## MANAGEMENT REPORT

Dear Shareholders,

In compliance with legal regulations we submit to your appreciation the Management's Report and the Financial Statements of Sonae Sierra Brasil S.A. for the fiscal years ended December 31, 2013 and 2012, together with the Independent Auditors' Report.

## MESSAGE FROM THE MANAGEMENT

2013 was another year of solid financial and operating performance for Sonae Sierra Brasil. We reported double-digit gross revenue growth; one of the strongest EBITDA margins in the industry (75.0%); and key operating metrics, such as Funds From Operations and Net Operating Income margins, of 53.6% and 90.9%, respectively, that remained at industry-leading level.

Important milestones for our 2013 strategy implementation were the opening of the Boulevard Londrina Shopping in May, and the opening of the Passeio das Águas Shopping in October. Together, these malls represent more than 120 thousand square meters of new owned GLA, or 52% growth in the Company's owned GLA – the largest increase reported in any single year in the Company's 15-year history. Since their openings, traffic and sales in these malls have surpassed our initial expectations, suggesting that they will be major contributors to our Company's performance in the periods ahead.

Additionally, we continued to evidence a solid performance across basic metrics such as same store rents and same store sales, which attest the effectiveness of our strategy and the appeal of our malls that have provided resilience to the recent macroeconomic headwinds in Brazil. And, we believe that our competitive advantages will continue to benefit the Company in the coming years. We are committed to continue to innovate and reinvent our malls, especially through expansions, improving tenant mix and efficient marketing campaign

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## ECONOMIC SCENARIO

The economic scenario in Brazil showed signs of a slowdown in 2013. The GDP showed low growth, with estimates up to this date pointing to slightly over 2%. The consumer price inflation index (IPCA) ended 2013 at 5.91%, despite the actions of the Banco Central (Brazilian Central Bank) in an attempt to fight inflation by raising the Selic rate to 10.50% p.a. the end of 2013, significantly above 7.25% p.a. at the end of 2012. Nevertheless, according to Brazilian Association of Shopping Centers - ABRASCE, the shopping malls recorded revenue of R$ 129.2 billion in 2013, an increase of 8.1% compared to the prior year.

We believe that 2014, the year that will be marked by important events such as the World Cup and the presidential election, also will be a challenging year for the Brazilian economy. However, the Company continues its strategy and remains optimistic about its business model.

## OPERATIONAL PERFORMANCE

The total tenant sales within the 10 malls in the Company's portfolio amounted R$ 4 billion in 2013, an increase of 11% over 2012. The malls with the highest sales growth were Uberlândia Shopping with 36.3%, Franca Shopping with 12.8% and Shopping Campo Limpo with 10.1%. The strong growth registered by the Uberlândia Shopping is mainly attributed to its maturation and growing impact in the city of Uberlândia since its opening in 2012. The growth of Franca Shopping corroborates the Company's strategy to expand this property.

In the terms of same store sales, there was an increase of 6.4% compared to 2012. The satellite stores increased 6.5%, primarily driven by Franca and Uberlândia malls.

The overall occupancy rate in our malls remained strong in 2013. Excluding the 3 most recent projects which are still maturing, the occupancy reached 97.2%.

The delinquency rate remained low, at 3.05%, which attests to the low credit risk of the Company's portfolio, and the overall good performance of retailers in our malls.

**ECONOMIC AND FINANCIAL PERFORMANCE**

In 2013, the Company's gross revenues reached R$ 315.8 million, with significant growth of 11.4% over the year 2012. This growth was primarily a result of the rental and services revenue, key money and parking margin increase. The increase in rental revenue was mainly driven by the combination of strong leasing spreads and higher inflation adjustments. The opening of Boulevard Londrina Shopping e do Passeio das Águas Shopping, also contributed not only to the growth of this revenue line, but also for increasing in service revenue and key money.

Costs and expenses totaled R$ 81 million in 2013, an increase of 28.2% over 2012, mainly due to higher costs and expenses related to personnel, contractual agreements and costs with vacant stores. The increase in personnel expenses was related mainly to regular annual salary increases, while the cost of contractual agreements are associated mainly with tenants in Boulevard Londrina Shopping e do Passeio das Águas Shopping, recently opened.

In 2013 the consolidated net financial result was negative of R$ 31 million opposed to a negative financial result of R$ 14.3 million in the previous year. This variation is largely attributed to the increased leverage of the Company. Additionally, the interest expense on the loan to Passeio das Águas Shopping, and mostly to Boulevard Londrina Shopping that was capitalized during construction has been recorded as interest expense since the opening of these malls, in May and October 2013, respectively.

The net income attributed to the shareholders totaled R$ 226.0 million in 2013, a 21.8% increase over 2012, primarily as a result of higher gains on the valuation of properties recorded at fair market value than in the previous year.

Adjusted EBITDA totaled R$ 206.9 million in 2013, an increase of 3.8% over 2012, and a margin of 75%

Adjusted FFO reached R$ 147.9 million in 2013, compared to R$ 155.6 million in 2012, a slight reduction mainly explained by higher leverage of the Company

## SUSTAINABILITY

The Company's mission is to provide a unique experience to its customers by creating superior value for shareholders, investors, tenants, communities and employees, while contributing to sustainable development. The strategy assumed by the Company aims to integrate sustainability into our business plan aims to generate value for our business and for the society at large.

The Company committed itself long ago to conducting its activities minimizing risks to people, property and ecosystems maximizing benefits by seeking continuous improvement.

We are pioneers in developing and implementing of new concepts of safety, health and environmental systems in the shopping center industry. The Company obtained labor safety and occupational health certifications OHSAS 18001 and ISO 14001:2004 environmental certification to most of our malls, having six of them both certificates (Parque D. Pedro Shopping, Shopping Plaza Sul, Franca Shopping, Shopping Metrópole, Uberlândia Shopping, e Manauara Shopping) and two others exclusively with ISO 14001:2004 (Shopping Campo Limpo, Boavista Shopping). Additionally the Company has certified the process of building of the three new projects opened in the last two and a half years which is unprecedented in the country

## REINVESTMENT POLICY OF PROFITS AND DIVIDENDS

Under the Corporations Law, it is solely up to our shareholders to decide at the Annual Shareholders Meeting, the allocation of our net income and the distribution of dividends related to the preceding fiscal year.

*Retained Earnings*

The retained earnings, corresponds to the profit remaining after allocation to the legal reserve and the proposal for the distribution of dividends, and has as main objective to meet the capital investment plans of the Company. For the year ended December, 31, 2013 the management will propose to the Annual Shareholders Meeting, to retain earnings in the amount of R$ 108.7 million.

*Dividends distribution*

According to the Company's Bylaws, shareholders are entitled to a minimum dividend of 25% of adjusted net income as provided in the Corporations Law. In relation to the year ended December 31, 2013 and, after legal adjustments management will propose to the Annual

Shareholders Meeting the payment of dividends totaling R$ 34,8 million, equivalent to R$ 0.455 per share.

## EXTERNAL AUDIT SERVICES

The policies of the Company and its subsidiaries in hiring the services of external auditors aim to ensure there is no conflict of interest and loss of independence or objectivity of the auditor. During the year ended December 31, 2013, the Company's external auditors, Deloitte Touche Tohmatsu did not perform any other service besides the audit of the Financial Statements.

## HUMAN RESOURCES

On December 31, 2013, the Company had no employees. All 155 employees of the group (145 on December 31, 2012) were allocated to wholly owned subsidiaries Unishopping Consultoria Imobiliária Ltda. and Sierra Investimentos Brasil Ltda. All employees are eligible to receive short-term variable compensation whose assignment is based on the achievement of individual and collective goals previously agreed. In addition, the Company's officers are also eligible variable long-term compensation.

## CORPORATE GOVERNANCE

Sonae Sierra Brasil S.A. adopts and promotes ethics and transparency in the management of its business, seeking to implement best market practices and preserve the rights of shareholders. The Company's shares are traded on the “Novo Mercado”, the highest level of governance rules in the country. The Company has a Board of Directors consisting of 7 members (one being an independent member). The Company also has formal policies for Stock Trading, Information Disclosure and Code of Ethics.

## OFFICER’S STATEMENT

In compliance with CVM Instruction 480/09, The officers declares that discussed, revised and agreed with the opinions expressed in the External Auditors' Report and the Financial Statements for the year ended December 31, 2013.

Management

*(Convenience Translation into English from the Original Previously Issued in Portuguese)*

# *Sonae Sierra Brasil S.A. and Subsidiaries*

*Individual and Consolidated Financial Statements for the Year Ended December 31, 2013 and Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders, Directors and Management of
Sonae Sierra Brasil S.A.
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Sonae Sierra Brasil S.A. ("Company") and its subsidiaries, identified as Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2013, and the statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements prepared in accordance with the International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the individual financial statements**

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the Company's financial position as of December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

**Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the Company's consolidated financial position of Sonae Sierra Brasil S.A. as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and the accounting practices adopted in Brazil.

**Emphasis of matter**

*Individual financial statemens*

Without modifying our opinion, we draw attention to note 2 to the individual financial statements, which describe the basis of preparation. The individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of the Company, these practices differ from IFRSs applicable to the separate financial statements, only with respect to the valuation of investments in subsidiaries, affiliates and jointly controlled entities under the equity method of accounting, while for IFRS purposes these investments would be measured at cost or fair value. Our opinion is not qualified for this matter.

*Restatement of financial statements*

On February 28, 2013, we issued an unqualified opinion on the financial statements of Sonae Sierra Brasil S.A. ("Company") and its subsidiaries, identified as Company and Consolidated, which are being restated. As stated in Note 2.28, the Company's balance sheet, the equity attributable to owners of the Company and noncontrolling interests on the consolidated financial statements were adjusted and are being restated to correct an error as discussed in such Note. Our opinion is not qualified as a result of this matter.

**Other matters**

*Statements of value added*

We have also audited the statement of value added ("DVA"), for the year ended December 31, 2013, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. This statement was subject to the same auditing procedures described above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 26, 2014

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marcelo Magalhães Fernandes
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012 AND JANUARY 1, 2012
(In thousands of Brazilian reais - R$)

| | | Company | | | Consolidated | | |
|---|---|---|---|---|---|---|---|
| ASSETS | Note | 12/31/13 | 12/31/12 (As restated) | 01/01/12 (As restated) | 12/31/13 | 12/31/12 (As restated) | 01/01/12 (As restated) |
| CURRENT ASSETS | | | | | | | |
| Cash and cash equivalents | 4 | 282,783 | 336,241 | 125,834 | 424,431 | 681,976 | 390,918 |
| Trade receivables, net | 5 | - | - | - | 40,196 | 33,605 | 24,690 |
| Recoverable taxes | 6 | 20 | 5,600 | 4,150 | 9,979 | 16,456 | 16,765 |
| Prepaid expenses | | 15 | 15 | 13 | 29 | 53 | 505 |
| Other receivables | 5 | - | 2 | - | 6,954 | 4,689 | 4,971 |
| Total current assets | | 282,818 | 341,858 | 129,997 | 481,589 | 736,779 | 437,849 |
| NONCURRENT ASSETS | | | | | | | |
| Restricted investments | 30 | - | - | - | 6,124 | 4,065 | 2,171 |
| Trade receivables, net | 5 | - | - | - | 14,059 | 12,215 | 10,815 |
| Recoverable taxes | 6 | 10,219 | - | - | 10,219 | - | - |
| Loans to condominiums | 7 | - | - | - | 9,436 | 1,441 | 328 |
| Related parties transactions | 24 | 20,129 | - | - | - | - | - |
| Deferred income tax and social contribution | 23 | 26 | 690 | 690 | 5,036 | 20,693 | 690 |
| Escrow deposits | 16 | 2,094 | 1,974 | 1,879 | 11,253 | 9,950 | 3,729 |
| Other receivables | 5 | - | - | - | 3,950 | 833 | 833 |
| Investments | 8 | 2,285,448 | 2,041,898 | 1,774,915 | 33,375 | 28,530 | 26,157 |
| Investment properties | 10 | - | - | - | 3,946,171 | 3,248,095 | 2,776,050 |
| Property, plant and equipment | 9 | - | - | - | 3,163 | 3,495 | 5,972 |
| Intangible assets | 11 | - | - | - | 5,662 | 3,585 | 1,582 |
| Total noncurrent assets | | 2,317,916 | 2,044,562 | 1,777,484 | 4,048,448 | 3,332,902 | 2,828,327 |
| TOTAL ASSETS | | 2,600,734 | 2,386,420 | 1,907,481 | 4,530,037 | 4,069,681 | 3,266,176 |

| | | Company | | | Consolidated | | |
|---|---|---|---|---|---|---|---|
| LIABILITIES AND EQUITY | Note | 12/31/13 | 12/31/12 (As restated) | 01/01/12 (As restated) | 12/31/13 | 12/31/12 (As restated) | 01/01/12 (As restated) |
| CURRENT LIABILITIES | | | | | | | |
| Loans and financing | 12 | - | - | - | 61,168 | 50,659 | 17,619 |
| Debentures | 13 | 14,903 | 14,603 | - | 14,903 | 14,603 | - |
| Domestic trade accounts payable | | 57 | 6 | 7 | 49,812 | 31,460 | 13,512 |
| Taxes payable | 17 | - | - | 262 | 6,482 | 65,412 | 8,700 |
| Personnel, payroll taxes, benefits, and rewards | | 8 | - | - | 10,520 | 9,755 | 8,396 |
| Key money | 15 | - | - | - | 8,340 | 6,863 | 5,540 |
| Dividends payable | 18 | 34,772 | 26,748 | 13,977 | 34,772 | 26,748 | 13,977 |
| Earnings payable | | - | - | - | 5,167 | 5,165 | 24,243 |
| Trade accounts payable - acquisition of assets | 14 | - | - | - | 21,186 | 49,491 | 25,000 |
| Other payables | | 231 | 214 | 228 | 12,125 | 15,865 | 8,343 |
| Total current liabilities | | 49,971 | 41,571 | 14,474 | 224,475 | 276,021 | 125,330 |
| NONCURRENT LIABILITIES | | | | | | | |
| Loans and financing | 12 | - | - | - | 510,495 | 378,669 | 333,272 |
| Debentures | 13 | 318,085 | 303,449 | - | 318,085 | 303,449 | - |
| Trade accounts payable - acquisition of assets | 14 | - | - | - | 10,654 | 28,919 | - |
| Key money | 15 | - | - | - | 17,044 | 24,101 | 20,486 |
| Deferred income tax and social contribution | 23 | - | - | - | 475,343 | 370,641 | 346,219 |
| Reserve for civil, tax, labor and social security risks | 16 | 2,067 | 1,968 | 1,879 | 7,913 | 9,439 | 10,285 |
| Accrual for variable compensation | 28 | - | - | - | 1,469 | 1,200 | 189 |
| Total noncurrent liabilities | | 320,152 | 305,417 | 1,879 | 1,341,003 | 1,116,418 | 710,451 |
| EQUITY | 18 | | | | | | |
| Capital | | 997,866 | 997,866 | 997,866 | 997,866 | 997,866 | 997,866 |
| Capital reserves | | 80,115 | 80,115 | 80,115 | 80,115 | 80,115 | 80,115 |
| Earnings reserves | | 1,152,630 | 1,013,721 | 865,417 | 1,152,630 | 1,013,721 | 865,417 |
| Accumulated losses | | - | (52,270) | (52,270) | - | (52,270) | (52,270) |
| Equity attributable to owners of the Company | | 2,230,611 | 2,039,432 | 1,891,128 | 2,230,611 | 2,039,432 | 1,891,128 |
| Noncontrolling interests | | - | - | - | 733,948 | 637,810 | 539,267 |
| Total equity | | 2,230,611 | 2,039,432 | 1,891,128 | 2,964,559 | 2,677,242 | 2,430,395 |
| TOTAL LIABILITIES AND EQUITY | | 2,600,734 | 2,386,420 | 1,907,481 | 4,530,037 | 4,069,681 | 3,266,176 |

