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CASE STUDY

The New Adjustments of the Law 11,638

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The financial statements were prepared in accordance with the accounting practices adopted in Brazil and the Brazilian Securities and Exchange Commission (CVM) rules, in light of the accounting guidelines contained in corporation law (Law No. 6404/76), with new provisions included, amended and repealed by Law No. 11638 of December 28, 2007 and by Provisional Executive Act (MP) No. 449 of December 3, 2008.

Pursuant to CVM Rule No. 565 of December 17, 2008, which approved CPC Pronouncement No. 13 – First Time Adoption of Law Nº 11638/07 and of Provisional Executive Act No. 449/08, the Company set December 31, 2007 as the transition date for adoption of the new accounting practices. Therefore, the Company followed the guideline provided for in referred to CPC and reflected the adjustments arising from the change in accounting practices against Retained Earnings as of January 1, 2008. The financial statements for the year ended December 31, 2007, presented in conjunction with year 2008 financial statements, were prepared in accordance with the Brazilian accounting practices effective through December 31, 2007. As allowed by CPC Pronouncement No. 13 – First Time Adoption of Law No. 11638/07 and MP No. 449/08, the said statements are not restated for the adjustments for purposes of comparison between referred to years.

Changes in accounting practices taken into consideration when preparing or presenting the financial statements for the year ended December 31, 2008 and the opening balance sheet for January 1, 2008 were based on accounting pronouncements issued by the Brazilian FASB (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM) and the National Association of State Boards of Accountancy, as follows:

- Conceptual Structure for Preparing and Presenting Financial Statements, approved by CVM Rule No. 539 of March 14, 2008;
- CPC 01 Impairment of Assets, approved by CVM Rule No. 527 of November 1, 2007;
- CPC 03 Statement of Cash Flows, approved by CVM Rule No. 547 of August 13, 2008;
- CPC 04 Intangible Assets, approved by CVM Rule No. 553 of November 12, 2008;
- CPC 05 Related Party Disclosures, approved by CVM Rule No. 560 of December 11, 2008;
- CPC 06 Lease Transactions, approved by CVM Rule No. 554 of November 12, 2008;
- CPC 09 Statement of Added Value, approved by CVM Rule No. 557 of November 12, 2008;
- CPC 10 Share-based Payment, approved by CVM Rule No. 562 of December 17, 2008;
- CPC 12 Present Value Adjustments, approved by CVM Rule No. 564 of December 17, 2008;
- CPC 13 First-time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08, approved by CVM Rule No. 565 of December 17, 2008;
- CPC 14 Financial Instruments: Recognition, Measurement and Disclosure, approved by CVM Rule No. 566 of December 17, 2008.
- OCPC-01 Property Development Entities, approved by CVM Rule No. 561 of December 17, 2008.

The initial balance sheet as of December 31, 2007 (the transition date) was prepared considering the exceptions required and some of the elective exemptions permitted by CPC Pronouncement No. 13, as follows:

a) Presentation of comparative financial statements - elective exemption:

The financial statements for year 2007 are prepared based on the accounting practices effective in 2007. As mentioned above, the option provided by CPC No. 13 for not adjusting 2007 financial statements to the accounting standards effective for 2008 was exercised by the Company.

b) Maintenance of balances under Deferred Charges until realization - elective exemption:

The Company partially reclassified the balances recognized in the Deferred charges group to the Property, Plant and Equipment group, in the amount of R$ 20,539 (R$ 11,870 in 2007), as they refer to expenses directly related to building, renovating and/or expanding shopping malls, and because they meet the criteria for recognition as fixed assets. Additionally, the Company opted for keeping the remaining balance recognized as deferred charges through its complete amortization. As required by CPC 13, the Company checked these balances for impairment under the terms of CPC 01 – Impairment of Assets and did not identify any indications of impairment loss

c) Considerations on discount to present value - elective exemption:

The Company calculated the discount to present value based on the contractual data of each transaction that generated monetary assets or liabilities, and also applied the discount rates based on market assumptions existing at the transition date. The effects on current asset and liability transactions were immaterial.

