



Specialists in creating sustainable shopping centres

OUR COMPANY

Sonae Sierra is the international shopping centre specialist that is passionate about bringing innovation and excitement to the shopping industry. Incorporated in Portugal in 1989, Sonae SGPS (Portugal) and Grosvenor (United Kingdom) each control 50% of the Company.

We have an integrated business which encompasses owning, developing and managing shopping centres as well as the provision of services to third parties in markets as diverse as Europe, South America and North Africa. Our proactive approach to the business ensures that we have the necessary capital required to maintain and market our shopping centres, attract new and innovative tenants and to increase our centres' asset values. This strategy has allowed us to develop a unique know-how and has earned us international recognition for the development of innovative products and delivery of high-quality property management services. This in turn has enabled us to develop our activity as a service provider to third parties.

On 31 December 2011 we were operating in Portugal, Spain, Italy, Germany, Greece, Romania, Morocco, Algeria, Colombia and Brazil. We were also providing services to third parties in Cyprus and Croatia. We owned 49 shopping centres with a total Gross Lettable Area (GLA) of 1,924,117m². We had five projects under construction, with a combined total GLA of 237.800m², and six new projects in different phases of development in Portugal, Italy, Germany, Greece, Romania and Brazil. We also managed and/or lease a further 22 shopping centres and 2 new projects on behalf of others. As a pioneer in the creation of themed shopping centres, Sonae Sierra remains a leader in the development of unique concepts for exceptional shopping centres that offer great experiences and turn customers into fans.

In 2011 our total portfolio under management - including shopping centres owned by third parties - welcomed more than 428 million visits.

OUR MISSION AND VALUES

Our vision is to be the leading international shopping centre specialist.

Our mission is for Sonae Sierra to be the international shopping centre specialist that provides ultimate shopping experiences to customers and creates outstanding value to shareholders, investors, tenants, communities and staff, while contributing to sustainable development.

Our vision and mission are underpinned by a set of core values and principles regarding our business culture, responsibility towards our staff, the environment and local communities where we operate and independence from political powers.

ORGANISATIONAL STRUCTURE

Sonae Sierra is a holding company for four separate Sonae Sierra businesses: Sierra Investments, Sierra Developments, Sierra Management, and Sonae Sierra Brasil. Our businesses, with the exception of Sonae Sierra Brasil, also act as knowledge and service providers to third parties.

Sierra Investments

Owns the Company's shopping centres and is responsible for our investment activity in Europe. It contributes to the Company's results through a combination of net operating income from centres and, in the normal course of events, an increase in the market value of the shopping centres owned and under management. The team takes a long-term view of the potential of an asset to increase in value over time, investing in a combination of assets developed by Sierra Developments as well as acquired from third parties. Sierra Investments holds 50.1% of the Sierra Fund and 47.5% of the Sierra Portugal Fund, thus maintaining its position as co-owner and manager of the Funds' underlying assets. Applying the extensive experience it has acquired over the past, this business also acts as a knowledge provider to third parties.

Sierra Developments

Constantly seeks opportunities to develop new shopping centres. This business applies its internal expertise from the conceptual architectural design phase through to the construction and engineering management of shopping centres (including expansion and refurbishment projects). Sierra Developments is responsible for developing new and

innovative concepts that are adapted to local communities' needs, are respectful of local values and culture and create value based on a sustainable and long-term approach. Leveraging on its track record and know-how, Sierra Developments also provides development services to third parties.

Sierra Management

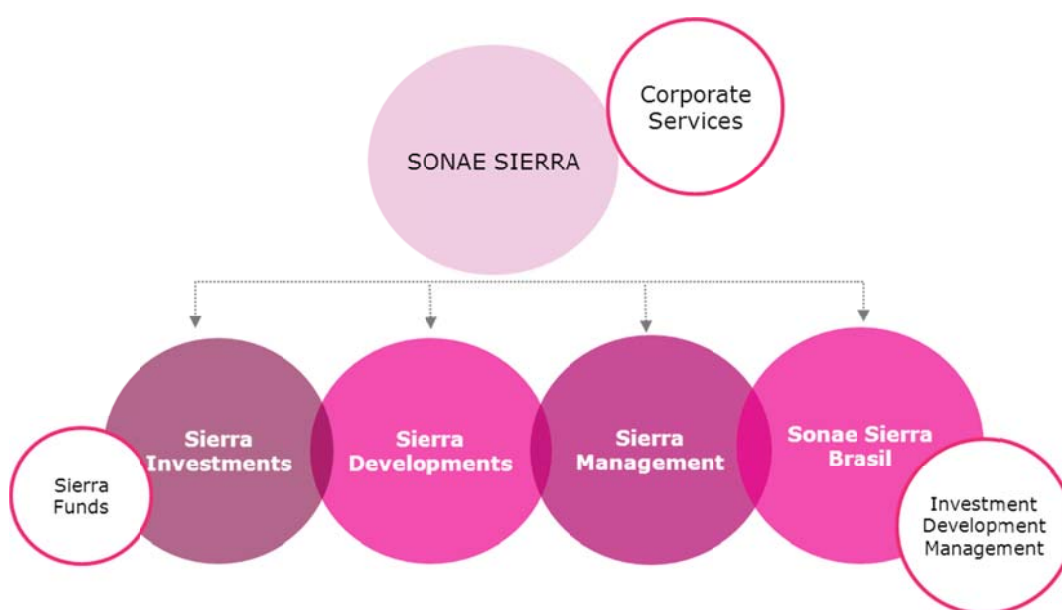
Responsible first of all for managing shopping centres for Sonae Sierra and co-owners, with a focus on maximising their long-term value. Secondly, the business is responsible for leasing the retail premises within each shopping centre, including the vacant shops in our operating centres and those in projects that are still in the development stage. Sierra Management also provides management and leasing services to 22 shopping centres that are owned by third parties.

Sonae Sierra Brazil

A 50/50 partnership between Sonae Sierra and Developers Diversified Realty (DDR), one of the USA's largest real estate investment trusts (REIT) focused on the shopping centre sector. Sonae Sierra Brasil's business operates autonomously and is focused on investing in, developing and managing shopping centres in Brazil. The business aims to become one of Brazil's leading companies in the shopping centre sector. Sonae Sierra Brasil is now listed in the IBovespa the Brazilian Stock Exchange with a 30.4% free float.

Sierra Corporate Services

All our businesses are supported by Corporate Services which includes: Finance, Legal, Taxes, Human Resources, Communication, Safety, Health and Environment, CR and our European Back-Office.

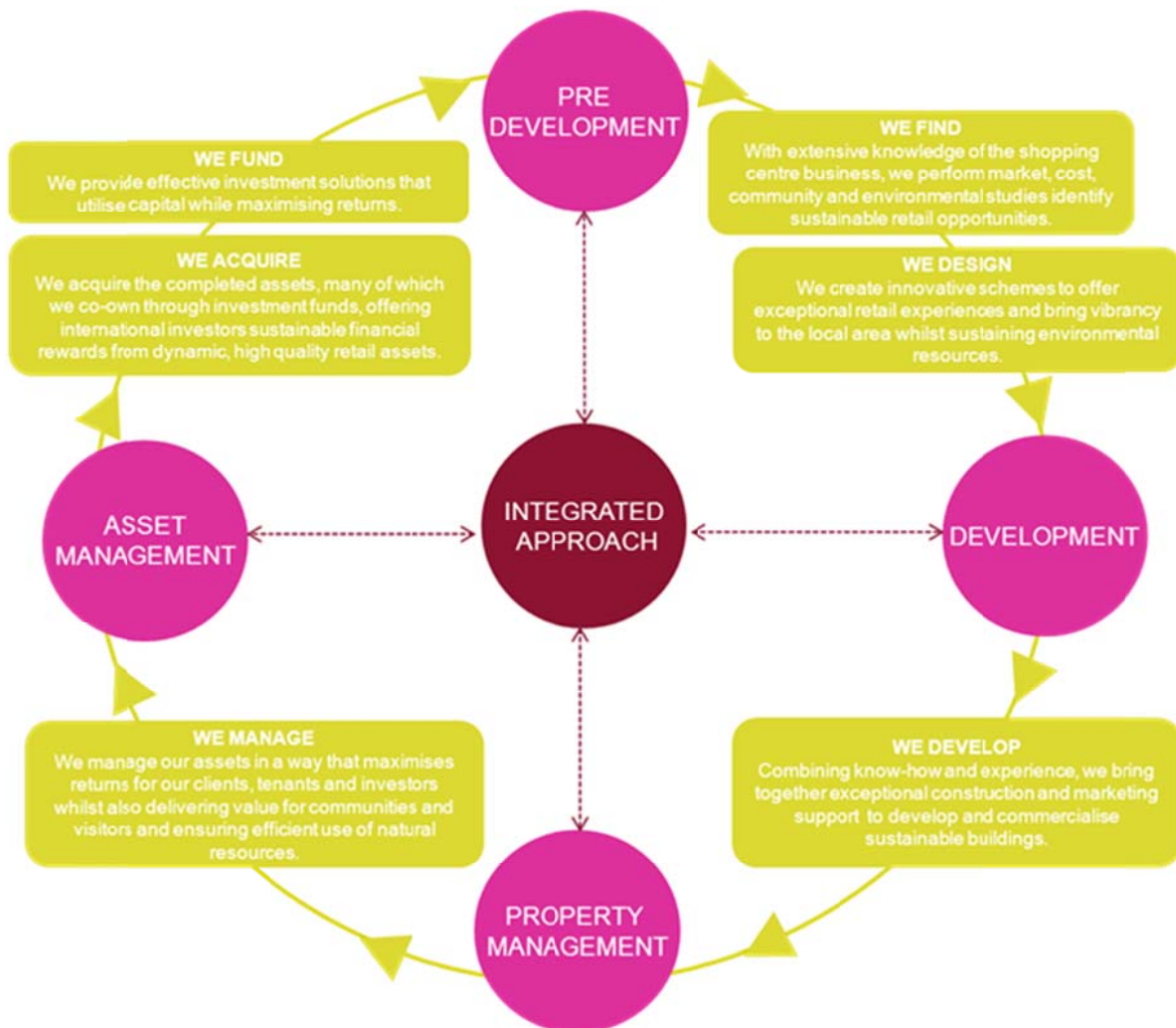


OUR BUSINESS STRATEGY

How We Create Value

With over two decades of experience and operating in three continents, Sonae Sierra creates value for stakeholders throughout the entire lifecycle of each asset.

The combination of our experience, our commitment to innovation and our long-term approach to business have created an integrated strategy that today embraces shopping centre development, ownership and management, as well as knowledge provision to our clients. Through this strategy we have developed a unique understanding of the business and markets we operate in, as they apply to our own shopping centres as well as those owned by third parties. This unique set of skills has added to Sonae Sierra's value chain and fuelled our passionate determination.



Our Medium- to Long-Term Strategy

Research into social, consumer and technological trends suggests that we are likely to see a rapid transformation in the global retail industry over the next decade brought about by the fast-growing use of mobile internet devices, demographic changes, shifting consumer behaviour and preferences and growing segmentation between different customer groups. To succeed in this new era of retail, we will need to continue focusing on the ultimate experience of retail customers, and aim to improve this by offering premium space, and unique shopping centre concepts to remain a destination of choice for visitors.

Our business strategy to achieve this is very clear. We continue to focus our attention on the five strategic axes that we identified as priorities in 2010.



- Maintain and enhance our **shopping centre specialization**, continuing to integrate our investment, development and property management businesses, and focusing on the highest quality product available in any given market. As part of this we will continue to pursue the delivery of property management services to third parties.
- Continue to pursue **international growth** and to enter new and emerging markets where the retail industry is still evolving and consumer purchasing power is increasing. We expect to see further growth in our operations in the Mediterranean Basin and Latin America and to expand further in Eastern Europe and Asia, namely China, based on third party services.
- Improve our **capital intelligence**, by further developing our capital raising capabilities and pursuing our capital light approach. This includes the delivery of third party services and taking minority shareholding positions in new Joint Venture partnerships. We also anticipate reducing our capital involvement and in some cases disposing of non-core operational centres in established markets, to free up capital to finance our development pipeline in growth markets.

- Create the **ultimate shopping centre experience** by developing innovative shopping centre concepts that bring together the right tenant mix, architecture, ambience, services and customer experience. Our ultimate aim is to become the destination of choice and to provide customers with a venue where their needs, aspirations, desires and expectations come together. For us, each one of our centres is more than a building: it is a living space in continuous evolution. As a company we will continue to focus progressively on prime assets and team up with key tenants and selected partners from other industries to develop new and exciting customer experiences, in line with consumer trends.
- Undertake **dynamic portfolio management** allowing us to shift the weighting of our portfolio. For mature markets, this means we are likely to see the sale of more properties and a reduction in our fund stakes; whilst emerging markets and geographical areas with growth potential will gain weight in Sonae Sierra's portfolio.

We are aware that the negative economic cycle we are presently experiencing brings with it important challenges, but we are confident in our ability to execute the defined strategy and, with rigour, efficiency and determination, to overcome those challenges.

CORPORATE GOVERNANCE

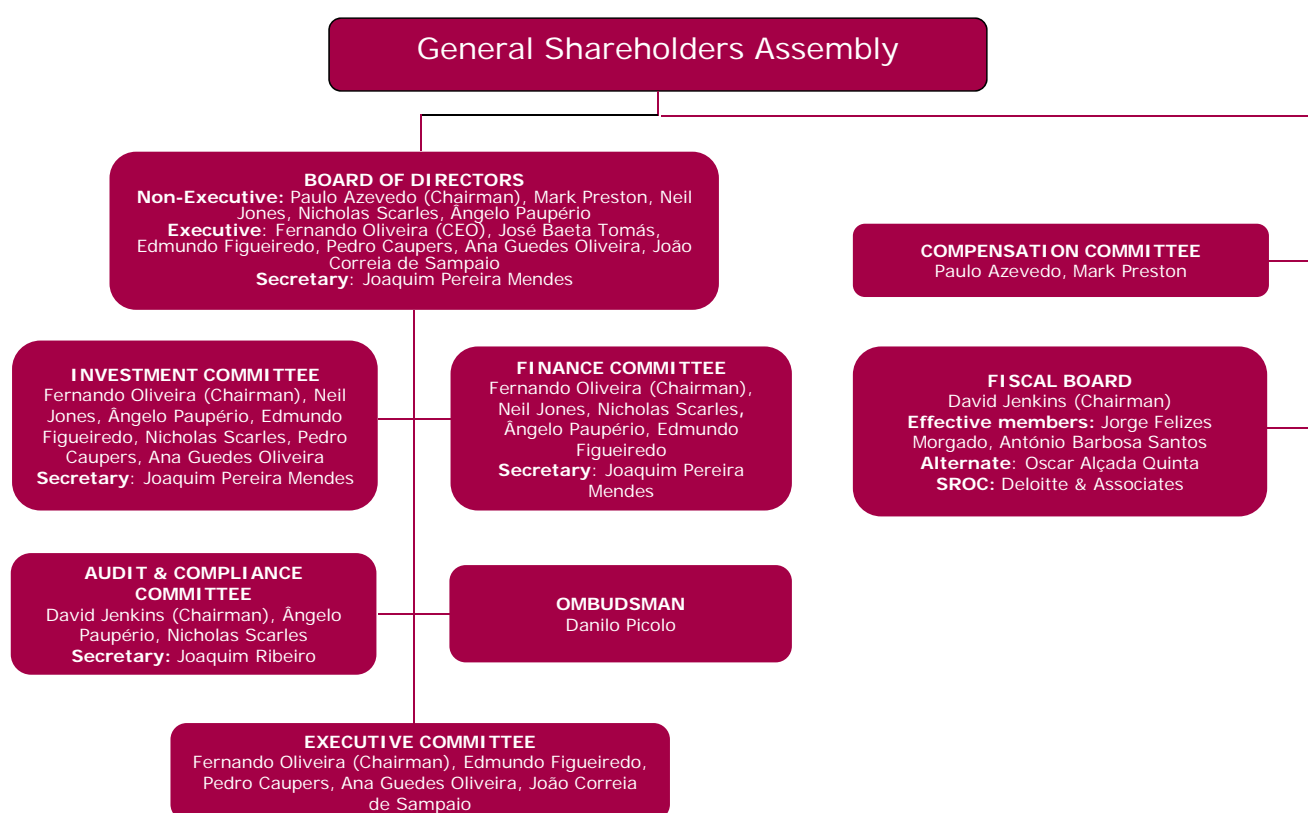
Our Organization

Sonae Sierra's corporate governance policies were adopted by the Company benefiting from the models of its shareholders, Sonae and Grosvenor. The shareholders' corporate governance policies impose levels of transparency, independence, remuneration compliance rules and CR policies which have contributed to shape Sonae Sierra's own management model, corporate values, business strategy, Corporate Responsibility (CR) policies and transparency in public reporting.

The top corporate body of the Sonae Sierra group of companies is the General Shareholders Assembly which, among other prerogatives, appoints the Board of the General Shareholders Assembly, the Fiscal Board, the Remuneration Committee and the Board of Directors of the Company. Sonae Sierra's Board of Directors takes responsibility for the Company's strategy, long-term business plan, finance and reporting. It consists of eleven members, six of them being executives and five non-executives. Each executive member of the Board is given responsibility for certain businesses or areas of the Company, including the Sustainability Office. When appointing new Board members, shareholders take into consideration the qualifications and expertise of the candidates

and their understanding of the economic, environmental, and social issues which are of relevance to our business.

The Executive Committee is responsible for the day-to-day operations of the Company, which encompasses CR activities. The Executive Committee meets eleven times a year and may invite other company executives to attend its meetings. The Board of Directors and the Executive Committee are supported by three specialised Committees: Investment, Finance and Audit & Compliance Committees. The Investment Committee and the Finance Committee are chaired by the CEO. The Audit & Compliance Committee is chaired by an independent, external person chosen by the Board of Directors.



Ethical Conduct

Our Code of Conduct includes a set of ethical principles which apply to everything we do and outline our commitment to success whilst operating with integrity, openness and honesty. The Code also promotes ethical and responsible decision-making by providing guidance on dealing with issues such as bribery, corruption, legal compliance, equality and human rights. Whilst the Executive Committee is ultimately responsible for managing these issues, ethical conduct is a personal responsibility and every Employee is held accountable for his or her behaviour. The Sierra Ombudsman promotes compliance with our Code of Conduct and encourages behaviour aligned with our ethical principles. The Ombudsman is an independent facilitator to whom all stakeholders can present their complaints with assurance that they will be processed, investigated, and responded to in a timely and sensitive manner.

Corporate Responsibility (CR) Governance and Management System

Sonae Sierra operates six CR Working Groups which between them govern all CR impact areas. These are comprised of Employees from across the Company, at different levels of seniority, who take responsibility for Sonae Sierra's CR performance. One Working Group, Risk Management, is cross-cutting, addressing all impact areas. The Heads of each Working Group are represented on our CR Steering Committee which oversees our CR Management and is chaired by our CEO, Fernando Guedes Oliveira. The CR Steering Committee is responsible for overseeing the organization's identification and management of material CR issues and ensuring that performance in these critical areas is monitored and improved. The Committee meets four times a year, although additional meetings are held if considered necessary.

Throughout the business, and across different functions and divisions, individual members of staff have responsibility for implementing specific aspects of CR in their daily activities. Safety, Health and Environment objectives form part of all Employees' performance appraisals (including Executive Committee members' appraisals) which link through to remuneration and bonus schemes. We also carry out an annual evaluation of each Shopping Centre Manager, which takes into consideration results achieved in terms of tenant satisfaction and the corrective measures implemented in response to Tenant Surveys.

We operate a CR management system in order to monitor our performance and improve it on an on-going basis across all the identified impact areas. The values and principles are embodied in our vision are developed into policies and strategies which allow us to

translate our commitments into practical actions. We track and evaluate our progress against key performance indicators and targets on an annual basis to ensure we achieve our long-term objectives.

Safety, Health and Environment Management System

Our Company first developed an Environmental Management System (EMS) in 1999 and in 2005 we were the first company in our sector in Europe to obtain ISO 14001 certification for our corporate EMS, which covered all our business activities. In 2004, we launched our Safety and Health (S&H) Policy and in 2008 became the first company in Europe to achieve OHSAS 18001 certification for our corporate S&H Management System. In 2010, we began working on the integration of these two management systems with the aims of exploiting the synergies between them and increasing our operational efficiency. In 2011 our integrated Safety, Health and Environment Management System (SHEMS) became fully operational. It is based on the international standards ISO 14001:2004 and OHSAS 18001:2007 and was recertified according to both of those standards in 2011. The SHEMS covers all of our business activities (development, investment and property management) and all assets which we own or occupy (shopping centres in development and in operation and our corporate offices), in all the countries where we operate.

In 2011 we developed a new online management system, called the SHE Portal. This tool allows us to streamline our SHE management processes and improve the accuracy of data and information reported by holding all data in one central platform which is accessible to all our staff. We also performed data audits across our whole development and operational portfolio as well as in our corporate offices in order to improve the accuracy and reliability of data reported through the SHEMS. We organised SHEMS training for staff in every operational shopping centre and delivered training to shopping centre management teams, development teams and staff in corporate offices received on how to use the new SHE Portal.

RISK MANAGEMENT

We operate a Risk Management Working Group to serve as facilitator and promoter of risk management best practices in all parts of the Company. The Working Group gathers information and reports on the risks that the Company is facing or may face in the future and reports, via the CFO, to the Audit and Compliance Committee of the Company. In this context, the Risk Management Working Group may foster initiatives to improve the Company's risk management information systems.

In 2011 we reviewed our risk matrix and, whilst the risks remain the same, the emphasis on some individual risks has changed due to the wider economic context. The Working Group analysed three risks in detail (political risks, contract integrity and rental sustainability) and established a policy, monitoring procedures and mitigation actions for each one. Other activities included the development of a policy for Medium-term Liquidity Management and the delivery of training on Sonae Sierra's Anti-Corruption Policy.

The table below presents a summary of our key controllable and non-controllable financial risks and mitigation strategies.

Key controllable risks

Risk	Mitigation strategy
Tenant Default Risk: The trading environment has been tough for tenants in Portugal, Spain and Greece and it has been increasingly difficult for us to collect rents in some areas in these countries. There are also potential risks in Italy.	Our approach to property management has always involved close scrutiny of our tenants' business performance. Over the past two years we have increased the efficiency of our property management regime in order to reduce service charges and have negotiated temporary rental discounts with some tenants. We have also intensified our efforts to increase footfall at shopping centres through our marketing and event programmes. Our geographical spread, and in particular our current presence in the Brazilian market, reduces the impact that individual tenant default can have on our business.
Vacancy Risk: With many tenants facing financial challenges in some markets, we are at risk of having higher vacancy rates.	

Key non-controllable risks

Risk	Mitigation strategy
Property Valuations Risk: Property valuations are affected by the prevailing conditions in the property investment market and the macro economic climate in general, and this impacts on our indirect results. Increased yields in many European markets have been adversely impacting on property values.	As a counter-measure to mitigate the adverse effects of yield shifts on asset value, we have focused on increasing the operational efficiency of our shopping centres and introducing tighter asset management controls.

<p>Liquidity Risk: The lack of availability of bank debt in Europe at present constrains our ability to finance new developments and refinance loans which are maturing.</p>	<p>Our capital recycling approach helps us to offset the lack of available bank debt, the intention being to dispose of or refinance assets in mature markets so as to fund new development activity in rapidly growing economies. We maintain our loan to value ratio at prudent levels (43.7%).</p>
<p>Interest Rate Risk: Interest charged on borrowings can constitute a significant cost for our business.</p>	<p>Our debt is quite long-term, relatively evenly spread throughout the years with almost 60% of it being repayable after 2015 only.</p>
<p>Exchange Rate Risk: Brazil is the main market where Sonae Sierra is exposed to exchange rate risk.</p>	<p>We have mitigated exchange rate risk in Brazil through two actions: the Initial Public Offering (IPO) of Sonae Sierra Brasil and using local debt to finance not only our developments but also some of our operational shopping centres in this country. Sonae Sierra Brasil is a 50/50 Joint Venture with DDR, and this partnership arrangement also decreases our share of this risk.</p>

As a separate but related exercise, Sonae Sierra continues to review the relative materiality of individual environmental and social impact areas in terms of both the risk and opportunity that they might represent to the business. We have used a standard risk management framework to evaluate environmental and social issues according to their likelihood/frequency of occurrence and the scale of impact should the issue arise. The findings of our latest updated assessment conducted in 2011 are summarised in the table below. The main impact areas identified through this assessment form the basis of our CR strategy and are focused on in detail in the Environmental and Social Performance report.