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$, except earnings per share)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| NET OPERATING REVENUE FROM RENTALS, SERVICES, AND OTHER | 19 | - | - | 275,754 | 256,851 |
| COST OF RENTALS AND SERVICES | 20 | - | - | (58,715) | (43,177) |
| GROSS PROFIT | | - | - | 217,039 | 213,674 |
| OPERATING (EXPENSES) INCOME | | | | | |
| General and administrative expenses | 20 | (1,743) | (2,408) | (22,254) | (19,976) |
| Tax expenses | | (223) | (259) | (4,827) | (1,389) |
| Equity pick-up | 8 | 240,050 | 188,983 | 7,945 | 4,821 |
| Changes in fair value of investment properties | 10 | - | - | 344,318 | 193,586 |
| Other operating income, net | 21 | - | (18) | 5,621 | 25,945 |
| Total income (expenses) from operations, net | | 238,084 | 186,298 | 330,803 | 202,987 |
| OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES) | | 238,084 | 186,298 | 547,842 | 416,661 |
| FINANCIAL INCOME (EXPENSES), NET | 22 | (11,469) | (135) | (31,016) | (14,261) |
| INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION | | 226,615 | 186,163 | 516,826 | 402,400 |
| INCOME TAX AND SOCIAL CONTRIBUTION | | | | | |
| Current | 23 | - | (632) | (27,970) | (88,186) |
| Deferred | 23 | (664) | - | (120,359) | (4,419) |
| Total | | (664) | (632) | (148,329) | (92,605) |
| NET INCOME FOR THE YEAR | | 225,951 | 185,531 | 368,497 | 309,795 |
| NET INCOME ATTRIBUTABLE TO | | | | | |
| Owners of the Company | | - | - | 225,951 | 185,531 |
| Noncontrolling interests | | - | - | 142,546 | 124,264 |
| BASIC AND DILUTED EARNINGS PER SHARE - R$ | | 2.96 | 2.43 | 2.96 | 2.43 |

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| NET INCOME FOR THE PERIOD | 225,951 | 185,531 | 368,497 | 309,795 |
| Other comprehensive income | - | - | - | - |
| TOTAL OF COMPREHENSIVE INCOME | 225,951 | 185,531 | 368,497 | 309,795 |
| NET INCOME ATTRIBUTABLE TO | | | | |
| Owners of the Company | - | - | 225,951 | 185,531 |
| Noncontrolling interests | - | - | 142,546 | 124,264 |

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY (COMPANY AND CONSOLIDATED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$, except value per share)

| | | Capital reserves | | Earnings reserves | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital | Share Issuance costs | Share subscription premium | Legal reserve | Earnings retention reserve | Unrealized earnings | Additional dividends proposed | Retained earnings (accumulated losses) | Total equity attributable to owners of the parent | Noncontrolling interests | Total equity |
| BALANCES AS OF DECEMBER 31, 2011 (ORIGINALLY DISCLOSED) | 997,866 | (16,083) | 96,198 | 21,016 | 762,904 | 71,018 | 10,479 | - | 1,943,398 | 486,997 | 2,430,395 |
| Adjustment to noncontrolling interests calculation | - | - | - | - | - | - | - | (52,270) | (52,270) | 52,270 | - |
| BALANCES AS OF JANUARY 1, 2012 (AS RESTATED) | 997,866 | (16,083) | 96,198 | 21,016 | 762,904 | 71,018 | 10,479 | (52,270) | 1,891,128 | 539,267 | 2,430,395 |
| Net income for the year | - | - | - | - | - | - | - | 185,531 | 185,531 | 124,264 | 309,795 |
| Management’s proposal: | | | | | | | | | | | |
| Legal reserve | - | - | - | 9,277 | - | - | - | (9,277) | - | - | - |
| Unrealized earnings | - | - | - | - | - | 17,316 | - | (17,316) | - | - | - |
| Earnings retention reserve | - | - | - | - | 132,190 | - | - | (132,190) | - | - | - |
| Minimum dividends proposed by management (R$0.35 per share) | - | - | - | - | - | - | - | (26,748) | (26,748) | - | (26,748) |
| Dividends paid | - | - | - | - | - | - | (10,479) | - | (10,479) | - | (10,479) |
| Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center | - | - | - | - | - | - | - | - | - | (25,721) | (25,721) |
| BALANCES AS OF DECEMBER 31, 2012 (AS RESTATED) | 997,866 | (16,083) | 96,198 | 30,293 | 895,094 | 88,334 | - | (52,270) | 2,039,432 | 637,810 | 2,677,242 |
| Net income for the year | - | - | - | - | - | - | - | 225,951 | 225,951 | 142,546 | 368,497 |
| Management’s proposal: | | | | | | | | | | | |
| Legal reserve | - | - | - | 11,298 | - | - | - | (11,298) | - | - | - |
| Unrealized earnings | - | - | - | - | - | 18,891 | - | (18,891) | - | - | - |
| Earnings retention reserve | - | - | - | - | 108,720 | - | - | (108,720) | - | - | - |
| Minimum dividends proposed by management (R$ 0.45 per share) | - | - | - | - | - | - | - | (34,772) | (34,772) | - | (34,772) |
| Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center | - | - | - | - | - | - | - | - | - | (46,408) | (46,408) |
| BALANCES AS OF DECEMBER 31, 2013 | 997,866 | (16,083) | 96,198 | 41,591 | 1,003,814 | 107,225 | - | - | 2,230,611 | 733,948 | 2,964,559 |

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net income for the year | 225,951 | 185,531 | 368,497 | 309,795 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | - | - | 2,330 | 1,790 |
| Result value of property and equipment sold and/or written off and others | - | - | 573 | 362 |
| Gain by debentures adjustment in a fair value hedge accounting | (1,982) | - | (1,982) | - |
| Loss with derivatives transaction in fair value hedge accounting | 1,828 | - | 1,828 | - |
| Unbilled revenue from rentals | - | - | (1,950) | (2,550) |
| Allowance for doubtful accounts | - | - | 2,792 | 2,401 |
| Accrual for (reversal of) civil, tax, labor, and social security risks | - | - | (2,061) | (1,570) |
| Monetary adjustment of reserve for civil, tax, labor and social security risks | 99 | 89 | 567 | 730 |
| Accrual for variable compensation | - | - | 2,012 | 1,928 |
| Deferred income tax and social contribution | 664 | - | 120,359 | 4,419 |
| Income tax and social contribution | - | 632 | 27,970 | 88,186 |
| Interest on borrowings, financing, debentures and acquisition of assets | 36,231 | 29,443 | 74,928 | 61,223 |
| Changes in fair value of investment properties | - | - | (344,318) | (193,586) |
| Gain on disposal of investment properties | - | - | - | (30,758) |
| Equity pick-up | (240,050) | (188,983) | (7,945) | (4,821) |
| (Increase) decrease in operating assets: | | | | |
| Trade receivables | - | - | (9,277) | (10,166) |
| Loans to condominiums | - | - | (7,995) | (1,113) |
| Recoverable taxes | (4,639) | (1,450) | (3,742) | 309 |
| Prepaid expenses | - | (2) | 24 | 452 |
| Escrow deposits | (120) | (95) | (1,303) | (6,221) |
| Other | 2 | (2) | (5,382) | 282 |
| Increase (decrease) in operating liabilities: | | | | |
| Domestic trade accounts payable | 51 | (1) | (10,008) | 6,777 |
| Taxes payable | - | (894) | (14,521) | (19,202) |
| Personnel, payroll taxes, benefits and rewards | 8 | - | (978) | 442 |
| Key money | - | - | (5,580) | 4,938 |
| Payments of contingencies | - | - | (32) | (6) |
| Other payables | 17 | (14) | (3,740) | 7,353 |
| Cash provided by operating activities | 18,060 | 24,254 | 181,066 | 221,394 |
| Interest paid | (21,141) | (4,557) | (61,136) | (34,414) |
| Income tax and social contribution paid | - | - | (72,379) | (12,272) |
| Net cash provided by (used in) operating activities | (3,081) | 19,697 | 47,551 | 174,708 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Restricted investments | - | - | (2,059) | (1,894) |
| Acquisition or construction of investment property | - | - | (341,735) | (394,498) |
| Purchase of property and equipment | - | - | (4,014) | (1,167) |
| Increase in intangible assets | - | - | (634) | (511) |
| Capital increase in investees | (3,500) | (78,000) | - | - |
| Proceeds from sale of investment properties | - | - | - | 238,696 |
| Dividends received | - | - | 3,100 | 2,448 |
| Net cash used in investing activities | (3,500) | (78,000) | (345,342) | (156,926) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Debentures issued | - | 300,000 | - | 300,000 |
| Debentures issuance costs | - | (6,834) | - | (6,834) |
| Loans and financing raised | - | - | 169,825 | 78,984 |
| Loans and financing paid - principal | - | - | (38,161) | (11,579) |
| Trade accounts payable - acquisition of assets | - | - | (18,264) | (18,040) |
| Distributed earnings of real estate funds - noncontrolling interests | - | - | (46,406) | (44,799) |
| Dividends paid | (26,748) | (24,456) | (26,748) | (24,456) |
| Related parties | (20,129) | - | - | - |
| Net cash provided by (used in) financing activities | (46,877) | 268,710 | 40,246 | 273,276 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET | (53,458) | 210,407 | (257,545) | 291,058 |
| CASH AND CASH EQUIVALENTS | | | | |
| At end of year | 282,783 | 336,241 | 424,431 | 681,976 |
| At beginning of year | 336,241 | 125,834 | 681,976 | 390,918 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET | (53,458) | 210,407 | (257,545) | 291,058 |

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| REVENUE | | | | |
| Revenue from rentals and services | - | - | 310,571 | 280,648 |
| Other income | - | - | 5,198 | 33,542 |
| Changes in fair value of investment property | - | - | 344,318 | 193,586 |
| Revenues related to the construction of investment property and property and equipment and intangible assets | - | - | 387,602 | 487,906 |
| Allowance for doubtful accounts | - | - | (2,792) | (2,401) |
| | - | - | 1,044,897 | 993,281 |
| SERVICES AND SUPPLIES PURCHASED FROM THIRD PARTIES | | | | |
| Cost of rentals and services | - | - | (42,848) | (19,269) |
| Cost of construction of investment property and property and equipment | (1,466) | (2,092) | (386,004) | (509,491) |
| | (1,466) | (2,092) | (428,852) | (528,760) |
| GROSS VALUE ADDED | (1,466) | (2,092) | 616,045 | 464,521 |
| DEPRECIATION AND AMORTIZATION | - | - | (2,330) | (1,790) |
| WEALTH CREATED BY THE COMPANY | (1,466) | (2,092) | 613,715 | 462,731 |
| WEALTH RECEIVED IN TRANSFER | | | | |
| Equity pick-up | 240,050 | 188,983 | 7,945 | 4,821 |
| Financial income | 26,667 | 29,425 | 46,894 | 51,497 |
| | 266,717 | 218,408 | 54,839 | 56,318 |
| DISTRIBUTION OF WEALTH | 265,251 | 216,316 | 668,554 | 519,049 |
| WEALTH DISTRIBUTED | | | | |
| Personnel: | | | | |
| Salaries and wages | 225 | 278 | 23,120 | 21,296 |
| Benefits | - | - | 2,039 | 1,803 |
| Severance pay fund (FGTS) | - | - | 1,342 | 1,137 |
| | 225 | 278 | 26,501 | 24,236 |
| Taxes and fees: | | | | |
| Federal | 939 | 947 | 176,589 | 114,146 |
| Municipal | - | - | 2,728 | 2,543 |
| | 939 | 947 | 179,317 | 116,689 |
| Lenders and lessors: | | | | |
| Interest expenses | 38,136 | 29,560 | 91,483 | 65,758 |
| Rentals | - | - | 2,756 | 2,571 |
| | 38,136 | 29,560 | 94,239 | 68,329 |
| Interest on capital: | | | | |
| Dividends | 34,772 | 26,748 | 34,772 | 26,748 |
| Retained earnings | 191,179 | 158,783 | 191,179 | 158,783 |
| Noncontrolling interests | - | - | 142,546 | 124,264 |
| | 225,951 | 185,531 | 368,497 | 309,795 |
| Total | 265,251 | 216,316 | 668,554 | 519,049 |

The accompanying notes are an integral part of these financial statements.

## 1. GENERAL INFORMATION

Sonae Sierra Brasil S.A. (the "Company"), headquartered at Avenida Doutor Cardoso de Melo, 1,184 -13th floor, on São Paulo City, São Paulo State, was established on June 18, 2003 and is primarily engaged in: (a) planning, developing, implementing and investing in real estate, namely shopping malls and related activities, as developer, builder, lessor and advisor; (b) operating and managing own and/or third-party properties and stores and providing related services; and (c) holding equity interest in other companies and/or real estate investment funds, directly or indirectly through subsidiaries and associates.

The Company trades its shares on BM&FBOVESPA (São Paulo Stock Exchange), under the ticker symbol "SSBR3".

The Company's immediate parent is Sierra Brazil 1 BV, a company headquartered in Kingdom of the Netherlands while its ultimate parents are Sonae Sierra SGPS S.A., headquartered in Portugal, and DDR Corp., headquartered in the United States of America.

Corporate restructuring

In the extraordinary shareholders' meeting of the merged and/or merging group subsidiaries, held on November 2, 2013 the group corporate restructuring process was approved, adressing the following merger and spin-off transactions:

a) The mergers of subsidiaries Unishopping Administradora Ltda., Sierra Emplanta Ltda. and Pátio Penha Shopping Ltda. also by subsidiaries Unishopping Consultoria Imobiliária Ltda., Pátio Uberlândia Shopping Ltda. and Pátio Londrina Empreendimento e Participações Ltda., respectively.

b) Partial spin-off of subsidiary Pátio Boavista Shopping Ltda., whereby the net assets corresponding to the activities and investments in Boavista Shopping were transferred to subsidiary Pátio Campinas Shopping Ltda.

The restructuring was carried out based on the accounting records as of October 31, 2013, supported by an appraisal report issued by an independent appraiser expert and approved by shareholders.

Group Companies

The primary goal of this restructuring is a major rationalization and optimization of the Company's results of operations and costs.

The Company's direct and indirect subsidiaries included in the consolidated financial statements are the following:

a) Sierra Investimentos Brasil Ltda. ("Sierra Investimentos") - primarily engaged in: (i) planning, developing, implementing and investing in real estate, namely shopping malls and related activities, as developer, builder, lessor and advisor; (ii) operating and managing own properties and stores and providing related services; and (iii) holding equity interest in other companies. As of December 31, 2013, this company is the parent company of Pátio Boavista Shopping Ltda. ("Pátio Boavista"), Pátio Campinas Shopping Ltda. ("Pátio Campinas"), Pátio São Bernardo Shopping Ltda. ("Pátio São Bernardo"), Pátio Sertório Shopping Ltda. ("Pátio Sertório"), Pátio Uberlândia Shopping Ltda. ("Pátio Uberlândia"), Pátio Londrina Empreendimentos e Participações Ltda. ("Pátio Londrina"), Pátio São Paulo Shopping Ltda. ("Patio São Paulo"), Pátio Goiânia Shopping Ltda.("Pátio Goiânia"). Fundo de Investimento Imobiliário Shopping Parque D. Pedro ("Fundo de Investimento Imobiliário I") and Fundo de Investimento Imobiliário Parque D. Pedro Shopping Center ("Fundo de Investimento Imobiliário II").

