



Creating innovative spaces offering unique shopping experiences

Passionate about innovative shopping experiences

Shopping and Leisure have always been inseparable

COMPANY PROFILE

Sonae Sierra is one of the world's leading international shopping centre specialists. As the first retail Property Company to bring shopping and leisure together under one roof, we are passionate about fresh, innovative ideas that add value, pleasure and excitement to the shopping centre experience. Our uniquely integrated approach to our business combines the ownership, development and management of shopping centres augmented by the marketing of knowledge-based activities for third parties that we believe help create leading-edge destinations for consumers.

2010 was a challenging year for the shopping centre industry. Nevertheless, Sonae Sierra opened one new shopping centre in Portugal and one expansion in Brazil – both of which have added value to our portfolio and brought new retailing experiences to their communities.

As at 31 December 2010, we owned or co-owned a total of 51 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 seven 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 2010, our shopping centres welcomed more than 441 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 the leading international shopping centre specialist.

Our mission is to provide the ultimate in shopping experiences for customers and create outstanding value for shareholders, investors, tenants, communities and staff whilst contributing to sustainable development.

Our vision and mission are underpinned by core values and principles concerning our business culture, our 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, provides its asset management services and is responsible for the European investments. Also holds 50.1% and 47,5% respectively of the Sierra Fund's and Sierra Portugal Fund's equity and acts as asset manager of both Funds.

Sierra Developments

Responsible for the development of shopping centres in Europe and Colombia. Activities include all aspects of procurement, conceptual development, architectural design and construction management.

Sierra Management

Responsible for all aspects of the property management and leasing of European and Colombian shopping centres.

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

Sonae Sierra's corporate governance policies were adopted by the company benefiting from the models adopted by its Shareholders, Sonae and Grosvenor. Shareholders' corporate governance policies impose certain levels of transparency, independence, remuneration compliance rules and Corporate Responsibility (CR) policies, which have contributed to shape Sonae Sierra's own management model, corporate values, business strategy, CR policies and transparency in public reporting.

The top corporate body of the Sonae Sierra group of companies is the General Shareholders Assembly which, among other prerogatives, appoints the Board of the General Shareholders Assembly, the Fiscal Board, the Remuneration Committee and the Board of Directors of the Company. Sonae Sierra's Board of Directors takes responsibility for the Company's strategy, long-term business plan, finance and reporting. It comprises eleven members, six of them being executives and five non-executives. Each executive member of the Board is given responsibility for certain businesses or areas of the Company. When appointing new Board members, the Shareholders take into consideration the qualifications and expertise of the candidates and their understanding of the economic, environmental, and social issues which are of relevance to the Company's business.

The Executive Committee, comprising the Executive Board Members, is responsible for the day-to-day operations of the Company. The Executive Committee meets eleven times a year and may invite other company officers to attend its meetings.

The Board of Directors and the Executive Committee are supported by three specialised Committees: Investment, Finance and Audit & Compliance Committees. The Investment Committee and the Finance Committee are chaired by the CEO. The Audit & Compliance Committee is chaired by an independent, external person chosen by the Board of Directors.

Ethical Conduct

The Company has adopted a Code of Conduct governing the ethical conduct of all its stakeholders. All employees are expected to operate within this framework. It is also regarded as a set of guiding principles that apply to everything the Company does and outline its 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 the Company's Code of Conduct and encourages behaviour aligned with its ethical principles. The Ombudsman is an independent facilitator to whom all stakeholders can present complaints, knowing they will be processed, investigated, and responded to in a timely and sensitive manner.

The Company's Corporate Responsibility (CR) Management System

The key CR issues central to its business are managed through the Company's CR management system, which is built around a cyclical model that helps the Company to achieve continuous improvement in its performance across all nine impact areas: Energy & Climate, Water, Waste, Biodiversity & Habitats, Suppliers, Tenants, Communities & Visitors, Employees and Safety & Health. Annual targets, policies and strategies are established by the Company in order to achieve its long-term objectives and translate its values and commitments into practical actions. The Company also monitors its progress on an annual basis against key performance indicators and targets, to ensure the accomplishment of its long-term goals.

CR Governance

The company's CR Management System is managed by six CR Working Groups that, between them, govern all CR impact areas. The Head of each Working Group is represented in the Company's CR Steering Committee, which is chaired by the 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.

Process of disclosure of financial data

The Group has multiple systems of support for the monitoring of financial information produced by the following teams: accounting, Treasury, management control and consolidation.

The accounting and treasury services are provided by local teams and a central shared services team; in the process of accounting are used various information systems and a manual of procedures.

Management control and consolidation teams are central teams and independent from businesses. These teams produce to the various business's responsible a quarterly analysis of the deviations to the budget.

When consolidating the accounts, multiple checks are carried out, of which:

- validation of the changes to the controlling and owned percentages;
- validation of the consolidated packages received from the accounting departments (central and local);
- adjustments to consolidated figures are analysed; and
- reports from external auditors are analysed

RISK MANAGEMENT

Risk Management in Sierra is seen as an company-wide effort, built into the normal business operations. In terms of governance, Risk Management is part of the overall Corporate Responsibility governance structure.

The Risk Management Working Group (RMWG) includes representatives from Sonae Sierra's businesses (Investment, Development and Management) and from various corporate functional areas (Internal Audit, Safety & Health, Finance, Back Office, etc.) and its main objective is to serve as a facilitator and promoter of risk management best practices in all parts of the Company.

The RMWG has an important role of centralizing information and reporting on the risks that the Company is facing or may face in the future. In this context, the RMWG may also foster and support initiatives to develop and improve risk management information systems in the Company.

In the context of this role, the RMWG reports, via the CFO, to the Audit & Compliance Committee of the Company and approaches risks in a systematic way through a Risk matrix.

In the process of implementing the Risk Matrix of Sierra, the main risks of the company were identified and classified into three different categories: Strategic Risks, Catastrophic Risks and Operational Risks.

At a later stage, for each risk identified, it was assessed whether the risk should be managed under a risk-management logic or under a business-management logic. The risk-management logic approach has the main objective of risk reduction whilst the business-management logic approach aims to maximizing returns, in a risk-adjusted way.

Finally, a description of each risk was prepared together with a thorough analysis of the main impacts, the risk owner identification, the risk policy adopted and the main monitoring and mitigating activities.

Risk category	Risk	Risk Management approach
I. Strategic Risks	1. New Development Decisions	Business Management
	2. Development Margins	Risk / Business management
	3. Increases in Yields	Business management
	4. Market Saturation	Business management
	5. Rents Sustainability	Business management
	6. Increases in Interest Rates	Risk management
	7. Liquidity	Risk management
	8. Changes in FX Rates	Business management
	9. Key Personnel Retention	Business management
II. Catastrophic Risks	1. Property Integrity	Risk management
	2. People Integrity	Risk management
	3. Guarantees on Deferred Taxes	Business management
	4. Sovereign and Political Risks	Business management
III. Operational Risks	1. Information Systems Integrity	Risk management
	2. Contracts Integrity	Risk management
	3. Corporate Conduct	Risk management

- **Strategic Risks**

1. New Development Decisions

The Company's Strategy states that one of the business priorities is to "increase the weight of the capital invested in the Development business". The first risk associated with this relates to the selection of projects to undertake. Three generic factors contribute to the high risk profile of new shopping centre projects: (i) the significant financial commitment usually involved; (ii) the relatively long timeframe for completion of the project, and the most important by (iii) the considerable difficulty in changing a project mid-way through development, or changing its positioning or reconverting it to other uses. This means that the initial decision very much commits the Company to a course of action, with limited scope for significant change. The clearest way to minimize future risks is to base that initial decision on all the relevant information available.

The key instrument to assess new Development risks is the RAAI ("Regulamento de Análise e Avaliação de Investimentos") document – the request to the Board to approve the new project. The RAAI includes the investment proposal (prepared by the Development team and reviewed by the Department of Control of Projects and Investments (DCPI)) and a market study (prepared by the Research Department). Further, DCPI team prepares an independent opinion to the Board (the DCPI opinion), on the attractiveness and risks of the proposed new Development.

The RAAI is based on 10-year financial projections and it includes a long-term assessment of the returns of the project and the foreseeable risks that it may face.

2. Development Margins

Being the difference between the market value of a project at completion and the costs incurred to develop it, the Development Margin of a Project should be analysed under both logics: the Business & the Risk Management logics.

Any deviation in investment costs or projected rental income has an impact on the value created in any Project and is, therefore part of RAAI analysis. Where a Business Management approach is applied to risk assessment. But, once the risk is acquired, one must bring-in a risk-management approach namely in connection with costs: cost discipline, cost control and rigorous execution of the project within the limits approved by the Board of Directors is a must.

3. Increases in Yields

The value of Investment Properties is highly influenced by the market yields. The Company orders an independent valuation of its portfolio on a quarterly basis. This regular process of mark-to –market improves the understanding of the underlying dynamics of the property markets and helps the long-term management of the portfolio. The Company selects new markets to invest taking in consideration, amongst others, its medium-long term potential for yield compression.

4. Market Saturation

The operation and the value of the Company's properties are at risk from excessive levels of offer of retail space in their market area. The Company seeks to develop shopping centres that can be dominant in their market or that can hold a strong defensible position. The approval process for new centres (RAAI) must include a detailed analysis of the present and future competitive position of the project.

The Company's policy is to invest, in a continued way, in its properties in operation so as to maintain their attractiveness over time. In this case, market studies are done for each centre in operation on a regular basis. These studies support the marketing and capital investment decisions on those centres.

5. Rent Sustainability

Sonae Sierra has as Strategic Objective to maximize the value of the properties under its portfolio. For achieving such objective the Rental Income should be maximized and consistent with sustainable effort rates¹ over the long-term. To monthly assess the effectiveness of the effort rates, the Shopping Centre Manager produces the Shopping Centre Management Report explaining the performance of the property and the Central Property Management team produces the consolidated report for the Board of Directors, detailing tenant sales, rents, occupancy, collections, effort rates, etc.

6. Increases in Interest Rates

The Company has a general policy of covering the risks associated with debt namely the risk associated with interest rates changes. The Finance Department produces periodically the Financial Exposure Report to the Board that includes an analysis of the interest-rate exposure.

The Company has a policy of using limited recourse mortgage backed long term loans (in which the risk associated with the loan is limited to the asset under mortgage). also In addition the Company also has a policy of contracting non-speculative interest rate variation hedges so as to have the majority of its exposure covered.

¹ Effort rate is the ratio between the total costs incurred by the tenant in securing a shop unit in a given Shopping Centre and the turnover achieved by that shop unit in that Shopping Centre.

7. Liquidity

The Company has a policy of contracting long-term financing for all projects under development, in order to guarantee the necessary funds both for the development phase and investment phase. Additionally, Sonae Sierra continuously looks for re-financing the assets in operation, when possible, so as to increase company's liquidity.

Monthly, the Finance department elaborates a medium term cash-flow statement (18 month forward) with the best estimation regarding: a) investments for projects under development; b) acquisitions; and c) cash-flow from operations. This cash-flow statement is reported to the Finance Committee of the Board of Directors.

Yearly, Sierra produces a long-term cash forecast (included in the 5 Year Plan) that incorporates the Strategy and action plans defined by the Board of Directors for the following 5 years.

8. Changes in FX Rates

Sonae Sierra has a policy of maintaining the weight of the Brazilian business below 20% of the Company's NAV. Currently there is no limitation policy for investing in Romania.

Sonae Sierra has a policy to invest in non-Euro countries, on the basis of a long-term investment horizon as a way to guarantee that any short-term currency volatility does not affect the execution of the Company's strategy. This long-term commitment to any of these countries will stay in place, as long as the view on their long-term potential is confirmed.

The weight of the non-Euro countries in the Company's NAV and their respective results is measured quarterly in the report on the consolidated accounts, prepared for the Board of Directors.

9. Key Personnel Retention

The Company has a commitment towards career development with each of its Employees and has a policy of remunerating its staff at the level of the sector's 3rd quartile total. The Company accepts to go to the 4th quartile for very specific positions and aims to execute this policy in each market with flexibility and full market knowledge. The Company has a commitment towards continuous training of all its Employees.

Periodically, the HR department reports to the Executive Committee and to the Board of Directors the characteristics of its labour force (educational level, experience in the Company, country, age, employee turnover, etc.). The Company monitors, through consultants, the compensation level in the markets where it operates.

- **Catastrophic Risks**

1. Property Integrity

The Company has a policy of covering, to high standards, all the risks associated with property. Regular inspections are done to every property: local management teams need to spend 8 working hours a month in Safety Preventive Observations (SPO) activities (including tenants' premises) in order to minimize property and property associated risks.

There are other more detailed procedures that aim to prevent the existence of incidents in the buildings –inspections made to tenant units and technical equipments in Shopping Centres being examples of such additional procedures.

Integrated in Safety & Health (S&H) Management System there is an S&H Steering Committee that includes members of the Board, which quarterly meets and analyses Safety status of corporate offices and of Properties, reported by the Safety & Health Office. Through web-based Safety & Health Portal, each Executive property Manager can assess existing risks detected through SPOs.

Sonae Sierra has an insurance umbrella policy contract that covers losses in the physical fabric of the asset plus any associated loss of income resulting from several types of undesirable events (earthquakes, floods, terrorism,).

Fire drills are done on a regular basis on all shopping centres and Corporate offices. Safety & Health Office performs every year a large number of training courses in Fire Prevention and Fighting in all Shopping Centres (including Tenants' staff).

Terrorism response training and drills made with SIS (Portuguese Intelligence Agency) and "Terrorism Threat Response Plan" have also been implemented.

2. People Integrity

The Company's policy is to ensure that core business activities improve the quality of life of those people that they affect. Every centre in operation is producing at least 8 hours of Safety Preventive Observations per month, enabling the assessment of risks in every shop, including storage and common areas. Safe Practice Index system monitors each construction works' Safety Risks. Regular bacteriological analysis (Legionella, drinking water) are performed in all shopping centres.

Integrated in S&H Management System there is an S&H Steering Committee that includes members of the Board, which quarterly meets and analyses Safety status of corporate offices and properties, reported by Safety & Health Office. Along with "Safety Specialists" and "S&H Sub-Committees", these constitute the "S&H Network", a continuously monitoring system.



In all the centres in operation and corporate offices there are bi-annual real simulations of emergency procedures (fire, bomb threat and total evacuation of the building) with the participation of the relevant local authorities.

Safety & Health Management System was introduced by Personæ project. The Personæ project enabled the alignment of all staff in an Interdependent Safety Culture in which everybody understands that its own action/behaviour impacts everybody else's safety and vice-versa. This movement is lead by the CEO and stimulated by the Safety & Health Office, and induces people to risk prevention behaviours.

3. Guarantees on Deferred Taxes

Sonae Sierra has a pro-active policy, aligned with the international best practices, for mitigating the tax burden of its activity, by using every legal means that has available, within the sound ethical principles that are part of its corporate responsibility. Sonae Sierra closely monitors the tax legislation in the markets where it operates and in matters relating to its activities.

Sonae Sierra incorporates Special Purpose Vehicles (SPV) for each of its development or investment properties (ring fencing) and structures its holdings (through the Netherlands and Luxembourg) in order to mitigate share capital gains taxes.

4. Sovereign and Political Risks

The Company selects new countries to invest on the basis of a wide assessment of all the variables that can impact its investment, including political and legal issues. The Company is studying the possibility of contracting a Title Insurance in order to be protected in the event that a known or unknown title defect results in a claim from an outside party.

- **Operational Risks**

1. Information Systems Integrity

The Company has an Information Systems Security Policy that deals with all the risks in this area. A specific Technological Recovery Plan is being prepared to assure business continuity in this area.

The Information Systems Department has specific tools to monitor the safety of the Company's systems and the Internal Audit performs regular audits on the most important risks in this area and reports them up to the Audit & Compliance Committee.

2. Contract Integrity

There are written procedures established among different departments which are involved with the contract management activities. The original contracts are stored outside the main office premises in a fire proof safety box.

The Legal Department is responsible for insuring that contracts are signed on the basis of Company's standards and for obtaining the relevant approvals. The Internal Audit performs specific audits to analyze risks and compliance of Sonae Sierra's procedures in this field.

3. Corporate Conduct

The Company aims to be a good corporate citizen. Its focus on corporate responsibility is a concrete manifestation of that commitment.

The Company has created the figure of the Sierra Ombudsman. The Ombudsman role is to serve as an independent entity that all the Company's stakeholders can contact to discuss any problem arising from dealing with the Company. The Ombudsman reports to the CEO and to the Audit & Compliance Committee.

The Company has also published a Code of Conduct to serve as reference for the conduct of its staff.

OUR STAKEHOLDERS

A continuing dialogue

We 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.

Besides the specific feedback methods, the Sierra Ombudsman is available to all stakeholders who want to present complaints, with the guarantee that these will be responded to. In 2010, the Sierra Ombudsman received 132 complaints from employees, visitors, tenants and suppliers. The majority of them focused on service quality in connection with cleaning and security, temperature control, lack of information, provision of smoking areas and complications with gift vouchers and promotions. All of these complaints were responded to by email or letter and, in some cases, a meeting. Operational adaptations and improvements were made in response to some requests.

We also encourage all stakeholders to submit feedback on our performance through the feedback forms available in our CR Report, In Review and on our corporate website.

OUR PARTNERSHIPS PAST AND PRESENT

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 Bensaude Group CGD Sonae MC
Spain	Mall Group LAR Group Eroski Group Iberdrola
Netherlands	ING Real State APG Investments
France	Foncière Euris CNP Assurances CDC
Germany	Deka Union Investment
Greece	Charagionis Group Lamda Development
U.K.	Grosvenor Fund Management Rockspring Miller Developments Schroders Investment Management Castle City Aberdeen Property Investors
Italy	Coimpredil
U.S.A.	AIG DDR TIAA-CREF
Finland	KEVA Iimarinen
Brazil	Multiplan Enplanta Engenharia Tivoli EP Credit Suisse HG Marco Zero

ECONOMIC PERFORMANCE

There is no doubt the twelve months since the publication of our last “In Review” have been challenging for the retail property industry worldwide.

In the particular markets we operate in – Europe and Latin America – the conditions have been contrasting. While most of the countries of Europe are still experiencing the after-effects of the international financial crisis, the Brazilian economy remains comparatively vibrant.

In this context, and despite the challenges we faced, we can be pleased with our performance during 2010. While much of our success stems from the underlying strength and resilience of our portfolio, we have also benefited from the measures we took in 2009 to improve our operational efficiency.

A challenging situation

Few would dispute that the economic climate in Europe remains challenging, with conditions in Greece, Portugal and Spain likely to be the most taxing over the coming months.

In Iberia, where the majority of our shopping centres are located, the governments' austerity measures are already having an impact on consumer spending, as taxes rise and incomes fall in response to actions taken to curb both countries' public debts. As a result, we have had to review our costs and discount or reduce our rents in some of our centres, in order to maintain the required balance between expenditure and income.

The situation in Portugal has been the most challenging as property yields continued to increase during the year.

Although conditions have been a little better in the other European countries in which we operate – with the exception of Greece – the lack of available bank debt for financing new developments has restricted our ability to grow our business through either acquisitions or the creation of new shopping centres.

However, after a difficult first half to the year, European property yields have stabilised more recently and we have seen some institutional investors returning to the market with an interest in the shopping centre sector.

By comparison, conditions in Brazil have made it possible for us to achieve a highly satisfactory operational performance in an economic climate that has weathered the worst of the financial storms experienced elsewhere.

As a result, in early 2011 we launched an IPO for our Brazilian operations, the proceeds from which will be reinvested in the developments we have planned in conjunction with our partners, DDR.

Given the maturity of the retail industry in the major European territories, we see the countries of Latin America, the Mediterranean basin and Asia – where the shopping centre concept offers scope for development – as our main markets for the future.

The value of asset capitalization

It has become ever clearer during the past year that, despite the stabilization of most European yields, the sluggishness of the financial markets is hampering our company's development.

The banks remain as circumspect about loans as they were a year ago, preferring to lend only after a thorough examination of a development's provenance, sustainability and prospects. Fortunately, our track record and green credentials have helped us in this area.

In February, as part of a planned policy, we were able to sell a majority stake in Berlin's Alexa shopping centre whilst retaining responsibility for the centre's management. At the end of the year, we sold our stake in the ownership of Thessaloniki's Mediterranean Cosmos, which raised some €9.5 million for our company.

Both these transactions are in line with our "capital light" approach, which gives us scope to raise funds through the realisation of the capital value of our assets. Our aim is to use such transactions to help fund the completion of current developments. We also aim to implement further European asset sales, when the economic climate improves, so that we can fulfil our objectives in the new markets we believe will offer the potential growth and likely returns we seek.

It may, of course, be some time before Europe recaptures anything like the buoyant mood and rate of growth experienced in recent years, but we are confident we have the ability to identify opportunities that will deliver the right results.

At the same time, we know we must continue to look for operational efficiencies wherever we can, if we are to sustain our development programme at its present levels.

We have, as reported last year, invested heavily in selling our shopping centre development, management and service-related skills to third parties. This has borne fruit throughout the year – not only in terms of revenue but also in the way it has given us access to new markets, such as Morocco and Serbia, where we are working as partners with other retail property specialists.

We intend to continue on this path and explore new avenues for the sale of these knowledge-based skills.

Future prospects

Despite the economic conditions in Europe, which have been particularly challenging since 2008, our response to the situation and management of matters we can control has produced excellent results over the last twelve months.

Our company is prudently geared, with a loan to value ratio of below 50% and sound financing agreements spread over a sensible period of time.

As a result, we remain on course for continuing growth and ready to face the future with confidence.

We know we have the capacity to ensure we remain one of the world's leading shopping centre specialists

OPERATIONAL PERFORMANCE EUROPE

2010 was a rewarding year for Sonae Sierra in Europe. Not only did we deliver a clear demonstration of our portfolio's quality and strengths and our company's resilience, we also began to see the benefits of our drive for greater operational efficiency.

The year's major highlight was the inauguration of LeiriaShopping in Portugal.

This innovative new shopping and leisure centre – our twenty-first in Portugal –has been designed to meet the needs of over half-a-million people living nearby.

Already proving popular with the local community, it provides a total of 44,300 m2 of Gross Lettable Area (GLA) and features 116 shops, a food court, 19 restaurants and parking for close to 2,000 cars. It was 100% let when it opened in March.

As one of our most advanced projects, LeiriaShopping is the first centre in Europe to be certified to OHSAS180001:2007 for the quality of its safety and health during its construction phase. In all, nine of our centres were awarded this certification for their management during 2010. LeiriaShopping also achieved ISO18001 standard for environmental management and is certified according to Global Accessibility Management System under UNE170001:2001.

An investment of €79 million, LeiriaShopping represents a significant addition to our portfolio; one that has created 900 new jobs for local people and countless new relationships with a variety of local suppliers.

Strategically improving our portfolio

2010 also saw the completion of a number of expansion and refurbishment projects in Portugal, including our €2,5 million refurbishment of Lisbon's Centro Vasco da Gama food court. This centre has also been generally revitalised and brought into line with modern thinking and consumer demands.



In Albufeira, during 2009 we have transformed what was Modelo de Albufeira Shopping Centre into AlbufeiraShopping. This investment now offers local people a fresh environment with a new name and a wide variety of retail services.

Our enlargement of the most northerly project in Portugal, Estação Viana, has increased the overall GLA of 1,100 m² and allowed us to bring C&A into the centre.

Elsewhere, in Spain, we have made progress with our planned expansion and refurbishment programme for three other centres: Plaza Mayor in Málaga, Luz del Tajo in Toledo and Parque Principado in Oviedo.

In Italy, we are engaged in an expansion programme that will see our Airone shopping centre in Padua expanded by 2.900 m² GLA/brought up-to-date.

Our other major project in Italy, Le Terrazze close to La Spezia city centre, is under construction for inauguration in November 2011.

This €125 million investment will deliver 38,500 m² of GLA with over 100 shops, including a hypermarket and nine large stores, a family entertainment centre, a fitness club and 2,000 parking spaces.

We are also working on the development of Adora Mall in Craiova, Romania, which – when complete – will be the first shopping and leisure centre of its kind in the country. With a total of 59,000 m² of GLA it will feature 190 shops and a variety of entertainment centres, including a cinema and a bowling alley. We also have a second new shopping centre in hand in Romania and a further four in various phases of development in Portugal, Germany and Greece.

Sustainable thinking for the future

Much of our expansion and refurbishment work has been done as part of our drive to improve the quality of our assets, both in terms of their sustainability and the services they offer our customers.

We firmly believe in the lasting value of sustainable properties. They are generally more efficient to run, consume less energy and water, and usually result in lower operating costs. We know there is an increasing awareness of environmental and social issues amongst investors, tenants and consumers alike, which we are determined to harness.

Capital recycling delivers results

As reported last year, in a move designed to help us secure the funds needed for our development programme, we have introduced a policy of asset disposals that will make our company capital light.

In February we were able to sell a majority stake in Berlin's Alexa shopping centre, valued at €316 million, to Union Investment, which now owns 91% of this asset. We have retained the remaining 9% and still have responsibility for the centre's management.

At the end of 2010, we concluded a transaction that saw us sell our stake in the ownership of Thessaloniki's Mediterranean Cosmos centre to Lamda Developments SA, which raised some €9.5 million for our company.

With its occupancy rising to close to 95%, we have reactivated negotiations in connection with the sale of a 50% interest in Gli Orsi, our centre in Biella, Italy. We hope to complete this disposal early in 2011.

Our objective in all these transactions is to capitalize on the asset value of our shopping centres, which – because of their sustainable qualities – are likely to increase over time, and to use the funds raised to stimulate our development and refurbishment activities.

Developing a new skills market

Some two years ago we began to develop a market amongst third parties for our skills as retail property developers, owners and managers.

We accelerated this idea and its execution during 2010 so that now, of the 59 retail properties we have under management, 17 are managed on behalf of third parties and our management portfolio covers Portugal, Spain, Italy, Greece and Romania.

We are also working in Colombia and Morocco, and we have other service contracts with shopping centres in Serbia, Cyprus and – on a smaller scale – China.

Our aim is to expand our activities into emerging markets by providing high quality services backed by the knowledge, skills and experience we have gained as an integrated organization responsible for the conception, development, ownership and management of shopping and leisure centres.

In the process, we aim to learn a great deal that will have real value. By working in these new territories, we are being given opportunities to discover and understand new business cultures and explore the possibilities for developments of our own.

Strong response to challenging times

Despite the prevailing flatness of most of Europe's economies, our concentration on operational efficiencies has helped us deliver a strong response to market conditions and an excellent performance from the business drivers that contribute to our results.