Energy and Climate - Greenhouse gas emissions minimisation; efficient energy use; sustainable energy supply; climate change adaptation	
Risks <ul style="list-style-type: none"> • Non-compliance with more stringent regulations which have emerged under the EU's Energy Performance of Buildings Directive. • Increased demand for energy and anticipated increase in energy price could reduce profitability by 2% - 5% maximum in 2030. 	Opportunities <ul style="list-style-type: none"> • €7.3 million costs avoided in 2011 due to energy efficiency measures in shopping centres between 2002 and 2011. • Recognition through awards, rankings and indices. • Increase competitiveness and sustain assets' value by increasing energy efficiency and/or generating energy on-site.
Water - Sustainable water supply; Water efficiency and avoiding water pollution	
Risks <ul style="list-style-type: none"> • Fines can be incurred for non-compliance with local wastewater regulations. • Increase in water costs could reduce profitability by between 0.15% and 2% maximum in 2030. 	Opportunities <ul style="list-style-type: none"> • €0.6 million costs avoided in 2011 due to water efficiency measures in shopping centres between 2003 and 2011. • Contribute to recognition of Sonae Sierra as a 'responsible' company. • Increase competitiveness and sustain assets' value by increasing water efficiency and/or reusing water on-site.
Waste - Increasing recycling and reducing waste sent to landfill	
Risks <ul style="list-style-type: none"> • Non-compliance with waste management regulations, including on construction sites. 	Opportunities <ul style="list-style-type: none"> • €0.9 million costs avoided in 2011 due to landfill avoidance at shopping centres between 2003 and 2011. • Contribute to recognition of Sonae Sierra as a 'responsible' company. • Be prepared for more stringent regulations which could be introduced in the future.
Biodiversity and Habitats - Reducing negative impacts on biodiversity and enhancing it where possible	
Risks <ul style="list-style-type: none"> • Non-compliance with EU and local legislation on biodiversity. 	Opportunities <ul style="list-style-type: none"> • Biodiversity on sites shows commitment; may mean visitors stay longer. • Biodiversity impacts in the supply chain could lead to commodity price increases, e.g., impact of deforestation on timber prices in China.

Suppliers – Environmental and social practices along our supply chain	
Risks <ul style="list-style-type: none"> Fines/ reputational damage if contractors do not comply with regulations. Ineffective delivery of suppliers' services in shopping centres can reduce tenant and visitor satisfaction. Some supplier and tenant businesses may be impacted by commodity price increases. 	Opportunities <ul style="list-style-type: none"> Reduce costs through greater efficiencies in the supply chain.
Tenants – Increasing tenant satisfaction; engaging with tenants on CR issues	
Risks <ul style="list-style-type: none"> Higher void rates leading to lower profitability. Not meeting tenants' expectations in the long-term if/when CR issues become more important. 	Opportunities <ul style="list-style-type: none"> 68% of our tenants say CR is an important factor that contributes to their overall satisfaction. Contribute maintaining high occupancy rates and rental income.
Communities and Visitors - Impact on local communities; community engagement and visitor satisfaction	
Risks <ul style="list-style-type: none"> Inability to obtain planning permission if cannot demonstrate added value to local communities. Lack of buy-in from local community could reduce footfall. Lack of attentiveness to visitors' needs in the long-term decreases appeal and competitiveness of the centre. 	Opportunities <ul style="list-style-type: none"> Maintaining good community relations likely to result in higher footfall and sales. Projects that demonstrate 'corporate citizenship' (e.g., Volunteering Day, CR campaigns, educational projects) likely to enhance brand. Contribute to sustaining high footfall and sales by being attentive to changing visitor preferences.
Employees - Employee satisfaction and retention; equal opportunities and diversity; talent management	
Risks <ul style="list-style-type: none"> Non-compliance with regulations on gender equality and non-discrimination. Costs associated with employee turnover. 	Opportunities <ul style="list-style-type: none"> Progressive policies towards Employees can attract more candidates to the firm. Retaining talented employees increased competitiveness (e.g., estimated value innovations implemented by Sonae Sierra as a result of employees' suggestions is €6 million).

Safety and Health - Safety and health of the workforce; construction site and shopping centre safety	
<ul style="list-style-type: none"> • Non-compliance with EU and national S&H regulations. • Fines associated with accidents; delays on construction projects. 	<ul style="list-style-type: none"> • Reduce insurance costs. • Strong stakeholder expectations in relation to this issue; serious accidents/fatalities on sites can damage reputation. • Buildings need to comply with ever-tightening regulations, so a progressive approach to S&H contributes to future-proofing assets. • Enhance reputation through awards and recognition by stakeholders for proactive attitude.

OUR STAKEHOLDERS

A continuing dialogue

We believe that conducting our activities in a way that is sensitive and responsive to our stakeholders' needs and concerns is vital for the long-term success of our business. We employ a range of stakeholder engagement techniques and receive valuable feedback from our investors, tenants, clients, visitors, Employees, suppliers and from local community members which can help us to refine our approach at a corporate level as it can allow us to identify and implement improvements on individual sites. The diagram below highlights our main stakeholder groups and examples of engagement and/or feedback received in 2011.



OUR PARTNERSHIPS PAST AND PRESENT

Sonae Sierra's business would not be what it is today without our Partners. The importance and value of our alliances with local Partners and international Investors is enormous. These alliances enable the consistent development of our financial strength, improvements in our negotiating capacity and a continuous increase in our business and market knowledge. They also provide a platform for new opportunities.

Portugal <ul style="list-style-type: none"> • Estevão Neves • Bensaude Group • Sonae Distribuição • Estação Shopping • CGD 	United Kingdom <ul style="list-style-type: none"> • Grosvenor Fund Management • Miller Developments • Rockspring • Castle City • Schrodgers Investment Management • Aberdeen Property Investors 	Brazil <ul style="list-style-type: none"> • Multiplan • Tivoli EP • Enplanta Engenharia • Marco Zero • Credit Suisse HG
France <ul style="list-style-type: none"> • CNP Assurance • CDC • Foncière Euris 	Spain <ul style="list-style-type: none"> • LAR Group • Mall Group • Iberdrola • Eroski Group 	USA <ul style="list-style-type: none"> • AIG • TIAA-CREF • DDR
Germany <ul style="list-style-type: none"> • Deka • Union Investment 	The Netherlands <ul style="list-style-type: none"> • ING Real Estate • ING Developments • APG Investments • MAB Development 	Finland <ul style="list-style-type: none"> • KEVA • Ilmarinen
Italy <ul style="list-style-type: none"> • Coimpredil 	Greece <ul style="list-style-type: none"> • Charagionis Group • Lamda Development 	Colombia <ul style="list-style-type: none"> • Central Control
Algeria <ul style="list-style-type: none"> • Cévital Group 		

ECONOMIC PERFORMANCE

We have learned that it is only the creation of unique and exciting shopping venues that can deliver sustainable value.

Our integrated approach to shopping centre development, ownership and management enables us to have an impact on the economy which reaches beyond our own direct financial performance and remuneration to our shareholders. Our business creates employment, stimulates local markets and contributes to economic growth in the communities where we operate.

Through our quest for excellence and our focus on specialisation, we have learned that it is only the creation of unique and exciting shopping and leisure venues that can deliver sustainable value. We sustain economic growth through capital recycling strategies, which allows us to exploit opportunities to develop new shopping centres in markets where we are already present and in new ones. Having established ourselves as a knowledge provider for third parties, we are generating revenue and building our experience in emerging markets where we aim to leverage partnerships with local companies to make our own investments in the future, thus contributing further to economic development in these regions.

A challenging set of circumstances

The businesses we are involved in – namely the development, investment and management of shopping centres - inherently face a number of financial, operational and market risks. Last year many of these risks were aggravated by continued repercussions from the global banking crisis in 2008, and more recently by the sovereign debt crisis in Europe, especially since the month of July 2011. Fortunately, the outstanding quality of our portfolio and our international presence demonstrated strong resilience against such factors, but the conditions nevertheless made for a challenging growth environment.

A macro-economic tale of two regions

When reflecting on the challenges we faced in 2011, it is essential to differentiate between Europe and Brazil.

In Brazil, despite a reduction in the GDP growth rate compared to 2010, we are still operating in one of the fastest growing emerging economies in the world. And despite the introduction of fiscal measures to control rising inflation levels, we do not yet see any significant curb on consumer purchasing patterns, so the retail industry continues to show very strong rates of growth. Our own performance as a business echoes this trend. Following the historic milestone of becoming a publicly listed company as a result of the IPO in February 2011, Sonae Sierra Brasil presented the second highest EBITDA figures

in the listed sector market, and the highest Funds from Operations margin of all our listed peers in the industry.

In Europe on the other hand, and particularly Southern Europe, many of our key markets have been significantly affected by the austerity measures imposed as a result of the global financial crisis. Scarcity of debt remained a fundamental constraint to our development pipeline, much of which continues to be on hold for the time being. In Portugal and Spain, which together represent 74% of the Open Market Value (OMV) of our European portfolio, Government austerity measures introduced during the year worsened consumer confidence, in turn affecting retail sales, and increasing the probability of retail tenants defaulting on their rents. Having said this, even within Europe, our business benefits from geographical spread since we concentrated our growth in those markets that were not subject to strict austerity measures for at least part of 2011 (e.g. Italy and Germany) enabling us to compensate for those that were.

Unsurprisingly, events in the real estate markets followed closely behind such macro-economic trends. So during 2011, our Net Asset Value in Brazil has increased, and shopping centre yields suffered little fluctuation during the year. Unfortunately, yields suffered an increase in Portugal and Greece in line with these countries' overall credit ratings and market perceptions, but fortunately we are beginning to see some yield contraction taking place in Spain. As a counter-measure to mitigate the adverse effects of such yield shifts on asset values, we have focused our attention on operational efficiency and introduced even tighter asset management controls. Our aim is to deliver the same levels of service quality at lower costs wherever feasible, thereby contributing to overall asset performance.

Enhancing profit margins during times of austerity

With direct reference to our profit and loss accounts, it is especially pleasing to note that Sonae Sierra succeeded in growing its Direct Results by 6% in comparison with 2010. This reflects two key strengths to our management strategy, namely our strong operational performance and our rigorous approach to cost control. In fact, we succeeded in decreasing our direct corporate costs by 4% over the year. This was achieved by a continued focus on reducing variable costs (e.g. travel, IT outsourcing, consultancy budgets etc.) and a staff targeted communication campaign emphasising the need for cost reduction measures. We have also implemented a series of rationalisation measures, transferring staff from one business or geography to another, thereby retaining key skills within the firm and reallocating resources to growth areas where they are needed.

Extracting value from capital recycling

The prudent attitude employed by banks since 2008 did little to change in the past twelve months. Risk continues to be highly priced so commercially favourable loan terms remain hard to secure. As such, at Sonae Sierra we continue to employ a capital-light approach and to focus on opportunities to recycle capital within our own business portfolio.

In this context, the IPO of Sonae Sierra Brasil launched in February 2011 was a major highlight for our business. We successfully sold 30.4% of our business to retail investors, and generated R\$465 million. This sum will enable us to satisfy the financing needs of our new development pipeline in Brazil over the next three years, including three developments that are currently underway. Indeed, we are now actively looking for new development opportunities in underserved Brazilian cities, which have potential to accommodate further retail expansion.

In Europe, our response to capital constraints has been more cautious, and we have put a number of our development projects on hold for the time being. Nonetheless, we commenced the development of Solingen in Germany and the construction of Le Terrazze in Italy continued apace, with opening scheduled for March 2012. We also succeeded in selling two of our operating shopping centres in Spain during 2011, despite little investor appetite for major acquisitions, and we also refinanced a significant asset in Portugal at favourable rates. These steps will meet the great majority of our financing needs for 2012, so they place us in a strong position despite unfavourable market conditions.

OPERATIONAL PERFORMANCE

Growth in Spite of Capital Constraints

The shopping centre industry is a capital intensive one. To fund and deliver a healthy development pipeline, we are reliant on access to capital and debt structured at sensible commercial rates. Unfortunately, both these factors have continued to be adversely affected in 2011 in many of the markets where we operate, partly due to a re-evaluation of risk within the banking sector at large.

The sovereign debt crisis and recent financial instability in Europe have necessarily constrained the scale of our development pipeline during 2011, and resulted in some projects being put on hold. Despite such constraints, we have five shopping centres under construction during 2011, representing a total investment of about €522 million.

A healthy pipeline in Brazil

During the third quarter of 2011, we started the construction of Passeio das Águas Shopping, in the city of Goiânia, the Company's 13th asset in Brazil. Scheduled to be inaugurated in 2013, this new centre represents an investment of about €167 million creating the largest and most modern shopping centre in the region. Passeio das Águas Shopping will offer 282 stores within 78,100m² of GLA and the catchment area of the scheme will have a direct influence on a population of 1.6 million people in Goiânia and surrounding areas. After its inauguration the shopping centre is expected to create employment for over 6,300 people.

We entered the final stage of construction of Uberlândia Shopping, which is due to open in the first quarter of 2012. Located in the Minas Gerais region, Uberlândia Shopping has 89% of its GLA already let, a testament to the quality and innovation of this project. Two of the major anchors, Walmart and Leroy Merlin, have already opened. The centre will offer shopping, culture and entertainment within 45,300m² of GLA, encompassing 166 shops units, 6 large stores, 17 restaurants, the Walmart hypermarket and 5 Cinemark cinemas.

We also proceeded with the development of Boulevard Londrina Shopping, a joint venture between Sonae Sierra Brasil and Marco Zero Group which is scheduled to be inaugurated during the second half of 2012. Boulevard Londrina Shopping will offer 47,800m² of GLA, 70% of which has already been let to well-known brands and local retailers. The centre will introduce some new brands to the Londrina region, including Cinemark cinemas, Walmart hypermarket, Magic Games, Memove and others.

New retail schemes in Italy and Germany

We are on track to complete the final stages of development of Le Terrazze, our major new retail scheme in Italy, which is close to La Spezia city centre. This €125 million investment will deliver 38,600m² of GLA with over 100 shops, including a hypermarket, a family entertainment centre, a fitness club and 2,000 parking spaces. We expect Le Terrazze to open with 100% of its GLA already let, and anticipate that the shopping centre's inauguration will create 700 new employment opportunities. Due to open in March 2012, Le Terrazze has been the first shopping centre in the world to simultaneously secure both ISO 14001 and OHSAS 18001 certifications for its integrated Safety, Health and Environment Management System (SHEMS) during the construction phase. To date the project has also managed to recycle 99% of the all waste generated on the site.

During the 2nd quarter of 2011 we announced the construction of a new shopping centre in Solingen, Germany, as a 50/50 joint venture with MAB Development, representing an investment of approximately €120 million. Solingen is a project with 30,000m² of GLA in a catchment area of around 270,000 inhabitants. The demolition works have started and leasing is progressing with the main large shops and tenants. The project is due to open in the fourth quarter of 2013.

We believe in favourable market conditions in both Germany and Italy, so we shall continue to actively explore opportunities for further growth in these markets.

Upgrading the quality of existing assets

During 2011, we continued to strategically improve our portfolio through refurbishment and expansion works to further upgrade the quality of service provision within existing operational assets wherever possible.

- We completed the first phase of the expansion and refurbishment of Shopping Metr pole, a 31 year old shopping centre located in S o Bernardo do Campo, S o Paulo (Brazil), representing a net investment of R\$56.8 million ( 24.5 million). As a result, Shopping Metr pole boasts an additional 8,700m² of GLA, 31 new stores, new fa ades and a refurbishment of the existing areas (including floors, ceilings, lighting, furniture, etc.) with a more modern and colourful design. A new nursery room, escalators and ambulatory care facilities were also added. 506 new jobs were created as a result of the project.
- We completed the expansion of Shopping Campo Limpo, also in Brazil, representing a net investment of R\$9.7 million ( 4.2 million). The expansion adding 18 new shops and around 2,500m² of GLA.
- In Portugal, we completed the refurbishment of AlbufeiraShopping and proceeded with the refurbishment of Centro Comercial Continente de Portim o, both of which were acquired by Sonae Sierra in 2007. We also completed the refurbishment of the food court at CascaiShopping, and refurbished the exterior areas at Centro Colombo.
- In Germany, we completed the first floor refurbishment at M nster Arkarden, including the reorganisation of retail units and the relocation and extension of toilet facilities. As a result, footfall flows to the first floor were significantly improved and for the first time since opening the centre is fully let.
- Further expansion works are being prepared at CascaiShopping, along with plans for the expansions of AlgarveShopping and NorteShopping in Portugal and Luz del Tajo and Dos Mares in Spain.

During the course of the year we succeeded in obtaining approval for a formal change in the use of particular zones within the Plaza Mayor and Parque Principado shopping centres in Spain, which will allow for important refurbishment work to be undertaken at these centres in the near future. We are also planning to refurbish the leisure area at Centro Colombo in Portugal.

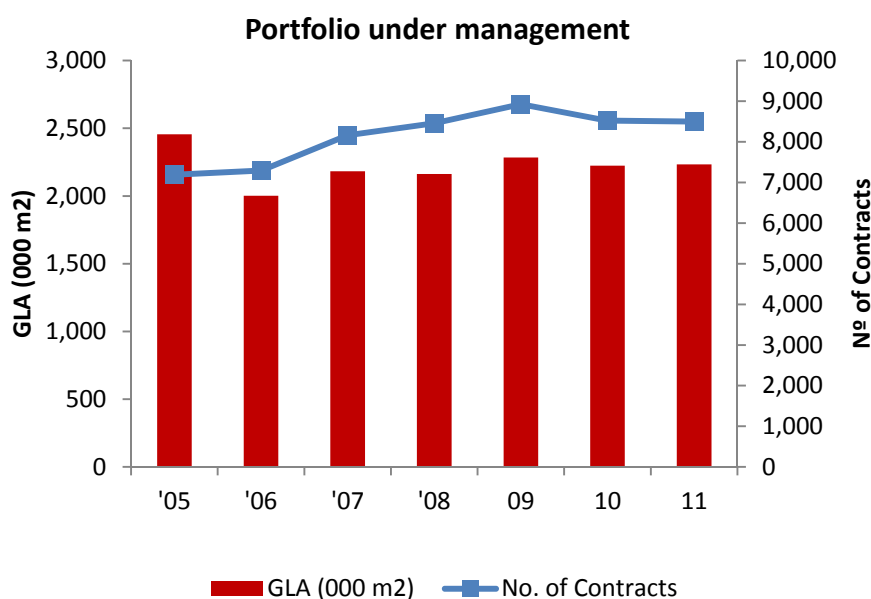
Delivering services to third parties

Providing services to third parties is a key part of Sonae Sierra's strategy to grow new income streams and increase know-how and experience in new and emerging markets. In 2011, we grew this side of our business substantially – signing nine property management and/or leasing contracts with clients who recognise our unique specialism in the management of shopping centres.

Key highlights over the past twelve months include:

- Five new property management agreements in existing markets where we are already well established: Le Isole in Italy; Bikini Berlin in Germany; Plaza Éboli and El Rosal in Spain (all for third parties) and Solingen in Germany (where Sonae Sierra is a 50/50 joint venture partner).
- Five new leasing contracts: Carcaixent (Spain); Bovisa (Italy); Sun Plaza, Vitantis Mall and Magnolia (in Romania).
- A brand new Joint Venture agreement with Cévital Group to provide property management and leasing services for shopping centres in Algeria – a new market for Sonae Sierra.
- Entry into Morocco in March 2011, having won a development services mandate for Marina Shopping in Casablanca.
- A contract to provide development services for Vrbani Shopping Centre in Croatia, signed in November 2011.

We intend to reinforce and further increase this area of our business in future, and have ambitious plans to double such revenues by 2015, thereby further driving the international growth of the Company. This enables us to enter new emerging markets as a service provider in a capital light mode (before committing to direct investment) and learn first-hand about the market characteristics and key risks or opportunities they present. In 2012 we intend to add asset management to the list of services that we already provide to third parties. We believe that our accumulated experience and know-how in leasing and managing shopping centres will be of significant value to Developers and Investors in the retail real estate business.



Prime retail assets maintain their income potential

Overall, our property management business coped remarkably well in 2011, maintaining strong performance in both tenant sales and rental income, despite falling consumer confidence in many markets and reduced purchasing spend. But to get a full view of our performance, it is important to consider conditions in Europe very separately from those in Brazil.

In Europe, the austerity measures implemented by governments in an attempt to contain the Eurozone debt crisis have impacted on consumer spending. Sales declined in all European markets we operate in, particularly in the last quarter of 2011, with as the exceptions of Germany and Italy. Nevertheless, even in some of our worst hit important markets such as Portugal and Spain, the decrease in tenant like-for-like sales in our centres has been slower than the decline rate of wider industry benchmarks such as the Eurostat Non Food Consumer Retail Index (excluding fuel). So as a result of the quality of our assets and the attentiveness of our management activities, we have successfully maintained high levels of occupancy throughout our centres in Europe. This has undoubtedly buffered the potential impact that tenant difficulties could have had on our rents, and these have remained relatively stable over the twelve month period to December 2011.

In Brazil on the other hand, we have enjoyed substantial growth in both sales and rents on a like-for-like basis and in Reais: sales grew by 10.3% in comparison with 2010 and rents were up by over 12%. These results are influenced by a very dynamic retail environment and the sustained increase in the average net income of the population which has a growing middle class segment. Demand for retail space is on the rise in this

vibrant market, and occupancy rates have reached an all-time high in the country. The North and Northeast regions are presenting some of the highest growth rates, and consequently the performance of Manauara Shopping – located in Manaus – has surpassed our expectations. Moreover, we have maintained a high level of satisfaction among our tenants which has helped us to secure uptake for space in our new projects under construction. All in all, the results presented by Sonae Sierra Brasil have further improved our financial position globally, and have enabled us to focus on further expansion plans for this market that still carries very significant potential.

Sales and Visits

	Visits		% 11/10		Sales		% 11/10	
	2011	2010	total	I-f-I	2011	2010	total	I-f-I
Portugal	184,9	194,3	-4,8%	-5,3%	2.170,9	2.383,5	-8,9%	-9,7%
Spain	73,9	75,8	-2,5%	-2,5%	839,6	863,0	-2,7%	-2,8%
Italy	22,1	18,8	17,4%	0,5%	309,6	281,7	9,9%	1,1%
Greece	1,6	7,6	-78,6%	2,2%	14,8	16,2	-8,6%	-8,7%
Germany	38,1	37,1	2,7%	2,6%	501,0	495,3	1,2%	1,1%
Romania	4,8	2,8	72,9%	12,7%	16,8	10,0	68,0%	-1,0%
Europe	325,5	336,4	-3,3%	-3,2%	3.852,7	4.049,7	-4,9%	-6,0%
Brazil (€)	102,5	100,9	1,6%	1,6%	1.709,3	1.523,8	12,2%	12,2%
Brazil (R\$)	102,5	100,9	1,6%	1,6%	3.969,4	3.545,3	12,0%	12,0%
Total Sierra	428,0	437,3	-2,1%	-2,1%	5.562,0	5.573,5	-0,2%	-1,0%

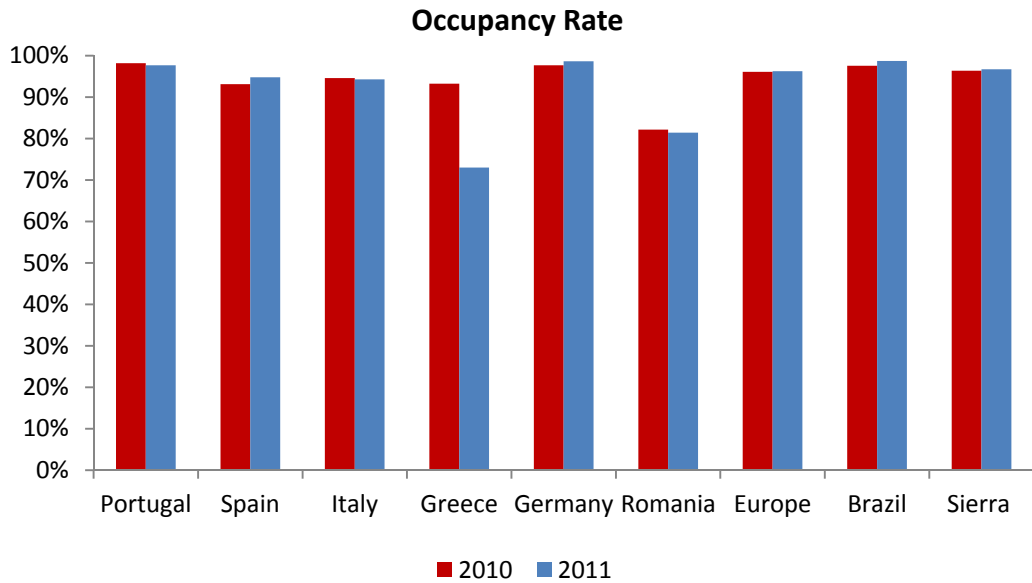
Sales in € million

Visits in million

Management solutions to enhance tenant performance

Our approach to property management has always involved a close scrutiny of our tenants' businesses so as to develop a deep understanding of their needs and strategic plans. In the challenging context of recent events in Europe, this has enabled us to remain well informed of their businesses' exposure to key market risks as they unfold. Our proactive management style leads us to monitor our tenants' approach and results in terms of sales strategy, marketing campaigns, customer service and competitor landscape, all of which has enabled us to advise and support them in their efforts to remain in business.