   (i) Fundo de Investimento Imobiliário I - engaged in holding long-term investment properties, basically to earn income by renting and leasing properties of its real estate assets. As of December 31, 2013, Fundo de Investimento Imobiliário I holds a trust equivalent to 85% of the undivided interest in Shopping Parque D. Pedro.

   (ii) Fundo de Investimento Imobiliário II - engaged in holding long-term investment properties, basically to earn income by renting and leasing properties of its real estate assets. Established on June 30, 2009 through the partial spin-off of Fundo de Investimento Imobiliário I's operations, Fundo de Investimento Imobiliário II holds a trust equivalent to 15% of the undivided interest in Shopping Parque D. Pedro.

   (iii) Pátio Boavista, Pátio Campinas, Pátio São Bernardo, Pátio Sertório, Pátio Uberlândia, Pátio Londrina, Pátio São Paulo and Pátio Goiânia - are primarily engaged in investing in real estate, namely shopping malls and related activities.

b) Unishopping Consultoria Imobiliária Ltda. ("Unishopping Consultoria") - engaged in planning, installing, developing and managing shopping malls, leasing, operating and managing car park areas, managing properties and related services, is responsible for selling development stores in which the Group holds interests.

As of December 31, 2013 and 2012, the Company's subsidiaries and associates held the following interests in shopping malls:

| Developer | Shopping mall | Undivided interest - % 12/31/13 | Undivided interest - % 12/31/12 |
|---|---|---|---|
| Fundos de Investimento Imobiliário I | Shopping Parque D. Pedro | 85.00 | 85.00 |
| Fundos de Investimento Imobiliário II | Shopping Parque D. Pedro | 15.00 | 15.00 |
| Pátio Penha (i) | Shopping Plaza Sul | - | 30.00 |
| Pátio Londrina Empreendimentos e Participações Ltda. | Shopping Plaza Sul | 30.00 | - |
| Pátio São Bernardo Shopping Ltda. | Shopping Plaza Sul | 30.00 | 30.00 |
| Pátio Boavista Shopping Ltda. | Shopping Center Metrópole | 100.00 | 100.00 |
| Pátio Boavista Shopping Ltda. (i) | Boavista Shopping | - | 100.00 |
| Pátio Campinas Shopping Ltda. | Boavista Shopping | 100.00 | - |
| Sierra Enplanta. (i) | Franca Shopping | - | 76.92 |
| Pátio Uberlândia Shopping Ltda. | Franca Shopping | 76.92 | - |
| Pátio Sertório Shopping Ltda. | Shopping Manauara | 100.00 | 100.00 |
| Pátio Uberlândia Shopping Ltda. | Uberlândia Shopping | 100.00 | 100.00 |
| Pátio Londrina Empreendimentos e Participações Ltda. | Boulevard Londrina (ii) | 88.64 | 84.48 |
| Pátio Goiânia Shopping Ltda. | Passeio das Águas Shopping (iii) | 100.00 | 100.00 |
| Campo Limpo Empreendimentos e Participações Ltda. | Shopping Campo Limpo | 20.00 | 20.00 |

(i) As previously described, these subsidiaries were merged and/or spun-off on November 2, 2013.

(ii) Opened on May 3, 2013.

(iii) Opened on October 30, 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Declaration of conformity

The Company's financial statements comprise:

- The consolidated financial statements of the Company and subsidiaries prepared in accordance with the International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and accounting practices adopted in Brazil, identified as Consolidated - IFRS and BR GAAP.

- The individual financial statements of the parent company prepared in accordance accounting practices adopted in Brazil, identified as Company - BR GAAP.

The accounting practices adopted in Brazil comprise the policies set out in the Brazilian Corporate Law and the pronouncements, guidance, and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM").

The individual financial statements present the valuation of investments in subsidiaries and associates under the equity method, pursuant to prevailing Brazilian statutes. Accordingly, these individual financial statements are not considered as in accordance with IFRSs, which require the measurement of such investments in separate financial statements of the parent, at their fair values or at cost.

As there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the owners of the Company, disclosed in the consolidated financial statements prepared in accordance with IFRSs and the Brazilian accounting practices, and the Company's shareholders' equity and net income, disclosed in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these individual and consolidated financial statements is a single set, side by side.

2.2. Basis of preparation

The financial statements have been prepared based on the historical cost and adjusted to reflect the fair values of the investment properties and certain financial instruments against net income for the year. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

The main accounting practices adopted in preparing these financial statements are summarized below. These practices are consistent with those adopted in the prior reporting period.

The following is a summary of the significant accounting policies adopted by the Company and its subsidiaries:

2.3. Investments in subsidiaries and associates

Investments in subsidiaries and associates are registered under the equity method.

Investments in companies in which management has significant influence or interest of 20% or more in the voting capital, that are part of the same group or are under the same control, are accounted for under the equity method (see note 8).

2.4. Basis of consolidation

The consolidated financial statements have been prepared and are presented in conformity with accounting practices adopted in Brazil and standards issued by CVM the main accounting practices applied are described above and include the financial statements of the Company and the subsidiaries below. Intercompany balances and the Company's investments in subsidiaries have been eliminated in consolidation. Noncontrolling interests are stated separately.

As of December 31, 2013 and 2012, the consolidated companies are as follows:

| | Equity interest - % | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Direct subsidiaries: | | |
| Sierra Investimentos Brasil Ltda. | 99.99 | 99.99 |
| Unishopping Administradora Ltda. (a) | - | 99.99 |
| Unishopping Consultoria Imobiliária Ltda. (b) | 99.99 | 99.99 |
| Indirect subsidiaries: | | |
| Fundos de Investimento Imobiliário I (c) | 42.28 | 42.28 |
| Fundos de Investimento Imobiliário II (c) | 51.00 | 51.00 |
| Sierra Enplanta Ltda. (a) | - | 100.00 |
| Pátio Boavista Shopping Ltda. | 100.00 | 100.00 |
| Pátio Penha Shopping Ltda. (a) | - | 100.00 |
| Pátio São Bernardo Shopping Ltda. | 100.00 | 100.00 |
| Pátio Sertório Shopping Ltda. | 100.00 | 100.00 |
| Pátio Uberlândia Shopping Ltda. | 100.00 | 100.00 |
| Pátio Londrina Empreendimentos e Participações Ltda. | 100.00 | 100.00 |
| Pátio Goiânia Shopping Ltda. | 100.00 | 100.00 |
| Pátio Campinas Shopping Ltda. (d) | 100.00 | 100.00 |
| Pátio São Paulo Shopping Ltda. | 100.00 | - |
| Unconsolidated associate- | | |
| Campo Limpo Empreendimentos e Participações Ltda. | 20.00 | 20.00 |

(a) Subsidiaries merged in the corporate restructuring process, as described in note 1.

(b) As of December 31, 2012, Unishopping Consultoria Ltda. was the Company's indirect subsidiary and, after the corporate restructuring, as described in note 1, it became the Company's direct subsidiary.

(c) The Fundo de Investimento II held 17.72% of interest from Fundo de Investimento I as of December 31, 2013 and 2012. Considering that Fundo the Investimento I and II held 85% and 15%, respectively, of Shopping Parque D. Pedro, the Company held 51.00% of this property in a combined basis as of December 31, 2013 and 2012.

(d) As mentioned in note 1, part of the net assets of subsidiary Pátio Boavista was merged into Pátio Campinas on November 2, 2013.

2.5. Segment reporting

Segment reporting is consistent with the internal report provided to the chief operating decision maker.

2.6. Functional currency of the financial statements

The items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's and its subsidiaries' financial statements have been prepared in Brazilian reais (R$).

2.7. Foreign currency

In preparing the Company's individual and consolidated financial statements, transactions in foreign currency, if there, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

2.8. Cash and cash equivalents

Represented by available bank accounts. Short-term investments may be redeemed within 90 days and are comprised of highly-liquid securities convertible into cash that present an immaterial risk of change in fair value. Short-term investment balances are carried at cost, plus income earned through the end of the reporting period.

2.9. Restricted investments

As of December 31, 2013 and 2012, the Company had investments in Financial Treasury Bills (LFTs) linked to commitments assumed with Banco Ourinvest S.A., as described in note 30. Short-term investments balances were carried at cost, plus income earned through the end of the reporting period.

2.10. Financial instruments

2.10.1 Recognition and measurement

Transactions with financial instruments are initially recognized at transaction value.

Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the financial assets and financial liabilities.

2.10.2 Classification

The Company's and its subsidiaries' financial instruments have been classified into the following categories:

- Measured at fair value through profit or loss: financial assets and financial liabilities held for trading, i.e., acquired or originated primarily for the purpose of sale or repurchase in the short term. Changes in fair value are accounted for in profit or loss, and balances are stated at fair value.

- Loans and receivables: non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets. The Company's loans and receivables include loans to associates and subsidiaries, and trade and other receivables.

## 2.11. Derivatives

Derivatives are initially recognized at fair value at the trade date and subsequently remeasured at fair value at end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

## 2.12. Hedge accounting

The Company designates certain hedging instruments, as fair value hedge.

At the beginning of the hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item with its risk management objectives and its strategy to enter into different hedging transactions. Additionally, the Company documents at the inception of a hedge and continuously if the hedging instrument used in a hedging relationship is highly effective in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk.

### 2.12.1 Fair value hedges

Changes in the fair value of derivatives designated and qualified as fair value hedges are recorded in profit or loss together with any changes in the fair values of the hedged item, attributable to the hedged risk. Changes in the fair value of these instruments, as well as of the hedged item, are recognized in "Finance income (costs)".

Hedge accounting is discontinued prospectively when the Company cancels the hedging relationship, when the hedging instrument expires, or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The adjustment to the fair value of the hedged item is accounted for in profit or loss as from the adjustment date.

## 2.13. Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are valued using impairment indicators at the end of each annual reporting period. Impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with an impact on the estimated future cash flows.

The criteria used by the Company to determine if there is objective evidence that a financial asset is impaired include:

- Significant financial difficulty of the issuer or debtor.

- A breach of contract, such as default or delinquency in interest or principal payments.

- It is probable that the borrower will enter bankruptcy or other financial reorganization.

- The disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is directly reduced by any impairment loss for all financial assets, except for receivables, in which case the carrying amount is reduced through use of an allowance account. Subsequent recoveries of previously written-off amounts are added to the allowance. Changes in the carrying amount of the allowance account are recognized in profit or loss.

2.14. Trade receivables

Firstly stated at billed amounts based on contractual rental amounts and services provided, adjusted based on effects arising from the recognition of revenues from rental on a straight-line basis, calculated according to contractual terms.

An allowance for doubtful accounts is recorded in an amount considered sufficient by management to cover probable losses on the realization of trade receivables, under the following criterion: allowance for 100% of amounts over 120 days past due.

Past-due and renegotiated amounts are recorded at the renegotiation amounts, including principal plus financial charges to be collected according to the new receiving period. Concurrently, an additional allowance is recorded on financial charges incurred and included in renegotiations. The allowance is registered until the payment of the renegotiated balance.

Trade receivables are not adjusted to present value, as they do not have a significant impact on the financial statements.

2.15. Property and equipment

Carried at cost of purchase, deducted from accumulated depreciation. Depreciation is calculated on a straight-line basis at the rates mentioned in note 9 based on the estimated useful lives of the assets.

The residual values and the useful lives of the assets are annually reviewed and adjusted, when appropriate.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on the recognition of a property and equipment item corresponds to the difference between the amounts received and the carrying amount of the asset, and is recognized in profit or loss.

2.16. Investment property

Investment properties are represented by land and buildings in shopping malls held to earn rentals and/or for capital appreciation, as disclosed in note 10.

Investment properties are measured initially at their cost, including transaction costs. After initial recognition, investment properties are measured at fair value. The gain or loss from the change in fair value of investment properties in operation are recognized in profit or loss for the period in which it arises. Valuations were made by independent external appraisers using the cash flow model discounted at market rates. Every quarter, reviews are conducted to value any changes in the recognized balances.

Investment property under construction is recognized at cost of construction until it is placed into service or when the Company is able to measure reliably the fair value of the asset.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

2.17. Intangible assets - consolidated

Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.18. Impairment of tangible and intangible assets excluding goodwill

Items in property and equipment, intangible assets, and other noncurrent assets are evaluated annually to identify evidence of unrecoverable losses or whenever significant events or material changes in circumstances indicate that the carrying value is not recoverable. In the event of a loss resulting from situations where the carrying amount of an asset exceeds its recoverable value, which is defined as the value in use of the asset, using the discounted cash flow method, an impairment loss is recognized in profit or loss.

2.19. Loans, financing and debentures

(i) Initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (less transaction costs) and the settlement amount is recognized in the statement of income during the period the borrowings remain outstanding, using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of such assets through the date they are ready for their intended use or sale. Other borrowing costs are recognized in profit or loss for the period in which they are incurred.

(ii) Part of the transactions carried out using debentures issued by the Company, subject to fair value hedge, is stated at fair value. Gains and losses are recognized through profit or loss.

## 2.20. Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a results of a past event, when a reliable estimate can be made of the amount of the obligation, and its settlement is probable.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

As of December 31, 2013 and 2012, the main provisions recognized by the Company and subsidiaries are as follows:

### 2.20.1 Reserve for civil, tax, labor and social security risks

Recorded for lawsuits assessed by the legal counsel and management of the Company and its subsidiaries as probable losses, considering the nature of the lawsuits and the legal counsel and management's experience in similar cases. Reserves have been recognized for matters classified as legal obligations, regardless of the expected final outcome of lawsuits.

### 2.20.2 Accrual for variable compensation

Recognized to cover the amounts of performance bonuses granted to some Company officers and which will only be paid three years after such bonuses are granted, providing the officers are still employees of the Company and subsidiaries. These bonuses are adjusted through the payment date based on the annual fluctuation of the Company's market value and are recognized on a straight-line basis in the income of period during the three-year period (from grant date to payment year) at the gross amount granted to these officers. A possible subsequent adjustment arising from changes in market value is recorded in the income of period, when incurred.

## 2.21. Revenue recognition

Revenue, costs, and expenses are recognized on the accrual basis. Revenue from rentals is recognized on a straight-line basis over the term of rental agreements, pursuant to technical Pronouncement CPC 06 - Leases (IAS 17), taking into account the contractual adjustment and the collection of the 13th monthly rental, and revenue from services is recognized when services are provided. Revenues from assignment of rights to tenants are allocated to income over the term of the first rental agreement.

Our revenue derives mainly from the following activities:

a) Rental

Refers to the rental of store space to tenants and other commercial space, such as sales stands. Includes rental of commercial space for advertising and promotion. Rentals to shopping malls' tenants accounts for the highest percentage of Company's and its subsidiaries' revenue.

b) Parking

Refers to revenue from the operation of parking lots.

c) Services

Refer to the provision of asset and property management services to shopping malls' tenants and owners, and brokerage services.

The Company receives management fees from tenants from the management of the shopping malls' common areas.