Sales and Visits

	Visits		% 10/09		Sales		% 10/09	
	2010	2009	total	like-for-like	2010	2009	total	like-for-like
Portugal	194,3	195,2	-0,5%	-1,1%	2.383,5	2.292,1	4,0%	0,9%
Spain	75,8	81,5	-7,0%	-2,2%	863,0	910,4	-5,2%	-1,3%
Italy	18,8	18,7	0,5%	-12,3%	281,7	243,4	15,7%	15,7%
Greece	11,9	10,2	16,7%	-12,3%	16,2	202,4	-92,0%	-10,0%
Germany	37,1	34,7	6,9%	-1,5%	495,3	375,9	31,8%	5,2%
Romania	2,8	2,7	3,7%	3,8%	10,0	5,9	69,5%	69,7%
Europe	340,7	343,0	-0,7%	-1,3%	4.049,7	4.030,1	0,5%	1,8%

Sales in Euro (million)

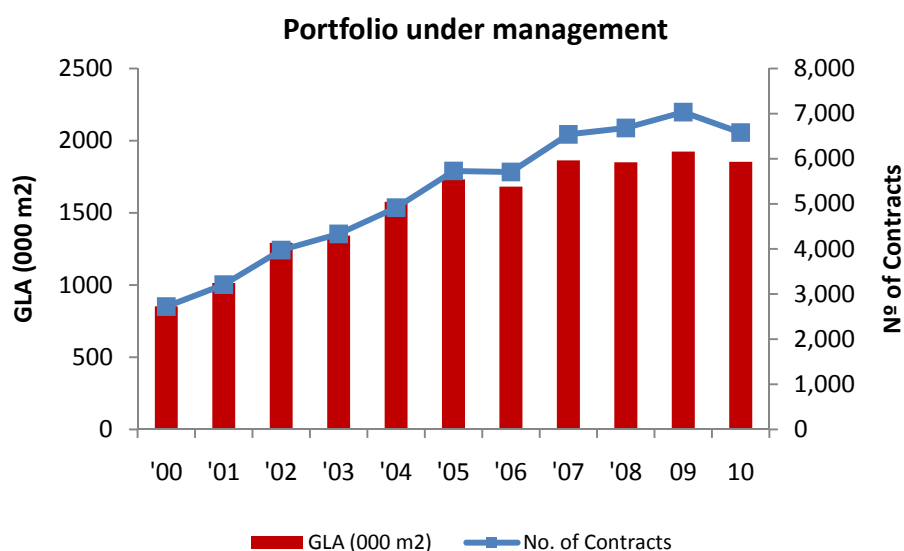
Visits in million

As the chart shows, sales have varied from territory to territory, with Germany and Italy showing the best performance. Greece provided the greatest challenge. Our resilient performance in Spain and Portugal is testament to the quality of our shopping centres and our standing in the market.

By concentrating on improving our efficiency and enhancing our customer services and facilities, we have given people new reasons for visiting our centres.

For example, we have begun developing a new approach to the use of sound in our spaces with the aim of increasing the likelihood of customers making longer return visits and spending more during each of their visits.

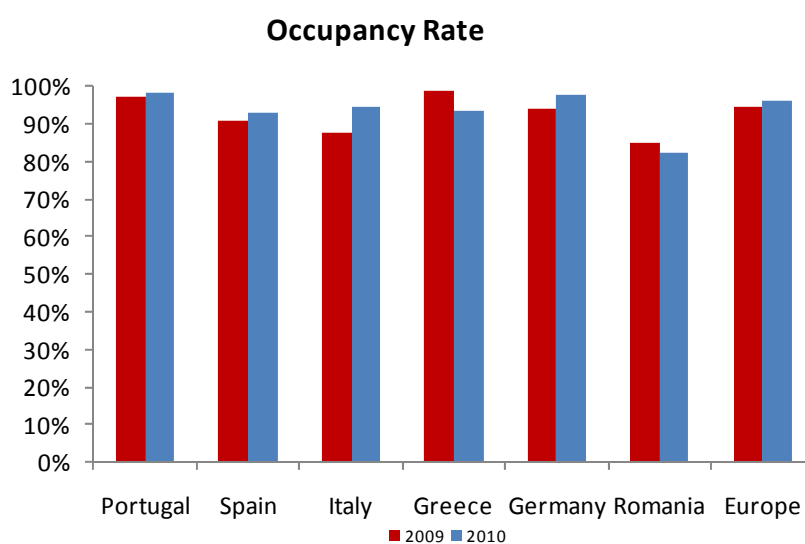
We have also introduced a new sponsorship scheme that cuts costs, generates income and helps our customers find their way around our car parking areas and understand the safety precautions we have in place. By working to enhance our existing tenants' profitability wherever we can, and by supporting their businesses and attracting new ones, we have emphasised the value of our integrated, holistic approach to shopping centre development, ownership and management and improved our overall performance.



Occupancy rates remain robust

Inevitably, the economic situation has had an effect on occupancy rates and rentals right across the retail property sector.

Nevertheless, despite the challenging circumstances, we have sustained our occupancy rates and rental income. The figure for occupancy stood at 96% of our total GLA as at the end of December 2010 and rents had decreased only by 0,4% year-on-year.



This remarkable performance owes as much to the tenacity of our staff as it does to our continuing policy of tight budgetary controls and our innovative approach to marketing.

Rents	Fixed Rents		Variable Rents		Total Rents		% 10/09 Rents	
	2010	2009	2010	2009	2010	2009	total	like-for-like
Portugal	187,7	185,8	6,8	6,3	194,5	192,1	1,2%	-1,0%
Spain	68,6	72,5	2,4	2,5	71,0	75,0	-5,3%	-2,2%
Italy	23,6	22,8	1,3	0,8	24,9	23,6	5,5%	5,9%
Greece	15,7	19,7	0,7	1,7	16,4	21,4	-23,4%	17,2%
Germany	41,4	28,2	1,9	1,4	43,3	29,6	46,3%	5,3%
Romania	2,0	2,7	0,0	0,0	2,0	2,7	-25,9%	-26,1%
Europe	339,0	331,7	13,1	12,7	352,1	344,4	2,2%	-0,4%

Figures in million Euro

During the year our campaigns have focused on giving visitors new reasons for visiting our shopping centres and on promotions designed to improve our tenants' performance.

All these activities have helped us keep our visitor numbers up and our occupancy rates high.

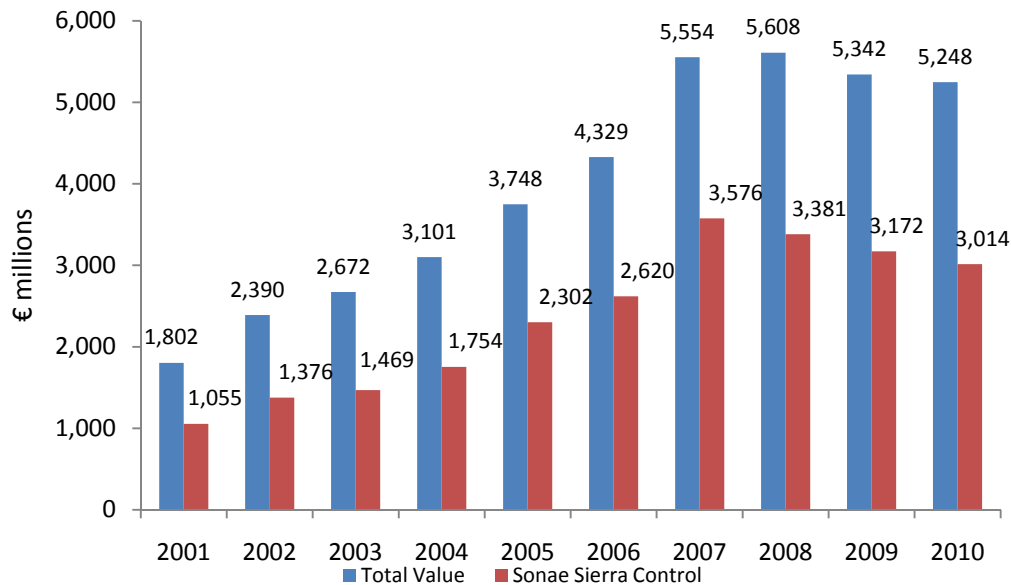
The economies' impact on market values

Unfortunately, Europe's general economic situation has had a negative impact on yields and property values.

At the end of the year, the total value of our portfolio under management had decreased by 1,8% year-on-year. While valuations had increased somewhat in Spain and Germany, and had recovered in Italy, they had fallen in Portugal and Romania and dropped dramatically in Greece.

At the same time, yields were variable across our markets. While they increased in Portugal, they fluctuated in Spain and were virtually flat in Germany, Italy and Romania. Yields in Greece almost collapsed during the year.

We hope for improved conditions in the coming year, especially in light of the stabilisation of yields in the latter part of 2010.



Our Funds' performance

We operate two Funds – the Sierra Fund and the Sierra Portugal Fund – both of which aim to provide their investors with dividends and capital growth from portfolios of high quality, actively managed shopping centres.

The Sierra Fund has interests in assets in Portugal, Spain, Italy, Germany and Greece while the Sierra Portugal Fund specialises in Portuguese assets.

In July we sold the Sierra Fund's interest in Mediterranean Cosmos to Lamda Development for approximately €19 million. This transaction was finally approved by the Greek competition authorities in December 2010.

We have been assessing the exit strategies for other assets held by the Sierra Fund and are considering extending the Fund's life by creating a portfolio of core properties.

The Sierra Portugal Fund acquired an interest in the newly inaugurated LeiriaShopping, which was valued at €91.7 million at the time. This generated a cash inflow of approximately €12 million for Sonae Sierra, which has been reinvested in the company's development programme.

Given the success of these Funds, it is likely we will create new vehicles to accommodate shopping centre assets that have no connection with either of the existing Funds.

The immediate future

While 2010 proved to be another demanding year in the aftermath of the financial crisis of 2008, our operational performance has been good. It proves that we have a strong portfolio and a resilient, flexible, energetic organization capable of meeting the challenges ahead.

We have seen signs of confidence from investors who still consider shopping centres to be an attractive proposition.

We believe the markets of Germany and Italy offer the best prospects in the short term, and that those in Portugal and Spain will recover over time, giving us considerable scope for the kind of growth we are aiming for in the future.

OPERATIONAL PERFORMANCE BRAZIL

2010 was a very good year for Sonae Sierra Brazil. The country's economic growth was impressive and business sentiment remained strong as GDP increased by more than 7% over the twelve-month period.

The undoubted highlight of the year was the November inauguration of our Parque D. Pedro shopping centre expansion in Campinas.

This €9 million investment has created a new boulevard with 32 new stores offering a 5,400 m2 of Gross Lettable Area (GLA).

The addition of this extra space takes Parque D. Pedro's total GLA to 121,045 m2, with 406 stores, several restaurants, a theatre, a cinema and parking space for 8,000 vehicles.

A growing portfolio

During the year we also commenced the construction of two new shopping centres. The largest of these is Boulevard Londrina Shopping, located in Londrina, which is due to open in 2012.

This €88 million investment will provide 47,800 m2 of GLA accommodating 236 shops and restaurants. It will have 2,400 car parking spaces and is intended to serve the needs of an 800,000 population in its catchment area. It is already 64% pre-let.

Also underway is the construction of Uberlândia Shopping, which we began in February 2010. Due to open in the second half of 2011, it will have a total of 43,600 m2 of GLA accommodating 200 shops, numerous restaurants and parking for 2,400 vehicles. This innovative €62 million investment has been designed to serve a catchment area with a population of some 600,000 inhabitants. 77% of its GLA is already pre-let.

The financing for both these projects has been secured on very attractive terms.

In addition to these two new developments, we have continued the expansion of Shopping Metropole in São Paulo's São Bernardo do Campo, which will add 32 new stores and an extra 8,700 m2 of GLA to the existing centre. The enlargement of Shopping Campo Limpo, which currently has a GLA of 19,900 m2, will start in January 2011.

At the end of 2010, Shopping Metropole's additional GLA was already 99% let while the new space at Shopping Campo Limpo was 70% let.

The development of Passeio das Águas Shopping has also continued apace. This €127 million project in Goiânia, with a population of 1,700,000 in its catchment area, will eventually yield 78,100 m2 of GLA, 260 shops and parking for 5,700 vehicles. It is scheduled for inauguration in 2013.

Improved direct results

As a result of hard work and the application of our creative and commercial skills, we delivered an improved performance during 2010.

Tenant Sales (R\$ 000)	% 10/09	
	total	like-for-like
Brazil	16,6%	10,1%

At the end of the year, we reported an increase of 16.6% in our sales, a rise in rents of 14.8%, an improvement of 8.9% in our shopping centre visitor numbers, and with an occupancy rate of 97.6%.

Rents	Fixed Rents		Variable Rents		Total Rents		% 10/09 Rents	
	2010	2009	2010	2009	2010	2009	total	L-F-L
Brazil	186,6	165,9	19,2	13,3	205,7	179,2	14,8%	8,7%

Figures in Reals (million)

Much of this success stems from our increased organisational efficiency and a reduction in our operating costs, both of which have enhanced our profitability.

Visits	Visits		% 10/09	
	2010	2009	total	like-for-like
Brazil	100,9	92,6	8,9%	3,7%

Visits in million

GLA for Lease	Occupancy Rate	
	2010	2009
Brazil	97,6%	96,9%

The rise in private consumption and the growing demand for retail property has also had a positive impact on the Open Market Value of our portfolio, which increased by 9.2% during 2010, to R\$ 2.735 million (€ 1.233 million). Taking into account the Real appreciation in 2010 the increase was of 23.6%.

A positive outlook

The Brazilian economy looks set for continued growth as the new President, offers political continuity following her election as President Lula's successor.



At the beginning of 2011, we successfully launched an IPO for our company, which raised the funds needed for the developments we have planned with our partners, DDR.

Our objective is to focus on innovative, sustainable shopping centres that will be dominant in their catchment areas and cost-effective in their construction and management.

CONSOLIDATED ACCOUNTS

The following Financial Statements consolidate all the companies by the proportional method.

Sonae Sierra Consolidated Accounts

Profit & Loss Accounts

The total direct income from investments increased by € 15 million, from € 212 million to € 227 million. This reflects the increase in the portfolio resulting from the full year impact of 2009 inaugurations (Manauara and Loop5), the 2010 inaugurations (Leiria and Parque D. Pedro expansion) and the organic growth of the existing portfolio namely in Brazil, partially compensated by the sale of Alexa and Mediterranean Cosmos, pursuing the Capital light strategy explained above.

The Direct net profit reached € 57,6 mn which compares with € 42,5 mn in 2009. On top of the Net Operating Result improvement, this variance is explained by the decrease in the net financial costs, consequence of lower interest rates and lower debt.

The main positive variation in the Company's Results happened at the level of Indirect Results. In this area the company booked a loss of € 49 mn, whereas it had booked a loss of € 153 mn in the previous year. This indirect result has three main components.

Under Gains realized on sales, the Company shows a loss in the period of € 1,8 mn corresponding basically to the losses with the sale of Alexa, the gain on the sale of LeiriaShopping to Sierra Portugal Fund and the gain on the sale of Mediterranean Cosmos. In 2009 the gains relates with the sale of positions to third parties investors in the Parque D. Pedro Shopping, Colombo Tower Oriente and Plaza Mayor Shopping.

Impairment & Development Assets at risk provision relates with provision for funds at risk created in 2010 and imparity losses related with the Greek projects.

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

gain of €18,2 mn. The Value Created on Investments was positive, the first time since 2Q08, due to much lower yield expansion in 2010.

In terms of yield variation in the portfolio, these numbers translate an average yield increase of 150 basis points in Greece, 7 basis points in Portugal, 5 basis points in Italy and an average yield reduction in Spain of 14 basis points.

Balance Sheet

The total assets amounted to €2.702 million at the end of 2010. This represents a decrease of €89,3 million when compared with the previous year, explained by the sale of Alexa and Mediterranean Cosmos, partially compensated by the increase in the valuations of the Brazilian assets, the increase in the investment portfolio arising from the opening of LeiriaShopping, opening of Parque D. Pedro expansion and increase in the interests of Sierra Portugal Fund from 42% to 47,5%.

The decrease in Bank loans is mainly due to the sales of AlexaShopping and Mediterranean Cosmos.

Consolidated Profit and Loss Account (€000)

	2010	2009 PF*	2009	%10/09PF
Direct Income from Investments	226.881	211.979	311.190	7%
Direct costs from investments	103.465	103.187	130.936	0%
Net Operating Result	123.416	108.793	180.254	13%
Net financial costs	44.101	51.460	82.527	-14%
Other non-recurrent income/cost	(6.583)	(3.159)	(2.219)	-108%
Direct profit before taxes	72.732	54.173	95.508	34%
Corporate tax	15.193	11.683	18.729	30%
Direct net profit	57.539	42.490	76.778	35%
Gains realized on sale of investments	(1.707)	4.980	4.161	-134%
Impairment & Development funds at risk provision	(29.425)	(6.423)	(6.384)	-358%
Value created on investments	18.205	(186.787)	(291.787)	110%
Indirect income	(12.927)	(188.231)	(294.009)	93%
Deferred tax	35.918	(34.755)	(57.324)	203%
Indirect net profit	(48.845)	(153.475)	(236.685)	68%
Net profit before minorities	8.694	(110.985)	(159.907)	108%
Attributable to :				
Equity holders	8.694	(110.985)	(110.985)	108%
Minority interests	0	0	(48.922)	-

Consolidated Balance Sheet (€000)

	2010	2009 PF*	2009	Var. (10 - 09PF)
Investment properties	2.284.916	2.304.609	3.595.147	-19.693
Properties under development and others	223.484	264.290	265.852	-40.806
Other assets	139.709	193.777	196.459	-54.068
Cash & Equivalents	54.252	28.987	50.674	25.265
Total assets	2.702.360	2.791.662	4.108.133	-89.302
Net worth	1.000.431	994.533	994.533	5.898
Minorities	0	(0)	407.232	0
Bank loans	1.198.091	1.295.221	1.945.667	-97.130
Deferred taxes	304.627	272.232	469.012	32.395
Other liabilities	199.212	229.676	291.688	-30.464
Total liabilities	1.701.929	1.797.129	2.706.368	-95.200
Net worth, minorities and liabilities	2.702.360	2.791.662	4.108.133	-89.302

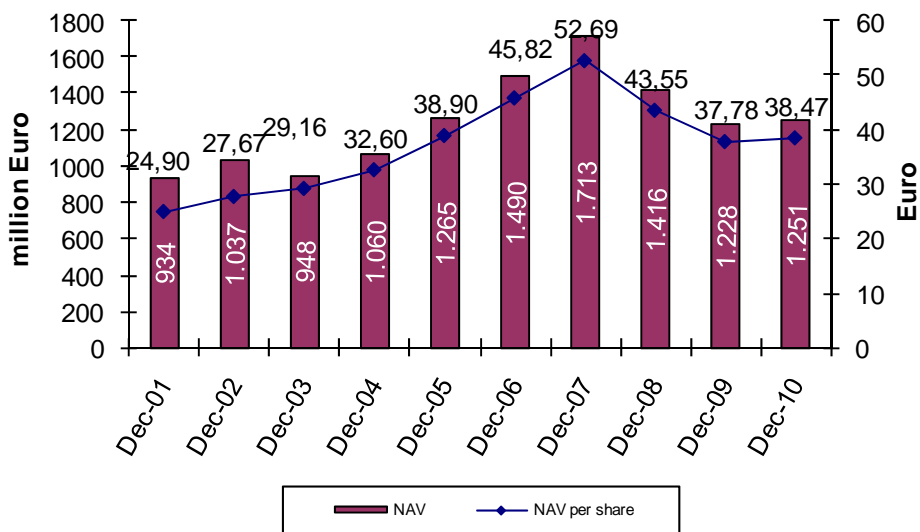
* Note: 2009 as been restated to consolidate all the companies in proportion

Net Asset Value

The Company measures its performance, in a first instance, on the basis of changes in Net Asset Value (NAV) plus dividends distributed. The Company calculates its NAV according to the guidelines published in 2007 by INREV (European Association for Investors in Non-listed Real Estate Vehicles), an association of which the Company is a member.

On the basis of this methodology, the NAV of Sonae Sierra, as of 31 December 2010, was €1,251 million compared with €1,228 million on 31 December 2009. The NAV per share of the properties attributed to the company is €38,47 against €37,78 recorded on 31 December 2009, corresponding to an increase of 1,8%.

Net Asset Value (NAV)	Actual	Actual PF
amounts in € 000	31 Dec 10	31 Dec 09
NAV as per the financial statements	1.000.431	994.533
Revaluation to fair value of developments	14.033	14.519
Deferred tax for properties	249.382	233.066
Goodwill related to deferred tax	-37.347	-37.932
Gross-up of assets	24.426	24.310
NAV	1.250.926	1.228.497



Ratios

Ratios	Actual	Actual PF	Actual
	Dec 10	Dec 09	Dec 09
Loan-to-value	46,4%	50,1%	49,9%
Interest Cover	2,27	1,90	1,91
Development Risk	12,1%	12,7%	8,5%

The Loan-to-value decreased from 49,9% to 46,4% as the result of the decrease on bank loans and Interest cover in 2010 is 2,28 higher than 2009 and above the Company target of 2,0.

The development risk, measured as the amount invested and to be invested to conclude the projects under development as a percentage of total assets, decreased from 12,7% to 12,1%, mainly as a result of the inauguration of LeiriaShopping.



Sierra Investments

Sierra Investments contributed with a positive result of €12,8 million to the Consolidated Net Profit of Sonae Sierra.

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.

Shopping Centre Net Operating Margin in 2010 is in line with 2009PF with the full year contribution of the 2009 openings and to the 2010 openings, and investments on expansions and refurbishments in our portfolio assets, being compensated by the sales of the period. On a L4L basis the total rental income is in line with last year.

The decrease in asset management income over 2009 is consequence of higher administrative costs.

Recurrent Net financial results decreased 5% compared to 2009 due to lower financial costs related with lower bank debt.

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 losses in Value created on investment reached the amount of €13,6 million in 2010, reflecting the yield increase in Portugal, Greece and Italy.

The Deferred Taxes shows an increase compared with the same period of last year, mostly explained by the lower losses in value created and due to the impact of the new tax rules imposed by the Portuguese Government. Portuguese companies that have over €2mn taxable profit were subject to 2,5% of “derrama estadual”. The impact of this rule was an increase of deferred taxes in the amount of €15mn.

Sierra Investments

Profit & Loss Account (€000)

	2010	2009PF*	2009	% 10/09PF
Retail Net Operating Margin	109.103	108.171	170.549	1%
Parking Net Operating Margin	1.588	1.895	3.672	-16%
Co-generation Net Operating Margin	544	671	1.340	-19%
Shopping Centre Net Operating Income	111.235	110.736	175.561	0%
Offices Net Operating Income	73	214	214	-66%
Asset Management Net Operating Income	2.501	3.525	5.590	-29%
Net Operating Income (NOI)	113.810	114.476	181.365	-1%
Net financial costs/(income)	42.616	45.010	75.987	-5%
Other non-Recurring costs/(income)	6.672	6.481	3.115	3%
Corporate Taxes	11.150	11.051	17.979	1%
Direct Profit	53.372	51.934	84.284	3%
Gains realized on sale of investments	(3.549)	937	608	-
Value created on investments	(13.637)	(157.943)	(260.584)	91%
Deferred tax	23.339	(35.463)	(59.163)	166%
Indirect Profit	(40.525)	(121.544)	(200.813)	67%
Net Profit for the Period	12.847	(69.610)	(116.528)	118%
Attributable to :				
Equity holders	12.847	(69.610)	(69.610)	118%
Minority interests	0	0	(46.918)	-

Sierra Investments

Consolidated Balance Sheet (€000)

	2010	2009PF*	2009	Var. (10 - 09PF)
Investment properties & others	1.910.802	1.995.363	3.236.562	-84.561
Other assets	162.321	157.318	178.219	5.002
Deposits & short term investments	75.317	61.629	77.297	13.687
Total assets	2.148.439	2.214.311	3.492.078	-65.871
Net worth	713.140	688.031	688.649	25.109
Minorities	0	0	365.496	0
Bank loans	1.062.757	1.139.137	1.788.097	-76.380
Deferred taxes	238.206	220.369	407.973	17.837
Other liabilities	134.337	166.774	241.864	-32.437
Net Worth, minorities and liabilities	2.148.439	2.214.311	3.492.079	-65.871

* Note: 2009 as been restated to consolidate all the companies in proportion

Sierra Developments

Sierra Developments contributed negatively with €41,3 million to the Consolidated Net Profit of Sonae Sierra. Value created on projects relates mainly to the decreased in value on shopping centres opened in the last two years and to the imparity losses booked in the Greek projects.

The lower income from the development services, capitalized on the projects relates with the slowdown on the development activity consequence of the current market status. In Europe the company inaugurated successfully Leiriashopping – in time and on budget – and will inaugurate Le Terrazze, in Italy, in 2011

SONAE SIERRA

The operating costs decreased by 13% when compared with 2009, reflecting the headcount reduction and the costs cutting efforts in all the countries where the company operates.

Sierra Developments

Profit & Loss Account (€000)

	2010	2009	% 10/09
Project Development Services Rendered	6.133	6.535	-6%
Value created on projects	(24.503)	(43.606)	44%
Operating income	(18.370)	(37.071)	50%
Operating costs	23.203	26.746	-13%
Net Operating Income (NOI)	(41.573)	(63.817)	35%
Depreciation and provisions	99	(9)	-
Net financial costs/(income)	2.292	5.103	-55%
Other non-Recurring costs/(income)	544	352	54%
Corporate taxes	(3.212)	395	-
Net Profit for the Period	(41.296)	(69.660)	41%
Attributable to :			
Equity holders	(41.296)	(69.660)	41%

Consolidated Balance Sheet (€000)

	2010	2009	Var. (10 - 09)
Properties under development	164.128	245.479	-81.351
Other assets	77.364	109.407	-32.043
Deposits	5.585	2.724	2.861
Total assets	247.077	357.610	-110.533
Net worth	(68.465)	(5.526)	-62.939
Bank loans	9.320	33.315	-23.995
Shareholder loans	175.476	202.960	-27.485
Deferred taxes	4.063	4.464	-401
Other liabilities	126.682	122.396	4.286
Net worth, minorities and liabilities	247.077	357.610	-110.533

Sierra Management

Sierra Management contributed with €3,5 million to the Consolidated Net Profit of Sonae Sierra.

