SONAE SIERRA BRASIL

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, 2012 and 2011, together with the External Auditors Report and Fiscal Committee opinion.

MESSAGE FROM THE MANAGEMENT

The year 2012 was very positive for the Company, has been marked by the continuous growth. In January, we acquired control of Shopping Plaza Sul, in the city of São Paulo, one of the best malls in the portfolio in terms of occupation, sales/sqm and rents/sqm. In late March we opened the Uberlândia Shopping, with a total of 201 stores and 45.3 thousand sqm of GLA (gross leasable area), leading consumers of the city of Uberlândia to a diverse mix of recognized brands and new entertainment options. In the last quarter of the year we acquired an additional 9.5% in Franca Shopping also concluded the sale of our interests in shopping's Penha, Tivoli, and Pátio Brasil continuing our efforts to improve the portfolio and recycle capital.

Our growth strategy continued to produce excellent operating and financial results. Sales in the Company's shopping malls grew by 16.5% in 2012. In the same store sales concept, the growth in 2012 was 8.3%. Rents also continued to show strong growth, with store rents showing an expressive increase of 11.6% in 2012. The Company's net revenue grew 17.2% in 2012.

We closed the year with 322.1 thousand sqm of GLA under management and 231.3 thousand sqm of owned GLA, which places us as one of the leading companies in the industry. Our comfortable cash position and our low net debt leave us well placed to continue growing, with a focus on profitability. In 2013, we will open two major Greenfields in the cities of Londrina and Goiânia, which should bring an even stronger growth for the Company.

Despite the more challenging economic environment, we remain optimistic about the long-term prospects for the shopping center industry in Brazil and we believe the Company is well positioned to continue creating value for its shareholders.

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ECONOMIC SCENARIO

The economic scenario in Brazil showed mixed signals in 2012. The economy had a weak growth and GDP grew only 0.6% in 3Q12 compared to the same period last year, a number that caused some disappointment to the market. As a result, many market analysts have reduced their estimates of GDP for the year 2012 to less than 1%.

However, there were still some positive signs. The labor market in Brazil remained strong, with unemployment at historically low levels. The average unemployment rate was 5.5% in 2012, down from 6.0% on average in 2011. The Central Bank also reduced the Selic rate to an historic low level of 7.25% pa. The consumer price inflation index (IPCA) closed 2012 at 5.84%, down from 6.50% in 2011. Moreover, according to ABRASCE, the Brazilian Association of Shopping Malls, malls recorded revenues of R$ 119.5 billion in 2012, an increase of 10.6% over 2011. We believe that 2013 will be a challenging year for the Brazilian economy. However, the Company continues its growth plan and remains optimistic about the prospects for the retail and shopping center industry as a whole.

OPERATIONAL PERFORMANCE

The total tenant sales within the eight malls in the Company's portfolio amounted R$ 3.6 billion in 2012, an increase of 16.5% over 2011. The malls with the highest sales growth were Franca Shopping, Manauara Shopping, Shopping Campo Limpo and Shopping Metrópole, with increases above 10%. The strong performance of the Shopping Metrópole e Campo Limpo was mainly attributed to its expansions, opened in 2011. The strong growth registered by Manauara Shopping was attributed mainly to their maturity and growing dominance in the city of Manaus since its opening in 2009. In Franca Shopping sales growth can be attributed to the process of improving mix promoted by the Company over the past few quarters.

In the terms of same store sales, there was an increase of 8.3% compared to 2011. The satellite stores increased 8.7%, primarily driven by Manauara Shopping, Parque D. Pedro Shopping e Shopping Franca

The overall occupancy rate in our malls remained strong, 97.4% of GLA in 2012. Excluding the Uberlândia Shopping, which opened in March 2012 and is still maturing, the occupancy reached 98.3%. In 2012, five out of eight operating centers had occupancy rates of 99% or above.

The delinquency rate remained low, at 2.38%, 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 2012, the Company's gross revenues reached R$ 283.4 million, with significant growth of 18.3% over the year 2011. This growth was primarily a result of the rental and service revenue, key money and parking increase. The increase in rental revenue was mainly driven by the combination of strong leasing spreads and higher inflation adjustments. The opening of Uberlândia Shopping in March 2012, 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$ 63.2 million in 2012, an increase of 17.6% over 2011, 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 Uberlândia Shopping, newly opened. Moreover, the costs with external services decreased by 1.4% compared to 2011.

In 2012 the consolidated net financial result was negative of R$ 14.3 million opposed to a positive financial result of R$ 23.2 million in the same period last year. This variation is largely attributed to the increased leverage of the Company in 2012, including R$ 300 million of debentures issued in March 2012, which remains in our cash, resulting in a higher net interest expense in 2012. Additionally, the interest expense on the loan to Shopping Uberlândia that was capitalized during construction has been recorded as interest expense since the opening of this mall, in March 2012.

The net income attributed to the shareholders totaled R$ 185.5 million in 2012, a 19.7% decrease over 2011, primarily as a result of lower gains on the valuation of properties recorded at fair market value than in the previous year.

Adjusted EBITDA totaled R$ 199.3 million in 2012, an increase of 18.0% over 2011, and a margin of 77.6%, as a result of the strong performance of our existing malls and the opening of Uberlândia Shopping at the end of 1Q12.

Adjusted FFO reached R$ 155.6 million in 2012, compared to R$ 170.2 million in 2011, a reduction mainly explained by higher financial expenses.

SUSTAINABILITY

The Company recognizes that its activities have impacts on society and the environment. We are responsible for the safety of millions of people in our malls and we must preserve the integrity of them at any price. Furthermore, it is our responsibility to proactively safeguard the environment for present and future generations.

The Company undertakes to conduct its activities in such a way that risks to people, property and ecosystems are minimized and benefits maximized. We strive on continuously improving our performance in respect of Safety, Health and Environment in all our centers. Whereas in today's world, addressing environmental and social challenges makes us more competitive, this will result in greater long-term profitability.

We have been pioneers in developing new concepts of security systems and environmental practices. The Company has also received the ISO 14001:2004 certification in recognition of the management of environmental issues in seven out of eight malls in operation of our portfolio. Additionally, Parque D. Pedro, Plaza Sul, Franca , Metropole and Manauara have certification in terms of OHSAS 18001:2007 occupational health and safety.

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, 2012 the management will propose to the Annual Shareholders Meeting, to retain earnings in the amount of R$ 132.2 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, 2012 and, after legal adjustments management will propose to the Annual Shareholders Meeting the payment of dividends totaling R$ 26.7 million, equivalent to R$ 0.35 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, 2012, 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, 2012, the Company had no employees. All 145 employees of the group (156 on December 31, 2011) were allocated to wholly owned subsidiaries Unishopping Administradora Ltda., Unishopping Consultoria Imobiliária Ltda. and Sierra Investimentos Brasil Ltda. All employees are eligible to receive short-term variable compensation based on the achievement of individual and collective goals previously agreed. In addition, the Company's officers are also eligible long-term compensation.

CORPORATE GOVERNANCE

Sonae Sierra Brasil S.A. adopts and promotes ethics and transparency in the administration 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) and was installed in 2012 the Fiscal Committee, composed of three members. 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, 2012.

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, 2012 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, 2012, 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, 2012, 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, 2012, 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

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.