Brokerage services include the sale of vacant spaces and the identification and development of relationships with prospect tenants, such as store chains, in each case to minimize a shopping mall vacancy rate. Management fees are calculated as a percentage of the rental charged from a potential lessee.

d) Property space (key money) lease fee

Refers to the lease fees payable by new tenants as consideration for the advantages and benefits obtained by the tenants from their right to use the infrastructure offered by the shopping malls when new projects are launched, existing projects are expanded, or the store rental is discontinued.

The amount payable by new tenants is negotiated based on the market value of the rented space. Usually the new tenants pay a higher fee for stores with greater visibility and exposure in the busiest areas of the shopping mall.

e) Lessee transfer fees

Revenue generated by the fees paid when the rental is transferred from a lessee to another, generally calculated as a percentage of the amount involved in the transfer.

2.22. Income tax and social contribution

Income tax is calculated at the rate of 15% plus a 10% surtax on annual taxable income exceeding R$240. Social contribution is calculated at the rate of 9% on annual taxable income. Deferred income tax and social contribution result from temporary differences in the recognition of income and expenses for tax and financial reporting purposes, and tax loss carryforwards when their utilization against future taxable income is probable. As permitted by tax legislation, certain consolidated subsidiaries opted for taxation based on deemed income. Tax bases of income tax and social contribution are calculated at the rate of 32% on gross revenues from services and 100% of financial income, on which regular tax rates of 15%, plus a 10% surtax, for income tax and 9% for social contribution are applied. As a result, these consolidated companies did not record deferred income tax and social contribution on tax loss carryforwards and temporary differences and are not subject to the noncumulative regime for taxes on revenue (PIS and COFINS).

Shareholders of Fundo de Investimento Imobiliário I and II are subject to tax on income from the fund.

When applicable, the deferred income tax and social contribution calculated on adjustments arising from the adoption of the new accounting practices introduced by IFRSs were recorded in the Company and subsidiaries' financial statements.

In the specific case of the adjustment to fair value of investment property, regardless of the taxation regime elected by the subsidiaries and associate, deferred tax (liabilities) was recognized at the rate of 34% on such adjustments (except for the property under Fundo de Investimento Imobiliário I and II, which are tax exempt), based on the assumption that these properties can be sold and a capital gain be determined.

2.23. Earnings per share

Basic and diluted earnings per share are calculated using net income for the year attributable to the owners of the Company and the weighted average number of shares outstanding in the year.

The Company has no debt convertible into shares, stock options granted or any other potentially dilutive instrument; therefore, diluted earnings per share are equal to basic earnings per share for the periods shown.

2.24. Statement of value added ("DVA")

The purpose of this statement is to disclose the wealth created by the Company and its associate and the distribution thereof during a certain reporting period, and is presented by the Company and its subsidiaries, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of technical Pronouncement CPC 09 - Statement of Value Added.

2.25. New and revised standards and interpretations in 2013

| Pronouncement | Description |
|---|---|
| Amendments to IFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosure of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| IAS 19 (revised in 2011) | Employee Benefits |

The Company's management assessed these new standards and interpretations and concluded that there was no impact from adopting these new standards.

2.26. New and revised standards and interpretations issued and not yet adopted

- IFRS 9 - Financial Instruments: Classification and Measurement

  Completes the first part of the project to supersede IAS 39 - Financial Instruments: Recognition and Measurement. This new standards uses a simple approach to determine whether a financial asset is stated at amortized cost or fair value, based on how an entity manages its financial instruments (its business model) and contractual cash flows underlying the financial assets. IFRS 9 also requires the adoption of only one method to determine losses on impairment of assets.

  Effective for annual periods beginning on or after January 2015.

- Amendments to IAS 32 - Financial Instruments: Presentation: clarify that the income tax related to distributions to holder of equity instruments and equity transaction costs shall be carried pursuant to IAS 12 - Income Taxes.

- Amendments to IFRS 7 - Disclosures - Offset of Financial Assets and Financial Liabilities - increase the disclosure requirements for transactions involving financial assets.

The Company’s management assessed these new standards and interpretations and does not expect significant effects on the reported amounts.

The CPC had not yet issued certain pronouncements equivalent to IFRSs that became or would become effective on or after December 31, 2013. However, due to CPC’s commitment to keep the set of standards issued by IASB up-to-date, these pronouncements and/or amendments issued by IASB are expected to be approved by the time their adoption becomes mandatory.

2.27. Early adoption of Provisional Measure 627/13

Provisional Measure 627, of November 11, 2013, and Regulatory Instruction 1397, of September 16, 2013, issued by Federal Revenue Service, significantly changed federal tax rules. This Provisional Measure will be effective beginning 2015, and early adoption is permitted beginning 2014.

Management is analyzing the eventual effects from the adoption of such Provisional Measure, but do not expect significant effects by adopting it and intend to do the early adoption.

2.28. Restatement of financial statements

Company’s management, during the review of financial statements of December 31, 2013 identified an error in the first financial statements in accordance with IFRS (transition) for the year ended December 31, 2010, concerning the calculation of noncontrolling interest of Fundo de Investimento Imobiliário I and II.

The Company calculates deferred income tax and social contribution on difference between fiscal and accounting basis of its quotas of Fundo de Investimento Imobiliário I and II; however, it was identified that the deferred taxes were allocated for accounting purpose to its quota holders in proportion to their participation, including non-controlling quota holders. Thus, the balance of the investment in the Fundos de Investimento Imobiliário I e II, the equity of the Company and the non-controlling interest were presented incorrectly.

As a result of this process adjustments were made in the financial statements from January 1, 2012, as required by IAS 23 - Accounting Policies, Changes in Accounting Estimates and Errors. Thus, the financial statements for the year ended December 31, 2013 include, for comparison purposes, figures for the years ended December 31, 2012 and January 1, 2012. The adjustments had no effect on the statements of income, comprehensive income and cash flows for the subsequent years and also in the total of consolidated shareholders' equity.

Changes made that resulted in adjustments are disclosure bellow:

| | Company | | |
|---|---|---|---|
| | Originally issued 12/31/11 | Adjustment | As restated 01/01/12 |
| Investments | 1,827,185 | (52,270) | 1,774,915 |
| Equity attributable to owners of the Company | 1,943,398 | (52,270) | 1,891,128 |

| | Company | | |
|---|---|---|---|
| | Originally issued 12/31/12 | Adjustment | As restated 12/31/12 |
| Investments | 2,094,168 | (52,270) | 2,041,898 |
| Equity attributable to owners of the Company | 2,091,702 | (52,270) | 2,039,432 |

| | Consolidated | | |
|---|---|---|---|
| | Originally issued 12/31/11 | Adjustment | As restated 01/01/12 |
| Company's equity | 1,943,398 | (52,270) | 1,891,128 |
| Equity attributable to owners of the Company | 486,997 | 52,270 | 539,267 |

| | Consolidated | | |
|---|---|---|---|
| | Originally issued 12/31/12 | Adjustment | As restated 12/31/12 |
| Company's equity | 2,091,702 | (52,270) | 2,039,432 |
| Equity attributable to owners of the Company | 585,540 | 52,270 | 637,810 |

## 3. CRITICAL ACCOUNTING JUDGMENTS AND MAIN ESTIMATES

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The following are the main judgments and accounting estimates that the Company's and its subsidiaries management understands as relevant for the preparation of the individual and consolidated financial statements:

a) Investment property value: the fair value of investment property is determined by valuating the future cash flows of each property at present value, as determined by independent valuers. The Company's and its subsidiaries' management uses its judgment to choose the method and define assumptions, which are mainly based on market conditions existing at the end of the reporting period. Since January 1, 2012, the period for measurement at fair value was changed from quarterly basis to semiannual basis.

b) Reserve for civil, tax, labor and social security risks: the reserve for risks is recognized for lawsuits assessed by the legal counsel and management of the Company and its subsidiaries as probable losses, considering the nature of the lawsuits and the legal counsel and management's experience in similar cases. Reserves have been recognized for matters classified as legal obligations, regardless of the expected final outcome of lawsuits.

c) Projections prepared for the realization of deferred income tax and social contribution balances: based on analyses of the multiyear operating projections, the Company recognized tax credits related to prior year tax loss carryforwards and temporary differences.

   Maintenance of tax credits from tax loss carryforwards, deferred income tax and social contribution tax loss carryforwards is supported by future earnings projections prepared by the Company's management and periodically reviewed, for the next ten years, to determine the recoverability of tax loss carryforwards and temporary differences.

## 4. CASH AND CASH EQUIVALENTS

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Cash | 2 | 2 | 75 | 79 |
| Banks | 60 | 105 | 1,561 | 1,046 |
| Short-term investments (*) | 282,721 | 336,134 | 422,795 | 680,851 |
| Total | 282,783 | 336,241 | 424,431 | 681,976 |

(*) As of December 31, 2013, the short-term investments are highly liquid and earn yield at the weighted average interest rate of 102.9% of the interbank deposit rate -CDI (102.5% as of December 31, 2012).

## 5. TRADE RECEIVABLES, NET AND OTHER RECEIVABLES

### Trade receivables

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Rentals | 49,613 | 41,649 |
| Assignment of rights receivable (a) | 1,298 | 1,300 |
| Total trade receivables billed | 50,911 | 42,949 |
| Unbilled revenue from rentals (b) | 14,059 | 12,215 |
| Total trade receivables billed and unbilled | 64,970 | 55,164 |
| Allowance for doubtful accounts | (10,715) | (9,344) |
| Total | 54,255 | 45,820 |
| Current | (40,196) | (33,605) |
| Noncurrent | 14,059 | 12,215 |

(a) Represent receivables from lease of commercial spaces in shopping malls, also known as "Key Money".

(b) Represent the effect of unbilled revenue from rentals recognized on a straight-line basis according to agreement terms.

The aging list of trade receivables billed as of December 31, 2013 and 2012 is as follows:

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Current | 39,013 | 32,874 |
| Past due: | | |
| Up to 30 days | 2,067 | 1,579 |
| 31 to 60 days | 978 | 821 |
| 61 to 90 days | 903 | 584 |
| 91 to 180 days | 2,423 | 1,377 |
| Over 180 days | 5,527 | 5,714 |
| Subtotal | 11,898 | 10,075 |
| Total | 50,911 | 42,949 |

### Allowance for doubtful accounts

Change in allowance for doubtful accounts for the years ended December 31, 2013 and 2012 is as follows:

| | Consolidated |
|---|---|
| Balance as of December 31, 2011 | (9,727) |
| Write-offs arising from uncollectible receivables | 417 |
| Write-offs upon the sale of interests in the malls Tivoli, Penha and Pátio Brasil | 2,367 |
| Allowances recognized in the year | (2,401) |
| Balance as of December 31, 2012 | (9,344) |
| Write-offs arising from uncollectible receivables | 1,421 |
| Allowances recognized in the year | (2,792) |
| Balance as of December 31, 2013 | (10,715) |

Other receivables

Additionally, as of December 31, 2013 and 2012, the balance of "Other receivables" is broken down as follows:

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Receivables of Banco Ourinvest S.A. (a) | 833 | 833 |
| Loan agreement with a storeowners (b) | 3,117 | - |
| Other receivables from condominiums | 3,846 | 1,019 |
| Receivables from parking operations | 1,315 | 1,502 |
| Vacations, 13th salaries, and other advances to employees | 98 | 256 |
| Other | 1,695 | 1,912 |
| Total | 10,904 | 5,522 |
| Current | (6,954) | (4,689) |
| Noncurrent | 3,950 | 833 |

(a) As of December 31, 2013, subsidiary Sierra Investimentos has R$833 in receivables from Banco Ourinvest S.A., as a result from the commitment entered into on October 29, 2009 (see note 30).

(b) Refers to loans agreements entered into among Company's subsidiaries and shopping storeowners. These agreements are subject to financial charges corresponding to the annual fluctuation of the Amplified Consumer Price Index - IPCA, and mature within up to 60 months.

## 6. RECOVERABLE TAXES

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Withholding income tax (IRRF) | 10,219 | 5,580 | 19,521 | 15,735 |
| Social contribution - Law 10833/03 | 11 | 11 | 369 | 452 |
| Other | 9 | 9 | 308 | 269 |
| Total | 10,239 | 5,600 | 20,198 | 16,456 |
| Current | (20) | (5,600) | (9,979) | (16,456) |
| Noncurrent | 10,219 | - | 10,219 | - |

Recoverable taxes were generated from the operations of the Company and its subsidiaries and do not depend on court or administrative decisions to be realized.

## 7. LOANS TO CONDOMINIUMS

Represent advances to condominiums of the shopping malls to cover cash shortages, notably arising from default, or by new mall openings. The amounts will be recovered as the common area maintenance fees are received and according to the condominiums' cash availability.

| | | Consolidated | |
|---|---|---|---|
| Subsidiary | Condominium | 12/31/13 | 12/31/12 |
| Pátio São Bernardo | Condomínio Shopping Center Plaza Sul | 933 | 125 |
| Pátio Sertório | Condomínio Manauara Shopping | 341 | - |
| Pátio Uberlândia | Condomínio Uberlândia Shopping | 2,712 | 1,316 |
| Pátio Londrina | Condomínio Boulevard Londrina Shopping | 3,561 | - |
| Pátio Goiânia | Condomínio Passeio das Águas Shopping | 1,889 | - |
| Total | | 9,436 | 1,441 |

These loans are considered related-party transactions (see note 23).

The contracted interest rates are based on the market practices and management does not expect problems on the realization of these amounts.

## 8. INVESTMENTS

### a) Investments in subsidiaries (Company)

| December 31, 2013 | Number of shares held | Capital - equity interest - % | Assets | Liabilities | Equity | Revenue | Net income for the year | Equity in investees | Investment balance |
|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries | | | | | | | | | |
| Sierra Investimentos Brasil Ltda. | 1,020,262.171 | 100.00 | 2,282,538 | 17,762 | 2,264,776 | 230 | 230,221 | 230,221 | 2,264,776 |
| Unishopping Consultoria Imobiliária Ltda. (*a) | 12,663,326 | 100.00 | 32,996 | 12,324 | 20,672 | 17,950 | 9,829 | 9,829 | 20,672 |
| Total | | | 2,315,534 | 30,086 | 2,285,448 | 18,180 | 240,050 | 240,050 | 2,285,448 |

| December 31, 2012 | Number of shares held | Capital - equity interest - % | Assets | Liabilities | Equity | Revenue | Net income for the year | Equity in investees | Investment balance |
|---|---|---|---|---|---|---|---|---|---|
| Subsidiaries | | | | | | | | | |
| Sierra Investimentos Brasil Ltda. | 938,762,172 | 100.00 | 2,052,813 | 23,148 | 2,029,665 | 168 | 184,707 | 184,707 | 2,029,665 |
| Unishopping Administradora Ltda. | 10,910,860 | 100.00 | 24,343 | 12,110 | 12,233 | 50,988 | 4,276 | 4,276 | 12,233 |
| Total | | | 2,077,156 | 35,258 | 2,041,898 | 51,156 | 188,983 | 188,983 | 2,041,898 |

(*) As of October 31, 2013, Unishopping Administradora was merged into Unishopping Consultoria, which became the Company's direct subsidiary, as referred to in note 1.

b) Investment in associate (Consolidated)

(i) Ownership interest held in Campo Limpo Empreendimentos e Participações Ltda.