Sierra Management portfolio of centres under management was added by 5 centres in 2010. 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 3%, due to the cost cutting efforts implemented in the previous year.

Sierra Management

Profit & Loss Account (€000)

	2010	2009	% 10/09
Total Income from Management Services	33.510	33.923	-1%
Operating Costs	27.483	28.467	-3%
Net Operating Income (NOI)	6.027	5.455	10%
Net financial costs/(income)	(851)	(1.256)	32%
Other non-recurring costs/(income)	847	569	49%
Corporate taxes	2.521	2.378	6%
Net Profit for the Period	3.510	3.764	-7%
Atributable to :			
Equity holders	3.510	3.666	-4%
Minority interests	0	98	-

Consolidated Balance Sheet (€000)

	2010	2009	Var. (10 - 09)
Other Assets	29.774	34.343	-4.569
Deposits	34.541	28.148	6.394
Total Assets	64.316	62.491	1.824
Net Worth	9.939	4.327	5.612
Minorities	0	134	-134
Other Liabilities	54.376	58.030	-3.653
Net Worth, Minorities and Total Liabilities	64.316	62.491	1.824



Sonae Sierra Brazil

Sonae Sierra Brazil contributed with a positive result of €33,6 million to the Consolidated Net Profit of Sonae Sierra.

Profit & Loss Accounts

In the investment business, Shopping Centre Operating Margin grew by 48% in 2010. This increase reflects the full year contribution of Manauara, 2010 opening of Parque D. Pedro expansion, the acquisition of an additional 17% stake in Metrópole, higher car parking in Parque D. Pedro and to the overall good operational performance of the Brazilian shopping centres.

The Development and Property Management Services Rendered had a very positive year, with a substantial increase in the income, due to the new developments, Uberlândia and Londrina, the increase in the portfolio under management and the good performance of the existing portfolio.

Indirect profit is lower than previous year due to no yields compression in 2010 although an important improvement of the operational performance of all the properties.

Balance Sheet

Real is still appreciating considerably versus Euro, and is now 13% above 2009. The consequence of this was an increase of €35mn under Reserves.

Sonae Sierra Brazil**Profit & Loss Account (€000)**

	2010	2009 PF*	2009	% 10/09PF
Retail Operating Margin	24.772	17.890	39.055	38%
Parking Net Operating Margin	3.253	1.078	2.493	202%
Shopping Centre Net Operating Margin	28.026	18.968	41.548	48%
Total Income from Services Rendered	7.401	4.859	10.266	52%
Overheads	9.270	6.272	10.844	48%
Net Operating Income (NOI)	26.157	17.555	40.970	49%
Net financial costs/(income)	10	2.594	5.376	-100%
Other non-recurring costs/(income)	2.824	1.975	5.053	43%
Corporate taxes	3.548	1.103	4.680	222%
Direct Profit	19.774	11.884	25.861	66%
Gains realized on sale of investments	(759)	3.203	6.405	-124%
Value created on investments	25.102	27.468	63.334	-9%
Deferred tax	10.481	6.967	15.600	50%
Indirect profit	13.863	23.704	54.139	-42%
Net Profit for the Period	33.637	35.587	80.000	-5%
Attributable to:				
Equity holders	33.637	35.587	71.175	-5%
Minority interests			8.825	

Consolidated Balance Sheet (€000)

	2010	2009 PF*	2009	Var. (10 - 09PF)
Properties	433.772	328.273	759.144	105.498
Other Assets	14.739	14.112	30.044	627
Cash & Equivalents	14.294	18.295	37.619	-4.002
Total Assets	462.804	360.681	826.807	102.123
Net Worth	338.404	270.456	540.912	67.948
Minorities	0	0	83.203	0
Bank Loans	41.004	32.768	68.511	8.236
Deferred Taxes	63.561	47.089	112.529	16.472
Other liabilities	19.835	10.368	21.653	9.467
Net Worth, Minorities and Total Liabilities	462.804	360.681	826.807	102.123

* Note: 2009 as been restated to consolidate all the companies in proportion

The value of the investment properties increased by € 105 million due to the favourable variance in the exchange rate, the increase in the value of the existing portfolio, and the opening of Parque D. Pedro expansion.

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 € 0.73 per share, amounting to the total sum of € 23,735,220.00 (twenty e three million, seven hundred and thirty five thousand and two hundred and twenty Euro), which compares with a dividend distribution of € 0.84 per share in 2009.

The Future

Our aim is to be the leading international shopping centre specialist and the partner of choice in all the markets we operate in.

With that in mind, we are constantly examining new opportunities for innovative developments and are keen to foster new alliances with local partners or important institutional investors who share our enthusiasm for new ideas.

In responding to the changing demands of consumers worldwide, we are firm believers in the idea that today's shopping experience should go beyond the simple business of buying goods or services. Our aim is to create exciting spaces that offer unique experiences combining shopping with leisure activities.

As a way of introducing new customers to these concepts and our management methods, we are actively engaged in marketing our shopping centre development and retail property management skills in new territories.

The Outlook

The challenges of the past year have done nothing to dampen our enthusiasm or cause us to veer away from our ideals.

Moreover, despite the continuing after effects of the financial crisis of 2008/9, our performance has demonstrated the strength and resilience of our portfolio and the quality of our organization.

We know we are operating in a changed world, but we are ready to capitalize on all the opportunities that will present themselves as the economic conditions improve.

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 partners and the official organizations who have trusted and supported us throughout the year.

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 challenging year for all of us.

Maia, 04th March 2011

The Board of Directors

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2010 AND 2009

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

(Amounts stated in thousands of Euro)

ASSETS	Notes	31 December 2010	31 December 2009
NON CURRENT ASSETS:			
Investment properties	7	3,263,755	3,354,126
Investment properties in progress	7	203,541	239,694
Property, plant and equipment	8	2,773	3,070
Goodwill	9	46,406	49,287
Intangible assets	10	5,745	5,903
Investments in associates and companies excluded from consolidation	5	89,207	77,527
Deferred tax assets	22	24,335	35,782
Derivative financial instruments	18	847	26
State and other public entities	25	160	102
Other non current assets	11	28,895	23,630
Total non current assets		3,665,664	3,789,147
CURRENT ASSETS:			
Trade receivables	12	33,802	36,661
State and other public entities	25	37,437	39,325
Other receivables	13	28,829	49,332
Other current assets	14	13,225	14,585
Cash and cash equivalents	15	54,129	76,450
Total current assets		167,422	216,353
Total assets		3,833,086	4,005,500
EQUITY, NON-CONTROLLING INTERESTS AND LIABILITIES			
EQUITY:			
Share capital	16	162,245	162,245
Reserves	16	57,329	57,329
Translation Reserve		44,902	10,850
Hedging Reserve		(21,191)	(24,519)
Retained earnings		748,452	899,614
Consolidated net profit for the period attributable to the equity holders of Sonae Sierra		8,694	(110,986)
Equity attributable to the equity holders of Sonae Sierra		1,000,431	994,533
Non-controlling interests	17	432,140	407,232
Total Equity		1,432,571	1,401,765
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term debt - net of current portion	18	1,457,865	1,544,785
Debentures loans - net of current portion	18	74,760	74,652
Derivative financial instruments	18	38,563	44,732
Other shareholders	20	10,955	12,477
Trade payables	24	6,171	2,306
Other non current liabilities	21	13,775	13,503
Provisions	28	374	212
Deferred tax liabilities	22	507,495	462,407
Total non current liabilities		2,109,958	2,155,074
CURRENT LIABILITIES:			
Current portion of long term debt	18	118,456	183,838
Current portion of long term of debentures loans	18	(108)	(102)
Short term debt and other borrowings	19	1,404	60,924
Other shareholders	20	10,791	10,946
Trade payables	24	32,539	42,804
State and other public entities	25	18,539	18,317
Other payables	26	27,770	29,823
Other current liabilities	27	79,081	101,853
Provisions	28	2,085	258
Total current liabilities		290,557	448,661
Total equity, minority interests and liabilities		3,833,086	4,005,500

The accompanying notes form an integral part of these consolidated statements of financial position.

The Board of Directors

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

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 2009

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

(Amounts stated in thousands of Euro)

	Notes	2010	2009
Operating revenue:			
Services rendered	29	384,857	365,829
Variation in fair value of the investment properties	7 and 30	20,889	(285,506)
Other operating revenue	31	21,943	17,532
Total operating revenue		<u>427,689</u>	<u>97,855</u>
Operating expenses:			
External supplies and services		(144,713)	(140,658)
Personnel expenses		(55,405)	(56,385)
Depreciation and amortisation	8 and 10	(2,359)	(2,347)
Provisions and impairment	28	(7,604)	(6,535)
Write-off and impairment losses	32	(30,822)	(9,804)
Other operating expenses	33	(19,820)	(16,239)
Total operating expenses		<u>(260,723)</u>	<u>(231,968)</u>
Net operating profit		166,966	(134,113)
Financial income	34	9,872	6,551
Financial expenses	34	(71,598)	(82,888)
Share of results of associated undertakings	5 and 35	521	(9,877)
Gains and losses on investments	36	2,971	20,806
Profit before income tax		108,732	(199,521)
Income tax	23	<u>(74,745)</u>	<u>39,613</u>
Profit after income tax		33,987	(159,908)
Net profit after tax from discontinuing operations		-	-
Consolidated net profit for the period		<u><u>33,987</u></u>	<u><u>(159,908)</u></u>
Attributable to:			
Equity holders of Sonae Sierra		8,694	(110,986)
Non-controlling interests	17	25,293	(48,922)
		<u>33,987</u>	<u>(159,908)</u>
Consolidated net profit per share:			
Basic	-	0.267	(3.413)
Diluted	-	0.267	(3.413)

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 2010 AND 2009

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

(Amounts stated in thousands of Euro)

	Notes	2010	2009
Consolidated net profit for the period		33,987	(159,908)
Changes in the currency translation differences		39,687	60,972
Changes in the fair value of hedging instruments		6,617	(13,477)
Income tax related to components of other comprehensive income		(1,886)	3,412
Others		152	(456)
Other comprehensive income of the period		44,570	50,451
Total comprehensive income for the period		78,557	(109,457)
Attributable to:			
Equity holders of Sonae Sierra		47,153	(59,746)
Non-controlling interests		31,404	(49,711)
		78,557	(109,457)

The accompanying notes form an integral part of these consolidated statements of comprehensive income.

The Board of Directors

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 2009

(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									
Notes	Share capital	Reserves			Retained earnings	Net profit	Total	Non-controlling Interests (Note 17)	Total
		Legal Reserves	Translation reserve	Hedging reserve					
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	41	-	-	-	-	(46,820)	(46,820)	(775)	(47,595)
	-	-	-	-	(162,946)	116,126	(46,820)	(775)	(47,595)
Currency translation differences	-	-	57,760	-	-	-	57,760	3,212	60,972
Transfer to non-controlling 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 6)	-	-	-	-	-	-	-	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
Balance at 31 December 2009	162,245	57,329	10,850	(24,519)	899,614	(110,986)	994,533	407,232	1,401,765
Appropriation of consolidated net profit for 2009:									
Transfer to legal reserves and retained earnings	-	-	-	-	(138,298)	138,298	-	-	-
Dividends distributed	41	-	-	-	-	(27,312)	(27,312)	(11,101)	(38,413)
	-	-	-	-	(138,298)	110,986	(27,312)	(11,101)	(38,413)
Currency translation differences	-	-	34,052	-	-	-	34,052	5,635	39,687
Transfer to/from non-controlling interests	17	-	-	(930)	(13,013)	-	(13,943)	13,943	-
Fair value of hedging instruments	18	-	-	6,045	-	-	6,045	572	6,617
Deferred tax in fair value of hedging instruments	22	-	-	(1,787)	-	-	(1,787)	(99)	(1,886)
Capital increase/decrease	-	-	-	-	-	-	-	(9,338)	(9,338)
Acquisitions/sale of subsidiaries effect (Note 6)	-	-	-	-	-	-	-	-	-
Consolidated net profit for period ended 31 December 2010	-	-	-	-	-	8,694	8,694	25,293	33,987
Others	-	-	-	-	149	-	149	3	152
Balance at 31 December 2010	162,245	57,329	44,902	(21,191)	748,452	8,694	1,000,431	432,140	1,432,571

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 2010 AND 2009

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

(Amounts stated in thousands of Euro)

	2010	2009
OPERATING ACTIVITIES:		
Received from clients	385,362	361,540
Paid to suppliers	(142,213)	(131,623)
Paid to personnel	(57,367)	(53,981)
Flows from operations	185,782	175,936
(Payments)/receipts of income tax	(25,811)	(16,817)
Other (payments)/receipts relating to operating activities	443	1,271
Flows from operating activities [1]	160,414	160,390
INVESTING ACTIVITIES:		
Receipts relating to:		
Investments	112,144	43,740
Tangible fixed assets	32,946	10,329
Interest income	3,642	5,880
Dividends	1,105	684
Other	4,375	9,523
	154,212	70,156
Payments relating to:		
Investments	(29,211)	(4,559)
Tangible fixed assets	(109,374)	(200,941)
Intangible fixed assets	(1,551)	(1,090)
Other	(951)	(3,093)
Variation in Loans granted	1,935	(1,009)
Flows from investing activities [2]	15,060	(140,536)
FINANCING ACTIVITIES:		
Receipts relating to:		
Capital increase and share premiums	-	7,574
Bank loans	118,724	225,930
Other	-	-
	118,724	233,504
Payments relating to:		
Interest expenses	(70,671)	(84,602)
Dividends	(38,143)	(47,684)
Decrease of share capital - nominal value and discounts and premiums	(9,381)	(491)
Bank loans	(190,460)	(138,669)
Other	(11)	-
Variation in Loans obtained - others	(1,521)	(10,224)
Flows from financing activities [3]	(191,463)	(48,166)
Variation in cash and cash equivalents [4] = [1] + [2] + [3]	(15,989)	(28,312)
Effect of exchange differences	2,068	4,418
Effect of the acquisitions and sales of companies:		
LeiriaShopping	(8,111)	-
MC Property Management	(252)	-
Project Sierra 6 BV	(4)	-
Alexa KG	(1)	-
Le Terrazze	-	1,475
Torre Oriente	-	(81)
Avenida M40	-	(282)
Harvey Dos	-	1,003
Vuelta	-	(19)
Cash and cash equivalents at the beginning of the year	76,418	98,216
Cash and cash equivalents at the end of the year	54,129	76,418

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 2010

(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, Colombia 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 2010. 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 in accordance with the accrual basis of accounting, from the accounting

records of the companies included in the consolidation maintained according to the 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 Group financial year beginning on 1 January 2010:

Standard / Interpretation	Effective Date (financial years beginning on/after)	
IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements (revised in 2008)	1-Jul-09	This revised standard has resulted in 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 business combination; (d) the registration of transactions regarding the purchase of interests in already controlled entities and transactions regarding the sales of interest without such resulting in loss of control and (e) the calculation of the result from the sale of interests with loss of control and the need for a new measurement of the retained interests.
IAS 28 (revised in 2008) – Investments in Associates	1-Jan-09	The principles described above and adopted in IAS 27 regarding the assessment of the result of the sale of company is extended to IAS 28.
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.
IFRS 1 – Amendments (additional exemptions)	1-Jan-10	This amendment contemplates an additional set of exemptions for retrospective application, particularly in terms of assets resulting from the exploitation of mineral resources, responsibilities of decommissioning and from applying the requirements of IFRIC 4.

Standard / Interpretation	Effective Date (financial years beginning on/after)	
IFRS 2 – Amendments (Group Cash-settled Share-based Payment Transactions)	1-Jan-10	These amendments clarify certain aspects related to the accounting of share-based payment transactions within corporate groups.
IFRIC 12 – Service Concession Arrangements	01-Jan-10	This interpretation introduces new recognition and measurement rules by the private operator involved in the services of infrastructure and operating construction, under public-private partnership concessions.
IFRIC 15 – Agreements for the Construction of Real Estate	01-Jan-10	This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11- Construction Contracts or IAS 18- Revenue and, accordingly, when revenue from the construction should be recognised.
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	01-Jul-09	This interpretation provides guidance on the accounting of hedging net investments in foreign operations.
IFRIC 17 – Distributions of Non-cash Assets to Owners	01-Jul-09	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
IFRIC 18 – Transfers of Assets from Customers	01-Jul-09	This interpretation provides guidance on the accounting by recipients for transfers of tangible fixed assets from customers.
Improvements to International Financial Reporting Standards - 2009	Several (usually 01-Jan-10)	This process involved the review of 12 accounting standards.
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement - Eligible Hedged Items	01-Jul-09	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

All these standards were first applied by the Group in 2010, without significant retrospective impact in the consolidated financial statements.

The following standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, endorsed by the European Union:

Standard / Interpretation	Effective Date (financial years beginning on/after)	
IAS 24 – Related Party Disclosures (revised)	1-Jan-11	This revision clarifies the definition of a related party and simplifies the disclosure requirements for government-related entities.
IFRS 1 – Amendment (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)	1-Jul-10	This amendment simplifies the comparative disclosure obligations regarding financial instruments in first-time adoption of IFRS.
IAS 32 – Amendment (Classifications of Rights Issues)	1-Feb-10	This amendment clarifies the conditions under which certain rights issues can be classified as equity instruments.
IFRIC 14 – Amendment (Prepayments of a Minimum Funding Requirement)	1-Jan-11	This amendment removes an unintended consequence resulting from the treatment of pre-payment of future contributions in circumstances where a minimum funding requirement applies.
IFRIC 14 – Extinguishing Financial Liabilities with Equity Instruments	1-Jul-10	This interpretation provides guidance on how to account the transactions in which an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the extinction of all or part of this financial liability.

These standards, despite being endorsed by the European Union, were not adopted by the Group in 2010 because their application is not yet mandatory. It is not anticipated that there will be significant retrospective impact in the consolidated financial statements of the Group from the adoption of the standards.

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

	Effective date (financial years beginning on/after)
IFRS 9 - Financial Instruments	01-Jan-13
Improvements to IFRS (2010)	Several (on / after 01-Jul-10)
Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets	01-Jan-12
Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01-Jan-11
Amendments to IFRS 7 - Financial Instruments: Disclosures	01-Jul-11

With the exception of the Amendment to IAS 12 Income Taxes – Deferred Tax, of which impact on the Group is being analysed, there is not anticipated that, from the future adoption the other standards and interpretations, which for now have not been endorsed by the European Union, will result in any significant retrospective impact in the 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 financial statements of the parent company and its subsidiaries, jointly controlled entities and associates included in the consolidated financial statements, are stated as of 31 December 2010. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

The consolidation methods adopted by the Group are as follows:

a) Investments in Subsidiaries

Investments in companies in which the Group owns, directly or indirectly, more than half 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 are considered investments in subsidiaries, their financial statements being included in the consolidated financial statements by the full consolidation method.

The purchase method of accounting is used when recording the acquisition of subsidiaries (Note 2.2.d)).

The interests in the net assets of subsidiaries that do not belong to the Group (non-controlling interests) are presented within equity, separately from equity attributable to equity holders of the parent company, under the caption "Non-controlling interests". Non-controlling interests consist on the amount of those interests at acquisition date

(Note 2.2.d)) and of the proportion in changes in equity of subsidiaries acquired after the purchase date.

The net result and each component of comprehensive income are allocated to the Group and to the non-controlling interests in proportion to their holding (ownership interest), even if this results in a deficit balance of non-controlling interests.

All intercompany transactions (including gains/losses obtained in sales within the Group), balances and dividends distributed within the Group are eliminated in the consolidation process.

The changes in ownership interest in the Group's subsidiaries that do not result in loss of control are recorded as equity transactions.

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

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

b) Investments in jointly controlled companies

The investments in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportional consolidation method as from date the joint control is acquired. In accordance with this method, the assets, liabilities, income and expenses of these companies are included in the accompanying consolidated financial statements on a line-by-line basis, in proportion of the control attributable to the Group.

The excess of cost of acquisition over the fair value of the identifiable net assets and liabilities of each jointly controlled entity at the acquisition date is recognised as goodwill (Note 2.2.d)). If the difference between the acquisition cost and fair value of the identifiable net assets and liabilities acquired is negative, it is recognised as a gain for the year.

The intercompany transactions, balances and dividends distributed are eliminated in the consolidation process, in the proportion of the control attributable to the Group.

Investments in joint ventures (usually 50% owned) are classified as such based on the shareholders' 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.

c) Investments in associated companies

Investments in associated companies (companies where the Group exercises significant influence, presumed when the contribution is above 20%, but does not hold the control or the joint control through the participation in the financial and operating decisions of the company) are consolidated in accordance with the equity method.

Under the equity method, financial investments in associates are recorded at their acquisition cost, adjusted after the date of acquisition, by the amount corresponding to the Group's proportion in equity (including net results) of associates after that date. By applying the equity method, the Group's share in the net result of associates is recorded against the statement of profit and loss and the dividends received are deducted from the value of the investment.

The excess of cost of acquisition over the fair value of identifiable assets and liabilities of each associate at the acquisition date is recognised as goodwill (Note 2.2.d)) and is kept under the caption of the financial investment in associates. If the difference between the acquisition cost and fair value of assets and liabilities acquired is negative, it is recognised as a gain for the year.

The investments in associates are assessed when there is evidence that the asset may be impaired, as well as an annual assessment of the value of goodwill recorded under the caption of the investments in associates. Any existing impairment loss is recorded as an expense in the consolidated statement of profit and loss.

When the Group's share of accumulated losses of the associated company exceeds the value at which the investment is registered, the investment is reported at nil value and recognition of losses is discontinued except in the extent of the Group's commitment towards the associate.

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

Investments in associated companies are listed in Note 5.

d) Goodwill

In the acquisitions of subsidiaries after 1 January 2010, the positive differences between the transferred retribution (usually acquisition cost) increased by the amount of non-controlling interests at acquisition date and the fair value of identifiable net assets acquired and the assumed liabilities of such companies at the acquisition date, are recorded under caption "Goodwill". If the difference is negative, it is recognised as a gain of the year. The non-controlling interests at acquisition date are measured at fair value or by their proportion in the fair value of identifiable net assets at the acquisition date.

The positive differences between the acquisition cost of investments in subsidiaries acquired until 31 December 2009, jointly controlled entities and associates and the fair value of identifiable assets and liabilities attributable to the Group of those companies at the acquisition date, are recorded under the caption "Goodwill (in the case of investments in subsidiaries and jointly controlled entities) or in financial investment in associates (in the case of investments in associates)". If the difference is negative, it is recognised as a gain of the year. Non-controlling interests included, in the case of acquisition of subsidiaries, their proportion in the fair value of identifiable assets and liabilities at the acquisition date.

The goodwill resulting from acquisitions occurred until 31 March 2004 was up to 2004 inclusive and in accordance with IFRS 3 – Business Combinations ("IFRS 3"), depreciated during the expected period to recover the investment and the corresponding depreciation and impairment of Goodwill been recorded in the profit and loss statement. From 1 Janu-

ary 2005, the goodwill resulting from these acquisitions was no longer depreciated, being its carrying amount subject to impairment tests, carried out at each reporting date.

The goodwill resulting from acquisitions made after 31 March 2004 is not depreciated and is tested for impairment at the date of each report.

Any impairment loss on goodwill is immediately recognised in the statement of profit and loss of the year under the caption "Impairment losses" and not subsequently reversed.

The impairment tests of goodwill are based on the "Net Asset Value (NAV) of the shares held, at each reporting date.

The NAV corresponds to evaluation at fair value, at each reporting date, of the net assets of the subsidiary excluding deferred tax liabilities relating to unrealised gains on investment properties.

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 financial statements of foreign entities are translated to Euro at the exchange rate as of the reporting 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 each report date.

Whenever a foreign entity is sold, the accumulated exchange differences are recognised as a gain or loss in the consolidated statement of profit and loss.

The exchange rates used for the conversion into Euro of the accounts of Group companies, jointly controlled entities and foreign associates were the following:

	2010		2009	
	31.12.10	Average	31.12.09	Average
Brazilian Real	0.45092	0.42982	0.39820	0.36282
New Romanian Leu	0.23338	0.23752	0.23651	0.23606
Colombian Peso	0.00039	0.00041	na	na

2.3. Investment Properties

Investment properties consist of investments in buildings and other constructions in shopping centres to earn rentals or capital appreciation or both, 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 Investment property in progress meet the conditions for its fair value to be reliably measured, when there is a high probability that the project will be concluded within a short period of time. This probability is high when the following conditions are met:

- 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 caption "Variation in fair value of investment properties".

The Group's assets which qualify as investment properties are recognised 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. By the time the asset qualifies as investment property, it is booked at its historical or production cost under the caption "Investment Property in progress" as a tangible fixed asset (Note 2.4). Thereafter, such assets are accounted at their fair value. The difference between fair value and cost (of purchase or production), at that date, is recorded directly in the statement of profit and loss, under caption "Change in fair value of investment properties".

Costs incurred related to investment properties in use, namely maintenance, repairs, insurance and property taxes are recognised as an expense in the statement of profit and loss for the year to which relate. The improvements estimated to generate additional economic benefits are capitalised under the caption "Investment property".

Fit out contracts are contracts under which the Group supports part of the expenses incurred with the final works inside the store. In return, the tenant assumes the responsibility to reimburse the Group by the amount invested over the term of the contract, under terms and conditions specific to each contract. The amounts paid by the Group on each fit-out contract are initially recorded at cost under the caption "Investment Property", being subsequently adjusted to the corresponding fair value, at each reporting 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 these contracts relate. Changes 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. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated 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 depreciation rates used correspond to the following periods of estimated useful life:

	<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 investment properties in progress that do not qualify for their fair value to be reliably measured are recorded 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 statement of financial position, under the caption "Investment properties in progress".

Gains and losses arising from the sale or disposal (write-off) of tangible fixed assets are determined as being the difference between the sale price and the corresponding net book value as of the sale/disposal date, being recorded by their net book value in the 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 impairment losses. Intangible assets are only recognised if it is likely to produce future economic benefits to the Group, are controlled by the Group and the cost of the asset can be reliably measured.

Expenditure on research activities are recorded as expenses in the period they are incurred.

Intangible assets as of 31 December 2010 consist mainly of:

- rights of facilities management, which are depreciated on a straight-line basis over the estimated period of the management right (periods ranging from 10 to 15 years);
- Software, which is depreciated over the estimated period of use (periods ranging from 3 to 5 years).

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

2.6. Assets available for sale

Non-current assets (and all other related assets and liabilities to dispose) are classified as available for sale if it is expected that its 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 all other related assets and liabilities to dispose) is available for immediate sale under current conditions. Additionally, there must be in place measures 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. In return, these assets are not amortised.