Other matters

Statements of value added

We have also audited the statement of value added ("DVA"), for the year ended December 31, 2012, 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 28, 2013

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
ASSETS	Note	12/31/12	12/31/11	12/31/12	12/31/11
CURRENT ASSETS					
Cash and cash equivalents	4	336,241	125,834	681,976	390,918
Trade receivables, net	5	-	-	33,605	24,690
Recoverable taxes	6	5,600	4,150	16,456	16,765
Prepaid expenses		15	13	53	505
Other receivables	5	2	-	4,689	4,971
Total current assets		341,858	129,997	736,779	437,849
NONCURRENT ASSETS					
Restricted investments	30	-	-	4,065	2,171
Trade receivables, net	5	-	-	12,215	10,815
Loans to condominiums	7	-	-	1,441	328
Deferred income tax and social contribution	23	690	690	20,693	690
Escrow deposits	16	1,974	1,879	9,950	3,729
Other receivables	5	-	-	833	833
Investments	8	2,094,168	1,827,185	28,530	26,157
Investment property	10	-	-	3,248,095	2,776,050
Property and equipment	9	-	-	3,495	5,972
Intangible assets	11	-	-	3,585	1,582
Total noncurrent assets		2,096,832	1,829,754	3,332,902	2,828,327
TOTAL ASSETS		2,438,690	1,959,751	4,069,681	3,266,176

		Company		Consolidated	
LIABILITIES AND EQUITY	Note	12/31/12	12/31/11	12/31/12	12/31/11
CURRENT LIABILITIES					
Loans and financing	12	-	-	50,659	17,619
Debentures	13	14,603	-	14,603	-
Domestic trade accounts payable		6	7	31,460	13,512
Taxes payable	17	-	262	65,412	8,700
Personnel, payroll taxes, benefits, and rewards		-	-	9,755	8,396
Key money	15	-	-	6,863	5,540
Dividends payable	18	26,748	13,977	26,748	13,977
Earnings payable		-	-	5,165	24,243
Payables for purchase of asset	14	-	-	49,491	25,000
Other payables		214	228	15,865	8,343
Total current liabilities		41,571	14,474	276,021	125,330
NONCURRENT LIABILITIES					
Loans and financing	12	-	-	378,669	333,272
Debentures	13	303,449	-	303,449	-
Payables for purchase of asset	14	-	-	28,919	-
Key money	15	-	-	24,101	20,486
Deferred income tax and social contribution	23	-	-	370,641	346,219
Reserve for civil, tax, labor, and social security services risks	16	1,968	1,879	9,439	10,285
Accrual for variable compensation	28	-	-	1,200	189
Total noncurrent liabilities		305,417	1,879	1,116,418	710,451
EQUITY	18				
Capital		997,866	997,866	997,866	997,866
Capital reserves		80,115	80,115	80,115	80,115
Earnings reserves		1,013,721	865,417	1,013,721	865,417
Equity attributable to owners of the Company		2,091,702	1,943,398	2,091,702	1,943,398
Noncontrolling interests		-	-	585,540	486,997
Total equity		2,091,702	1,943,398	2,677,242	2,430,395
TOTAL LIABILITIES AND EQUITY		2,438,690	1,959,751	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, 2012 AND 2011
(In thousands of Brazilian reais - R$, except earnings per share)

		Company		Consolidated	
	Note	12/31/12	12/31/11	12/31/12	12/31/11
NET OPERATING REVENUE FROM RENTALS, SERVICES, AND OTHER	19	-	-	256,851	219,185
COST OF RENTALS AND SERVICES	20	-	-	(43,177)	(36,809)
GROSS PROFIT		-	-	213,674	182,376
OPERATING (EXPENSES) INCOME					
General and administrative expenses	20	(2,408)	(1,486)	(19,976)	(16,877)
Tax expenses		(259)	(110)	(1,389)	(1,457)
Equity pick-up	8	188,983	217,073	4,821	7,774
Changes in fair value of investment property	10	-	-	193,586	276,913
Other operating income (expenses), net	21	(18)	(8)	25,945	1,724
Total income from operations, net		186,298	215,469	202,987	268,077
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		186,298	215,469	416,661	450,453
FINANCIAL INCOME (EXPENSES), NET	22	(135)	21,545	(14,261)	23,160
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		186,163	237,014	402,400	473,613
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	23	(632)	(561)	(88,186)	(21,881)
Deferred	23	-	(5,403)	(4,419)	(87,425)
Total		(632)	(5,964)	(92,605)	(109,306)
NET INCOME FOR THE YEAR		185,531	231,050	309,795	364,307
NET INCOME ATTRIBUTABLE TO					
Owners of the Company		-	-	185,531	231,050
Noncontrolling interests		-	-	124,264	133,257
BASIC EARNINGS PER SHARE - R$		2.43	3.13	2.43	3.13

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
NET INCOME FOR THE YEAR	185,531	231,050	309,795	364,307
Other comprehensive income	-	-	-	-
TOTAL OF COMPREHENSIVE INCOME	185,531	231,050	309,795	364,307
NET INCOME ATTRIBUTABLE TO				
Owners of the Company	-	-	185,531	231,050
Noncontrolling interests	-	-	124,264	133,257

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, 2012 AND 2011
(In thousands of Brazilian reais - R$, except dividends)

		Capital reserves		Earnings reserves							
	Capital	Share Issuance costs	Share subscription premium	Legal reserve	Earnings retention reserve	Unrealized earnings	Additional dividends proposed	Retained earnings	Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
BALANCE AT DECEMBER 31, 2010	532,845	-	96,198	9,463	608,761	30,120	-	-	1,277,387	394,410	1,671,797
Capital increase	465,021	-	-	-	-	-	-	-	465,021	-	465,021
Net income for the year	-	-	-	-		-	-	231,050	231,050	133,257	364,307
Share issuance costs	-	(16,083)	-	-	-	-	-	-	(16,083)	-	(16,083)
Management’s proposal:											
Legal reserve	-	-	-	11,553	-	-	-	(11,553)	-	-	-
Unrealized earnings	-	-	-	-	-	40,898	-	(40,898)	-	-	-
Earnings retention reserve	-	-	-	-	154,143	-	-	(154,143)	-	-	-
Minimum dividends proposed by management (R$0.18 per share)	-	-	-	-	-	-	-	(13,977)	(13,977)	-	(13,977)
Additional dividends proposed by management (R$0.14 per share)	-	-	-	-			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	-	-	-	-	-	-	-	-	-	(40,670)	(40,670)
BALANCE AT DECEMBER 31, 2011	997,866	(16,083)	96,198	21,016	762,904	71,018	10,479	-	1,943,398	486,997	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)
BALANCE AT DECEMBER 31, 2012	997,866	(16,083)	96,198	30,293	895,094	88,334	-	-	2,091,702	585,540	2,677,242