It is in our best interests to retain tenants in our centres, thereby maintaining high occupancy rates. So in the past twelve months, we have sought to assist them by implementing operational cost efficiencies in a mission to drive down service charges even further. Notable successes in 2011 included the rationalisation of supplier contracts across different centres and the continued scrutiny on non-essential costs by cutting some of these out altogether.



Through working in close partnership with our Joint Venture Partners and Tenants, we seek to improve the value proposition for the visitors of our centres and differentiate these further from the competition. As a result, Sonae Sierra's shopping centres have shown far greater resilience to retail market declines due to our unique value proposition. They are managed by specialist professionals implementing innovative solutions, including improving the tenant mix, prioritising customer service, and implementing sound marketing campaigns as well as taking a long-term sustainable approach.

In order to attract the greatest number of visitors to our centres, we need a unique value proposition for consumers, including a dynamic tenant mix that responds to the latest consumer trends. Our research suggests that the most significant trends amongst consumers worldwide include a move to Go Digital, Go Green and Go Healthy. As a result we are adopting a range of different strategies to respond to these proactively. These range from simple online sales activation programs and loyalty clubs, to the introduction of new eco-brands in our tenant mix and, particularly in Europe, the reinforcement of services in the customer offer such as gyms, sports facilities and health services.

Rents

	Fixed Rents		Variable Rents		Total Rents		% 11/10 Rents	
	2011	2010	2011	2010	2011	2010	total	I-f-I
Portugal	187,7	187,7	4,3	6,8	191,9	194,5	-1,3%	-2,0%
Spain	62,7	68,6	2,2	2,4	64,9	71,0	-8,6%	2,2%
Italy	24,5	23,6	1,0	1,3	25,5	24,9	2,4%	4,2%
Greece	1,5	15,7	0,1	0,7	1,6	16,4	-90,0%	-24,3%
Germany	44,0	41,4	2,1	1,9	46,2	43,3	6,6%	10,9%
Romania	1,6	2,0	0,0	0,0	1,6	2,0	-21,0%	-21,8%
Europe	321,9	339,0	9,8	13,1	331,7	352,1	-5,8%	0,7%
Brazil (€)	92,3	80,2	9,9	8,2	102,1	88,4	15,5%	15,3%
Brazil (R\$)	214,2	186,6	23,0	19,2	237,2	205,8	15,3%	15,1%
Total Sierra	414,2	419,2	19,7	21,3	433,9	440,5	-1,5%	3,8%

Figures in €million

Developing sustainable buildings

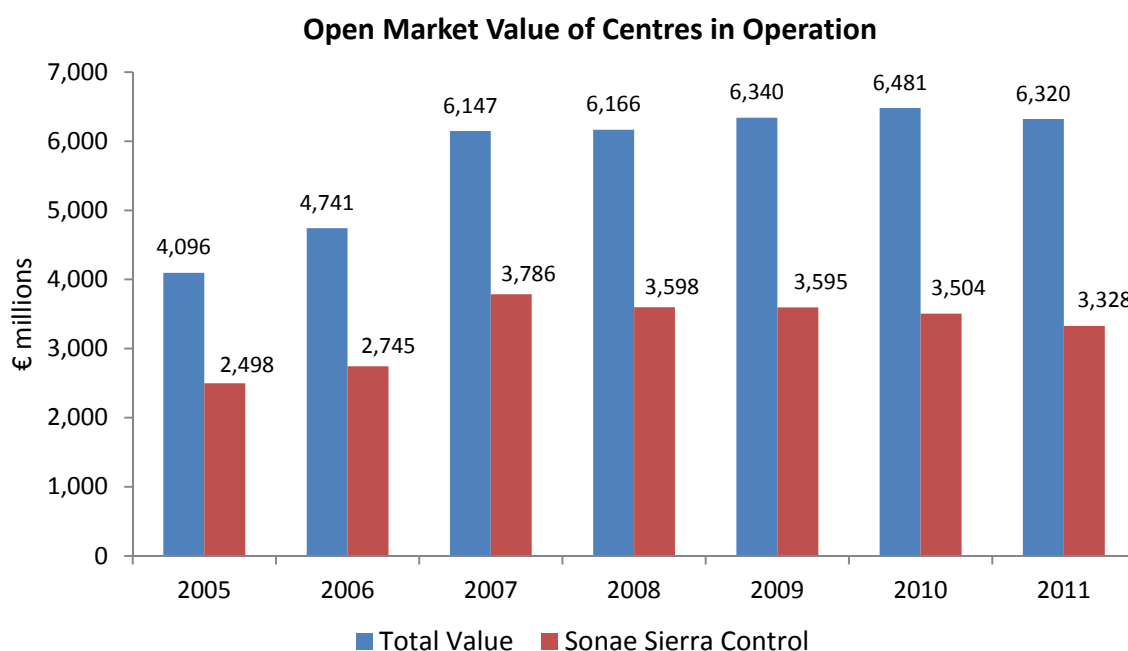
We believe sustainable real estate will deliver above average returns and outperform non-sustainable real estate over the medium to long term. In fact, Investors are increasingly aware of the importance that sustainability features represent when making investment decisions. However, the translation of such features into a value premium has yet to be seen; what is becoming more evident is that Investors will tend to penalise properties lacking such features because they are at greater risk of obsolescence. In this context, Sonae Sierra has integrated specific investment initiatives into each Shopping Centre's Investment Plan to ensure that we maintain our reputation as sustainability leaders within our industry.

As a result in 2011, we reduced our energy consumption overall in shopping centres under operation. Waste management has also continued to improve over. These initiatives have enabled us to further pass on cost savings to tenants through reductions in service charge costs, thereby increasing our attractiveness compared with other centres. By implementing the rigorous safety standards required by our Safety, Health and Environmental Management System (SHEMS), we have also reduced the risk of accident in shopping centres.

We continue to believe that our sustainable approach significantly adds value to our customer proposition, in the light of growing consumer interest in more 'responsible' consumption (e.g., eco-friendly; ethical; healthy products and services) in all of the countries where Sonae Sierra operates. Indeed, through our customer research carried out at the end of 2010, we have statistical evidence that, in the European geographies where we are present, up to 87% of Sonae Sierra's shopping centres' visitors are interested in, and taking action on, social and environmental issues.

Investment Market Fundamentals

During 2011, yields increased in many of our key markets, most notably in Portugal and Greece. Fortunately this was not the case in all markets; for instance towards the end of 2011, yields in prime shopping centres in Germany reached a five-year low caused by very high investment demand and limited supply of stock. Yields in Italy also remained virtually flat in 2011. In Spain, yield adjustments have been less homogeneous where prime properties actually saw some compression, whilst secondary properties and those facing more competition have witnessed yields moving out. However, given that the Spanish market had adjusted more quickly in 2008-2009, the changes in 2011 have been lower in magnitude than other regions. All in all, increased yields have adversely impact on total OMV and the indirect side of our profit and loss account.



As a counter-measure to try to minimise the negative effect of yield expansions, we have increased the efficiency of the centres we manage – and we have implemented measures that allowed us to deliver good quality of services with lower costs. This has enabled Sonae Sierra to achieve performance gains that have minimised expansion of yields, especially in Portugal.

In Brazil, on the other hand, property values continued to rise in 2011 mostly fueled by the operational performance of our centres. At least for the moment, no significant compression of yields have occurred which translates into a very conservative approach to future value in spite of a very busy Merger & Acquisition (M&A) market.

Successful capital recycling despite limited transactions in Eurozone

Throughout 2011 the lack of financing and erosion in investor confidence across the Eurozone created illiquidity in the capital markets, leading to reduced transaction activity. This prevented our investments business from completing its ambitious programme of capital recycling initiatives – namely the sale of interests in certain properties in Europe. Until finance becomes readily available, and at reasonable prices, we must continue to seek innovative ways to raise capital, and to rationalise costs and capital expenditure in operational shopping centres, so as to protect our cashflow.

Nevertheless, in 2011 we did successfully sell our interests in Plaza Éboli and El Rosal in Spain to Doughty Hanson & Co Real Estate for €120 million. These sales released substantial resources for new business development in other geographies and allowed us to leverage the services component of the Company since both centres will continue to be managed by Sonae Sierra.

We also managed to successfully re-finance AlgarveShopping in Portugal in November on a long-term mortgage-backed non-recourse loan – a significant achievement in the current economic and one which puts us in good stead for 2012.

We are proceeding with our capital recycling strategy. The prospective sales of Dos Mares in Spain and Airone in Italy are also progressing as planned and we are confident that we will reach a successful close during 2012.

A healthy level of fund activity

In addition to the direct ownership of some of our shopping centres, we co-own many others through innovative investment funds launched in partnership with international institutional Investors.

In line with the Company's strategy, Sierra Investments is working with its co-Investors in order to determine the best path to continue with the investment in the Sierra Fund and guaranteeing the continued revenues from management activities. In 2011, the Sierra Fund acquired a further 25% ownership of Plaza Mayor Shopping (previously held by minority partners).

The current targets for investment in Europe are Germany and Italy, where growth prospects for the shopping centre industry are likely to be more robust than in other Eurozone countries where we operate. Following the success of the Sierra Fund and the Sierra Portugal Fund, we are planning to launch a third fund in 2012, the Sierra Retail Fund III, focused on German and Northern Italian assets. The marketing materials for this new Fund have been shared with a number of prospective investors, with the assistance of a placement agent. In parallel, the structuring documents are under

preparation. Preliminary feedback from prospective investors indicates that investment decisions will be made through the course of first half of 2012.

Outside the Eurozone but still within Europe, Romania seems to provide the best prospects for growth, and elsewhere, Brazil (where Sonae Sierra has been present for around 12 years) besides other emerging markets in Latin America and the Mediterranean Basin.

In Brazil, an asset swap arrangement was made at the end of 2011 with Credit Suisse HG to obtain an additional 30.0% ownership interest in Shopping Plaza Sul in exchange for a minority stake in Shopping Penha and R\$ 63.9 million in cash.

- Shopping Plaza Sul is located in the south region of the city of São Paulo and has a GLA of 23,000m². Through this transaction Sonae Sierra Brasil increased its ownership in this asset to 60.0%. The 30.0% ownership interest in Shopping Plaza Sul was valued at R\$ 102.9 million.
- Shopping Penha is located in the east region of the city of São Paulo and has a GLA of 29,600m². Sonae Sierra Brasil has transferred a 17.12% stake in this mall to CSHG Brasil Shopping FII. With this transaction, Sonae Sierra Brasil will reduce its ownership in Shopping Penha from 73.18% to 56.06%, nevertheless maintaining the controlling ownership stake of this shopping centre.

This transaction reinforces Sonae Sierra Brasil's strategy to pursue opportunistic M&A activities, adding the controlling ownership of a high-quality asset located in the city of São Paulo to the portfolio while maintaining the controlling ownership stake in another asset. Both shopping centres continue to be managed by Sonae Sierra Brasil.

CONSOLIDATED ACCOUNTS

The following Financial Statements consolidate all the companies by the proportional method.

Sonae Sierra Consolidated Accounts

Profit & Loss Accounts

The direct net profit reached € 61.1 mn which compares with € 57.5 mn in 2010, an increase of 6%. The total direct income from investments decreased by 8%, from € 227 million to € 209 million, reflecting the decrease in the portfolio universe - sales of Alexa and Mediterranean Cosmos in 2010 and also the sales of Plaza Éboli and El Rosal, and the Brazilian IPO in 2011.

There is also a decrease in the net financial costs, consequence of higher interests on bank deposits namely in Brazil and lower financial costs, as the outstanding bank debt is lower, due to the sales mentioned before. Efficiency programmes are maintained with selective costs cutting efforts in all the countries where the company operates.

Losses on Sales of Properties in 12M11 include mainly transaction costs on the sales of Plaza Éboli and El Rosal. The Losses on Sales of Properties in 12M10 were the result of the sale of a majority interest in Alexa (Germany) to Union Investment, the gain on the sale of LeiriaShopping (Portugal) to Sierra Portugal Fund (SPF) and the gain on the sale of Mediterranean Cosmos (Greece).

Value Created on Investment Properties is lower than the one obtained in the same period of last year consequence of the yield expansion especially in Portugal partially compensated by performance improvements in both European and Brazilian portfolio.

Balance Sheet

The Total Assets of the Company reached €2.6bn of which €2bn correspond to Investment Properties and €256mn are Properties under Development and Concessions.

The decrease in Investment Properties compared with 31 December 2010 is the consequence of sales of El Rosal and Plaza Éboli, in Spain, the Brazilian IPO, the adverse foreign exchange rate effect of the Brazilian Real and the decrease of the real estate valuations in Europe with exception of Italy and Germany. These reductions were slightly compensated by the opening of Colombo Tower Ocidente, by the acquisition of a further

4.5% of interest in AlexaShopping and by the acquisition of a further 25% interest in Plaza Mayor Shopping .

Properties under Development are slightly above 31 December 2010 mostly due to the ongoing investments in Le Terrazze, Solingen and the Brazilian projects under development.

The Net Worth as at 31 December 2011 is lower than that at 31 December 2010 due to the €23.7mn dividends to be paid to Shareholders, the negative variance in the Translation Reserves – consequence of the depreciation of the Brazilian Real - and the negative variance in the mark-to-market valuation of hedging instruments. These negative impacts were compensated by the current year's net result.

Bank Loans are lower when compared with those of last year mainly due to the sales executed in 2011.

(audited accounts)			
Consolidated Profit and Loss Account	2011	2010	% 11/10
(€000)			
Direct Income from Investments	209.287	226.881	-8%
Direct costs from investments	96.487	103.465	-7%
EBITDA	112.800	123.416	-9%
Net financial costs	35.799	44.101	-19%
Other non-recurrent income/cost	-3.241	-6.583	51%
Direct profit before taxes	73.760	72.732	1%
Corporate tax	12.663	15.193	-17%
Direct net profit	61.097	57.539	6%
Gains realized on sale of investments	-8.226	-1.707	-382%
Impairment & Development funds at risk provision	-6.977	-29.425	76%
Value created on investments	-33.741	18.205	-285%
Indirect income	-48.944	-12.927	-279%
Deferred tax	2.405	35.918	-93%
Indirect net profit	-51.349	-48.845	-5%
Net profit	9.748	8.694	12%

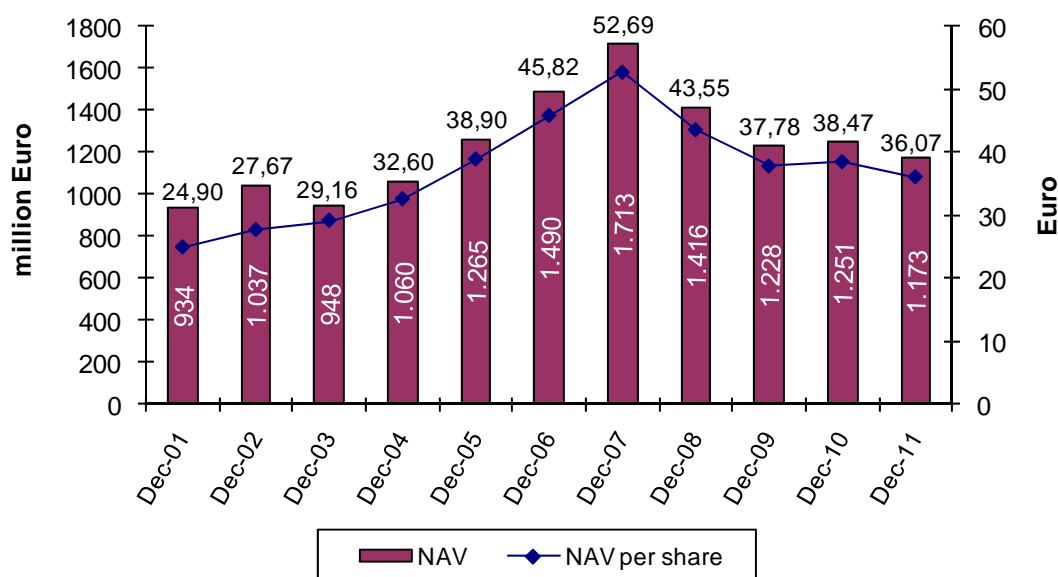
Consolidated Balance Sheet	31-12-2011	31-12-2010	Var.
(€000)			(11 - 10)
Investment properties	2.058.594	2.284.916	-226.321
Properties under development and others	255.841	223.484	32.356
Other assets	135.300	139.709	-4.409
Cash & Equivalents	113.798	54.252	59.546
Total assets	2.563.533	2.702.360	-138.828
Net worth	941.090	1.000.431	-59.341
Bank loans	1.107.428	1.198.091	-90.662
Deferred taxes	286.956	304.627	-17.671
Other liabilities	228.058	199.212	28.847
Total liabilities	1.622.443	1.701.929	-79.487
Net worth and liabilities	2.563.533	2.702.360	-138.828

Net Asset Value

The Company measures its performance, in a first instance, on the basis of changes in Net Asset Value (NAV) plus dividends distributed. The Company calculates its NAV according to the guidelines published in 2007 by INREV (European Association for Investors in Non-listed Real Estate Vehicles), an association of which the Company is a member.

On the basis of this methodology, the NAV of Sonae Sierra, as of 31 December 2011, was €1,173 million compared with €1,251 million on 31 December 2010. The NAV per share of the properties attributed to the company is €36.07 against €38.47 recorded on 31 December 2010.

Net Asset Value (NAV) amounts in €000	31 Dec 11	31 Dec 10
NAV as per the financial statements	941.090	1.000.431
Revaluation to fair value of developments	10.430	14.033
Deferred tax for properties	238.686	249.382
Goodwill related to deferred tax	-36.073	-37.347
Gross-up of Assets	18.765	24.426
NAV	1.172.899	1.250.926



Ratios

Ratios	31 Dec 11	31 Dec 10
Loan-to-value	43,7%	46,4%
Interest cover	2,82	2,27
Development ratio	12,0%	12,1%

The Loan-to-Value (LTV) is 43.7% favourably comparing with 46,4% in December 2010, a decrease that derives largely from the cash-in generated by the Brazilian IPO and, to some extent, from the sales of El Rosal and Plaza Éboli.

The lower gearing ratios result primarily from the Brazilian business which presents a negative gearing level. The improvement trend in both gearing indicators is a result of the decrease in net debt (external debt less cash).

The Company also measures its exposure to the retail real estate development risk through the Development Ratio, by monitoring the weight of the funds already spent in all its committed and non-committed developments and those still to be spend in all its committed developments in relation to its total real estate portfolio (including the funds still to be spent in its committed projects).

The Development Ratio is slightly below that of December 2010 due to the decrease in Investment Properties (the Brazilian IPO) and also the decrease in the overall committed developments with the inauguration of Colombo Tower Occidente.

Sierra Investments

Sierra Investments contributed negatively with €21,7 million to the Consolidated Net Profit of Sonae Sierra.

Direct profits

The direct profits of Sierra Investments are derived from the operation of shopping and leisure centres that are part of its portfolio, including those assets that are in the Sierra Fund and in the Sierra Portugal Fund. The direct profits also include the asset management services provided to the properties by Sierra Asset Management.

Direct net profit is in line with last year. However, Shopping Centre Net Operating Margin in 2011 is below that of last year (€7.3mn). This variation is mostly related with the impact of the sales of interests in 2010 (Alexa and Mediterranean Cosmos) and those of 2011 (Plaza Éboli and El Rosal).

Asset Management Net Operating Income is below last year's due to lower valuations of the existing portfolio and to the portfolio reduction.

The Financial Result is higher than that achieved in 2010, mainly due to the reduction of bank debt as a consequence of the sales of assets.

Indirect profits

Indirect profits arise either from the change in value of the investment properties or the realisation of capital gains on the sale of assets and/or shareholding positions.

The Indirect Result is €34.5mn below last year due to a higher decrease in the Value Created on Investments Properties, compensated by lower a amount of deferred taxes. Value Created in Investment Properties in 2011 was heavy penalized by the yield expansion in Portugal consequence of the economic crisis in Europe and the economic and financial situation of the Country.

Balance Sheet

The Investment Properties decreased its balance by €163mn when compared with 31 Dec 2010. This decrease is explained by the sales of Plaza Eboli and El Rosal and the value decrease of the portfolio in 2011. The opening of Ocidente Tower, the purchases in 4Q11 of 25% of Plaza Mayor Shopping and 4.5% of AlexaShopping partially compensate the otherwise larger reduction of the Investment Properties.

Bank Loans are below those at December 2010 mainly due to the sales of Plaza Eboli and El Rosal deducted by the purchasing of 25% of Plaza Mayor Shopping and 4.5% of AlexaShopping and the loan drawdowns made by Occidente Tower.

Profit & Loss Account	2011	2010	% 11/10
(€000)			
Retail Net Operating Margin	101.775	109.103	-7%
Parking Net Operating Margin	1.478	1.588	-7%
Co-generation Net Operating Margin	508	544	-7%
Shopping Centre Net Operating Income	103.761	111.235	-7%
Offices Net Operating Income	0	73	-100%
Asset Management Net Operating Income	1.881	2.501	-25%
Net Operating Income (NOI)	105.642	113.810	-7%
Net financial costs	36.331	42.616	-15%
Other non-recurrent income/cost	-5.808	-6.672	13%
Direct profit before taxes	63.504	64.522	-2%
Corporate tax	10.117	11.150	-9%
Direct net profit	53.387	53.372	0%
Gains realized on sale of investments	-8.079	-3.549	-128%
Value created on investments	-75.041	-13.637	-450%
Indirect income	-83.120	-17.186	-384%
Deferred tax	-8.080	23.339	-135%
Indirect net profit	-75.039	-40.525	-85%
Net Profit	-21.653	12.847	-269%

Consolidated Balance Sheet	31-12-2011	31-12-2010	Var.
(€000)			(11 - 10)
Investment properties & others	1.747.849	1.910.802	-162.952
Other assets	180.502	162.321	18.181
Cash & Equivalents	45.976	75.317	-29.341
Total assets	1.974.327	2.148.439	-174.112
Net worth	645.736	713.140	-67.404
Bank loans	947.275	1.062.757	-115.482
Deferred taxes	230.134	238.206	-8.071
Other liabilities	151.182	134.337	16.845
Net Worth and liabilities	1.974.327	2.148.439	-174.112

Sierra Developments

Sierra Developments contributed negatively with € 17.8 million to the Consolidated Net Profit of Sonae Sierra.

The figure presented in Value Created in Projects concerns Le Terrazze and the imparity losses booked in the Greek projects.

The Development services rendered are slightly lower than those provided during same period of last year mainly due to lower income from Sonae Sierra projects under development. However, higher Services Rendered to Third Parties partially compensated the total decrease under Development services rendered.

Profit & Loss Account (€000)	2011	2010	% 11/10
Project Development Services Rendered	5.932	6.133	-3%
Value created in projects	-6.148	-24.503	75%
Operating Income	-216	-18.370	99%
Operating costs	23.942	23.203	3%
Net Operating Income (NOI)	-24.158	-41.573	42%
Depreciation and provisions	4	99	-96%
Net financial costs	912	2.292	-60%
Other non-recurrent income/cost	-533	-544	2%
Income tax	-7.778	-3.212	-142%
Net Profit	-17.829	-41.296	57%

Consolidated Balance Sheet (€000)	31-12-2011	31-12-2010	Var. (11 - 10)
Properties under development	187.888	164.128	23.760
Other assets	69.652	77.364	-7.711
Cash & Equivalents	7.244	5.585	1.659
Total assets	264.785	247.077	17.708
Net worth	18.365	-68.465	86.830
Bank loans	40.570	9.320	31.249
Shareholder loans	89.955	175.476	-85.521
Deferred taxes	3.531	4.063	-532
Other liabilities	112.363	126.682	-14.319
Net worth and liabilities	264.785	247.077	17.708

Sierra Management

Sierra Management contributed with € 4.4 million to the Consolidated Net Profit of Sonae Sierra.

Profit & Loss Accounts

Sierra Management was successful in the implementation of its selective cost cutting efforts, thus maintaining its Net Operating Income in line with the previous year. However, the Income from Management Services decreased by 3% versus the previous year mostly due to reduced rents and letting activity in our European portfolio, stemming from the crisis affecting most of the countries where we operate.

Improvements on the financial and tax management sides have allowed a 26% growth of Sierra Management's Net Profit.

Balance Sheet

The total assets of €63.6mn correspond basically to short term loans to group companies and to rents not yet received.