2.7. Financial assets and liabilities

Assets and liabilities are recognised in the statement of financial position when the Group becomes part of the correspondent contractual arrangements.

Financial assets are initially recorded at their acquisition value, which is the fair value, including transaction costs, except for financial assets measured at fair value through profit and loss, where the transaction costs are immediately recorded in the profit and loss.

The Group derecognises financial assets when: (i) the contractual rights to cash flows expire; (ii) it transfers to another entity the significant risks and benefits associated with ownership of the property or; (iii) despite having retained some, but not substantially the significant risks and benefits, has transferred the control over them.

The Group derecognises financial liabilities only when the corresponding obligation is settled, cancelled or expires.

Financial assets are classified into the following categories:

- Financial assets measured at fair value through results
- Financial assets held to maturity
- Loans and receivables
- Financial assets available for sale

The financial assets measured at fair value through profit and loss are financial assets held for trading, i.e., financial assets that the Group intends to trade in the short term. In the particular case of the Group, this category includes mainly derivative financial instruments. The subsequent measurement of these financial assets is carried at fair value, recorded in the profit and loss statement.

Financial assets held to maturity are financial assets with fixed maturity and for which the Group has the intention and ability to hold to that date. In the particular case of the Group, there are no financial assets classified in this category.

Loans and receivables are generated during normal operations of the Group, for which there is no intention to negotiate. Classified in this category are the accounts receivable and other receivables, loans to third parties and bank deposits. The subsequent meas-

urement of these financial assets is carried at amortised cost in accordance with the effective interest method.

Financial assets available for sale are financial assets that are not classified in any of the above mentioned categories. In this particular case, the Group should classify in this category financial investments which were not likely to be classified as subsidiaries, associates or jointly controlled entities. However, by the date of these financial statements, no financial assets are classified in this category.

Financial liabilities are classified into the following categories:

- Financial liabilities measured at fair value through results
- Other financial liabilities

Financial liabilities, measured at fair value through results, correspond to liabilities held for trading, i.e., liabilities that the Group intends to trade in the short term. In the particular case of the Group, this category only includes derivative financial instruments. The subsequent measurement of financial liabilities is carried at fair value, recorded in the profit and loss statement.

Other financial liabilities correspond to other financial liabilities which are not classified in the former category. In this category are classified bank loans and loans from other entities, including shareholders and accounts payable and other payables. The subsequent measurement of these financial liabilities is carried at amortised cost, in accordance with the effective interest method.

Thus:

a) Trade and Other Receivables

Accounts receivable and other receivables are recorded at amortised cost less any eventual impairment losses. Usually, the amortised cost of these financial assets does not differ from its nominal value.

b) Borrowings

Loans are recorded as liabilities and measured at amortised cost.

Any expenses incurred in obtaining such financing, usually paid in advance on issue, namely the bank fees and stamp duty as well as interest expenses and similar expenses, are recognised using the effective interest method in the results of the year, over lifetime of such financing. These expenses incurred are deducted from the caption "Bank loans".

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

c) Trade and Other Payables

Accounts payable and other payables are stated at amortised cost. Usually, the amortised cost of these liabilities does not differ from its nominal value.

d) Cash and cash equivalents

The amounts included under caption "Cash and cash equivalents" include cash amounts, bank deposits and term deposits and other cash investments which mature in less than three months and for which the risk of value change is insignificant.

These assets are measured at amortised cost. Usually, the amortised cost of these financial assets does not differ from its nominal value.

For purposes of the statement of cash flows, "Cash and cash equivalents" also include bank overdrafts, which are included in the financial position statement under caption "Other loans".

e) Derivative Financial Instruments

The Group uses derivative financial instruments in managing their financial risks associated with fluctuating interest rate, only as a way to hedge those risks. Derivatives are not used for trading purposes (speculation).

Derivative financial instruments used by the Group relate mainly to instruments for hedging interest rate on bank loans obtained, usually corresponding to "swap" or "zero cost collars" in interest rate.

Derivative financial instruments are initially recorded at fair value on the date of their contract. At each reporting date, they are remeasured at fair value, with the corresponding gain or loss on the remeasurement recorded immediately in the profit and loss statement, unless such instruments are designated as hedging instruments. When they are designated as a hedging instrument (Note 2.8), the corresponding gain or loss in the remeasurement is recorded against the caption "Hedging reserve" in equity and transferred to results when the covered position when affect results.

A derivative with a positive fair value is recognised under caption "Derivative financial instruments" as a financial asset. A derivative financial instrument with a negative fair value is recognised under the same caption but as a financial liability.

A derivative is presented as non-current if the remaining maturity exceeds 12 months and is not expected that it will be executed or settled within that period.

In situations where there are derivatives embedded in other financial instruments or other host contracts, they are treated as separate derivatives in situations where the risks and characteristics are not closely related to the host contracts and in situations where the host contracts are not presented at fair value with unrealised gains or losses recorded in the profit and loss statement

2.8. Hedge accounting

As mentioned above, the Group uses derivative financial instruments (usually swaps and zero cost collars) to cover the risk of changing interest rate on Group's bank loans (cash flow hedge). The amount of loans, maturities, interest rates and reimbursement plan of loans underlying such financial instruments to hedge interest rate are usually identical in all conditions established for the correspondent contracted loans, which usually sets the perfect relationship coverage.

The criteria for classifying financial derivatives for hedging interest rate as cash flow hedges are as follows:

- 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

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

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 book value of the hedged asset; subsequent variations in fair value are recorded in the statement of profit and loss.

2.9. Accounting for leases

A lease is classified as (i) finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee and as (ii) operating lease if the risks and rewards of ownership are not transfer to 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 the 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 statement of 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 the 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 turnover 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 (indemnity) to the tenant.

In accordance to the conditions of these contracts, they are classified as operating leases, being the rents (fixed and turnover rents) and the common charges recorded as revenue in the statement of profit and loss in the year to which they relate. The expenses (namely discounts on fixed income and compensations) 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 relate. This procedure is consistent with the one followed by the specialised independent entity which determines the fair value of the investment property, with which the contracts are associated (Note 2.3).

2.10. Borrowing costs

Financial costs related to borrowings are generally recognised as expense 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 earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.11. 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 reporting date in order to reflect the best estimate as of that date.

Provisions for restructuring expenses are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties.

2.12. Income tax

Income tax represents the sum of the tax based on the taxable results of the companies included in the consolidation and the 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 evaluated annually at the tax rates expected to apply to the period when the temporary differences are reversed, based on tax rates (and tax laws) that are enacted or substantially issued at the reporting 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 as expenses or income of the year, except if they relate to items directly recorded in equity. In these situations the corresponding deferred tax is also recorded under the same caption.

2.13. Revenue

The Group's revenue is basically due to income from investment properties via the operating lease contracts and services related to common charges management of shopping centres, car parking operations, management fees in shopping centres and development fees from shopping centres under development.

The revenue related to income from investment properties via the operating lease contracts with the tenants (Note 2.9) is recognised in the year to which it relates, as follows

- Fixed rent:

This income is invoiced in advance, in the previous month and is being recognised in the profit and loss statement in the period to which it relates.

- Turnover rent:

This income is contingent and payable when the sales exceed the limit specified in the lease contract. As such, this income is recorded on an accrual basis.

- Other income and expenses:

Revenue arising from key money and contract transfer fees is recognised when invoiced to tenants, in the profit and loss statement under captions "Other operating income" and "Services rendered" respectively. The buy-out costs and the discounts on fixed rents are recognised in the profit and loss statement when granted to tenants, under captions "Services rendered" (to be deducted the same) and "Other operating expenses" respectively.

This procedure is consistent with the one used by the assessor of investment properties (Note 2.9).

The revenues arising from the services rendered related to the management of common charges of shopping centres, car parking operations, management fees in shopping cen-

tres and development fees from shopping centres under development are recognised in the profit and loss statement in the year they relate to, according to the accrual basis accounting and observing the stage of completion of service at the reporting date, provided that all the following conditions are met:

- The amount of the revenue can be reliably measured;
- It is likely that future economic benefits associated with the transaction will flow into the Company;
- The expenses incurred or to be incurred with the transaction can be reliably measured;
- The stage of completion of the transaction/service, at the reporting date, can be reliably measured.

The dividends are recognised as gains in the year they are assigned to the shareholders.

2.14. Accounting for Accruals and Deferrals

The income and expenses are recognised in the year to which they relate, regardless of the date of payment or receipt. The income and expenses, whose actual value is not known are estimated.

Under the captions "Other current assets" and "Other current liabilities" are recorded income and expenses attributable to the current year, when settlement or receipt will only occur in future years, as well as amounts paid and received that have occurred on the date of the statement of financial position, but which relate to future periods, and that will be charged to the profit and loss of the corresponding year.

2.15. Impairment of assets

a) Non-financial assets, excluding goodwill

With the exception of investment properties (Note 2.3) and deferred tax assets (Note 2.12), assets are assessed for impairment at each reporting date and whenever events or changes in circumstances indicate that the amount by which the asset is registered may not be recovered.

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.

b) Financial assets (usually accounts receivable, in the case of Group)

Whenever there are objective indicators that the Group will not receive the amounts it is entitled to, in accordance with the arrangements agreed between the parties, an impairment loss is recorded in the profit and loss statement. The indicators used by the Group to identify the signs of impairment are:

- Failure on the maturity and/or other terms agreed between the parties;
- Financial constraints of debtor
- Probability of insolvency of the debtor

Whenever there is such evidence, the existence of impairment losses is assessed, which is determined by the difference between the asset's carrying amount and its corresponding recoverable amount.

Impairment losses are recorded in the profit and loss statement under the caption "Impairment losses" in the period they are determined.

Subsequently, if the amount of the impairment loss reduces, it is reversed by results and recorded under the caption "Reversals of impairment losses".

2.16. Balances and transactions expressed in foreign currency

Transactions in currencies other than Euro are recorded at the exchange rates prevailing on the transaction date.

At each reporting date, assets and liabilities expressed in foreign currencies are converted to Euro using the exchange rates prevailing at that date.

Exchange differences, favourable and adverse, arising from differences between exchange rates effective at the date of transaction and the ones effective at the date of collections, payments or at the reporting date, are recorded as income and expenses in the profit and loss statement of the year.

2.17. Classification of financial position

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

2.18. 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.

2.19. 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 treasury needs 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 interest 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 reporting date. For floating rate liabilities, the analysis is prepared assuming the following:

- Amount of liability outstanding at the reporting 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 rate 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 recognised 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 (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 caps) 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 25 basis points lower and 75 higher and all other variables were held constant, assumptions unlikely occur due to interest rates correlation with other variables, the impact in the Group net profit and equity would be the following:

	2010		2009	
	- 25 b.p.	+75 b.p.	- 25 b.p.	+75 b.p.
Net Profit ⁽¹⁾	618	-1,759	557	-1,747
Reserves ⁽²⁾	-1,748	12,410	-2,768	11,382

(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.

2.20. 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 2010				
Non current assets				
Derivatives	18		847	847
Other non-current assets	11	28,895		28,895
		<u>28,895</u>	<u>847</u>	<u>29,742</u>
Current assets				
Trade account receivables	12	33,802		33,802
Other debtors	13	28,829		28,829
Cash and cash equivalents	15	54,129		54,129
		<u>116,760</u>	<u>-</u>	<u>116,760</u>
		<u>145,655</u>	<u>847</u>	<u>146,502</u>
As of 31 December 2009				
Non current assets				
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
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>

Financial Liabilities

	Notes	Derivatives used for cash flow hedging (Note 18)	Financial liabilities at amortised cost	Total
As of 31 December 2010				
Non current liabilities:				
Bank loans	18		1,457,865	1,457,865
Bonds	18		74,760	74,760
Derivatives	18	38,563		38,563
Other non-current liabilities	21		30,902	30,902
		<u>38,563</u>	<u>1,563,527</u>	<u>1,602,090</u>
Current liabilities:				
Bank loans	18 and 19		119,860	119,860
Bonds	18		(108)	(108)
Trade creditors	24		32,538	32,538
Other creditors	20 and 26		38,561	38,561
		<u>-</u>	<u>190,851</u>	<u>190,851</u>
		<u>38,563</u>	<u>1,754,378</u>	<u>1,792,941</u>
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	20 and 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>

2.21. 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 expenses 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 the subsequent year, as defined in IAS 8.

The most important estimates 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 impairment tests to the Goodwill are based on the open market value (OMV) at the reporting date of the financial investment.

d) Deferred tax assets

The deferred tax assets are recognised only if it is expectable that future fiscal profits will be enough to use the deferred tax assets. By the date of each report, the deferred tax assets are assessed and they are reduced if its 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.

2.22. Operating segments

Operating segments are reported in accordance with the information used internally by the management of the Group.

2.23. Subsequent Events

Events occurred after the reporting date that provide additional information about conditions that existed at that date (adjusting events) are reflected in financial statements. Events occurred after the reporting date that provide information on conditions that oc-

cur after that date (non-adjusting events) are disclosed in the consolidated financial statements, if materially significant.

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 2010 and 2009, are as follows:

		Percentage of share capital held	
Company	Head office	31.12.10	31.12.09
Parent company			
Sonae Sierra, SGPS, S.A.	Maia	-	-
Subsidiaries			
Corporate services			
Sierra Corporate Services- Apoio a Gestão, S.A	Lisbon	100.00%	100.00%
Sierra Corporate Services Holland, BV	Amsterdam (Netherlands)	100.00%	100.00%
Investment companies			
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) Beralands B.V.	Amsterdam (Netherlands)	100.00%	100.00%
Cascaishopping Holding I, SGPS, S.A.	Maia	50.10%	50.10%
2) Clérigoshopping- Gestão do Centro Comercial, S.A.	Maia	-	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%
3) El Rosal Shopping, S.A.	Madrid (Spain)	100.00%	70.00%
Estação Viana- Centro Comercial, S.A.	Viana do Castelo	50.10%	50.10%
Gli Orsi 1 Shopping Centre Srl	Milan (Italy)	100.00%	100.00%
Guimarãeshopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
Inparsa - 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%
Plaza Mayor Shopping B.V.	Amsterdam (Netherlands)	50.10%	50.10%
Plaza Mayor Shopping, S.A.	Madrid (Spain)	37.58%	37.58%
7) Project Sierra 8 B.V.	Amsterdam (Netherlands)	50.10%	100.00%

4)	Project Sierra Brazil 1 B.V.	Amsterdam (Netherlands)	-	100.00%
	Project Sierra Spain 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 7- Centro Comercial S.A.	Madrid (Spain)	100.00%	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%
5)	Sierra Berlin 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				
4)	Pridelease Investments Ltd	Cascais	-	100.00%
	Sierra Management Germany GmbH	Dusseldorf (Germany)	100.00%	100.00%
2)	Sierra Management II, Gestão de Centros Comerciais, S.A.	Lisbon	-	100.00%
	Sierra Management Italy S.r.l.	Milan (Italy)	100.00%	100.00%
2)	Sierra Management New Tech. Business-Serv.Comun. em C. C., S.A.	Lisbon	-	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%
6)	CCCB Caldas da Rainha - Centro Comercial, S.A.	Maia	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%
4)	KLC Holdings XII, SA	Luxembourg	-	100.00%
8) 9)	LCC LeiriaShopping Centro Comercial SA	Maia	-	100.00%
4)	Lembo Services, Ltd	Cyprus	-	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%
4)	Project Sierra 1 – Shopping Centre GmbH	Vienna (Austria)	-	100.00%

	Project Sierra 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 7 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 9 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 10 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%
	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%
4)	Project Sierra One, Srl	Bucharest (Romania)	-	100.00%
4)	Project Sierra Portugal IV- Centro Comercial, S.A.	Maia	-	100.00%
4)	Project Sierra Portugal V- Centro Comercial, S.A.	Maia	-	100.00%
4)	Project Sierra Portugal VII - Centro Comercial, SA	Maia	-	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 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%
	Weiterstadt Shopping B.V.	Amsterdam (Netherlands)	100.00%	100.00%

1) Ex - Project Sierra 5 B.V.

- 2) Company merged into Sierra Management Portugal - Gestão de Centros Comerciais, S.A. with effects since 1 January 2010.
- 3) Subsidiary included in the consolidated financial position at 31 December 2010 by 100%, because at this date the Group controls 100% of the company.
- 4) Companies liquidated during 2010.
- 5) Ex - Sierra Developments Germany Holding B.V.
- 6) Ex - Project Sierra Portugal II- Centro Comercial, S.A.
- 7) Company sold to the company Sierra European Retail Real Estate Assets Holdings BV which is owned by the Group by 50.1%.
- 8) Ex - Project Sierra Portugal VI - Centro Comercial, S.A.
- 9) Company sold in September 2010 to the associated company Sierra Portugal Real Estate which is owned by the Group by 47.5%.

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 2010 and 2009, are as follows:

			Percentage of share capital held	
	Company	Head office	31.12.10	31.12.09
	Investment companies			
1)	Adlands B.V.	Amsterdam (Netherlands)	50.00%	
2)	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%
	Harvey Dos Iberica. S.L.	Madrid (Spain)	25.05%	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 Occidente - Imobiliária. S.A.	Maia	25.00%	25.00%
	Via Catarina- Centro Comercial. S.A.	Maia	25.05%	25.05%
	Vuelta Omega. S.L.	Madrid (Spain)	25.05%	25.05%
	Zubiarte Inversiones Inmobiliarias. S.A	Madrid (Spain)	24.96%	24.96%
	Management companies			
3)	MC Property Management. S.A.	Athens (Greece)	-	37.50%
4)	Project Sierra 6 B.V.	Amsterdam (Netherlands)	50.00%	100.00%
	Sierra Charagionis Property Management S.A.	Athens (Greece)	50.00%	50.00%
	Development companies			
	Aegean Park Constructions Real Estate and Development. S.A.	Athens (Greece)	50.00%	50.00%
	ALEXA Administration GmbH	Berlin (Germany)	50.00%	50.00%
5)	ARP Alverca Retail Park. S.A.	Maia	50.00%	50.00%
	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 Spain 3- Centro Comercial S.A.	Madrid (Spain)	50.00%	50.00%
	SC Aegean B.V.	Amsterdam (Netherlands)	50.00%	50.00%
1)	Sierra Central S.A.S.	Santiago de Cali (Colombia)	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%
	Companies in Brazil			
	Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center	São Paulo (Brazil)	7.98%	7.98%
7)	Fundo Investimento Imobiliário Shop. Parque Dom Pedro	São Paulo (Brazil)	42.54%	42.50%
	Parque D. Pedro 1 BV Sarl	Luxembourg	50.00%	50.00%
6)	Parque D. Pedro 2 BV Sarl	Luxembourg	-	50.00%
7)	Pátio Boavista Shopping. Ltda.	São Paulo (Brazil)	47.89%	47.83%
7)	Pátio Goiânia Shopping. Ltda.	São Paulo (Brazil)	47.89%	47.83%
7)	Pátio Londrina Empreendimentos e Participações. Ltda.	São Paulo (Brazil)	47.89%	47.83%
7)	Pátio Penha Shopping. Ltda.	São Paulo (Brazil)	47.89%	47.83%
7)	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	47.89%	47.83%
7)	Pátio Sertório Shopping Ltda	São Paulo (Brazil)	47.89%	47.83%
7)	Pátio Uberlândia Shopping Ltda	São Paulo (Brazil)	47.89%	47.83%
	Sierra Brazil 1 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
7)	Sierra Enplanta. Ltda	São Paulo (Brazil)	47.89%	47.83%
7)	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	47.89%	47.83%
7)	Sonae Sierra Brasil. SA	São Paulo (Brazil)	47.89%	47.83%
	Sonae Sierra Brazil BV Sarl	Luxembourg	50.00%	50.00%
7)	Unishopping Administradora Lda	São Paulo (Brazil)	47.89%	47.83%
7)	Unishopping Consultoria Imobiliária Lda	São Paulo (Brazil)	47.88%	47.82%
1)	Company created in 2010.			
2)	Sale of 91% of the company ALEXA Asset GmbH & Co. KG in February 2010.			
3)	Company sold in July 2010.			
4)	Sale of 50% of the company in April 2010.			

- 5) Ex - Project Sierra Portugal I- Centro Comercial. S.A.
- 6) Company liquidated during 2010.
- 7) Ownership changed due to the capital increase in Sonae Sierra Brasil SA. not subscribed and realised 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:

	31.12.10	31.12.09
Non current assets	2,295,944	2,353,557
Current assets	68,980	78,024
Non current liabilities	1,250,276	1,303,625
Current liabilities	99,894	121,191
	2010	2009
Income	240,252	66,587
Expenses	(183,714)	(88,285)

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 2010 and 2009, are as follows:

2010 and 2009, are as follows:

		31 December 2010						
	Head Office	Assets	Liabilities	Equity	Net Profit	% own	Book value	Net profit held
Associated companies:								
Campo Limpo Lda	S. Paulo (Brazil)	55,406	11,755	43,651	5,792	10.00%	4,365	579
Pylea S.A.	Athens (Greece)	-	-	-	2,560	19.95%	-	511
Sierra Portugal Real Estate ("SPF") (*)	Luxemburg	450,243	317,032	133,211	(6,332)	47.50%	63,277	(2,710)
Goodwill SPF							14,027	-
Sonaegest - Soc. Gestora de Fundos de Investime	Maia	1,506	157	1,349	418	20.00%	270	83
ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	369,508	220,194	149,314	45,731	4.50%	6,719	2,058
Goodwill Alexa							259	-
							88,917	521
Other participations:								
Ercasa Cogeneración S.A.	Grancasa (Spain)					5.00%	48	-
Car Parking of Grancasa	Grancasa (Spain)					62.37%	242	-
							290	-
							89,207	521

31 December 2009								
	Head				Net		Book	Net profit
	Office	Assets	Liabilities	Equity	Profit	% own	value	held
Associated companies:								
Campo Limpo Lda	S. Paulo (Brazil)	43,759	9,507	34,252	5,000	10.00%	3,425	500
Pylea S.A.	Athens (Greece)	205,805	134,877	70,928	10,545	19.95%	14,150	2,103
Sierra Portugal Real Estate ("SPF") (*)	Luxemburg	374,141	261,629	112,512	(27,856)	42.00%	47,259	(11,700)
Goodwill SPF							11,991	(833)
Sonaegest - Soc. Gestora de Fundos de Investime	Maia	2,179	117	2,062	263	20.00%	412	53
							<u>77,237</u>	<u>(9,877)</u>
Other participations:								
Ercasa Cogeneración S:A	Grancasa (Spain)					5.00%	48	-
Car Parking of Grancasa	Grancasa (Spain)					62.37%	242	-
							<u>290</u>	<u>-</u>
							<u>77,527</u>	<u>(9,877)</u>

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

	% own
8ª Avenida Centro Comercial, S..A.	100%
ALBCC Albufeirashopping C.Comercial SA (1)	50%
Arrábidasshopping- Centro Comercial, S.A.	50%
GaiaShopping I- Centro Comercial, S.A.	50%
GaiaShopping II- Centro Comercial, S.A.	50%
LCC LeiriaShopping Centro Comercial SA (2)	100%
Loureshopping- Centro Comercial, S.A.	50%
PORTCC - Portimaashopping C.Comercial SA (3)	50%
Rio Sul- Centro Comercial, S.A.	50%
Serra Shopping- Centro Comercial, S.A.	50%

(1) Ex - Sol Retail Park - Gestão Galerias Comerciais, SA

(2) Company acquired in September 2010

(3) Ex - Oeste Retail Park - Gestão Galerias Comerciais, SA

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 2010 and 2009, the movement occurred in associated companies was as follows:

	2010	2009
Opening balance	77,237	90,771
Alexa KG - entry effect on associated companies:		
- Equity held (Note 6)	5,225	-
- Goodwill (Note 9)	259	-
Leiria - entry effect on associated companies through SPF (Note 6)		
- Equity held	(1,564)	-
SPF - percentage change effect		
- Equity held	(4,176)	-
- Goodwill	2,037	-
Pylea sale	(13,976)	-
Capital decrease	(4,620)	(2,515)
Capital increase	28,763	-
Effect of the application of the equity method:		
Hedging reserve	(160)	(1,164)
Translation reserve	476	706
Net profit	521	(9,044)
Dividends	(1,105)	(684)
Accumulated impairment losses	-	(833)
	<u>88,917</u>	<u>77,237</u>

6 ACQUISITION AND SALE OF COMPANIES

The main sales of companies occurred during the year 2010 were as follows:

Sale of subsidiaries in 2010

In February 2010, the joint controlled entity ALEXA Shopping Centre GmbH ("Alexa Shopping") sold 91% of the financial position in the company ALEXA Asset GmbH & Co. KG ("Alexa KG") (owner of the shopping centre "Alexa"), for the amount of kEuro 105,698 (kEuro 52,849 to the Group, as Alexa Shopping is a joint controlled entity). Due to the loss of the joint control of Alexa KG, this subsidiary (with reference to 1 January 2010) no longer integrates the consolidated financial statements by the proportional method and is now measured by the equity method, since there is significant influence on it.

In March 2010, Sierra Developments Holdings, BV (100% owned by the Group) sold its 100% of the financial position in the subsidiary Project Sierra 8 B.V. to Sierra European Retail Real Estate Assets Holdings, BV ("Sierra BV"), (held by the Group at 50,1%) by kEuro 18. Considering that Sierra BV is held by the Group in 50.1%, only 49.9% of the total gain in this sale was recorded by the Group (kEuro 12). Project Sierra 8 B.V. continues to be integrated in the consolidated financial statements by the full consolidation method.

In April 2010, Sierra Investments Holdings, BV (100% owned by the Group) sold 50% of the financial position in the company Project Sierra 6 BV, for the amount of kEuro 1, with a gain on sale of kEuro 1. After the sale, Project 6 B.V. was consolidated in the financial statements by the proportional method.

In July 2010, the joint controlled entity Project Sierra 6 B.V. ("Project 6 BV") sold its 75% of the financial position in the company MC Property Management, S.A. ("MC PM") (company responsible for the property management of the shopping centre "Mediterranean Cosmos"), for the amount of kEuro 464 (kEuro 232 to the Group, as Project 6 BV is a joint controlled entity), with a loss of kEuro 97 (kEuro 48 to the Group, as Project 6 BV is a joint controlled entity).