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Number of shares held by Sierra Investimentos | 9,435,400 | 9,435,400 |
| Interest held in investee’s capital (%) | 20,00 | 20,00 |
| Investment balance | 33,375 | 28,530 |
| Equity in subsidiaries | 7,945 | 4,821 |

(ii) Financial information on Campo Limpo Empreendimentos e Participações Ltda.

| | 12/31/13 | 12/31/12 |
|---|---|---|
| Balance sheet | | |
| Current assets | 6,230 | 5,507 |
| Noncurrent assets | 220,475 | 185,610 |
| Current liabilities | 2,557 | 2,619 |
| Noncurrent liabilities | 57,272 | 45,849 |
| Equity | 166,876 | 142,649 |
| Profit or loss | | |
| Revenue | 22,430 | 20,117 |
| Profit for the year and comprehensive income | 39,725 | 24,104 |

(iii) Changes in investments for the years ended December 31, 2013 and 2012

| | Company | Consolidated |
|---|---|---|
| Balance as of January 1, 2012 | 1,774,915 | 26,157 |
| Capital increase (*) | 78,000 | - |
| Equity in investees | 188,983 | 4,821 |
| Dividends received | - | (2,448) |
| Balance as of December 31, 2012 | 2,041,898 | 28,530 |
| Capital increase (*) | 3,500 | - |
| Equity in investees | 240,050 | 7,945 |
| Dividends received | - | (3,100) |
| Balance as of December 31, 2012 | 2,285,448 | 33,375 |

(*) Refers to capital increases made in Sierra Investimentos to finance the construction of the projects under development.

c) Noncontrolling interest

(i) Ownership interest held by noncontrolling interest of Fundo de Investimento Imobiliário I and in Fundo de Investimento Imobiliário II

| | Consolidated | | | |
|---|---|---|---|---|
| | Fundo de Investimento Imobiliário I | | Fundo de Investimento Imobiliário II | |
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Interest in capital held by noncontrolling (%) | 40.00 | 40.00 | 49.90 | 49.90 |
| Net income from noncontrolling interests | 98,698 | 91,597 | 43,848 | 32,667 |
| Noncontrolling interests in equity | 509,349 | 443,193 | 224,599 | 194,617 |
| Dividends paid to noncontrolling | 32,717 | 30,133 | 13,689 | 14,666 |

(ii) Financial information of Fundo de Investimento Imobiliário I and Fundo de Investimento Imobiliário II

| | Fundo de Investimento Imobiliário I | | Fundo de Investimento Imobiliário II | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Balance sheet | | | | |
| Current assets | 30,041 | 27,187 | 10,496 | 9,715 |
| Noncurrent assets | 1,256,099 | 1,094,195 | 447,277 | 389,404 |
| Current liabilities | 12,075 | 11,953 | 6,978 | 6,782 |
| Noncurrent liabilities | 691 | 1,446 | 122 | 255 |
| Equity | 1,273,374 | 1,107,983 | 450,673 | 392,082 |
| Profit or loss | | | | |
| Net operating revenue from rentals, services and other | 87,875 | 78,833 | 15,507 | 13,913 |
| Changes in fair value of investment properties | 159,615 | 136,667 | 28,167 | 24,118 |
| Net and comprehensive income for the year | 246,745 | 215,153 | 86,611 | 65,676 |

## 9. PROPERTY AND EQUIPMENT

| | Annual depreciation rate - % | 12/31/13 Consolidated Cost | Accumulated depreciation | Net |
|---|---|---|---|---|
| Facilities | 10 | 2,747 | (2,747) | - |
| Furniture and fixtures | 10 | 930 | (566) | 364 |
| Machinery and equipment | 10 | 674 | (348) | 326 |
| IT equipment | 20 | 2,541 | (1,863) | 678 |
| Vehicles | 20 | 2,659 | (873) | 1,786 |
| Other | 20 | 54 | (49) | 5 |
| Subtotal | | 9,605 | (6,446) | 3,159 |
| Advances to suppliers | - | 4 | - | 4 |
| Total | | 9,609 | (6,446) | 3,163 |

| | Annual depreciation rate - % | 12/31/12 Consolidated Cost | Accumulated depreciation | Net |
|---|---|---|---|---|
| Facilities | 10 | 2,747 | (2,747) | - |
| Furniture and fixtures | 10 | 923 | (483) | 440 |
| Machinery and equipment | 10 | 662 | (284) | 378 |
| IT equipment | 20 | 2,432 | (1,566) | 866 |
| Vehicles | 20 | 2,338 | (832) | 1,506 |
| Other | 20 | 45 | (43) | 2 |
| Subtotal | | 9,147 | (5,955) | 3,192 |
| Advances to suppliers | - | 303 | - | 303 |
| Total | | 9,450 | (5,955) | 3,495 |

Changes in property and equipment in operation for the years ended December 31, 2013 and 2012

| | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Facilities | Furniture and fixtures | Machinery and equipment | IT equipment | Vehicles | Other | Total |
| Balances at December 31, 2011 | 207 | 518 | 404 | 870 | 1,532 | 3 | 3,534 |
| Additions | - | 3 | 39 | 272 | 1,005 | 4 | 1,323 |
| Write-off | - | - | - | (9) | (353) | - | (362) |
| Depreciation | (207) | (81) | (65) | (267) | (678) | (5) | (1,303) |
| Balances at December 31, 2012 | - | 440 | 378 | 866 | 1,506 | 2 | 3,192 |
| Transfer to advances to suppliers | - | 7 | 12 | 109 | 876 | 9 | 1,013 |
| Additions | - | - | - | - | 780 | - | 780 |
| Write-off | - | - | - | - | (573) | - | (573) |
| Depreciation | - | (83) | (64) | (297) | (803) | (6) | (1,253) |
| Balances at December 31, 2013 | - | 364 | 326 | 678 | 1.786 | 5 | 3,159 |

Changes in construction in progress and advances to suppliers for the years ended December 31, 2013 and 2012

| | Consolidated | | |
|---|---|---|---|
| | Construction in progress | Advances to suppliers | Total |
| Balances at December 31, 2011 | 1,979 | 459 | 2,438 |
| Additions | - | 1,167 | 1,167 |
| Transfer to fixed asset in operation and intangible | (1,979) | (1,323) | (3,302) |
| Balances at December 31, 2012 | - | 303 | 303 |
| Additions | 2,520 | 714 | 3,234 |
| Transfer to fixed asset in operation and intangible | (2,520) | (1,013) | (3,533) |
| Balances at December 31, 2013 | - | 4 | 4 |

## 10. INVESTMENT PROPERTY

Under technical pronouncement CPC 28 (IAS 40), properties held to earn rentals or for capital appreciation or both can be recognized as investment property. The Company's management adopted the fair value method to reflect better its business, from January 1, 2009.

The measurement and changing in fair value of property are made at the date of the financial statements.

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Constructed investment property | 3,879,411 | 2,724,327 |
| Investment property under construction | 25,068 | 523,768 |
| Land | 41,692 | - |
| Total | 3,946,171 | 3,248,095 |

Changes in investment property for the for the years ended December 31, 2013 and 2012

| | Consolidated | | | |
|---|---|---|---|---|
| | Constructed properties | Properties under construction | Land | Total |
| Balance at December 31, 2011 | 2,338,796 | 437,254 | - | 2,776,050 |
| Additions | 32,207 | 381,320 | - | 413,527 |
| Acquisition of interest in property in operation | 72,701 | - | - | 72,701 |
| Write-off - sale of interest and barter transaction in Shopping Penha | (11,032) | - | - | (11,032) |
| Write-off - sale of Shopping Metrópole land | (3,155) | - | - | (3,155) |
| Write-off - sale of the malls Tivoli, Penha and Pátio Brasil | (193,582) | - | - | (193,582) |
| Transfer | 231,222 | (231,222) | - | - |
| Gain from the change in fair value of properties | 257,170 | (63,584) | - | 193,586 |
| Balance at December 31, 2012 | 2,724,327 | 523,768 | - | 3,248,095 |
| Additions (a) | 50,171 | 333,497 | - | 383,668 |
| Write-off – barter transaction of Boulevard Londrina (b) | (29,910) | - | - | (29,910) |
| Transfer (c) | 832,197 | (832,197) | - | - |
| Transfers to land (d) | (41,692) | - | 41,692 | - |
| Gain from the change in fair value of properties | 344,318 | - | - | 344,318 |
| Balance at December 31, 2013 | 3,879,411 | 25,068 | 41,692 | 3,946,171 |

Notes:

(a) Capitalized expenditures for the year in connection with properties under construction refer to construction costs of projects Boulevard Londrina Shopping and Passeio das Águas Shopping which were transferred to properties in operation on the opening date of the projects. Additionally, on September 6, 2013, subsidiary Pátio Uberlândia acquired a land with 45.5 thousand sqm (unaudited information) at the price of R$24,563, for the expansion of Franca Shopping.

(b) On May 3, 2013, subsidiary Pátio Londrina transferred 11.36% of the stake held in Boulevard Londrina Shopping to pay for the land acquired for the construction of the aforementioned shopping mall. The Company, through the transaction, maintained its 88.64% interest.

(c) On May 3, 2013, Boulevard Londrina Shopping was opened, with 47.8 thousand sqm of Gross Leasable Area (GLA) and 216 stores (unaudited information).

On October 30, 2013, Passeio das Águas Shopping, located in the City of Goiânia, was launched, with 78.1 thousand sqm of Gross Leasable Area (GLA) and 267 stores (unaudited information).

(d) Refers to part of the land of projects Uberlândia Shopping and Passeio das Águas Shopping acquired for purposes of appreciation and future sale.

The title to part of the property comprising Shopping Boavista project is not registered with the Registry of Deed Office. As of December 31, 2013, the total amount of such property, which was accounted for as investment property, is R$64,655 (R$65,215 as of December 31, 2012).

Fair value measurement methodology

The fair value of each investment property in operation and in construction was determined based on a valuation reported at the time, prepared by an independent external appraiser (Cushman & Wakefield).

The valuation of these investment properties was prepared in accordance with the practice statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors (Red Book), based in the United Kingdom.

The methodology adopted to calculate the market value (fair value) of investment property in operation involves developing making related to ten-year projections of gains and losses for each shopping mall, added to the residual value, which corresponds to a perpetuity calculated based on the net earnings of the 11$^{th}$ year and a market yield rate (exit yield or cap rate). For the calculation of the perpetuity, we considered a real growth rate of 0.0%. These projections are discounted at the measurement date using a market discount rate.

The projections are not forecasts but simply reflect the best estimate of the appraiser regarding the current view of the market with respect to the future revenue and cost of each property. The yield rate and the discount rate are set according to the local investment and institutional market and the reasonableness of the market value obtained according to the methodology above, equally tested in terms of the initial yield rate obtained based on net yield estimated for the first year of the projections.

In the valuation of the investment properties, some assumptions were taken into consideration that, according to the Red Book classification, are considered special, namely with respect to recently opened shopping malls, for which possible still due investment expenses have not been taken into account as such amounts are duly recognized in the financial statements.

The period for measurement at fair value was changed from quarterly basis to semiannual basis.

The assumptions used as of December 31, 2013 and 2012 for the measurement at fair value described above are as follows:

| 12/31/13 | | | | 12/31/12 | | | |
|---|---|---|---|---|---|---|---|
| 10-year discount rate | | 10-year exit yield | | 10-year discount rate | | 10-year exit yield | |
| Minimum | Maximum | Minimum | Maximum | Minimum | Maximum | Minimum | Maximum |
| 12.25% | 14.00% | 7.75% | 9.50% | 12.50% | 14.00% | 8,00% | 9.50% |

## 11. INTANGIBLE ASSETS

| | Annual amortization rate - % | Consolidated 12/31/13 | Consolidated 12/31/12 |
|---|---|---|---|
| Software | 20 | 7,797 | 4,643 |
| Accumulated amortization (*) | | (2,135) | (1,058) |
| Total | | 5,662 | 3,585 |

(*) For the year ended December 31, 2013, the amortization expense of the cost of purchase of software, amounting to R$1,077 (R$487 as of December 31, 2012), is recognized in caption "General and administrative expenses", in the statement of income.

Changes in intangible assets for the years ended December 31, 2013 and 2012

| | Consolidated Cost | Consolidated Amortization | Consolidated Net |
|---|---|---|---|
| Balance at December 31, 2011 | 2,153 | (571) | 1,582 |
| Additions | 511 | (487) | 24 |
| Transfer from construction in progress | 1.979 | - | 1.979 |
| Balance at December 31, 2012 | 4.643 | (1.058) | 3.585 |
| Additions | 634 | (1,077) | (443) |
| Transfer from construction in progress | 2,520 | - | 2,520 |
| Balance at December 31, 2013 | 7,797 | (2,135) | 5,662 |

## 12. LOANS AND FINANCING

| Domestic | Maturity | Consolidated 12/31/13 | Consolidated 12/31/12 |
|---|---|---|---|
| Banco do Amazonas S.A. - BASA (a) | 12/10/20 | 119,546 | 136,543 |
| Banco Itaú BBA S.A. (b) | 10/21/15 | 8,152 | 13,048 |
| Banco Itaú BBA S.A. (c) | 10/17/16 | 14,019 | 19,344 |
| Banco Bradesco S.A. (d) | 10/27/25 | 117,778 | 73,463 |
| Banco Bradesco S.A. (e) | 10/26/25 | 72,784 | 78,084 |
| Banco Itaú BBA S.A. (f) | 05/10/23 | 42,654 | 51,237 |
| Banco Santander S.A. (g) | 06/22/23 | 196,730 | 57,609 |
| Total | | 571,663 | 429,328 |
| | | | |
| Current | | (61,168) | (50,659) |
| Noncurrent | | 510,495 | 378,669 |

(a) On December 17, 2008, subsidiary Pátio Sertório raised a loan of R$90,315 with Banco do Amazonas S.A. - BASA to finance the construction of the mall Shopping Manauara. In the year ended December 31, 2009, the subsidiary obtained new loans totaling R$21,985. These loans bear fixed interest of 10% per year, with possible discount of 15% if payments are made on the maturity date, and have a grace period of 48 months, during which only 50% of interests incurred are paid. The remaining balance of accrued interest will be paid after the grace period together with the principal repayment. The loan is collateralized by the Shopping Manauara property. The Company and subsidiary Sierra Investimentos are guarantors of this transaction.

(b) On November 16, 2010, subsidiary Sierra Investimentos raised R$20,000 with Banco Itaú BBA S.A. to finance working capital. This loan is subject to average interest linked to CDI plus 2.85% per year. The Company is the guarantor of this transaction. The loan is collateralized by: (i) the Shopping Metrópole property; and (ii) net receivables of Shopping Metrópole. This loan has a nine-month grace period for the payment of the first installment of principal. On June 19, 2013, Sierra Investimentos changed the interest rate applied to CDI plus 1.66% per year.

(c) On November 16, 2010, subsidiary Pátio Boavista raised R$27,000 with Banco Itaú BBA S.A. to finance working capital. This loan is subject to average interest linked to CDI plus 3.3% per year. The Company is the guarantor of this transaction. The loan is collateralized by: (i) the Shopping Metrópole property; and (ii) net receivables of Shopping Metrópole. This loan has a six-month grace period for the payment of the first installment of principal. On June 19, 2013, Pátio Boavista changed the interest rate applied to CDI plus 1.78% per year.