Profit & Loss Account (€000)	2011	2010	% 10/09
Total Income from Management Services	32.583	33.510	-3%
Operating Costs	26.654	27.483	-3%
Net Operating Income (NOI)	5.929	6.027	-2%
Net financial costs	-1.009	-851	-19%
Other non-recurrent income/cost	-307	-847	64%
Income tax	2.208	2.521	-12%
Net Profit	4.424	3.510	26%

Consolidated Balance Sheet (€000)	31-12-2011	31-12-2010	Var. (11 - 10)
Other assets	24.973	20.990	3.982
Cash & Equivalents	38.666	34.541	4.125
Total assets	63.639	55.532	8.107
Net worth	14.027	9.939	4.087
Other liabilities	49.613	45.593	4.020
Net Worth and liabilities	63.639	55.532	8.107

Sonae Sierra Brazil

Sonae Sierra Brazil contributed with a positive result of €47.4 million to the Consolidated Net Profit of Sonae Sierra.

Profit & Loss Accounts

Net Operating Income has decreased by 11% versus last year but this springs out from the IPO launched during the first quarter of 2011. In fact, the operational performance was considerably better than in last year, with an increase in total rents (Like-for-Like) due to superior sales in all of the centres.

Indirect net profit is higher than in the previous year due to an important improvement of operational performance in all properties.

Balance Sheet

The Investment Properties decrease when compared with 31 December 2010 is explained by the effect of the IPO and the adverse FX variance. Without these effects the amount in investment properties would have increased.

The amount in Bank Loans corresponds to the loans in Manauara, Uberlândia, Metrópole, Londrina and to the corporate revolving credit facility utilisation.

Profit & Loss Account (€000)	2011	2010	% 11/10
Retail Net Operating Margin	21.744	24.772	-12%
Parking Net Operating Margin	3.301	3.253	1%
Shopping Centre Net Operating Income	25.045	28.026	-11%
Total Income from Services Rendered	5.910	7.401	-20%
Overheads	7.803	9.270	-16%
Net Operating Income (NOI)	23.152	26.157	-11%
Net financial costs/(income)	-3.022	10	-
Other non-recurrent income/cost	-220	-2.824	92%
Direct profit before taxes	25.953	23.322	11%
Corporate tax	3.570	3.548	1%
Direct Profit	22.383	19.774	13%
Value created on investments	39.630	25.102	58%
Deferred tax	14.620	10.481	39%
Indirect net profit	25.010	13.863	80%
Net Profit	47.393	33.637	41%

Consolidated Balance Sheet (€000)	31-12-2011	31-12-2010	Var. (11 - 10)
Properties	372.776	433.772	-60.996
Other assets	13.786	14.739	-953
Cash & Equivalents	54.851	14.294	40.558
Total Assets	441.413	462.804	-21.392
Net worth	323.778	338.404	-14.626
Bank loans	45.637	41.004	4.633
Deferred taxes	55.935	63.561	-7.626
Other liabilities	16.062	19.835	-3.773
Net Worth and liabilities	441.413	462.804	-21.392

SHARE CAPITAL AND OWN SHARES OF SONAE SIERRA, SGPS, SA

In 1999, in accordance with Article 17 of Decree-Law 343/98, Sonae Sierra, SGPS, SA proceeded to the re-nomination in Euro of its shares representing the share capital, using the standard method. Thus since 1999 and after incorporating PTE 15,194,250 (€ 75,788.60) of Free Reserves into share capital, the share capital of the Company was € 187,125,000.

On 29 November 2003, it was decided at a shareholders' meeting to reduce the share capital of Sonae Sierra, SGPS, SA from € 187,125,000 to € 162,244,860, by extinguishing 4,986,000 bearer shares to be purchased to the shareholders using available reserves.

As a result of this decision, Sonae Sierra, SGPS, SA acquired 4.986.000 shares from its shareholders for a total of € 150,028,740.

After acquisition of these own shares and a favourable decision at the Shareholders' Meeting that took place on 4 December 2003, Sonae Sierra reduced its share capital by extinguishing these own shares by public deed signed on 17 December 2003.

As specified in Portuguese Commercial law, a special reserve subject to the regulations concerning Legal Reserves was set up to an amount equivalent to the nominal value of the extinguished shares (€ 24,880,140).

From 31 December 2009 onwards, the share capital of Sonae Sierra, SGPS, SA was € 162,244,860, made up of 32,514,000 ordinary shares each with a nominal value of € 4.99.

Dividend Proposal from the Board of Directors

The Board of Directors of Sonae Sierra, SGPS, SA recommend to the General Meeting of the Company, the payment of a gross dividend of € 0.65 per share, amounting to the total sum of € 21,134,100.00 (twenty one million, one hundred and thirty four thousand and one hundred Euro), which compares with a dividend distribution of € 0.73 per share in 2010.

OUTLOOK FOR THE FUTURE

Despite the successes we have achieved in 2011, we are under no illusion that 2012 will be any easier for Sonae Sierra's business. We shall continue to face very challenging economic conditions, particularly as long as the credit situation in the Eurozone remains unclear.

Our strategy for the future is, therefore, to continue hedging our risk exposure to maximum effect:

- We shall maintain our loan to value ratio at prudent levels (below 45%), also spreading our loan repayments over long time-periods where feasible.
- We shall continue to focus our growth in new and emerging markets, with a view to reweighting our portfolio towards rapidly growing economies.
- We shall boost our role as Knowledge Provider, increasing the sale of services to third parties.
- Finally, we shall maintain our unique shopping centre specialism, sharpening our skills to further differentiate us from other property developers. We shall continue to foster a culture of innovation and to invest in talent so as to achieve the very best from our people who represent our most important asset.

Final Notes

The Board of Directors would like to thank all our shopping centre's Tenants, our Suppliers, our Partners and the Official Organizations who have trusted and supported us throughout the year.

We would also like to thank our official Auditors for their co-operation.

Finally we would like to thank our Staff for their enthusiasm and commitment during what has been a challenging year for all of us.

Maia, 02nd March 2012

The Board of Directors

SONAE SIERRA, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2011 AND 2010

(Translation of the statement of financial position originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

ASSETS	Notes	31 December 2011	31 December 2010
NON CURRENT ASSETS:			
Investment properties	7	3,104,769	3,263,755
Investment properties in progress	7	256,536	203,541
Property, plant and equipment	8	2,169	2,773
Goodwill	9	45,723	46,406
Intangible assets	10	4,571	5,745
Investments in associates and companies excluded from consolidation	5	84,970	89,207
Deferred tax assets	22	29,820	24,335
Derivative financial instruments	18	-	847
State and other public entities	25	311	160
Other non current assets	11	33,460	28,895
Total non current assets		3,562,329	3,665,664
CURRENT ASSETS:			
Trade receivables	12	30,139	33,802
State and other public entities	25	36,924	37,437
Other receivables	13	29,234	28,829
Other current assets	14	18,106	13,225
Cash and cash equivalents	15	150,232	54,129
Total current assets		264,635	167,422
Total assets		3,826,964	3,833,086
EQUITY, NON-CONTROLLING INTERESTS AND LIABILITIES			
EQUITY:			
Share capital	16	162,245	162,245
Reserves	16	57,329	57,329
Translation Reserve		5,273	44,902
Hedging Reserve		(23,889)	(21,191)
Retained earnings		730,499	748,452
Consolidated net profit for the period attributable to the equity holders of Sonae Sierra		9,748	8,694
Equity attributable to the equity holders of Sonae Sierra		941,205	1,000,431
Non-controlling interests	17	551,062	432,140
Total Equity		1,492,267	1,432,571
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term debt - net of current portion	18	1,394,898	1,457,865
Debentures loans - net of current portion	18	74,876	74,760
Derivative financial instruments	18	48,611	38,563
Other shareholders	20	8,503	10,955
Trade payables	24	543	6,171
Other non current liabilities	21	13,544	13,775
Provisions	28	386	374
Deferred tax liabilities	22	506,238	507,495
Total non current liabilities		2,047,599	2,109,958
CURRENT LIABILITIES:			
Current portion of long term debt	18	83,467	118,456
Current portion of long term of debentures loans	18	(116)	(108)
Short term debt and other borrowings	19	133	1,404
Other shareholders	20	10,791	10,791
Trade payables	24	34,047	32,539
State and other public entities	25	22,999	18,539
Other payables	26	50,050	27,770
Other current liabilities	27	83,913	79,081
Provisions	28	1,814	2,085
Total current liabilities		287,098	290,557
Total equity, minority interests and liabilities		3,826,964	3,833,086

The accompanying notes form an integral part of these consolidated statements of financial position.

The Board of Directors

SONAE SIERRA, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of statement of profit and loss originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

	Notes	2011	2010
Operating revenue:			
Services rendered	29	387,222	384,857
Variation in fair value of the investment properties	7 and 30	(37,153)	20,889
Other operating revenue	31	17,959	21,943
Total operating revenue		<u>368,028</u>	<u>427,689</u>
Operating expenses:			
External supplies and services		(140,857)	(144,713)
Personnel expenses		(53,062)	(55,405)
Depreciation and amortisation	8 and 10	(2,275)	(2,359)
Provisions and impairment	28	(7,692)	(7,604)
Write-off and impairment losses	32	(10,242)	(30,822)
Other operating expenses	33	(28,818)	(19,820)
Total operating expenses		<u>(242,946)</u>	<u>(260,723)</u>
Net operating profit		125,082	166,966
Financial income	34	14,255	9,872
Financial expenses	34	(68,960)	(71,598)
Share of results of associated undertakings	5 and 35	(11,800)	521
Gains and losses on investments	36	(182)	2,971
Profit before income tax		58,395	108,732
Income tax	23	<u>(23,871)</u>	<u>(74,745)</u>
Profit after income tax		34,524	33,987
Net profit after tax from discontinuing operations		-	-
Consolidated net profit for the period		<u>34,524</u>	<u>33,987</u>
Attributable to:			
Equity holders of Sonae Sierra		9,748	8,694
Non-controlling interests	17	<u>24,776</u>	<u>25,293</u>
		<u>34,524</u>	<u>33,987</u>
Consolidated net profit per share:			
Basic	-	0.300	0.267
Diluted	-	0.300	0.267

The accompanying notes form an integral part of these consolidated statements of profit and loss.

The Board of Directors



SONAE SIERRA, S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of the statement of comprehensive income originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

	Notes	2011	2010
Consolidated net profit for the period		34,524	33,987
Changes in the currency translation differences		(42,196)	39,687
Changes in the fair value of hedging instruments		(5,214)	6,617
Income tax related to components of other comprehensive income		913	(1,886)
Others		(13)	152
Other comprehensive income of the period		(46,510)	44,570
Total comprehensive income for the period		(11,986)	78,557
Attributable to:			
Equity holders of Sonae Sierra		(19,433)	47,153
Non-controlling interests		7,447	31,404
		(11,986)	78,557

The accompanying notes form an integral part of these consolidated statements of comprehensive income.

The Board of Directors

SONAE SIERRA S.G.P.S., S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of statements of changes in equity originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

		Attributable to Equity Holders of Sonae Sierra								
			Reserves						Non-controlling	
	Notes	Share capital	Legal Reserves	Translation reserve	Hedging reserve	Retained earnings	Net profit	Total	Interests (Note 17)	Total
Balance at 31 December 2009		162,245	57,329	10,850	(24,519)	899,614	(110,986)	994,533	407,232	1,401,765
Appropriation of consolidated net profit for 2009:										
Transfer to legal reserves and retained earnings		-	-	-	-	(138,298)	138,298	-	-	-
Dividends distributed	41	-	-	-	-	-	(27,312)	(27,312)	(11,101)	(38,413)
Currency translation differences		-	-	34,052	-	(138,298)	110,986	(27,312)	(11,101)	(38,413)
Transfer to non-controlling interests	17	-	-	-	(930)	(13,013)	-	(13,943)	13,943	-
Fair value of hedging instruments	18	-	-	-	6,045	-	-	6,045	572	6,617
Deferred tax in fair value of hedging instruments	22	-	-	-	(1,787)	-	-	(1,787)	(99)	(1,886)
Capital increase/decrease		-	-	-	-	-	-	-	(9,338)	(9,338)
Acquisitions/sale of subsidiaries effect		-	-	-	-	-	-	-	-	-
Consolidated net profit for period ended 31 December 2010		-	-	-	-	-	8,694	8,694	25,293	33,987
Others		-	-	-	-	149	-	149	3	152
Balance at 31 December 2010		162,245	57,329	44,902	(21,191)	748,452	8,694	1,000,431	432,140	1,432,571
Balance at 31 December 2010		162,245	57,329	44,902	(21,191)	748,452	8,694	1,000,431	432,140	1,432,571
Appropriation of consolidated net profit for 2010:										
Transfer to legal reserves and retained earnings		-	-	-	-	(15,041)	15,041	-	-	-
Dividends distributed	41	-	-	-	-	-	(23,735)	(23,735)	(4,132)	(27,867)
Currency translation differences		-	-	(27,210)	-	(15,041)	(8,694)	(23,735)	(4,132)	(27,867)
Transfer to/from non-controlling interests	17	-	-	(12,419)	-	(4,069)	-	(16,488)	16,488	-
Fair value of hedging instruments	18	-	-	-	(2,127)	-	-	(2,127)	(3,087)	(5,214)
Deferred tax in fair value of hedging instruments	22	-	-	-	213	-	-	213	700	913
Capital increase/decrease		-	-	-	-	-	-	-	101,217	101,217
Acquisitions/sale of subsidiaries effect	17	-	-	-	-	-	-	-	(2,526)	(2,526)
Changes in ownership of subsidiaries	6	-	-	-	(784)	1,214	-	430	428	858
Consolidated net profit for period ended 31 December 2011		-	-	-	-	-	9,748	9,748	24,776	34,524
Others		-	-	-	-	(57)	-	(57)	44	(13)
Balance at 31 December 2011		162,245	57,329	5,273	(23,889)	730,499	9,748	941,205	551,062	1,492,267

The accompanying notes form an integral part of these consolidated statement of changes in equity.

The Board of Directors

SONAE SIERRA, SGPS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of statement of cash flow originally issued in Portuguese - Note 46)

(Amounts stated in thousands of Euro)

	Ano	
	2011	2010
OPERATING ACTIVITIES:		
Received from clients	385,128	385,362
Paid to suppliers	(140,426)	(142,213)
Paid to personnel	(53,884)	(57,367)
Flows from operations	190,818	185,782
(Payments)/receipts of income tax	(20,421)	(25,811)
Other (payments)/receipts relating to operating activities	(8,043)	443
Flows from operating activities [1]	162,354	160,414
INVESTING ACTIVITIES:		
Receipts relating to:		
Investments	236	112,144
Tangible fixed assets	125,610	32,946
Interest income	11,374	3,642
Dividends	260	1,105
Other	-	4,375
	137,480	154,212
Payments relating to:		
Investments	(6,137)	(29,211)
Tangible fixed assets	(121,222)	(109,374)
Intangible fixed assets	(1,409)	(1,551)
Other	(3,577)	(951)
	(132,345)	(141,087)
Variation in Loans granted	22	1,935
Flows from investing activities [2]	5,157	15,060
FINANCING ACTIVITIES:		
Receipts relating to:		
Capital increase and share premiums	94,874	-
Bank loans	114,406	118,724
Other	-	-
	209,280	118,724
Payments relating to:		
Interest expenses	(60,606)	(70,671)
Dividends	(4,138)	(38,143)
Decrease of share capital - nominal value and discounts and premiums	-	(9,381)
Bank loans	(210,336)	(190,460)
Other	-	(11)
	(275,080)	(308,666)
Variation in Loans obtained - others	(2,451)	(1,521)
Flows from financing activities [3]	(68,251)	(191,463)
Variation in cash and cash equivalents [4] = [1] + [2] + [3]	99,260	(15,989)
Effect of exchange differences	(3,928)	2,068
Effect of the acquisitions and sales of companies:		
LeiriaShopping	-	(8,111)
MC Property Management	-	(252)
Project Sierra 6 BV	-	(4)
Alexa KG	-	(1)
Alexa	638	-
Cash and cash equivalents at the beginning of the year	54,129	76,418
Cash and cash equivalents at the end of the year	150,099	54,129

The accompanying notes form an integral part of these consolidated statements of cash flows.

The Board of Directors

SONAE SIERRA, SGPS, S.A. AND **SUBSIDIARIES**

Notes to the consolidated financial statements as of 31 December 2011

(Translation of notes originally issued in Portuguese – Note 46)

(Amounts stated in thousands of Euro - kEuro)

1 INTRODUCTION

SONAE SIERRA, S.G.P.S., S.A. ("the Company" or "Sonae Sierra"), which has its head office in Lugar do Espido, Via Norte, Apartado 1197, 4471-909 Maia – Portugal, is the parent company of a group of companies, as explained in Notes 3 and 4 ("the Group").

The Group's operations consist of investment, management and development of shopping centres.

The Group operates in Portugal, Brazil, Spain, Greece, Germany, Italy, Romania, Colombia, Morocco, Algeria and Netherlands.

These financial statements are presented in Euro because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policy set out in Note 2.2.e).

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

2.1. Basis of preparation

The accompanying consolidated financial statements have been prepared according to the International Financial Report Standards ("IFRS") and approved by the European Union, applicable to economic years beginning on 1 January 2011. These correspond to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC") and approved by the European Union.

The accompanying consolidated financial statements have been prepared on a going concern basis and in accordance with the accrual basis of accounting, from the accounting records of the companies included in the consolidation maintained according to the generally accepted accounting principles in the countries of each company adjusted, in the consolidation process, to International Financial Reporting Standards ("IFRS"), as approved by the European Union.

New accounting standards and their impact in these consolidated financial statements

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions with mandatory application to the economic year beginning on 1 January 2011:

	Applicable for financial years beginning on / after
IAS 24 Related Party Disclosures (Revised)	01-Jan-11
Amendments to IFRS 1 Limited Exemption from comparative IFRS 7 Disclosures for First Time Adopters	01-Jul-10
Amendment to IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues	01-Feb-10
IFRIC 19 - Extinguishing of Financial Liabilities with Equity Instruments	01-Jul-10
Amendment to IFRIC 14 - Prepayments of Minimum Funding Requirements	01-Jan-11
Amendments to IFRS 7 - Financial instruments: Disclosures - Transfer of Financial Assets	01-Jul-11

All these standards were first applied by the Group in 2011 and had no impact in the consolidated financial statements.

The following standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, endorsed by the European Union:

	Applicable for financial years beginning on / after
Improvements to IFRS (2010)	Several (on / after 01-Jul-10)

These standards, despite being endorsed by the European Union, were not adopted by the Group in 2011 because their application is not yet mandatory. It is not anticipated that there will be retrospective adjustments in the consolidated financial statements of the Group from the adoption of these standards.

The following standards and interpretations were issued by the IASB and they are not yet endorsed by the European Union:

	Applicable for financial years beginning on / after
IFRS 9 - Financial Instruments	01-Jan-13
Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets	01-Jan-12
Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01-Jul-11
Amendments to IFRS 7 - Financial Instruments: Disclosures	01-Jul-11
IFRS 10 - Consolidated Financial Statements	01-Jan-13
IFRS 11 - Joint Arrangements	01-Jan-13
IFRS 12 - Disclosure of Interests in Other Entities	01-Jan-13
IFRS 13 - Fair Value Measurement	01-Jan-13
IAS 27 (Revised 2011)- Separate Financial Statements	01-Jan-13
IAS 28 (Revised 2011)- Investments in Associates and Joint Ventures	01-Jan-13
Amendments to IAS 1 - Presentation of Comprehensive Income	01-Jan-12
Amendments to IAS 19 - Post Employment Benefits	01-Jan-13
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13

Regarding IFRS 11 – Joint Arrangements, it is estimated a significant impact on the consolidated financial statements, namely derived from the abolition of the proportional method of consolidation regarding the Group's investments in joint ventures. In relation to the remaining standards it is not anticipated any significant impact on the accompanying consolidated financial statements. Any of these standards were adopted by the Group as they were not yet endorsed by the European Union.

The Group adopted International Financial Reporting Standards in the preparation of consolidated financial statements as from 1 January 2001. The effect of the adjustments as of 31 December 2000, relating to changes in accounting principles to IFRS, amounting to kEuro 222,684, was recorded in the equity captions "Retained earnings" (kEuro 223,565), "Hedging reserve" (negative amount of kEuro 946) and "Translation reserve" (kEuro 65).

2.2. Consolidation principles

The financial statements of the parent company and its subsidiaries, jointly controlled entities and associates included in the consolidated financial statements were prepared with reference to 31 December 2011 and were, when applicable, adjusted in order to ensure its consistency with the Group's accounting principles, described below.

The consolidation methods adopted by the Group are as follows:

a) Investments in Subsidiaries

Investments in companies in which the Group owns, directly or indirectly, more than half of the voting rights at Shareholders' General Meetings and is able to govern the financial and operating policies so as to benefit from its activities are considered investments in subsidiaries, their financial statements being included in the consolidated financial statements by the full consolidation method.

The purchase method of accounting is used when recording the acquisition of subsidiaries (Note 2.2.d)).

The interests in the net assets of subsidiaries that do not belong to the Group (non-controlling interests) are presented within equity, separately from equity attributable to equity holders of the parent company, under the caption "Non-controlling interests". Non-controlling interests consist of the amount of those interests at acquisition date (Note 2.2.d)) and of the proportion in changes in equity of subsidiaries acquired after the purchase date.

The net result and each component of comprehensive income are allocated to the Group and to the non-controlling interests in proportion to their holding (ownership interest), even if this results in a deficit balance of non-controlling interests.

All intercompany transactions (including gains/losses obtained in sales within the Group), balances and dividends distributed within the Group are eliminated in the consolidation process.

The changes in ownership interest in the Group's subsidiaries that do not result in loss of control are recorded as equity transactions.

The subsidiaries included in the consolidated financial statements by the full consolidation method are listed in Note 3.

Whenever the Group holds, in substance, the control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full integration method. As of the reference date of these financial statements, no such entities exist.

b) Investments in jointly controlled companies

The investments in jointly controlled companies are included in the accompanying consolidated financial statements in accordance with the proportional consolidation method as from date the joint control is acquired. In accordance with this method, the assets, liabilities, income and expenses of these companies are included in the accompanying consolidated financial statements on a line-by-line basis, in proportion of the control attributable to the Group.

The excess of cost of acquisition over the fair value of the identifiable net assets of each jointly controlled entity at the acquisition date is recognised as goodwill (Note 2.2.d)). If the difference between the acquisition cost and fair value of the identifiable net assets acquired is negative, it is recognised as a gain for the year.

The intercompany transactions, balances and dividends distributed are eliminated in the consolidation process, in the proportion of the control attributable to the Group.

Investments in joint ventures (usually 50% owned) are classified as such based on the shareholder's agreements that regulate the joint control.

The companies included in the accompanying consolidated financial statements in accordance with the proportional consolidation method are listed in Note 4.

c) Investments in associates

Associates are companies where the Group exercises significant influence (presumed when the contribution is above 20%) but do not hold the control or the joint control through the participation in the financial and operating decisions of the company and they are consolidated in accordance with the equity method.

Under the equity method, financial investments in associates are recorded at their acquisition cost, adjusted after the date of acquisition, by the amount corresponding to the Group's proportion in equity (including net results) of associates after that date. By applying the equity method, the Group's share in the net result of associates is recorded against the statement of profit and loss and the dividends received are deducted from the value of the investment.

The excess of cost of acquisition over the fair value of identifiable assets and liabilities of each associate at the acquisition date is recognised as goodwill (Note 2.2.d)) and is kept under the caption of the financial investment in associates. If the difference between the acquisition cost and fair value of assets and liabilities acquired is negative, it is recognised as a gain for the year.

The investments in associates are assessed when there is evidence that the asset may be impaired, as well as an annual assessment of the value of goodwill recorded under the caption of the investments in associates. Any existing impairment loss is recorded as an expense in the consolidated statement of profit and loss.

When the Group's share of accumulated losses of the associated company exceeds the value at which the investment is registered, the investment is reported at nil value and recognition of losses is discontinued except in the extent of the Group's commitment towards the associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the associate against the investment in that associate. Unrealised losses are eliminated similarly but only to the extent that there is no evidence of impairment of the transferred asset.

Investments in associated companies are listed in Note 5.

d) Goodwill

In the acquisitions of subsidiaries after 1 January 2010, the positive differences between the transferred retribution (usually acquisition cost) increased by the amount of non-controlling interests at acquisition date and the fair value of identifiable net assets acquired and the assumed liabilities of such companies at the acquisition date, are recorded under caption "Goodwill". If the difference is negative, it is recognised as a gain of the year. The non-controlling interests at acquisition date are measured at fair value or by their proportion in the fair value of identifiable net assets at the acquisition date.