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the year	185,531	231,050	309,795	364,307
Adjustments to reconcile net income for the year to net cash provided by operating activities:				
Depreciation and amortization	-	-	1,790	1,467
Residual value of property and equipment written off	-	-	362	516
Unbilled revenue from rentals	-	-	(2,550)	(1,285)
Provision (reversal) of the allowance for doubtful accounts	-	-	2,401	418
Provision for (reversal of) civil, tax, labor, and social security risks	-	-	(1,570)	(1,179)
Inflation adjustment to provision for civil, tax, labor and social security risks	89	128	730	569
Accrual for variable compensation	-	-	1,928	777
Deferred income tax and social contribution	-	5,403	4,419	87,425
Income tax and social contribution	632	(561)	88,186	21,881
Interest on loans and financing	29,443	-	61,223	18,223
Interest, monetary and exchange variations on intercompany loans	-	2,516	-	2,283
Changes in fair value of investment property	-	-	(193,586)	(276,913)
Gain on sale of investment property	-	-	(30,758)	-
Equity pick-up	(188,983)	(217,073)	(4,821)	(7,774)
(Increase) decrease in operating assets:				
Trade receivables	-	-	(10,166)	(3,406)
Loans to condominiums	-	-	(1,113)	233
Recoverable taxes	(1,450)	(3,497)	309	(7,106)
Advances to suppliers	-	-	-	183
Prepaid expenses	(2)	(13)	452	(330)
Escrow deposits	(95)	(128)	(6,221)	(145)
Other receivables	(2)	145	282	2,458
Increase (decrease) in operating liabilities:				
Domestic trade accounts payable	(1)	(20)	6,777	(4,332)
Taxes payable	(894)	799	(19,202)	(10,018)
Personnel, payroll taxes, benefits and rewards	-	-	442	648
Key money	-	-	4,938	8,778
Indemnities paid	-	-	(6)	(11)
Other payables	(14)	143	7,353	7,543
Cash provided by (used in) operating activities	24,254	18,892	221,394	205,210
Interest paid	(4,557)	-	(34,414)	(26,083)
Income tax and social contribution paid	-	-	(12,272)	(9,765)
Net cash provided by operating activities	19,697	18,892	174,708	169,362
CASH FLOW FROM INVESTING ACTIVITIES				
Restricted short-term investments	-	-	(1,894)	(1,614)
Acquisition or construction of investment property	-	-	(394,498)	(306,545)
Purchase of property and equipment	-	-	(1,167)	(3,203)
Increase in intangible assets	-	-	(511)	(947)
Capital increase in investees	(78,000)	(257,417)	-	-
Proceeds from sale of investment property	-	-	238,696	-
Dividends received	-	-	2,448	650
Net cash used in investing activities	(78,000)	(257,417)	(156,926)	(311,659)
CASH FLOW FROM FINANCING ACTIVITIES				
Capital increase	-	465,021	-	465,021
Debentures	300,000	-	300,000	-
Debentures issuance costs	(6,834)	-	(6,834)	-
Proceeds from loans and financing	-	-	78,984	153,216
Loans repaid - principal	-	-	(11,579)	(5,456)
Purchase of land	-	-	(18,040)	-
Distributed earnings of real estate funds - noncontrolling interests	-	-	(44,799)	(37,966)
Dividends paid	(24,456)	(2,939)	(24,456)	(2,939)
Share issuance costs	-	(24,368)	-	(24,368)
Related parties	-	(76,153)	-	(75,859)
Net cash provided by financing activities	268,710	361,561	273,276	471,649
INCREASE IN CASH AND CASH EQUIVALENTS, NET	210,407	123,036	291,058	329,352
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at end of year	336,241	125,834	681,976	390,918
Cash and cash equivalents at beginning of year	125,834	2,798	390,918	61,566
INCREASE IN CASH AND CASH EQUIVALENTS, NET	210,407	123,036	291,058	329,352

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, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
REVENUE				
Revenue from rentals and services	-	-	280,648	236,865
Other income	-	-	33,542	2,784
Changes in fair value of investment property	-	-	193,586	276,913
Revenues related to the construction of investment properties and property and equipment	-	-	487,906	309,516
Allowance for (reversal of) for doubtful accounts	-	-	(2,401)	(418)
	-	-	993,281	825,660
SERVICES AND SUPPLIES PURCHASED FROM THIRD PARTIES				
Cost of rentals and services		(104)	(19,269)	(13,869)
Cost of construction of investment properties and property, plant and equipment	(2,092)	(1,284)	(509,491)	(320,001)
	(2,092)	(1,388)	(528,760)	(333,870)
GROSS VALUE ADDED	(2,092)	(1,388)	464,521	491,790
DEPRECIATION AND AMORTIZATION	-	-	(1,790)	(1,467)
WEALTH CREATED BY THE COMPANY	(2,092)	(1,388)	462,731	490,323
WEALTH RECEIVED IN TRANSFER				
Equity pick-up	188,983	217,073	4,821	7,774
Financial income	29,425	24,106	51,497	44,113
	218,408	241,179	56,318	51,887
DISTRIBUTION OF WEALTH	216,316	239,791	519,049	542,210
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	278	80	21,296	16,018
Benefits	-	-	1,803	1,935
Severance pay fund (FGTS)	-	-	1,137	980
	278	80	24,236	18,933
Taxes and fees:				
Federal	947	6,090	114,146	131,643
Municipal	-	-	2,543	3,593
	947	6,090	116,689	135,236
Lenders and lessors:				
Interest expense	29,560	2,560	65,758	20,953
Rentals	-	11	2,571	2,780
	29,560	2,571	68,329	23,733
Interest on capital:				
Dividends	26,748	13,977	26,748	13,977
Retained earnings	158,783	217,073	158,783	217,073
Noncontrolling interests	-	-	124,264	133,258
	185,531	231,050	309,795	364,308
Total	216,316	239,791	519,049	542,210

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 Netherlands while its ultimate parents are Sonae Sierra SGPS S.A., headquartered in Portugal, and DDR Corp., headquartered in the United States of America.

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: (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 properties and stores and providing related services; and (c) holding equity interest in other companies. As of December 31, 2012, this company is the parent company of Sierra Enplanta Ltda. ("Sierra Enplanta"), Pátio Boavista Shopping Ltda. ("Pátio Boavista"), Pátio Penha Shopping Ltda. ("Pátio Penha"), Pátio São Bernardo Shopping Ltda. ("Pátio São Bernardo"), Pátio Sertório Shopping Ltda. ("Pátio Sertório"), Pátio Uberlândia Shopping Ltda. ("Pátio Uberlândia"), Fundo de Investimento Imobiliário Shopping Parque D. Pedro ("Fundo de Investimento Imobiliário I"), Fundo de Investimento Imobiliário - FII Parque Dom Pedro Shopping Center ("Fundo de Investimento Imobiliário II"), Pátio Londrina Empreendimentos e Participações Ltda. ("Pátio Londrina") and Pátio Goiânia Shopping Ltda.("Pátio Goiânia").

   (i) Fundo de Investimento Imobiliário Shopping Parque D. Pedro ("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, 2012, 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 - FII Parque Dom Pedro Shopping Center ("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) Sierra Enplanta, Pátio Boavista, Pátio São Bernardo, Pátio Sertório, Pátio Uberlândia, Pátio Londrina and Pátio Goiânia are primarily engaged in investing in real estate, namely shopping malls and related activities.

b) Unishopping Administradora Ltda. ("Unishopping Administradora") - engaged in planning, installing, developing and managing shopping malls, leasing, operating and managing car park areas, managing properties and related services. As of December 31, 2012, in addition to managing the developments in which the Group holds interests, Unishopping Administradora is the parent company of Unishopping Consultoria Imobiliária Ltda.

c) 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. The Unishopping Consultoria is responsible for selling development stores in which the Group holds interests.

As of December 31, 2012 and 2011, the Company's subsidiaries and associates held the following interests in shopping malls:

		Undivided interest - %	
Developer	Shopping mall	12/31/12	12/31/11
Fundos de Investimento Imobiliário I e II	Shopping Parque D. Pedro	100.00	100.00
Pátio Penha	Shopping Center Penha	-	73.18
Pátio Penha	Shopping Plaza Sul	30.00	-
Pátio Boavista	Shopping Center Metrópole	100.00	100.00
Pátio Boavista	Boavista Shopping	100.00	100.00
Sierra Enplanta	Tivoli Shopping	-	30.00
Sierra Enplanta	Pátio Brasil Shopping	-	10.42
Sierra Enplanta	Franca Shopping	76.92	67.42
Pátio São Bernardo	Shopping Plaza Sul	30.00	30.00
Campo Limpo	Shopping Campo Limpo	20.00	20.00
Pátio Sertório	Shopping Manauara	100.00	100.00
Pátio Uberlândia	Uberlândia Shopping (a)	100.00	100.00
Pátio Londrina	Boulevard Londrina (b)	84.48	84.48
Pátio Goiânia	Goiânia Shopping (b)	100.00	100.00

(a) Opened as of March 27, 2012.

(b) The development is being implemented.