(d) In the period from June to December 2013, subsidiary Pátio Londrina raised R$117,027 with Banco Bradesco S.A. to finance the construction of Shopping Londrina. This loan, in the total amount of R$120,000 bears a fixed rate equivalent to TR (a managed prime rate) plus 10.9% per year. The agreement is effective for 15 years, with a 2-year grace period for repaying the principal, beginning April 27, 2014. After this period, the outstanding balance will be paid in 155 monthly consecutive installments. The loan is collateralized by the Shopping Londrina property. The Company is the guarantor of this transaction. On December 14, 2012, Pátio Londrina renegotiated the agreed interest rate to TR plus 9.7% per year.

(e) From August 2010 to February 2012, subsidiary Pátio Uberlândia raised R$77,152 with Banco Bradesco S.A. to finance the construction of Shopping Uberlândia with a fixed rate equivalent to TR (a managed prime rate) plus 11.3% per year. The agreement is effective for 15 years, with a two-year grace period for the interest installment. After this period, the outstanding balance will be paid in 156 monthly consecutive installments, consecutive installments. The loan is collateralized by the Shopping Uberlândia property. The Company is the guarantor of this transaction. On November 21, 2012, Pátio Uberlândia renegotiated the agreed interest rate to TR plus 9.7% per year.

(f) On June 29, 2011, subsidiary Pátio Boavista raised R$52,651 with Banco Itaú BBA S.A. to finance the expansion of Shopping Metrópole. This loan bears a fixed rate equivalent to TR (a managed prime rate) plus 10.3% per year. The agreement is effective for 7 years, with a 12-month grace period for repaying the principal. After this period, the outstanding balance will be paid in 72 monthly consecutive installments. The Company is the guarantor of this transaction. The loan is collateralized by: (i) the Shopping Metrópole property; and (ii) Shopping Metrópole's net receivables. On June 19, 2013, Pátio Boavista renegotiated the interest rate applied to TR plus 9.3% per year. On September 23, 2013, Pátio Boavista renegotiated the repayment schedule to 128 monthly, successive installments; because of such change, the maturity date of the agreement changed from May 10, 2018 to May 10, 2023.

(g) Between March 2012 and December 2012, subsidiary Pátio Goiânia raised R$179,005 with Banco Santander (Brasil) to finance the construction of Passeio das Águas Shopping. The approved funding line, in the total amount of R$200,000, bears a fixed rate equivalent to the TR (a managed prime rate) plus 11.00% per year, The agreement is effective for 12 years, with a 24-month grace period for repaying the principal, After this period, the outstanding balance will be paid in 111 monthly, consecutive installments. The finance is collateralized by Passeio das Águas Shopping property. The Company is the guarantor of this transaction. On December 21, 2012, Pátio Goiânia renegotiated the agreed interest rate to TR plus 9.7% per year.

As of December 31, 2013, the total amount of the properties pledged to the banks in connection with the borrowings and financing is R$1,983,836 and the amount of net receivables pledged by Pátio Boavista is R$3,614.

Covenants

The loan agreements entered by the Company and its subsidiaries, described above, do not provide for compliance with any financial ratios such as debt ratios, expenses coverage with interests, etc.

Changes in loans and financing for the years ended December 31, 2013 and 2012

| | |
|---|---|
| Balance at December 31, 2011 | 350,891 |
| New borrowings | 78,984 |
| Payments - principal | (11,579) |
| Interest payments | (29,142) |
| Interest capitalized in investment property under construction | 12,556 |
| Interest allocated to net income | 27,618 |
| Balance at December 31, 2012 | 429,328 |
| New borrowings | 169,825 |
| Payments - principal | (38,161) |
| Interest payments | (37,844) |
| Interest capitalized in investment property under construction | 12,966 |
| Interest allocated to net income | 35,549 |
| Balance at December 31, 2013 | 571,663 |

The noncurrent portion of line item “Borrowings and financing” as of December 31, 2013 matures as follows:

| | |
|---|---|
| 2015 | 66,845 |
| 2016 | 62,323 |
| 2017 | 58,232 |
| 2018 | 58,232 |
| 2019 | 58,232 |
| 2020 - 2024 | 188,667 |
| 2025 - 2026 | 17,964 |
| Total | 510,495 |

## 13. DEBENTURES

| Debentures | Maturity | Company and consolidated 12/31/13 | 12/31/12 |
|---|---|---|---|
| Securities - 1st Series | 02/15/17 | 97,542 | 96,514 |
| Securities - 2nd Series | 02/15/19 | 233,618 | 221,538 |
| Loss with derivative transaction in fair value hedge accounting | 15/02/19 | 1,828 | - |
| Total | | 332,988 | 318,052 |
| Current | | (14,903) | (14,603) |
| Noncurrent | | 318,085 | 303,449 |

On February 15, 2012, the Company issued 30,000 nonconvertible debentures, in two series, with a par value of R$10 each, totaling R$300,000. After the bookbuilding procedure carried out on March 2, 2012, which defined the debenture interest, the series can be summarized as follows:

- 1st Series: 9,550 debentures, in the total amount of R$95,500, yielding a floating annual rate equivalent of CDI + 0.96%, with final maturity within five years. Compensation will be paid semiannually.

- 2nd Series: 20,450 debentures, in the total amount of R$204,500, yielding a floating annual rate equivalent of Amplified Consumer Price Index - IPCA+ 6.25% with final maturity within seven years. Compensation will be paid annually.

As described in note 26.3, on August 22, 2013, the Company contracted a derivative instrument ("swap") in the notional amount of R$54,500, to partially hedge the inflation rate risk (IPCA) subject to the interest of the 2nd series of debentures. In this transaction, the Company replaced the IPCA + 6.25% per year by the CDI +1.24% per year.

The swap agreement expires within 6 years and matures on February 15, 2019. This maturity date is the same as the hedged instrument.

This transaction is intended to adjust the Company's indebtedness, including the change from variable IPCA rate to the interbank deposit rate - CDI. Although both rates are variable, the CDI currently reflects the primary compensation index of the Company's financial assets and, therefore, it is more appropriate to the management of financial instruments.

Changes in debentures, recorded in current and noncurrent liabilities, are broken down as follows:

| | R$ |
|---|---|
| Balance at December 31, 2011 | - |
| New borrowings | 300,000 |
| Amortizable borrowing costs | (6,834) |
| Amortized borrowing costs | 863 |
| Interest allocated to net income | 28,580 |
| Interest payments | (4,557) |
| Balance at December 31, 2012 | 318,052 |
| Amortizable borrowing costs | 1,111 |
| Interest allocated to net income | 35,120 |
| Interest payments | (21,141) |
| Gain by debentures adjustment in a fair value hedge accounting | (1,982) |
| Loss with derivatives transaction in fair value hedge accounting | 1,828 |
| Balance at December 31, 2013 | 332,988 |

The debenture, classified in noncurrent liabilities, will be repaid as follows:

| | Principal and Interests | Unamortized cost | R$ |
|---|---|---|---|
| 2015 | - | (1,111) | (1,111) |
| 2016 (repayment of 50% of Series 1) | 47,750 | (1,111) | 46,639 |
| 2017 (repayment of 50% of Series 1) | 47,750 | (744) | 47,006 |
| 2018 (repayment of 50% of Series 2) | 113,167 | (671) | 112,496 |
| 2019 (repayment of 50% of Series 2) | 113,167 | (112) | 113,055 |
| Total | 321,834 | (3,749) | 318,085 |

Covenants

The debenture indenture subjects the Company to covenants, which are related mainly to financial ratios, as “Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA”, net debt and net financing expenses. Below the contractually required ratios:

| | Contractually required ratio |
|---|---|
| Net debt/EBITDA | Equal or less than 3.5 |
| EBITDA/Net Financing Expenses | Equal or greater than 1.75 |

As of December 31, 2013, the Company’s management believes that is compliant with all covenants.

## 14. TRADE ACCOUNTS PAYABLE - ACQUISITION OF ASSETS

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Acquisition of equity interest in shopping mall (a) | 31,840 | 49,108 |
| Acquisition of land (b) | - | 29,302 |
| Total | 31,840 | 78,410 |
| Current | (21.186) | (49,491) |
| Noncurrent | 10,654 | 28,919 |

Changes in trade accounts payable - acquisition of assets are as follows:

| | |
|---|---|
| Balance at December 31, 2011 | 25,000 |
| Acquisition of equity interest in shopping mall (a) | 63,701 |
| Payment of principal | (18,040) |
| Financial charges allocated to profit or loss | 4,162 |
| Financial charges capitalized under investment property under construction | 4,302 |
| Financial charges paid | (715) |
| Balance at December 31, 2012 | 78,410 |
| Payment of principal | (18,264) |
| Financial charges allocated to profit or loss | 3,148 |
| Financial charges paid | (2,151) |
| Financial charges capitalized under investment property under construction | 607 |
| Write–off – barter transaction of Boulevard Londrina Shopping | (29.910) |
| Balance at December 31, 2013 | 31,840 |

(a) The balance payable refers to an asset barter transaction with cash consideration involving Shopping Center Penha for acquisition of stake in Shopping Plaza Sul. Such account payables will be settled in 42 equal, consecutive installments of R$1,522 (original value), adjusted based on the interbank deposit rate - CDI. As of December 31, 2013, 18 installments are outstanding.

(b) The amount payable as of December 31, 2012 refers to the plot of land located in the city of Londrina. In consideration for the land, an undivided interest equivalent to 11.36% in the Boulevard Londrina project will be transferred. With the opening of said mall on May 3, 2013, the subsidiary Pátio Londrina completed this barter transaction by handing over the 11.36% undivided interest in the mall. See note 10.b).

## 15. KEY MONEY - CONSOLIDATED

| Subsidiary | Shopping mall | Consolidated 12/31/13 | Consolidated 12/31/12 |
|---|---|---|---|
| Pátio Boavista | Boavista Shopping | 2,962 | 3,047 |
| Pátio Sertório | Shopping Manauara | 2,007 | 7,628 |
| Pátio Uberlândia | Uberlândia Shopping | 5,021 | 8,432 |
| Pátio Londrina | Boulevard Londrina | 6,839 | 7,250 |
| Pátio Goiânia | Passeio das Águas | 7,270 | 2,818 |
| Fundo de Investimento Imobiliário I | Shopping Parque D. Pedro | 1,092 | 1,520 |
| Fundo de Investimento Imobiliário II | Shopping Parque D. Pedro | 193 | 269 |
| Total | | 25,384 | 30,964 |
| | | | |
| Current | | (8,340) | (6,863) |
| Noncurrent | | 17,044 | 24,101 |

Refers to the lease agreements for the use of property space, payable by tenants from the time the point of sales lease agreement is executed. Mainly on the launching of new projects, expansions or when a store is returned, the new tenants pay for the right to use commercial locations in the shopping malls. These amounts are negotiated based on the market value of the locations.

The key money amounts are billed according to the lease term, in up to 60 months, and are recognized on a straight-line basis in the statement of income over the lease agreement period.

## 16. RESERVE FOR CIVIL, TAX, LABOR AND SOCIAL SECURITY SERVICES RISKS

The Company and its subsidiaries are parties to civil, tax, labor and social security lawsuits at different courts and levels. Based on the opinion of its legal counsel, the Company's management recorded a reserve for lawsuits whose likelihood of an unfavorable outcome is considered probable. The reserve for risks is broken down as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Labor and social security (a) | - | - | 3,477 | 4,191 |
| Tax (b) | 2,067 | 1,968 | 3,754 | 3,597 |
| Civil (c) | - | - | 682 | 1,651 |
| Total | 2,067 | 1,968 | 7,913 | 9,439 |

Changes in the reserve for the years ended December 31, 2013 and 2012 are as follows:

| | Consolidated | | | |
|---|---|---|---|---|
| | Labor and social security (a) | Tax (b) | Civil (c) | Total |
| Balance at December 31, 2011 | 5,375 | 3,455 | 1,455 | 10,285 |
| Addition | 1,399 | - | 373 | 1,772 |
| Inflation adjustments | 357 | 142 | 231 | 730 |
| Payments | - | - | (6) | (6) |
| Reversals | (2,940) | - | (402) | (3,342) |
| Balance at December 31, 2012 | 4,191 | 3,597 | 1,651 | 9,439 |
| Addition | 665 | - | 23 | 688 |
| Inflation adjustments | 335 | 157 | 75 | 567 |
| Payments | - | - | (32) | (32) |
| Reversals | (1,714) | - | (1,035) | (2,749) |
| Balance at December 31, 2013 | 3,477 | 3,754 | 682 | 7,913 |

(a) Labor and social security

As of December 31, 2013, the Company and its subsidiaries whose contingency in the amount of R$1,210 (R$1,197 as of December 31, 2012) was assessed as probable loss by the legal counsel.

For the social security risks, as of December 31, 2013, the Company maintained a reserve of R$2,267 (R$2,994 as of December 31, 2012) according to the legal counsel's opinion, which estimated that the likelihood of loss on these lawsuits is probable.

(b) Tax

- IRRF, CIDE, CPMF and CADE

The Company is claiming the suspension of the payment of IRRF, economic intervention contribution (CIDE), and tax on banking transaction (CPMF) on payments made abroad. The historical amounts of such lawsuits correspond to the total amount of R$3,344 (R$3,187 as of December 31, 2012), which are deposited in escrow and accrued, considering that the likelihood of loss on these lawsuits is probable.

The CIDE and IRRF lawsuits had an unfavorable decision to the Company on appellate court and await ruling at special appeal.

There was a final and unappealable decision on the lawsuit challenging the CPMF levied on foreign payments unfavorable decision to subsidiary Sierra Investimentos This decision will not require disbursements since the court costs have already been paid and the subsidiary was not sentenced to pay attorney's fees to prevailing party arising from the injunction. Presently, subsidiary Sierra Investimentos waits the settlement of the escrow deposit, which amounts to R$1,278, in order to write off the tax credit.

Additionally, Sierra Investimentos recognizes a reserve for contingencies and made an escrow deposit of R$410, corresponding to the administrative fine imposed by the CADE (Brazilian antitrust agency). As of December 31, 2012, this lawsuit had already obtained a final and unappealable decision. Presently, Sierra Investimentos is awaiting the withdrawal of said of escrow deposits by the CADE to settle said fine, with no impact on net income.

(c) Civil

The Company's subsidiaries are defendants in several lawsuits arising from their regular business activities, especially involving compensation, contract termination and shopping mall rental renewal and revision lawsuits.

The Company's subsidiaries are plaintiffs in lawsuits mostly related to evictions (due to default and contractual breaches), executions and collections, in general.

The Company and its subsidiaries are parties to other tax, civil, labor and social security lawsuits arising from the normal course of their business and whose likelihood of loss is possible. These lawsuits amount to R$70,695 as of December 31, 2013 (R$68,321 as of December 31, 2012). The main lawsuits are described as follows:

(i) The subsidiary Pátio Sertório filed suit against the building company responsible for the construction of Manauara Shopping. It refers to an action involving rescission of contract combined with indemnity for pain and suffering claiming the payment of compensation due to non-performance and irregularities in the construction of Manauara Shopping. Additionally, subsidiary Pátio Sertório Shopping Ltda. is a defendant in a lawsuit started by the building company, claiming the payment of the updated amount of R$25,253 related to the execution of the construction of Manauara Shopping. Currently the proceeding awaits ruling at lower court.

(ii) The subsidiary Pátio Londrina is a party to a arbitration proceeding filed against the building company responsible for the construction of Boulevard Londrina Shopping that claims the agreement termination and damages and pain and suffering compensation for the noncompliance of the construction schedule and the resulting delay of the project's opening, and on the other hand the building company claims compensation for pain and suffering, damages, and loss of profits in updated amount of R$35,958. Currently the arbitration proceeding awaits the arbitration award.

