Increases	1,366	487
Currency translation differences	18	(12)
Sales, disposals and regularisations	(284)	(162)
Closing balance	15,487	14,387
<b>Accumulated depreciation and impairment losses:</b>		
Opening balance	8,369	6,966
Depreciation for the year	1,249	1,408
Currency translation differences	8	(5)
Sales, disposals and regularisations	(42)	-
Closing balance	9,584	8,369
<b>Net assets</b>	<b>5,903</b>	<b>6,018</b>

As of 31 December 2009, "Other rights" include the amount of kEuro 3,850 (net of accumulated depreciation and impairment losses in the amount of kEuro 5,869), relating the management right acquired in September 2002 of five shopping centres located in Spain, four of which (Grancasa, Max Center, 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), this being the estimated period to recover the investment.

## 11 OTHER NON CURRENT ASSETS

At 31 December 2009 and 2008 other non-current assets were made up as follows:

	31.12.09	31.12.08
Advances on account of investments	1,185	917
Municipal Council of Lisbon	7,777	7,777
Municipal Council of Malaga	1,650	1,024
Rent deposits of tenants	8,073	10,070
Acropole Charagionis	2,310	-
IGEC tax deposits	1,512	-
Other non current assets	1,407	1,601
	23,914	21,389
Accumulated impairment losses on non current assets (Note 28)	(284)	(263)
	23,630	21,126

The amount of kEuro 7,777 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 at the end of 2001. On the other hand, the caption "Other noncurrent liabilities", as of 31 December 2009 and 2008 includes the amount of kEuro 3,243 (Note 21) 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 Board of Directors believes, based on advice from its legal counsel, that the legal action will be favourable to Colombo and consequently did not record any impairment loss to cover eventual losses on this account receivable.

The amount of kEuro 1,650 due by the Municipal Council of Malaga relates to works developed by Plaza Mayor Parque de Ocio, S.A (kEuro 1,004) and Plaza Mayor Shopping, S.A. (kEuro 646) on behalf of the Municipal Council of Malaga at the surroundings of the Plaza Mayor Shopping centre.

The amount of kEuro 8,073 and kEuro 133 (Note 13) relates to the deposit in official entities of rents deposits received from tenants of shopping centres located in Spain (Max Center, Grancasa, La Farga, Valle Real, Plaza Mayor, Parque Principado, Luz del Tajo, Plaza Éboli, Plaza Mayor, Dos Mares, El Rosal and Zubiarte). The rent deposits received from tenants are classified under "Other non-current payables" (Note 21) and "Other payables" (Note 26).

## 12 TRADE RECEIVABLES

At 31 December 2009 and 2008 trade receivables were made up as follows:

	31.12.09	31.12.08
Accounts receivable from customers:		
Portugal	26,174	24,174
Brazil	6,128	4,498
Spain	13,481	12,485
Italy	5,082	5,331
Germany	3,239	1,843
Greece	2,716	-
Other costumers	1,525	3,037
	<u>58,345</u>	<u>51,368</u>
Accumulated impairment losses on accounts receivable from customers (Note 28)	(21,684)	(17,351)
	<u>36,661</u>	<u>34,017</u>

The Group's exposure to credit risk is attributed to accounts receivable relating to the operating activity of the Group. The amounts shown in the statement of financial position 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 credit risk, as that risk is diluted over a variety of different customers.

According to the information included in the statement of financial position, the ageing of the trade receivables is as follows:

	31.12.09	31.12.08
Not due	13,085	6,941
Due but not impaired:		
0-30 days	7,679	10,059
30-90 days	7,454	10,340
+ 90 days	9,678	6,310
Due and impaired:		
0-30 days	2,018	1,208
90-180 days	1,718	948
180-360 days	4,016	6,165
+ 360 days	12,697	9,397
	<u>58,345</u>	<u>51,368</u>

## 13 OTHER RECEIVABLES

At 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Caelum Development, Srl	15,935	15,000
Rent deposits of tenants (Note 11)	133	195
Bancaja	10,765	-
Tax notification paid	1,501	1,501
Escrow account	8,261	2,224
Advances to suppliers	3,496	6,469
Other	9,249	9,317
	<u>49,340</u>	<u>34,706</u>
Accumulated impairment losses on other receivables (Note 28)	(8)	(92)
	<u>49,332</u>	<u>34,614</u>

The amount of kEuro 15,935 (kEuro 15,000 in 31 December 2008) refers to an advance made for the acquisition of a project in Romania. This advance is guarantee by a pledge of the land made in favor of the Group.

By the end of 2008, the subsidiary Project Sierra Spain 3, S.A. (PSS3) paid to Inversiones Tobet-3, SL (Tobet) the amount of kEuro 10,765 (amount corresponding to the proportion held by the Group) under a conditional share-purchase agreement of two parcels of land in Pulianas (Granada), on which was intended to build a shopping center (project Puerta Granada). By the time of the contract elaboration, Tobet provided to PSS3 a bank guarantee in the same amount to ensure compliance with the pre-conditions set out in the agreement. As those conditions were not met, the Group decided to abandon the project, having the bank guarantee been executed on 21 July 2009. The guaranteed amount has however still not been received due to an injunction approved by a court in Granada due to a lawsuit initiated by Tobet against PSS3. The company did not record any impairment loss related to this advanced amount, because it is Management belief, based on legal advice from legal counsel, that the amount will be recovered.

The amount of kEuro 1,501 includes:

- the amount of kEuro 791 related 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 relate 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 Tax Authorities believe should be depreciated in 50 years. Cascaishopping contested the tax notifications received and did not record any impairment to cover eventual losses on those amounts, as the Board of Directors believes that the result will be favourable to Cascaishopping;
- the amount of kEuro 710 (of which kEuro 598 relates to corporate tax and kEuro 112 relates to interest), relates with the payment in 2008 by Colombo, of the note of liquidation of 2002 corporate tax, consequence of the non acceptance by the tax authorities of the improvements depreciation policy in 2001, applicable to improvements made in property of the Municipal Council of Lisbon.

Colombo 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 result will be favourable to Colombo.

The Group's exposure to credit risk is attributed to accounts receivable relating the operating activity of the Group. The amounts shown in the financial position statement 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 credit risk, as that risk is diluted over a variety of different customers.

The amount of KEuro 8,621 registered under "Escrow Account" includes the amount of KEuro 6,063 relating to a deposit made by the subsidiary Ioannina Development of Shopping Centres, SA, which will revert to the entity that will undertake the construction of the project, provided they meet the conditions contractually defined.

## 14 OTHER CURRENT ASSETS

At 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Interest income receivable	2,268	2,204
Variable rents receivable	3,656	3,316
Recovered costs receivable	475	4,651
Deferred rents	498	142
Deferred costs with projects	454	3,990
Deferred costs with financing	27	354
Management and administration services receivable	2,024	1,959
Others	5,183	8,610
	<u>14,585</u>	<u>25,226</u>

## 15 CASH AND CASH EQUIVALENTS

At 31 December 2009 and 2008 cash and cash equivalents were made up as follows:

	31.12.09	31.12.08
Cash	388	323
Bank deposits payable on demand	27,267	36,757
Treasury applications	48,795	73,176
	<u>76,450</u>	<u>110,256</u>
Short term facilities (Note 19)	-	(10,702)
Bank overdrafts (Note 19)	(32)	(1,338)
	<u>76,418</u>	<u>98,216</u>

The treasury applications relate to term deposits made by several companies included in consolidation reimbursable in less than three months of inception and that bear interest at market interest rates.

## 16 SHARE CAPITAL AND LEGAL RESERVES

At 31 December 2009 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 2009 and 2008:

Entity	2009	2008
Sonae SGPS, S.A.	50,00%	50,00%
Grosvenor Investments, (Portugal), Sarl	50,00%	50,00%

At 31 December 2009 and 2008 the legal reserves were as follows:

	31.12.09	31.12.08
Legal reserve	32,449	32,449
Special reserve	24,880	24,880
	<u>57,329</u>	<u>57,329</u>

Legal reserve: According to the company law, at least 5% of the annual net profit, if positive, should be used in the reinforcement of the legal reserve until it represents 20% of the capital. This reserve can only be distributed in case of liquidation of the company, but can be used to cover losses after the other reserves have been used, or can be incorporated in the share capital.

As mentioned in the Portuguese company law, Sonae Sierra constituted a special reserve related to the 2003 capital reduction, to which the rules of the legal reserve apply, by an amount equivalent to the nominal amount of the shares extinguished (kEuro 24,880).

## 17 MOVEMENT IN MINORITY INTERESTS

During the years ended 31 December 2009 and 2008 the movement in minority interests was as follows:

	Balance as of	Net	Variation in	Increase /	Variation in	Acquisitions/		Balance as of		
	31.12.08	Profit	translation	decrease of	hedging	Dividends	Sales	Others	31.12.09	
			reserve	share capital	reserve		(Note 6)			
Fundo D.Pedro I	2,261	3,097	1,793	602	-	-	(625)	10,547	(242)	17,433
Fundo D.Pedro II		992	(132)	1,408	-	-	-	14,996	81	17,345
Sierra Investimentos Brasil, Ltda	72	(157)	136	-	(97)	-	(5)	(2)	398	345
Pátio Boavista	1,736	117	508	-	217	-	(35)	(5)	(253)	2,285
Pátio Goiânia	262	9	79	-	39	-	-	(1)	(39)	349
Pátio Londrina	46	23	21	-	63	-	-	-	(7)	146
Pátio Penha	670	186	191	-	-	-	(31)	(2)	(84)	930
Pátio Sertório Shopping Ltda	1,002	(108)	199	-	25	-	-	(3)	197	1,312
Pátio São Bernardo	469	74	140	-	-	-	(26)	(1)	(70)	586
Pátio Uberlândia	128	8	41	-	39	-	-	-	(20)	196
Sierra Enplanta	454	143	151	-	-	-	(38)	(1)	(75)	634
Sonae Siera Brasil Ltda	32	(1)	-	-	150	-	(14)	-	(170)	(3)
Plaza Mayor Shopping, SA	1,428	(201)	-	-	-	(42)	-	(1,184)	(1)	-
El Rosal Shopping, SA	(6,679)	(6,982)	-	-	-	(282)	-	-	-	(13,943)
Sierra BV	418,090	(46,533)	-	-	9,754	(3,037)	-	1,184	(19)	379,439
Others	19	411	85	-	-	(69)	(1)	-	(267)	178
	419,990	(48,922)	3,212	2,010	10,190	(3,430)	(775)	25,528	(571)	407,232

	Balance as of 31.12.07	Net Profit	Variation in translation reserve	Increase / decrease of share capital	Variation in hedging reserve	Dividends	Acquisitions/ Sales (Note 6)	Others	Balance as of 31.12.08	
Fundo D.Pedro I	2,507	683	(277)	-	-	-	(494)	-	(158)	2,261
Sierra Investimentos Brasil, Ltda	206	(101)	(4)	-	23	-	-	-	(52)	72
Pátio Boavista	2,153	163	(440)	-	(82)	-	-	-	(58)	1,736
Pátio Penha	903	101	(177)	-	(84)	-	(21)	-	(52)	670
Pátio Sertório Shopping Ltda	629	462	(210)	-	17	-	-	-	104	1,002
Pátio São Bernardo	488	157	(116)	-	-	-	(13)	-	(47)	469
Sierra Enplanta	518	115	(110)	-	10	-	(32)	-	(47)	454
Sonae Siera Brasil Ltda	31	(33)	(7)	-	(34)	-	(9)	-	84	32
Plaza Mayor Shopping, SA	1,225	203	-	-	-	-	-	-	-	1,428
El Rosal Shopping, SA	2,092	(8,122)	-	-	-	-	-	-	(1)	(6,679)
Sierra BV	437,596	(76,167)	-	-	74,850	(12,496)	(4,584)	(1,684)	575	418,090
Sierra Portugal Fund	-	442	-	-	-	(1,220)	-	778	-	-
Others	622	39	(391)	-	282	-	-	-	(97)	455
	448,970	(82,058)	(1,732)	-	74,982	(14,364)	(5,153)	(906)	251	419,990



# 18 BANK LOANS

At 31 December 2009 and 2008 bank loans obtained were made up as follows:

			31.12.09			31.12.08				
			Used amount			Used amount				
Financing Entity			Limit	Short term	Medium and long term	Limit	Short term	Medium and long term	Due date	Reimbursement plan
Bond Loans:										
Sonae Sierra SGPS	Caixa BI	-	75,000	-	75,000	75,000	-	75,000	Jul/2013	Final
Bank Loans:										
3shoppings - Holding, SGPS, S.A	Eurohypo	(b), (f), (g)	57,711	1,621	56,090	59,008	1,297	57,711	Jul/2019	Annual
3shoppings - Holding, SGPS, S.A	Eurohypo	(b), (c)	11,900	956	5,873	-	-	-	Jul/2014	Annual
Airone Shopping Centre, SA	Eurohypo	(b), (c), (f), (g)	8,000	-	8,000	8,000	-	8,000	May/2012	Final
ALEXA Shopping Centre GmbH	Eurohypo	(a), (b), (c), (f), (g), (h)	99,980	-	99,980	98,905	-	98,905	Oct/2015	Annual
ALEXA Shopping Centre GmbH	Eurohypo	(a), (b)	-	-	-	4,000	-	-	Sep/2009	Final
Algarveshopping- C.C., S.A.	European Property Capital 3 p.l.c.	(b), (c), (f), (g)	12,512	12,512	-	14,092	1,580	12,512	Jun/2010	Quarterly
Sierra B.V.	European Property Capital 3 p.l.c.	(b), (c)	45,033	45,033	-	45,461	428	45,033	May/2010	Quarterly
Arrabidashopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	16,370	1,295	15,075	17,648	1,278	16,370	Mar/2017	Quarterly
Arrabidashopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	9,023	388	8,635	9,363	340	9,023	Mar/2017	Annual
Arrabidashopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	12,000	480	11,520	-	-	-	Mar/2017	Quarterly
Avenida M-40, S.A.	Westdeutsche Immbank	(b)	-	-	-	55,861	34,342	21,519	Dec/2014	Quarterly
Cascaishopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	54,671	1,843	52,828	56,207	1,536	54,671	May/2027	Annual
Cascaishopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	26,000	-	26,000	26,000	-	26,000	Jan/2016	Final
Centro Colombo - C.C., S.A.	Eurohypo	(a), (b), (f), (h)	-	-	112,250	-	-	112,250	May/2017	Final
Centro Colombo - C.C., S.A.	Eurohypo, ING	(a), (b), (c), (f), (h)	112,750	-	500	112,750	-	500	May/2017	Final
Shopping C. Colombo, BV	Eurohypo, ING	(a), (b), (c)	49,500	-	49,500	49,500	-	49,500	May/2017	Final
Centro Vasco da Gama, S.A.	ING	(a), (b), (c), (f), (h)	56,225	1,950	54,275	58,175	1,950	56,225	Aug/2016	Quarterly
Dos Mares - Shop. Centre S.A.	Aareal Bank	(b), (f), (g)	18,725	900	17,825	19,625	900	18,725	Sep/2012	Quarterly
El Rosal Shopping, SA	Eurohypo	(b), (f), (g)	75,323	4,254	71,069	79,473	4,150	75,323	Jul/2017	Quarterly
Estação Viana- C.C., S.A.	BES	(b), (c), (f), (g)	34,608	2,016	32,592	36,624	2,016	34,608	Dec/2015	Hal Year
Freccia Rossa - Shop.C. S.r.l.	Unicredit	(a), (b), (c), (f), (g)	53,561	1,020	52,541	54,578	756	53,822	Dec/2025	Hal Year
Freccia Rossa - Shop.C. S.r.l.	Unicredit	(a), (f), (g)	6,870	-	6,870	13,250	-	13,250	Dec/2012	Hal Year
Gaishopping I- C.C., S.A.	Eurohypo	(a), (b), (f), (g)	25,438	413	25,025	25,850	412	25,438	Nov/2026	Annual
Gaishopping I- C.C., S.A.	Eurohypo	(a), (b), (f), (g)	9,588	263	9,325	9,800	212	9,588	Aug/2016	Annual
Gli Orsi - Shopping Centre S.r.l.	Bayern LB	(a), (b), (c)	80,000	19,045	57,475	80,000	-	76,520	Dec/2017	Quarterly
Iberian Assets, SA	Eurohypo	(a), (b)	19,758	1,953	17,805	21,636	1,878	19,758	Jun/2019	Hal Year
Iberian Assets, SA	Eurohypo	(a), (b)	24,151	501	23,650	24,700	549	24,151	Jun/2018	Hal Year
Iberian Assets, SA	Eurohypo	(a), (b)	21,969	950	21,019	22,819	850	21,969	Nov/2020	Hal Year
Iberian Assets, SA	Eurohypo	(a), (b)	15,025	-	15,025	15,025	-	15,025	Jan/2026	Hal Year
Iberian Assets, SA	BBVA	(a)	2,500	1,358	-	4,500	2,900	-	May/2010	Final
La Farga - Shopping Center, SL	Eurohypo	(a), (b)	15,000	750	14,250	15,000	-	15,000	Apr/2014	Annual
Loop 5-Shopping Centre, GmbH	Bayern LB	(a), (b), (f), (h)	93,750	971	85,331	93,750	-	41,923	Jan/2019	Quarterly
Luz del Tajo C.C. S.A.	Deutsche Pfandbriefbank	(b), (c), (f), (g)	45,700	-	45,700	45,700	-	45,700	Jun/2014	Final
Madeirashopping - C.C., S.A.	ING	(a), (b), (f), (h)	18,000	-	18,000	18,000	-	18,000	Aug/2015	Quarterly
Munster Arkaden, BV	Nord LB	(b), (c), (f), (g)	125,487	1,984	123,503	140,000	1,871	125,487	Dec/2016	Quarterly
Norteshopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	7,017	4,444	2,573	10,057	3,040	7,017	Jun/2011	Quarterly
Norteshopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	35,398	-	35,398	35,398	-	35,398	Dec/2014	Quarterly
Norteshopping - C.C., S.A.	BPI	(a), (b), (f), (g)	-	-	-	230	230	-	Jun/2009	Quarterly
Norte Shopping B.V.	Eurohypo	(a), (b)	42,096	815	41,281	42,912	816	42,096	Dec/2014	Hal Year
Park Avenue, Develop. Sh.C., SA	Eurohypo	(a), (c)	1,513	1,513	-	6,000	6,000	-	Feb/2010	Final
Parque Atlântico Shop - C.C., SA	CGD, BCP	(a), (b), (f)	16,100	1,400	14,700	17,500	1,400	16,100	Dec/2015	Quarterly
Parque Principado S.L.	Calyon	(a), (b), (c)	56,700	-	56,700	56,700	-	56,700	Jul/2013	Final
Pátio Boavista Shopping Ltda	Banco Bradesco	(a), (d)	1,792	1,792	-	-	-	-	Jun/2010	Monthly
Pátio Sertório Shopping Ltda	Banco Itaú	(a), (d)	4,978	4,978	-	3,854	1,105	-	Feb/2010	Final
Pátio Sertório Shopping Ltda	Unibanco	(a), (d)	-	-	-	1,326	1,326	-	Aug/2009	Final
Pátio Sertório Shopping Ltda	BASA	(a), (b), (d), (e)	22,359	-	22,359	17,311	-	13,959	Dec/2020	Monthly
Pátio Sertório Shopping Ltda	BANIF	(a), (c)	-	-	-	771	771	-	Sep/2009	Final
Plaza Ebboli - C.C. S.A.	Deutsche Pfandbriefbank	(b), (c)	33,050	33,050	-	34,741	1,108	33,633	Nov/2010	Quarterly
Plaza Mayor Shopping, SA	Eurohypo	(b), (f), (g)	37,000	1,110	35,890	37,000	-	32,336	Oct/2017	Annual
Plaza Mayor Shopping, SA	Eurohypo	-	-	-	-	4,500	2,633	-	Oct/2009	Monthly
Plaza Mayor - Parque de Ocio, S.A.	Eurohypo	(b)	27,707	1,563	26,144	29,149	1,442	27,707	Apr/2018	Annual
Project Sierra Portugal I SA	CGD	(b)	10,500	-	3,999	10,500	-	3,999	Aug/2013	Final
Project Sierra Portugal VI SA	CGD	(b)	50,000	-	27,252	50,000	-	9,426	Dec/2023	Quarterly
Project Sierra Portugal VI SA	CGD	(b)	3,700	551	-	3,700	405	-	Dec/2010	Final
Project Sierra Srl	Société Générale/BRD	(b), (c)	-	-	-	14,861	75	14,786	May/2018	Quarterly
River Plaza Srl	Société Générale/BRD	(b), (c), (f), (g)	23,265	795	22,470	14,861	1,844	13,017	May/2018	Quarterly
Sierra Investimentos, Ltda.	Banco Itaú	(a), (d)	-	-	-	3,854	3,545	-	Feb/2010	Final
Sierra Investimentos, Ltda.	Banco ABC	(a), (c), (d)	4,978	4,978	-	-	-	-	Sep/2010	Monthly
Sonae Sierra SGPS	Santander Totta	-	15,000	15,000	-	15,000	15,000	-	Jul/2013	-
Torre Ocidente Imobiliária, S.A.	CGD	(a), (b)	12,250	-	2,234	12,250	-	1,937	Sep/2017	Hal Year
Torre Oriente Imobiliária, S.A.	CGD	(a), (b)	-	-	-	12,500	-	5,959	-	-
Valecenter Srl	Eurohypo	(b), (c), (f), (g)	95,770	2,440	93,330	97,600	1,830	95,770	Jun/2015	Quarterly
Via Catarina- C.C., S.A.	Eurohypo	(a), (b)	18,424	294	18,130	18,718	294	18,424	Feb/2027	Annual
Zubiarte Inversiones Inmobil.,SL.	ING	(a), (b)	23,300	8,260	15,040	23,800	-	23,800	Jun/2017	Quarterly
Total Bank Loans			1,800,025	185,439	1,555,031	1,910,393	102,109	1,654,570		
Deferred bank expenses incurred on the issuance of bank debt				(1,703)	(10,594)		(1,702)	(13,755)		
			183,736	1,619,437			100,407	1,715,815		
Fair value of the financial hedging instruments - asset			-	(26)	-	-	(150)	-		
Fair value of the financial hedging instruments - liability			-	44,732	-	-	32,638	-		
			183,736	1,664,143			100,407	1,748,303		

- (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) To guarantee the repayment of this loan, the Group has a bank guarantee.  
(e) In this loan the Sierra Investment Brasil, Ltda was the guarantor  
(f) This loan has a covenant "Loan to Value": Financial liabilities / Fair value of the investment property  
(g) This loan has a covenant "Debt Service Cover Ratio": Cash flow / (Paid interests plus capital amortization)  
(h) This loan has a covenant "Interest Cover Ratio": Cash flow / Paid interests  
(i) This loan has a covenant "Debt to equity cover ratio": Equity / Financial liabilities

Bank loans bear interests at market interest rates and were all contracted in Euro, except for the bank loans of Sierra Investimentos, Ltda and Pátio Sertório, Ltda, which were contracted in Brazilian Real and translated to Euro using the exchange rate prevailing at financial position date (Note 2.2 e)).

Bank loans with covenants were analyzed by the Group at the date of statement of financial position and, in situations where there were breaches, the corresponding debt was reclassified to short term facility. These situations have occurred in case of loans obtained by Zubiarte Gli Orsi and River Plaza. Negotiations are ongoing in order to obtain a debt rescheduling with correspondent banks.

At 31 December 2009 and 31 December 2008, loans classified as medium and long term are repayable as follows:

	31.12.09		31.12.08	
	Repayment	Interest	Repayment	Interest
N+1	185,439	33,096	102,109	84,594
N+2	43,101	30,156	133,856	79,399
N+3	75,863	29,394	51,704	74,401
N+4	184,969	27,543	70,410	72,595
N+5	172,227	23,494	198,674	67,826
N+6 and following years	1,153,871	67,436	1,274,926	225,148
	<u>1,815,470</u>	<u>211,119</u>	<u>1,831,679</u>	<u>603,963</u>

At 31 December 2009 and 2008, the Group's financial instruments related to interest rate swaps, zero cost collars and exchange rate non deliverable forwards were as follows:

	31.12.09			31.12.08		
	Fair value of the financial instrument			Fair value of the financial instrument		
	Loan	Asset	Liability	Loan	Asset	Liability
Financial hedging instruments:						
"Swaps":						
3 Shoppings / Caixa BI	61,711	-	132	-	-	-
Airone / BBVA	8,000	-	468	8,000	-	387
Alexa / Eurohypo	100,000	-	6,357	100,000	-	4,511
ArrábidaShopping / BBVA	-	-	-	17,648	-	44
ArrábidaShopping / BBVA	9,023	-	501	9,363	-	302
ArrábidaShopping / BES	12,000	-	49	-	-	-
ArrábidaShopping / BPI	16,370	-	50	-	-	-
Colombo / BBVA	112,750	-	7,644	112,750	-	6,737
Shopping Colombo BV/ BBVA	49,500	-	3,356	49,500	-	2,958
El Rosal / BES	37,661	-	1,994	39,736	-	1,366
El Rosal / BES	37,661	-	2,436	39,736	-	1,720
Estação Viana / BES	34,608	-	495	36,624	(45)	-
Freccia Rossa / Unicredit	31,597	-	1,248	32,645	-	474
Freccia Rossa / Unicredit	4,912	-	329	4,981	-	243
Gaiashopping / Caixa BI	25,438	-	1,221	25,850	-	714
Iberian / Eurohypo	-	-	-	10,839	12	-
Iberian / Eurohypo	-	-	-	8,225	12	-
Iberian / Eurohypo	-	-	-	5,636	6	-
Iberian / Eurohypo	-	-	-	15,025	(34)	-
Münster Arkaden / BPI	125,487	-	8,191	127,358	-	6,087
Norteshopping / Eurohypo / BPI	42,415	-	1,088	45,685	-	412
Norteshopping BV / Eurohypo	42,096	-	1,139	42,912	-	402
Parque Atlântico / BBVA	-	-	-	17,500	-	168
Plaza Mayor Shopping / BES	18,500	-	273	-	-	-
Project Sierra Srl/ Société Générale	-	-	-	15,000	-	1,210
River Plaza / Société Générale	23,265	-	2,268	15,000	-	1,210
Torre Ocidente / Caixa BI	3,014	-	-	-	-	-
Valecenter / Eurohypo	6,476	-	91	6,600	-	41
Valecenter / Eurohypo	13,983	-	196	14,250	-	88
Valecenter / Eurohypo	23,550	-	49	-	-	-
Viacatarina / BPI	18,424	-	1,093	18,718	-	872
		-	40,668		(49)	29,946
"Zero Cost Collars":						
Cascaishopping / Santander	26,000	-	581	26,000	-	329
Centro Vasco da Gama / ING	-	-	-	57,200	-	181
Dos Mares / BBVA	18,725	-	372	19,625	-	110
Gaiashopping / BBVA	9,588	-	339	9,800	-	200
Luz del Tajo / Hypo Real Estate	36,560	-	742	36,560	-	130
MadeiraShopping / BBVA	9,000	-	81	9,000	-	22
Parque Principado / Calyon	56,700	(26)	-	56,700	(101)	-
Plaza Eboli / Hypo Real Estate	30,485	-	375	30,485	-	355
Valecenter / Eurohypo	51,761	-	1,574	52,750	-	1,365
		(26)	4,064		(101)	2,692
		(26)	44,732		(150)	32,638

The fair value of the financial hedging instruments was recorded under Hedging Reserves of the Group

(kEuro -28,523 and kEuro -20,884 in 31 December 2009 and 2008 respectively) and hedging reserves of the minorities (kEuro -16,183 and kEuro -11,604 in 31 December 2009 and 2008 respectively).

The interest rate swaps and zero cost collars are stated at their fair value at the financial position statement date, determined by the valuation made by the bank entities with which the derivatives were contracted. The computation of the fair value of these financial instruments was made taking into consideration the actualisation to the statement of financial position 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. In addition, tests to the fair value of those derivative financial instruments were made by the treasury department of the Group, in order to validate the fair value determined by those entities.