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 - IFRS, 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 Group:

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, 2012 and 2011, the consolidated companies are as follows:

	Equity interest - %	
	12/31/12	12/31/11
Direct subsidiaries:		
Sierra Investimentos Brasil Ltda.	99.99	99.99
Unishopping Administradora Ltda.	99.99	99.99
Indirect subsidiaries:		
Unishopping Administradora Ltda.	100.00	100.00
Fundos de Investimento Imobiliário I e II	51.00	51.00
Unishopping Consultoria Imobiliária Ltda.	99.99	99.99
Sierra Enplanta Ltda.	100.00	100.00
Pátio Boavista Shopping Ltda.	100.00	100.00
Pátio Penha Shopping Ltda.	100.00	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
Unconsolidated associate-		
Campo Limpo Empreendimentos e Participações Ltda.	20.00	20.00

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 financial statements of the individual entities, transactions in foreign currency 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, 2012 and 2011, 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 category:

a) 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. 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.

2.12. 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.

2.17. Loans, financing and debentures

Loans, financing and debentures are 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.

2.18. Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result 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, 2012 and 2011, the main provisions recognized by the Company and subsidiaries are as follows:

2.18.1. 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.

2.18.2. 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.

2.19. 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 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.

2.20. 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.

2.21. 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.

2.22. 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 CPC 09 - Statement of Value Added.

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

The Company did not adopt the new and revised IFRSs below already issued but not yet effective:

Effective for annual periods beginning on or after January 1, 2013:

- IFRS 10 - Consolidated Financial Statements: Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control.

- IFRS 11 - Joint Arrangements: addresses how a joint arrangement where two or more parties have joint control is to be classified.

- IFRS 12 - Disclosure of Interests in Other Entities: it is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

- IFRS 13 - Fair Value Measurement: establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

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

- Amendments to IFRS 10, IFRS 11, and IFRS 12: issued to clarify certain transition rules on the first-time adoption of these IFRSs.

- IAS 19 (as revised in 2011) - Employee Benefits: changes the accounting for defined benefit plans and termination benefits.

- IAS 27 (revised in 2011) - Separate Financial Statements: reflects the changes in the accounting for noncontrolling interests and relates primarily to accounting for increases and decreases in equity interests in subsidiaries after control is obtained.

- IAS 28 (revised in 2011) - Investments Subsidiaries and Joint Ventures: the changes aimed at clarifying the application of impairment testing procedures in associates and joint ventures.

- Amendments to IFRSs: the annual improvements to the 2009-2011 IFRS cycle include several amendments to different IFRSs. The amendments to IFRSs are effective for annual periods beginning on or after January 1, 2013 and include:

  a) Amendments to IAS 16 - Property, Plant and Equipment: the amendments to IAS 16 clarify that spare parts, stand-by equipment, and servicing equipment shall be carried as property, plant and equipment, when they meet the definition of property, plant and equipment set out in IAS 16 or otherwise as inventory.

  b) 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.

  Effective for annual periods beginning on or after January 1, 2014:

- Amendments to IAS 32 - Offset of Financial Assets and Financial Liabilities: address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities.

  Effective for annual periods beginning on or after January 1, 2015:

- IFRS 9 - Financial Instruments: introduces new requirements for the classification, measurement and derecognition of financial assets and financial liabilities.

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, 2012. 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.

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.

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	
	12/31/12	12/31/11	12/31/12	12/31/11
Cash	2	5	79	191
Banks	105	51	1,046	1,550
Short-term investments (*)	336,134	125,778	680,851	389,177
Total	336,241	125,834	681,976	390,918

(*) As of December 31, 2012, the short-term investments are highly liquid and earn yield at the weighted average interest rate of 102.5% of the interbank deposit rate (CDI) (102.2% as of December 31, 2011).

5. TRADE RECEIVABLES, NET AND OTHER RECEIVABLES

Trade receivables

	Consolidated	
	12/31/12	12/31/11
Rentals	41,649	34,025
Assignment of rights receivable (a)	1,300	399
Total trade receivables billed	42,949	34,424
Unbilled revenue from rentals (b)	12,215	10,808
Total trade receivables billed and unbilled	55,164	45,232
Allowance for doubtful accounts	(9,344)	(9,727)
Total	45,820	35,505
Current	(33,605)	(24,690)
Noncurrent	12,215	10,815

(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, 2012 and 2011 is as follows:

	Consolidated	
	12/31/12	12/31/11
Current	32,874	24,233
Past due:		
Up to 30 days	1,579	714
31 to 60 days	821	497
61 to 90 days	584	413
91 to 180 days	1,377	1,115
Over 180 days	5,714	7,452
Subtotal	10,075	10,191
Total	42,949	34,424

Allowance for doubtful accounts

Change in allowance for doubtful accounts for the years ended December 31, 2012 and 2011 is as follows:

	Consolidated
Balance as of December 31, 2010	(9,985)
Write-offs arising from uncollectible receivables	676
Allowances recognized in the year	(418)
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)

Other receivables

Additionally, as of December 31, 2012 and 2011, the balance of "Other receivables" is broken down as follows:

	Consolidated	
	12/31/12	12/31/11
Receivables of Banco Ourinvest S.A. (*)	833	833
Loan agreement with a storeowner	-	592
Other receivables from condominiums	1,019	1,231
Receivables from parking operations	1,502	1,748
Vacations, 13th salaries, and other advances to employees	256	189
Other	1,912	1,211
Total	5,522	5,804
Current	(4,689)	(4,971)
Noncurrent	833	833

(*) As of December 31, 2012, subsidiary Sierra Investimentos Brasil Ltda. 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).

6. RECOVERABLE TAXES

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Withholding income tax (IRRF)	5,580	4,136	15,735	15,980
Social contribution - Law 10833/03	11	13	452	667
Other	9	1	269	118
Total	5,600	4,150	16,456	16,765

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	12/31/12	12/31/11
Pátio Boavista	Condomínio Shopping Boavista	-	8
Pátio São Bernardo	Condomínio Shopping Center Plaza Sul	125	125
Pátio Penha	Condomínio Shopping Center Penha	-	195
Pátio Uberlândia	Condomínio Uberlândia Shopping	1,316	-
Total		1,441	328

These loans are considered related-party transactions.

The Company has been receiving the amounts prepaid according to the condominiums’ cash. The contracted interest rates are based on the market practices and management does not expect problems on the realization of these amounts.

8. INVESTMENTS

December 31, 2012	Number of shares held	Capital - equity interest - %	Equity	Net income for the year	Equity in investees	Investment balance
Company						
Subsidiaries:						
Sierra Investimentos Brasil Ltda.	938,762,172	100.00	2,081,935	184,707	184,707	2,081,935
Unishopping Administradora Ltda.	10,910,860	100.00	12,233	4,276	4,276	12,233
Total			2,094,168	188,983	188,983	2,094,168
Consolidated						
Associate-						
Campo Limpo Empreendimentos e Participações Ltda.	9,435,400	20.00	142,649	24,104	4,821	28,530

December 31, 2011	Number of shares held	Capital - equity interest - %	Equity	Net income for the year	Equity in investees	Investment balance
Company						
Subsidiaries:						
Sierra Investimentos Brasil Ltda.	936,912,172	100.00	1,819,228	211,058	211,058	1,819,228
Unishopping Administradora Ltda.	10,910,860	100.00	7,957	6,015	6,015	7,957
Total			1,827,185	217,073	217,073	1,827,185
Consolidated						
Associate-						
Campo Limpo Empreendimentos e Participações Ltda.	8,307,413	20.00	130,784	38,871	7,774	26,157

Changes in investments for the years ended December 31, 2012 and 2011

	Company	Consolidated
Balance as of December 31, 2010	1,352,695	19,033
Capital increase	257,417	-
Equity in investees	217,073	7,774
Dividends received	-	(650)
Balance as of December 31, 2011	1,827,185	26,157
Capital increase (*)	78,000	-
Equity in investees	188,983	4,821
Dividends received	-	(2,448)
Balance as of December 31, 2012	2,094,168	28,530

