

Portugal, Maia, 31st July 2008

Performance affected by market driven devaluation of assets

Sonae Sierra had a Net Profit of €1.3 million in the first half of 2008

- Rents grew 4.5% on a like-for-like basis versus first half of 2007
- Direct Results of €34.9 million
- Sierra Portugal Fund launched, with 49.692% placed with international institutional investors
- NAV per share of €53.17

The consolidated Net Profit of Sonae Sierra, in the first half of 2008, was €1.3 million - this compares with €163.7 million booked in the same period of 2007.

This variation in Net Profit is mainly driven by Indirect Net Profits that were adversely affected by increases in market capitalization yields in Europe, namely in Iberia.

The Direct Results of the Company reduced from €44.2 million in the first half of 2007 to €34.9 million in this period. This reduction is basically explained by increased Net Financial Costs, and this is explained by two factors. The first is the increase in interest rates in the period. The second relates to non-recurrent financial income connected with the Company's operations in Brazil. In the first half of 2007, the Company booked gains in hedging operations of its operations in Brazil in the amount of €6.9 million whereas, in the first half of 2008, it booked a corresponding loss of €0.4 million.

The big shift in the Company's Results happened at the level of Indirect Results. In this area, the Company booked a loss of €33.5 million in the first half of 2008 whereas it had booked a gain of €119.5 million in the same period of 2007. This Indirect Result has two main components. In the first (Gains Realized on Investments), the Company shows a profit, in the period, of €13.6 million - corresponding basically to the gains made on the sale of positions to third party investors in the Sierra Portugal Fund. The second component (Value Created on Investments) corresponds to changes in value, on the basis of independent valuations, of the properties in the portfolio. In this component, the Company booked in the period a loss of €47 million.

The valuations of the properties, as of the 30th June 2008, were affected by the negative climate now prevailing in the properties markets of most of the developed countries where the Company operates. This context led to an upwards shift of the capitalization yields applied in the valuations on those countries, this increase implying a reduction in the value of the corresponding property. The losses of the Company were mitigated however by valuation gains in Brazil, a market that was not affected by the crisis and where yields are still going down.

In the case of Sonae Sierra, the increase in the yields led to a reduction in the value of the Investment Properties of 3.3% or €126.6 million. The main impacts were in Portugal (loss of €60.9 million), Spain (loss €66.9 million) whereas other European countries had a loss of €10.5 million and Brazil had a gain of €11.7 million. In terms of changes in the weighted average capitalization yields in the portfolio, these losses correspond to an increase of the average yield of 0.16% in Portugal and an increase of 0.44% in Spain. The gains in Brazil correspond to a reduction of 0.48% in the weighted average yield.

This potential loss of €126.6 million, resulting from changes in yields, was significantly mitigated by a favourable evolution at operating level. The combined effect of changes in the projections of rents, key money, other net income and maintenance and capital expenditures, led to an increase in the value of the properties of €75.4 million.

To note that, on a like-for-like basis, the rents booked by the Company, grew in the period by 4.5% versus the same period of 2007. The average occupancy rate in the portfolio was stable reaching 96.3% as of the 30th June 2008 versus 96.5% as of 30 June 2007.

Two other factors contributed to the Value Created on Investments. First, the Company booked a provision of €4.6 million to cover potential losses in projects not yet committed.

And, finally, the Company booked a gain of €8.7 million, corresponding to its share of the value created in Freccia Rossa (Brescia Italy), a shopping centre inaugurated in the period (with this amount corresponding to the difference between the cost of the project and its independent valuation).

The Company booked therefore a total loss, in Value Created on Investments, of €47 million - this corresponds to 1.2% of its Investment Properties.

The Net Profit of the Company reached €1.3 million. The Net Profit attributable to Equity Holders was €17.5 million.

Value Metrics

The Company measures its performance, in a first instance, on the basis of changes in Net Asset Value (NAV) plus dividends distributed. In this period, the Company decided to calculate its NAV on the basis of 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 the 30th June 2008, was €1.729 billion and this corresponds to €53.17 per share.

(€000)

	NAV
Investments	1,080,728
Developments	335,725
Brazil	237,994
Cash & Others	74,309
Total	1,728,756

Further to this, the Company uses a second set of value metrics, the Net Operating Income (NOI) generated by its service activities. In the first half of 2008, the figures were:

(€000)

	NOI	
	6M08	6M07
Developments	-27,516	10,009
Asset Management	6,263	4,308
Property Management	2,833	2,442
Total	-18,420	16,760

The activities Asset Management and Property Management show a improving performance: as a consequence of the increase of the portfolio under management.

The Developments activity shows a loss of €27.5 million - this compares with a gain of €10 million in the same period of 2007. Under this activity, we book both project development services and margins accrued in projects under development held by Sierra Developments.

The negative result in the period has to do with this second component. The Company adjusted down the estimates for value created until inauguration in a number of projects. As a consequence, the Company cancelled margins accrued in previous periods relating to those projects.

Launch of the Sierra Portugal Fund

One of the highlights of the first semester was the launch of the Sierra Portugal Fund (SPF) with an equity of €300 million. The SPF holds eight shopping centers in operation in Portugal, with a total market value of €425 million, and is committed to acquiring, when concluded, three projects under development and that are estimated to have then a market value of €235 million.

By the 30th June 2008, the Company had already placed 49.692% of the equity of the Fund with international institutional investors. Since it held more than 50% of the Fund, the Company consolidated it in full in its first semester accounts.