The positive differences between the acquisition cost of investments in subsidiaries acquired until 31 December 2009, jointly controlled entities and associates and the fair value of identifiable assets and liabilities attributable to the Group of those companies at the acquisition date, are recorded under the caption "Goodwill (in the case of investments in subsidiaries and jointly controlled entities) or in financial investment in associates (in the case of investments in associates)". If the difference is negative, it is recognised as a gain of the year. Non-controlling interests include, in the case of acquisition of subsidiaries,

their proportion in the fair value of identifiable assets and liabilities at the acquisition date.

The goodwill resulting from acquisitions occurred until 31 March 2004 was up to 2004 inclusive and in accordance with IFRS 3 – Business Combinations (“IFRS 3”), depreciated during the expected period to recover the investment and the corresponding depreciation and impairment of Goodwill been recorded in the profit and loss statement. From 1 January 2005, the goodwill resulting from these acquisitions was no longer depreciated, being its carrying amount subject to impairment tests, carried out at each statement of financial position date.

The goodwill resulting from acquisitions made after 31 March 2004 is not depreciated and is tested for impairment at the date of each report.

Any impairment loss on goodwill is immediately recognised in the statement of profit and loss of the year under the caption “Impairment losses” and not subsequently reversed.

The impairment tests of goodwill are based on the Net Asset Value (“NAV”) of the shares held, at each statement of financial position date.

The NAV corresponds to evaluation at fair value, at each statement of financial position date, of the net assets of the subsidiary excluding deferred tax liabilities relating to unrealised gains on investment properties.

e) Translation of financial statements of foreign entities

The entities that operate abroad and are financially, economically and organisationally autonomous are considered as foreign entities.

The assets and liabilities of the financial statements of foreign entities are translated to Euro at the exchange rate as of the reporting date and the income and expenses and also the cash-flow statement are translated to Euro using the average exchange rate. The amount related to the exchange rate difference is recorded in the equity under the caption “Translation reserve”.

Goodwill and fair value adjustments resulting from the acquisition of those foreign entities are considered as assets and liabilities of that foreign entity, being translated to Euro at the exchange rate existing as of each statement of financial position date.

Whenever a foreign entity is sold, the accumulated exchange differences are recognised as a gain or loss in the consolidated statement of profit and loss.

The exchange rates used for the conversion into Euro of the accounts of Group companies, jointly controlled entities and foreign associates were the following:

	2011		2010	
	31.12.11	Average	31.12.10	Average
Brazilian real	0.41392	0.43061	0.45092	0.42982
New Romanian Leu	0.23150	0.23618	0.23338	0.23752
Colombian Peso	0.00040	0.00039	0.00039	0.00041

2.3. Investment Properties

Investment properties consist of investments in buildings and other constructions in shopping centres to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or for sale in the ordinary course of business.

The investment properties in progress are within the scope of IAS 40 – Investment Property, when they fulfil the conditions to measure reliably their fair value.

It is considered that Investment property in progress meet the conditions for its fair value to be reliably measured, when there is a high probability that the project will be concluded within a short period of time. This probability is high when the following conditions are met:

- land acquired
- construction license obtained
- financing contract for the property is signed
- construction started
- lease contracts with the main anchor stores signed.

Investment properties are recorded at their fair value based on appraisals made by an independent specialised entity - Cushman & Wakefield (fair value model). Changes in fair value of investment properties are accounted for in the period in which they occur, under the statement of profit and loss caption "Variation in fair value of investment properties".

The Group's assets which qualify as investment properties are recognised as such when they start being used or, in the case of the investment properties in progress, when their development is considered irreversible, as mentioned in the above conditions. By the time the asset qualifies as investment property, it is booked at its historical or production cost under the caption "Investment Property in progress". Thereafter, such assets are accounted at their fair value. The difference between fair value and cost (of purchase or production), at that date, is recorded directly in the statement of profit and loss, under caption "Variation in fair value of investment properties".

Costs incurred related to investment properties in use, namely maintenance, repairs, insurance and property taxes are recognised as an expense in the statement of profit and loss for the year to which they relates. The improvements estimated to generate additional economic benefits are capitalised under the caption "Investment properties".

Fit out contracts are contracts under which the Group supports part of the expenses incurred with the works inside the store, and the tenant assumes the responsibility to reimburse the Group by the amount invested over the term of the contract, under terms and conditions specific to each contract. The amounts paid by the Group on each fit-out contract are initially recorded at cost under the caption "Investment Property", being subsequently adjusted to the corresponding fair value, at each statement of financial position date, as determined by a specialised independent entity (Cushman & Wakefield). The methodology used to determine the fair value of the fit out contracts is similar to the one used in determining the fair value of the investment property to which these contracts relates (Note 7). Variations in fair value of the fit-out contracts are recorded in the consolidated statement of profit and loss under the caption "Variation in fair value of the investment properties".

2.4. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis, as from the date the assets start being used, over the estimated period of useful life of each group of assets.

The depreciation rates used correspond to the following periods of estimated useful life:

	<u>Years</u>
Buildings and other constructions	50
Machinery and equipment	10
Transport equipment	5
Tools and utensils	4
Administrative equipment	10
Other property, plant and equipment	5

Fixed assets in progress and investment properties in progress that do not qualify for their fair value to be reliably measured are recorded at cost of acquisition or production, deducted by eventual impairment losses. As fixed assets in progress relate mainly to tangible fixed assets, that will qualify in the future as investment properties, those are classified separately in the statement of financial position, under the caption "Investment properties in progress".

Gains and losses arising from the sale or disposal (write-off) of tangible fixed assets are determined as being the difference between the sale price and the corresponding carrying amount as of the sale/disposal date, being recorded in the statement of profit and loss, under the captions "Other operating income" or "Other operating expenses".

2.5. Intangible assets

Intangible assets are stated at cost less accumulated depreciation and any impairment losses. Intangible assets are only recognised if it is likely to produce future economic benefits to the Group, are controlled by the Group and the cost of the asset can be reliably measured.

Expenditure on research activities are recorded as expenses in the period they are incurred.

Intangible assets as of 31 December 2011 consist mainly of:

- rights of facilities management, which are depreciated on a straight-line basis over the estimated period of the management right (periods ranging from 10 to 15 years);
- Software, which is depreciated over the estimated period of use (periods ranging from 3 to 5 years).

Depreciation of intangible assets are recorded in the statement of profit and loss under caption "Depreciation and amortisation".

2.6. Assets available for sale

Non-current assets (and all other related assets and liabilities to dispose) are classified as available for sale if it is expected that its book value will be recovered through sale rather than through continuing use. This condition is considered fulfilled only when the sale is highly probable and the asset (and all other related assets and liabilities to dispose) is available for immediate sale under current conditions. Additionally, there must be in place measures that make expectable that the sale will be held within 12 months after the date of the classification under this caption.

Non-current assets (and all related assets and liabilities to dispose) classified as available for sale are measured at the lower of book value or fair value, less costs related to the sale. In return, these assets are not amortised.

2.7. Financial assets and liabilities

Assets and liabilities are recognised in the statement of financial position when the Group becomes part of the correspondent contract.

Financial assets are initially recorded at their acquisition value, which is the fair value, including transaction costs, except for financial assets measured at fair value through profit and loss, where the transaction costs are immediately recorded in the profit and loss statement.

The Group derecognises financial assets when: (i) the contractual rights to cash flows expire; (ii) it transfers to another entity the significant risks and benefits associated with ownership of the property or; (iii) despite having retained some, but not substantially the significant risks and benefits, has transferred the control over them.

The Group derecognises financial liabilities only when the corresponding obligation is settled, cancelled or expires.

Financial assets are classified into the following categories:

- Financial assets measured at fair value through profit and loss
- Financial assets held to maturity
- Loans and receivables
- Financial assets available for sale

The financial assets measured at fair value through profit and loss are financial assets held for trading, i.e., financial assets that the Group intends to trade in the short term. In the particular case of the Group, this category includes mainly derivative financial instruments. The subsequent measurement of these financial assets is carried at fair value, recorded in the profit and loss statement.

Financial assets held to maturity are financial assets with fixed maturity and for which the Group has the intention and ability to hold to that date. In the particular case of the Group, there are no financial assets classified in this category.

Loans and receivables are generated during normal operations of the Group, for which there is no intention to negotiate. Classified in this category are the accounts receivable and other receivables, loans to third parties and bank deposits. The subsequent meas-

urement of these financial assets is carried at amortised cost in accordance with the effective interest method.

Financial assets available for sale are financial assets that are not classified in any of the above mentioned categories. In this particular case, the Group should classify in this category financial investments which were not likely to be classified as subsidiaries, associates or jointly controlled entities. However, by the date of these financial statements, no financial assets are classified in this category.

Financial liabilities are classified into the following categories:

- Financial liabilities measured at fair value through profit and loss
- Other financial liabilities

Financial liabilities, measured at fair value through profit and loss, correspond to liabilities held for trading, i.e., liabilities that the Group intends to trade in the short term. In the particular case of the Group, this category only includes derivative financial instruments. The subsequent measurement of financial liabilities is carried at fair value, recorded in the profit and loss statement.

Other financial liabilities correspond to other financial liabilities which are not classified in the former category. In this category are classified bank loans and loans from other entities, including shareholders and accounts payable and other payables. The subsequent measurement of these financial liabilities is carried at amortised cost, in accordance with the effective interest method.

a) Trade and Other Receivables

Accounts receivable and other receivables are recorded at amortised cost less any eventual impairment losses. Usually, the amortised cost of these financial assets does not differ from its nominal value.

b) Borrowings

Loans are recorded as liabilities and measured at amortised cost.

Any expenses incurred in obtaining such financing, usually paid in advance on issue, namely the bank fees and stamp duty as well as interest expenses and similar expenses, are recognised using the effective interest method in the results of the year, over lifetime of such financing. These expenses incurred are deducted from the caption "Bank loans".

Financial expenses with interest expenses and similar expenses (namely stamp tax), are recorded in the statement of profit and loss on an accrual basis accounting. The amounts due and not paid at the statement of financial position date are recorded under caption "Other current liabilities".

c) Trade and Other Payables

Accounts payable and other payables are stated at amortised cost. Usually, the amortised cost of these liabilities does not differ from its nominal value.

d) Cash and cash equivalents

The amounts included under caption "Cash and cash equivalents" include cash on demand and other treasury applications which mature in less than three months that are subject to insignificant risk of change in value.

These assets are measured at amortised cost. Usually, the amortised cost of these financial assets does not differ from its nominal value.

For purposes of the statement of cash flows, "Cash and cash equivalents" also include bank overdrafts, which are included in the statement of financial position under caption "Other loans".

e) Derivative

The Group uses derivative financial instruments in managing their financial risks associated with fluctuating interest rate, only as a way to hedge those risks. Derivatives are not used for trading purposes (speculation).

Derivative financial instruments used by the Group relate mainly to instruments for hedging interest rate on bank loans obtained, usually corresponding to "swap" or "zero cost collars" in interest rate.

Derivative financial instruments are initially recorded at fair value on the date of their contract. At each statement of financial position date, they are remeasured at fair value, with the corresponding gain or loss on the remeasurement recorded immediately in the profit and loss statement, unless such instruments are designated as hedging instruments. When they are designated as a hedging instrument (Note 2.8), the corresponding gain or loss in the remeasurement is recorded against the caption "Hedging reserve" in equity and transferred to results when the covered position when affect results.

A derivative with a positive fair value is recognised under caption "Derivative financial instruments" as a financial asset. A derivative financial instrument with a negative fair value is recognised under the same caption but as a financial liability.

A derivative is presented as non-current if the remaining maturity exceeds 12 months and is not expected that it will be executed or settled within that period.

In situations where there are derivatives embedded in other financial instruments or other host contracts, they are treated as separate derivatives in situations where the risks and characteristics are not closely related to the host contracts and in situations where the host contracts are not presented at fair value with unrealised gains or losses recorded in the profit and loss statement.

2.8. Hedge accounting

As mentioned above, the Group uses derivative financial instruments (usually swaps and zero cost collars) to cover the risk of changing interest rate on Group's bank loans (cash flow hedge). The amount of loans, maturities, interest rates and reimbursement plan of loans underlying such financial instruments to hedge interest rate are usually identical in all conditions established for the correspondent contracted loans, which usually sets the perfect relationship coverage.

The criteria for classifying financial derivatives for hedging interest rate as cash flow hedges are as follows:

- The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecasted transaction that is subject of the hedges is highly probable.

Derivative hedge instruments used by the Group to hedge the exposure to changes in the interest rate of its loans are initially recorded at cost, if any, and subsequently adjusted to the corresponding fair value. Changes in fair value of these hedging instruments are recorded in equity under the caption "Hedging reserves", and then recognised in the statement of profit and loss over the period the hedged instrument affects results, when those meet the conditions to hedge accounting, otherwise the changes in fair value are recognised through the statement of profit and loss.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption "Hedging reserve" are transferred to profit and loss of the year or to the book value of the hedged asset; subsequent variations in fair value are recorded in the statement of profit and loss.

2.9. Accounting for leases

A lease is classified as (i) finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee and as (ii) an operating lease if the risks and rewards of ownership are not transferred to the lessee.

Classifying a lease as finance or an operating lease depends upon the substance of transaction rather than the form of the contract.

Accounting for leases where the Group is the lessee

The assets acquired through finance lease contracts, as well as the corresponding responsibilities are posted by the financial method, posting in the statement of financial position the acquired asset and the pending debts according to the contractual financial plan. In addition, the interests included in the rents amount and the changes in the fair value of the investment property or the depreciation of the tangible assets, are posted in the statement of profit and loss of the year.

The existing situations where the Group is the lessee are operating leases (usually for cars) and as such the lease payments are recognised as an expense on a straight-line basis over the lease term.

Accounting for leases where the Group is the lessor

The existing situations where the Group is the lessor relate to the contracts with the tenants of the shopping centres. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent - invoiced in advance –, a

turnover rent, invoiced if the monthly sales of the tenant are higher than the limit established in the contract and the payment of tenant's share in the shopping centre operating expenses (common charges). The contract with the tenant may also establish the payment of an entrance fee in the shopping centre (key money income) and some discounts (usually in the first three years of the contract) to the fixed rent. These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is proposed by the lessor he must pay a cancellation fee (indemnity) to the tenant.

In accordance to the conditions of these contracts, they are classified as operating leases, being the rents (fixed and turnover rents) and the common charges recorded as revenue in the statement of profit and loss in the year to which they relate. The expenses (namely discounts on fixed income and compensations) as well as the key income and the cancellation fee related with the operating leases are recorded as expenses or income in the statement of profit and loss to which they relate. This procedure is consistent with the one followed by the independent specialised entity which determines the fair value of the investment property to which the contracts are related (Note 2.3).

2.10. Borrowing costs

Financial costs related to borrowings are generally recognised as expense as incurred.

Borrowing costs related directly to the acquisition, construction or production of tangible assets (usually investment properties under development) are capitalised as part of the cost of the qualified asset. Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the development is suspended. Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, are deducted from the financial expenses that qualify for capitalisation.

2.11. Provisions

Provisions are recognised when, and only when, the Group has an obligation (legal or implicit) resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at the statement of financial position date in order to reflect the best estimate as of that date.

Provisions for restructuring expenses are recognised by the Group when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties.

2.12. Income tax

Income tax is computed based on the taxable results of the companies included in the consolidation and includes the deferred taxes.

Current income tax is determined based on the taxable results (which are different from accounting results) of companies included in the consolidation, in accordance with the tax rules in force where their head offices are located.

Deferred taxes are calculated using the financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are not recognised when the corresponding temporary differences arise from goodwill or from the initial recognition of assets and liabilities other than in a business combination.

Deferred tax assets and liabilities are calculated and evaluated annually at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially issued at the statement of financial position date.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At the statement of financial position date, a review is made of the deferred tax assets and they are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if they relate to items directly recorded in equity captions. In these situations the corresponding deferred tax is also recorded under the same caption.

2.13. Revenue

The Group's revenue is basically due to income from investment properties via the operating lease contracts and services related to common charges management of shopping centres, car parking operations, management fees in shopping centres held by third parties and development fees invoiced to third parties.

The revenue related to income from investment properties via the operating lease contracts with the tenants (Note 2.9) is recognised in the year to which it relates, as follows:

- Fixed rent:

This income is invoiced in the previous month to which it relates and is recognised in the statement of profit and loss in the period to which it relates.

- Turnover rent:

This income is contingent and payable when the sales exceed the limit specified in the lease contract. As such, this income is recorded on an accrual basis.

- Other income and expenses:

Revenue arising from key money and contract transfer fees is recognised when charged to tenants, in the profit and loss statement under captions "Other operating income" and "Services rendered", respectively. The buy-out costs and the discounts on fixed rents are recognised in the profit and loss statement when granted to tenants, under captions "Services rendered" (to be deducted the same) and "Other operating expenses" respectively.

This procedure is consistent with the methodology used by the independent specialised entity that determines the fair value (Note 2.9).

The revenues arising from the services rendered related to the car parking operations, management and development fees to shopping centres held by third parties are recognised in the profit and loss statement in the year to which they relate on an accrual basis of accounting and observing the stage of completion of service at the statement of financial position date, provided that all the following conditions are met:

- The amount of the revenue can be reliably measured;
- It is likely that future economic benefits associated with the transaction will flow into the Group;
- The expenses incurred or to be incurred with the transaction can be reliably measured;
- The stage of completion of the transaction/service, at the statement of financial position date, can be reliably measured.

The dividends are recognised as gains in the year they are assigned to the shareholders.

2.14. Accrual basis of accounting

The income and expenses are recognised in the year to which they relate, regardless of the date of payment or receipt (accrual basis of accounting). The income and expenses, which actual value is not known are estimated.

Under the captions "Other current assets" and "Other current liabilities" are recorded income and expenses attributable to the current year, which settlement or receipt will only occur in future years, as well as amounts paid and received that have occurred on the date of the statement of financial position, but which relate to future periods, and that will be charged to the profit and loss of the corresponding year.

2.15. Impairment of assets

a) Non-financial assets, excluding goodwill

With the exception of investment properties (Note 2.3) and deferred tax assets (Note 2.12), assets are assessed for impairment at each statement of financial position date and whenever events or changes in circumstances indicate that the amount by which the asset is registered may not be recovered.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised under the statement of profit and loss caption "Impairment losses".

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or has decreased. The reversal is recorded in the statement of profit and loss as operating result. However, the increased carrying amount of an asset due to a reversal of an impairment

loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) had no impairment loss been recognised for that asset in prior years.

b) Financial assets (usually accounts receivable, in the case of Group)

Whenever there are objective indicators that the Group will not receive the amounts it is entitled to, in accordance with the arrangements agreed between the parties, an impairment loss is recorded in the statement of profit and loss. The indicators used by the Group to identify the signs of impairment are:

- Failure on the maturity and/or other terms agreed between the parties;
- Financial constraints of debtor;
- Probability of insolvency of the debtor.

Whenever there is such evidence, the existence of impairment losses is assessed, which is determined by the difference between the asset's carrying amount and its corresponding recoverable amount.

Impairment losses are recorded in the statement of profit and loss under the caption "Impairment losses" in the period they are determined.

Subsequently, if the amount of the impairment loss reduces, it is reversed by results and recorded under the caption "Reversals of impairment losses".

2.16. Balances and transactions expressed in foreign currency

Transactions in currencies other than Euro are recorded at the exchange rates prevailing on the transaction date.

At each statement of financial position date, assets and liabilities expressed in foreign currencies are translated to Euro using the exchange rates prevailing as of the transaction date.

Exchange gains or losses, arising from differences between exchange rates effective at the date of transaction and those prevailing at the date of collection, payment or at the reporting date, are recorded as income or expenses in the statement of profit and loss.

2.17. Statement of financial position classification

Assets and liabilities due in more than one year from the date of the statement of financial position are classified as non-current assets and liabilities, respectively.

2.18. Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources incorporating economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.19. Risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department of the Group Sonae Sierra, under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk.

a) Foreign exchange risk

The main operating activity of each company is developed inside its country and consequently the majority of the company transactions are maintained in the same currency of its country. The policy to cover this specific risk is to avoid, whenever possible, the contracting of services in foreign currency.

As the operational activity of the Company is maintained in Euros, the Company policy is to obtain its borrowings also in Euros, in order to eliminate the foreign currency risk.

b) Credit risk

The group's credit risk results essentially from the credit risk of the tenants of the shopping centres managed by the Group. The control of this risk is made by an adequate evaluation of the quality of the tenants before its acceptance in the shopping centre and the adequate control over the credit limits attributed to each tenant.

c) Liquidity risk

The needs of treasury are managed by the financial department of the Sonae Sierra Group, which, with an opportune and adequate form manages the surplus and deficits of liquidity of each one of the companies included in the consolidation. The occasional needs for liquidity are covered by an adequate control of the accounts receivables and by the maintenance of adequate limits of credit contracted by the Group with bank entities.

d) Interest rate risk

The Group's income and operating cash-flows are substantially independent of changes in market interests rates, in the measure that its cash and cash equivalents and its financing granted to other companies of the Group are dependent only of the evolution of the interest rates in Euro which have had a minimal change.

The Group's interest rate risk arises from long-term borrowings. To cover this risk the Company uses cash flow hedge instruments in the form of swaps or zero cost collars to hedge this interest rate risk, which represents perfect covers of those long-term borrowings; in certain loans the Company chose to have a fixed rate in the first years of the financing contract and study afterwards the possibility to negotiate interest rate swaps for the remaining period.

Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the following:

- Amount of liability outstanding at the statement of financial position date was outstanding for the whole year and the contractual re-pricing dates occur in the beginning of the year;
- Changes in market interest rates affect the interest income or expense of floating rate interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value;
- Changes in market interest rates affect the fair value of derivatives designated as hedging instruments and all interest rate hedges are expected to be highly effective;
- Changes in the fair values of derivative financial instruments (swaps) and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end and assuming a parallel shift in yield curves;
- Changes in the fair values of derivative financial instruments (zero cost collars or caps) are estimated by projecting the forward rates and their volatility and discounting the expected cash-flows to the present using appropriate market rates prevailing at the year end and assuming a parallel shift in yield curves.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

If interest rates had been 25 basis points lower and 75 higher and all other variables were held constant, assumptions unlikely occur due to interest rates correlation with other variables, the impact in the Group net profit and equity would be the following:

	2011		2010	
	- 25 b.p.	+75 b.p.	- 25 b.p.	+75 b.p.
Net Profit ⁽¹⁾	338	-723	618	-1,759
Reserves ⁽²⁾	-2,204	10,265	-1,748	12,410

(1) This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

(2) This is mainly as a result of the changes in the fair value of derivatives entered as cash flow hedges.

In management's opinion the sensitivity analysis is representative of the inherent interest rate risk of the year and expenses may not reflect the exposures during the year, due to the repayment mode.

2.20. Financial instruments by category

The financial instruments according to the policies described in Note 2.7. were classified as follows:

Financial Assets

	Notes	Loans and accounts receivable	Derivatives used for cash flow hedging (Note 18)	Total
As of 31 December 2011				
Non current assets				
Other non-current assets	11	33,460		33,460
		<u>33,460</u>	<u>-</u>	<u>33,460</u>
Current assets				
Trade account receivables	12	30,139		30,139
Other debtors	13	29,234		29,234
Cash and cash equivalents	15	150,232		150,232
		<u>209,605</u>	<u>-</u>	<u>209,605</u>
		<u>243,065</u>	<u>-</u>	<u>243,065</u>
As of 31 December 2010				
Non current assets				
Derivatives	18		847	847
Other non-current assets	11	28,895		28,895
		<u>28,895</u>	<u>847</u>	<u>29,742</u>
Current assets				
Trade account receivables	12	33,802		33,802
Other debtors	13	28,829		28,829
Cash and cash equivalents	15	54,129		54,129
		<u>116,760</u>	<u>-</u>	<u>116,760</u>
		<u>145,655</u>	<u>847</u>	<u>146,502</u>

Financial Liabilities

	Notes	Liabilities at fair value through profit or loss (Note 18)	Derivatives used for cash flow hedging (Note 18)	Financial liabilities at amortised cost	Total
As of 31 December 2011					
Non current liabilities:					
Bank loans	18			1,394,898	1,394,898
Bonds	18			74,876	74,876
Derivatives	18	4,602	44,009		48,611
Shareholders	20			8,503	8,503
Trade payables	24			543	543
Other non-current liabilities	21			13,544	13,544
		<u>4,602</u>	<u>44,009</u>	<u>1,492,364</u>	<u>1,540,975</u>
Current liabilities:					
Bank loans	18 and 19			83,600	83,600
Bonds	18			(116)	(116)
Shareholders	20			10,791	10,791
Trade payables	24			34,047	34,047
Other creditors	26			50,050	50,050
		<u>-</u>	<u>-</u>	<u>178,372</u>	<u>178,372</u>
		<u>4,602</u>	<u>44,009</u>	<u>1,670,736</u>	<u>1,719,347</u>
As of 31 December 2010					
Non current liabilities:					
Bank loans	18			1,457,865	1,457,865
Bonds	18			74,760	74,760
Derivatives	18	-	38,563		38,563
Shareholders	20			10,955	10,955
Trade payables	24			6,171	6,171
Other non-current liabilities	21			13,775	13,775
		<u>-</u>	<u>38,563</u>	<u>1,563,526</u>	<u>1,602,089</u>
Current liabilities:					
Bank loans	18 and 19			119,860	119,860
Bonds	18			(108)	(108)
Shareholders	20			10,791	10,791
Trade creditors	24			32,539	32,539
Other creditors	26			27,770	27,770
		<u>-</u>	<u>-</u>	<u>190,852</u>	<u>190,852</u>
		<u>-</u>	<u>38,563</u>	<u>1,754,378</u>	<u>1,792,941</u>

2.21. Judgments and estimates

In the preparation of the accompanying consolidated financial statements estimates were used which affect the assets and liabilities and also the amounts booked as income and expenses during the reporting period.