d) Recognition of share-based payment - elective exemption:

The balances of share-based payments referring to the Company's management and employees' compensation and outstanding at December 31, 2008 were measured and recognized by the Company in accordance with CPC 10, and related effects were recorded retroactively at the beginning of the year in which such payments were granted through the transition date.

e) Presentation of statement of value added without disclosing the prior-year amounts - elective exemption:

The Company elected to present the statement of value added solely for the year ended December 31, 2008.

f) Tax neutrality upon first time adoption of Law No. 11638/07 and MP No. 449/08:

The Company opted for the Transition Tax Regime (RTT) introduced by Provisional Executive Act No. 449/08, whereby the calculations of Corporate Income Tax (IRPJ), of Social Contribution Tax on Net Profit (CSLL), of Contribution Tax to Social Integration Program (PIS) and of Contribution Tax to Social Security Financing (COFINS), for the biennium 2008-2009, continue to be determined on the accounting methods and criteria set by Law No. 6404, of December 15, 1976, effective on December 31, 2007. As a result, deferred income taxes on the adjustments deriving from adoption of the new accounting practices set forth by Law No. 11638/08 and MP No. 449/08 were recorded in the Company's financial statements where applicable, in accordance with CVM Rule No. 371. The Company will disclose such option in its Corporate Income Tax Return (DIPJ) for 2009.

g) Amortization of goodwill based on future profitability– elective exemption:

Goodwill based on future profitability recorded by the Company was amortized under the straight line method through December 31, 2008.

h) Application of the first-time periodic assessment of the useful life of fixed assets – elective exemption:

The Company already reassesses annually the estimated useful lives of its property, plant and equipment, used in determining relevant depreciation rates.

In accordance with first-time adoption disclosure requirements of the new accounting practices, in the following table the Company presents for current and prior year, for comparative purposes, a brief description and the amounts corresponding to the impacts on shareholder's equity and P&L (Company and consolidated) referring to the changes introduced by Law No. 11638/07 and MP No. 449/08, which are stated solely for P&L for year 2008 given the option made by Company regarding the transition date:

a) Shareholder's Equity

(R$'000)	2008	2007
Shareholders' equity before the changes introduced by Law No. 11638/07 and MP No. 449/08	1,957,030	1,874,086
Fair value measurement for share-based payments	(25,851)	(24,579)
Net effects from full adoption of Law No. 11638/07 and MP No. 449/08	(25,851)	(24,579)
Shareholders' equity after full adoption of Law No. 11638/07 and MP No. 449/08	1,931,179	1,849,507

(i) Recognition of stock-option-based compensation expense, as required by CVM Rule No. 562 of December 17, 2008, which approved CPC Pronouncement No. 10 (See Note 18).

b) Statements of operations

(R$'000)	2008
Net income for the year before the changes introduced by Law No. 11638/07 and MP No. 449/08	78,669
Fair value measurement for share-based payments	(1,272)
Net effects from full adoption of Law No. 11638/07 and MP No. 449/08	(1,272)
Net income for the year after full adoption of Law No. 11638/07 and MP No. 449/08	77,397

(i) Recognition of stock-option-based compensation expense, as required by CVM Rule No. 562 of December 17, 2008, which approved CPC Pronouncement No. 10 (See Note 18).

The prior-year financial statements were reclassified to improve their presentation and comparability, as follows: goodwill amortization expense reclassified to depreciation and amortization expense, in the amount of R$ 455, in the consolidated statement of income; management fees expense reclassified to administrative expenses – headquarters, in the amount of R$ 1,689, in the statement of income (parent company and consolidated); deferred income and social contribution taxes noncurrent reclassified to deferred income and social contribution taxes current, in the amount of R$ 1,595.

Additionally, on account of MP No. 449/08 requirements, the Company reclassified the following balances in the financial statements for the years ended December 31, 2008 and 2007: (i) non-operating income (expenses) was reclassified to the other operating income (expenses) line; and (ii) deferred income (expenses) was reclassified to the other deferred income (expenses) line.

(R$'000)	2008	2007
Non-operating income	108	1,057
Deferred Income	126,298	96,381