On the same date, the joint controlled entity SC Mediterranean Cosmos B.V. ("SC MC BV") sold its 100% of the financial position in the associated company Pylea S.A. ("Pylea") (owner of the shopping centre "Mediterranean Cosmos"), for the amount of kEuro 37,554 (kEuro 18,777 to the Group, as SC MC BV is a joint controlled entity), with a gain of kEuro 8,967 (kEuro 4,483 to the Group, as SC MC BV is a joint controlled entity).

In September 2010, Sierra Investments Holding B.V. (100% owned by the Group) sold its 100% of the financial position in the subsidiary LCC LeiriaShopping Centro Comercial SA ("LeiriaShopping") to the associated company Sierra Portugal Real Estate ("SPF") by kEuro 14,001. Considering that SPF is an associated company held by the Group in 42% (at the time of the acquisition) only 58% of the total gain in this sale was recorded by the Group (kEuro 2,159). After this operation LeiriaShopping will be integrated in the consolidated financial statements of SPF that is integrated in the consolidated financial statements of Sonae Sierra by the equity method.

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

Acquisition of subsidiaries in 2009:

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 (Note 9).

Sale of subsidiaries in 2009

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) realising 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) realising 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 by the amount of kEuro 2,335. Since Sierra BV is a subsidiary, owned 50.1% by the Group, only 49.9% of the gains realised on disposal (kEuro 154) were recognised 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).

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 in progress (Note 7)		18,266
Other current assets		1,190
Deferred tax liabilities		(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
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 sales occurred during the year 2010 was as follows:

		2010			
		Sales			
		Alexa KG	Leiria	MC PM	Total
Cash and cash equivalents	(I)	1	8,111	252	8,364
Investment properties (Note 7)		158,056	91,702	-	249,758
Tangible fixed assets		-	-	1	1
Other non current assets		39	-	1	40
Trade receivables		611	554	430	1,595
Other current assets		-	1,644	126	1,770
Deferred tax liabilities		-	(4,068)	-	(4,068)
Accounts payable and other liabilities - non-current		(100,000)	(70,286)	-	(170,286)
Accounts payable and other liabilities - current		(651)	(17,379)	(436)	(18,466)
Identifiable assets and liabilities at sales date		58,056	10,278	374	68,708
Goodwill of the subsidiary		2,881	-	-	-
		60,937	10,278	374	68,708
% sold		91%	100%	75%	
Transfer to associates (9%) (Note 5):					
- proporcional equity		(5,225)	-	-	(5,225)
- proporcional Goodwill (Note 9)		(259)	-	-	(259)
Transfer to associates (42%) (Note 5):					
- proporcional equity net of financial investment		-	1,564	-	1,564
Transaction Result:					
- Profit/ (loss) on sale		-	2,159	(48)	2,111
- Write-off of Goodwill (Note 9)		(2,622)	-	-	(2,622)
Sale amount	(II)	52,831	14,001	233	
Amount to be received	(III)	(4,736)	-	-	(4,736)
Net cash flow	(II-I+III)	48,094	5,890	(19)	

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 in progress		162	-
Other current assets		1,060	627
Deferred tax liabilities		(20,093)	(4,602)
Other current liabilities		(306)	(47)
		89,997	19,520
% sold		12.39%	84.03%
Transferred to non-controlled interests (*)		11,149	16,404
Profit/ (loss) on sale		2,466	2,177
Sale amount		13,615	18,581

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

		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
Deferred tax assets		-	104	104
Other current assets		(92)	793	701
Deferred tax liabilities		-	(1,923)	(1,923)
Accounts payable and other liabilities - non-current		367	-	367
Accounts payable and other liabilities - current		713	(10,094)	(9,381)
Identifiable assets and liabilities at sales date		4	6,735	6,739
Profit/ (loss) on sale		(5)	1,412	1,407
Sale amount	(II)	(1)	8,147	8,146
Net cash flow	(II-I)	983	8,066	9,049

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		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		15,866	
Amount at excluded date	(II)	-	
Net cash flow	(II-I)	(282)	

7 INVESTMENT PROPERTIES

The movement in investment properties, during the years ended 31 December 2010 and 2009 was as follows:

	2010					
	Investment properties					
	in progress					
	in operation	"Fit Out"	at cost	at fair value	Advances	Total
Opening balance	3,349,582	4,544	169,440	68,529	1,725	3,593,820
Increases	15,412	750	11,127	72,631	-	99,920
Impairments and write-off (Note 32)	-	-	(30,822)	-	-	(30,822)
Receivables	-	-	(19,199)	-	-	(19,199)
Fit-out receivables	-	(670)	-	-	-	(670)
Transfers	-	-	(113)	1,012	-	899
Increases by transfer from investment properties in progress:						
- Production cost	84,138	1,871	(7,541)	(78,468)	-	-
- Adjustment to fair value	4,043	-	-	12,621	-	16,664
Variation in fair value of the investment properties between years (Note 30):						
- Gains	55,834	235	-	-	-	56,069
- Losses	(50,463)	(1,382)	-	-	-	(51,845)
Sales of companies (Note 6)	(248,468)	(1,290)	-	-	-	(249,758)
Currency translation differences	49,619	-	396	2,203	-	52,218
Closing balance	3,259,697	4,058	123,288	78,528	1,725	3,467,296

The amount of kEuro 19,199 refers essentially to the receivable of the amount of kEuro 19,150 related to the land for the project Alfaz del Pi, which was reacquired by the former owner under the contract to purchase the land because of not having on time the building permit for the project.

The amount of kEuro 30,822 includes the impairment losses related to investment properties under development Ioannina (kEuro 15,000) and Galatsi (kEuro 14,119) (Note 32).

The amount of kEuro 249,758 relates to the sale of Alexa KG and Leiria (kEuro 158,056 and kEuro 91,702, respectively) (Note 6).

	2009					
	Investment properties					
	in progress					
	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)
Receivables	-	-	(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	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	<u>3,349,582</u>	<u>4,544</u>	<u>169,440</u>	<u>68,529</u>	<u>1,725</u>	<u>3,593,820</u>

At 31 December 2010 and 2009 investment properties in operation can be detailed as follows:

	31.12.10					31.12.09				
	10 yr discount rate		Exit Yield		Amount	10 yr discount rate		Exit Yield		Amount
	Floor	Cap	Floor	Cap		Floor	Cap	Floor	Cap	
Portugal/Spain	8.45%	11.75%	6.20%	9.25%	2,137,471	8.25%	11.55%	6.00%	9.05%	2,153,623
Other European Countries	6.75%	11.75%	6.00%	9.00%	673,698	6.50%	10.75%	6.00%	8.00%	835,403
Brazil	12.75%	14.00%	8.25%	9.50%	448,528	12.75%	14.00%	8.25%	9.50%	360,556
					<u>3,259,697</u>					<u>3,349,582</u>

The fair value of each investment property was determined by means of a valuation as of the reporting 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 reasonable 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 Commentary

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

In 2009, the Euro zone as a whole slipped back to zero growth by year end; a number of markets experienced negative growth, after one or two quarters of positive growth in the second and third quarter. In 2010, a different outlook emerged; data and sentiment indicators suggest that growth was regenerated throughout the region. The second quarter of the year was characterised by a wider breakdown in confidence relating to sovereign risk around Europe. ECB and EU reacted and pressured the member states to control their public spending so as not to compromise potential growth in the future. In response, each EU country adopted budget consolidation policies via fiscal measures. While some of these measures have had an immediate result, others will only take impact later in 2011.

According to the valuer, within the real estate sector, there remains limited clarity on pricing throughout Europe. Signs of increasing activity from both occupiers and investors emerged in the property market in 2010; overly ambitious negotiations have occurred in both investment and leasing discussions. Nevertheless, confidence has certainly improved and both occupiers and investors sense that, for Grade 'A' property, pricing is now around as good as it will get. For secondary stock, however, there is no urgency to invest or occupy property and the gap to prime has increased.

In terms of transactions occurred in 2010, the valuer considered that while some could be considered distressed, it is inappropriate to conclude that all market activity last year were 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 able 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 2010 and 2009, the recoverable amount of the fit out contracts existing in each investment property was as follows:

	31.12.10					31.12.09				
	10 yr discount rate		Exit Yield		Amount	10 yr discount rate		Exit Yield		Amount
	Floor	Cap	Floor	Cap		Floor	Cap	Floor	Cap	
Portugal/Spain	8.50%	11.40%	6.25%	8.90%	4,058	8.25%	11.55%	6.00%	9.05%	4,455
Other European Countries	11.75%	11.75%	8.50%	8.50%	-	10.75%	10.75%	7.00%	7.00%	89
					<u>4,058</u>					<u>4,544</u>

The fair value of the fit out contracts was determined by means of a valuation as of the reporting 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 2010 and 2009, the income (fixed rents net of possible discounts, turnover 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 to the investment properties of the Group, has the following detail:

	Rents		Direct operating expenses	
	31.12.10	31.12.09	31.12.10	31.12.09
Portugal/Spain	152,948	159,822	7,820	8,566
Other European Countries	42,289	43,164	2,424	4,791
Brazil	37,496	26,486	1,209	1,411
	<u>232,733</u>	<u>229,472</u>	<u>11,453</u>	<u>14,768</u>

At 31 December 2010 and 2009 the following investment properties had been given in guarantee of bank loans:

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

At 31 December 2010 and 2009 there were no material contractual obligations to purchase, construct or develop investment properties or for repairs or maintenance, other than those referred to above, except the obligations mention in Notes 3 and 40.

Investment properties in progress at 31 December 2010 and 2009 are made up as follows:

	31.12.10	31.12.09
Investment property at cost:		
Portugal:		
Alverca	6,137	6,132
Centro Bordalo	3,473	3,370
Parque de Famalicão	1,257	1,255
Torre Ocidente	-	1,040
Others	7	-
Germany:		
Alexa Tower	6,000	11,000
Garbsen	1,920	1,734
Others	14	-
Brazil:		
Uberlândia Shopping	-	4,588
Boulevard Londrina Shopping	-	2,698
Goiânia Shopping	10,616	7,541
Others	253	46
Spain:		
Pulianas Shopping	206	206
Dos Mares - expansion	2,810	2,810
Alfaz del Pi	-	19,150
Others	-	76
Greece:		
Aegean Park	9,963	9,850
Pantheon Plaza	1,778	1,778
Galatsi Shopping	-	11,543
Ioannina	17,261	27,063
Italy:		
Le Terrazze (Hypermarket)	7,307	6,522
Caldogno	9,916	9,876
Others	505	515
Romania:		
Craiova Shopping	35,349	35,232
Ploiesti Shopping	14,635	14,831
	129,407	178,856
Impairment for assets at risk	(4,394)	(7,691)
	125,013	171,165
Investment property at fair value:		
Portugal:		
LeiriaShopping	-	49,195
Torre Ocidente	12,276	-
Brazil:		
Uberlândia Shopping	22,076	-
Boulevard Londrina Shopping	12,647	-
Italy:		
Le Terrazze	31,529	19,334
	78,528	68,529
	203,541	239,694

The amounts of kEuro 4,394 and kEuro 7,691 in 31 December 2010 and 2009, respectively, recorded under caption "Impairment to Assets at Risk", are related to the provi-

sion 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 recognised.

The investment property under development Ioannina, for which the Group has recognised in the period ended 31 December 2010 the impairment in the amount of kEuro 15,000, corresponds to the value of the site and infrastructures for which the Board expects to continue to develop in a short period of time.

Investment properties in progress include borrowing expenses incurred during the construction period. As of 31 December 2010 and 2009, total borrowing expenses capitalised amounted to kEuro 1,328 and kEuro 4,446, respectively.

8 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment and corresponding accumulated depreciation during the years ended 31 December 2010 and 2009 was as follows:

	2010							2009	
	Buildings and other constructions	Machinery and equipment	Transport equipment	Administrative equipment	Tools and utensils	Other tangible fixed assets	Tangible fixed assets in progress	Total	Total
Assets:									
Opening balance	1,750	1,739	381	4,717	365	1,079	16	10,047	8,981
Increases	154	99	267	273	2	174	-	969	898
Sales	(82)	-	(160)	(31)	-	-	-	(273)	(89)
Transfers and disposals	4	(5)	-	(182)	-	(3)	(16)	(202)	(15)
Currency translation differences	-	70	47	65	-	-	-	182	274
Change in consolidation perimeter	-	-	-	(2)	-	-	-	(2)	(2)
Closing balance	1,826	1,903	535	4,840	367	1,250	-	10,721	10,047
Accumulated depreciation and impairment losses:									
Opening balance	927	1,320	128	3,491	234	877	-	6,977	5,823
Depreciation for the year	250	229	94	417	25	127	-	1,142	1,098
Impairment Losses for the year	-	-	-	-	-	-	-	-	-
Sales	-	-	(71)	(38)	-	-	-	(109)	(54)
Transfers and disposals	(19)	6	-	(135)	-	(8)	-	(156)	(9)
Currency translation differences	-	41	11	43	-	-	-	95	121
Change in consolidation perimeter	-	-	-	(1)	-	-	-	(1)	(2)
Closing balance	1,158	1,596	162	3,777	259	996	-	7,948	6,977
Net assets	668	307	373	1,063	108	254	-	2,773	3,070

9 GOODWILL

The movement in goodwill during the years ended 31 December 2010 and 2009 was as follows:

	2010	2009
Opening balance	49,287	49,891
Increases (Note 6)	-	2,720
Sales (Note 6)	(2,622)	-
Transfer to associates (Note 5 and 6)	(259)	-
Impairment losses for the year (Note 32)	-	(3,324)
Closing balance	46,406	49,287

During the year 2010 due to the sale of 91% of shares in AlexaShopping, the Group proceeded with the reversal of 91% of goodwill previously recognised in the amount of kEuro 2,622 under the caption "Investment Income" (Note 6) in the statement of profit and loss and transferred the remaining amount of kEuro 259 (which corresponds to the percentage of shares that the Group has retained) to the caption "Share of results of associated companies (Notes 5 and 6).

At 31 December 2010 and 2009 goodwill was made up as follows:

		31.12.10	31.12.09
	Year of of aquisition	Gross amount	Carrying Amount
Iberian Assets, S.A:			
Grancasa	2002	1,471	1,471
Max Center	2002	4,558	4,558
Valle Real	2002	(558)	(558)
Valle Real	2003	1,000	1,000
		6,471	6,471
La Farga	2002	73	73
	2005	247	247
	2009	(58)	(58)
		262	262
Alexa	2004	10,877	10,877
	2005	(7,996)	(7,996)
	2010	(2,881)	-
		-	2,881
Parque Principado	2004	997	997
Plaza Eboli	2005	423	423
Luz del Tajo	2005	2,919	2,919
Dos Mares	2005	1,298	1,298
Valecenter	2005	28,340	28,340
River Plaza Mall	2007	1,334	1,334
Gli Orsi	2008	1,642	1,642
Le Terrazze	2009	2,720	2,720
		39,673	39,673
		46,406	49,287

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

10 INTANGIBLE ASSETS

The movement in intangible assets and corresponding accumulated depreciation during the years ended 31 December 2010 and 2009 was as follows:

	2010	2009
	Other rights	Other rights
Assets:		
Opening balance	15,487	14,387
Increases	1,510	1,366
Currency translation differences	33	18
Sales, disposals and regularisations	(485)	(284)
Change in consolidation perimeter	(1)	-
Closing balance	16,545	15,487
Accumulated depreciation and impairment losses:		
Opening balance	9,584	8,368
Depreciation for the year	1,217	1,249
Currency translation differences	7	9
Sales, disposals and regularisations	(7)	(42)
	(1)	-
Closing balance	10,800	9,584
Net assets	5,745	5,903

As of 31 December 2010, "Other rights" include the amount of kEuro 3,041 (net of accumulated depreciation and impairment losses in the amount of kEuro 6,679), 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 2010 and 2009 other non-current assets were made up as follows:

	31.12.10	31.12.09
Advances on account of investments	-	1,185
Municipal Council of Lisbon	7,777	7,777
Municipal Council of Malaga	1,650	1,650
Rent deposits of tenants	8,180	8,073
Pending amount to be received from the sale of Alexa	4,736	-
Escrow Account	2,748	-
Acropole Charagionis	-	2,310
IGEC tax deposits	1,189	1,512
Other non current assets	2,615	1,407
	28,895	23,914
Accumulated impairment losses on non current assets (Note 28)	-	(284)
	28,895	23,630

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 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 2010 and 2009, 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 8,180 and kEuro 283 (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 2010 and 2009 trade receivables were made up as follows:

	31.12.10	31.12.09
Accounts receivable from customers:		
Portugal	23,291	26,174
Brazil	7,593	6,128
Spain	10,564	13,481
Italy	6,317	5,082
Germany	2,368	3,239
Greece	1,713	2,716
Other costumers	1,962	1,525
	53,808	58,345
Accumulated impairment losses on accounts receivable from customers (Note 28)	(20,006)	(21,684)
	33,802	36,661

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:

	31.12.10	31.12.09
Not due	12,692	13,085
Due but not impaired:		
0-30 days	7,413	7,679
30-90 days	4,099	7,454
+ 90 days	9,204	9,678
Due and impaired:		
0-90 days	1,896	2,018
90-180 days	1,896	1,718
180-360 days	4,068	4,016
+ 360 days	12,540	12,697
	53,808	58,345

13 OTHER RECEIVABLES

At 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Caelum Development, Srl	15,935	15,935
Rent deposits of tenants (Note 11)	283	133
Advances to fixed asset suppliers	-	10,765
Tax notification paid	1,451	1,501
Escrow account	2,383	8,261
Advances to suppliers	2,631	3,496
Other	6,153	9,249
	<u>28,836</u>	<u>49,340</u>
Accumulated impairment losses on other receivables (Note 28)	(7)	(8)
	<u>28,829</u>	<u>49,332</u>

The amount of kEuro 15,935 refers to an advance made in 2008 for the acquisition of a project in Romania and interests were calculated at an interest rate of 8%. This advance and the interests accumulated since the start of the contract (at 31 December the amount was kEuro 3,631 and are recognised under the caption "Other current assets" (Note 14)) are guaranteed by a pledge of the land made in favour 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 centre (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 was received in 2010.

The amount of kEuro 1,451 includes:

- the amount of kEuro 741 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.

14 OTHER CURRENT ASSETS

At 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Interest income receivable (Note 13)	3,670	2,268
Variable rents receivable	3,170	3,656
Recovered costs receivable	415	475
Deferred rents	274	498
Deferred costs with projects	1	454
Deferred costs with financing	40	27
Management and administration services receivable	862	2,024
Others	4,793	5,183
	<u>13,225</u>	<u>14,585</u>

15 CASH AND CASH EQUIVALENTS

At 31 December 2010 and 2009 cash and cash equivalents were made up as follows:

	31.12.10	31.12.09
Cash	550	388
Bank deposits payable on demand	18,121	27,267
Treasury applications	<u>35,458</u>	<u>48,795</u>
	54,129	76,450
Bank overdrafts (Note 19)	<u>-</u>	<u>(32)</u>
	<u>54,129</u>	<u>76,418</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 2010 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 2010 and 2009:

Entity	2010	2009
Sonae SGPS. S.A.	50.00%	50.00%
Grosvenor Investments (Portugal), Sarl	50.00%	50.00%

At 31 December 2010 and 2009 the legal reserves were as follows:

	31.12.10	31.12.09
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 NON-CONTROLLING INTERESTS

During the years ended 31 December 2010 and 2009 the movement in non-controlling interests was as follows:

	Balance as of	Net	Variation in translation reserve	Increase / decrease of are capital	Variation in hedging reserve	Acquisitions/ Sales	Dividends	Others	Balance as of
	31.12.09	Profit				(Note 6)			31.12.10
Fundo D.Pedro I	17,433	3,493	2,395	-	-	(1,241)	-	(134)	21,946
Fundo D.Pedro II	17,345	4,465	2,403	-	-	(2,145)	-	7	22,075
Sierra Investimentos Brasil, Ltda	345	(162)	(56)	(168)	-	-	-	486	445
Pátio Boavista Shopping Ltda	2,285	200	311	26	-	(36)	-	(84)	2,702
Pátio Goiânia Shopping Ltda	349	-	49	53	-	-	-	(13)	438
Pátio Londrina Empreend.e Partic	146	18	23	56	-	-	-	(5)	238
Pátio Penha Shopping Ltda.	930	126	126	-	-	(62)	-	(35)	1,085
Pátio Sertório Shopping Ltda	1,312	114	214	702	-	-	-	(58)	2,284
Pátio São Bernardo Shopping Ltd	586	86	79	-	-	(42)	-	(23)	686
Pátio Uberlândia Shopping Ltda	196	99	32	21	-	-	-	(7)	341
Sierra Enplanta Ltda	634	118	87	14	-	(55)	-	(25)	773
Sonae Siera Brasil, SA	(3)	27	(33)	(661)	-	(29)	-	12	(687)
Plaza Mayor Shopping, SA	-	-	-	-	-	-	-	-	-
El Rosal Shopping, SA	(13,943)	-	-	-	-	-	13,943	-	-
Sierra BV	379,439	16,676	-	(9,381)	473	(7,485)	-	(17)	379,705
Others	178	33	5	-	-	(6)	-	(101)	109
	407,232	25,293	5,635	(9,338)	473	(11,101)	13,943	3	432,140

	Balance as of	Net	Variation in	Translation Increase /		Variation in	Acquisitions/		Balance as of	
	31.12.08	Profit	translation reserve	serve transfer: increase of	from Group are capital	hedging reserve	Dividends	Sales (Note 6)	Others	31.12.09
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 Shopping Ltda.	1,736	117	508	-	217	-	(35)	(5)	(253)	2,285
Pátio Goiânia Shopping Ltda	262	9	79	-	39	-	-	(1)	(39)	349
Pátio Londrina Empreend.e Partic	46	23	21	-	63	-	-	-	(7)	146
Pátio Penha Shopping Ltda.	670	186	191	-	-	-	(31)	(2)	(84)	930
Pátio Sertório Shopping Ltda	1,002	(108)	199	-	25	-	-	(3)	197	1,312
Pátio São Bernardo Shopping Ltd	469	74	140	-	-	-	(26)	(1)	(70)	586
Pátio Uberlândia Shopping Ltda	128	8	41	-	39	-	-	-	(20)	196
Sierra Enplanta Ltda	454	143	151	-	-	-	(38)	(1)	(75)	634
Sonae Siera Brasil, SA	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

18 BANK LOANS

At 31 December 2010 and 2009 bank loans obtained were made up as follows:

	Financing Entity		31.12.10			31.12.09			Reimbursement Due date plan	
			Used amount			Used amount				
			Limit	Short term	Medium and long term	Limit	Short term	Medium and long term		
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)	56,090	1621	54,469	57,711	1621	56,090	Jul/2019	Annual
3shoppings - Holding, SGPS, S.A	Eurohypo	(b), (c)	10,233	1,784	8,449	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	-	-
	European Property	(b), (c), (f), (g)	10,850	10,850	-	12,512	12,512	-	May/2011	Quarterly
Algarveshopping- C.C., S.A.	Capital 3 p.l.c.									
	European Property	(b), (c)	44,597	44,597	-	45,033	45,033	-	May/2011	Quarterly
Sierra B.V.	Capital 3 p.l.c.									
ARP Alverca Retail Park	CGD	(b), (i)	10,500	-	3,999	3,999	-	3,999	Aug/2013	Final
Arrábidasshopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	5,076	1,313	13,763	16,370	1,295	16,075	Mar/2017	Quarterly
Arrábidasshopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	8,635	388	8,247	9,023	388	8,635	Mar/2017	Annual
Arrábidasshopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	11,520	540	10,980	12,000	480	11,520	Mar/2017	Quarterly
Cascaishopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	52,828	1,843	50,985	54,671	1,843	52,828	May/2017	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)	12,750	-	12,250	12,750	-	12,250	May/2017	Final
Centro Colombo - C.C., S.A.	Eurohypo, ING	(a), (b), (c), (f), (h)	-	-	500	-	-	500	-	-
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)	54,275	1,950	52,325	56,225	1,950	54,275	Aug/2016	Quarterly
Dos Mares - Shop. Centre S.A.	Aareal Bank	(b), (f), (g)	17,825	900	16,925	17,825	900	17,825	Sep/2012	Quarterly
El Rosal Shopping, SA	Eurohypo	(b), (f), (g), (i)	71,069	4,669	66,400	75,323	4,254	71,069	Jul/2017	Quarterly
Estação Viana- C.C., S.A.	BES	(b), (c), (f), (g)	32,592	2,016	30,576	34,608	2,016	32,592	Dec/2015	Hal Year
Freccia Rossa - Shop.C. S.r.l.	Unicredit	(a), (b), (c), (f), (g)	52,802	1,516	51,286	53,561	1,020	52,541	Dec/2025	Hal Year
Freccia Rossa - Shop.C. S.r.l.	Unicredit	(a), (f), (g)	6,609	-	6,609	6,870	-	6,870	Dec/2012	Hal Year
Gaiashopping I- C.C., S.A.	Eurohypo	(a), (b), (f), (g)	25,025	413	24,612	25,438	413	25,025	Nov/2026	Annual
Gaiashopping I- C.C., S.A.	Eurohypo	(a), (b), (f), (g)	9,325	300	9,025	9,588	263	9,325	Aug/2016	Annual
Gli Orsi - Shopping Centre S.r.l.	Bayern LB	(a), (b), (c), (i)	73,000	2,000	71,000	80,000	19,045	57,475	Dec/2017	Quarterly
Iberian Assets, SA	Eurohypo	(a), (b)	17,805	2,028	15,777	19,758	1,953	17,805	Jun/2019	Hal Year
Iberian Assets, SA	Eurohypo	(a), (b)	23,650	850	22,800	24,151	501	23,650	Jun/2018	Hal Year
Iberian Assets, SA	Eurohypo	(a), (b)	210,19	1,100	19,919	219,699	950	210,19	Nov/2020	Hal Year
Iberian Assets, SA	Eurohypo	(a), (b)	15,025	150	14,875	15,025	-	15,025	Jan/2026	Hal Year
Iberian Assets, SA	BBVA	(a)	-	-	-	2,500	1,358	-	May/2010	Final
La Farga - Shopping Center, SL	Eurohypo	(a), (b)	14,250	750	13,500	15,000	750	14,250	Apr/2014	Annual
LCC LeiriaShopping C. Comercial SA	CGD	(b), (i)	-	-	-	50,000	-	27,252	Dec/2023	Quarterly
LCC LeiriaShopping C. Comercial SA	CGD	(b), (i)	-	-	-	3,700	551	-	Dec/2010	Final
Le Terrazze - Shopping Centre 1Srl	Unicredit	(a), (b), (f), (i)	27,500	-	4,343	-	-	-	Dec/2024	Hal Year
Le Terrazze - Shopping Centre 1Srl	Unicredit	(a), (b), (f), (i)	6,500	-	988	-	-	-	Dec/2015	Final
Loop 5-Shopping Centre, GmbH	Bayern LB	(a), (b), (f), (h)	92,454	1,461	90,993	93,750	971	85,331	Jan/2019	Quarterly
	Deutsche									
Luz del Tajo C.C. S.A.	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	225	17,775	18,000	-	18,000	Aug/2015	Quarterly
Münster Arkaden, BV	Nord LB	(b), (c), (f), (g)	123,503	2,222	121,281	125,487	1,984	123,503	Dec/2016	Quarterly
Norteshopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	35,202	2,573	32,629	37,017	4,444	2,573	Jun/2011	Quarterly
Norteshopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	2,769	-	2,769	35,398	-	35,398	Dec/2014	Quarterly
Norte Shopping B.V.	Eurohypo	(a), (b)	41,281	3,263	38,018	42,096	816	41,281	Dec/2014	Hal Year
Park Avenue, Develop. Sh.C., SA	Eurohypo	(a), (c)	-	-	-	1,513	1,513	-	Feb/2010	Final
Parque Atlântico Shop- C.C., SA	CGD, BCP	(a), (b), (i)	14,700	1,400	13,300	16,100	1,400	14,700	Dec/2016	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)	-	-	-	1,792	1,792	-	Jun/2010	Monthly
Pátio Boavista Shopping Ltda	Banco Bradesco	(a)	6,087	738	5,349	-	-	-	Oct/2016	Monthly
Pátio Londrina Empr. e Part. Ltda	Banco Bradesco	(a),(b),(d)	54,110	-	-	-	-	-	Sep/2025	Monthly
Pátio Sertório Shopping Ltda	Banco Itaú	(a)	-	-	-	4,978	4,978	-	Oct/2010	Final
Pátio Sertório Shopping Ltda	BASA	(a), (b), (e)	25,319	-	25,319	22,359	-	22,359	Dec/2020	Monthly
Pátio Uberlândia Shopping Ltda	Banco Bradesco	(a), (b), (e)	6,839	-	6,839	-	-	-	Oct/2025	Monthly
	Deutsche									
Plaza Ebo li - C.C. S.A.	Pfandbriefbank	(b), (c)	27,412	400	27,012	33,050	33,050	-	Nov/2012	Quarterly
Plaza Mayor Shopping, SA	Eurohypo	(b), (f), (g)	35,890	1,202	34,688	37,000	1,110	35,890	Oct/2017	Annual
Plaza Mayor - Parque de Ocio, S.A.	Eurohypo	(b)	26,144	1,683	24,461	27,707	1,563	26,144	Apr/2018	Annual
River Plaza Srl	Société Générale/BRD	(b), (c), (f), (g), (k)	22,733	691	22,042	23,265	795	22,470	May/2018	Quarterly
Sierra Investimentos Brasil, Ltda.	Banco ABC	(a), (c)	-	-	-	4,978	4,978	-	Sep/2010	Monthly
Sierra Investimentos Brasil, Ltda.	Banco ABC	(a), (c),(e)	4,509	668	3,841	-	-	-	Oct/2016	Monthly
Sonae Sierra SGPS	Santander Totta	-	15,000	10,000	-	15,000	15,000	-	Jul/2013	-
Torre Ocidente Imobiliária, S.A.	CGD	(a), (b), (i)	12,250	-	7,328	12,250	-	2,234	Sep/2017	Hal Year
Valecenter Srl	Eurohypo	(b), (c), (f), (g)	93,330	3,172	90,158	95,770	2,440	93,330	Jun/2015	Quarterly
Via Catarina- C.C., S.A.	Eurohypo	(a), (b)	18,130	294	17,836	18,424	294	18,130	Feb/2017	Annual
Zubiarte Inversiones Inmo bil.,SL	ING	(a), (b)	22,704	8,410	14,294	23,300	8,260	15,040	Jun/2017	Quarterly
Total Bank Loans			1,685,616	119,980	1,466,434	1,793,524	185,439	1,555,031		
Deferred bank expenses incurred on the issuance of bank debt				(1,632)	(8,809)		(1,703)	(10,594)		
			118,348		1,532,625		183,736	1,619,437		
Fair value of the financial hedging instruments - asset			-	-	(847)	-	-	(26)		
Fair value of the financial hedging instruments - liability			-	-	38,563	-	-	44,732		
			118,348		1,570,341		183,736	1,664,143		

- (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
(j) Sonae Sierra SGPS provided a guarantee or a comfort letter to the bank in name of its subsidiary.
(k) Sierra Investments SGPS provided a comfort letter to the bank in name of its subsidiary.

Bank loans bear interests at market interest rates and were all contracted in Euro, except for the bank loans of Sierra Investimentos, Ltda, Pátio Boavista Shopping Ltda, Pátio

Londrina Empr. e Part. Ltda, Pátio Sertório, Ltda and Pátio Uberlândia Shopping Ltda, which were contracted in Brazilian Real and translated to Euro using the exchange rate prevailing at reporting date (Note 2.2 e)).

Bank loans with covenants were analysed 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 La Farga, Zubiarte, Gli Orsi, Munster and River Plaza. Negotiations are ongoing in order to obtain a debt rescheduling with correspondent banks.

At 31 December 2010 and 31 December 2009, loans and the respective interests are repayable as follows:

	31.12.10		31.12.09	
	Repayment	Interest	Repayment	Interest
N+1	119,980	36,648	185,439	33,096
N+2	96,514	35,077	43,101	30,156
N+3	195,995	33,591	75,863	29,394
N+4	177,528	28,630	184,969	27,543
N+5	163,439	23,158	172,227	23,494
N+6 and following years	907,958	51,182	1,153,871	67,436
	<u>1,661,414</u>	<u>208,286</u>	<u>1,815,470</u>	<u>211,119</u>

At 31 December 2010 and 2009, the Group's financial instruments related to interest rate swaps, zero cost collars and exchange rate non deliverable forwards were as follows:

	31.12.10			31.12.09		
	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	66,323	-	1,302	61,711	-	132
Alexa / Eurohypo	-	-	-	100,000	-	6,357
Airone / BBVA	8,000	-	348	8,000	-	468
ArrábidaShopping / BBVA	8,635	-	430	9,023	-	501
Cascaishopping / BES	52,828	(309)	-	-	-	-
Cascaishopping / BES	26,000	(213)	-	-	-	-
Colombo / BBVA	112,750	-	5,762	112,750	-	7,644
Colombo / Santander	112,750	-	1,555	-	-	-
Shopping Colombo BV/ BBVA	49,500	-	2,555	49,500	-	3,356
El Rosal / BES	35,534	-	1,835	37,661	-	1,994
El Rosal / BES	35,534	-	2,710	37,661	-	2,436
Estação Viana / BES	32,592	-	-	34,608	-	495
Freccia Rossa / Unicredit	31,063	-	1,259	31,597	-	1,248
Freccia Rossa / Unicredit	4,869	-	293	4,912	-	329
Gaiashopping / Caixa BI	25,025	-	1,221	25,438	-	1,221
	73,000	-	57	-	-	-
	55,000	(9)	-	-	-	-
Münster Arkaden / BPI	123,503	-	10,327	125,487	-	8,191
Norteshopping / Eurohypo / BPI	37,971	-	672	42,415	-	1,088
Norteshopping BV / Eurohypo	41,281	-	748	42,096	-	1,139
	27,413	(83)	-	-	-	-
Plaza Mayor Shopping / BES	17,945	-	705	18,500	-	273
River Plaza / Soci��t�� G��n��rale	22,734	-	2,656	23,265	-	2,268
Torre Occidente / Caixa BI	7,328	-	29	3,014	-	-
Valecenter / Eurohypo	-	-	-	6,476	-	91
Valecenter / Eurohypo	-	-	-	13,983	-	196
Valecenter / Eurohypo	22,950	-	532	23,550	-	49
	108,550	(232)	-	-	-	-
Viacatarina / BPI	18,130	-	864	18,424	-	1,093
		(846)	35,860		-	40,569
"Zero Cost Collars":						
	10,850	-	-	-	-	-
	44,597	(1)	-	-	-	-
Arr��bidaShopping / BES	11,520	-	180	12,000	-	49
Arr��bidaShopping / BPI	15,075	-	279	16,370	-	50
Cascaishopping / Santander	26,000	-	123	26,000	-	581
Dos Mares / BBVA	17,825	-	299	18,725	-	372
Gaiashopping / BBVA	9,325	-	186	9,588	-	339
Luz del Tajo / Deutsche Pfandbrieft	36,560	-	1,046	36,560	-	742
MadeiraShopping / BBVA	-	-	-	9,000	-	81
Parque Principado / Calyon	56,700	-	-	56,700	(26)	-
Plaza Eboli / Deutsche Pfandbriefba	-	-	-	30,485	-	375
Valecenter / Eurohypo	50,442	-	590	51,761	-	1,574
		(1)	2,703		(26)	4,163
		(847)	38,563		(26)	44,732

The fair value of the financial hedging instruments was recorded under Hedging Reserves of the Group (kEuro -23,172 and kEuro -28,523 in 31 December 2010 and 2009 respectively) and hedging reserves of the minorities (kEuro -14,544 and kEuro -16,183 in 31 December 2010 and 2009 respectively).

The interest rate swaps and zero cost collars are stated at their fair value at the reporting 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 to the reporting date, the update of the future cash-flows relating to 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 2010 and 2009 this caption was made up as follows:

	31.12.10		31.12.09	
	Limit	Short term	Limit	Short term
Short term facilities:				
Algarveshopping - C.C., S.A.	-	-	20,000	20,000
Cascaishopping - C.C., S.A.	2,619	690	2,619	1,865
Centro Colombo - C.C., S.A.	5,235	-	5,235	1,624
Sierra B.V.	10,000	-	10,000	-
Sierra Management Portugal, SA	249	-	249	-
Sonae Sierra, SGPS, SA	68,920	194	83,919	37,171
Via Catarina- C.C., S.A.	1,000	519	1,000	232
	<u>88,023</u>	<u>1,403</u>	<u>123,022</u>	<u>60,892</u>
Bank overdrafts (Note 15)	-	-	-	32
	<u>88,023</u>	<u>1,403</u>	<u>123,022</u>	<u>60,924</u>

20 ACCOUNTS PAYABLE TO OTHER SHAREHOLDERS

At 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10		31.12.09	
	Short term	Medium and long term	Short term	Medium and long term
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1"):				
Plaza Mayor Shopping B.V.	-	4,233	-	5,079
SC Mediterranean Cosmos B.V.	-	76	86	76
Sierra European Retail Real Estate Assets Holdings BV	5,995	-	5,995	-
Zubiarte Inversiones Inmob,SA	-	1,778	-	1,778
	<u>5,995</u>	<u>6,087</u>	<u>6,081</u>	<u>6,933</u>
SIERRA Investments (Luxembourg) 2 Sarl ("Luxco 2"):				
Plaza Mayor Shopping B.V.	-	3,386	-	4,063
SC Mediterranean Cosmos B.V.	-	58	69	58
Sierra European Retail Real Estate Assets Holdings BV	4,796	-	4,796	-
Zubiarte Inversiones Inmob,SA	-	1,423	-	1,423
	<u>4,796</u>	<u>4,867</u>	<u>4,865</u>	<u>5,544</u>
Others	-	1	-	-
	-	1	-	-
	<u>10,791</u>	<u>10,955</u>	<u>10,946</u>	<u>12,477</u>

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 the reimbursement is not expected in the short term.

21 OTHER NON CURRENT LIABILITIES

At 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Municipal Council of Lisbon (Note 11)	3,243	3,243
Rents deposits from tenants (Note 11)	9,801	9,724
Other non current accounts payable	<u>731</u>	<u>536</u>
	<u>13,775</u>	<u>13,503</u>

22 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities at 31 December 2010 and 2009, in accordance with the temporary differences that generate them, are made up as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.10	31.12.09	31.12.10	31.12.09
Difference between fair value and tax cost of tangible fixed assets and intangible assets	-	590	505,635	460,597
Difference between fair value and tax cost of the fit-out contracts	-	-	(889)	(879)
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	-	-	2,541	2,681
Fair value of hedging financial instruments	9,271	11,116	208	8
Fair value of speculation financial instruments	-	-	-	-
Tax losses carried forward	13,118	22,285	-	-
Impairment losses on accounts receivable from customers	465	171	-	-
Gains /losses reinvested	972	972	-	-
Impairment losses on other assets and write-off of deferred costs	509	648	-	-
	<u>24,335</u>	<u>35,782</u>	<u>507,495</u>	<u>462,407</u>

Deferred income tax assets relating to the fair value of the financial hedging instruments were recorded under hedging reserves of the Group (kEuro -5,618 and kEuro -7,230 at 31 December 2010 and 2009 respectively) and hedging reserves of the minorities (kEuro -3,445 and kEuro -3,878 at 31 December 2010 and 2009 respectively).

The movement in deferred income tax assets and liabilities during the years ended 31 December 2010 and 2009 was as follows:

	2010		2009	
	Asset	Liability	Asset	Liability
Opening balance	35,782	462,407	29,299	504,682
Effect in net result:				
Difference between fair value and tax cost of tangible fixed assets and intangible assets	(590)	14,767	(950)	(54,042)
Difference between fair value and tax cost of the fit-out contracts	-	(203)	-	(53)
Write-off of movements occurred regarding deferred income related to key income and expenses related to the opening of shopping centers	-	(139)	-	(90)
Increase / (Decrease) of impairment losses not accepted for tax purposes	443	-	(91)	-
Increase / (Decrease) of tax losses carried forward	(8,908)	-	4,792	-
Fair value of speculation financial instruments	-	-	-	-
Other assets impairment and deferred costs write-off	102	(1)	(840)	1
Tax rate change effect	(594)	26,558	-	(166)
Sub-total (Note 23)	(9,547)	40,982	2,911	(54,350)
Effect in equity:				
Valuation of hedging financial instruments	(2,014)	354	3,004	(1)
Tax rate change effect related to the hedging	329	-	-	-
Currency translation differences	350	7,877	496	11,082
Changes in perimeter:				
Sales (Note 6)	-	(4,067)	(104)	(1,923)
Excluded from consolidation	-	-	-	32
Acquisitions (Note 6)	-	-	-	2,720
Others	(565)	(58)	176	165
Closing balance	<u>24,335</u>	<u>507,495</u>	<u>35,782</u>	<u>462,407</u>

As a result of amendments to Tax Law, under which the Portuguese companies with a taxable income exceeding kEuro 2,000 will be subject to an additional tax rate of 2.5% on the taxable income exceeding that amount, the Group has updated deferred taxes of

Portuguese companies, for which it is estimated to be applicable. The impact of this rate change in deferred taxes was referred to 1 January 2010 and amounted to 26,356 kEuro, having been recorded against the statement of profit and losses (kEuro 26,685) and hedge reserves (kEuro (329)).

Tax losses carry forward and the respective deferred income tax assets reported in 31 December 2010 and 2009 are made up as follows:

	Tax loss	Deferred tax asset	Limit expire date	Tax loss	Deferred tax asset	Limit expire date
Portugal:						
Generated in 2006	-	-		137	34	2012
Generated in 2008	-	-		27	7	2014
Generated in 2010	108	27	2014	-	-	
	<u>108</u>	<u>27</u>		<u>164</u>	<u>41</u>	
Spain:						
Generated in 1996	3,323	997	2011	3,323	997	2011
Generated in 1997	1,978	594	2012	1,978	594	2012
Generated in 1998	1,249	375	2013	1,350	405	2013
Generated in 1999	-	-		-	-	2014
Generated in 2000	87	26	2015	87	26	2015
Generated in 2001	-	-		6	2	2016
Generated in 2002	1,281	384	2017	2,214	664	2017
Generated in 2003	358	107	2018	358	107	2018
Generated in 2004	507	152	2019	507	152	2019
Generated in 2005	4,320	1,296	2020	3,400	1,020	2020
Generated in 2006	2,815	844	2021	2,443	733	2021
Generated in 2007	1,139	342	2022	3,547	1,064	2022
Generated in 2008	3,855	1,157	2023	12,958	3,887	2023
Generated in 2009	3,653	1,096	2024	4,313	1,294	2024
Generated in 2010	2,276	683	2025	-	-	2025
	<u>26,841</u>	<u>8,053</u>		<u>36,484</u>	<u>10,945</u>	
Italy:						
Generated in 2006	166	46	2011	789	217	2011
Generated in 2007	2,595	715	2012	3,612	994	2012
Generated in 2008	2,290	630	2013	3,112	856	2013
Generated in 2009	816	224	2014	-	-	
Generated in 2010	317	87	2015	-	-	
	<u>6,184</u>	<u>1,702</u>		<u>7,513</u>	<u>2,067</u>	
Without limit of use	<u>1,557</u>	<u>428</u>		<u>2,649</u>	<u>732</u>	
	<u>7,741</u>	<u>2,130</u>		<u>10,162</u>	<u>2,799</u>	
Germany:						
Without limit of use	3,181	829		21,023	5,362	
Greece:						
Generated in 2008	-	-		553	138	2013
Generated in 2009	-	-		4	1	2014
	<u>-</u>	<u>-</u>		<u>557</u>	<u>139</u>	
Brazil:						
Without limit of use	5,970	2,079		8,819	2,999	
	<u>43,841</u>	<u>13,118</u>		<u>77,209</u>	<u>22,285</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 tax losses carried forward for which no deferred taxes were recognised are as follows:

	Tax loss	Deffered tax credit	Limit expire date	Tax loss	Deffered tax credit	Limit expire date
Portugal:						
Generated in 2004	-	-		385	96	2010
Generated in 2005	32	8	2011	151	38	2011
Generated in 2006	1	-	2012	3	1	2012
Generated in 2007	147	37	2013	147	37	2013
Generated in 2008	704	176	2014	704	176	2014
Generated in 2009	969	242	2015	1,010	253	2015
Generated in 2010	117	29	2014	-	-	
	<u>1,970</u>	<u>492</u>		<u>2,400</u>	<u>601</u>	
Spain:						
Generated in 1996	1,923	577	2011	3,261	978	2011
Generated in 2001	5	1	2016	3	1	2016
Generated in 2002	4	1	2017	2	1	2017
Generated in 2003	4	1	2018	1	-	2018
Generated in 2005	1,809	543	2020	2,729	819	2020
Generated in 2006	1,215	364	2021	1,651	495	2021
Generated in 2007	4,826	1,448	2022	2,459	738	2022
Generated in 2008	27,916	8,375	2023	36,965	11,090	2023
Generated in 2009	17,985	5,396	2024	30,331	9,099	2024
Generated in 2010	3,817	1,145	2025	-	-	
	<u>59,504</u>	<u>17,851</u>		<u>77,402</u>	<u>23,221</u>	
Italy:						
Generated in 2005	11	3	2010	223	61	2010
Generated in 2006	553	152	2011	155	42	2011
Generated in 2007	58	16	2012	195	54	2012
Generated in 2008	4,737	1,303	2013	2,679	737	2013
Generated in 2009	4,288	1,179	2014	4,545	1,250	2014
Generated in 2010	5,533	1,522	2015	-	-	
	<u>15,180</u>	<u>4,175</u>		<u>7,797</u>	<u>2,144</u>	
Without limit of use	-	-		<u>1,164</u>	<u>320</u>	
	<u>15,180</u>	<u>4,175</u>		<u>8,961</u>	<u>2,464</u>	
Germany:						
Without limit of use	51,641	10,790		45,590	12,982	
Greece:						
Generated in 2005	13	3	2010	94	23	2010
Generated in 2006	79	19	2011	79	20	2011
Generated in 2007	4,116	988	2012	4,479	1,120	2012
Generated in 2008	3,490	838	2013	3,243	811	2013
Generated in 2009	7,363	1,767	2014	8,732	2,183	2014
Generated in 2010	6,045	1,451	2015	-	-	
	<u>21,106</u>	<u>5,066</u>		<u>16,627</u>	<u>4,157</u>	
Netherlands:						
Generated in 2001	5	1	2011	-	-	
Generated in 2002	46	11	2011	-	-	
Generated in 2003	1,621	373	2012	1,471	338	2012
Generated in 2004	2,141	492	2013	2,141	492	2013
Generated in 2005	2,623	603	2014	2,623	603	2014
Generated in 2006	4,188	963	2015	4,188	963	2015
Generated in 2007	9,794	2,253	2016	5,891	1,355	2016
Generated in 2008	13,225	3,045	2017	18,301	4,209	2017
Generated in 2009	5,339	1,228	2018	7,573	1,742	2018
Generated in 2010	8,906	2,048	2019	-	-	
	<u>47,888</u>	<u>11,017</u>		<u>42,188</u>	<u>9,702</u>	
Romania:						
Generated in 2007	275	44	2012	278	47	2012
Generated in 2008	997	160	2013	1,010	162	2013
Generated in 2009	4,615	738	2016	4,350	696	2016
Generated in 2010	2,988	478	2017	-	-	
	<u>8,875</u>	<u>1,420</u>		<u>5,638</u>	<u>905</u>	
Brazil:						
Without limit of use	2,371	821		-	-	
Others:						
Without limit of use	3	1		1,303	264	
	<u>208,538</u>	<u>51,633</u>		<u>200,109</u>	<u>54,296</u>	

23 INCOME TAX

Income tax for the years ended 31 December 2010 and 2009 is made up as follows:

	2010	2009
Current tax	24,216	17,648
Deferred tax (Note 22)	50,529	(57,261)
	<u>74,745</u>	<u>(39,613)</u>

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

	2010	2009
Profit before income tax	108,732	(199,521)
Gains related to the sale of companies	(2,971)	(20,806)
Net result of associated undertakings	(521)	9,877
Impairment of goodwill	-	3,324
Other permanent differences and tax losses for which the recuperability is not probable	<u>32,794</u>	<u>62,925</u>
Taxable profit	138,034	(144,201)
Effect of different income tax rates in other countries	<u>52,339</u>	<u>(14,249)</u>
	190,373	(158,450)
Income tax rate in Portugal	<u>25.0%</u>	<u>25.0%</u>
	47,593	(39,613)
Tax rate change effect	27,152	-
	<u>74,745</u>	<u>(39,613)</u>

The amount of kEuro 32,794 (kEuro 62,925 in 2009) 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 Pantheon Plaza, El Rosal, Freccia Rossa and Zubiarte (Avenida M40 and Zubiarte in 2009);
- (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 (El Rosal, Plaza Eboli, Project Sierra Spain 3, Zubiarte, Pantheon Plaza, Gli Orsi, Freccia Rossa and River Plaza) (Avenida M40, El Rosal, Project Sierra Spain 3, Zubiarte, Pantheon Plaza and River Plaza in 2009);
- (iii) Write-off of deferred tax assets related to the tax losses carried forward recognised in previous years and for which the Group, in 2010, was not certain about its future recovery (Alexa Holding, Plaza Eboli and El Rosal) (Pantheon Plaza in 2009);
- (iv) It was recorded in 2010 the deferred tax assets related to the tax losses carried forward related to previous years for which there is today conviction about its future recuperation (Sierra Development Spain, SA).

24 ACCOUNTS PAYABLE TO SUPPLIERS

At 31 December 2010 and 2009 accounts payable to suppliers were made up as follows:

	31.12.10		31.12.09	
	Short term	Medium long term	Short term	Medium long term
Trade suppliers	27,423	-	27,245	-
Suppliers of fixed assets	5,116	6,171	15,559	2,306
	<u>32,539</u>	<u>6,171</u>	<u>42,804</u>	<u>2,306</u>

As of 31 December 2010 and 2009, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2010, 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:

	31.12.10	31.12.09
Short term:		
0-90 days	25,380	33,945
90-180 days	920	2,736
+ 180 days	6,239	6,123
	<u>32,539</u>	<u>42,804</u>
Medium long term:		
n+1	1	2,279
n+2	6,143	-
n+3	-	27
n+4	27	-
	<u>6,171</u>	<u>2,306</u>

25 STATE AND OTHER PUBLIC ENTITIES

At 31 December 2010 and 2009 state and other public entities were made up as follows:

	31.12.10			31.12.09			
	Asset		Liability	Asset		Liability	
	Short term	Medium long term	Short term	Short term	Medium long term	Short term	Medium long term
Income tax	11,775	58	8,981	9,055	-	8,918	-
VAT	25,493	102	7,134	30,213	102	7,001	-
Social security contributions	38	-	1,163	16	-	1,186	-
Other taxes	131	-	1,261	41	-	1,212	-
	37,437	160	18,539	39,325	102	18,317	-

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 2007 until 2010 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 2010.

The amounts of kEuro 25,493 and kEuro 30,213 as of 31 December 2010 and 2009, 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 2010 and 2009 other payables were made up as follows:

	31.12.10	31.12.09
Advances from customers	2,158	4,037
Sonae Capital,SGPS,SA	-	1,450
Ploiesti acquisition	6,124	6,124
River Plaza acquisition	50	50
Advance made for hypermarket sale in Italy	7,554	5,154
Olimpiaka Akinita	3,560	2,192
"Câmara Municipal de Guimarães"	969	2,913
Gift cheques	3,236	3,590
Rent deposits from tenants (Note 11)	884	807
Other payables	<u>3,235</u>	<u>3,506</u>
	<u>27,770</u>	<u>29,823</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". Regarding this debt it was granted a bank guarantee of kEuro 3,200.

The amount of kEuro 7,554 refers to the advance payment related to the sale of the hypermarket, part of the Project "Le Terrazze"; regarding this transaction it was granted a bank guarantee of kEuro 4,964.