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

9. PROPERTY AND EQUIPMENT

	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

	Annual depreciation rate - %	12/31/11 Consolidated Cost	Accumulated depreciation	Net
Facilities	10	2,747	(2,540)	207
Furniture and fixtures	10	920	(402)	518
Machinery and equipment	10	623	(219)	404
IT equipment	20	2,501	(1,631)	870
Vehicles	20	2,166	(634)	1,532
Other	20	41	(38)	3
Subtotal		8,998	(5,464)	3,534
Construction in progress	-	1,979	-	1,979
Advances to suppliers	-	459	-	459
Total		11,436	(5,464)	5,972

Changes in property and equipment in operation for the years ended December 31, 2012 and 2011

	Consolidated						
	Facilities	Furniture and fixtures	Machinery and equipment	IT equipment	Vehicles	Other	Total
Balances at December 31, 2010	583	411	265	446	1,601	5	3,311
Additions	334	192	226	630	601	3	1,986
Write-off	-	-	-	-	(516)	-	(516)
Depreciation	(710)	(85)	(87)	(206)	(154)	(5)	(1,247)
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

Changes in construction in progress and advances to suppliers for the years ended December 31, 2012 and 2011

	Consolidated		
	Construction in progress	Advances to suppliers	Total
Balances at December 31, 2010	1,162	59	1,221
Additions	1,764	2,386	4,150
Transfer to fixed asset in operation and intangible	(947)	(1,986)	(2,933)
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

10. INVESTMENT PROPERTY

Under CPC 28 (IAS 40), properties held to earn rentals or for capital appreciation or both can be recognized as investment property. Investment property was initially measured at cost. 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	
	12/31/12	12/31/11
Constructed investment property	2,724,327	2,338,796
Investment property under construction	523,768	437,254
Total	3,248,095	2,776,050

Changes in investment property for the for the years ended December 31, 2012 and 2011

	Consolidated		
	Constructed properties	Properties under construction	Total
Balance at December 31, 2010	1,983,960	197,452	2,181,412
Additions	73,442	244,283	317,725
Gain from the change in fair value of properties	281,394	(4,481)	276,913
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 (a)	72,701	-	72,701
Write-off - sale of interest and barter transaction in Shopping Penha (b)	(11,032)	-	(11,032)
Write-off - sale of Shopping Metrópole land (b)	(3,155)	-	(3,155)
Write-off - sale of the malls Tivoli, Penha and Pátio Brasil (b)	(193,582)	-	(193,582)
Transfer (c)	231,222	(231,222)	-
Gain from the change in fair value of properties (d)	257,170	(63,584)	193,586
Balance at December 31, 2012	2,724,327	523,768	3,248,095

Notes:

The certificate of title of some properties part of the Shopping Boavista projects is not registered with the Registry of Deeds Office. As of December 31, 2012, the total amount carried as investment property is R$65,215 (R$75,009 as of December 31, 2011).

(a) Additions to property in operation:

(i) Additional acquisition of Shopping Plaza Sul:

On January 27, 2012, subsidiary Pátio Penha and CSHG Brasil Shopping FII entered into an exchange agreement with cash consideration, whereby Pátio Penha acquired an additional 30% (thirty percent) interest in Shopping Plaza Sul, in exchange for a noncontrolling interest in Shopping Penha and another portion in cash in the amount of R$63,701 (original value), to be paid in 42 equal, consecutive installments of R$1,522 (original value), adjusted based on the interbank deposit rate (CDI), beginning on February 27, 2012.

(ii) Additional acquisition of Franca Shopping:

On October 4, 2012, the Company, through its subsidiary Sierra Enplanta, acquired additional ownership interest of 9.5% in Franca Shopping in the amount of R$9,000. After this acquisition, the Company holds 76.9% of ownership interest in Franca Shopping.

(b) Disposal of constructed investment properties:

(i) In connection with the barter transaction described in item (a) (i) above, subsidiary Pátio Penha delivered 17.1% of Shopping Penha to acquire 30% of Shopping Plaza Sul.

(ii) Sale of Shopping Metrópole land:

On August 27, 2012, subsidiary Pátio Boavista sold to Setin Group the land, of 6,597 sqm (information not audited by the independent auditors), next to Shopping Metrópole in São Bernardo do Campo, State of São Paulo, for R$11,000 in cash.

As a result of said transaction, subsidiary Pátio Boavista recognized net commission gain of R$7,467, which is recorded in caption “Other operating income (loss), net”, in the statement of income.

(iii) Sale of interest in Shopping Penha

On February 6, 2012, subsidiary Pátio Penha sold its noncontrolling interest of 5.06% in Shopping Penha to CSHG Brasil Shopping FII for the amount of R$11,514, received in cash.

As a result of said transaction, subsidiary Pátio Penha recognized a gain of R$482, recorded in caption “Other operating income (loss), net”, in the statement of income.

(iv) Sale of the remaining interest in Shopping Penha and the interests in the malls Tivoli and Pátio Brasil.

On November 5, 2012, the Company sold its 10.4% stake in Pátio Brasil Shopping for R$36,133. The interest in Pátio Brasil Shopping was acquired by the mall’s controlling shareholders.

On December 11, 2012 the Company sold the remain 51.0% stake in Shopping Penha and its 30.0% stake in Tivoli Shopping for a total of R$180,049. The Company will continue to provide management and sales services to Shopping Penha for at least five years and to Shopping Tivoli for at least three years. The interests in Shopping Penha and Tivoli Shopping were acquired by CSHG Brasil Shopping FII, a fund managed by Credit Suisse Hedging-Griffo.

As a result of these transactions, the subsidiaries Pátio Penha and Sierra Enplanta recorded a gain, net of selling expenses, of R$13,247 and R$3,371, respectively, recorded in line item “Other operating (expenses) income, net”, in the statement of income for the year.

(c) Uberlândia Shopping was opened on March 28, 2012. It has 45.3 thousand sqm of Gross Leasable Area (GLA) and 201 stores (information not audited by the independent auditors), and it is the third largest real estate development in the Company’s portfolio.

(d) The opening of the mall Boulevard Londrina Shopping is scheduled for the second quarter of 2013. As the Company is able to reliably measure the fair value of this project, it elected to recognize the change in fair value 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 11th 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.

Beginning January 1, 2012, in order to reduce operating costs, the Company reviewed its accounting policy for recognizing investment properties at fair value. Consequently, the period for measurement at fair value was changed from quarterly basis to semiannual basis.

The assumptions used as of December 31, 2012 and 2011 for the measurement at fair value described above are as follows:

12/31/12				12/31/11			
10-year discount rate		10-year exit yield		10-year discount rate		10-year exit yield	
Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
12.50%	14.00%	8.00%	9.50%	12.75%	14.00%	8.25%	9.50%

11. INTANGIBLE ASSETS

	Annual amortization rate - %	Consolidated	
		12/31/12	12/31/11
Software	20	4,643	2,153
Accumulated amortization (*)		(1,058)	(571)
Total		3,585	1,582

(*) For the year ended December 31, 2012, the amortization expense of the cost of purchase of software, amounting to R$487 (R$238 as of December 31, 2011), is recognized in caption "General and administrative expenses", in the statement of income.