Escrow deposits

Breakdown of escrow deposits:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Labor and social security | - | 6 | 454 | 85 |
| Tax | 2,094 | 1,968 | 3,782 | 3,597 |
| Civil | - | - | 7,017 | 6,268 |
| Total | 2,094 | 1,974 | 11,253 | 9,950 |

On March 5, 2012 subsidiary Pátio Sertório made an escrow deposit amounting to R$6,112 related to the lawsuit filed by the building company responsible for the construction of the mall Manauara Shopping related to the amounts of the contractual retention made during construction.

## 17. TAXES PAYABLE

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Income tax and social contribution (*) | - | - | 2,745 | 60,938 |
| IRRF | - | - | 1,355 | 1,368 |
| COFINS | - | - | 1,355 | 1,387 |
| PIS | - | - | 304 | 304 |
| ISS | - | - | 523 | 934 |
| Other | - | - | 200 | 481 |
| Total | - | - | 6,482 | 65,412 |

(*) As of December 31, 2012, the balance mainly referred to the tax calculated on the capital gain earned on the investment property sale transactions described in note 10.

## 18. EQUITY - COMPANY

### 18.1. Capital

As of December 31, 2013 and 2012 the Company’s capital was R$997,866 represented by 76,423,831 common shares without par value.

According to its bylaws, the Company is authorized to increase the capital regardless of any amendment to said bylaws up to a cap of R$1,500,000 by decision of the Board of Directors, which will set in each case the number of shares to be issued, the issue price, and the terms and conditions for the capital subscription and payment.

The Company’s main shareholders for the year ended December 31, 2013 is as follows:

| Name | Percentage | Number of shares |
|---|---|---|
| Sierra Brazil 1 BV | 66.65% | 50,933,104 |
| Deutsche Bank | 5.34% | 4,083,393 |
| Other free float | 28.01% | 21,407,334 |
| Total | 100.00% | 76,423,831 |

Management will propose to the Board of Directors the capital increase, through the use of part of the retained profit reserve in the minimum amount of R$47,539.

18.2. Share premium reserve

As of December 31, 2013, the Company had R$80,115 registered as share premium reserve, net of share issuance costs, that represents the premium paid by shareholders on issuance of shares.

The amount will remain in line item "Capital reserve" until its capitalization. Such amount will be capitalized proportionately to the interest held by each shareholder.

18.3. Legal reserve

As provided for by Article 193 of Law 6404/76, 5% of net income for the year must be used to recognize a legal reserve, which cannot exceed 20% of capital. As of December 31, 2013, the Company had a legal reserve in the amount of R$41,591.

18.4. Unrealized earnings reserve

In years when mandatory dividends, calculated as prescribed by the Company's bylaws, exceed the realized portion of net income, the Shareholders' Meeting can, as proposed by management bodies, allocate net income surplus to the unrealized earnings reserve.

It is considered realized the portion of net income for the year that exceeds the net equity gains in investees.

As of December 31, 2013, the Company had R$107,225 related to the portion of unrealized earnings reserve.

18.5. Profit retention reserve

The earnings retention reserve has the main objective of funding the budgeted investment plans for expansion, renewal and maintenance of shopping malls.

As of December 31, 2013, the Company had an amount of R$1,003,814 related for profit retention reserve.

18.6. Dividends

On May 15, 2013, mandatory dividends were paid related to the year ended December 31, 2012 in the amount R$26,748.

Under the bylaws, shareholders are entitled to minimum dividends of 25% of net income adjusted according to Brazilian Corporate Law. These dividends were calculated as of December 31, 2013, as follows:

| | 12/31/2013 |
|---|---|
| Net income for the year (a) | 225,951 |
| Legal reserve (5%) | (11,298) |
| Calculation base for dividends | 214,653 |
| Minimum mandatory dividends before recognition of unrealized earnings reserve and management proposal | 53,663 |
| Management proposal | (34,772) |
| Minimum mandatory dividends after management proposal (b) | 18,891 |
| Unrealized earnings- | |
| Equity in investees | (240,050) |
| Unrealized net income (c) | (240,050) |
| Realized net income for the year corresponding to minimum mandatory dividends payable (a) - (c) = (d) | - |
| Recognition of unrealized earnings reserve (b) - (d) | 18,891 |

Management will propose at the Annual Shareholders' Meeting the payment of dividends totaling R$34,772.

18.7. Earnings per share

As required by IAS 33, equivalent to technical pronouncement CPC 41 - Earnings per Shares below is the reconciliation of net income to the amounts used to calculate the basic earnings per share.

The Company has no debt convertible into shares nor stock options granted; therefore, no diluted earnings per share were calculated.

| | Company and consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Net income for the year attributable to the Company's owners | 225,951 | 185,531 |
| Weighted average of outstanding common shares (*) | 76,424 | 76,424 |
| Basic per share - R$ | 2,96 | 2,43 |

18.8. Share issuance costs

On February 2, 2011 the Company completed an initial public offering and the related shares issuance costs in the amount of R$16,083 net of taxes, were accounted for as a reduction to the capital reserves, These costs are comprised mainly by commissions, attorney's fees, audit fees, registration fee, printing, publications and other expenses.

## 19. NET REVENUE

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Gross revenue: | | | | |
| Rentals | - | - | 243,457 | 224,350 |
| Revenue from services | - | - | 20,202 | 17,763 |
| Parking revenue | - | - | 27,919 | 26,471 |
| Key Money | - | - | 18,993 | 12,064 |
| Other income | - | - | 5,198 | 2,784 |
| Total | - | - | 315,769 | 283,432 |
| Deductions: | | | | |
| Taxes on rentals and services | - | - | (20,968) | (18,255) |
| Discounts and abatements | - | - | (19,047) | (8,326) |
| Total | - | - | (40,015) | (26,581) |
| Net revenue | - | - | 275,754 | 256,851 |

## 20. EXPENSES BY NATURE

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Depreciation and amortization | - | - | 2,330 | 1,790 |
| Personnel | 277 | 333 | 31,694 | 28,676 |
| External services | 1,195 | 1,721 | 11,438 | 10,507 |
| Cost of occupancy (vacant stores) | - | - | 14,501 | 6,111 |
| Costs of contractual agreements with tenants | - | - | 6,299 | 2,219 |
| Allowance for (reversal of) doubtful lease receivables | - | - | 2,792 | 2,401 |
| Rent | - | - | 2,756 | 2,571 |
| Others | 271 | 354 | 9,159 | 8,878 |
| Total | 1,743 | 2,408 | 80,969 | 63,153 |
| Classified as: | | | | |
| Cost of rentals and services | - | - | 58,715 | 43,177 |
| General and administrative expenses | 1,743 | 2,408 | 22,254 | 19,976 |

## 21. OTHER OPERATING (EXPENSES) INCOME, NET

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Gain on the sale of investment properties | - | 30,758 |
| Sales transaction costs | - | (6,048) |
| Other | 5,621 | 1,235 |
| Total | 5,621 | 25,945 |

## 22. FINANCIAL INCOME (EXPENSES), NET

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Financial income: | | | | |
| Interest from short-term investments | 23,887 | 29,142 | 40,853 | 48,805 |
| Interest receivable | 579 | 5 | 1,333 | 1,364 |
| Gain arising from debenture adjustment hedged in a fair value hedge accounting | 1,982 | - | 1,982 | - |
| Other | 219 | 278 | 2,726 | 1,328 |
| | 26,667 | 29,425 | 46,894 | 51,497 |
| Financial expenses: | | | | |
| Interest on loans and financing | - | - | (35,549) | (27,618) |
| Interest on debentures | (36,231) | (29,443) | (36,231) | (29,443) |
| Interest on payables for purchase of land | - | - | (3,148) | (4,162) |
| Monetary and exchange variations | - | - | (31) | (2,930) |
| Loss on derivatives designated as a hedging instrument in a fair value hedge accounting | (1,828) | - | (1,828) | - |
| Other | (77) | (117) | (1,123) | (1,605) |
| | (38,136) | (29,560) | (77,910) | (65,758) |
| Total, net | (11,469) | (135) | (31,016) | (14,261) |

## 23. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution expense

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Income before income tax and social contribution | 226,615 | 186,163 | 516,826 | 402,400 |
| Statutory rate | 34% | 34% | 34% | 34% |
| Expected income tax and social contribution charge, at statutory rate | (77,049) | (63,295) | (175,721) | (136,816) |
| Effect of income tax and social contribution on permanent differences: | | | | |
| Equity in investees | 81,617 | 64,254 | 2,701 | 1,639 |
| Other permanent differences | - | (5) | (696) | (1,072) |
| Effect of income tax and social contribution on temporary differences and tax loss carryforwards: | | | | |
| Temporary differences | - | (601) | 91 | (927) |
| Tax loss carryforwards | (5,232) | (985) | (28.482) | (1,488) |
| Effect of taxation of subsidiaries taxed based on deemed income | - | - | 1,568 | 4,237 |
| Effect of different taxation of Fundos de Investimento Imobiliário I and II (*) | - | - | 52,210 | 41,822 |
| Income tax and social contribution expense at effective rate | (664) | (632) | (148,329) | (92,605) |
| Effective rate - % | - | - | 29 | 23 |

(*) Fundos de Investimento Imobiliário I and II are tax exempt.

b) Deferred income tax and social contribution

Based on analyses of the multiyear operating projections, the Company recognized tax credits related to tax loss carryforwards and temporary differences in prior years.

Maintenance of tax credits from tax loss carryforwards - deferred income tax and social contribution tax loss carryforwards - is supported by future earnings projections prepared by the Company's management and periodically reviewed, for the next ten years, to determine the recoverability of tax loss carryforwards and temporary differences.

Deferred income tax and social contribution are broken down as follows:

| | Company | | Consolidated | |
|---|---|---|---|---|
| | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Tax loss carryforward | 26 | 690 | 8,249 | 4,686 |
| Reserve for civil, tax, labor, and social security risks | - | - | 1,767 | 598 |
| Allowance for doubtful accounts | - | - | 2,174 | 1,979 |
| Other temporary reserves | - | - | (9) | (2,971) |
| Change in fair value of investment property | - | - | (482,488) | (354,240) |
| Total deferred income tax and social contribution | 26 | 690 | (470,307) | (349.948) |
| In noncurrent assets | 26 | 690 | 5,036 | 20.693 |
| In noncurrent liabilities | - | - | (475,343) | (370.641) |

Recognized noncurrent tax credits totaling R$17,226 (Consolidated) as of December 31, 2013 should be realized within up to ten years, as shown below:

| Year | Consolidated |
|---|---|
| 2014 | 361 |
| 2015 | - |
| 2016 | 268 |
| 2017 | 1,707 |
| 2018 | 2,963 |
| 2019 - 2021 | 11,927 |
| Total | 17,226 |

## 24. RELATED-PARTY TRANSACTIONS

In the course of the Company's business, controlling shareholders, subsidiaries, the associate, and condominiums (related parties) carry out commercial and financial intercompany transactions. These commercial transactions include mainly management of shopping malls (common charges and promotion fund).

Balances and transactions with related parties as of December 31, 2013 and 2012 are as follows:

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| Balance sheet | Purpose | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Current assets- | | | | | |
| Affiliates: | | | | | |
| Condomínio Shopping Center Penha | (a) | - | - | 110 | - |
| Condomínio Civil Center Shopping São Bernardo | (a) | - | - | 420 | - |
| Condomínio Tivoli Shopping Center | (a) | - | - | 64 | - |
| Condomínio Shopping Center Plaza Sul | (a) | - | - | 143 | - |
| Condomínio Franca Shopping Center | (a) | - | - | 58 | - |
| Condomínio Parque Dom Pedro Shopping | (a) | - | - | 633 | 5 |
| Total (*) | | - | - | 1,428 | 5 |
| Noncurrent assets- | | | | | |
| Subsidiary- | | | | | |
| Pátio Uberlândia | (d) | 20,129 | - | - | - |
| Affiliates: | | | | | |
| Condomínio Manauara | (b) | - | - | 341 | - |
| Condomínio Boulevard Londrina Shopping | (b) | - | - | 3,561 | - |
| Condomínio Passeio das Águas Shopping | (b) | - | - | 1,889 | - |
| Condomínio Shopping Center Plaza Sul | (b) | - | - | 933 | 125 |
| Condomínio Uberlândia Shopping | (b) | - | - | 2,712 | 1,316 |
| Total | | 20,129 | - | 9,436 | 1,441 |
| Current liabilities- | | | | | |
| Affiliates- | | | | | |
| Parque D. Pedro I BV SARL | (c) | - | - | 2,330 | 2,150 |
| Total | | - | - | 2,330 | 2,150 |

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| Profit or loss | Purpose | 12/31/13 | 12/31/12 | 12/31/13 | 12/31/12 |
| Operating revenue: | | | | | |
| Affiliates: | | | | | |
| Condomínio Shopping Center Penha | (a) | - | - | 1,317 | 1,241 |
| Condomínio Civil Center Shopping São Bernardo | (a) | - | - | 1,022 | 1,081 |
| Condomínio Tivoli Shopping Center | (a) | - | - | 567 | 520 |
| Condomínio Shopping Pátio Brasil | (a) | - | - | - | 632 |
| Condomínio Franca Shopping Center | (a) | - | - | 439 | 412 |
| Condomínio Boavista Shopping | (a) | - | - | 901 | 877 |
| Condomínio Shopping Center Plaza Sul | (a) | - | - | 1,606 | 1,504 |
| Condomínio Parque Dom Pedro Shopping | (a) | - | - | 2,908 | 2,750 |
| Condomínio Campo Limpo Shopping | (a) | - | - | 887 | 818 |
| Condomínio Manauara Shopping | (a) | - | - | 1,849 | 1,726 |
| Condomínio Uberlândia Shopping | (a) | - | - | 1,265 | 911 |
| Boulevard Londrina Shopping | (a) | - | - | 851 | - |
| Passeio das Águas Shopping | (a) | - | - | 245 | - |
| Subtotal | | - | - | 13,857 | 12,472 |
| Financial income: | | | | | |
| Subsidiary- | | | | | |
| Pátio Uberlândia | (d) | 579 | - | - | - |
| Subtotal | | 579 | - | - | - |

(*) Included in the balance of receivables, net, and other receivables.

(a) Refers to revenue from services provided by subsidiary Unishopping Administradora Ltda. and, thereafter, by Unishopping Consultoria Ltda. related to the management of common charges and the promotion fund of said condominiums. This revenue is recognized in line item “Service revenue”, as disclosed in note 19.

(b) Refers to loans to condominiums described on note 7.

(c) Yield payable to Fundos de Investimento Imobiliário I and II. Related company Parque D. Pedro I BV SARL holds 27.6% and 15.9% of the units of these funds, respectively.

(d) Refers to the loan transaction among the Company and its subsidiary Pátio Uberlândia, for the acquisition of land for expansion of Franca Shopping, amounting to R$19,550, to be paid in one single installment on February 20, 2014, whose inflation adjustment is calculated based on the 103% fluctuation of the interbank deposit certificate rate - CDI.

## 25. OPERATING SEGMENT REPORTING

Segment reporting is used by the Company’s top management to make decisions about resources to be allocated to a segment and assess its performance. Assets and liabilities by segment are not presented as they are not analyzed for strategic decision-making by the top management.