The estimates were calculated using the best information available, at the date of approval of the financial statements, of the events and transactions in course and of the experience from current and/or past events. However, events may occur in subsequent periods that were unanticipated as of the date of these statements and, consequently were not included in those estimates. Changes in the estimates after the closing of the consolidated financial statements will be booked on the subsequent year, as defined in IAS 8.

The most important estimates of the Group relates with the fair value, namely the fair value of the investment properties, the goodwill, the derivatives and deferred tax assets, as follows:

a) Investment property

The investment properties in operation and the investment properties under development, when the conditions defined by the Group to determine a reliable fair value are met (which are described in Note 2.3), are recorded at their fair value based on annual appraisals by an independent specialised entity - Cushman & Wakefield. Those valuations assume several assumptions, including the estimated of future income and cost of each property and the use of an appropriate discount rate.

Concerning investment properties under development measured at cost (properties that do not meet the conditions defined by the Group so that the fair value is reliably determinable), the Group follows the procedure of, on an annual basis, evaluate their performance through assessments carried out by independent specialized agencies (Cushman & Wakefield) and/or testing carried out internally, in which are considered the net cash flows expected of those properties.

b) Derivatives

The derivatives are usually used by the Group to hedge the cash flow in form of swaps ("interest rate swap") or zero cost collars. The fair value of those derivatives is, in each statement of financial position date, calculated by external entities (usually the financial institution with which the derivative was contracted). The fair value calculated by them is internally tested in order to validate the calculation performed by the third parties.

c) Goodwill

The impairment tests to the Goodwill are based on the "Net Asset Value" ("NAV") at the statement of financial position date of the financial investment.

d) Deferred tax assets

The deferred tax assets are recognised only if it is expectable that future fiscal profits will be enough to use the deferred tax assets. By the date of each statement of financial position, the deferred tax assets are assessed and they are reduced if future recoverability is unanticipated. This revision is based on projections of the future activity of each company where it is applicable.

The main assumptions used in the Group estimates are disclosed in each related note.

2.22. Operating segments

Operating segments are reported in accordance with the information used internally by the management of the Group.

2.23. Subsequent Events

Events occurred after the statement of financial position date that provide additional information about conditions that existed at these statement of financial position date (adjusting events) are reflected in financial statements. Events occurred after the reporting date that provide information on conditions that occur after the statement of financial position date (non-adjusting events) are disclosed in the consolidated financial statements, if materially significant.

3 GROUP COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their head offices, and the percentages of their share capital held by the Group as of 31 December 2011 and 2010, are as follows:

		Percentage of share capital held		
Company	Head office	31.12.11	31.12.10	
Parent company				
Sonae Sierra, SGPS, S.A.	Maia	-	-	
Subsidiaries				
Corporate services				
1)	Sierra Corporate Services- Apoio a Gestão, S.A	Lisbon	-	100.00%
	Sierra Corporate Services Holland, BV	Amsterdam (Netherlands)	100.00%	100.00%
Investment companies				
	3shoppings - Holding, SGPS, S.A	Maia	50.10%	50.10%
	Airone - Shopping Centre, Srl	Milan (Italy)	50.10%	50.10%
2)	ALEXA Holding GmbH	Dusseldorf (Germany)	100.00%	50.00%
2)	ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%
	Algarveshopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
	Avenida M-40 B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Beralands B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Cascaishopping Holding I, SGPS, S.A.	Maia	50.10%	50.10%
	Coimbrashopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
	Dos Mares - Shopping Centre B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Dos Mares-Shopping Centre, S.A.	Madrid (Spain)	50.10%	50.10%
	El Rosal Shopping, S.A.	Madrid (Spain)	100.00%	100.00%
	Estação Viana- Centro Comercial, S.A.	Viana do Castelo	50.10%	50.10%
	Gli Orsi Shopping Centre 1 Srl	Milan (Italy)	100.00%	100.00%
	Guimarãeshopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
	Inparsa - Gestão de Galeria Comercial, SA	Maia	100.00%	100.00%
	Luz del Tajo – Centro Comercial S.A.	Madrid (Spain)	50.10%	50.10%
	Luz del Tajo B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Maiashopping- Centro Comercial, S.A.	Maia	50.10%	50.10%
	Münster Arkaden, B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Paracentro - Gestão de Galerias Comerciais, S.A.	Maia	100.00%	100.00%
	Plaza Eboli B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Plaza Eboli – Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Plaza Mayor Holding, SGPS, S.A.	Maia	50.10%	50.10%
	Plaza Mayor Parque de Ócio B.V.	Amsterdam (Netherlands)	50.10%	50.10%

	Plaza Mayor Parque de Ocio, S.A	Madrid (Spain)	50.10%	50.10%
	Plaza Mayor Shopping B.V.	Amsterdam (Netherlands)	50.10%	50.10%
3)	Plaza Mayor Shopping, S.A.	Madrid (Spain)	50.10%	37.58%
	Project Sierra 8 B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Project Sierra Spain 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 7- Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	River Plaza B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	River Plaza Mall, Srl	Bucharest (Romania)	100.00%	100.00%
	Shopping Centre Parque Principado B.V.	Amsterdam (Netherlands)	50.10%	50.10%
1)	Sierra Asset Management - Gestão de Activos, S.A.	Maia	-	100.00%
	Sierra Berlin Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra European Retail Real Estate Assets Holdings BV	Amsterdam (Netherlands)	50.10%	50.10%
	Sierra GP Limited	Guernsey	99.99%	99.99%
	Sierra Investments (Holland) 1 BV	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments (Holland) 2 BV	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments SGPS, S.A.	Maia	100.00%	100.00%
	SPF - Sierra Portugal	Luxembourg	100.00%	100.00%
	Valecenter, Srl	Milan (Italy)	50.10%	50.10%
Management companies				
4)	Sierra Management Germany GmbH	Dusseldorf (Germany)	100.00%	100.00%
5)	Sierra Management Italy S.r.l.	Milan (Italy)	100.00%	100.00%
6)	Sierra Portugal, S.A.	Lisbon	100.00%	100.00%
7)	Sierra Management Spain - Gestión de Centros Comerciales SA	Madrid (Spain)	100.00%	100.00%
	Sierra Management, SGPS, S.A.	Maia	100.00%	100.00%
	Sierra Property Management, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Property Management Greece, SA	Athens (Greece)	100.00%	100.00%
Development companies				
	3DO Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	100.00%
	CCCB Caldas da Rainha - Centro Comercial, S.A.	Maia	100.00%	100.00%
	Craiova Mall, B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Dortmund Tower GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Ioannina Development of Shopping Centres, S.A.	Athens (Greece)	100.00%	100.00%
	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	Maia	100.00%	100.00%
8)	Ploi Mall, B.V.	Amsterdam (Netherlands)	-	100.00%
	Project 4 Srl	Milan (Italy)	100.00%	100.00%
	Project SC 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 10 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
8)	Project Sierra 7 B.V.	Amsterdam (Netherlands)	-	100.00%
8)	Project Sierra 9 B.V.	Amsterdam (Netherlands)	-	100.00%
	Project Sierra Four, Srl	Bucharest (Romania)	100.00%	100.00%
	Project Sierra Germany 2 (two) - Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Germany 3 (three) - Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Germany 4 (four) - Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Germany Shopping Centre 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Germany Shopping Centre 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
8)	Project Sierra Italy 1 -Shopping Centre Srl	Milan (Italy)	-	100.00%
	Project Sierra Italy 2 -Development of Shopping Centre Srl	Milan (Italy)	100.00%	100.00%
9)	Project Sierra Italy 3 - Shopping Centre, Srl	Milan (Italy)	-	100.00%
9)	Project Sierra Italy 5 -Development of Shopping Centre Srl	Milan (Italy)	-	100.00%
	Project Sierra Portugal VIII - Centro Comercial, S.A.	Maia	100.00%	100.00%

	Project Sierra Spain 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 2- Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Project Sierra Spain 3 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
8)	Project Sierra Spain 6 B.V.	Amsterdam (Netherlands)	-	100.00%
8)	Project Sierra Spain 6- Centro Comercial S.A.	Madrid (Spain)	-	100.00%
	Project Sierra Spain 7 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
8)	Project Sierra Three, Srl	Bucharest (Romania)	-	100.00%
	Project Sierra Two, Srl	Bucharest (Romania)	100.00%	100.00%
	S.C. Microcom Doi, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Development of Shopping Centres Greece, S.A.	Athens (Greece)	100.00%	100.00%
	Sierra Development Romania, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Developments Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
1)	Sierra Developments Iberia 1, Promoção Imobiliária, S.A.	Maia	-	100.00%
1)	Sierra Developments- Serviços de Promoção Imobiliária, S.A.	Maia	-	100.00%
	Sierra Developments, SGPS, S.A.	Maia	100.00%	100.00%
10)	Sierra Germany GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Italy Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
11)	Sierra Italy S.r.l.	Milan (Italy)	100.00%	100.00%
12)	Sierra Solingen Holding GmbH	Dusseldorf (Germany)	100.00%	100.00%
13)	Sierra Spain, Shopping Centers Services, SL	Madrid (Spain)	100.00%	100.00%
	Weierstadt Shopping B.V.	Amsterdam (Netherlands)	100.00%	100.00%
1)	Companies merged into Sierra Portugal, S.A. with effects since 1 January 2011.			
2)	Acquisition on December 2011 of 50% of the joint controlled company Alexa Holding, GmbH, owner of the company Alexa Shopping Centre, GmbH which owns 9% of the associated company Alexa Asset GmbH & Co, KG.			
3)	Acquisition on December 2011 of the remain 25%.			
4)	Company merged into Sierra Germany, GmbH with effects since 1 January 2011.			
5)	Company merged into Sierra Italy, Srl with effects since 1 January 2011.			
6)	Ex - Sierra Management Portugal - Gestão de Centros Comerciais, S.A..			
7)	Company merged into Sierra Spain, Shopping Centers Services, SL with effects since 1 January 2011.			
8)	Companies liquidated during 2011.			
9)	Companies merged into Project Sierra Italy 2 -Development of Shopping Centre Srl with effects since 1 January 2011.			
10)	Ex - Sierra Developments Germany GmbH.			
11)	Ex - Sierra Developments Italy S.r.l.			
12)	Ex - 3DO Holding GmbH.			
13)	Ex - Sierra Developments Spain - Promociones de Centros Comerciales SL.			

These companies were included in the consolidation by the full consolidation method, as explained in Note 2.2.a).

4 JOINTLY CONTROLLED COMPANIES

The jointly controlled companies included in the consolidation, their head offices, and the percentages of their share capital held by the Group as of 31 December 2011 and 2010, are as follows:

Company	Head office	Percentage of share capital held	
		31.12.11	31.12.10
Investment companies			
Adlands B.V.	Amsterdam (Netherlands)	50.00%	50.00%
Arrábidashopping- Centro Comercial, S.A.	Maia	25.05%	25.05%
Cascaishopping- Centro Comercial, S.A.	Maia	25.05%	25.05%
Centro Colombo- Centro Comercial, S.A.	Maia	25.05%	25.05%
Centro Vasco da Gama - Centro Comercial, S.A.	Maia	25.05%	25.05%
Colombo Towers Holding, B.V.	The Hague (Netherlands)	50.00%	50.00%
Freccia Rossa- Shopping Centre S.r.l.	Milan (Italy)	50.00%	50.00%
Gaiashopping I- Centro Comercial, S.A.	Maia	25.05%	25.05%
Gaiashopping II- Centro Comercial, S.A.	Maia	25.05%	25.05%
Harvey Dos Iberica, S.L.	Madrid (Spain)	25.05%	25.05%
Iberian Assets, S.A	Madrid (Spain)	24.95%	24.95%
La Farga Shopping Centre, S.L	Madrid (Spain)	24.95%	24.95%
Larissa Developmnet of Shopping Centres, SA	Athens (Greece)	50.00%	50.00%
Loop 5 - Shopping Centre, GmbH	Dusseldorf (Alemanha)	50.00%	50.00%
Madeirashopping- Centro Comercial, S.A.	Funchal (Madeira)	25.05%	25.05%
Norte Shopping Retail and Leisure Centre B.V.	Amsterdam (Netherlands)	25.05%	25.05%
Norteshopping- Centro Comercial, S.A.	Maia	25.05%	25.05%
Pantheon Plaza B.V.	Amsterdam (Netherlands)	50.00%	50.00%
Parque Atlántico Shopping - Centro Comercial, SA	Ponta Delgada (Azores)	25.05%	25.05%
Parque Principado, S.L.	Madrid (Spain)	25.05%	25.05%
SC Mediterranean Cosmos B.V.	Amsterdam (Netherlands)	25.05%	25.05%
Shopping Centre Colombo Holding B.V.	Amsterdam (Netherlands)	25.05%	25.05%
Torre Occidente - Imobiliária, S.A.	Maia	25.00%	25.00%
Via Catarina- Centro Comercial, S.A.	Maia	25.05%	25.05%
Vuelta Omega, S.L.	Madrid (Spain)	25.05%	25.05%
Zubiarte Inversiones Inmobiliarias, S.A	Madrid (Spain)	24.96%	24.96%
Management companies			
Project Sierra 6 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
3) Sierra Charagonis Property Management S.A.	Athens (Greece)	50.00%	50.00%
Development companies			
Aegean Park Constructions Real Estate and Development, S.A.	Athens (Greece)	50.00%	50.00%
ALEXA Administration GmbH	Berlin (Germany)	50.00%	50.00%
ARP Alverca Retail Park, S.A.	Maia	50.00%	50.00%
Le Terrazze - Shopping Centre 1 S.r.l.	Milan (Italy)	50.00%	50.00%
Park Avenue Development of Shopping Centers S.A.	Athens (Greece)	50.00%	50.00%
Project SC 1 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
Project Sierra Spain 3- Centro Comercial S.A.	Madrid (Spain)	50.00%	50.00%
SC Aegean B.V.	Amsterdam (Netherlands)	50.00%	50.00%
Sierra Central S.A.S.	Santiago de Cali (Colombia)	50.00%	50.00%
3) Sierra Charagonis Development of Shopping Centers, S.A	Athens (Greece)	50.00%	50.00%
1) Solingen Shopping Centre GmbH	Frankfurt (Germany)	50.00%	-

Companies in Brazil

	Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center	São Paulo (Brazil)	7.98%	7.98%
2)	Fundo Investimento Imobiliário Shop. Parque Dom Pedro	São Paulo (Brazil)	33.80%	42.54%
	Parque D. Pedro 1 BV Sarl	Luxembourg	50.00%	50.00%
2)	Pátio Boavista Shopping, Ltda.	São Paulo (Brazil)	33.32%	47.89%
2)	Pátio Goiânia Shopping, Ltda.	São Paulo (Brazil)	33.32%	47.89%
2)	Pátio Londrina Empreendimentos e Participações, Ltda.	São Paulo (Brazil)	33.32%	47.89%
2)	Pátio Penha Shopping, Ltda.	São Paulo (Brazil)	33.32%	47.89%
2)	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	33.32%	47.89%
2)	Pátio Sertório Shopping Ltda	São Paulo (Brazil)	33.32%	47.89%
2)	Pátio Uberlândia Shopping Ltda	São Paulo (Brazil)	33.32%	47.89%
	Sierra Brazil 1 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
2)	Sierra Enplanta, Ltda	São Paulo (Brazil)	33.32%	47.89%
2)	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	33.32%	47.89%
2)	Sonae Sierra Brasil, SA	São Paulo (Brazil)	33.32%	47.89%
	Sonae Sierra Brazil BV Sarl	Luxembourg	50.00%	50.00%
2)	Unishopping Administradora Lda	São Paulo (Brazil)	33.32%	47.89%
2)	Unishopping Consultoria Imobiliária Lda	São Paulo (Brazil)	33.32%	47.88%
1)	Company created in 2011.			
2)	Ownership changed due to the primary public offering of 23,251,043 ordinary shares of Sonae Sierra Brasil SA in February and March of 2011.			
3)	Companies liquidated during 2011.			

These companies were included in the consolidation by the proportional consolidation method, as explained in Note 2.2.b).

The effect of the consolidation of these companies by the proportional consolidation method is as follows:

	31.12.11	31.12.10
Non current assets	2,316,405	2,295,944
Current assets	151,672	68,980
Non current liabilities	1,280,982	1,250,276
Current liabilities	93,039	99,894
	2011	2010
Income	215,935	240,252
Expenses	(131,252)	(183,714)

5 INVESTMENTS IN ASSOCIATES

The associated companies, their head offices, percentages of their share capital held by the Group and balance as of 31 December 2011 and 2010, are as follows:

31 December 2011								
	Head	Net				Net profit		
	Office	Assets	Liabilities	Equity	Profit	% own	Book value	held
Associated companies:								
Campo Limpo Lda	S. Paulo (Brazil)	72,197	17,253	54,944	16,873	10.00%	5,494	1,687
Sierra Portugal Real Estate ("SPF") (*)	Luxembourg	396,681	289,208	107,473	(27,559)	47.50%	51,051	(13,091)
Goodwill SPF							13,047	(980)
Sonaegest - Soc. Gestora de Fundos de Investime	Maia	1,531	121	1,410	436	20.00%	282	87
ALEXA Asset GmbH & Co, KG (**)	Dusseldorf (Germany)	379,934	222,269	157,665	11,030	9.00%	14,190	497
Goodwill Alexa							518	-
							84,582	(11,800)
Other participations:								
Ercasa Cogeneración S.A.	Grancasa (Spain)					5.00%	48	-
Car Parking of Grancasa	Grancasa (Spain)					62.37%	242	-
Sierra Cevital Shopping Center, Spa	Algeria					49.00%	98	-
							388	-
							84,970	(11,800)

31 December 2010								
	Head	Net				Net profit		
	Office	Assets	Liabilities	Equity	Profit	% own	Book value	held
Associated companies:								
Campo Limpo Lda	S. Paulo (Brazil)	55,406	11,755	43,651	5,792	10.00%	4,365	579
Pylea S.A.	Athens (Greece)	-	-	-	2,560	19.95%	-	511
Sierra Portugal Real Estate ("SPF") (*)	Luxembourg	450,243	317,032	133,211	(6,332)	47.50%	63,277	(2,710)
Goodwill SPF							14,027	-
Sonaegest - Soc. Gestora de Fundos de Investime	Maia	1,506	157	1,349	418	20.00%	270	83
ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	369,508	220,194	149,314	45,731	4.50%	6,719	2,058
Goodwill Alexa							259	-
							88,917	521
Other participations:								
Ercasa Cogeneración S.A.	Grancasa (Spain)					5.00%	48	-
Car Parking of Grancasa	Grancasa (Spain)					62.37%	242	-
							290	-
							89,207	521

(*) Amounts related to the consolidated accounts of "SPF". This company owns the following investments:

	% own
8ª Avenida Centro Comercial, S.A.	100%
ALBCC Albufeirashopping C.Comercial S.A.	50%
Arrábidasshopping- Centro Comercial, S.A.	50%
GaiaShopping I- Centro Comercial, S.A.	50%
GaiaShopping II- Centro Comercial, S.A.	50%
LCC LeiriaShopping Centro Comercial S.A.	100%
Louresshopping- Centro Comercial, S.A.	50%
PORTCC - Portimaosshopping C.Comercial S.A.	50%
Rio Sul- Centro Comercial, S.A.	50%
Serra Shopping- Centro Comercial, S.A.	50%

(**) At the end of 2011 it was acquired an additional percentage of 4.5% of Alexa KG which had no impact in the Consolidated net profit of 2011; the net profit of the company was integrated at 4.5%.

The associated companies were included in the consolidation by the equity method. as explained in Note 2.2.c).

During the years ended 31 December 2011 and 2010, the movement occurred in associated companies was as follows:

	2011	2010
Opening balance	88,917	77,237
Alexa KG - entry effect on associated companies:		
- Equity held (Note 6)	-	5,225
- Goodwill (Note 9)	-	259
Alexa KG - percentage change effect:		
- Equity held (Note 3 and 6)	7,095	-
- Goodwill (Note 9)	259	-
Leiria - entry effect on associated companies through SPF (Note 6)		
- Equity held	-	(1,564)
SPF - percentage change effect:		
- Equity held	-	(4,176)
- Goodwill	-	2,037
Pylea sale	-	(13,976)
Capital decrease	-	(4,620)
Capital increase	-	28,763
Effect of the application of the equity method:		
Hedging reserve	767	(160)
Translation reserve	(418)	476
Net profit	(10,820)	521
Dividends	(238)	(1,105)
Impairment losses	(980)	-
	<u>84,582</u>	<u>88,917</u>

6 ACQUISITION AND SALE OF COMPANIES

The main sales and acquisitions of companies occurred during the year 2011 were as follows:

Acquisition of subsidiaries in 2011

In December 2011, Sierra Berlin B.V. acquired the remaining 50% of the company ALEXA Holding GmbH ("AlexaHld") owner of the company ALEXA Shopping Centre GmbH ("Alexa Shopping") which owns 9% of the company ALEXA Asset GmbH & Co (owner of the shopping centre "AlexaShopping") for the amount of kEuro 15,431, with a negative goodwill of kEuro 41 recognised in the consolidated statement of profit and loss.

Before this operation the financial statements of the companies AlexaHld and Alexa Shopping were integrated in the consolidated financial statements by the proportional consolidation method and after the transaction started to be consolidated by the full consolidation method.

In December 2011, Plaza Mayor Shopping B.V. (held by the Group at 50.1%) acquired the remaining 25% of the company Plaza Mayor Shopping, SA ("PM Shopping") (owner of the shopping centre "Plaza Mayor Shopping") for the amount of kEuro 1,668, with a negative goodwill of kEuro 858 recognised in the equity of which kEuro 428 related to the non-controlling interests (Note 17).

The main sales of companies occurred during the year 2011 and 2010 were as follows:

Sale of subsidiaries in 2011

In February and March 2011, the joint controlled entity Sonae Sierra Brasil S.A., located in Brazil proceeds to a primary public offering of 23,251,043 ordinary shares. This operation opened 30.42% of the capital of the company to third parties and allowed an inflow of 465,021 thousand Reais (deducted of 16,084 thousand Reais related to expenses incurred with the operation), which corresponds to an inflow of kEuro 101,217 to Sonae Sierra (50%) (net of kEuro 3,626 of expenses incurred with the operation). With this operation the Group did not lose the joint control of Sonae Sierra Brasil S.A. having the effect of the capital dilution in the amount of kEuro -16,488 been transferred to the non-controlling interests (Nota 17)

Sale of subsidiaries in 2010

In February 2010, the joint controlled entity ALEXA Shopping Centre GmbH ("Alexa Shopping") sold 91% of the financial position in the company ALEXA Asset GmbH & Co. KG ("Alexa KG") (owner of the shopping centre "Alexa"), for the amount of kEuro 105,698 (kEuro 52,849 to the Group, as Alexa Shopping is a joint controlled entity). Due to the loss of the joint control of Alexa KG, this subsidiary (with reference to 1 January 2010) no longer integrates the consolidated financial statements by the proportional method and is now measured by the equity method, since there is significant influence on it.

In March 2010, Sierra Developments Holdings, B.V. (100% owned by the Group) sold its 100% of the financial position in the subsidiary Project Sierra 8 B.V. to Sierra European Retail Real Estate Assets Holdings, BV ("Sierra BV"), (held by the Group at 50,1%) by kEuro 18. Considering that Sierra BV is held by the Group in 50.1%, only 49.9% of the total gain in this sale was recorded by the Group (kEuro 12). Project Sierra 8 B.V. continues to be integrated in the consolidated financial statements by the full consolidation method.

In April 2010, Sierra Investments Holdings, B.V. (100% owned by the Group) sold 50% of the financial position in the company Project Sierra 6 B.V., for the amount of kEuro 1, with a gain on sale of kEuro 1. After the sale, Project 6 B.V. was consolidated in the financial statements by the proportional method.