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

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

## 19 OTHER BANK LOANS

At 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09		31.12.08	
	Limit	Short term	Limit	Short term
Short term facilities (Note 15):				
Algarveshopping - C.C., S.A.	20,000	20,000	2,496	-
Cascaishopping - C.C., S.A.	2,619	1,865	2,496	-
Centro Colombo - C.C., S.A.	5,235	1,624	5,235	1,093
Sierra B.V.	10,000	-	10,000	9,516
Sierra Management Portugal, SA	249	-	249	-
Sonae Sierra, SGPS, SA	83,919	37,171	88,907	-
Via Catarina- C.C., S.A.	1,000	232	1,000	93
		60,892		10,702
Bank overdrafts (Note 15)	-	32	-	1,338
	123,022	60,924	110,383	12,040

## 20 ACCOUNTS PAYABLE TO OTHER SHAREHOLDERS

At 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09		31.12.08	
	Short term	Medium and long term	Short term	Medium and long term
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1"):				
Arrábidashopping- Centro Comercial, S.A.	-	-	17	1,250
Centro Colombo- Centro Comercial, S.A.	-	-	-	-
Centro Vasco da Gama - Centro Comercial, S.A.	-	-	-	3,839
Plaza Mayor Shopping B.V.	-	5,079	-	-
SC Mediterranean Cosmos B.V.	86	76	-	828
Sierra European Retail Real Estate Assets Holdings BV	5,995	-	7,023	-
Zubiarte Inversiones Inmob,SA	-	1,778	-	1,703
	6,081	6,933	7,040	7,620
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2"):				
Arrábidashopping- Centro Comercial, S.A.	-	-	14	1,000
Centro Colombo- Centro Comercial, S.A.	-	-	-	-
Centro Vasco da Gama - Centro Comercial, S.A.	-	-	-	3,071
Plaza Mayor Shopping B.V.	-	4,063	-	-
SC Mediterranean Cosmos B.V.	69	58	-	662
Sierra European Retail Real Estate Assets Holdings BV	4,796	-	5,619	-
Zubiarte Inversiones Inmob,SA	-	1,423	-	1,363
	4,865	5,544	5,633	6,096
Others	-	-	185	-
	-	-	185	-
	10,946	12,477	12,858	13,716

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. For the amounts classified in medium and long term their reimbursement is not expected in the short term.

## 21 OTHER NON CURRENT LIABILITIES

At 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
"Câmara Municipal de Lisboa" (Note 11)	3,243	3,243
Rents deposits from tenants (Note 11)	9,724	10,424
Other non current accounts payable	536	342
	13,503	14,009

## 22 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities at 31 December 2009 and 2008, in accordance with the temporary differences that generate them, are made up as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.09	31.12.08	31.12.09	31.12.08
Difference between fair value and tax cost of tangible fixed assets and intangible assets	590	1,440	460,597	502,634
Difference between fair value and tax cost of the fit-out contracts	-	-	(879)	(912)
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	-	-	2,681	2,947
Fair value of hedging financial instruments	11,116	8,123	8	13
Fair value of speculation financial instruments	-	-	-	-
Tax losses carried forward	22,285	16,978	-	-
Impairment losses on accounts receivable from customers	171	256	-	-
Gains /losses reinvested	972	972	-	-
Impairment losses on other assets and write-off of deferred costs	648	1,530	-	-
	<u>35,782</u>	<u>29,299</u>	<u>462,407</u>	<u>504,682</u>

Deferred income tax assets relating to the fair value of the financial hedging instruments were recorded under hedging reserves of the Group (kEuro -7,230 and kEuro -5,271 at 31 December 2009 and 2008 respectively) and hedging reserves of the minorities (kEuro -3,878 and kEuro -2,839 at 31 December 2009 and 2008 respectively).

The movement in deferred income tax assets and liabilities during the years ended 31 December 2009 and 2008 was as follows:

	2009		2008	
	Asset	Liability	Asset	Liability
Opening balance	29,299	504,682	24,337	598,073
Effect in net result:				
Difference between fair value and tax cost of tangible fixed assets and intangible assets	(950)	(54,042)	1,310	(26,247)
Difference between fair value and tax cost of the fit-out contracts	-	(53)	61	(142)
Write-off of movements occurred regarding deferred income related to key income and expenses related to the opening of shopping centers	-	(90)	-	-
Increase / (Decrease) of impairment losses not accepted for tax purposes	(91)	-	229	-
Increase / (Decrease) of tax losses carried forward	4,792	-	(2,273)	-
Fair value of speculation financial instruments	-	-	-	(1,139)
Other assets impairment and deferred costs write-off	(840)	1	1,100	5
Tax rate change effect	-	(166)	-	-
Sub-total (Note 23)	<u>2,911</u>	<u>(54,350)</u>	<u>315</u>	<u>(26,570)</u>
Effect in equity:				
Valuation of hedging financial instruments	3,004	(1)	7,716	(1,771)
Currency translation differences	496	11,082	(535)	(9,178)
Changes in perimeter:				
Sales (Note 6)	(104)	(1,923)	(2,534)	(61,880)
Acquisitions (Note 6)	-	32	-	-
Others	-	2,720	-	11,481
Others	176	165	-	(5,473)
Closing balance	<u>35,782</u>	<u>462,407</u>	<u>29,299</u>	<u>504,682</u>

The amount kEuro 5,473 in 31 December 2008 relates to the reversal of the deferred taxes made at the date of acquisition of the subsidiaries Ploiesti (kEuro 3,563) (Note 32) and Larissa (kEuro 1,910) due to the fact that the fair value adjustment made at that time was also reversed and due to the opening of the shopping centre Pantheon Plaza, respectively.

The deferred income tax assets related to tax losses carried forward reported in 31 December 2009 and 2008 are made up as follows:

	31.12.09	31.12.08
Portugal:		
Project Sierra Portugal I- C.Comerc., SA	41	41
SRP-Parque Comercial de Setúbal, SA	-	17
Spain:		
Dos Mares - Shopping Centre, SA	2	127
El Rosal Shopping, SA	2,215	2,215
Iberian Assets, S.A	55	1,058
La Farga Shopping Centre, S.L	377	448
Luz del Tajo – Centro Comercial S.A.	69	446
Parque Principado, S.L.	-	4
Plaza Eboli – Centro Comercial S.A.	3,787	3,110
Plaza Mayor Parque de Ocio, S.A	1,421	1,371
Plaza Mayor Shopping, SA	934	367
Project Sierra Spain 7, SA	-	1
Zubiarte Inversiones Inmobiliarias, S.A	2,086	2,086
Italy:		
Freccia Rossa	352	352
Gli Orsi - Shopping Centre 1, Srl	300	529
Le Terrazze - Shopping Centre 1, Srl	37	37
Airone Shopping Centre Srl	-	144
Proj.Sierra Italy 2 -Develop. Sh.Centre Srl	4	4
Proj.Sierra Italy 1 -Shop.Centre Srl	5	5
Project Sierra Italy 3, Srl	4	4
Sierra Developments Italy S.r.l.	218	51
Sierra Management Italy S.r.l.	290	290
Valecenter Srl	1,589	1,643
Sierra Management II, SA (branch)	-	10
Sierra Asset Management, SA (branch)	-	70
Germany:		
Alexa Holding, GmbH	4,237	-
Loop 5, Shopping Centre GmbH	1,125	-
Münster Arkaden BV	-	74
Greece:		
Larissa Development of Shopping Center, SA	-	728
Sierra Charagionis Development Shopping. Centre, SA	1	-
Sierra Property Management Greece, SA	138	138
Brazil:		
Sierra Investimentos Brasil Ltda	1,217	866
Pátio Boavista Shopping, Ltda.	1,004	742
Pátio Sertório Shopping, Ltda.	777	-
	<u>22,285</u>	<u>16,978</u>

At the end of the year, 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 expiration date limit of the tax losses existing as of 31 December 2009, for which deferred tax assets were recognized, is as follows:

	Tax loss	Limit expire date
Portugal:		
Generated in 2006	137	2012
Generated in 2008	26	2014
	<u>163</u>	
Spain:		
Generated in 1996	3,323	2011
Generated in 1997	1,977	2012
Generated in 1998	1,350	2013
Generated in 2000	87	2015
Generated in 2001	6	2016
Generated in 2002	2,214	2017
Generated in 2003	358	2018
Generated in 2004	507	2019
Generated in 2005	3,400	2020
Generated in 2006	2,443	2021
Generated in 2007	3,547	2022
Generated in 2008	12,958	2023
Generated in 2009	4,313	2023
	<u>36,483</u>	
Italy:		
Generated in 2004	-	2009
Generated in 2006	789	2011
Generated in 2007	3,612	2012
Generated in 2008	3,112	2013
	<u>7,513</u>	
Without limit of use	2,649	
	<u>10,162</u>	
Germany:		
Without limit of use	21,023	
Greece:		
Generated in 2008	553	
Generated in 2008	4	
	<u>557</u>	
Brazil:		
Without limit of use	8,819	
	<u>77,207</u>	



## 23 INCOME TAX

Income tax for the years ended 31 December 2009 and 2008 is made up as follows:

	2009	2008
Current tax	17,648	20,710
Deferred tax (Note 22)	(57,261)	(26,885)
	<u>(39,613)</u>	<u>(6,175)</u>

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

	2009	2008
Profit before income tax	(199,521)	(204,360)
Gains related to the sale of companies	(20,806)	(21,883)
Net result of associated undertakings	9,877	7,208
Impairment of goodwill	3,324	10,531
Other permanent differences and tax losses for which the recuperability is not probable	<u>62,925</u>	<u>139,935</u>
Taxable profit	(144,201)	(68,569)
Effect of different income tax rates in other countries	<u>(14,249)</u>	<u>43,871</u>
	(158,450)	(24,698)
Income tax rate in Portugal	<u>25.0%</u>	<u>25.0%</u>
	(39,613)	(6,175)
Tax rate change effect	-	-
	<u>(39,613)</u>	<u>(6,175)</u>

The amount of kEuro 62,925 (kEuro 139,935 in 2008) relates mainly to the following effects:

- (i) Non recognition of the deferred tax related to the temporary differences derived by the revaluations of the investment properties Avenida M40 and Zubiarte;
- (ii) Non recognition of the deferred tax assets related to the tax losses carried forward of the companies for which the Group was not certain about its future recuperation (Avenida M40, El Rosal, Project Sierra Spain 3, Zubiarte, Larissa and River Plaza) (Avenida M40 in 2008);
- (iii) Write-off of deferred tax assets related to the tax losses carried forward recognized in previous years and for which the Group, in 2008, was not certain about its future recuperation (Larissa) (Avenida M40 in 2008).

## 24 ACCOUNTS PAYABLE TO SUPPLIERS

At 31 December 2009 and 2008 accounts payable to suppliers were made up as follows:

	31.12.09		31.12.08	
	Short term	Medium long term	Short term	Medium long term
Trade suppliers	27,245	-	28,612	-
Suppliers of fixed assets	15,559	2,306	40,296	861
	<u>42,804</u>	<u>2,306</u>	<u>68,908</u>	<u>861</u>

As of 31 December 2009 and 2008, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2009, the Board of Directors believes that the carrying amount of these accounts payable is similar to its corresponding fair value.

The amounts reported above have the following reimbursement plan:

	31.12.09	31.12.08
Short term:		
0-90 days	33,945	37,748
90-180 days	2,736	6,657
+ 180 days	6,123	24,503
	<u>42,804</u>	<u>68,908</u>
Medium long term:		
n+1	2,279	834
n+3	27	27
	<u>2,306</u>	<u>861</u>

## 25 STATE AND OTHER PUBLIC ENTITIES

At 31 December 2009 and 2008 state and other public entities were made up as follows:

	31.12.09			31.12.08		
	Asset		Liability	Asset		Liability
	Short term	Medium long term	Short term	Short term	Medium long term	Short term
Income tax	9,055	-	8,918	6,546	-	4,821
VAT	30,213	102	7,001	43,958	102	7,428
Social security contributions	16	-	1,186	17	-	901
Other taxes	41	-	1,212	331	-	1,084
	<u>39,325</u>	<u>102</u>	<u>18,317</u>	<u>50,852</u>	<u>102</u>	<u>14,234</u>

According the current law, the tax returns of 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 granted or auditing or claims are in course, in cases, depending on circumstances, the final dates can be extended or suspended. Because of that the tax returns of the Portuguese companies of the years 2005 until 2009 can still be changed.

The Board of Directors considers that the possible changes to the tax returns will not have a significant impact in the financial statements as of 31 December 2009.

The amounts of kEuro 30,213 and kEuro 43,958 as of 31 December 2009 and 2008, respectively, receivable from state entities, relates basically to Value Added Tax ("VAT") receivable. In accordance to tax law, the Group follows the procedure of recording under this caption the VAT included in the invoices from third parties during the period of construction of the shopping centres and requests the reimbursement of that VAT only after the beginning of operation of the shopping centres.

## 26 OTHER PAYABLES

At 31 December 2009 and 2008 other payables were made up as follows:

	31.12.09	31.12.08
Advances from customers	4,037	3,782
Efanor Investimentos, SGPS, S.A.	-	-
Sonae Capital,SGPS,SA	1,450	1,450
Ploiesti acquisition	6,124	6,124
River Plaza acquisition	50	991
Advance made for hypermarket sale in Italy	5,154	-
Olimpiaka Akinita	2,192	-
"Câmara Municipal de Guimarães"	2,913	-
Advance made for land acquisition	-	1,725
Gift cheques	3,590	3,229
Rent deposits from tenants (Note 11)	807	1,031
Other payables	3,506	5,246
	<u>29,823</u>	<u>23,578</u>

The amount of kEuro 6,124 refers to the debt related to the acquisition in July 2008 of the company owning the Project "Ploiesti".

The amount of kEuro 5,154 refers to the advance payment related to the sale of the hypermarket, part of the Project "Le Terrazze".

The amount of kEuro 3,590 of gift cheques relates with the deposits received until the financial position date on the sale of those gift cheques, net of gift cheques expired or compensated until the date (recorded in "Other payables" in 2008). The Group recognises in a account to be paid all gift cheques sold, and this account is settled when the cheques are compensated by the tenants (in this case the fee charged is recognised too) or when the cheques expire (in this case the income corresponds to the amount of the expire cheques).

As of 31 December 2009 and 2008, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2009, the Board of Directors believes that the carrying amounts of these accounts payable is similar to its fair value.

The above balance for other creditors shows an average payment period below 90 days.

