

INTERVIEW WITH ÁLVARO PORTELA-CEO of Sonae

Imobiliária

11th March 2003

1. 2002 was a year of economic crisis. Bearing this in mind, how would you describe Sonae Imobiliária's results?

Sonae Imobiliária continued to expand, and as indicated by a variety of indicators, the results we achieved were excellent. Net Profit, for example, increased 19% to €144.3 million and the company's NAV, one of the most relevant indicators for this sector, increased by 10.2% to over €1 billion.

2. In 2003 the economic situation is likely to remain difficult. This being the case is the Company planning to take any drastic measures, which would affect further expansion plans?

We will continue to implement our international expansion plans. It goes without saying that the macro-economic situation has an influence on all investors, but we believe in the high quality of our plans and we believe they will prove successful. The whole of Europe is going through a difficult phase of the economic cycle. We must use this period to prepare for and to invest in the recovery which we believe will happen within the next two years. We must not forget that it usually takes at least 4 years of hard work to produce a shopping and leisure centre. In fact, none of the major projects currently under development is due to be completed before 2006.

3. Sonae Imobiliária's growth strategy is based mainly on expanding internationally. Is this because the internal Portuguese market is saturated or because current legislation on licensing large new shopping centres in Portugal is too restrictive?

As far as we are concerned, the Portuguese market is not saturated. We have 5 projects currently underway. The total GLA per head of population is still slightly below the European average, although the quality of the shopping in the two largest cities, Lisbon and Oporto, is now among the best in Europe. There are a number of opportunities for the development of high quality projects with excellent potential in medium-sized cities, and we are taking advantage of these opportunities in Vianado Castelo and Ponta Delgada. However, in investment terms, most of our effort is indeed going into projects abroad. Of our 19 current projects, 14 are outside of Portugal. This is because in our overall expansion strategy, we give equal priority to Portugal and to the other countries we are targeting in Europe.

4. This year, Sonae Imobiliária is planning to open Parque Atlântico, in the Azores, and Estação Viana, in Vianado Castelo. What are the Company's other medium-term plans for Portugal?

We are also expanding Cascais Shopping and are moving into the final phase of extending this centre. Work should be finished in September. It was an innovative step to have invested so heavily in Cascais shopping. In no other Centre that I know of has there been such an ambitious remodelling and expansion project while the Centre has remained open and continued to supply high quality to its visitors.

Coimbra Retail Park will also be opening this year.

Apart from this, we are developing Setúbal Retail Park and are again busy with Loures shopping, now that the project has finally been approved.

And of course we are also considering a wider range of other possibilities.

5. [And what international projects are currently underway?](#)

Outside of Portugal we have 14 developments in progress, 5 in Spain, 2 in Greece, 2 in Germany, 1 in Austria, 2 in Italy and 2 in Brazil.

6. [And what is the estimated cost of these developments? How are you planning to finance them?](#)

The total cost of these developments, including the gross investment of Sonae Imobiliária and its partners, is €1,231 million.

The projects will be financed through shareholder equity and Project Finance, generally in the ratio of 35/65 of the total investment cost.

In order to increase our capacity to use capital without having to go back to our shareholders, we are planning to increase the gearing in our shopping centres in operation by increasing the holdings of our new and current institutional partners. We will of course ensure that we maintain a controlling share of the properties.

7. [What effect will these new projects have on the company's level of debt?](#)

At the moment, Sonae Imobiliária's level of gearing is 37.7%, quite low compared to other companies in our sector in Europe. As a rule of thumb, it is quite normal for a company of this kind to have a debt-level of 50% of the market value of its assets and it is perfectly acceptable for indebtedness to reach 60%.

We do not foresee that increasing our indebtedness will create any difficulties, other than in relation to our financial accounts, particularly under current market conditions where the bank has substantially increased their own margins, much beyond the fall in interest rates for this type of lending.

8. [As regards the company's future plans for internationalisation, does Sonae Internacional have any new market in mind?](#)

Our aim is to concentrate our efforts on building up our business in the markets where we are already operating.

The only possible exception to this might be France, where we are now participating in a public tender to develop a large shopping centre in the Lyons area. We will see how it goes.

9. [To what extent has Sonae Imobiliária's management strategy been affected by the company leaving the Lisbon and Oporto Stock Exchange at the end of 2001?](#)

When we decided to become a publicly quoted company on the Lisbon and Oporto Stock

Exchange, our aim was for the stock market to become a source of finance for our activities. However, due to the limitations in the size and liquidity of the market this did not come about and the shareholders, Sonae SGPS and Grosvenor therefore decided to withdraw the company from the Exchange. Our withdrawal did nothing to change the way we operate, either in terms of strategy or in terms of day-to-day management. It has not even influenced the type or amount of information we supply to the market. Quite the contrary: in 2001 we brought in IAS and in 2002 we started valuing our real estate assets every six months instead of once a year.