Changes in intangible assets for the years ended December 31, 2012 and 2011

	Consolidated		
	Cost	Amortization	Net
Balance at December 31, 2010	1,206	(333)	873
Additions	-	(238)	(238)
Transfer from construction in progress	947	-	947
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

12. LOANS AND FINANCING

		Consolidated	
Domestic	Maturity	12/31/12	12/31/11
Banco do Amazonas S.A. - BASA (a)	12/10/20	136,543	130,073
Banco Itaú BBA S.A. (b)	10/21/15	13,048	17,532
Banco Itaú BBA S.A. (c)	10/17/16	19,344	24,362
Banco Bradesco S.A. (d)	10/27/25	73,463	53,842
Banco Bradesco S.A. (e)	10/26/25	78,084	71,767
Banco Itaú BBA S.A. (f)	05/10/18	51,237	53,315
Banco Santander S.A. (g)	06/22/23	57,609	-
Total		429,328	350,891
Current		(50,659)	(17,619)
Noncurrent		378,669	333,272

(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 Brasil Ltda. 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 six-month grace period for the payment of the first installment of principal.

(c) On November 16, 2010, subsidiary Pátio Boavista Shopping Ltda. 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.

(d) In the months of June to December 2012, subsidiary Pátio Londrina Shopping Ltda. raised R$72,998 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 10.90% per year. The agreement is effective for 15 years, with a 2-year grace period for repaying the principal. 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 9.70% per year.

(e) From August 2010 to December 2012, subsidiary Pátio Uberlândia Shopping Ltda. raised R$77,152 with Banco Bradesco S.A. to finance the construction of Shopping Uberlândia. This loan, in the total amount R$81,200, bears a fixed rate equivalent to TR (a managed prime rate) plus 11.30% 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 December 21, 2012, Pátio Uberlândia renegotiated the agreed interest rate to TR plus 9.70% per year.

(f) On June 29, 2011, subsidiary Pátio Boavista Shopping Ltda. 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 10.30% 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.

(g) Between March 2012 and December 2012, subsidiary Pátio Goiânia Shopping Ltda. raised R$53,209 with Banco Santander (Brasil) to finance the construction of Shopping Goiânia. 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 loan is collateralized by Shopping Goiânia property. The Company is the guarantor of this transaction. On December 21, 2012, Pátio Goiânia renegotiated the agreed interest rate to TR plus 9.70% per year.

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, 2012 and 2011

Balance at December 31, 2010	201,848
New borrowings	153,216
Payments - principal	(5,456)
Interest payments	(26,083)
Interest capitalized in investment property under construction	9,143
Interest allocated to net income	18,223
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

The noncurrent portion of line item “Borrowings and financing” as of December 31, 2012 matures as follows:

2014	47,920
2015	52,220
2016	47,328
2017	43,237
2018	40,241
2019 - 2023	123,609
2024 - 2026	24,114
Total	378,669

13. DEBENTURES

Debentures	Maturity	Company and consolidated 12/31/12	Company and consolidated 12/31/11
Securities - 1st Series	02/15/17	96,514	-
Securities - 2nd Series	02/15/19	221,538	-
Total		318,052	-
Current		(14,603)	-
Noncurrent		303,449	-

On February 15, 2012, the Company issued 30,000 (thirty thousand) nonconvertible debentures, in two series, with a par value of R$10 (ten thousand Brazilian reais) each, totaling R$300,000 (three hundred million Brazilian reais). 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 IPCA + 6.25% with final maturity within seven years. Compensation will be paid annually.

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

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

	R$
2016 (repayment of 50% of Series 1)	47,750
2017 (repayment of 50% of Series 1)	47,750
2018 (repayment of 50% of Series 2)	106,960
2019 (repayment of 50% of Series 2)	106,960
Total	309,420

Covenants

The debenture indenture subjects the Company to covenants, which are related mainly to financial ratios, as EBITDA, net debt and net financing expenses. Below we demonstrate 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, 2012, the Company's management believes that is compliant with all covenants.

14. TRADE ACCOUNTS PAYABLE - ACQUISITION OF ASSETS

	Consolidated	
	12/31/12	12/31/11
Acquisition of equity interest in shopping mall (a)	49,108	-
Acquisition of land (b)	29,302	25,000
Total	78,410	25,000
Current	(49,491)	(25,000)
Noncurrent	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

(a) As mentioned in note 10.(a), the balance payable refers to an asset barter transaction with cash consideration. 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, 2012, 30 installments are outstanding.

(b) The amount payable 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.

15. KEY MONEY - CONSOLIDATED

Subsidiary	Shopping mall	Consolidated 12/31/12	Consolidated 12/31/11
Pátio Boavista	Boavista Shopping	3,047	2,280
Pátio Sertório	Shopping Manauara	7,628	11,062
Pátio Uberlândia	Uberlândia Shopping	8,432	6,292
Pátio Londrina	Boulevard Londrina	7,250	3,994
Pátio Goiânia	Passeio das Águas	2,818	365
Fundo de Investimento Imobiliário I	Shopping Parque D. Pedro	1,520	1,725
Fundo de Investimento Imobiliário II	Shopping Parque D. Pedro	269	308
Total		30,964	26,026
Current		(6,863)	(5,540)
Noncurrent		24,101	20,486

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	
	12/31/12	12/31/11	12/31/12	12/31/11
Labor and social security (a)	-	-	4.191	5,375
Tax (b)	1,968	1,879	3.597	3,455
Civil (c)	-	-	1.651	1,455
Total	1,968	1,879	9.439	10,285

Changes in the reserve for the years ended December 31, 2012 and 2011 are as follows:

	Consolidated			
	Labor and social security (a)	Tax (b)	Civil (c)	Total
Balance at December 31, 2010	6,306	3,982	618	10,906
Addition	728	-	873	1,601
Inflation adjustments	368	206	25	599
Payments	-	-	(11)	(11)
Reversals	(2,027)	(733)	(50)	(2,810)
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

(a) Labor and social security

As of December 31, 2012, the Company was not a party to any labor lawsuits. However, some subsidiaries were parties to 5 labor lawsuits (11 labor lawsuits as of December 31, 2011), whose contingency in the amount of R$1,197 (R$562 as of December 31, 2011) was assessed as probable loss by the legal counsel.

For the social security risks, as of December 31, 2012, the Company maintained a reserve of R$2,994 (R$4,813 as of December 31, 2011) 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$3,187 (R$3,045 as of December 31, 2011), 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 Brasil Ltda. 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$1,219, 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$68,321 as of December 31, 2012 (R$27,946 as of December 31, 2011). The main lawsuits are described as follows:

(i) The subsidiary Pátio Sertório Shopping Ltda. 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$22,069 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$34,241. Currently the arbitration proceeding awaits the production of evidences.

Escrow deposits

Breakdown of escrow deposits:

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Labor and social security	6	-	85	53
Tax	1,968	1,879	3,597	3,455
Civil	-	-	6,268	221
Total	1,974	1,879	9,950	3,729

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	
	12/31/12	12/31/11	12/31/12	12/31/11
Income tax and social contribution (*)	-	232	60,938	4,829
IRRF	-	30	1,368	1,122
COFINS	-	-	1,387	1,373
PIS	-	-	304	298
ISS	-	-	934	1,066
Other	-	-	481	12
Total	-	262	65,412	8,700

(*) Corresponds mainly 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, 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, 2012 is as follows:

Name	Percentage	Number of shares
Sierra Brazil 1 BV	66.65%	50,933,104
BNY Mellon ARX Investimentos Ltda. (administrator)	5.47%	4,178,976
Other free float	27.88%	21,311,751
Total	100.00%	76,423,831

18.2. Share premium reserve

As of December 31, 2012, the Company had R$96,198 registered as share premium reserve 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, 2012, the Company had a legal reserve in the amount of R$30,293.

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.

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

As of December 31, 2012, the Company had R$88,334 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, 2012, the Company had an amount of R$895,094 related for profit retention reserve.

The Company's management plan to increase capital using part of the earnings retention reserve.

18.6. Dividends

On May 15, 2012, the Company paid R$24,456, R$13,977 relating to mandatory dividends and R$10,479 related to additional dividends approved at the Annual General Meeting. - AGO/E, April 25, 2012.