## 27 OTHER CURRENT LIABILITIES

At 31 December 2009 and 2008 other current liabilities were made up as follows:

	31.12.09	31.12.08
Payable interest expense	9,937	13,796
Vacation pay and vacation bonus	17,074	14,628
Accrued Real Estate tax	3,647	4,734
Accrued services payables	16,988	16,308
Condominium margin	4,357	4,216
Cascaishopping price adjustment	1,480	1,480
Accrued fixed asset expenses	22,633	34,394
Key income, invoiced in advance	1,102	2,489
Accrued minimum rentability granted (Note 36)	1,440	-
Rental income invoiced in advance	9,805	9,944
Others	13,390	14,685
	<u>101,853</u>	<u>116,674</u>

Vacation pay and vacation bonus as of 31 December 2009 and 2008, include the amounts of kEuro 4,073 and kEuro 3,583, respectively, related to remuneration bonus attributed to some employees of the Group, which will be paid two years after 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 over three years (from the year of attribution until the year of payment) and recorded as expense, on the basis of the gross amount that was attributed to those employees, and any 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.

As of 31 December 2009 and 2008, the amounts of kEuro 22,633 and kEuro 34,394, respectively, relate to the estimate, made by the Board of Directors, for liabilities associated with the investments made in the investment properties, for which the corresponding invoices were not yet been received by then.

## 28 PROVISIONS AND IMPAIRMENT LOSSES ON ACCOUNTS RECEIVABLE

The movement in provisions and impairment losses on accounts receivable during the years ended 31 December 2009 and 2008 is made up as follows:

	2009					Balance as of 31.12.09
	Balance as of 31.12.08	Increase	Decrease	Changes in perimeter	Translation differences	
Impairment losses on accounts receivable:						
Customers (Note 12)	17,351	6,344	(1,650)	(826)	465	21,684
Other debtors (Note 11 and 13)	355	21	(83)	-	-	293
	17,706	6,365	(1,733)	(826)	465	21,977
Provisions for risks and costs:						
Other risks and costs	109	170	-	181	10	470
	17,815	6,535	(1,733)	(645)	475	22,447

	2008					Balance as of 31.12.08
	Balance as of 31.12.07	Increase	Decrease	Changes in perimeter	Translation differences	
Impairment losses on accounts receivable:						
Customers	15,097	3,784	(852)	(188)	(490)	17,351
Other debtors	470	16	(131)	-	-	355
	15,567	3,800	(983)	(188)	(490)	17,706
Provisions for risks and costs:						
Other risks and costs	145	-	(36)	-	-	109
	15,712	3,800	(1,019)	(188)	(490)	17,815

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

## 29 SALES AND SERVICES RENDERED

Sales and services rendered for the years ended 31 December 2009 and 2008 are made up as follows:

	2009	2008
Services rendered:		
Fixed rents	211,169	209,422
Turnover rents	7,609	9,302
Mall income	6,931	7,168
Common charges	82,817	79,928
Management and administration fees	31,490	31,715
Co-generation	3,274	4,010
Parking lot income	10,147	8,442
Other	12,392	14,789
	365,829	364,776

### 30 VARIATION IN FAIR VALUE OF THE INVESTMENT PROPERTIES

The variation in fair value of the investment properties in 2009 and 2008 is made up as follows:

	2009	2008
Transfers from "in progress" (Note 7)	12,070	37,304
Variation in fair value between years in investment properties under development (Note 7):	4,897	15,160
Variation in fair value between years (Note 7):		
- Gains	40,714	34,721
- Losses	(343,095)	(316,329)
Variation in fair value on "fit-out" contracts (Note 7)	(92)	(1,270)
	<u>(285,506)</u>	<u>(230,414)</u>

### 31 OTHER OPERATING REVENUE

Other operating revenue for the years ended 31 December 2009 and 2008 is made up as follows:

	2009	2008
Key income	4,563	4,997
Development fees	5,112	9,770
Other	7,857	5,957
	<u>17,532</u>	<u>20,724</u>

### 32 IMPAIRMENT LOSSES AND WRITE-OFF

The Impairment losses for the years ended 31 December 2009 and 2008 are the following:

	2009	2008
Impairment losses of goodwill (Note 9)	3,324	10,531
Impairment losses in projects Ploiesti and Craiova (Note 7)		49,475
Write-off and Impairment losses in the investment properties in progress (Note 7)	6,480	12,509
	<u>9,804</u>	<u>72,515</u>

The "impairment losses on other properties under development" relate to impairment losses for some of the properties currently under development, for which there are some uncertainties over its future viability. In 2009 this caption also includes the total impairment losses recognized related to the properties under development Pulianas, Cacémshopping and Pavia.

The impairment losses d in projects Ploiesti and Craiova respect to losses recognized in 2008 in relation to the properties under development Craiova (kEuro 31,060) and Ploiesti (kEuro 18,415) (Note 7); this last impairment is net of deferred tax (kEuro 3,563) (Note 22).

### 33 OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2009 and 2008 are made up as follows:

	2009	2008
Real estate tax	5,106	6,196
Indemnities paid to tenants	4,806	1,319
Other	6,327	3,474
	<u>16,239</u>	<u>10,989</u>

### 34 NET FINANCIAL RESULTS

Net financial results are made up as follows:

	2009	2008
Expenses:		
Interest expense	77,143	105,667
Tax stamp related to financing	682	1,582
Foreign currency exchange losses	342	1,604
Loss on NDF's	-	4,299
Other	4,721	2,321
	<u>82,888</u>	<u>115,473</u>
Net financial expenses	<u>(76,337)</u>	<u>(87,784)</u>
	<u>6,551</u>	<u>27,689</u>
Income:		
Interest income	5,137	26,261
Foreign currency exchange gains	495	950
Other	919	478
	<u>6,551</u>	<u>27,689</u>

The amount of kEuro 4,299 recorded under caption "Losses on NDF's", relate to the losses generated with the termination of the "Non Deliverable Forwards" ("NDF") contracted by the Group.

## 35 SHARE OF RESULTS OF ASSOCIATED UNDERTAKINGS

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

	2009	2008
Share of results of associated undertakings (Note 5):		
Net profit	(9,044)	(7,208)
Impairment losses	(833)	-
	<u>(9,877)</u>	<u>(7,208)</u>

## 36 INVESTMENT INCOME

Investment income is made up as follows

	2009	2008
Gains resulted from the contribution in kind to Sierra BV (Note 6):		
Plaza Mayor Shopping	154	-
Gains obtain on the sale to Sierra BV:		
Mediterranean Cosmos (Note 6)	284	1,684
Cascaishopping price adjustment	-	1,319
Sale of 58% of the Sierra Portugal Fund (Note 6)	-	19,048
Sale of 50% of Torre Oriente (Note 6)	1,412	-
Sale of 12% of Fundo Investimento Imobiliário Shop. Parque Dom Pedro (Note 6)	2,466	-
Sale of 84% of Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center (Note 6)	2,177	-
Estimation of the costs to be incurred due to the minimum rentability granted to the buyers of Fund's Dom Pedro	(1,440)	-
Loureshopping price adjustment	(12)	-
Lima Retail Park price adjustment	(11)	(76)
Insolvency of Avenida M40 (Note 6)	15,866	-
Serra Shopping price adjustment	-	(39)
Norteshopping price adjustment	-	(53)
Other	(90)	-
	<u>20,806</u>	<u>21,883</u>

The amount of kEuro 1,440 refers to the estimated expenses that the Group will incur as a result of the sale of Fundo Dom Pedro II (kEuro 675) and Fundo Dom Pedro I (kEuro 765), sales for which the Board committed with a minimum return over a period of 36 months.



## 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 2009 and 2008 amounted to kEuro 211,169 and kEuro 209,422 respectively (Note 29).

In addition, as of 31 December 2009, the Group has celebrated, as lessor, operating lease contracts, for which the minimal lease payments (fixed rent) are due as follows:

	31.12.09	31.12.08
Due in N+1	213,989	195,325
Due in N+2	198,003	174,246
Due in N+3	177,342	153,689
Due in N+4	152,273	134,187
Due in N+5	122,258	109,928
Due after N+5	102,236	86,236
Contracts automatically renewed	-	21
	<u>966,101</u>	<u>853,632</u>

In the Operational Leases where the Group is the lessee, the minimum lease payments recognized as expense during the years ended 31 December 2009 and 2008 reached the amounts of kEuro 5,187 and kEuro 3,094 respectively.

In addition, as of 31 December 2009, the Group had celebrated as lessee, operating lease contracts, for which the minimum lease payments are due as follows:

	31.12.09	31.12.08
Due in N+1	6,430	4,241
Due in N+2	3,914	2,170
Due in N+3	2,762	1,753
Due in N+4	1,191	700
Due in N+5	335	1
Due after N+5	70	-
Contracts automatically renewed	316	307
	<u>15,018</u>	<u>9,172</u>

## 38 RELATED PARTIES

Balances and transactions that existed with related parties during the years ended 31 December 2009 and 2008, in addition to the loans obtained from the shareholders mentioned in Note 20, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other liabilities	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Mother companies and other shareholders:						
Modelo Continente Hipermercados, S.A.	102	117	779	528	(641)	(607)
Sesagest - Proj.Gestão Imobiliária,SA	-	-	-	-	(91)	1,272
Sport Zone - Comércio de Artigos de Desporto, S.A.	101	16	78	52	(384)	(363)
Infocfield - Informática, S.A.	38	21	50	31	(68)	(15)
Worten – Equipamentos para o Lar, S.A.	17	139	277	125	(261)	(250)
Safira Services – Limpeza e Espaços Verdes, S.A.	-	-	-	12	-	-
Raso- Viagens e Turismo,S.A	13	12	269	532	(20)	(44)
Zippy - Comércio e Distribuição	5	72	-	15	(53)	(100)
Estêvão Neves - Hipermercados Madeira,S.A	-	-	-	7	15	13
Sonae SGPS, S.A.	-	4	481	101	-	-
MDS - Corrector de Seguros,SA	58	26	-	-	-	-
Sempre à Mão - Sociedade Imobiliária,SA	-	308	-	-	-	-
Sonaecom - Serviços de Comunicação,SA	236	239	334	262	(164)	(73)
Continente Hipermercados,SA	1	875	-	-	-	-
Digitmarket - Sistemas de Informação,SA	-	3	-	-	128	125
Contimobe - Imobil. Castelo Paiva,SA	834	1,241	-	-	-	-
SMP - Serv Manutenção Planeamento	-	-	215	439	-	-
Media Plannig,SA	-	-	-	-	-	(505)
Sierra Portugal Real Estate	5,161	2,297	2,413	1,974	94	(204)
	<u>6,566</u>	<u>5,370</u>	<u>4,896</u>	<u>4,078</u>	<u>(1,445)</u>	<u>(751)</u>
Jointly controlled entities and associate companies						
Modelo Continente Hipermercados, S.A.	119	281	6	16	-	-
Sesagest - Proj.Gestão Imobiliária,SA	245	155	-	-	-	-
Contimobe - Imobil. Castelo Paiva,SA	169	1,091	-	-	-	-
SMP - Serv Manutenção Planeamento	-	-	27	13	-	-
	<u>533</u>	<u>1,527</u>	<u>33</u>	<u>29</u>	<u>-</u>	<u>-</u>

	Transactions							
	Sales and services rendered		Purchases and services obtained		Interest income		Interest expense	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Mother companies and other shareholders:								
Modelo Continente Hipermercados, S.A.	7,724	6,673	(253)	(75)	-	-	-	-
Modelo - Dist. de Materias de Construção, SA	1,149	1,237	1	(2)	-	-	-	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	5,287	5,491	69	(47)	-	-	-	-
Infofield - Informática, S.A.	1,207	1,341	47	(55)	-	-	-	-
Worten – Equipamentos para o Lar, S.A.	5,014	4,806	94	(84)	-	-	-	-
Raso- Viagens e Turismo, S.A	317	320	(1,511)	3,489	-	-	-	-
Zippy - Comércio e Distribuição	1,167	1,170	5	(11)	-	-	-	-
Estêvão Neves - Hipermercados Madeira, S.A	894	945	-	-	-	-	-	-
Sonae SGPS, S.A.	-	-	(709)	339	-	-	-	-
Sonaecom - Serviços de Comunicação, SA	1,152	1,133	(2,057)	1,430	-	-	-	-
Solinca III- Health & Fitness, SA	952	941	213	(229)	-	-	-	-
Modalfa - Comercio e Serviços	653	666	-	-	-	-	-	-
Troiaresort - Investimentos Turisticos, SA	208	-	1	-	-	-	-	-
Spel Serviços Auto, SA	278	-	3	-	-	-	-	-
Martimope - Emoreendimentos Turisticos, SA	605	-	18	-	-	-	-	-
Sierra Portugal Real Estate	4,483	6,755	69	(141)	-	(230)	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-	-	-	-	-	236	1,297
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	-	-	-	-	189	1,038
	<u>31,090</u>	<u>31,478</u>	<u>(4,010)</u>	<u>4,614</u>	<u>-</u>	<u>(230)</u>	<u>425</u>	<u>2,335</u>
Jointly controlled entities and associate companies								
Modelo Continente Hipermercados, S.A.	360	748	(1)	-	-	-	-	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	-	58	-	-	-	-	-	-
Infofield - Informática, S.A.	-	25	-	-	-	-	-	-
Worten – Equipamentos para o Lar, S.A.	-	116	-	-	-	-	-	-
Sonaecom - Serviços de Comunicação, SA	-	17	-	2	-	-	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-	-	-	-	-	242	388
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	-	-	-	-	193	310
	<u>360</u>	<u>964</u>	<u>(1)</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>435</u>	<u>698</u>

The remuneration of the Board of Directors, during the years ended 31 December 2009 and 2008, was as follows:

	2009	2008
Fixed remuneration	2,145	1,883
Variable remuneration	1,491	2,601
	<u>3,636</u>	<u>4,484</u>

## 39 CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2009 and 2008, the main contingent liabilities related to bank guarantees and had the following detail:

	31.12.09	31.12.08
Bank guarantees:		
Relating tax processes in course	5,037	1,530
Relating legal processes in course	197	2,421
Other	25,568	47,894
	<u>30,802</u>	<u>51,845</u>

The caption "Others" include the following guarantees:

- kEuro 2,500 to support the urbanization costs assign to the parcels that result from the allotment Project of the partial plan made in sector PPI-03 of the company Proj.Sierra Spain 3-CC SA.

- kEuro 6,665 to support the assignment of the right for long-term use of the Olympic Hall of Galatsi;
- kEuro 3,200 to ensure the payment of the third Price Instalment related to the acquisition of the shares of SRP Development , SA;
- kEuro 6,000 to ensure the compliance with the obligations and duties under the process of licensing of works in LeiriaShopping

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 COMMITMENTS NOT REFLECTED IN THE STATEMENT OF FINANCIAL POSITION

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 centres 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 price that is lower 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 kEuro119,341;
- (ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, to a maximum amount of kEuro 59,670; the price revision will only take place if the price difference cannot be attributed to a 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, applicable to the transfer of the asset or of the shares respectively.