Therefore, the Company’s segments reportable pursuant to IFRS 8 and technical Pronouncement CPC 22 are follows:

a) Development and management

Refer to the provision of asset and property management services to shopping malls’ tenants and owners, brokerage services, and development of project for a new shopping mall.

b) Investment

Refers to the rentals of stores spaces to tenants and other commercial space, such as sales stands; rental of commercial space for advertising and promotion; operation of parking lots; and the property space (key money) lease fee.

(i) Segment reporting of asset

| | Consolidated - 12/31/13 | | |
|---|---|---|---|
| | Development and management | Investment | Total |
| Asset | 32,996 | 4,497,041 | 4,530,037 |

| | Consolidated - 12/31/12 | | |
|---|---|---|---|
| | Development and management | Investment | Total |
| Asset | 25,819 | 4,043,862 | 4,069,681 |

(ii) Segment reporting of income statement

| | Consolidated - 01/01/13 to 12/31/13 | | | |
|---|---|---|---|---|
| | Development and management | Investment | Elimination of intersegment revenue | Total |
| Gross revenue | 45,625 | 295,568 | (25,424) | 315,769 |
| Deductions: | | | | |
| Taxes | (6,506) | (14,462) | - | (20,968) |
| Discounts and rebates | - | (19,047) | - | (19,047) |
| Total | (6,506) | (33,509) | - | (40,015) |
| Net operating revenue | 39,119 | 262,059 | (25,424) | 275,754 |
| Operating costs and expenses and general | (36,609) | (69,784) | 25,424 | (80,969) |
| Adjusted net operating revenue | 2,510 | 192,275 | - | 194,785 |

| | Consolidated - 01/01/12 to 12/31/12 | | | |
|---|---|---|---|---|
| | Development and management | Investment | Elimination of intersegment revenue | Total |
| Gross revenue | 44,653 | 265,669 | (26,890) | 283,432 |
| Deductions: | | | | |
| Taxes | (6,191) | (12,064) | - | (18,255) |
| Discounts and rebates | - | (8,326) | - | (8,326) |
| Total | (6,191) | (20,390) | - | (26,581) |
| Net operating revenue | 38,462 | 245,279 | (26,890) | 256,851 |
| Operating costs and expenses and general | (39,112) | (50,931) | 26,890 | (63,153) |
| Adjusted net operating revenue | (650) | 194,348 | - | 193,698 |

## 26. FINANCIAL INSTRUMENTS

The Company and its subsidiaries conduct transactions involving financial instruments, all of which recorded in balance sheet accounts, which are intended to meet their operating and financial needs.

These financial instruments are managed based on policies, definition of strategies, and establishment of control systems, which are duly monitored by the management of the Company and its subsidiaries, with a view to maximize shareholder value and achieve a balance between debt and equity capital.

The Company's and its subsidiaries' main financial instruments are represented by:

a) Cash and cash equivalents: they are classified as held for trading and their carrying amount is equivalent to the assets´ fair value.

b) Trade accounts receivables: they are classified as held to maturity and recorded at the contracted amounts, which approximate market.

c) Loans, financing and debentures: they are classified as other financial liabilities.

As of December 31, 2013 and 2012, the carrying amounts and fair values financial instruments are as follows:

Company

| | | | 12/31/13 | | 12/31/12 | |
|---|---|---|---|---|---|---|
| Type | Classification | Fair value hierarchy | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets: | | | | | | |
| Cash and cash equivalents | Loans and receivables | N/A | 282,783 | 282,783 | 336,241 | 336,241 |
| Escrow deposits | Loans and receivables | N/A | 2,094 | 2,094 | 1,974 | 1,974 |
| Related-party | Loans and receivables | N/A | 20,129 | 20,129 | - | - |
| Liabilities- | | | | | | |
| Debentures | Other financial liabilities | N/A | 273,125 | 266,906 | 318,052 | 346,989 |
| Debentures | Fair value through profit and loss | Level 2 | 58,035 | 58,035 | - | - |
| Domestic trade accounts payable | Other financial liabilities | N/A | 57 | 57 | 6 | 6 |
| Derivatives | Fair value through profit and loss | Level 2 | 1,828 | 1,828 | - | - |

Consolidated

| | | | 12/31/13 | | 12/31/12 | |
|---|---|---|---|---|---|---|
| Type | Classification | Fair value hierarchy | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets: | | | | | | |
| Cash and cash equivalents | Loans and receivables | N/A | 424,431 | 424,431 | 681,976 | 681,976 |
| Trade receivables | Loans and receivables | N/A | 54,255 | 54,255 | 45,820 | 45,820 |
| Restricted investments | Loans and receivables | N/A | 6,124 | 6,124 | 4,065 | 4,065 |
| Loans to condominiums | Loans and receivables | N/A | 9,436 | 9,436 | 1,441 | 1,441 |
| Escrow deposits | Loans and receivables | N/A | 11,253 | 11,253 | 9,950 | 9,950 |
| Liabilities: | | | | | | |
| Loans and financing | Other financial liabilities | N/A | 571,663 | 571,663 | 429,328 | 429,328 |
| Debentures | Other financial liabilities | N/A | 273,125 | 266,906 | 318,052 | 346,989 |
| Debentures | Fair value through profit and loss | Level 2 | 58,035 | 58,035 | - | - |
| Domestic trade accounts payable | Other financial liabilities | N/A | 49,812 | 49,812 | 31,460 | 31,460 |
| Derivatives | Fair value through profit and loss | Level 2 | 1,828 | 1,828 | - | - |

The measurement of financial instruments is grouped into levels 1 to 3, based on the fair value hierarchy:

- Level 1 - quoted prices in active markets for identical assets and liabilities;

- Level 2 - other techniques according to which all inputs with significant effects on the fair value are observable, either directly or indirectly; and

- Level 3 - techniques that use inputs with significant effects on fair value not based on observable market inputs.

26.1. Credit risk

The Company has a large customer base and constantly monitors trade receivables using internal controls, which limit the risk of default. The allowance for doubtful accounts is recognized in an amount considered by Management as sufficient to cover probable losses on the collection of receivables, based on the following criterion: allowance of 100% for receivables past due over 120 days.

The credit risk related to cash and cash equivalents is limited as the counterparties are represented by banks with a high rating assigned by international credit rating agencies.

26.2. Price fluctuation risk

The Company's revenue consists basically of rentals received from shopping malls' tenants. In general, rentals are adjusted based on the annual fluctuation of consumer price index (IPCA), as provided in the lease agreements. The rental levels may vary according to adverse economic conditions and, consequently, the revenue level may be affected. Management monitors these risks in order to minimize impacts on its business.

26.3. Interest rate risk

Results from the portion of debt contracted with interest linked to the CDI, TR and IPCA and involves the risk of increase in financial expenses as a result of unfavorable rates.

The Company contracted non-speculative derivatives ("swap") to partially hedge the inflation rate risk (IPCA) subject to interest of the 2nd series of debentures, as follows:

| | | | | | | Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| Type | Initial date | Maturity date | Notional R$ (thousand) | Active index edge | Passive index edge | Active index edge | Passive index edge | R$ (thousand) |
| Swap | 08/22/2013 | 02/15/2019 | 54.500 | IPCA + 6,25% p.a. | CDI + 1,24% p.a. | 57,882 | 59,710 | (1,828) |

The aforementioned ("swap") transaction was designated by the Company as a fair value hedge accounting transaction. The fair value of debentures, which is the subject matter of the swap transaction, correspond to a gain of R$1,982 (see notes 13 and 22).

26.4. Current risk

Trade receivables and trade payables are denominated in Brazilian reais and are not exposed to exchange fluctuations.

26.5. Capital risk management

The Company and its subsidiaries manage their capital to ensure regular business continuity and, at the same time, maximize return for all stakeholders or parties involved in their operations, by optimizing debt and equity balance.

The Company's and its subsidiaries' equity structure consists of net debt (loans and financing and debentures detailed in notes 12 and 13 , less cash and cash equivalents) and consolidated shareholders' equity (including capital, reserves and noncontrolling interests, as mentioned in note 18).

Indebtedness level

As of December 31, 2013 and 2012, the indebtedness level is as follows:

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Debt (a) | 902,823 | 747,380 |
| Cash and cash equivalents | (424,431) | (681,796) |
| Net debt (net cash) | 478,392 | 65,584 |
| Shareholders' equity (b) | 2,230,611 | 2,039,432 |
| Net debt-to-equity ratio | 21.45% | 3.21% |

(a) Debt is defined as short- and long-term loans, financing and debentures detailed in notes 12 and 13.

(b) Shareholders' equity includes the Company's total capital and reserves, managed as capital.

26.6. Liquidity risk management

The Company and its subsidiaries manage the liquidity risk by maintaining proper reserves, bank and other credit facilities to raise new borrowings that they consider appropriate, based on the continuous monitoring of budgeted and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

Liquidity risk and interest tables

The tables below detail the remaining contractual maturity of the Company's financial liabilities and the contractual payment periods. These tables were prepared in accordance with non-discounted cash flows of financial liabilities based on the closest date when the Company and its subsidiaries should settle the corresponding obligations. The tables include interest and principal cash flows. As interest flows are based on floating rates, the undiscounted amount was based on the interest curves at year end. Contractual maturity is based on the most recent date when the Company and its subsidiaries should settle the related obligations.

| December 31, 2013 | Weighed average effective interest rate | Less than 1 month | From one to three months | From to three months to one year | Between one and five years | More than five years | Total |
|---|---|---|---|---|---|---|---|
| Loans and financing | 9.66% | 6,963 | 13,704 | 83,517 | 391,302 | 325,980 | 821,466 |
| Debentures | 11.68% | - | 20,544 | 6,557 | 333,344 | 163,565 | 524,010 |

Supplementary sensitivity analysis on financial instruments, pursuant to CVM 475/08

Considering the financial instrument previously described, the Company has developed a sensitivity analysis, according to the CVM Instruction 475/08, which requires the presentation of two additional scenarios based on 25% and 50% fluctuations in the risk variable taken into consideration. These scenarios may impact the Company's and its subsidiaries' net income and/or future cash flows, as described below:

- Base scenario: maintenance of interest in the same levels as those as of December 31, 2013.

- Adverse scenario: a 25% fluctuation of the main risk factor of the financial instrument compared to the level as of December 31, 2013.

- Remote scenario: a 50% fluctuation of the main risk factor of the financial instrument compared to the level as of December 31, 2013.

Assumptions

As described above, the Company believes that it is exposed mainly to the risks of fluctuation of the interbank deposit rate (CDI), TR and IPCA, which is the basis to adjust a substantial portion of short-term investments and loans and financing. Accordingly, the table below shows the indices and rates used to prepare the sensitivity analysis:

| Assumptions | Base scenario | Adverse scenario | Remote scenario |
|---|---|---|---|
| CDI fluctuation: | | | |
| Short-term investments | 10.34% | 7.76% | 5.17% |
| Loans, financing and debentures and Swap Derivatives | 10.34% | 12.93% | 15.51% |
| TR fluctuation- | | | |
| Loans, financing and debentures | 0.20% | 0.25% | 0.30% |
| IPCA fluctuation- | | | |
| Debentures | 5.76% | 7.20% | 8.64% |
| Swap derivatives | 5.76% | 4.32% | 2.88% |

Management analysis

| | | | Consolidated | | |
|---|---|---|---|---|---|
| Risk factor | Financial instrument | Risk | Base scenario (*) | Adverse scenario | Remote scenario |
| Short-term investments | Interest rate | Decrease in CDI rate | 43,717 | 32,809 | 21,859 |
| Loans | Interest rate | Increase in CDI rate | 2,282 | 2,852 | 3,423 |
| Loans | Interest rate | Increase in TR rate | 860 | 1,075 | 1,290 |
| Debentures | Interest rate | Increase in CDI rate | 9,986 | 12,343 | 14,812 |
| Debentures | Interest rate | Increase in IPCA rate | 11,779 | 14,545 | 17,454 |
| Swap derivatives | Inflation index and interest rate | Increase in CDI rate and Decrease in IPCA | 2,898 | 5,282 | 7,667 |

(*) The Company's base scenario is comprised of interest estimated for the next twelve-month period.

The Company's management understands that the market risks originated from other financial instruments are immaterial.

## 27. INSURANCE

As of December 31, 2013, insurance is as follows:

| Line | Insured amount - R$ |
|---|---|
| Civil liability (shopping mall operations) | 213,684 |
| Fire | 1,765,725 |
| Loss of profits | 250,611 |
| Windstorm/smoke | 117,276 |

## 28. MANAGEMENT COMPENSATION

During for the years ended December 31, 2013 and 2012, expenses on management compensation are broken down as follows:

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Payroll and related taxes | 3,639 | 3,825 |
| Variable compensation | 2,012 | 1,928 |
| Benefits | 364 | 335 |
| Total | 6,015 | 6,088 |

These amounts are recorded in line item “Cost of rents and services”, in the statement of income.

The amounts referring to the compensation of key management personnel are represented by short and long-term benefits, substantially corresponding to management fees and sharing profit (including performance bonuses). The Company does not pay post-employment benefits or share-based compensation.

As of December 31, 2013, the balance of line item “Accrual for variable compensation”, totaling R$1,469 (R$1,200 as of December 31, 2012), stated in noncurrent liabilities, includes only variable compensation (performance bonuses) awarded to Company officers.

Additionally, as approved at the Annual and Extraordinary Shareholders’ Meetings held on April 25, 2013, the overall compensation to Company Directors and Officers in 2013 is R$10,000.

## 29. ADDITIONAL DISCLOSURES ON CASH FLOWS

The Company conducted the following noncash transactions:

| | Consolidated | |
|---|---|---|
| | 12/31/13 | 12/31/12 |
| Capitalized interest in properties for investment in construction (see notes 12 and 14) | 13,573 | 16,920 |
| Purchase of land (see note 10) | - | 63,701 |
| Increase in trade payable due to properties for investment in construction | 28,360 | 11,171 |
| Transfer of construction in progress and advances to suppliers to property, plant and equipment and intangible assets | 3,533 | 3,302 |
| Barter transaction of Boulevard Londrina Shopping | 29,910 | |

## 30. COMMITMENTS

With the enactment of Law 12,024, of August 27, 2009, which prescribes the tax treatment applicable to income earned by real estate investment funds, the administrator of Fundo de Investimento Imobiliário I, Banco Ourinvest S.A., stopped retain IRRF on income paid to a certain shareholder headquartered in Brazil. In view of the inquiry made by Banco Ourinvest S.A. to the Federal Revenue Service on the content and scope of this Law, Sierra Investimentos committed in an agreement entered into with this bank, dated October 29, 2009, to make a short-term investment under custody to cover a possible collection of the tax that is not being withheld. At the same date, Parque D. Pedro 1 BV/SARL (a Luxembourg company belonging to the same corporate group of the Company) and Sierra Investimentos entered into an agreement under which Parque D. Pedro 1 BV/SARL agrees to reimburse Sierra Investimentos for any type of risk arising from the nonpayment of said tax by Banco Ourinvest S.A.

As of May 13, 2010, the federal government filed an appeal against the federal lower court decision. On June 11, 2010, Banco Ourinvest S.A. filed its counterarguments and currently awaits the appellate court decision.

As of December 31, 2013, subsidiary Sierra Investimentos has R$833 receivable from Banco Ourinvest S.A. as a result of the agreement entered into on October 29, 2009. These receivables are classified in item ‘Other receivables’, in noncurrent assets (see note 5). In addition, subsidiary Sierra Investimentos has a balance of R$6.124 (R$4,065 as of December 31, 2012) in restricted investments, stated in noncurrent assets.

## 31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by management and Board of Directors and authorized for issue on February 26, 2014.

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