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, 2012, as follows:

	12/31/2012
Net income for the year (a)	185,531
Legal reserve (5%)	(9,277)
Calculation base for dividends	176,254
Minimum mandatory dividends before recognition of unrealized earnings reserve and management proposal	44,064
Management proposal	(26,748)
Minimum mandatory dividends after management proposal (b)	17,316
Unrealized earnings-	
Equity in investees	(188,983)
Unrealized net income (c)	(188,983)
Realized net income for the year corresponding to minimum mandatory dividends payable (a) - (c) = (d)	-
Recognition of unrealized earnings reserve (b) - (d)	17,316

Management will propose at the Annual Shareholders' Meeting the payment of dividends totaling R$26,748.

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 or any other potentially dilutive instrument. Therefore, diluted earnings per share are equal to basic earnings per share.

	Company and consolidated	
	12/31/12	12/31/11
Net income for the year attributable to the Company's owners	185,531	231,050
Weighted average of outstanding common shares (*)	76,424	73,890
Basic per share - R$	2,43	3.13

(*) For the calculation of weighted average of outstanding common shares for the year ended December 31, 2011, it was considered the 1-for-10 reverse stock split of Company shares approved on January 11, 2011.

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	
	12/31/12	12/31/11	12/31/12	12/31/11
Gross revenue:				
Rentals	-	-	224,350	186,058
Revenue from services	-	-	17,763	16,294
Parking revenue	-	-	26,471	24,172
Key Money	-	-	12,064	10,341
Other income	-	-	2,784	2,784
Total	-	-	283,432	239,649
Deductions:				
Taxes on rentals and services	-	-	(18,255)	(14,768)
Discounts and abatements	-	-	(8,326)	(5,696)
Total	-	-	(26,581)	(20,464)
Net revenue	-	-	256,851	219,185

20. EXPENSES BY NATURE

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Depreciation and amortization	-	-	1,790	1,467
Personnel	333	93	28,676	24,935
External services	1,721	1,093	10,507	10,654
Cost of occupancy (vacant stores)	-	-	6,111	3,851
Costs of contractual agreements with tenants	-	-	2,219	1,428
Allowance for (reversal of) doubtful lease receivables	-	-	2,401	418
Rent	-	11	2,571	2,780
Others	354	289	8,878	8,153
Total	2,408	1,486	63,153	53,686
Classified as:				
Cost of rentals and services	-	-	43,177	36,809
General and administrative expenses	2,408	1,486	19,976	16,877

21. OTHER OPERATING (EXPENSES) INCOME, NET

	Consolidated	
	12/31/12	12/31/11
Gain on the sale of investment properties (see note 10)	30,758	-
Sales transaction costs	(6,048)	-
Other	1,235	1,724
Total	25,945	1,724

22. FINANCIAL INCOME (EXPENSES), NET

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Financial income:				
Interest from short-term investments	29,142	24,018	48,805	41,887
Interest receivable	5	-	1,364	1,202
Other	278	88	1,328	1,024
	29,425	24,106	51,497	44,113
Financial expenses:				
Interest on loans and financing	-	-	(27,618)	(18,223)
Interest on debentures	(29,443)	-	(29,443)	-
Interest on payables for purchase of land	-	-	(4,162)	-
Interest on intercompany loans	-	(400)	-	(400)
Monetary and exchange variations	-	(2,116)	(2,930)	(1,883)
Other	(117)	(44)	(1,605)	(447)
	(29,560)	(2,560)	(65,758)	(20,953)
Total, net	(135)	21,545	(14,261)	23,160

23. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution expense

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Income before income tax and social contribution	186,163	237,014	402,400	473,613
Statutory rate	34%	34%	34%	34%
Expected income tax and social contribution charge, at statutory rate	(63.295)	(80,585)	(136,816)	(161,028)
Effect of income tax and social contribution on permanent differences:				
Equity in investees	64,254	73,805	1,639	2,643
Other permanent differences	(5)	-	(1,072)	(907)
Effect of income tax and social contribution on temporary differences and tax loss carryforwards:				
Temporary differences	(601)	-	(927)	1,303
Tax loss carryforwards	(985)	816	(1,488)	609

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Effect of taxation of subsidiaries taxed based on deemed income	-	-	4,237	5,641
Effect of different taxation of Fundos de Investimento Imobiliário I and II (*)	-	-	41,822	42,433
Income tax and social contribution expense at effective rate	(632)	(5,964)	(92,605)	(109,306)
Effective rate - %	-	3	23	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	
	12/31/12	12/31/11	12/31/12	12/31/11
Tax loss carryforward	690	690	4,686	2,535
Reserve for civil, tax, labor, and social security risks	-	-	598	553
Allowance for doubtful accounts	-	-	1,979	1,764
Other temporary reserves	-	-	2,971	1,063
Change in fair value of investment property	-	-	(354,240)	(351,444)
Total deferred income tax and social contribution	690	690	(349.948)	(345,529)
In noncurrent assets	690	690	20.693	690
In noncurrent liabilities	-	-	(370.641)	(346,291)

Recognized noncurrent tax credits totaling R$690 (Company) and R$27,266 (Consolidated) as of December 31, 2012 should be realized within up to nine years, as shown below:

Year	Company	Consolidated
2013	690	1,145
2014	-	1,145
2015	-	2,303
2016	-	3,388
2017	-	2,706
2018 - 2021	-	16,579
Total	690	27,266

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, 2012 and 2011 are as follows:

		Company		Consolidated	
Balance sheet	Purpose	12/31/12	12/31/11	12/31/12	12/31/11
Current assets-					
Affiliates:					
Condomínio Franca Shopping Center	(a)	-	-	-	6
Condomínio Parque Dom Pedro Shopping	(a)	-	-	5	5
Total (*)		-	-	5	11
Noncurrent assets-					
Affiliates:					
Condomínio Shopping Boavista	(b)	-	-	-	8
Condomínio Shopping Center Plaza Sul	(b)	-	-	125	125
Condomínio Shopping Penha	(b)	-	-	-	195
Condomínio Uberlândia Shopping	(b)	-	-	1,316	-
Total		-	-	1,441	328
Current liabilities-					
Affiliates-					
Parque D. Pedro I BV SARL	(c)	-	-	2,150	13,673
Total		-	-	2,150	13,673

		Company		Consolidated	
Profit or loss	Purpose	12/31/12	12/31/11	12/31/12	12/31/11
Operating revenue:					
Affiliates:					
Condomínio Shopping Center Penha	(a)	-	-	1,241	1,130
Condomínio Civil Center Shopping São Bernardo	(a)	-	-	1,081	846
Condomínio Tivoli Shopping Center	(a)	-	-	520	463
Condomínio Shopping Pátio Brasil	(a)	-	-	632	784
Condomínio Franca Shopping Center	(a)	-	-	412	361
Condomínio Boavista Shopping	(a)	-	-	877	834
Condomínio Shopping Center Plaza Sul	(a)	-	-	1,504	1,215
Condomínio Parque Dom Pedro Shopping	(a)	-	-	2,750	2,548
Condomínio Campo Limpo Shopping	(a)	-	-	818	685
Condomínio Manauara Shopping	(a)	-	-	1,726	1,609
Uberlândia Shopping		-	-	911	-
Subtotal		-	-	12.472	10,475
Affiliates-					
Sierra Brazil 1 BV	(d)	-	(2,516)	-	(2,516)
Subtotal		-	(2,516)	-	(2,516)
Grand total		-	(2,516)	12.472	7,959

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

(a) Refers to revenue from services provided by subsidiary Unishopping Administradora 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 interest and exchange rate changes on a loan agreement entered into with related party Sierra Brazil 1 BV (controlling shareholder of the Company). This loan was settled on February 8, 2011.