In July 2010, the joint controlled entity Project Sierra 6 B.V. ("Project 6 BV") sold its 75% of the financial position in the company MC Property Management, S.A. ("MC PM") (company responsible for the property management of the shopping centre "Mediterranean Cosmos"), for the amount of kEuro 464 (kEuro 232 to the Group, as Project 6 BV is a joint controlled entity), with a loss of kEuro 97 (kEuro 48 to the Group, as Project 6 BV is a joint controlled entity).

On the same date, the joint controlled entity SC Mediterranean Cosmos B.V. ("SC MC BV") sold its 100% of the financial position in the associated company Pylea S.A. ("Pylea") (owner of the shopping centre "Mediterranean Cosmos"), for the amount of kEuro 37,554 (kEuro 18,777 to the Group, as SC MC BV is a joint controlled entity), with a gain of kEuro 8,967 (kEuro 4,483 to the Group, as SC MC BV is a joint controlled entity).

In September 2010, Sierra Investments Holding B.V. (100% owned by the Group) sold its 100% of the financial position in the subsidiary LCC LeiriaShopping Centro Comercial SA ("LeiriaShopping") to the associated company Sierra Portugal Real Estate ("SPF") by kEuro 14,001. Considering that SPF is an associated company held by the Group in 42% (at the time of the acquisition) only 58% of the total gain in this sale was recorded by the Group (kEuro 2,159). After this operation LeiriaShopping will be integrated in the consolidated financial statements of SPF that is integrated in the consolidated financial statements of Sonae Sierra by the equity method.

Effect of the acquisitions and sales

The effect of the acquisitions occurred during the year 2011 was as follows:

		2011
		Acquisitions
		Alexa
Cash and cash equivalents	(I)	638
Investment properties in progress (Note 7)		6,000
Investments in associates and companies excluded from cons		7,095
Deferred tax assets (Note 22)		779
Other non current assets		6,329
Other current assets		545
Deferred tax liabilities		(1,638)
Other non current liabilities		(1)
Accounts payable and other liabilities - current		(4,275)
Identifiable assets and liabilities at acquisition date		15,472
Goodwill:		
Recorded as income		(41)
Purchase amount	(II)	15,431
Price adjustment to be paid after 2011	(III)	11,207
Net cash flow	(II-III-I)	3,586

The effect of the sales occurred during the year 2010 was as follows:

		2010			
		Sales			
		Alexa KG	Leiria	MC PM	Total
Cash and cash equivalents	(I)	1	8,111	252	8,364
Investment properties (Note 7)		158,056	91,702	-	249,758
Tangible fixed assets		-	-	1	1
Other non current assets		39	-	1	40
Trade receivables		611	554	430	1,595
Other current assets		-	1,644	126	1,770
Deferred tax liabilities		-	(4,068)	-	(4,068)
Accounts payable and other liabilities - non-current		(100,000)	(70,286)	-	(170,286)
Accounts payable and other liabilities - current		(651)	(17,379)	(436)	(18,466)
Identifiable assets and liabilities at sales date		58,056	10,278	374	68,708
Goodwill of the subsidiary		2,881	-	-	-
		60,937	10,278	374	68,708
% sold		91%	100%	75%	
Transfer to associates (9%) (Note 5):					
- proporcional equity		(5,225)	-	-	(5,225)
- proporcional Goodwill (Note 9)		(259)	-	-	(259)
Transfer to associates (42%) (Note 5):					
- proporcional equity net of financial investment		-	1,564	-	1,564
Transaction Result:					
- Profit/ (loss) on sale		-	2,159	(48)	2,111
- Write-off of Goodwill (Note 9)		(2,622)	-	-	(2,622)
Sale amount	(II)	52,831	14,001	233	
Amount to be received	(III)	(4,736)	-	-	(4,736)
Net cash flow	(II-I + III)	48,094	5,890	(19)	

7 INVESTMENT PROPERTIES

The movement in investment properties, during the years ended 31 December 2011 and 2010 was as follows:

		31 December 2011				
		Investment properties				
		in progress				
		in operation	"Fit Out"	at cost	at fair value	Advances Total
Opening balance		3,259,697	4,058	123,288	78,528	1,725 3,467,296
Increases		24,032	-	29,464	62,229	- 115,725
Impairments and write-off (Note 32)		-	-	(9,559)	-	- (9,559)
Sales		(120,000)	-	(13,400)	-	- (133,400)
Fit-out receivables		-	(384)	-	-	- (384)
Transfers		-	-	(4)	(1,308)	- (1,312)
Increases by transfer from investment properties in progress:						
- Production cost		13,018	-	-	(13,018)	- -
- Adjustment to fair value		1,535	-	-	(1,311)	- 224
Variation in fair value of the investment properties between years (Note 30):						
- Gains		84,938	173	-	-	- 85,111
- Losses		(122,453)	(35)	-	-	- (122,488)
Increases through concentration of business activity		-	-	6,000	-	- 6,000
Currency translation differences		(39,810)	-	(1,552)	(4,546)	- (45,908)
Closing balance		3,100,957	3,812	134,237	120,574	1,725 3,361,305

The amount of kEuro 133,400 relates to the sale of the hypermarket located in the shopping Le Terrazze and to the sale of the shopping's El Rosal and Plaza Eboli (kEuro 13,400 and kEuro 120,000, respectively), from which resulted some residual gains /losses.

The amount of kEuro 9,559 includes the impairment losses related to the investment properties under development Craiova (kEuro 2,991), Caldogno (kEuro 2,063) and Dos Mares (kEuro 2,380) (Note 32).

The amount of kEuro 6,000 refers to the acquisition of 50% of Alexa Shopping (owner of Alexa Towers) (Note 3).

	2010					
	Investment properties					
	in progress				Advances	Total
	in operation	"Fit Out"	at cost	at fair value		
Opening balance	3,349,582	4,544	169,440	68,529	1,725	3,593,820
Increases	15,412	750	11,127	72,631	-	99,920
Impairments and write-off (Note 32)	-	-	(30,822)	-	-	(30,822)
Receivables	-	-	(19,199)	-	-	(19,199)
Fit-out receivables	-	(670)	-	-	-	(670)
Transfers	-	-	(113)	1,012	-	899
Increases by transfer from investment properties in progress:						
- Production cost	84,138	1,871	(7,541)	(78,468)	-	-
- Adjustment to fair value	4,043	-	-	12,621	-	16,664
Variation in fair value of the investment properties between years (Note 30):						
- Gains	55,834	235	-	-	-	56,069
- Losses	(50,463)	(1,382)	-	-	-	(51,845)
Sales of companies (Note 6)	(248,468)	(1,290)	-	-	-	(249,758)
Currency translation differences	49,619	-	396	2,203	-	52,218
Closing balance	3,259,697	4,058	123,288	78,528	1,725	3,467,296

At 31 December 2011 and 2010 investment properties in operation can be detailed as follows:

	31.12.11					31.12.10				
	10 yr discount rate		Exit Yield		Amount	10 yr discount rate		Exit Yield		Amount
	Floor	Cap	Floor	Cap		Floor	Cap	Floor	Cap	
Portugal/Spain	8.15%	12.05%	6.15%	10.05%	1,930,202	8.45%	11.75%	6.20%	9.25%	2,137,471
Other European Countries	6.50%	13.00%	6.00%	10.00%	684,483	6.75%	10.75%	6.00%	8.00%	673,698
Brazil	12.75%	14.00%	8.25%	9.50%	486,272	12.75%	14.00%	8.25%	9.50%	448,528
					<u>3,100,957</u>					<u>3,259,697</u>

The fair value of each investment property was determined by means of a valuation as of the statement of financial position date made by an independent specialised entity (Cushman & Wakefield).

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in England.

The methodology used to compute the market value of the investment properties consists in preparing 10 years projections of income and expenses of each shopping centre added to the residual value, corresponding to a projected net income of year 11 and a return market rate ("Exit yield" or "cap rate"). These projections are then discounted to the valuation date using a discount market rate. Projections are intended to reflect the actual best estimate of the valuer regarding future revenues and costs of each shopping. Both the return rate and discount rate are defined in accordance to the local real estate and institutional market conditions, being the reasonability of the market value obtained in accordance to the methodology above referred, tested also in terms of initial return and obtained with the estimated net income for the 1st year of projections.

In the valuation of investment properties, some assumptions, that in accordance with the Red Book are considered to be special, were in addition considered, namely in the case of recently inaugurated shopping centres, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

The open market value of the investment properties under development as at the statement of financial position date is calculated by subtracting from the open market value at opening, calculated using the methodology described above, the investment necessary to complete the construction and considering a rate risk factor defined by the valuer for each property.

Market Commentary

According to the valuer, whenever uncertainty could have a material effect on the opinion of value, the Red Book requires the valuer to draw attention to this, indicating the cause of uncertainty and the degree to which this is reflected in the valuation reported.

Since September 2008 there were unprecedented events at a global level, such as the failure of several major banks, the effective nationalisation of others. There have been substantial reductions in interest rates across Europe, with the ECB rapidly reducing base rates from 2.50% in December 2008 to 1% since May 2009. Following a relatively strong end to 2009, 2010 experienced a gradual upward movement of the Euribor, which has

continued during 2011. Recently, the ECB has change the tone reinforcing market expectations that a worsening economic outlook in the euro zone and an escalating euro debt crisis will force the bank to reverse its recent rate increases over the short term. 2010 and 2011 were characterized by the global banking crisis and the consequent hiatus of the debt markets. The fallout of the crisis in Greece in 2010 prompted a wider breakdown in confidence relating to sovereign risk. A general European economic downturn unfolded throughout 2011 due to significant deterioration of the current sovereign debt crisis in the euro area, as well as to a deceleration of the European economy

According to the valuer, within the real estate sector, there remains limited clarity on pricing throughout Europe. Signs of increasing activity from both occupiers and investors emerged in the property market in 2010 and have continued active in 2011; overly ambitious negotiations have occurred in both investments and leasing discussions. Nevertheless, confidence has certainly improved, and both occupiers and investors sense that for Grade 'A' property, pricing is now around as good as it will get. For secondary stock, however, there is no urgency to invest or occupy property and the gap to prime has increased.

Although some companies are facing financial difficulties, it is not appropriate to conclude all recent market activity represents forced transactions. An imbalance between supply and demand (for example, fewer buyers than sellers) is not always a determinant of a forced transaction. A seller might be under financial pressure to sell, but it is still available to sell at a market price if there is more than one potential buyer in the market and a reasonable amount of time is available for marketing. Similarly, transactions initiated during bankruptcy should not automatically be assumed to be forced. It has been held that valuers may properly conclude within a range of values. This range is likely to be greater in an illiquid market where inherent uncertainty exists and a greater degree of judgement must therefore be applied.

The valuers strongly recommend that the company keep the valuation of the subject properties under review. The company should also anticipate a longer marketing period than would previously have been expected in the event that any property is offered for sale.

As of 31 December 2011 and 2010, the fair value of the fit out contracts existing in each investment property was as follows:

	31.12.11					31.12.10				
	10 yr discount rate		Exit Yield			10 yr discount rate		Exit Yield		
	Floor	Cap	Floor	Cap	Amount	Floor	Cap	Floor	Cap	Amount
Portugal/Spain	8.95%	11.75%	6.70%	9.50%	3,812	8.50%	11.40%	6.25%	8.90%	4,058
					<u>3,812</u>					<u>4,058</u>

The fair value of the fit out contracts was determined by means of a valuation as of the statement of financial position date made by an independent specialised entity (Cushman & Wakefield). The methodology used to compute the fair value of the fit out contracts consisted in determining the discounted estimated cash flows of each one of the fit out contracts, using a discounted market rate similar to the one used in determining the fair value of the investment property to which each fit out contract relates.

During the years ended on 31 December 2011 and 2010, the income (fixed rents net of possible discounts, turnover rents, common spaces rents, key income and transfer fees) and the corresponding direct operating expenses (property tax, insurance expense, maintenance expense, management fee and asset management fee and other direct operating expenses), relating to the investment properties of the Group, has the following detail:

	Rents		Direct operating expenses	
	31.12.11	31.12.10	31.12.11	31.12.10
Portugal/Spain	143,353	152,948	7,903	7,820
Other European Countries	42,387	42,289	2,174	2,424
Brazil	40,559	37,496	529	1,209
	<u>226,299</u>	<u>232,733</u>	<u>10,606</u>	<u>11,453</u>

At 31 December 2011 and 2010 the following investment properties had been given in guarantee of bank loans:

•Airone	•Grancasa	•Parque Principado
•Algarveshopping	•Guimarãesshopping	•Pátio Boavista
•Alverca	•La Farga	•Pátio Londrina
•Arrabidashopping	•Le Terrazze	•Pátio Uberlândia
•Cascaishopping	•Loop 5	•Plaza Mayor
•Centro Colombo	•Luz del Tajo	•Plaza Mayor Shopping
•Centro Vasco da Gama	•Madeirashopping	•River Plaza Mall
•Coimbrashopping	•Maiashopping	•Solingen
•Dos Mares	•Manauara Shopping	•Torre Ocidente
•Estação Viana	•Max Center	•Valecenter
•Freccia Rossa	•Munster Arkaden	•Valle Real
•Gaiashopping	•Norteshopping	•Viacatarina
•Gli Orsi	•Parque Atlântico	•Zubiarte

At 31 December 2011 and 2010 there were no material contractual obligations to purchase, construct or develop investment properties or for repairs or maintenance, other than those referred to above, except the obligations mention in Notes 39 and 40.

Investment properties under development at 31 December 2011 and 2010 are made up as follows:

	31.12.11	31.12.10
Investment properties at cost:		
Portugal:		
Alverca	6,147	6,137
Centro Bordalo	3,785	3,473
Parque de Famalicão	1,257	1,257
Others	30	7
Germany:		
Alexa Tower	12,000	6,000
Garbsen	1,967	1,920
Solingen	14,953	-
Others	14	14
Brazil:		
Goiânia Shopping	15,707	10,616
Others	870	253
Spain:		
Pulianas Shopping	117	206
Dos Mares - expansion	430	2,810
Greece:		
Aegean Park	10,062	9,963
Pantheon Plaza	1,778	1,778
Ioannina	17,371	17,261
Italy:		
Le Terrazze (Hypermarket)	-	7,307
Caldogno	7,966	9,916
Others	15	505
Romania:		
Craiova Shopping	33,375	35,349
Ploiesti Shopping	14,524	14,635
	142,368	129,407
Impairment for assets at risk	(6,406)	(4,394)
	135,962	125,013
Investment property at fair value:		
Portugal:		
Torre Ocidente	-	12,276
Brazil:		
Uberlândia Shopping	42,239	22,076
Boulevard Londrina Shopping	31,711	12,647
Italy:		
Le Terrazze	46,624	31,529
	120,574	78,528
	256,536	203,541

The amounts of kEuro 6,406 and kEuro 4,394 in 31 December 2011 and 2010, respectively, recorded under caption "Impairment for assets at risk", are related to the provision made to anticipate losses due to the non development of some of the actual projects because of the uncertainty of markets (Note 32).

The Aegean Park investment property in progress corresponds, at the moment, to the value of a site in Athens, Greece. In accordance with the information received, the local Municipal Authorities intention is to classify part of the site as green area and the Man-

agement is being involved in negotiations with the local Municipal Authorities with the objective of determining which will be the final use of that site. The Board of Directors still believes that there will be no losses in the realization value of the site; therefore, no impairment losses have been recognised.

The investment property under development Ioannina, for which the Group has recognised in the period ended 31 December 2010 an impairment loss in the amount of kEuro 15,000, corresponds to the value of the site and infrastructures for which the Board expects to continue to develop in a short period of time.

Investment properties in progress include borrowing expenses incurred during the construction period. As of 31 December 2011 and 2010, total borrowing expenses capitalised amounted to kEuro 3,788 and kEuro 1,328, respectively.

8 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment and corresponding accumulated depreciation during the years ended 31 December 2011 and 2010 was as follows:

	2011							2010
	Buildings and other constructions	Machinery and equipment	Transport equipment	Administrative equipment	Tools and utensils	Other tangible fixed assets	Tangible fixed assets in progress	Total
Assets:								
Opening balance	1,826	1,903	535	4,841	368	1,248	-	10,721
Increases	110	104	182	299	4	27	-	726
Sales	(224)	(64)	(153)	(108)	(10)	-	-	(559)
Transfers and disposals	-	(14)	-	(43)	(9)	(56)	-	(122)
Currency translation differences	-	(55)	(39)	(57)	-	-	-	(151)
Change in consolidation perimeter	25	2	-	(29)	-	-	-	(2)
Closing balance	1,737	1,876	525	4,903	353	1,219	-	10,613
Accumulated depreciation and impairment losses:								
Opening balance	1,158	1,596	165	3,777	260	992	-	7,948
Depreciation for the year	280	171	104	391	-	116	-	1,062
Impairment Losses for the year	-	-	-	-	-	-	-	-
Sales	(161)	(43)	(90)	(122)	-	(3)	-	(419)
Transfers and disposals	-	(14)	-	(43)	-	(21)	-	(78)
Currency translation differences	-	(40)	(10)	(36)	-	-	-	(86)
Change in consolidation perimeter	-	(2)	-	19	-	-	-	17
Closing balance	1,277	1,668	169	3,986	260	1,084	-	8,444
Net assets	460	208	356	917	93	135	-	2,169

9 GOODWILL

The movement in goodwill during the years ended 31 December 2011 and 2010 was as follows:

	2011	2010
Opening balance	46,406	49,287
Sales (Note 6)	-	(2,622)
Transfer to associates (Notes 5 and 6)	-	(259)
Impairment losses of the year (Note 32)	(683)	-
Closing balance	45,723	46,406

At 31 December 2011 and 2010 goodwill was made up as follows:

		31.12.11			31.12.10	
		Year of of aquisition	Gross amount	Impairment losses of the year (Note 32)	Carrying Amount	Carrying Amount
Iberian Assets, S.A:						
Grancasa	✓	2002	1,471	-	1,471	1,471
Max Center	✓	2002	4,558	-	4,558	4,558
Valle Real	✓	2002	(558)	-	(558)	(558)
Valle Real	✓	2003	1,000	-	1,000	1,000
			6,471	-	6,471	6,471
La Farga	✓	2002	73	(73)	-	73
	✓	2005	247	(187)	60	247
	✓	2009	(58)	-	(58)	(58)
			262	(260)	2	262
Parque Principado	✓	2004	997	-	997	997
Plaza Eboli	✓	2005	423	(423)	-	423
Luz del Tajo	✓	2005	2,919	-	2,919	2,919
Dos Mares	✓	2005	1,298	-	1,298	1,298
Valecenter	✓	2005	28,340	-	28,340	28,340
River Plaza Mall	✓	2007	1,334	-	1,334	1,334
Gli Orsi	✓	2008	1,642	-	1,642	1,642
Le Terrazze	✓	2009	2,720	-	2,720	2,720
			39,673	(423)	39,250	39,673
			46,406	(683)	45,723	46,406

The impairment tests made to the goodwill are based on the "Net Asset Value" ("NAV") at the statement of financial position date of the participations held.

10 INTANGIBLE ASSETS

The movement in intangible assets and corresponding accumulated depreciation during the years ended 31 December 2011 and 2010 was as follows:

	2011	2010
	Other rights	Other rights
Assets:		
Opening balance	16,545	15,487
Increases	1,173	1,510
Currency translation differences	(50)	33
Sales, disposals and regularisations	(1,096)	(485)
Change in consolidation perimeter	-	(1)
Closing balance	16,572	16,545
Accumulated depreciation and impairment losses:		
Opening balance	10,800	9,584
Depreciation for the year	1,213	1,217
Currency translation differences	(8)	7
Sales, disposals and regularisations	(4)	(7)
Change in consolidation perimeter	-	(1)
Closing balance	12,001	10,800
Net assets	4,571	5,745

As of 31 December 2011, "Other rights" include the amount of kEuro 2,231 (net of accumulated depreciation and impairment losses in the amount of kEuro 7,489), relating the management right acquired in September 2002 of five shopping centres located in Spain, four of which (Grancasa, Max Center, La Farga and Valle Real) are currently in operation. This right is being depreciated during a period of 12 years (corresponding to the initial contract period plus an additional equal period), this being the estimated period to recover the investment.

11 OTHER NON CURRENT ASSETS

At 31 December 2011 and 2010 other non-current assets were made up as follows:

	31.12.11	31.12.10
Municipal Council of Lisbon	7,777	7,777
Municipal Council of Malaga	1,626	1,650
Rent deposits of tenants	6,649	8,180
Pending amount to be received from the sale of Alexa	8,999	4,736
Escrow Account	4,627	2,748
IGEC tax deposits	1,757	1,189
Other non current assets	2,025	2,615
	<u>33,460</u>	<u>28,895</u>

The amount of kEuro 7,777, due by the Municipal Council of Lisbon, relates to works developed by the jointly controlled company "Centro Colombo – Centro Comercial, S.A.". These works were developed on behalf of the Municipal Council of Lisbon ("CML") in accordance with protocols signed between the technical services of CML and Colombo at the end of 2001. On the other hand, the caption "Other non-current liabilities", as of 31 December 2011 and 2010, includes the amount of kEuro 3,243 (Note 21) relating to works developed by CML on behalf of Colombo and licenses. A legal action against CML was presented in 2001 reclaiming the totality of the improvements made by Colombo on behalf of CML and corresponding interests and other expenses incurred by Colombo under the above mentioned protocols. The Colombo Board of Directors believes, based on advice from its legal counsel, that the legal action will be favourable to Colombo and consequently did not record any impairment loss to cover eventual losses on this account receivable.

The amount of kEuro 1,626 due by the Municipal Council of Malaga relates to works developed by Plaza Mayor Parque de Ocio, S.A (kEuro 1,004) and Plaza Mayor Shopping, S.A. (kEuro 622) on behalf of the Municipal Council of Malaga at the surroundings of the Plaza Mayor Shopping centre.

The amount of kEuro 6,649 and kEuro 30 (Note 13) relates to the deposit in official entities of rents deposits received from tenants of shopping centres located in Spain (Max Center, Grancasa, La Farga, Valle Real, Plaza Mayor, Parque Principado, Luz del Tajo, Plaza Éboli, Plaza Mayor, Dos Mares, El Rosal and Zubiarte). The rent deposits received from tenants are classified under "Other non-current payables" (Note 21) and "Other payables" (Note 26).

12 TRADE RECEIVABLES

At 31 December 2011 and 2010 trade receivables were made up as follows:

	31.12.11	31.12.10
Accounts receivable from customers:		
Portugal	27,077	23,291
Brazil	7,504	7,593
Spain	10,357	10,564
Italy	4,292	6,317
Germany	1,973	2,368
Greece	830	1,713
Other costumers	2,453	1,962
	54,486	53,808
Accumulated impairment losses on accounts receivable from customers (Note 28)	(24,347)	(20,006)
	30,139	33,802

The Group's exposure to credit risk is attributed to accounts receivable relating to the operating activity of the Group. The amounts shown in the statement of financial position are net of the corresponding impairment losses on accounts receivable, which were estimated by the Group, based on the past experience of the Group and assessment of the economic environment. The Board of Directors believes that the carrying amount of its trade receivables is similar to the corresponding fair value. The Group has not a significant concentration of credit risk, as that risk is diluted over a variety of different customers.

According to the information included in the statement of financial position, the ageing of the trade receivables is as follows:

	31.12.11	31.12.10
Not due	9,681	12,692
Due but not impaired:		
0-30 days	7,847	7,413
30-90 days	5,527	4,099
+ 90 days	8,890	9,204
Due and impaired:		
0-90 days	3,184	1,896
90-180 days	2,019	1,896
180-360 days	1,952	4,068
+ 360 days	15,386	12,540
	54,486	53,808

13 OTHER RECEIVABLES

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.11	31.12.10
Caelum Development, Srl	15,935	15,935
Rent deposits of tenants (Note 11)	30	283
Tax notification paid	1,451	1,451
Escrow account	2,845	2,383
Advances to suppliers	2,596	2,631
Other	<u>6,384</u>	<u>6,153</u>
	29,241	28,836
Accumulated impairment losses on other receivables (Note 28)	(7)	(7)
	<u>29,234</u>	<u>28,829</u>

The amount of kEuro 15,935 refers to an advance payment made in 2008 for the acquisition of a project in Romania; interests were calculated at an interest rate of 13% (8% in 2010). This advance and the interests accumulated since the beginning of the contract (at 31 December 2011 the amount was kEuro 5,926 and are recognised under the caption "Other current assets" (Note 14)) are guaranteed by a pledge of the land made in favour of the Group.