The amount of kEuro 3,236 of gift cheques relates to deposits received until the reporting date on the sale of those gift cheques, net of gift cheques expired or compensated until the date. The Group recognises in an 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 2010 and 2009, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2010, 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 2010 and 2009 other current liabilities were made up as follows:

	31.12.10	31.12.09
Payable interest expense	8,259	9,937
Vacation to be paid and bonus	14,752	17,074
Accrued Real Estate tax	3,663	3,647
Accrued services payables	11,835	16,988
Condominium margin	4,122	4,357
Cascaishopping price adjustment	1,480	1,480
Accrued fixed asset expenses	11,114	22,633
Key money invoiced in advance	1,457	1,102
Accrued minimum rentability granted	777	1,440
Rental income invoiced in advance	10,231	9,805
Others	11,391	13,394
	<u>79,081</u>	<u>101,857</u>

Vacation to be paid and bonus as of 31 December 2010 and 2009 include the amounts of kEuro 1,841 and kEuro 4,073 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 2010 and 2009, the amounts of kEuro 11,114 and kEuro 22,633 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 2010 and 2009 is made up as follows:

	2010					Balance as of 31.12.10
	Balance as of 31.12.09	Increase	Decrease	Changes in perimeter	Translation differences	
Impairment losses on accounts receivable:						
Customers (Note 12)	21,684	5,629	(7,578)	-	270	20,005
Other debtors (Note 11 and 13)	293	-	(285)	-	-	8
	21,977	5,629	(7,863)	-	270	20,013
Provisions for risks and costs:						
Other risks and costs	470	1,975	(76)	-	90	2,459
	<u>22,447</u>	<u>7,604</u>	<u>(7,939)</u>	<u>-</u>	<u>360</u>	<u>22,472</u>

	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	17,351	6,344	(1,650)	(826)	465	21,684
Other debtors	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
	<u>17,815</u>	<u>6,535</u>	<u>(1,733)</u>	<u>(645)</u>	<u>475</u>	<u>22,447</u>

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 2010 and 2009 are made up as follows:

	2010	2009
Services rendered:		
Fixed rents	217,814	211,169
Turnover rents	9,308	7,609
Mall income	7,844	6,931
Common charges	82,958	82,817
Management and administration fees	34,900	31,490
Parking lot income	15,889	10,147
Other	16,144	15,666
	<u>384,857</u>	<u>365,829</u>

30 VARIATION IN FAIR VALUE OF THE INVESTMENT PROPERTIES

The variation in fair value of the investment properties in 2010 and 2009 is made up as follows:

	2010	2009
Transfers from "in progress" (Note 7)	4,043	12,070
Variation in fair value between years in investment properties under development (Note 7):	12,621	4,897
Variation in fair value between years (Note 7):		
- Gains	55,834	40,714
- Losses	(50,462)	(343,095)
Variation in fair value on "fit-out" contracts (Note 7)	(1,147)	(92)
	<u>20,889</u>	<u>(285,506)</u>

31 OTHER OPERATING REVENUE

Other operating revenue for the years ended 31 December 2010 and 2009 is made up as follows:

	2010	2009
Key money	4,930	4,563
Co-generation	4,063	3,367
Development fees	3,653	5,112
Other	9,297	4,490
	<u>21,943</u>	<u>17,532</u>

32 IMPAIRMENT LOSSES AND WRITE-OFF

The Impairment losses for the years ended 31 December 2010 and 2009 are the following:

	2010	2009
Impairment losses of goodwill (Note 9)	-	3,324
Write-off and Impairment losses in the investment properties in progress (Note 7)	<u>30,822</u>	<u>6,480</u>
	<u>30,822</u>	<u>9,804</u>

The "Write-off and Impairment losses in the investment properties in progress" relate to impairment losses for some of the properties currently under development, for which there are some uncertainties over their future viability.

33 OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2010 and 2009 are made up as follows:

	2010	2009
Real estate tax	8,984	5,106
Indemnities paid to tenants	1,743	4,806
Other	9,093	6,327
	<u>19,820</u>	<u>16,239</u>

34 NET FINANCIAL RESULTS

Net financial results are made up as follows:

	2010	2009
Expenses:		
Interest expense	63,418	77,143
Stamp duty related to financing	463	682
Foreign currency exchange losses	2,419	342
Other	5,298	4,721
	<u>71,598</u>	<u>82,888</u>
Net financial expenses	<u>(61,726)</u>	<u>(76,337)</u>
	<u>9,872</u>	<u>6,551</u>
Income:		
Interest income	4,096	5,137
Foreign currency exchange gains	4,703	495
Other	1,073	919
	<u>9,872</u>	<u>6,551</u>

35 SHARE OF RESULTS OF ASSOCIATED UNDERTAKINGS

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

	2010	2009
Share of results of associated undertakings (Note 5):		
Net profit	521	(9,044)
Impairment losses	-	(833)
	<u>521</u>	<u>(9,877)</u>

36 INVESTMENT INCOME

Investment income is made up as follows

	2010	2009
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
Gains obtain on the sale to Sierra Portugal Fund:		
LeiriaShopping (Nota 6)	2,159	-
Goodwill related to capital increase with change of percentage of owners	(1,768)	-
Alexa Sale (annul of Goodwill)	(2,622)	-
Sale of MC Property Management S.A.(Note 6)	(48)	-
Sale of Pylea SA(Note 6)	4,483	1,412
Sale of 12% of Fundo Investimento Imobiliário Shop. Parque Dom Pedro (N)	-	2,466
Sale of 84% of Fundo Investimento Imobiliário Parque Dom Pedro Shopping	-	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)
Insolvency of Avenida M40 (Note 6)	-	15,866
Torre Ocidente price adjustment	(637)	-
Torre Oriente price adjustment	(9)	-
Other	1,413	(90)
	<u>2,971</u>	<u>20,806</u>

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 2010 and 2009 amounted to kEuro 217,814 and kEuro 211,169 respectively (Note 29).

In addition, as of 31 December 2010, the Group has celebrated, as lessor, operating lease contracts for which the minimal lease payments (fixed rent) are due as follows:

	31.12.10	31.12.09
Due in N+1	211,258	213,989
Due in N+2	197,433	198,003
Due in N+3	177,035	177,342
Due in N+4	148,349	152,273
Due in N+5	118,634	122,258
Due after N+5	94,515	102,236
	<u>947,224</u>	<u>966,101</u>

In the Operational Leases where the Group is the lessee, the minimum lease payments recognised as expense during the years ended 31 December 2010 and 2009 reached the amounts of kEuro 4,024 and kEuro 5,187 respectively.

In addition, as of 31 December 2010, the Group had celebrated, as lessee, operating lease contracts for which the minimum lease payments are due as follows:

	31.12.10	31.12.09
Due in N+1	4,405	6,430
Due in N+2	3,105	3,914
Due in N+3	1,259	2,762
Due in N+4	545	1,191
Due in N+5	251	335
Due after N+5	97	70
Contracts automatically renewed	329	316
	<u>9,991</u>	<u>15,018</u>

38 RELATED PARTIES

Balances and transactions that existed with related parties, during the years ended 31 December 2010 and 2009, in addition to the loans obtained from the shareholders mentioned in Note 20, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other liabilities	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Mother companies and other shareholders:						
Modelo Continente Hipermercados, S.A.	167	102	253	779	(651)	(641)
Sesagest - Proj.Gestão Imobiliária,SA	-	-	-	-	-	(91)
Sport Zone - Comércio de Artigos de Desporto, Lda	33	101	-	78	(419)	(384)
Infocfield - Informática, S.A.	21	38	-	50	(50)	(68)
Worten – Equipamentos para o Lar, S.A.	67	17	19	277	(331)	(261)
Raso- Viagens e Turismo,S.A	9	13	154	269	(22)	(20)
Zippy - Comércio e Distribuição	32	5	-	-	(100)	(53)
Estêvão Neves - Hipermercados Madeira,S.A	43	-	2	-	17	15
Sonae SGPS, S.A.	-	-	220	481	-	-
MDS - Corrector de Seguros,SA	3	58	-	-	-	-
Sonaecom - Serviços de Comunicação,SA	44	236	252	334	(105)	(164)
Continente Hipermercados,SA	-	1	-	-	-	-
Digitmarket - Sistemas de Informação,SA	-	-	-	-	147	128
Contimobe - Imobil. Castelo Paiva,SA	670	834	-	-	-	-
Alexa Asset GmbH & Co KG	670	-	-	-	-	-
SMP - Serv Manutenção Planeamento	-	-	66	215	(213)	-
Sierra Portugal Real Estate	412	5,161	2,300	2,413	(59)	94
	<u>2,171</u>	<u>6,566</u>	<u>3,266</u>	<u>4,896</u>	<u>(1,786)</u>	<u>(1,445)</u>
Jointly controlled entities and associate companies						
Modelo Continente Hipermercados, S.A.	235	119	1	6	-	-
Sesagest - Proj.Gestão Imobiliária,SA	207	245	-	-	-	-
Contimobe - Imobil. Castelo Paiva,SA	103	169	-	-	-	-
SMP - Serv Manutenção Planeamento	-	-	-	27	-	-
	<u>545</u>	<u>533</u>	<u>1</u>	<u>33</u>	<u>-</u>	<u>-</u>

	Transactions					
	Sales and services rendered		Purchases and services obtained		Interest expense	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Mother companies and other shareholders:						
Modelo Continente Hipermercados, S.A.	7,533	7,724	(224)	(253)	-	-
Modelo - Dist. de Materias de Construção, SA	949	1,149	2	1	-	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	5,194	5,287	48	69	-	-
Infocfield - Informática, S.A.	932	1,207	40	47	-	-
Worten – Equipamentos para o Lar, S.A.	5,087	5,014	29	94	-	-
Raso- Viagens e Turismo,S.A	303	317	(898)	(1,511)	-	-
Zippy - Comércio e Distribuição	1,297	1,167	5	5	-	-
Estêvão Neves - Hipermercados Madeira,S.A	895	894	-	-	-	-
Sonae SGPS, S.A.	-	-	-	(709)	-	-
Sonaecom - Serviços de Comunicação,SA	942	1,152	(2,456)	(2,057)	-	-
Solinca III- Health &Fitness,SA	975	952	166	213	-	-
Modalfa - Comercio e Serviços	621	653	-	-	-	-
Troiaresort - Investimentos Turísticos,SA	140	208	-	1	-	-
Spel Serviços Auto,SA	31	278	-	3	-	-
Martimope - Emoreendimentos Turísticos,SA	609	605	20	18	-	-
Pharmacontinente - Saúde e Higiene S.A.	459					
NA - Comercio e Artigos de Desporto	528		5			
Sierra Portugal Real Estate	4,355	4,483	92	69	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxembourg")	-	-	-	-	212	236
SIERRA Investments (Luxembourg) 1 Sarl ("Luxembourg")	-	-	-	-	170	189
	<u>30,850</u>	<u>31,090</u>	<u>(3,171)</u>	<u>(4,010)</u>	<u>382</u>	<u>425</u>
Jointly controlled entities and associate companies						
Modelo Continente Hipermercados, S.A.	324	360	-	(1)	-	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	-	-	-	-	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxembourg")	-	-	-	-	4	242
SIERRA Investments (Luxembourg) 1 Sarl ("Luxembourg")	-	-	-	-	3	193
	<u>324</u>	<u>360</u>	<u>-</u>	<u>(1)</u>	<u>7</u>	<u>435</u>

The remuneration of the Board of Directors, during the years ended 31 December 2010 and 2009, was as follows:

	2010	2009
Fixed remuneration	1,613	2,145
Variable remuneration	2,610	1,491
	<u>4,223</u>	<u>3,636</u>

The total fees invoiced by the auditors, amounted to kEuro 436, which include the amount of kEuro 221 relating to review of accounts and the amounts of kEuro 136, kEuro 65 and kEuro 13, relating to reliability assurance services, tax consulting and other services, respectively.

39 CONTINGENT LIABILITIES AND BANK GUARANTEES

As of 31 December 2010 and 2009, the main contingent liabilities relate to the following situations:

- During 2010, the subsidiary Gli Orsi was notified by the Italian tax authorities to pay in-come tax on the amount of kEuro 10,587. This notification was claimed by the Group, and for the continuation of the same by judicial process, the Group had to make an advance payment in amount of kEuro 3,180.

The group, based on tax advice obtained from specialized entities, believes that the risk that this process be unfavourable is not likely and no provision was made for the same.

- During 2009, the participative Larissa (owned 50% by the Group) was notified by the municipality of Larissa to the payment of a fine amounting to kEuro 11,000 (kEuro 5,500 for the Group) for buildings adjacent to the mall that were not expressly permitted in the license. The participative complained about this notification and the Court decided in 2010 to its favour. The municipality of Larissa however objected to the decision.

The group, supported the opinion of its legal advisors understand the risk of this process be unfavourable is not likely and no provision was made for the same.

- During 2009, the participative Project Sierra Spain 3, which was developing the project Pulianas decided to settle the contract in force and request the return of the advance payments made for the purchase of the land amounting to kEuro 10,765 that was received in 2010. The seller of the land brought a lawsuit against the participated by kEuro 12,555, which was complained by the same. Ikea brought also against Project Sierra Spain 3 proceedings for loss of profits totalling kEuro 13,262, which is ongoing.

The group, supported the opinion of its legal advisors, believes there are enough solid arguments for termination with a reasonable chance of the process to be favourable to the group, which was not made any provision for them.

- The participative Park Avenue, decided to settle the leasing contract for the development of a project in Greece named Galatsi Shopping; a bank guarantee of kEuro 14,500 (kEuro 7,250 Group) was granted to the lessor for the proper payment of rents which payment was suspended in December 2008. The total Rents increased on the project until 31 December 2010, covered by this guarantee amounted to approximately kEuro 8,000 (kEuro 4,000 for the Group). This project was, as stated in note 7, written off in the financial year 2010, by which rents increased by 31 December 2010 were assumed as cost. However no provision was made for the remaining value of the bank guarantee, to be understanding of the group that has valid arguments for the termination of the contract and as such remaining rents will not be payable.

On the other hand, was given a guarantee (solidarity) to the municipality amounting to kEuro 50.000 (kEuro 25,000 for the Group) for proper execution of the construction project, for which the Group believes has solid arguments justifying the termination of the project and as such was not made any provision for the same.

- During 2010 the subsidiary Sierra Investments SGPS granted a guarantee to the Portuguese tax administration of kEuro 5,556, to deal with the complaint submitted by Sonae Sierra in relation to a notification received related to income tax. No provision was made to be understanding of the Group that the risk of this contingency is unlikely.

Additionally exist as of 31 December 2010 the following bank guarantees granted to third parties:

	<u>31.12.10</u>
Bank guarantees:	
relating tax processes in course	3,816
relating legal processes in course	167
to complete the construction of several projects	20,992
Others	1,035
	<u>26,010</u>

No provision to face risks derived from the construction/development of projects committed above mentioned was recorded, as the Board of Directors believes that the corresponding risk is not probable.

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 Sierra European Retail Real Estate Assets Holdings BV's ("Sierra BV") share capital to a group of Investors, in 2003, Sonae Sierra has agreed to revise the sale price of such shares in the event of a sale, to third parties, of some of the shopping centres owned by subsidiaries of Sierra BV (in case of some circumstances).

The price revision can occur both 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 will be made by Sonae Sierra to the Luxco's or to Sierra BV, in case a important sale, discounts were made related to deferred taxes over the gains.

The price revision will be dependent on the percentage ownership in the company that owns the asset, the Investors' ownership percentage in Sierra BV (and in case of a sale of shares adjusted by a 50% discount) and is limited to:

- (i) in the case of the asset sale, to a maximum amount of kEuro 118,258;
- (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 59,129;
- (iii) in the case of a sale of shares of the company that directly or indirectly owns the asset, the price revision plus the selling price, cannot result in a new price that is greater than the proportion in the Net Asset Value.

Similar guarantees were granted by Sonae Sierra in relation to the companies transferred to Sierra BV after 2003.

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 11 March 2010, the dividends related to the net profit of 2009 that amounted to kEuro 27,312 (Euro 0.84 per share), were paid during 2010.

As for the dividends related to the net profit of 2010, the Board of Directors proposes an amount of kEuro 23,735 (Euro 0.73 per share) to be paid as dividends. However, this proposal depends on 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 2010 and 2009, 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:

	2010	2009
Profit considered to compute the basic earnings per share (net profit of the year)	8,694	(110,986)
Number of shares	32,514,000	32,514,000
Earning per share (Euro)	0.27	(3.41)

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 years ended 31 December 2010 and 2009, regarding the statement of profit and loss, can be detailed as follows:

	31.12.10	31.12.09
Net Operating Margin		
Sierra Investments	113,702	114,476
Sierra Developments	(42,117)	(64,170)
Sierra Management	6,027	5,357
Sonae Sierra Brazil	26,157	18,716
Reclassifications and adjustments	19,673	34,414
Consolidated ⁽¹⁾	123,442	108,793
Direct profit before taxes		
Sierra Investments	64,522	62,984
Sierra Developments	(44,508)	(69,264)
Sierra Management	6,031	6,043
Sonae Sierra Brazil	23,322	14,147
Reclassifications and adjustments	23,423	40,263
Consolidated	72,790	54,173
Indirect income before taxes		
Sierra Investments	(17,186)	(157,007)
Sonae Sierra Brazil	24,343	30,670
Reclassifications and adjustments	(20,142)	(61,894)
Consolidated	(12,985)	(188,231)
Corporate tax + Deferred tax		
Sierra Investments	(34,489)	24,412
Sierra Developments	3,212	(395)
Sierra Management	(2,521)	(2,378)
Sonae Sierra Brazil	(14,029)	(9,230)
Reclassifications and adjustments	(3,284)	10,663
Consolidated ⁽¹⁾	(51,111)	23,072
Net profit before minorities		
Sierra Investments	12,847	(69,611)
Sierra Developments	(41,296)	(69,659)
Sierra Management	3,510	3,665
Sonae Sierra Brazil	33,636	35,587
Reclassifications and adjustments	(3)	(10,968)
Consolidated	8,694	(110,986)

(1) The reconciliation with the statutory accounts is presented on the following tables.

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	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Reclassification of the value created in projects in Sierra Developments ⁽¹⁾	23,485	41,539	23,485	41,539	(20,201)	(47,542)	(3,285)	6,003	(1)	-
Anticipation of Margins ⁽²⁾	-	-	-	-	-	(17,048)	-	5,195	-	(11,853)
Intercompany Elimination	(6,532)	(7,003)	-	(703)	-	703	-	-	-	-
Others	2,720	(122)	(62)	(573)	59	1,993	1	(535)	(2)	885
Reclassifications and adjustments	19,673	34,414	23,423	40,263	(20,142)	(61,894)	(3,284)	10,663	(3)	(10,968)

(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 an estimation of the losses that will occur in 2009.

The Sonae Sierra's reportable segment information for the year ended 31 December 2010 and 2009, regarding the statement of financial position, can be analysed as follows:

	31.12.10	31.12.09
Investment properties		
Sierra Investments	1,910,802	1,995,363
Sonae Sierra Brazil	433,772	328,273
Investment Properties under development and others (Sierra Investments and Brazil)	(59,658)	(19,027)
Consolidated ⁽¹⁾	2,284,916	2,304,609
Bank loans		
Sierra Investments	1,062,757	1,139,137
Sierra Developments	9,320	33,315
Sonae Sierra Brazil	41,004	32,768
Bank loan at Sonae Sierra SGPS	85,194	90,000
Others	(184)	1
Consolidated ⁽¹⁾	1,198,091	1,295,221
Deferred taxes liabilities		
Sierra Investments	238,206	220,369
Sierra Developments	4,063	4,464
Sonae Sierra Brazil	63,561	47,089
Others	(1,203)	310
Consolidated	304,627	272,232

(1) The reconciliation with the statutory accounts is presented on the following tables.

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

Statement of profit and loss

	31.12.10	31.12.09
Net Operating Margin - segments	123,442	108,793
Equity method adjustment ⁽¹⁾	(10,946)	(9,948)
Proportional method adjustment ⁽²⁾	70,343	69,690
Indirect Income:		
Variation in fair value of the investment properties	20,889	(285,506)
Other indirect income / costs	(4,159)	(514)
Depreciations, write-off and impairments losses	(33,181)	(12,150)
Letting and Key money on opening ⁽³⁾	528	(1,572)
Withholding taxes related to Interests and dividends	(386)	(660)
Others	436	(2,244)
Net Operating Profit as per Financial Statements	166,966	(134,111)
Corporate tax + Deferred Tax - segments	(51,111)	23,072
Equity method adjustment ⁽¹⁾	1,628	(3,552)
Proportional method adjustment ⁽²⁾	(25,202)	16,447
Impairment of Goodwill	-	4,099
Others	(60)	(453)
Income tax as per Financial Statements	(74,745)	39,613

(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 companies owned by the group by less than 100% and more that 50% are included in the management accounts by the proportional method and in the Statutory consolidated accounts are included by the full consolidation method.

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

Statement of financial position

	31.12.10	31.12.09
Investment properties - segments	2,284,916	2,304,609
Equity method adjustment ⁽¹⁾	(219,736)	(165,182)
Proportional method adjustment ⁽²⁾	1,236,445	1,253,153
Goodwill ⁽³⁾	(37,869)	(38,454)
Others	(1)	-
Investment properties as per Financial Statements	3,263,755	3,354,126
Bank loans - segments	1,198,091	1,295,221
Equity method adjustment ⁽¹⁾	(126,896)	(95,512)
Proportional method adjustment ⁽²⁾	591,408	640,076
Financing costs	(10,441)	(12,297)
Short term facilities ⁽⁴⁾	194	37,164
Others	21	(555)
Debt - current and non-current as per Financial Statements	1,652,377	1,864,097

- (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 companies owned by the group by less than 100% and more than 50% are included in the management accounts by the proportional method and in the Statutory consolidated accounts are included by the full consolidation method.
- (3) The Sierra Investment segment considers the Goodwill under the caption "Investment Properties".
- (4) The management accounts have the short term facilities recorded under the caption "Cash & Equivalents".

The average number of employees in 2010 e 2009, by business segment is detailed as follows:

	2010	2009
Sierra Investments	15	14
Sierra Developments	86	101
Sierra Management	398	409
Sonae Sierra Brazil	74	64
Non allocated	237	254
	810	841

44 SUBSEQUENT EVENTS

On the 2nd February 2011 the joint controlled entity Sonae Sierra Brasil S.A., a company incorporated in accordance with the Brazilian law, commenced the process of issued on the coordination of Credit Suisse Investment Bank (Brazil), SA. Banco ITAÚ BBA SA and Banco JP Morgan SA, on the initial public offering of 21,739,130 ordinary shares of the Company, all nominal without par value, free and clear of any liens or encumbrances, at the price of R\$ 20 per share, amounting R\$ 434,782,600.

On the 28th February 2011 the Group has finalised the sale of two shopping centres owned by its subsidiaries, El Rosal (Ponferrada) and Plaza Éboli (Madrid), for a value of

kEuro 120,000, amount by which these properties are presented in the enclosed financial statements.

45 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised for issuance on the 4 of March 2011. However, these financial statements are still depending on the approval by the Shareholders General Meeting, in accordance with business legislation 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.

Statement under the terms of Article 245 A c), d) f) h), i) and m) of the Securities code

c) Qualified holdings:

Shareholder	Number of shares owned	% owned
Sonae SGPS, S.A	16,257,000	50%
Grosvenor Investments (Portugal), Sarl	16,257,000	50%

d) Identification of the shareholders that owns special rights and description of those rights:

There are no shareholders that owns special rights

f) Restrictions on the transfer and ownership of shares:

There are no restrictions on the transfer and ownership of shares.

h) Rules applicable to the nomination and replacement of the board members and regarding changes to the company's articles:

The Board is elected by the General Assembly.

In case of death, resignation or impediment, temporary or permanent, of any of the members of the Board of Directors, the Board will arrange for replacement.

The change to the articles of the company is responsibility of the General assembly.

i) Powers of the Board of Directors, namely the decision of capital increase:

Is obligation of the Board of Directors to present to the General Assembly a proposal for the capital increase of the company.

m) Main elements of internal control systems and risk management implemented in the company regarding the process of disclosure of financial information:

Information presented in the corporate governance chapter of the Management report.

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, 4th March 2011

The Board of Directors

Sonae Sierra, SGPS, S.A.

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2010 AND 2009

(Translation of the statement of financial position originally issued in Portuguese - Note 25)

(Amounts expressed in thousands of Euro)

ASSETS	Notes	31.12.10	31.12.09
NON CURRENT ASSETS			
Other investments	3	718,696	777,818
Shareholders	4	152,091	297,954
Total non current assets		<u>870,787</u>	<u>1,075,772</u>
CURRENT ASSETS			
Shareholder loans	4	22,924	26,979
Other Debtors	5	337,219	5,439
Taxes and Other Contributions	6	305	2,061
Other Current Assets	7	67	473
Cash and Cash Equivalents	8	3,466	237
Total current assets		<u>363,981</u>	<u>35,189</u>
TOTAL ASSETS		<u><u>1,234,768</u></u>	<u><u>1,110,961</u></u>
EQUITY AND LIABILITIES			
EQUITY:			
Share Capital	9	162,245	162,245
Legal Reserve		57,329	57,329
Other Reserves		187,160	186,824
Retained Earnings		495,875	495,875
Net Profit for the period		162,535	27,647
TOTAL EQUITY		<u>1,065,144</u>	<u>929,920</u>
LIABILITIES:			
NON CURRENT LIABILITIES			
Bond Loans	10	74,760	74,652
Total non current liabilities		<u>74,760</u>	<u>74,652</u>
CURRENT LIABILITIES			
Bank Loans short term	11	10,194	52,171
Current portion of Debenture Loans	10	(108)	(102)
Shareholders	12	77,863	45,638
Other Creditors	13	3,211	4,273
Taxes and contributions	6	893	59
Other Current Liabilities	14	2,811	4,350
Total current liabilities		<u>94,864</u>	<u>106,389</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,234,768</u></u>	<u><u>1,110,961</u></u>

The accompanying notes form an integral part of these statements of financial position.

The Accountant

The Board of Directors

Sonae Sierra, SGPS, S.A.

STATEMENTS OF PROFIT AND LOSS

FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 2009

(Translation of the statement of financial position originally issued in Portuguese - Note 25)

(Amounts expressed in thousands of Euro)

	Notes	31.12.10	31.12.09
Operating income:			
Other Operating Income		33	9
Total operating income	15	33	9
Operating expenses:			
External Supplies and Services		(377)	(358)
Personnel expenses		(1,065)	(1,373)
Other Operating Expense	16	(161)	(125)
Total operating expenses		(1,603)	(1,856)
Net operating profit		(1,570)	(1,847)
Financial Income	17	3,798	10,998
Financial Expenses	17	(4,620)	(8,415)
Financial Results		(822)	2,583
Net income from Investments	17	164,135	26,669
Profit before income tax		161,743	27,405
Income Tax	18	792	242
Profit after income tax		162,535	27,647
Net profit for the period		162,535	27,647

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

The Accountant

The Board of Directors

Sonae Sierra, SGPS, S.A.STATEMENTS OF COMPREHENSIVE INCOMEFOR THE PERIODS ENDED 31 DECEMBER 2010 AND 2009*(Translation of the statement of comprehensive income originally issued in Portuguese - Note 25)**(Amounts expressed in thousands of Euro)*

	<u>Notes</u>	<u>31.12.10</u>	<u>31.12.09</u>
Net profit for the period		162,535	27,647
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>162,535</u>	<u>27,647</u>

The accompanying notes form an integral part of these statements of comprehensive income.