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

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares at stake before the same are offered for sale 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.

## 41 DIVIDENDS

Following the Shareholders General Meeting deliberation, dated 10 March 2009, the dividends related to the net profit of 2008 that amounted to kEuro 46,820 (Euro 1.44 / share), were paid during 2008.

As for the dividends related to the net profit of 2009, the Board of Directors proposes an amount of kEuro 27,312 (Euro 0.84 per share) to be paid as dividends. This proposal depends however of the 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 financial statements.

## 42 EARNINGS PER SHARE

As of 31 December 2009 and 2008, 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:

	2009	2008
Profit considered to compute the basic earnings per share (net profit of the year)	(110,986)	(116,127)
Number of shares	32,514,000	32,514,000
Earning per share (Euro)	<u>(3.41)</u>	<u>(3.57)</u>

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

## 43 SEGMENT INFORMATION

The Group adopted for the first time the IFRS 8 – Operational Segments, according to which the disclosed segment information must be the information internally used by the management of the Group.

In accordance to the Management Report, the segments used by the Management of the Group are as follows:

- Sierra Investments
- Sierra Developments
- Sierra Management
- Sonae Sierra Brazil

The Sonae Sierra's reportable segment information for the half years ended 31 December 2009 and 2008 regarding the statement of profit and loss can be detailed as follows:

	31.12.09	31.12.08
Net Operating Margin		
Sierra Investments	181,365	180,396
Sierra Developments	(63,817)	(157,053)
Sierra Management	5,455	5,220
Sonae Sierra Brazil	20,485	14,308
Reclassifications and adjustments	36,766	136,990
Consolidated	180,254	179,861
Direct profit before taxes		
Sierra Investments	102,263	94,756
Sierra Developments	(69,265)	(161,804)
Sierra Management	6,142	5,978
Sonae Sierra Brazil	15,270	13,445
Reclassifications and adjustments	41,097	136,430
Consolidated	95,507	88,805
Indirect income before taxes		
Sierra Investments	(259,976)	(261,549)
Sonae Sierra Brazil	34,870	36,855
Reclassifications and adjustments	(68,903)	(65,702)
Consolidated	(294,009)	(290,396)
Corporate tax + Deferred tax		
Sierra Investments	41,185	20,039
Sierra Developments	(395)	17,936
Sierra Management	(2,378)	(1,873)
Sonae Sierra Brazil	(10,140)	(15,100)
Reclassifications and adjustments	10,323	(17,595)
Consolidated	38,595	3,407
Net profit before minorities		
Sierra Investments	(116,528)	(146,754)
Sierra Developments	(69,660)	(143,868)
Sierra Management	3,764	4,105
Sonae Sierra Brazil	40,000	35,200
Reclassifications and adjustments	(17,483)	53,133
Consolidated	(159,907)	(198,184)

The amounts under the caption “Reclassifications and adjustments” can be analysed as follows:

	Net Operating Margin		Direct profit before taxes		Indirect income before taxes		Corporate tax + Deferred tax		Net profit before minorities	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Reclassification of the value created in projects in										
Sierra Developments <sup>(1)</sup>	41,612	141,734	41,612	141,734	(54,644)	(83,136)	6,913	(14,144)	(6,119)	44,454
Anticipation of Margins <sup>(2)</sup>	-	-	-	-	(17,048)	17,048	5,195	(5,195)	(11,853)	11,853
Provisions	(5,016)	(2,697)	-	-	-	-	-	-	-	-
Others	170	(2,047)	(515)	(5,304)	2,789	386	(1,785)	1,744	489	(3,174)
Reclassifications and adjustments	36,766	136,990	41,097	136,430	(68,903)	(65,702)	10,323	(17,595)	(17,483)	53,133

(1) By a maximum period of 2 years after the opening date of the shopping or, if occurs sooner, until it's sold to third parties, Sierra Developments recognises in the Net Operating Margin the value created in the assets, that have been sold to the Sierra Investments; in the consolidated accounts these amounts are recognised under the caption "Indirect income before taxes" and "Deferred Taxes"

(2) Sierra Developments recognised in 2008 some an estimation of the losses that will occur in 2009

The Sonae Sierra's reportable segment information for the year ended 31 December 2009 and 2008, regarding the statement of financial position, can be analysed as follows:

	31.12.09	31.12.08
Investment properties		
Sierra Investments	3,236,562	3,454,681
Sonae Sierra Brazil	379,572	230,521
Investment Properties under development and others (Sierra Investments and Brazil)	(20,987)	(55,699)
Consolidated	3,595,147	3,629,503
Bank loans		
Sierra Investments	1,788,097	1,807,633
Sierra Developments	33,315	62,999
Sonae Sierra Brazil	34,255	20,990
Bank loan at Sonae Sierra SGPS	90,000	90,000
Hedging (Sierra Investments)	-	(34,919)
Consolidated	1,945,667	1,946,703
Deferred taxes liabilities		
Sierra Investments	407,973	480,566
Sierra Developments	4,464	992
Sonae Sierra Brazil	56,265	35,510
Others	310	(566)
Consolidated	469,012	516,502

The reportable segment information can be reconciled with the enclosed financial statements as follows:

### Statement of profit and loss

	31.12.09	31.12.08
Net Operating Margin - segments	180,254	179,861
Equity method adjustment <sup>(1)</sup>	(11,189)	(6,282)
Indirect Income:	-	-
Variation in fair value of the investment properties	(285,506)	(230,414)
Other indirect income / costs	445	(555)
Depreciations and provisions	(13,382)	(75,344)
Letting and Key money on opening <sup>(2)</sup>	(2,636)	1,881
Withholding taxes related to Interests and dividends	(1,863)	(1,982)
Others	(235)	1,584
Net Operating Profit	(134,112)	(131,251)
Corporate tax + Deferred Tax - segments	38,595	3,407
Equity method adjustment <sup>(1)</sup>	(3,132)	(2,368)
Impairment of Goodwill	4,099	-
Deferred tax related to impairment of assets under development	-	4,970
Others	51	167
Income tax	39,613	6,176

(1) The associated companies are included in the Statutory consolidated accounts by the equity method and in the management accounts by the proportional method.

(2) The Letting and Key money on opening are considered in the indirect result in the management accounts.

### Statement of financial position

	31.12.09	31.12.08
Investment properties - segments	3,595,147	3,629,503
Equity method adjustment <sup>(1)</sup>	(182,463)	(199,727)
Alexa Arches - lease debt	-	840
Goodwill <sup>(2)</sup>	(58,558)	(62,715)
Others	-	(1)
Investment properties	3,354,126	3,367,900
Bank loans - segments	1,945,667	1,946,703
Equity method adjustment <sup>(1)</sup>	(106,378)	(103,010)
Financing costs	(12,297)	(15,457)
Short term facilities <sup>(3)</sup>	37,165	-
Others	(62)	24
Debt - current and non-current	1,864,095	1,828,260

(1) The associated companies are included in the Statutory consolidated accounts by the equity method and in the management accounts by the proportional method.

(2) The Sierra Investment segment consider the Goodwill under the caption "Investment Properties"

(3) The management accounts have the short term facilities recorded under the caption "Cash & Equivalents"



The average number of employees in 2009 e 2008, by business segment is detailed as follows:

	2009	2008
Investment in shopping centers	14	13
Development of shopping centers	101	98
Management of shopping centers	409	390
Brazil	64	54
Non allocated	254	243
	<u>841</u>	<u>798</u>

The significant information relating to the business and geographical segments at 31 December 2009 and 2008 is presented in an appendix.

## 44 SUBSEQUENT EVENTS

On February 16, 2010 the Union Investment concluded the agreement with Sonae Sierra and Foncière Euris / Rallye to become the new majority owner of Alexa in the centre of Berlin. Each investor had a 50% share in the property, and the manager of real estate investment fund based in Hamburg bought the asset for about 316 million Euro. Sonae Sierra, which will remain responsible for managing the centre, intends to have exclusively the remaining 9% of the property of Alexa in the future.

The jointly controlled entity Sierra Brazil SA, a company organized under the laws of Brazil, presented on 2 March to the Securities and Exchange Commission Brazil (CVM), an application for a preliminary prospectus for a possible public offering of primary distribution shares of the Company, on terms yet to be defined in accordance with the Coordinators Banks - Credit Suisse and Itau / BBA.

## 45 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised for issuance on the 11 of March 2010. However these financial statements are still depending on the approval by the Shareholders General Meeting, in accordance with company law prevailing in Portugal.

## 46 NOTE ADDED FOR TRANSLATION

This is a translation of financial statements originally issued in Portuguese in accordance with Portuguese Statutory requirements, some of which may not conform to or be required in other countries. In the event of discrepancies, the Portuguese language version prevails.

## Sonae Sierra, SGPS, S.A.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Euro)

ASSETS	Notes	31.12.09	31.12.08
<b>NON CURRENT ASSETS</b>			
Other investments	3	777.818	777.818
Shareholders	4	297.954	202.578
Total non current assets		<u>1.075.772</u>	<u>980.396</u>
<b>CURRENT ASSETS</b>			
Shareholder loans	4	26.979	224.431
Other Debtors	5	5.439	13.997
Taxes and Other Contributions	6	2.061	80
Other Current Assets	7	473	900
Cash and Cash Equivalents	8	237	56.291
Total current assets		<u>35.189</u>	<u>295.699</u>
<b>TOTAL ASSETS</b>		<u><u>1.110.961</u></u>	<u><u>1.276.095</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share Capital	9	162.245	162.245
Legal Reserve		57.329	57.329
Other Reserves		186.824	178.680
Retained Earnings		495.875	495.875
Net Profit (Loss) for the period		27.647	54.964
<b>TOTAL EQUITY</b>		<u>929.920</u>	<u>949.093</u>
<b>LIABILITIES:</b>			
<b>NON CURRENT LIABILITIES</b>			
Bond Loans	10	74.652	74.550
Total non current liabilities		<u>74.652</u>	<u>74.550</u>
<b>CURRENT LIABILITIES</b>			
Bank Loans short term	11	52.171	15.000
Current portion of Debenture Loans	10	(102)	(96)
Shareholders	12	45.638	220.812
Other Creditors	13	4.273	7.749
Taxes and contributions	6	59	1.127
Other Current Liabilities	14	4.350	7.860
Total current liabilities		<u>106.389</u>	<u>252.452</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1.110.961</u></u>	<u><u>1.276.095</u></u>

The Accountant

The Board of Directors

## Sonae Sierra, SGPS, S.A.

### STATEMENT OF PROFIT AND LOSS BY NATURE

FOR THE PERIOD ENDED 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Euro)

	Notes	31.12.09	31.12.08
Operating income:			
Other Operating Income		9	226
Total operating income	15	9	226
Operating expenses:			
External Supplies and Services		(358)	(157)
Personnel expenses		(1.373)	(997)
Other Operating Expense	16	(125)	(88)
Total operating expenses		(1.856)	(1.242)
Net operating profit		(1.847)	(1.016)
Financial Income	17	10.998	23.515
Financial Expenses	17	(8.415)	(21.769)
Financial Results		2.583	1.746
Net income from Investments	17	26.669	54.042
Profit (Loss) before income tax		27.405	54.772
Income Tax	18	242	193
Profit (Loss) after income tax		27.647	54.965
Net profit (loss) for the period		27.647	54.965

The Accountant

The Board of Directors

**Sonae Sierra, SGPS, S.A.**STATEMENT OF COMPREHENSIVE INCOMEFOR THE PERIOD ENDED 31 DECEMBER 2009 AND 2008*(Amounts expressed in thousands of Euro)*

	<u>Notes</u>	<u>31.12.09</u>	<u>31.12.08</u>
Net profit for the period		27.647	54.964
Changes in the fair value of hedging instruments		-	-
Income tax related to components of other comprehensive income		-	-
Others		-	-
Other comprehensive income of the period		-	-
Total comprehensive income for the period		<u>27.647</u>	<u>54.964</u>

The Accountant

The Board of Directors

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## Sonae Sierra, SGPS, S.A.

### STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2009 AND 2008

*(Amounts expressed in thousands of Euro)*

	Notes	Share capital	Reserves		Retained Earnings	Net Profit (Loss)	Total
			Legal Reserve	Others reserves			
Balance as of 1 January 2008		162.245	57.329	194.571	495.875	33.856	943.876
Appropriation of net result for 2007:							
Dividends distributed		-	-	(15.890)	(33.856)	-	(49.746)
Transfers to retained earnings		-	-	-	33.856	(33.856)	-
Net profit for the period ended 31 December 2008		-	-	-	-	54.964	54.964
Balance as of 31 December 2008		<u>162.245</u>	<u>57.329</u>	<u>178.680</u>	<u>495.875</u>	<u>54.964</u>	<u>949.093</u>
Balance as of 1 January 2009	9	162.245	57.329	178.680	495.875	54.964	949.093
Appropriation of net result for 2008:							
Transfers to others reserves	20	-	-	8.143	(8.143)	-	35.188.325
Dividends distributed	20	-	-	-	(46.820)	-	(46.820)
Transfers to retained earnings		-	-	-	54.964	(54.964)	-
Net profit for the period ended 31 December 2009		-	-	-	-	27.647	27.647
Balance as of 31 December 2009		<u>162.245</u>	<u>57.329</u>	<u>186.824</u>	<u>495.875</u>	<u>27.647</u>	<u>929.920</u>

The Accountant

The Board of Directors

## Sonae Sierra, SGPS, S.A.

### CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Euro)

	31.12.09	31.12.08
<b>OPERATING ACTIVITIES</b>		
Payments to personnel	1.169	1.373
Cash-flow operational	(1.169)	(1.373)
Payment/receivable related to income tax	(1.039)	5.428
Other receivables/payments related to operational activities	(167)	(111)
<b>Cash-flow from operational activities [1]</b>	<b>(297)</b>	<b>(6.912)</b>
<b>INVESTMENT ACTIVITIES</b>		
Receivables related to:		
Interest and Other financial income	12.339	23.488
Dividends received	26.669	52.884
	39.008	76.372
Payments related to:		
Investments	-	60.000
Net loans granted	122.354	1.135
	122.354	61.135
<b>Cash-flow from investing activities [2]</b>	<b>(83.347)</b>	<b>15.237</b>
<b>FINANCING ACTIVITIES</b>		
Receivables related to:		
Bank loans received	37.171	90.000
	37.171	90.000
Payments related to:		
Interest and Other financial expenses	12.018	13.712
Dividends paid	46.820	49.746
Net loans received - shareholders	(175.174)	9.557
	234.012	53.902
<b>Cash-flow related to financing activities [3]</b>	<b>(196.841)</b>	<b>36.098</b>
<b>Net cash and equivalents</b>	<b>(280.485)</b>	<b>44.422</b>
Cash and cash equivalent - opening balance	280.722	236.300
<b>Cash and cash equivalent - closing balance</b>	<b>237</b>	<b>280.722</b>
Net cash and equivalents	(280.485)	44.422

The Accountant

The Board of Directors

## **Sonae Sierra, S.G.P.S., S.A.**

### **NOTES TO THE FINANCIAL STATEMENTS**

**AS OF 31 DECEMBER 2009**

(Amounts expressed in thousands of Euro - kEuro )

(Translation of report originally issued in Portuguese)

#### **1. Introduction**

Sonae Sierra, S.G.P.S., S.A. ("the Company"), has its seat office at Lugar do Espido - Via Norte, Maia, and its official activity is holding and finance.