In July 2008, the Company concluded an additional placement of the Fund and reduced its position to 42.003%. As a consequence, Sonae Sierra will consolidate the Fund, in future periods, on a proportional basis.

With this operation, Sonae Sierra reinforced the objective of increasing its asset management activity through the creation of long-term partnerships with institutional investors.

Portfolio under development

Sonae Sierra's expansion strategy continues, with the development of a significant portfolio of projects in different phases of execution, combined with new business opportunities in markets where the Company already has a presence or even in new markets.

In Brazil, Sonae Sierra has now three centres in the development stage. Located in Londrina, in Paraná, the shopping and leisure centre Boulevard Londrina represents an investment of about € 53 million, and it is scheduled to be inaugurated in March 2010. The 12th shopping and leisure centre in Brazil, located in the city of Uberlândia, west of the Minas state, is scheduled to be inaugurated in 2010. This development represents an investment of about € 43.5 million. The inauguration of Manaura Shopping, in Manaus, is scheduled for the first semester of 2009.

In Romania, Sonae Sierra and Caelum Development established a 50:50 Joint Venture for the development of Parklake Plaza, one of Europe's biggest shopping centres, located in Bucharest, Romania, and scheduled to open in April 2011. With 110,000 m² of GLA, Parklake Plaza represents an investment of €591 million.

Sonae Sierra and Rockspring announced during the first semester that Pantheon Plaza, the biggest shopping and leisure centre in Thessaly, Central Greece, will open its gates to the public on October 23rd 2008. As the development of the centre is moving ahead at a rapid pace, more than 85% of the total GLA is already let.

In April, Sonae Sierra inaugurated Freccia Rossa, its first shopping and leisure centre development in Italy. Located in Brescia, the centre represents a total investment of €144 million by a partnership between Sonae Sierra (50%), AIG Global Real Estate Investment Corp (40%) and the Brescia-based company Coimpredil (10%). With a GLA of 29,700 m², Freccia Rossa is the largest urban shopping centre in Italy.

In Spain, Sonae Sierra announced the inauguration of the expansion of shopping and leisure centre Plaza Mayor in Malaga to take place next September 30th. The opening date official was announced during the key delivery ceremony for the 58 new centre tenants. Plaza Mayor expansion will add 18.800 m² of GLA, for an investment of € 58 million.

National and International Awards

Alexa, the first shopping and leisure centre developed by Sonae Sierra in Germany, has just been distinguished with the "Silver Award" at the prestigious ICSC Solal Marketing Awards 2008 in the category "Grand Opening, Anniversary, Refurbishment or Extension", an International Council of Shopping Centres (ICSC) award. Meanwhile, Sonae Sierra itself has also been distinguished by RLI magazine - Retail & Leisure International - with the "RLI Developer of the Year" award, at the Global RLI Awards 2008, the annual awards of this prestigious British publication. Nationally, the "Jornal Construir" newspaper has also awarded Sonae Sierra, at the "Construir 2007" awards, with the "Best Real Estate Developer" prize.

Sonae Sierra's Consolidated Profit and Loss Account, and Consolidated Balance Sheet

Consolidated Profit and Loss Account (€000)	6M08	6M07	% 08/07
Direct Income from Investments	156,820	128,900	22%
Operating costs	63,874	55,620	15%
Other costs	3,282	2,505	31%
Direct costs from investments	67,156	58,125	16%
Net Operating Margin	89,664	70,775	27%
Depreciation	1,015	892	14%
Net financial costs	44,157	15,629	183%
Direct profit before taxes	44,493	54,255	-18%
Corporate tax	9,624	10,081	-5%
Direct profit	34,869	44,174	-21%
Gains realized on investments	13,595	65	-
Value created on investments	-47,040	182,553	-126%
Indirect income	-33,445	182,618	-118%
Deferred tax	87	63,141	-100%
Indirect profit	-33,532	119,478	-128%
Net profit before minorities	1,337	163,652	-99%
Attributable to :			
Equity holders	17,479	100,505	-83%
Minority interests	-16,142	63,146	-126%

Consolidated Balance Sheet (€000)	30/06/2008	31/12/2007	Var. (08 - 07)
Investment properties	3,851,841	3,774,495	77,346
Properties under development and others	477,222	428,618	48,604
Goodwill	71,782	81,338	-9,556
Deferred taxes	24,967	22,194	2,773
Other assets	164,652	139,288	25,364
Deposits	91,513	48,848	42,666
Total assets	4,681,977	4,494,782	187,195
Net worth	1,322,906	1,339,137	-16,231
Minorities	594,356	448,970	145,387
Bank loans	1,868,408	1,750,513	117,895
Shareholder loans from minorities	20,128	88,636	-68,508
Deferred taxes	612,208	598,956	13,252
Other liabilities	263,970	268,570	-4,599
Total liabilities	2,764,715	2,706,675	58,039
Net worth, minorities and liabilities	4,681,977	4,494,782	187,195

Sonae Sierra (<http://www.sonaesierra.com/>) is an international shopping centre specialist, with a passion for bringing innovation and excitement to the shopping and leisure centre industry. The Company owns 48 Shopping Centres in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil, with a total Gross Lettable Area (GLA) of more than 1.9 million m². Sonae Sierra has 15 projects under development and 16 new projects in different phases of completion in Portugal, Spain, Italy, Germany, Greece, Romania and Brazil with a total GLA of 1,2 million m². In 2007, its centres welcomed more than 410 million visits.