The Accountant

The Board of Directors



Sonae Sierra, SGPS, S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 2009

(Translation of statements of changes in equity originally issued in Portuguese - Note 25)

(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 2009		162,245	57,329	178,680	495,875	54,964	949,093
Appropriation of net result for 2008:							
Transfers to others reserves		-	-	8,143	(8,143)	-	-
Dividends distributed		-	-	-	(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		162,245	57,329	186,824	495,875	27,647	929,920
Balance as of 1 January 2010	9	162,245	57,329	186,824	495,875	27,647	929,920
Appropriation of net result for 2009:							
Transfers to others reserves	20	-	-	336	(336)	-	-
Dividends distributed	20	-	-	-	(27,311)	-	(27,311)
Transfers to retained earnings		-	-	-	27,647	(27,647)	-
Net profit for the period ended 31 December 2010		-	-	-	-	162,535	162,535
Balance as of 31 December 2010		162,245	57,329	187,160	495,875	162,535	1,065,144

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

The Accountant

The Board of Directors

Sonae Sierra, SGPS, S.A.

CASH FLOW STATEMENT

FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 2009

(Translation of statements of changes in equity originally issued in Portuguese - Note 25)

(Amounts expressed in thousands of Euro)

	31.12.10	31.12.09
OPERATING ACTIVITIES		
Paid to personnel	1,744	1,169
Flows from operations	(1,744)	(1,169)
(Payments)/receipts of income tax	(1,850)	(1,039)
Other (payments)/receipts relating to operating activities	(444)	(167)
Flows from operating activities [1]	(338)	(297)
INVESTING ACTIVITIES		
Receivables related to:		
Interest and Other financial income	3,631	12,339
Dividends	14,521	26,669
Net loans granted	34,382	
	52,534	39,008
Payments related to:		
Investments	6,500	-
Net loans granted	-	122,354
	6,500	122,354
Flows from investing activities [2]	46,034	(83,347)
FINANCING ACTIVITIES		
Receivables related to:		
Bank loans	-	37,171
Net loans received - group companies	32,225	-
	32,225	37,171
Payments related to:		
Interest and Other financial expenses	5,404	12,018
Dividends	27,312	46,820
Bank loans	41,977	-
Net loans received - group companies	-	(175,174)
	74,693	234,012
Flows from financing activities [3]	(42,468)	(196,841)
Net cash and equivalents	3,229	(280,485)
Cash and cash equivalents at the beginning of the year	237	280,722
Cash and cash equivalents at the end of the year	3,466	237
Net cash and equivalents	3,229	(280,485)

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

The Accountant

The Board of Directors

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

NOTES TO THE FINANCIAL STATEMENTS

AS OF 31 DECEMBER 2010

(Amounts expressed in thousands of Euro - kEuro)

(Translation of notes originally issued in Portuguese – Note 25)

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 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 it 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 2010. 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 going 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 financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions with mandatory application to the economic year beginning on 1 January 2010:

	Applicable for financial years beginning on/after
IFRS 3/IAS 27 (Revised 2008)	01-Jul-09
IFRS 1 Revised - First Time Adoption of IFRS	01-Jan-10
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
IFRIC 12 - Service concession arrangements	01-Jan-10
IFRIC 15 - Agreements for the construction of Real Estate	01-Jan-10
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	01-Jul-09
IFRIC 17 - Distribution of Non-cash Assets to Owners	01-Jul-09
IFRIC 18 - Transfer of assets from customers	01-Jul-09
Amendments to IFRIC 9 and IAS 39 - Embedded Derivatives	01-Jul-09

(*) Improvements to IFRS (2009), includes the revision of 12 accounting

These standards endorsed by the European Union, were adopted for the first time in 2010, and they do not represent significant impact on this financial statements.

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

	Applicable for financial years beginning on/after
IAS 24 Related Party Disclosures (Revised)	01-Jan-10
Amendments to IFRS 1 Limited Exemption from comparative IFRS 7 Disclosures for First Time Adopters	01-Jul-10
Amendment to IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues	01-Feb-10
IFRIC 19 - Extinguishing of Financial Liabilities with Equity Instruments	01-Jul-10
Amendment to IFRIC 14 - Prepayments of Minimum Funding Requirements	01-Jan-11

These standards, despite being endorsed by the European Union, were not adopted by the Company in 2010 because their application is not yet mandatory. It is not anticipated that there will be significant retrospective impact in the financial statements of the Company from the adoption of the standards.

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
IFRS 9 - Financial Instruments	01-Jan-13
Improvements to IFRS (2010)	Several (on / after 01-Jul-10)
Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets	01-Jan-12
Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01-Jan-11
Amendments to IFRS 7 - Financial Instruments: Disclosures	01-Jul-11

From these standards and interpretations already issued by the IASB but not approved by the European Union, the Company does not anticipate significant impact in the accompanying financial statements.

2.2. Financial Investments

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

2.3. Financial assets and liabilities

Assets and liabilities are recognised in the statement of financial position when the Company becomes part of the correspondent contractual arrangements.

a) Loans granted to Group companies

Loans granted to Group companies are recorded in assets at amortised cost which usually do not differ from the nominal value.

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

b) Accounts receivable

Accounts receivable are stated at amortised cost which usually do not differ from nominal value less impairment losses. Usually these receivables do not bear interest.

c) Loans

Loans are stated as liabilities at amortised cost.

Any expenses incurred in obtaining such financing, usually paid in advance on issue, namely the bank fees and stamp duty as well as interest expenses and similar expenses, are recognised using the effective interest method in the results of the year, over the lifetime of such financing. These expenses incurred are deducted from the caption "Bank loans".

Financial expenses with interests and similar expenses (namely stamp duty) are recorded in the profit and loss statement on an accruals 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 amortised cost which usually do not differ from nominal value and do not bear

e) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, cash at banks on 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 to 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 a inflow of economic benefits is probable.

2.6. Income tax

Income tax represents the sum of the tax based on the taxable results of the Company and the 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 date of this financial statements.

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 actual amounts 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 rates 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. The treasury needs 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 recognised 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 analysis is based on a change of 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 to occur due to interest rates correlation with other variables, the impact in Company's net profit and equity would be the following:

	31.12.10		31.12.09	
	+ 75 b.p.	- 25 b.p.	+ 75 b.p.	- 25 b.p.
Net Profit (1)	226	(75)	(2)	1

(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

In the preparation of the accompanying financial statements estimations were used which are affecting the assets and liabilities and also the amounts booked as income and expenses 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 financial statements will be booked on the subsequent year, as defined in IAS 8.

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 2010 the Company held the following participations in group companies and associated companies:

Company	% of ownership	31.12.10			31.12.09
		Net Worth	Result of the period	Amount in Financial Position	Amount in Financial Position
Sierra Corporate Services- Apoio à Gestão, SA	100%	1,609	1,549	3,210	3,210
Sierra Investments SGPS, S.A.	100%	858,861	161,994	677,272	677,272
Sierra Developments, SGPS, S.A.	100%	171,409	(2,201)	100,028	100,028
Sierra Management, SGPS, S.A.	100%	14,336	6,255	6,550	50
Sonae Sierra Brazil B.V.	- -	-	-	-	134
				787,060	780,694
Impairment loss (Note 17)				(68,364)	(2,876)
				718,696	777,818

Principal movements occurred during year 2010 in the Company's shares portfolio were the following:

Disposals	Acquisition cost	Nr. of shares sold	Selling price
Sonae Sierra Brazil BV	134	91	215,236
	134		215,236

Additionally, there was a share capital increase in Sierra Management, SGPS, SA, through a cash contribution in the amount of kEuro 6,500, by issue of 6,500,000 new shares of one Euro each.

4. LOANS GRANTED TO GROUP COMPANIES

As of 31 December 2010 and 2009 this caption could be disclosed as follows:

	31.12.10		31.12.09	
	Short term	Medium and long term	Short term	Medium and long term
Medium and long term loans granted:				
Sierra Developments SGPS, S.A	-	152,091	-	181,749
Hybrid loans				
Sonae Sierra Brasil, B.V	-	-	-	116,205
Short term loans granted				
Sierra Developments - Serv. Prom. Imob., S.A.	22,109	-	19,297	-
Sierra Managment SGPS, S.A.	275	-	5,412	-
Sierra Developments SGPS, S.A	540	-	685	-
Proj. Sierra Portugal VI - C.Comercial, S.A.	-	-	622	-
Sierra Develop. Ibéria 1, Prom. Imob., S.A.	-	-	608	-
Sierra Corporate Services - Ap. Gestão S.A.	-	-	355	-
	22,924	152,091	26,979	297,954

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 less than one year, bearing interests in market conditions.

5. OTHER DEBTORS

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Interests on loans granted to Group companies		
Sierra Developments SGPS, S.A	736	521
Amounts to regularize due to Fiscal Unity		
Sierra Management Portugal -Gestão de Centros Comerciais S.A.	2,397	1,638
Sierra Asset Management-Gestão de Activos S.A.	1,575	1,993
Sierra Corporate Services - Apoio à Gestão, S.A.	726	90
Sierra Investments, SGPS, S.A.	283	903
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	163	52
Sierra Developments - Serviços de Promoção Imobiliária,S.A.	98	31
Paracentro - Gestão de Galerias Comerciais S.A.	91	81
Sierra Management II - Gestão de Centros Comerciais S.A.	-	94
Clérigoshopping - Gestão do Centro Comercial, SA	-	1
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	-	-
Transfer of financial investments		
Sierra Investments Holding BV	331,131	
Sundry debtors		
Plaza Mayor Shopping, S.A	19	24
El Rosal Shopping, SA	-	9
Freccia Rossa - Shopping Centre S.r.l	-	-
Outros	-	2
	337,219	5,439

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

	31.12.10	31.12.09
Not due	337,200	5,406
0-30 days	19	33
	337,219	5,439

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 2007 until 2010 can be changed.

The Board of Directors considers that the possible changes to the fiscal declarations will not have a significant impact in the financial statements as of 31 December 2010.

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.

The estimate of corporate income tax (current 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:

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 Portugal - Gestão de Centros Comerciais, S.A; Sierra Management SGPS, S.A..

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10		31.12.09	
	Balances assets	Balances liabilities	Balances assets	Balances liabilities
Corporate Income Tax				
Tax recoverable of previous years	305	-	80	-
Income tax	-	849	1,981	-
Income taxes retained - wages	-	8	-	16
Withholding tax	-	34	-	31
Social Security payable	-	2	-	12
	<u>305</u>	<u>893</u>	<u>2,061</u>	<u>59</u>

7. OTHER CURRENT ASSETS

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Interests receivable		
Sierra Developments - Serv. Prom. Imob., S.A.	25	24
Sierra Corporate Services - Apoio à Gestão, S.A.	1	-
Sonae Sierra Brasil BV	-	359
Sierra Investments SGPS, .S.A.	-	42
Sierra Management SGPS, .S.A.	-	7
Sierra Developments Ibéria 1, Prom. Imob., S.A.	-	1
Project Sierra Portugal VI, C.Comercial, SA	-	1
Sierra Developments, SGPS, S.A.	-	1
Insurance prepayment	35	24
Bank commissions prepayment	4	13
Sundry	<u>2</u>	<u>1</u>
	<u>67</u>	<u>473</u>

8. CASH AND CASH EQUIVALENTS

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Cash	-	1
Bank deposits payable on demand	36	107
Treasury applications	<u>3,430</u>	<u>129</u>
	<u>3,466</u>	<u>237</u>

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

9. SHARE CAPITAL

At 31 December 2010 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 2010 and 2009

Entity	31.12.10	31.12.09
Sonae SGPS, S.A	50%	50%
Grosvenor Investments (Portugal), Sarl	50%	50%

10. BOND LOAN

As of 31 December 2010 and 2009, this caption was made up as follows:

	31.12.10			31.12.09			Reimbursement
		Used amount			Used amount		plan
	Limit	Short term	Medium and long term	Limit	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		(108)	(240)		(102)	(348)	
		(108)	74,760		(102)	74,652	

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 months 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 2010, loans classified as medium and long term are repayable as follows:

	31.12.10		31.12.09	
	Repayment	Interest	Repayment	Interest
2011	-	-	-	1,730
2012	-	1,701	-	1,735
2013	75,000	1,696	75,000	1,730
	75,000	3,397	75,000	5,195

11. BANK LOANS

As of 31 December 2010 and 2009 this caption was made up as follows:

	Financing Entity	31.12.10			31.12.09		
		Limit	Used amount		Limit	Used amount	
			Short term	Medium and long term		Short term	Medium and long term
Short term facilities	BPI	2,494	194	-	83,919	37,171	-
Bank Loans	Santander Totta	10,000	10,000	-	15,000	15,000	-
Total Bank Loans			10,194	-		52,171	-

The bank loans relates to a short term Commercial Paper issuance in the amount of kEuro 10.000 and bearing interest at market rates.

12. SHAREHOLDER LOANS

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Short term loans obtained		
Sierra Investments, SGPS, SA	36,447	8,777
Sierra Management Portugal, SA	31,790	26,520
Sierra Asset Management, Gestão de Activos SA	7,485	5,967
Sierra Developments - Serv. Prom. Imob., S.A.	1,028	-
Paracentro -Gestão Galeria Comercial S.A	666	584
Sierra Developments Ibéria 1, Prom. Imob., S.A.	329	-
Inparsa - Gestão de Galeria Comercial, S.A.	78	29
Project Sierra Portugal VIII Centro Comercial, SA	40	41
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	-	3,267
Sierra Management II - Gestão de Centro Comercial, S.A.	-	431
Pridelease, SA	-	22
	<u>77,863</u>	<u>45,638</u>

Short term loans refers to loans obtained in Euro from group companies for less than one year period and bearing interest at market conditions.

13. OTHER CREDITORS

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.10	31.12.09
Amounts to regularize in the Fiscal Unit		
Sierra Developments - Serviços de Promoção Imobiliária,S.A.	2,034	2,405
Sierra Developments, SGPS, S.A.	762	1,317
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	-	93
Sierra Management. SGPS, S.A.	12	66
Sierra Investments, SGPS, S.A.	-	60
Inparsa - Gestão de Galeria Comercial, S.A.	41	4
Sierra Management Portugal -Gestão de Centros Comerciais S.A.	1	2
Sierra Corporate Services - Apoio à Gestão, S.A.	-	-
Sierra Asset Management-Gestão de Activos S.A.	-	-
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	-	-
Project Siera Holding V SGPS, SA	-	-
Services rendered		
Sonae SGPS , S.A.	214	216
MDS	37	-
Third parties	110	110
	<u>3,211</u>	<u>4,273</u>

The above amounts are due as follows:

	31.12.10	31.12.09
0-90 days	3,101	4,163
+ 180 dias	110	110
	<u>3,211</u>	<u>4,273</u>

14. OTHER CURRENT LIABILITIES

As of 31 December 2010 and 2009 this caption was made up as follows:

	31.12.09	31.12.09
Staff costs payable	358	1,019
Interest payable		
Sierra Investments, SGPS, SA	53	4
Sierra Management Portugal, SA	51	48
Sierra Management, SGPS, SA	24	-
Sierra Asset Management, Gestão de Activos SA	8	9
Paracentro - Gestão Galeria Comercial S.A	1	1
Sierra Developments, SGPS, SA	-	883
Sierra Management New Techno. Business-Serv. de Com. em C.C. S.A.	-	4
Sierra Management II - Gestão C.C, S.A	-	1
Interest bond loans	744	758
Interest bank loans	3	89
Financing costs payable	68	37
Services rendered by third parties payable	21	17
Cascaishopping Centro Comercial, S.A price adjustment	1,480	1,480
	<u>2,811</u>	<u>4,350</u>

As of 31 December 2010, 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 2010 and 2009, include the amounts of kEuro 127 and Euro 505, respectively, related to remuneration bonus attributed to some employees of the Group, which will be paid after two years to the relevant grant 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 grant until the year of payment) and recorded as expense, by the gross amount that was attributed to those employees, and any subsequent adjustment derived from the change in the Group's NAV.

15. OTHER OPERATING INCOME

Other operating income for the periods ending 31 December 2010 and 2009 are made up as follows:

	31.12.10	31.12.09
Recovery of costs	33	9
	<u>33</u>	<u>9</u>

16. OTHER OPERATING EXPENSES

Other operating expenses for the periods ending 31 December 2010 and 2009 are made up as follows:

	31.12.10	31.12.09
Stamp duty	92	62
VAT cost	58	54
Quotes	11	9
	<u>161</u>	<u>125</u>

17. FINANCIAL RESULTS AND NET INCOME FROM INVESTMENTS

Net financial results for the periods ending 31 December 2010 and 2009 are made up as follows:

	31.12.10	31.12.09
Expenses		
Interests on loans obtained from group companies	1,894	5,219
Interests on bond loans	1,637	2,369
Interests on overdrafts	412	174
Interests on bank loans	77	165
Agreed interest	-	48
Stamp duty	26	17
Bank charges	459	330
Others	115	93
	4,620	8,415
Financial Results	(822)	2,583
	10,998	10,998
Income		
Interest income on short term and long term loans granted	3,789	10,688
Interest income on treasury applications	5	263
Other	4	47
	3,798	10,998

Net income from investments for the periods ending 31 December 2010 and 2009 are made up as follows:

	31.12.10	31.12.09
Dividends	14,522	26,669
Reversal Impairment losses - Group companies	1,275	-
Impairment losses - Group companies	(66,764)	-
Capital gains/ (losses)	215,102	-
	164,134	26,669

The amount recorded under the caption "Impairment losses - Group companies" refers to impairment registered by the Company, related to its subsidiary Sierra Developments SGPS, S.A.

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

	31.12.10	31.12.09
Sierra Investments SGPS, S.A	10,283	23,095
Sierra Management SGPS, S.A	3,700	3,300
Sierra Corporate Services, S.A	538	274
	14,521	26,669

18. INCOME TAX

Income tax for the years ended 31 December 2010 and 2009 is made up as follows:

	31.12.10	31.12.09
Current tax	(792)	(242)
Deferred tax	-	-
	(792)	(242)

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

	31.12.10	31.12.09
Profit before income tax	161,743	27,405
Dividends	(14,522)	(26,669)
Gains related to the sale of companies	(215,102)	-
Reversal Impairment losses - Group companies	(1,275)	-
Impairment losses - Group companies	66,764	-
Other	36	40
Taxable profit	(2,356)	776
Tax rate	25.00%	26.50%
	(589)	206
Tax rate change effect	-	(2)
Overestimated tax	(209)	(446)
Other	6	-
Income tax	(792)	(242)

19. RELATED PARTIES

Balances and transactions with related parties during the years ended 31 December 2010 and 2009, 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	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Sierra Investments Holding BV	331,131	-	-	-	-	-
Sierra Management Portugal -Gestão C. C. S.A.	2,397	1,638	1	2	(51)	(48)
Sierra Asset Management-Gestão de Act. S.A.	1,575	1,993	-	-	(8)	(9)
Sierra Developments, SGPS, S.A.	736	520	762	1,317	-	(882)
Sierra Corporate Services - Apoio à Gestão, S.A.	726	90	-	-	1	-
Sierra Investments, SGPS, S.A.	283	903	-	60	(53)	37
Sierra Developments Ibéria 1-Prom. Imob. S.A.	163	51	-	-	-	1
Sierra Developments - Serv. de Prom. Imob.,S.A.	98	31	2,034	2,405	25	24
Paracentro-Gestão de Galerias Comerciais S.A.	91	81	-	-	(1)	(1)
Plaza Mayor Shopping, S.A	19	24	-	-	-	-
Sierra Management II - Gestão de C. C. S.A.	-	94	-	-	-	(1)
El Rosal Shopping, SA	-	9	-	-	-	-
Clérigoshopping-Gestão do C. C. , S.A.	-	1	-	-	-	-
Sonae SGPS, S.A.	-	-	214	216	-	-
Inparsa - Gestão de Galeria Comercial, S.A.	-	-	41	4	-	-
MDS	-	-	37	-	-	-
Sierra Management. SGPS, S.A.	-	-	12	66	(24)	7
Sierra Manag New Techno. Business-Serv. S.A.	-	-	-	93	-	(4)
Sonae Sierra Brasil BV	-	-	-	-	-	359
	<u>337,219</u>	<u>5,435</u>	<u>3,101</u>	<u>4,163</u>	<u>(111)</u>	<u>(516)</u>

	Transactions			
	Interest income		Interest expense	
	31.12.10	31.12.09	31.12.10	31.12.09
Sierra Developments, SGPS, S.A.	3,129	9,295	9	1,642
Sierra Developments - Serv. de Promoção Imobiliária,S.A.	477	541	-	-
Sonae Sierra Brasil BV	-	359	-	-
Plaza Mayor Shopping, S.A	78	279	-	-
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	12	-	1	-
Sierra Corporate Services - Apoio à Gestão, S.A.	21	63	4	1
Sierra Investments, SGPS, S.A.	-	42	794	1,849
Project Sierra Portugal VI Centro Comercial, SA	2	24	-	-
Sierra Management. SGPS, S.A.	70	7	24	7
Inparsa - Gestão de Galeria Comercial, S.A.	-	6	6	-
Sierra Management II - Gestão de Centros Comerciais S.A.	-	2	-	6
Sierra Management Portugal -Gestão Centros Comerciais S.A.	-	-	914	1,182
Sierra Asset Management-Gestão de Activos S.A.	-	-	128	271
Paracentro-Gestão de Galerias Comerciais S.A.	-	-	13	23
Project Sierra Portugal VIII Centro Comercial, SA	-	-	1	2
Cascaishopping Holding I SGPS, S.A	-	-	-	135
Sierra Manag New Techno. Business-Serv. de Com. em C.C. S.A.	-	-	-	93
Clérigoshopping-Gestão do Centro Comercial , S.A.	-	-	-	6
Pridelease Investments Ltd	-	-	-	1
	<u>3,789</u>	<u>10,618</u>	<u>1,894</u>	<u>5,218</u>

The remuneration of the Board of Directors, during the years ended 31 December 2010 and 2009, was as follows:

	31.12.10	31.12.09
Fixed remuneration	1,507	2,145
Variable remuneration	2,122	1,074
	<u>3,629</u>	<u>3,219</u>

20. DIVIDENDS

The net Result of 2009 had the following application according to the Shareholder General Meeting:

Free reserves	336
Dividends	<u>27,311</u>
	<u><u>27,647</u></u>

Concerning dividends for the net Result of year 2010, the Board of Directors propose a dividend per share of Euro 0.73. 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 2010 and 2009 the earning per share corresponded to the net profit attributable to shareholders divided by the number of ordinary shares during the period as follows:

	<u>31.12.10</u>	<u>31.12.09</u>
Net result for the period	162,535	27,647
Number of shares	32,514,000	32,514,000
Earning per share (Euro)	<u><u>5.00</u></u>	<u><u>0.85</u></u>

22. CONTINGENT LIABILITIES

As of 31 December 2010 and 2009 the Company had granted the following guaranties:

	<u>31.12.10</u>	<u>31.12.09</u>
Guaranties granted:		
Relating tax processes in course	<u>3,809</u>	<u>3,809</u>
	<u><u>3,809</u></u>	<u><u>1,553</u></u>

As of 31 December 2010 the amounts recorded under the caption "Relating tax processes in course", refer to guaranties issued in favour of *Direcção Geral dos Impostos*, related to the suspension of IRC processes for years 1996 (kEuro 1,493), 2004 (kEuro 1,296), 2007 (kEuro 435) and 2008 (kEuro 585).

In addition, Sonae Sierra SGPS, S.A., ensured several corporate guarantees on behalf of its subsidiaries.

23. DISCLOSURES REQUIRED BY LEGISLATION

The information on fees charged by the auditor is included in the information disclosed in the notes of Corporate Governance.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 4 March 2011. Nevertheless, they are subject to the approval of the Shareholders General Meeting in accordance to the legislation in force in Portugal.

25. 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 re-quired in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Accountant

The Board of Directors

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 2010, including the corporate responsibility report, 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, and verified the regularity of the accounting records, the process of preparation and divulgation of the financial information and correspondent accounting policies, 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 2010, 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, and considered that the presented financial information comply with the law and regulations and is adequate for the understanding of the financial situation and results, both of the Company and consolidated.

The Statutory Audit Board has also examined the Management Report for the year ended 31 December 2010 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 consequently recommends that those should be approved by the Shareholders' General Meeting.

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, 04 March 2011

The Statutory Audit Board

David Stannard Jenkins

Jorge Manuel Felizes Morgado

UHY & Associados, SROC, Lda.

Represented by

António Francisco Barbosa dos Santos

STATUTORY AUDIT REPORT AND AUDITORS' REPORT
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

Introduction

1. In accordance with the applicable legislation, we present the Statutory Audit Report and the Auditors' Report on the financial information contained in the Management Report and in the consolidated and separate financial statements of Sonae Sierra, S.G.P.S. (the "Company") which comprise the consolidated and separate Statements of Financial Position as of 31 December 2010 (that presents a total of 3,833,086 thousand Euros and 1,234,768 thousand Euros, respectively, and consolidated and separate shareholders' equity of 1,432,571 thousand Euros and 1,065,144 thousand Euros, respectively, including a consolidated net profit attributable to the shareholders of the Company of 8,694 thousand Euros and an separate net profit of 162,535 thousand Euros), the Consolidated and Separate Statements of Profit and Loss, Comprehensive Income, Changes in Shareholders' 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 and separate financial information that present a true and fair view of the financial position of the Company and the companies included in the consolidation, the consolidated and separate 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; (iv) informing any significant facts that have influenced their operations or the operations of the companies included in the consolidation, their financial position or comprehensive income.
3. Our responsibility is to verify 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 professional and independent report based on our examination.

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 separate financial statements are free of material misstatement. This examination included 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. This examination also included 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 separate financial statements. Our examination also comprised verifying that the financial information contained in the Management Report is in accordance with the consolidated and separate financial statements and the verifications mentioned in the numbers 4 and 5 of the article 451 of the Portuguese Commercial Code. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and separate financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated and separate financial position of Sonae Sierra, S.G.P.S., S.A., as of 31 December 2010, the consolidated and separate results and comprehensive income of its operations, the consolidated and separate changes in the shareholders' equity and the consolidated and separate cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information there contained is, in accordance with the definitions included in paragraph 4 above, complete, true, timely, clear, objective and licit.

Reporting on other legal requirements

6. Is also our opinion that the financial information included in the Management Report is in accordance with the consolidated and separate financial statements and includes the informations required by article 245-A of the Securities Market Code as applicable to the Company.

Porto, 4 March 2011

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