The financial statements are presented in Euro, being also this currency the functional currency of the Company, as this is the currency of the primary economic environment in which the Company operates.

The Company prepared as well Consolidated financial statements, which are separately presented and properly show the financial position, the comprehensive income of its operations and the cash flow statement of all the subsidiaries and associated companies including the parent Company.

#### **2. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the accompanying financial statements are as follows:

##### **2.1. Basis of preparation**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, applicable to economic years beginning on 1 January 2009. These correspond to the International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and respective interpretations issued by International Financial Reporting Interpretation Committee ("IFRIC") or former Standing Interpretation Committee ("SIC"), which have been adopted by the European Union.

The accompanying financial statements have been prepared on the ongoing concern basis and under the historical cost convention with exception of the financial instruments, which are recorded at fair value, maintained in accordance with generally accepted accounting principles in Portugal, adjusted to International Financial Reporting Standards, as adopted by the European Union.

##### **New accounting standards**

Until the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions with mandatory application to the economic year beginning on 1 January 2009:

Standard / Interpretation	Applicable for financial years beginning on/after	
IFRS 1/IAS 27 – Amendments (Cost of an investment in a subsidiary, jointly-controlled entity or associate)	01-Jan-09	These amendments specifies the measure of the cost of an investment in a subsidiary, jointly-controlled entity or associate when adopting for the first time the IFRS and, the recognition of the dividends obtained from the sub-sidiaries in the separate financial statements of the parent company.
IAS 39 – Amendments (Reclassification of Financial Assets)	01-Jul-08	These amendments allows within lim-ited conditions, the reclassification of a non-derivative financial instrument from the categories fair value through profit and loss and available for sale, to other categories
IAS 39 – Amendments (Eligible hedged items)	01-Jul-09	Clarifies the following hedge account-ing aspects: (i) inflation considered as a covered risk and (ii) hedge with op-tions.
IFRS 2 – Amendments (Vesting conditions and cancellations)	01-Jan-09	Clarifies the definition of vesting condi-tions, when introducing the concept of non-vesting conditions and clarifies the treatment of cancellations.
IAS 23 – Borrowing costs (revised) 1-Jan-09	01-Jan-09	This revised standard requires the capitalization of the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, eliminating the option of immediately expensing these costs.
IAS 32/IAS 1 – Amendments (Puttable financial instruments and obligations arising on liquidation)	01-Jan-09	These amendments change the criteria of classifying a financial instrument as equity or as a financial liability, allowing that some instruments that can be bought back, be classified as equity rather than financial liability.

Standard / Interpretation	Applicable for financial years beginning on/after	
IAS 1 – Presentation of financial state-ments (revised)	01-Jan-09	The 2007 revision of IAS 1 introduced some changes in the terminology, including new labels for the financial statement's components, and also some changes in the formats and contents of these components.
IFRIC 13 – Customer loyalty programmes	01-Jul-08	This interpretation states that the bonus granted to the customers as part of a sale, must be recorded as a separate component of the transaction.
IFRS 8 – Operating segments	01-Jan-09	The IFRS 8 replaces IAS 14 and is composed essentially by disclosures The new standard requires a new de-finition of the reportable segments of the entity and the information to be reported.
IFRS 7 – Amendments (Improving disclo-sures about fair value measurements and liquidity risk)	01-Jan-09	The amendments requires enhanced disclosures about fair value measurements and liquidity risk.
"Annual Improvements 2007"	Several (on/after 1-Jan-09)	Where made improvements in 32 standards.

These standards endorsed by the European Union, were adopted for the first time in 2009, and they do not represent important impacts in the enclose financial reports, with the exception of the IAS 1- Presentation of financial statements (revised).

Until the date of approval of these financial statements the following standards and interpretations applicable to future economic years were endorsed by the European Union

Standard / Interpretation	Applicable for financial years beginning on/after	
IFRS 3 – Business combinations and IAS 27 – Consolidate and separate financial statements (revised 2008)	01-Jul-09	This revised standard, effective in peri-ods beginning on or after 1 July 2009, brings some changes in Business Combinations, in what concerns to: (a) the measurement of non-controlling interests (formerly called "minority inter-ests"); (b) the recognition and subse-quent measurement of contingent payments; (c) the treatment of direct costs related to the concentration; and (d) the registration of purchase transac-tions of interests in already controlled entities and sales transactions of inter-est without such resulting in the loss of control.
IFRS 1 (revised) – First-time adoption of International Financial Reporting standards	01-Jan-10	This standard was revised with the aim of grouping the many amendments that have been occurring since its first ver-sion.
IFRIC 12 – Service Concession Arrange-ments	01-Jan-10	This interpretation is mandatory in peri-ods beginning on or after 1 January 2010 and introduces new recognition and measurement rules by the private operator involved in the services of in-frastructure and operating construction, under the kind of concessions for pub-lic-private partnership.
IFRIC 15 – Agreements for the Construc-tion of Real Estate	01-Jan-10	This interpretation refers to the way on how to assess whether a construction agreement of a property is under the scope of IAS 11 - Construction or under the scope of IAS 18 – Revenue, and how the corresponding revenue should be recognized.
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	01-Jul-09	This interpretation provides the guide-lines on the accounting of hedging net investments in foreign operations.
IFRIC 9 e IAS 39 – Amendments (Reas-sessment of Embedded Derivatives)	Financial periods beginning on/after 30-Jun-09	These amendments establish the cir-cumstances under which the subse-quent reassessment of the separation of an embedded derivative requirement is permitted.
IFRIC 17 – Distributions of Non-cash as-sets to owners	01-Jul-09	This interpretation provides the guide-lines on the proper accounting for as-sets other than cash distributed to shareholders as dividends.
IFRIC 18 – Transfers of Assets from Cus-tomers	Transfers made on /after 01-Jul-09	This interpretation provides the guide-lines on the accounting of agreements in which an entity receives from a customer a tangible asset.

These standards, although endorsed by the European Union, were not adopted by the Group during the year 2009, because at the time they were not. The Group does not consider important retrospective impacts in the financial statements.



The following standards and interpretations were issued by the IASB and they are not yet endorsed by the European Union:

	Applicable for financial years beginning on/after
Improvements to IFRS (2008)	Several (on/after 01-Jan-09)
Amendments to IFRS 1 - Additional exemptions for First Time Adopters	01-Jan-10
Amendments to IFRS 2 - Group Cash-settled Share-based payments transactions	01-Jan-10
Amendment to IAS 32 Classification of Rights Issues	01-Feb-10
Amendment to IAS 24 Related Party Disclosures	01-Jan-11
Prepayments of a Minimum Funding Requirement - amendments to IFRIC 14 and IAS 19	01-Jan-11
IFRIC 19- Extinguishing Financial Liabilities with Equity Instruments	01-Jul-10
IFRS 9 - Financial Instruments	01-Jan-13

From these standards and interpretations already issue by the IASB but not approved by the European Union, the Group does not anticipate important impacts in the accompanying financial statements.

## 2.2. Financial Investments

Financial investments in group companies and subsidiaries are recorded at acquisition cost less impairment loss.

## 2.3. Financial assets and liabilities

Financial assets and liabilities are registered when the Group takes part of the respective contractual relation.

### a) Loans granted to Group companies

Loans granted to Group companies are recorded in assets at nominal value.

Interests are recorded in the profit and loss statement on an accrual basis. The amounts due and not received at the financial position date are recorded under "Other current assets"

### b) Accounts receivable

Accounts receivable are stated at nominal value less impairment losses. Usually these receivable do not bear interest.

### c) Loans

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

Costs incurred to obtain loans are amortised according to amortised cost method over their term and are classified as a deduction to the balance sheet under the caption "Bank loans".

Financial expenses with interests and similar expenses (namely stamp duty) are recorded in the profit and loss statement on an accrual basis. Amounts due and not paid at the balance sheet date are recorded under the financial position item "Other current liabilities".

### d) Accounts payable

Accounts payable are stated at nominal value and do not bear interest.

### 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 will mature in less than three months and that are subject to insignificant risk in change of value. In the Cash Flow Statement, Cash and cash equivalents includes as well bank overdrafts, which are recorded in the financial position under the caption "Bank 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 an interest rate 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.

In the cases where the derivative is a component of a hybrid financial instrument that includes both the derivative and a host contract, the embedded derivative should be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and if the host contract is not measured at fair value with changes in fair value reported in net profit and loss.

## **2.4. Provisions**

Provisions are recognized only when the Company has a present obligation (legal or implicit) as a result of a past event, it is very likely it will occur a cash outflow and the amount can be reasonably assessed. Provisions are reviewed at each balance sheet date in order to show the best estimate at financial position date.

The provisions for restructuring costs are registered by the Company whenever there is a formal and detailed restructuring plan, and when that plan has been communicated to all the parties involved.

## **2.5. Contingent assets and liabilities**

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources affecting economic benefits is remote.

A contingent asset is not recognized in the financial statements, but disclosed in the notes when an inflow of economic benefits is probable.

## **2.6. Income tax**

The estimate corporate income tax is calculated for each single company included in the "*Regime Especial de Tributação dos Grupos de Sociedades (RETGS)*", based on the estimate of the taxable profit of each company.

The companies included in the RETGS are the following:

Clérigosshopping - Gestão de Centro Comercial, S.A; Estação Oriente - Gestão de Galerias Comerciais, S.A; Inparsa - Gestão de Galeria Comercial, S.A; Sierra Asset Management - Gestão de Activos, S.A; Sierra Corporate Services - Apoio à Gestão, S.A; Sierra Developments Ibéria - Promoção Imobiliária, S.A; Sierra Developments SGPS, S.A; Sierra Developments Promoções Imobiliárias, S.A; Sierra Investments SGPS, S.A; Sierra Management New Technologies Business - Serviços de Comunicações em Centros Comerciais, S.A; Sierra Management Portugal - Gestão de Centros Comerciais, S.A; Sierra Management SGPS, S.A., Sierra Management II, S.A.

Income tax is computed based on the taxable revenue of the Company and considers deferred taxes.

Current income tax is determined based on the taxable result of the Company (which are different from accounting results), in accordance with the tax rules in force where its head office is located, considering the interim period income and using the estimated effective average annual income tax rate.

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 be applied 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 financial position date.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available in the future to use them. At each financial position 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 statement 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.

## **2.7. Financial position classification**

Assets and liabilities due in less than one year from the financial position date are classified as "Current assets" and "Current liabilities" respectively. The other assets and liabilities are classified as "non current assets and liabilities", respectively.

## 2.8. Revenue recognition and accrual basis

Dividends are recognized 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 which 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 recognized in the profit and loss statement of the year to which they relate.

## 2.9. Balances and transactions expressed in foreign currencies

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

At financial position date, all assets and liabilities expressed in foreign currencies are translated to Euro at exchange rate prevailing at that date.

Exchanges gains and losses arising due to differences between the historical exchange rates and those prevailing at the date of collection, payment or financial position date are recorded as profits or losses in the financial statements.

## 2.10. Risk management policies

Risk management is carried out by a central treasury department of Group Sonae Sierra, under policies approved by the Board of Directors. The Board provides written principles to overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest risk, credit risk.

### a) Foreign exchange risk

The activity of the Company is developed inside Portugal and consequently the majority of the company's transactions are maintained in the same currency of the country. The policy to cover this specific risk is to avoid if possible the contracting of services in foreign currency.

### b) Liquidity risk

Treasury needs are managed by the financial department of Sonae Sierra which with an opportune and adequate form manages the exceeds and deficits of liquidity in each companies of the Group. Punctual needs of treasury are covered by an adequate control of accounts receivables and by the maintenance of adequate limits of credit settled by the Company with banking entities.

### c) Interest rate risk

The Company income and operating cash-flows are substantially independent of changes in market interests rates, in the measure that its cash and cash equivalents and its financing granted to Group companies are dependent only on the evolution of the interest rates in Euro have had a minimum change.

Concerning loans obtained, as the activity of the Company is done in Euro, the policy of the Company is to get financing as well in Euro, and therefore eliminate the exchange rate risk.

### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the financial position date. For floating rate liabilities, the analysis is prepared assuming the following:

- Amount of liability outstanding at the financial position date was outstanding for the whole year and the contractual re-pricing dates occur in the beginning of the year,
- Changes in market interest rates affect the interest income or expense of floating interest financial instruments,
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognise at their fair value,
- Changes in market interest rates affect the fair value of derivatives designated as hedging instruments and all interest rate hedges are expected to be highly effective,
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end and assuming a parallel shift in yield curves.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

If interest rates had been 75 basis points higher and 25 basis points lower and all other variables were held constant, assumption unlikely occur due to interest rates correlation with other variables, the impact in Company's net profit and equity would be the following:

	31.12.09		31.12.08	
	+ 75 b.p.	- 25 b.p.	+ 75 b.p.	- 75 b.p.
Net Profit (1)	(2)	1	289	(289)

(1) This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk and the year end exposure may not reflect the exposure during the year, due to the repayments made.

## 2.11. Estimates and judgments

On the preparation of the financial statements management makes estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities at the date of these financial statements. Nevertheless, it may exist post-year-end events which were not predictable at the date of these financial statements and as a consequence were not included in the estimates. Changes to these estimates they will occur after the date of the financial statements will be prospect adjusted in results accordingly to IAS 8.