25. OPERATING SEGMENTS 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 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 rental of store space 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.

	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

	Consolidated - 01/01/11 to 12/31/11			
	Development and management	Investment	Elimination of intersegment revenue	Total
Gross revenue	39,383	223,354	(23,088)	239,649
Deductions:				
Taxes	(5,805)	(8,963)	-	(14,768)
Discounts and rebates	-	(5,695)	-	(5,696)
Total	(5,805)	(14,659)	-	(20,464)
Net operating revenue	33,578	208,696	(23,088)	219,185
Operating costs and expenses and general	(32,997)	(43,777)	23,088	(53,686)
Adjusted net operating revenue	581	164,918	-	165,499

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 and financing: they are classified as other financial liabilities.

As of December 31, 2012 and 2011, the carrying amounts and fair values of the Company’s and its subsidiaries’ financial instruments are as follows:

Company

		12/31/12		12/31/11	
Type	Classification	Carrying amount	Fair value	Carrying amount	Fair value
Assets:					
Cash and cash equivalents	Loans and receivables	336,241	336,241	125,834	125,834
Escrow deposits	Loans and receivables	1,974	1,974	1,879	1,879

Type	Classification	12/31/12 Carrying amount	12/31/12 Fair value	12/31/11 Carrying amount	12/31/11 Fair value
Liabilities-					
Debentures	Other financial liabilities	318,052	346,989	-	-

Consolidated

Type	Classification	12/31/12 Carrying amount	12/31/12 Fair value	12/31/11 Carrying amount	12/31/11 Fair value
Assets:					
Cash and cash equivalents	Loans and receivables	681,976	681,976	390,918	390,918
Trade receivables	Loans and receivables	45,820	45,820	35,505	35,505
Restricted investments	Loans and receivables	4,065	4,065	2,171	2,171
Loans to condominiums	Loans and receivables	1,441	1,441	328	328
Escrow deposits	Loans and receivables	9,950	9,950	3,729	3,729
Liabilities:					
Loans and financing	Other financial liabilities	429,328	429,328	350,891	350,891
Debentures	Other financial liabilities	318,052	346,989	-	-
Domestic trade accounts payable	Other financial liabilities	31,460	31,460	13,512	13,512

Measurement of the fair value of financial assets and financial liabilities is as follows:

a) The fair values of financial assets and financial liabilities presenting standard terms and conditions and that are traded in active markets is determined based on prices observable in such markets

b) The fair values of other financial assets and financial liabilities (other than those described above) are determined using generally accepted pricing models based on analyses of discounted cash flows.

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.

26.4. Currency risk

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

26.5. Capital risk

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 note 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, 2012 and 2011, the indebtedness level is as follows:

	Consolidated	
	12/31/12	12/31/11
Debt (a)	747,380	350,891
Cash and cash equivalents	(681,796)	(390,918)
Net debt (net cash)	65,584	(40,027)
Shareholders' equity (b)	2,091,702	1,943,398
Net debt-to-equity ratio	3.14%	(2.06)%

(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, 2012	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	10.3%	6,502	12,608	55,483	395,859	192,901	663,353
Debentures	10.7%	-	17,997	4,496	186,892	326,139	535,524

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, 2012.
- Adverse scenario: a 25% fluctuation of the main risk factor of the financial instrument compared to the level as of December 31, 2012.
- Remote scenario: a 50% fluctuation of the main risk factor of the financial instrument compared to the level as of December 31, 2012.

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	7.06%	5.30%	3.53%
Loans, financing and debentures	7.06%	8.83%	10.59%
TR fluctuation-			
Loans, financing and debentures	0.29%	0.36%	0.43%
IPCA fluctuation-			
Debentures	5.69%	7.11%	8.54%

Management analysis

			Consolidated		
Risk factor	Financial instrument	Risk	Base scenario (*)	Adverse scenario	Remote scenario
Short-term investments	Interest rate	Decrease in CDI rate	48,068	36,051	24,034
Loans	Interest rate	Increase in CDI rate	2,287	2,859	3,430
Loans	Interest rate	Increase in TR rate	754	942	1,130
Debentures	Interest rate	Increase in CDI rate	6,742	8,428	10,113
Debentures	Interest rate	Increase IPCA rate	11,636	14,545	17,454

(*) 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.

26.7. Derivatives

The Company and its subsidiaries did not conduct derivative transactions for the years ended December 31, 2012 and 2011.

27. INSURANCE

As of December 31, 2012, insurance is as follows:

Line	Insured amount - R$
Civil liability (shopping mall operations)	96,460
Fire	1,114,032
Loss of profits	251,307
Windstorm/smoke	36,486

28. MANAGEMENT COMPENSATION

During for the years ended December 31, 2012 and 2011, expenses on management compensation are broken down as follows:

	Consolidated	
	12/31/12	12/31/11
Payroll and related taxes	3,825	4,146
Variable compensation	1,928	777
Benefits	335	297
Total	6,088	5,220

These amounts are recorded in line item “Personnel Costs”, 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, 2012, the balance of line item “Accrual for variable compensation”, totaling R$1,200 (R$189 as of December 31, 2011), 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, 2012, the overall compensation to Company Directors and Officers in 2012 is R$10,000.

29. ADDITIONAL DISCLOSURES ON CASH FLOWS

The Company conducted the following noncash transactions:

	Consolidated	
	12/31/12	12/31/11
Capitalized interest in properties for investment in construction (see notes 12 and 14)	16,920	9,143
Purchase of land (see note)	63,701	-
Increase in trade payable due to properties for investment in construction	11,171	2,037
Transfer of construction in progress and advances to suppliers to property, plant and equipment and intangible assets	3,302	2,933

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.

On January 13, 2010, Banco Ourinvest S.A. obtained the reply to its inquiry to the Federal Revenue Service, which concludes for the need to continue retaining IRRF on income paid to shareholders established as real estate investment funds whose interests exceed 10% of the units of a fund.

In order to avoid the mandatory withholding of IRRF, Banco Ourinvest S.A. filed an injunction with federal courts to stay the withholding of income tax on income paid to Fundo de Investimento Imobiliário I and other real estate investment funds. Accordingly, all income tax amounts not withheld until January 13, 2010, which were part of the short-term investments under the custody of Sierra Investimentos, were redeemed and transferred to Banco Ourinvest S.A. and subsequently deposited in escrow.

On April 9, 2010, Banco Ourinvest S.A. obtained from a federal lower court a decision awarding the injunction described above. A federal lower court issued a decision favorable to the claim for not withholding income tax on earnings distributed by real estate investment funds, whose units are traded exclusively on stock exchanges or the over-the counter market, to another real estate investment fund. The decision also establishes that after a final and unappealable decision is issued, the plaintiff will have the right to withdraw the voluntary deposits made in court.

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, 2012, 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$4,065 (R$2,171 as of December 31, 2011) 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 28, 2013.

FISCAL COMMITTEE OPINION

The Fiscal Committee of SONAE SIERRA BRASIL S.A., in the exercise of its legal and statutory duties, concluded the examination of the financial statements of the Company for the financial year ended December 31, 2012, comprising the Balance Sheet, Statements of Income, Changes in Equity, Cash Flow and Added Value, as well as their related Notes. This examination was followed by the analysis of documents and, substantially, by information and clarifications provided to the members of this Committee by the external auditors and the Company's management, including the analysis of the Annual Management’s Report.

Therefore, based on the examinations done and on Deloitte Touche Tohmatsu’s opinion, issued at this same date, without qualification, the Fiscal Committee concluded unanimously that the above mentioned documents are in good order, opining favorably to its referral to the deliberation General Shareholders’ Meeting.

São Paulo, February 28, 2013

Committee Members

Marcos de Bem Guazzelli

Maurício Rocha Alves de Carvalho

Clovis Ailton Madeira