Main assumptions used in estimates are disclosed in the Notes.

## 2.12. Subsequent events

Post-year-end events that provide additional information about conditions that existed at the financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the Notes when material.

## 3. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATED COMPANIES

As of 31 December 2009 the Company held the following participations in group companies and associated companies:

Company	% of ownership	31.12.09		31.12.08	
		Net Worth	Result of the period	Amount in Financial Position	Amount in Financial Position
Sierra Corporate Services- Apoio à Gestão, SA	100%	598	538	3.210	3.210
Sierra Investments SGPS, S.A.	100%	707.150	10.825	677.272	677.272
Sierra Developments, SGPS, S.A.	100%	172.161	(4.177)	100.028	100.028
Sierra Management, SGPS, S.A.	100%	5.281	4.024	50	50
Sonae Sierra Brazil B.V.	50%	458	6.293	134	134
				780.694	780.694
Impairment loss (Note 18)				(2.876)	(2.876)
				777.818	777.818

## 4. LOANS GRANTED TO GROUP COMPANIES

As of 31 December 2009 and 2008 this caption could be disclosed as follows:

	31.12.09		31.12.08	
	Short term	Medium and long term	Short term	Medium and long term
Medium and long term loans granted:				
Sierra Developments SGPS, S.A	-	181.749	-	90.000
Hybrid loans				
Sonae Sierra Brasil, B.V	-	116.205	-	112.578
Short term loans granted				
Sierra Developments - Serv. Prom. Imob., S.A.	19.297	-	9.965	-
Sierra Managment SGPS, S.A.	5.412	-	-	-
Sierra Developments SGPS, S.A	685	-	209.060	-
Proj. Sierra Portugal VI - C.Comercial, S.A.	622	-	300	-
Sierra Develop. Ibéria 1, Prom. Imob., S.A.	608	-	3.275	-
Sierra Corporate Services - Ap. Gestão S.A.	355	-	1.370	-
Inparsa - Gestão de Galeria Comercial, S.A.	-	-	321	-
Sierra Management II - Gestão de C.Comercial S.A.	-	-	140	-
	26.979	297.954	224.431	202.578

Medium and long term loans granted were settled in Euro, bear interests at market interest rates and do not have a defined repayment date; Both loans are remunerated at market interest rates, and being the interest rate of hybrid loans related to the financial performance of it Brazilians subsidiaries.

Short term loans, refers to loans granted in Euro to Group companies for one year, bearing interests in market conditions.

## 5. OTHER DEBTORS

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Interests on loans granted to Group companies		
Sierra Developments SGPS, S.A	521	1.447
Amounts to regularize due to Fiscal Unity		
Sierra Asset Management-Gestão de Activos S.A.	1.993	2.452
Sierra Management Portugal -Gestão de Centros Comerciais S.A.	1.638	1.719
Sierra Investments, SGPS, S.A.	903	5.075
Sierra Management II - Gestão de Centros Comerciais S.A.	94	36
Sierra Corporate Services - Apoio à Gestão, S.A.	90	84
Paracentro - Gestão de Galerias Comerciais S.A.	81	80
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	52	15
Sierra Developments - Serviços de Promoção Imobiliária,S.A.	31	33
ClérigoShopping - Gestão do Centro Comercial, SA	1	2
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	-	2
Project Sierra Holding V, SGPS, SA		2.931
Sundry debtors		
Plaza Mayor Shopping, S.A	24	79
El Rosal Shopping, SA	9	25
Freccia Rossa - Shopping Centre S.r.l	-	2
Outros	2	15
	<u>5.439</u>	<u>13.997</u>

As at the financial position dates, the ageing of the other debtors can be detailed as follows:

	31.12.09	31.12.08
Not due	5.406	13.891
0-30 days	33	106
	<u>5.439</u>	<u>13.997</u>

## 6. STATE AND OTHER PUBLIC ENTITIES

According to current legislation, the fiscal declarations of Portuguese companies are subject to a revision and correction by the tax authorities within the period of four years, exception made when fiscal losses have occurred, fiscal incentives have been conceded or auditing or claims are in course. In those cases, depending on circumstances, the due dates can be extended or suspended. Because of that the fiscal declarations of the Portuguese companies of the years 2006 until 2009 can be changed.

The Board of Directors considers that the possible changes top the fiscal declarations will not have a significant impact in the financial statements as of 31 December 2009.

Under the terms and conditions foreseen in article 81º of the Portuguese Corporate Income Tax Code, the Company is subject to a separate income tax that lies on a number of expenses under the taxes foreseen in that article.

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09		31.12.08	
	Balances assets	Balances liabilities	Balances assets	Balances liabilities
Corporate Income Tax				
Tax recoverable of previous years	80	-	80	-
Income tax	1.981	-	-	1.105
Income taxes retained - wages	-	16	-	10
Withholding tax	-	31	-	1
VAT	-	-	-	1
Social Security payable	-	12	-	10
	<u>2.061</u>	<u>59</u>	<u>80</u>	<u>1.127</u>

## 7. OTHER CURRENT ASSETS

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Interests receivable		
Sonae Sierra Brasil BV	359	-
Sierra Investments SGPS, .S.A.	42	-
Sierra Developments - Serv. Prom. Imob., S.A.	24	35
Sierra Management SGPS, .S.A.	7	-
Sierra Developments Ibéria 1, Prom. Imob., S.A.	1	13
Project Sierra Portugal VI, C.Comercial, SA	1	2
Sierra Developments, SGPS, S.A.	1	583
Sierra Corporate Services - Apoio à Gestão, S.A.	-	1
Inparsa - Gestão de Galeria Comercial, S.A.	-	1
Banks	- #	214
Insurance paid in advance	24 #	25
Bank commissions paid in advance	13 #	24
Sundry	1 #	2
	<u>473</u>	<u>900</u>

## 8. CASH AND CASH EQUIVALENTS

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Cash	1	1
Bank deposits payable on demand	107	22
Treasury applications	129	56.268
	<u>237</u>	<u>56.291</u>

The treasury applications relate to term deposits, reimbursed in less of three months of the financial position and bear interests at market interest rates.

## 9. SHARE CAPITAL

At 31 December 2009 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 issued share capital at 31 December 2009 and 2008

Entity	31.12.09	31.12.08
Sonae SGPS, S.A	50%	50%
Grosvenor Investments (Portugal), Sarl	50%	50%

## 10. BOND LOAN

As of 31 December 2009 and 2008 this caption was made up as follows:

Financing Entity	31.12.09			31.12.08			Reimbursement plan
	Limit	Used amount		Limit	Used amount		
		Short term	Medium and long term		Short term	Medium and long term	
Bond loan	75.000	-	75.000	75.000	-	75.000	July 2013
Total Bond Loan		-	75.000		-	75.000	
Deferred financing costs incurred on the issuance of bond loans		(102)	(348)		(96)	(450)	
		(102)	74.652		(96)	74.550	

Bonds - Sonae Sierra / 2008

1.500 bonds: Nominal value: 50.000 Euro

Maximum term: 5 (five) years

Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month rate on the second working day preceding the interest period, with a spread of 1,10% p.a..

Interest Payment: half yearly in arrears, on 25 July and 25 January of each year.

Redemption: at par, in one payment on 25 July 2013 the payment date of the last coupon.

At 31 December 2009, loans classified as medium and long term are repayable as follows:

	31.12.09		31.12.08	
	Repayment	Interest	Repayment	Interest
2010	-	-	-	4.761
2011	-	1.730	-	4.761
2012	-	1.735	-	4.774
2013	75.000	1.730	75.000	4.761
	<u>75.000</u>	<u>5.195</u>	<u>75.000</u>	<u>19.057</u>

## 11. BANK LOANS

As of 31 December 2009 and 2008 this caption was made up as follows:

Financing Entity	31.12.09			31.12.08		
	Limit	Used amount		Limit	Used amount	
		Short term	Medium and long term		Short term	Medium and long term
Short term facilities	BPI/CGD	83.919	37.171	-	-	-
Bank Loans	ABN AMRO Bank	15.000	15.000	-	15.000	-
Total Bank Loans			52.171		15.000	-

The bank loans relates to a Commercial Paper short term issuance in the amount of kEuro 15.000 and bears interest at market interest rate.

## 12. SHAREHOLDER LOANS

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Short term loans obtained		
Sierra Management Portugal, SA	26.520	17.237
Sierra Investments, SGPS, SA	8.777	131.950
Sierra Asset Management, Gestão de Activos SA	5.967	8.413
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	3.267	2.259
Paracentro -Gestão Galeria Comercial S.A	584	635
Sierra Management II - Gestão de Centro Comercial, S.A.	431	-
Project Sierra Portugal VIII Centro Comercial, SA	41	44
Inparsa - Gestão de Galeria Comercial, S.A.	29	-
Pridelease, SA	22	10
Project Sierra Holding V SGPS, SA	-	55.410
Cascaishopping Holding I SGPS, SA	-	4.674
ClérigoShopping - Gestão do Centro Comercial, SA	-	180
	45.638	220.812

Short term loans refers to loans obtained in Euro from group companies for one year period and bear interests at market conditions.

## 13. OTHER CREDITORS

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Amounts to regularise in the Fiscal unit		
Sierra Developments - Serviços de Promoção Imobiliária,S.A.	2.405	2.734
Sierra Developments, SGPS, S.A.	1.317	4.361
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	93	49
Sierra Management. SGPS, S.A.	66	79
Sierra Investments, SGPS, S.A.	60	193
Inparsa - Gestão de Galeria Comercial, S.A.	4	24
Sierra Management Portugal -Gestão de Centros Comerciais S.A.	2	18
Sierra Corporate Services - Apoio à Gestão, S.A.	-	1
Sierra Asset Management-Gestão de Activos S.A.	-	1
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	-	92
Project Siera Holding V SGPS, SA	-	59
Services rendered		
Sonae SGPS , S.A.	216	-
Third parties	110	138
	4.273	7.749

The above amounts are due as follows:

	31.12.09	31.12.08
0-90 days	4.163	7.626
+ 180 dias	110	123
	4.273	7.749

#### 14. OTHER CURRENT LIABILITIES

As of 31 December 2009 and 2008 this caption was made up as follows:

	31.12.09	31.12.08
Staff costs payable	1.435	822
Interest payable		
Sierra Developments, SGPS, SA	883	-
Sierra Management Portugal, SA	48	85
Sierra Asset Management, Gestão de Activos SA	9	23
Sierra Investments, SGPS, SA	4	378
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	4	6
Paracentro - Gestão Galeria Comercial S.A	1	2
Sierra Management II - Gestão C.C. S.A	1	-
Project Siera Holding V SGPS, SA	-	2.681
Cascaishopping Holding I SGPS, SA	-	59
Clérigoshopping-Gestão do Centro Comercial , S.A.	-	6
Interest bond loans	758	2.087
Interest bank loans	89	165
Financing costs payable	37	50
Services rendered by third parties payable	17	17
Cascaishopping Centro Comercial, S.A price adjustment	1.480	1.480
	<u>4.766</u>	<u>7.860</u>

As of 31 December 2009, the amount of kEuro 1.480, relate to 50%, for costs assumed with the investments made in Cascaishopping, which will be paid to the partners as price adjustment.

Staff costs as of 31 December 2009 and 2008, include the amounts of kEuro 505 and Euro 549, 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.

#### 15. OTHER OPERATING INCOME

Other operating income for the periods ending 31 December 2009 and 2008 are made up as follows:

	31.12.09	31.12.08
Recovery of costs	9	3
Price adjustment	-	156
Amounts regularized in the Fiscal unit of 2006	-	67
	<u>9</u>	<u>223</u>

#### 16. OTHER OPERATING EXPENSES

Other operating expenses for the periods ending 31 December 2009 and 2008 are made up as follows:

	31.12.09	31.12.08
Stamp duty	62	53
VAT cost	54	21
Quotes	9	10
Fines and Penalties	-	3
Other operating costs	-	1
	<u>125</u>	<u>88</u>



## 17. FINANCIAL RESULTS

Net financial results for the periods ending 31 December 2009 and 2008 are made up as follows:

	31.12.09	31.12.08
Expenses		
Interests on loans obtained from group companies	5.219	13.243
Interests on bond loans	2.369	2.087
Interests on overdrafts	174	384
Interests on bank loans	165	165
Agreed interest	48	-
Losses on NDF's	-	5.686
Stamp duty	17	5
Bank charges	330	143
Others	93	56
	8.415	21.769
Financial Results	2.583	1.745
	10.998	23.514
Income		
Interest income on short term and long term loans granted	10.688	18.500
Interest income on treasury applications	263	2.028
Gains on NDF's	-	2.936
Other	47	50
	10.998	23.514
Investment income		
Dividends	26.669	52.884
Impairment losses - Group companies	-	(162)
Capital gains/ (losses)	-	1.320
	26.669	54.042

The amounts recorded under the caption "Dividends" refer to Dividends attributed and received from the following subsidiaries:

	31.12.09	31.12.08
Sierra Investments SGPS, S.A	23.095	47.330
Sierra Management SGPS, S.A	3.300	5.118
Sierra Corporate Services, S.A	274	436
	26.669	52.884

## 18. INCOME TAX

Income tax for the years ended 31 December 2009 and 2008 is made up as follows:

	31.12.09	31.12.08
Current tax	(242)	946
Deferred tax	-	(1.139)
	(242)	(193)

The numerical reconciliation between tax expenses and the product of accounting profit/loss multiplied by the applicable tax rate is as follows:

	31.12.09	31.12.08
Profit before income tax	27.405	54.772
Dividends	(26.669)	(52.884)
Gains related to the sale of companies	-	(1.320)
Adjustments for tax purposes	-	162
Other	40	(185)
Taxable profit	776	545
Tax rate	26,50%	26,50%
	206	144
Tax rate change effect	(2)	-
Insufficiency of tax estimation	(446)	(337)
Income tax	(242)	(192)

## 19. RELATED PARTIES

Balances and transactions that existed with related parties during the years ended 31 December 2009 and 2008, in addition to the loans obtained from and conceded to the shareholders mentioned in Notes 4 and 12, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other current assets	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Sierra Asset Management-Gestão de Activos S.A.	1.993	2.454	-	1	(9)	(23)
Sierra Management Portugal -Gestão Centros Comerciais S.A.	1.638	1.719	2	18	(48)	(85)
Sierra Investments, SGPS, S.A.	903	5.075	60	193	37	(378)
Sierra Developments, SGPS, S.A.	520	1.447	1.317	4.360	(882)	583
Sierra Management II - Gestão de Centros Comerciais S.A.	94	36	-	-	(1)	-
Sierra Corporate Services - Apoio à Gestão, S.A.	90	84	-	1	-	1
Paracentro-Gestão de Galerias Comerciais S.A.	81	80	-	-	(1)	(2)
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	51	15	-	92	1	13
Sierra Developments - Serv. de Promoção Imobiliária,S.A.	31	33	2.405	2.734	24	35
Plaza Mayor Shopping, S.A	24	78	-	-	-	-
El Rosal Shopping, SA	9	25	-	-	-	-
Clérigosshopping-Gestão do Centro Comercial , S.A.	1	2	-	-	-	(6)
Sierra Manag New Techno. Business-Serv. de Com. em C.C. S.A.	-	2	93	49	(4)	(6)
Project Sierra Holding V SGPS, SA	-	2.931	-	59	-	(2.681)
Sonae SGPS, S.A.	-	-	216	-	-	-
Sierra Management. SGPS, S.A.	-	-	66	78	7	-
Inparsa - Gestão de Galeria Comercial, S.A.	-	-	4	24	-	1
Sonae Sierra Brasil BV	-	-	-	-	359	-
Project Sierra Portugal VI Centro Comercial, SA	-	-	-	-	1	2
Cascaishopping Holding I SGPS, S.A	-	-	-	-	-	(59)
	5.435	13.981	4.163	7.609	(516)	(2.605)

	Transactions			
	Interest income		Interest expense	
	31.12.09	31.12.08	31.12.09	31.12.08
Sierra Developments, SGPS, S.A.	9.295	18.110	1.642	-
Sierra Developments - Serv. de Promoção Imobiliária,S.A.	541	35	-	-
Sonae Sierra Brasil BV	359	-	-	-
Plaza Mayor Shopping, S.A	279	231	-	-
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	70	13	-	-
Sierra Corporate Services - Apoio à Gestão, S.A.	63	18	1	30
Sierra Investments, SGPS, S.A.	42	-	1.849	8.175
Project Sierra Portugal VI Centro Comercial, SA	24	2	-	2
Sierra Management. SGPS, S.A.	7	3	7	11
Inparsa - Gestão de Galeria Comercial, S.A.	6	12	-	75
Sierra Management II - Gestão de Centros Comerciais S.A.	2	3	6	15
Project Sierra Holding Portugal IV, SGPS, S.A	-	74	-	2.892
Sierra Management Portugal -Gestão Centros Comerciais S.A.	-	-	1.182	1.492
Sierra Asset Management-Gestão de Activos S.A.	-	-	271	364
Cascaishopping Holding I SGPS, S.A	-	-	135	59
Sierra Manag New Techno. Business-Serv. de Com. em C.C. S.A.	-	-	93	85
Paracentro-Gestão de Galerias Comerciais S.A.	-	-	23	30
Clérigosshopping-Gestão do Centro Comercial , S.A.	-	-	6	10
Project Sierra Portugal VIII Centro Comercial, SA	-	-	2	2
Pridelease Investments Ltd	-	-	1	1
	10.688	18.501	5.218	13.243

The remuneration of the Board of Directors, during the years ended 31 December 2009 and 2008, was as follows:

	31.12.09	31.12.08
Fixed remuneration	2.145	1.883
Variable remuneration	1.074	2.601
	3.219	4.484

## 20. DIVIDENDS

The net Result of 2008 had the following application according to the Shareholder General Meeting:

Free reserves	8.144
Dividends	<u>46.820</u>
	<u>54.964</u>

Concerning dividends for the net Result of year 2009, the Board of Directors propose a dividend per share of Euro 0,84. This dividend distribution is subject to the approval of the Shareholders General Meeting and therefore was not included as a liability in the accompanying financial statements.

## 21. RESULTS PER SHARE

As at 31 December 2009 and 2008 basic earning per share corresponded to the net profit attributable to shareholders divided by the number of ordinary shares during the period as follows:

	<u>31.12.09</u>	<u>31.12.08</u>
Net result for the period	27.647	54.964
Number of shares	32.514.000	32.514.000
Earning per share (Euro)	<u>0,85</u>	<u>1,69</u>

## 22. CONTINGENT LIABILITIES

As of 31 December 2009 and 2008 the Company had granted the following guaranties:

	<u>31.12.09</u>	<u>31.12.08</u>
Guaranties granted:		
Relating tax processes in course	3.809	1.493
Other	-	60
	<u>3.809</u>	<u>1.553</u>

As of 31 December 2009 the amounts recorded under the caption of "Relating tax processes in course", refer to guaranties issued in favour *Direcção Geral dos Impostos*, related to the suspension of IRC processes for years 2004 (kEuro 1.296), 2007 (kEuro 435) and 2008 (kEuro 585).

## 23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 11 March 2010. Nevertheless, they are subject to the approval of the Shareholders General Meeting in accordance to the legislation in force in Portugal.

The Accountant

The Board of Directors

## CORPORATE GOVERNANCE

The ultimate governing body of the Sonae Sierra Group is the Shareholders' General Assembly, which appoints the Board of the General Assembly, the Fiscal Board, the Remuneration Committee and the Board of Directors of the Company.

The Sonae Sierra Board of Directors, which is headed by a Chairman and comprises 12 members – of which five are non-executive, including the Chairman –, reports to the General Assembly. All the seven Executive Members, including the CEO and the CFO, have designated responsibilities.

The Sonae Sierra Board of Directors has delegated some of its corporate decision-making, to the extent permitted by law, to specialised Committees.

The Executive Committee is chaired by the CEO, as are the Investment Committee and the Finance Committee. The Audit & Compliance Committee is chaired by an independent individual.

The Executive Committee has responsibility for Sonae Sierra's day-to-day operations and for actions and decisions which are not reserved for the Board of Directors. This Executive Committee, whose members are Álvaro Portela (CEO), Fernando Oliveira ("deputy" CEO), Edmundo Figueiredo (CFO), Pedro Caupers, João Correia de Sampaio and Ana Guedes Oliveira, reports to the Board and is able to invite other senior executives and executives of Sonae Sierra to attend its meetings.

The Investment Committee, the Finance Committee and the Audit & Compliance Committee have responsibility for the advice of the Board of Directors or the Executive Committee.

The Board of Directors meets usually five times each year and the Executive Committee eleven times.

### Remuneration of the members of the Board of Directors and Fiscal Board

In 2009, it was attributed to the Board Members the following remuneration (including a fixed component, a short term variable remuneration and a medium/long term variable remuneration) by Sonae Sierra, SGPS, S.A and/or (directly or indirectly held) affiliated companies:

Board member	2009*			
	Fixed component	Short term variable remuneration	Medium /Long term variable remuneration	Total
CEO - Álvaro Carmona Costa Portela	0.405	0.126	0.237	0.768
Ana Maria Guedes Antunes de Oliveira	0.226	0.042	0.048	0.316
Fernando Maria Guedes Machado Antunes de Oliveira	0.302	0.069	0.107	0.478
João Eduardo Lupi Correia de Sampaio	0.195	0.051	0.039	0.285
João Gonçalo Sasseti Pessoa Jorge	0.254	0.109	0.092	0.455
José Edmundo Medina Barroso de Figueiredo	0.249	0.074	0.112	0.435
Pedro José d'Hommée Caupers	0.250	0.084	0.114	0.448
António José Santos Silva Casanova (1)	0.264	0.083	0.104	0.451
<b>TOTAL</b>	<b>2.145</b>	<b>0.638</b>	<b>0.853</b>	<b>3.636</b>

(1) António José Santos Silva Casanova resigned as Board Member with effects as of September 30th, 2009; no compensation amount was paid to the former Director following such resignation.

## Participation of Executive Directors in the Medium/Long Term Incentive Plans

The Medium/Long Term Incentive Plans attributed to Executive Directors and still to be paid are the following:

Director	Plan	Attribution Date	Vesting Date	Amount at the the Attribution Date *
Álvaro Carmona Costa Portela	2006	Março de 2007	Março de 2010	0.318
	2007	Março de 2008	Março de 2011	0.344
	2008	Março de 2009	Março de 2012	0.093
Ana Maria Guedes Antunes de Oliveira	2006	Março de 2007	Março de 2010	0.057
	2007	Março de 2008	Março de 2011	0.063
	2008	Março de 2009	Março de 2012	0.023
Fernando Maria Guedes Machado Antunes de Oliveira	2006	Março de 2007	Março de 2010	0.147
	2007	Março de 2008	Março de 2011	0.162
	2008	Março de 2009	Março de 2012	0.047
João Eduardo Lupi Correia de Sampaio	2006	Março de 2007	Março de 2010	0.050
	2007	Março de 2008	Março de 2011	0.057
	2008	Março de 2009	Março de 2012	0.014
João Gonçalo Sassetti Pessoa Jorge	2006	Março de 2007	Março de 2010	0.151
	2007	Março de 2008	Março de 2011	0.162
	2008	Março de 2009	Março de 2012	0.169
José Edmundo Medina Barroso de Figueiredo	2006	Março de 2007	Março de 2010	0.151
	2007	Março de 2008	Março de 2011	0.162
	2008	Março de 2009	Março de 2012	0.036
Pedro José d'Homée Caupers	2006	Março de 2007	Março de 2010	0.151
	2007	Março de 2008	Março de 2011	0.162
	2008	Março de 2009	Março de 2012	0.040
<b>TOTAL</b>				<b>2.559</b>

The remuneration of the members of the Fiscal Board comprises an annual fixed amount, based on the company's situation and market practice.

The annual fixed amount of these members was the following:

Fiscal Board members	2009*
David Stannard Jenkins	0.0075
UHY & Associados, SROC, Lda., representada por António Francisco Barbosa dos Santos	0.0060
<b>TOTAL</b>	<b>0.0135</b>

\* Amounts in million Euro

# **Statement under the terms of Article 245, paragraph 1, c) of the Securities code**

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 11th March 2010

The Board of Directors

**STATUTORY AUDIT REPORT AND AUDITORS' REPORT**  
**CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS**

(Translation of a report originally issued in Portuguese)

**Introduction**

1. In accordance with the legislation applicable, we present the Statutory Audit Report and the Auditors Report on the consolidated financial information contained in the Management report and the consolidated and individual financial statements of Sonae Sierra, S.G.P.S. and subsidiaries (the "Company") which comprise the consolidated and individual Statement of Financial Position as of 31 December 2009 (that presents a total of 4,005,500 thousand Euros and 1,110,961 thousand Euros, respectively, and consolidated and individual shareholders' equity of 1,401,765 thousand Euros and 929,920 thousand Euros, respectively, including a consolidated net loss attributable to the shareholders of the Company of 110,986 thousand Euros and an individual net profit of 27,647 thousand Euros, the Consolidated and Individual Statements of Profit and Loss, Comprehensive Income, Changes in Equity and Cash Flows 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 information that present a true and fair view of the financial position of the Company and companies included in the consolidation, the consolidated results and comprehensive income of their operations, changes in equity and cash flows; (ii) the preparation of historical financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate internal control systems; and (iv) informing any significant facts that have influenced their operations or the operations of the companies included in the consolidation, their financial position or their results and comprehensive income.
3. Our responsibility is to review the financial information contained in the above mentioned documents, namely verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a moderate assurance, 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 and individual financial statements are free of material misstatement. An examination includes verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. An examination also includes verifying the consolidation procedures used and 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 and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated and individual financial statements. An examination also comprises verifying that the financial information contained in the Management report is in accordance with the consolidated and individual financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

**Opinion**

5. In our opinion, the consolidated and individual financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated and individual financial position of Sonae Sierra, S.G.P.S., S.A. and subsidiaries, as of 31 December 2009, the consolidated and individual results and comprehensive income of its operations, the consolidated and individual changes in equity and the consolidated and individual cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information contained on those are in accordance with the standards mentioned in the paragraph 4 above is complete, true, timely, clear, objective and licit.

Porto, 11 March 2010

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Deloitte & Associados, SROC S.A.  
Represented by António Marques Dias



REPORT AND OPINION OF THE STATUTORY AUDIT BOARD  
*(Translation of a Report and Opinion originally issued in Portuguese.  
In case of discrepancy the Portuguese version prevails)*

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

In compliance with the applicable legislation and the mandate we have been conferred, we herewith submit for your consideration our Report and Opinion regarding our activity and the individual and consolidated financial statements of Sonae Sierra SGPS, S.A. ("Company") for the year ended 31 December 2009, presented by the Company's Board of Directors.

During the year under analysis, the Statutory Audit Board accompanied in detail the management of the Company and its subsidiaries, the regularity of the accounting records, the compliance with the law and the statutes in force, the risk management and internal control system, having met, with the periodicity considered adequate, with the Company's Board of Directors and managers responsible for finance, accounting, internal audit and risk management issues, as well as with the External Auditor, obtaining all the requested information and clarifications for an adequate understanding of the changes in the financial position and results.

Within the scope of its mandate, the Statutory Audit Board examined the individual and consolidated Balance sheets as at 31 December 2009, the individual and consolidated statements of profit and loss by nature, of cash flows and of changes in equity for the year then ended and the related notes to the accounts.

The Statutory Audit Board has also examined the Management Report for the year ended 31 December 2009 and the Statutory External Auditor's Report and agreed with their content.

In light of the above, the Statutory Audit Board is of the opinion that the information contained in the financial statements under analysis, was prepared in accordance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, financial position and results of Sonae Sierra, S.G.P.S., S.A. and the companies included in consolidation perimeter and that the Management report faithfully describes the business performance and financial position of the Company, both individually and consolidated, and contains a description of the major risks and uncertainties they face.

Considering the above, the Statutory Audit Board is of the opinion that the individual and consolidated financial statements, the Management Report, and the net result appropriation proposal presented by the Board of Directors, are in accordance with the accounting, legal and statutory requirements and consequently recommends that those should be approved by the Shareholders' General Meeting.

In accordance with the law we declare, to the best of our knowledge, the information contained in the Management Report and the financial statements were prepared in

accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Company and companies included in the consolidation perimeter. Also it is our understanding that the Management Report faithfully describes the business evolution, performance and financial position of the Company and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 11 March 2010

The Statutory Audit Board

David Stannard Jenkins

Jorge Manuel Felizes Morgado

UHY & Associados, SROC, Lda.

Represented by

António Francisco Barbosa dos Santos