The amount of kEuro 1,451 includes:

- the amount of kEuro 741 related to tax notifications on the income tax statements relating to years 1991 to 1997 paid by Cascaishopping – Centro Comercial, SA ("Cascaishopping") to tax authorities. The corrections proposed by tax authorities relate basically to the depreciation policy of improvements made in third parties property that, for tax purposes, were being depreciated in five years and that the Tax Authorities believe should be depreciated in 50 years. Cascaishopping contested the tax notifications received and did not record any impairment to cover eventual losses on those amounts. as the Board of Directors believes that the result will be favourable to Cascaishopping;
- the amount of kEuro 710 (of which kEuro 598 relates to corporate tax and kEuro 112 relates to interest) relates with the payment made in 2007 by Colombo, in relation to the tax notification of the income tax declaration of the year of 2001. The corrections proposed by the tax authorities are related to the fiscal losses reported in previous years, at the amount of kEuro 1,812. The company contested the tax notifications received and did not record any impairment loss to face eventual losses on those amounts, as the Board of Directors believes that the result will be favourable to Colombo.

The Group's exposure to credit risk is attributed to accounts receivable relating the operating activity of the Group. The amounts shown in the financial position statement are net of the corresponding impairment losses on accounts receivable, which were estimated by the Group, based on the past experience of the Group and assessment of the economic environment. The Board of Directors believes that the carrying amount of its trade

receivables is similar to the corresponding fair value. The Group has not a significant concentration of credit risk, as that risk is diluted over a variety of different customers.

14 OTHER CURRENT ASSETS

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.11	31.12.10
Interest income receivable (Note 13)	6,080	3,670
Variable rents receivable	1,870	3,170
Recovered costs receivable	501	415
Accrued income related to Cold Shell (Le Terrazze)	2,813	-
Deferred rents	285	274
Deferred costs with projects	-	1
Deferred costs with financing	77	40
Management and administration services receivable	1,266	862
Others	5,214	4,793
	<u>18,106</u>	<u>13,225</u>

The amount kEuro 2,813 recorded under the caption "Accrued income related to Cold Shell (Le Terrazze)" relates to the amount to be invoice to the company that acquired the hypermarket for the works made by the Group until 31 December 2011.1.

15 CASH AND CASH EQUIVALENTS

At 31 December 2011 and 2010 cash and cash equivalents were made up as follows:

	31.12.11	31.12.10
Cash	767	550
Bank deposits payable on demand	68,826	18,121
Treasury applications	<u>80,639</u>	<u>35,458</u>
	150,232	54,129
Bank overdrafts (Note 19)	<u>(133)</u>	-
	<u>150,099</u>	<u>54,129</u>

The treasury applications relate to term deposits made by several companies included in consolidation repayable in less than three months of inception and that bear interest at market interest rates.

16 SHARE CAPITAL AND LEGAL RESERVES

At 31 December 2011 the share capital was made up of 32,514,000 fully subscribed and paid up ordinary shares of Euro 4.99 each.

The following entities own the share capital at 31 December 2011 and 2010:

Entity	2011	2010
Sonae SGPS. S.A.	50.00%	50.00%
Grosvenor Investments (Portugal), Sarl	50.00%	50.00%

At 31 December 2011 and 2010 the legal reserves were as follows:

	31.12.11	31.12.10
Legal reserve	32,449	32,449
Special reserve	24,880	24,880
	<u>57,329</u>	<u>57,329</u>

Legal reserve: According to the company law, at least 5% of the annual net profit, if positive, should be used in the reinforcement of the legal reserve until it represents 20% of the capital. This reserve can only be distributed in case of liquidation of the company but can be used to cover losses after the other reserves have been used or can be incorporated in the share capital.

As mentioned in the Portuguese commercial code, and in consequence of the capital reduction in 2003, Sonae Sierra constituted a special reserve, to which the rules of the legal reserve apply, by an amount equivalent to the nominal amount of the shares extinguished (kEuro 24,880).

17 NON-CONTROLLING INTERESTS

During the years ended 31 December 2011 and 2010 the movement in non-controlling interests was as follows:

	Balance as of 31.12.10	Net Profit	Variation in translation reserve	Increase / decrease of share capital	Variation in hedging reserve	(Goodwill) / Negative Goodwill Dividends (Note 6)	Acquisitions/ Sales (Note 6)	Others	Balance as of 31.12.11
Sonae Siera Brasil, SA	52,435	29,281	(14,986)	101,217	-	(4,120)	16,488	44	180,359
Sierra BV	379,705	(4,505)	-	-	(2,387)	(12)	(2,526)	-	370,703
Others	-	-	-	-	-	-	-	-	-
	432,140	24,776	(14,986)	101,217	(2,387)	(4,132)	13,962	44	551,062

	Balance as of 31.12.09	Net Profit	Variation in translation reserve	Increase / decrease of share capital	Variation in hedging reserve	Dividends	Acquisitions/ Sales (Note 6)	Others	Balance as of 31.12.10
Sonae Siera Brasil, SA	41,502	8,555	5,635	44	-	(3,615)	-	314	52,435
El Rosal Shopping, SA	(13,943)	-	-	-	-	-	13,943	-	-
Sierra BV	379,439	16,676	-	(9,381)	473	(7,485)	-	(17)	379,705
Others	234	62	-	(1)	-	(1)	-	(294)	-
	407,232	25,293	5,635	(9,338)	473	(11,101)	13,943	3	432,140

18 BANK LOANS

At 31 December 2011 and 2010 bank loans obtained were made up as follows:

	Financing Entity		31.12.11			31.12.10			Due date	Reimbursement plan
			Used amount			Used amount				
			Limit	Short term	Medium and long term	Limit	Short term	Medium and long term		
Bond Loans:										
Sonae Sierra SGPS	Caixa BI	-	75,000	-	75,000	75,000	-	75,000	Jul/2013	Final
Bank Loans:										
3shoppings - Holding, SGPS, S.A	Eurohypo	(b), (f), (g)	54,468	1945	52,523	56,090	1621	54,469	Jul/2019	Annual
3shoppings - Holding, SGPS, S.A	Eurohypo	(b), (c), (f), (g)	8,449	1785	6,664	10,233	1784	8,449	Jun/2014	Annual
Airone Shopping Centre, SA	Eurohypo	(b), (c), (f), (g)	8,000	8,000	-	8,000	-	8,000	May/2012	Final
Algarveshopping- C.C., S.A.	ING Bank	(b), (c), (f), (g)	22,500	450	22,050	10,850	10,850	-	Nov/2016	Quarterly
	ING Bank	(b), (c), (f), (g)	22,500	450	22,050	-	-	-	Nov/2016	Quarterly
Project Sierra 8, BV	European Property Capital 3 p.l.c.	(b), (c)	-	-	-	44,597	44,597	-	-	-
Sierra B.V.	CGD	(a), (b), (f)	10,500	-	3,999	10,500	-	3,999	Aug/2013	Final
Arrábidashopping - C.C., S.A.	Eurohypo	(a), (b), (c) (f), (g)	13,763	1,330	12,433	15,076	1,313	13,763	Mar/2017	Quarterly
Arrábidashopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	8,247	485	7,762	8,635	388	8,247	Mar/2017	Annual
Arrábidashopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	10,980	540	10,440	11,520	540	10,980	Mar/2017	Quarterly
Cascaishopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	50,985	1843	49,142	52,828	1843	50,985	May/2027	Annual
Cascaishopping - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (g)	26,000	-	26,000	26,000	-	26,000	Jan/2016	Final
Centro Colombo - C.C., S.A.	Eurohypo	(a), (b), (c), (f), (h)	112,250	-	112,250	112,250	-	112,250	May/2017	Final
Centro Colombo - C.C., S.A.	Eurohypo, ING	(a), (b), (c), (f), (h)	500	-	500	500	-	500	May/2017	Final
Shopping C. Colombo, BV	Eurohypo, ING	(a), (b), (c), (f), (h)	49,500	-	49,500	49,500	-	49,500	May/2017	Final
Centro Vasco da Gama, S.A.	ING	(a), (b), (c), (f), (h)	52,325	1950	50,375	54,275	1950	52,325	Aug/2016	Quarterly
Dos Mares - Shop. Centre S.A.	Aareal Bank	(b), (f), (g)	16,925	16,925	-	17,825	900	16,925	Sep/2012	Quarterly
El Rosal Shopping, SA	Eurohypo	-	-	-	-	71,069	4,669	66,400	-	-
Estação Viana - C.C., S.A.	BES	(b), (c), (f), (g)	30,576	2,520	28,056	32,592	2,016	30,576	Dec/2015	Haf Year
Freccia Rossa - Shop.C. S.r.l.	Unicredit	(a), (b), (c), (f), (g)	52,479	979	51,500	52,802	1,516	51,286	Dec/2025	Haf Year
Freccia Rossa - Shop.C. S.r.l.	Unicredit	(a), (f), (g)	6,916	-	6,916	6,609	-	6,609	Apr/2013	Haf Year
Gaiashopping + C.C., S.A.	Eurohypo	(a), (b), (f), (g)	24,613	825	23,788	25,025	413	24,612	Nov/2026	Annual
Gaiashopping + C.C., S.A.	Eurohypo	(a), (b), (f), (g)	9,025	325	8,700	9,325	300	9,025	Aug/2016	Annual
Gli Orsi - Shopping Centre S.r.l.	Bayern LB	a), (b), (c), (f), (g), (i)	71,000	9,366	61,634	73,000	2,000	71,000	Jun/2016	Quarterly
Iberian Assets, SA	Eurohypo	(a), (b), (f), (g)	16,777	2,104	13,673	17,805	2,028	15,777	Jun/2019	Haf Year
Iberian Assets, SA	Eurohypo	(a), (b), (f), (g)	22,800	675	22,125	23,650	850	22,800	Jul/2018	Annual
Iberian Assets, SA	Eurohypo	(a), (b), (f), (g)	19,919	1,200	18,719	21,019	1,100	19,919	Nov/2020	Haf Year
Iberian Assets, SA	Eurohypo	(a), (b)	14,875	301	14,574	15,025	150	14,875	Jan/2026	Haf Year
La Farga - Shopping Center, SL	Eurohypo	(a), (b), (f), (g)	13,500	750	12,750	14,250	750	13,500	Apr/2014	Annual
Le Terrazze - Shopping Centre 1Srl	Unicredit	(a), (b), (f), (j)	27,500	106	21,048	27,500	-	4,343	Dec/2024	Haf Year
Le Terrazze - Shopping Centre 1Srl	Unicredit	(a), (b), (f), (j)	6,500	-	4,778	6,500	-	988	Dec/2015	Final
Loop 5-Shopping Centre, GmbH	Bayern LB	(a), (b), (f), (h)	90,992	1,505	89,487	92,454	1,461	90,993	Jan/2019	Quarterly
Luz del Tajo C.C. S.A.	Deutsche Pfandbriefbank	(b), (c), (f), (g)	45,700	-	45,700	45,700	-	45,700	Jun/2014	Final
Madeirashopping - C.C., S.A.	ING	(a), (b), (f), (h)	17,775	450	17,325	18,000	225	17,775	Aug/2015	Quarterly
Münster Arkaden, BV	Nord LB	(b), (c), (f), (g)	121,811	2,407	118,874	123,503	2,222	121,811	Dec/2016	Quarterly
Norteshopping - C.C., S.A.	Eurohypo	-	-	-	-	2,769	-	2,769	-	-
Norteshopping - C.C., S.A.	Eurohypo	(a), (b), (f), (g)	35,398	-	35,398	35,202	2,573	32,629	Dec/2014	Quarterly
Norte Shopping B.V.	Eurohypo	(a), (b), (f), (g)	38,018	4,079	33,939	41,281	3,263	38,018	Dec/2014	Haf Year
Parque Atlântico Shop - C.C., SA	CGD, BCP	(a), (b), (f)	13,300	1,400	11,900	14,700	1,400	13,300	Dec/2015	Quarterly
Parque Principado S.L.	Calyon	(a), (b), (c), (f), (h)	56,700	-	56,700	56,700	-	56,700	Jul/2013	Final
Pátio Boavista Shopping Ltda	Banco Itaú	(a), (e)	4,995	1,016	3,979	6,087	738	5,349	Nov/2016	Monthly
Pátio Boavista Shopping Ltda	Banco Itaú	(a), (b), (e)	10,897	908	9,989	-	-	-	May/2018	Monthly
Pátio Londrina Empr. e Part. Ltda	Banco Bradesco	(a), (b), (d)	11,062	71	10,991	54,110	-	-	Oct/2025	Monthly
Pátio Sertório Shopping Ltda	BASA	(a), (b), (d), (e), (f)	23,242	-	23,242	25,319	-	25,319	Dec/2020	Monthly
Pátio Uberlândia Shopping Ltda	Banco Bradesco	(a), (b), (e)	14,678	188	14,490	6,839	-	6,839	Oct/2025	Monthly
Plaza Eboli - C.C. S.A.	Deutsche Pfandbriefbank	-	-	-	-	27,412	400	27,012	-	-
Plaza Mayor Shopping, SA	Eurohypo	(b), (f), (g)	34,688	1,295	33,393	35,890	1,202	34,688	Apr/2019	Annual
Plaza Mayor - Parque de Ocio, S.A.	Eurohypo	(b)	24,461	1,743	22,718	26,144	1,683	24,461	Apr/2018	Annual
River Plaza Mall Srl	Société Générale/BRD	(b), (c)	22,113	2,245	19,868	22,733	691	22,042	May/2018	Quarterly
Sierra Investimentos Brasil, Ltda.	Banco Itaú	(a), (c), (d)	3,603	920	2,683	4,509	668	3,841	Nov/2015	Monthly
Solingen, GmbH	Deutsche Hypothekenbank	(a), (b), (c), (f), (g)	43,500	-	9,652	-	-	-	Apr/2017	Quarterly
Sonae Sierra SGPS	Santander Totta	-	-	-	-	15,000	10,000	-	-	-
Torre Ocidente Imobiliária, S.A.	CGD	(a), (b), (f)	12,250	-	9,898	12,250	-	7,328	Sep/2017	Haf Year
Valecenter Srl	Eurohypo	(b), (c), (f), (g)	90,158	3,416	86,742	93,330	3,172	90,158	Jun/2015	Quarterly
Via Catarina - C.C., S.A.	Eurohypo	(a), (b)	17,836	294	17,542	18,130	294	17,836	Feb/2027	Annual
Zubiarte Inversiones Inmobil.,SL.	ING	(a), (b), (f), (g)	21,959	8,127	13,832	22,704	8,410	14,294	Jun/2017	Quarterly
Total Bank Loans			1,537,978	84,918	1,402,291	1,685,616	119,980	1,466,434		
Deferred bank expenses incurred on the issuance of bank debt			(1,567)		(7,517)	(1,632)		(8,809)		
			83,351	1,469,774		118,348	1,532,625			
Fair value of the financial hedging instruments - asset			-		-	-		(847)		
Fair value of the financial hedging instruments - liability			-		48,611	-		38,563		
			83,351	1,518,385		118,348	1,570,341			

- (a) These amounts are considered at the control proportion held by the Group
(b) To guarantee the repayment of these loans, the Group pledged the real estate properties owned by these companies
(c) To guarantee the repayment of this loan, the Group pledged the shares of this subsidiary
(d) To guarantee the repayment of this loan, the Group has a bank guarantee.
(e) In this loan the Sonae Sierra Brasil, SA was the guarantor
(f) This loan has a covenant "Loan to Value": Financial liabilities / Fair value of the investment property
(g) This loan has a covenant "Debt Service Cover Ratio": Cash flow / (Paid interests plus capital amortization)
(h) This loan has a covenant "Interest Cover Ratio": Cash flow / Paid interests
(i) This loan has a covenant "Debt to equity cover ratio": Equity / Financial liabilities
(j) Sonae Sierra SGPS provided a guarantee or a comfort letter to the bank in name of its subsidiary.
(k) Sierra Investments SGPS provided a comfort letter to the bank in name of its subsidiary.
(l) In this loan the Sierra Investimentos S Brasil, Ltda was the guarantor

Bank loans bear interests at market interest rates and were all contracted in Euro, except for the bank loans of Sierra Investimentos Brasil, Pátio Boavista Shopping, Pátio Londrina, Pátio Sertório and Pátio Uberlândia Shopping, which were contracted in Brazilian Real and translated to Euro using the exchange rate prevailing at statement of financial position date (Note 2.2 e)).

Bank loans with covenants were analysed by the Group at the statement of financial position date and, whenever breaches to these covenants occurred the classification in the current portion was made accordingly. These situations have occurred in case of loans obtained by Zubiarte, Gli Orsi and River Plaza. Negotiations are ongoing in order to obtain a debt rescheduling with correspondent banks.

At 31 December 2011 and 2010, loans and the respective interests are repayable as follows:

	31.12.11		31.12.10	
	Repayment	Interest	Repayment	Interest
N+1	84,918	45,367	119,980	36,648
N+2	189,031	43,480	96,514	35,077
N+3	174,552	37,216	195,995	33,591
N+4	164,639	30,735	177,528	28,630
N+5	229,425	23,281	163,439	23,158
N+6 and following years	719,644	46,557	907,958	51,182
	<u>1,562,209</u>	<u>226,636</u>	<u>1,661,414</u>	<u>208,286</u>

At 31 December 2011 and 2010, the Group's financial instruments related to interest rate swaps and zero cost collars were as follows:

	31.12.11			31.12.10		
	Fair value of the financial instrument			Fair value of the financial instrument		
	Loan	Asset	Liability	Loan	Asset	Liability
Financial hedging instruments:						
"Swaps":						
3 Shoppings / Caixa BI	62,917	-	1,925	66,323	-	1,302
Airone / BBVA	8,000	-	95	8,000	-	348
	22,500	-	618	-	-	-
ArrábidaShopping / BBVA	8,247	-	260	8,635	-	430
Cascaishopping / BES	50,985	-	859	52,828	(309)	-
Cascaishopping / BES	26,000	-	1,697	26,000	(213)	-
Colombo / BBVA	112,750	-	1,892	112,750	-	5,762
Colombo / Santander	-	-	5,581	112,750	-	1,555
Shopping Colombo BV/ BBVA	49,500	-	831	49,500	-	2,555
Shopping Colombo BV/ ING	-	-	333	-	-	-
El Rosal / BES	-	-	-	35,534	-	1,835
El Rosal / BES	-	-	-	35,534	-	2,710
Estação Viana / BES	-	-	-	32,592	-	-
Freccia Rossa / Unicredit	36,950	-	787	31,063	-	1,259
Freccia Rossa / Unicredit	4,626	-	178	4,869	-	293
Gaiashopping / Caixa BI	24,613	-	716	25,025	-	1,221
Gli Orsi / Bayerische Landesbank	71,000	-	3,629	73,000	-	57
Le Terrazze / Unicredit	27,500	-	986	55,000	(9)	-
Münster Arkaden / BPI	121,281	-	13,956	123,503	-	10,327
Norteshopping / Eurohypo / BPI	35,398	-	-	37,971	-	672
Norteshopping BV / Eurohypo	38,018	-	-	41,281	-	748
Plaza Éboli / Deutsche Pfandbriefbank	-	-	-	27,413	(83)	-
Plaza Mayor Shopping / BES	23,125	-	1,393	17,945	-	705
	22,500	-	618	-	-	-
River Plaza / Société Générale	22,113	-	3,445	22,734	-	2,656
Torre Occidente / Caixa BI	12,250	-	-	7,328	-	29
Valecenter / Eurohypo	22,170	-	1,001	22,950	-	532
Vasco da Gama / BES	52,325	-	1,005	108,550	(232)	-
Viacatarina / BPI	17,836	-	304	18,130	-	864
		-	42,109		(846)	35,860
Options:						
Algarve / RBS *	22,500	-	-	10,850	-	-
Sierra BV / RBS *	22,500	-	-	44,597	(1)	-
Arrábidashopping / BES	10,980	-	319	11,520	-	180
Arrábidashopping / BPI	13,763	-	396	15,075	-	279
Cascaishopping / Santander	-	-	-	26,000	-	123
Dos Mares / BBVA	16,925	-	139	17,825	-	299
Gaiashopping / BBVA	9,025	-	-	9,325	-	186
Luz del Tajo / Deutsche Pfandbriefbank	36,560	-	1,046	36,560	-	1,046
Parque Principado / Calyon*	56,700	-	-	56,700	-	-
Valecenter / Eurohypo	-	-	-	50,442	-	590
		-	1,900		(1)	2,703
Financial hedging instruments ineffective:						
Sonae Sierra SGPS / BES	75,000	-	4,602	-	-	-
		-	4,602		-	-
		-	48,611		(847)	38,563

(*) These hedging instruments are a Cap. For the remaining ones, we have contracted Zero Cost Collars

The fair value of the financial hedging instruments was recorded under hedging reserves of the Group (kEuro -26,552 and kEuro -23,172 in 31 December 2011 and 2010, respectively) and hedging reserves of the minorities (kEuro -17,457 and kEuro -14,544 in 31 December 2011 and 2010, respectively). The amount related to the ineffective derivative was recorded in the income statement under the caption "Financial expenses" (kEuro 4,602).

The interest rate swaps and zero cost collars are stated at their fair value at the statement of financial position date, determined by the valuation made by the bank entities, with which the derivatives were contracted. The computation of the fair value of these

financial instruments was made, taking into consideration the statement of financial position date, the update of the future cash-flows relating to the difference between the interest rate to be paid by the Company to the bank entity, with which the swap or collar was negotiated, and the variable interest rate to be received by the Company from the bank entity that granted the loan. In addition, tests to the fair value of those derivative financial instruments were made by the treasury department of the Group, in order to validate the fair value determined by those entities.

The main hedging principles used by the Group when negotiating these hedging financial instruments are as follows:

- Matching between the cash-flows paid and received: there is coincidence between the dates of interest payments of the loans obtained and their date of the derivatives flows with the bank;
- Matching in the index interest rate used: the reference index interest rate used in the derivatives and in the loan are coincident;
- In a scenario of increase or decrease in interest rates, the maximum amount of interest payable is perfectly calculated.

19 OTHER BANK LOANS

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.11		31.12.10	
	Limit	Short term	Limit	Short term
Short term facilities:				
Cascaishopping - C.C., S.A.	873	-	2,619	690
Centro Colombo - C.C., S.A.	-	-	5,235	-
Sierra B.V.	10,000	-	10,000	-
Sierra Portugal, SA	249	-	249	-
Sonae Sierra, SGPS, SA	52,970	-	68,920	194
Via Catarina- C.C., S.A.	-	-	1,000	520
	64,092	-	88,023	1,404
Bank overdrafts (Note 15)	-	133	-	-
	64,092	133	88,023	1,404

20 ACCOUNTS PAYABLE TO OTHER SHAREHOLDERS

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.11		31.12.10	
	Current	Non-Current	Current	Non-Current
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1"):				
Plaza Mayor Shopping B.V.	-	2,912	-	4,233
SC Mediterranean Cosmos B.V.	-	34	-	76
Sierra European Retail Real Estate Assets Holdings BV	5,995	-	5,995	-
Zubiarte Inversiones Inmob,SA	-	1,779	-	1,778
	<u>5,995</u>	<u>4,725</u>	<u>5,995</u>	<u>6,087</u>
SIERRA Investments (Luxembourg) 2 Sarl ("Luxco 2"):				
Plaza Mayor Shopping B.V.	-	2,329	-	3,386
SC Mediterranean Cosmos B.V.	-	25	-	58
Sierra European Retail Real Estate Assets Holdings BV	4,796	-	4,796	-
Zubiarte Inversiones Inmob,SA	-	1,423	-	1,423
	<u>4,796</u>	<u>3,777</u>	<u>4,796</u>	<u>4,867</u>
Others	-	1	-	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>10,791</u>	<u>8,503</u>	<u>10,791</u>	<u>10,955</u>

The amounts payable to Luxco 1 and Luxco 2 relate to shareholder loans payable by the subsidiaries and jointly controlled companies of Sierra BV to the other shareholders of Sierra BV. These loans bear interests at market interest rates and were contracted in Euro.

21 OTHER NON CURRENT LIABILITIES

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.11	31.12.10
Municipal Council of Lisbon (Note 11)	3,243	3,243
Rents deposits from tenants (Note 11)	9,318	9,801
Other non current accounts payable	983	731
	<u>13,544</u>	<u>13,775</u>

22 DEFERRED TAXES

Deferred income tax assets and liabilities at 31 December 2011 and 2010, in accordance with the temporary differences that generate them, are made up as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.11	31.12.10	31.12.11	31.12.10
Difference between the fair value and tax cost of tangible fixed assets and intangible assets	-	-	504,655	505,636
Difference between the fair value and tax cost of the fit-out contracts and the correspondent tax basis	-	-	(711)	(890)
Write-off of deferred income relating entrance fees (key money) and expenses relating the opening of shopping centres	-	-	2,294	2,541
Fair value of hedging financial instruments	10,287	9,271	-	208
Fair value of hedging financial instruments ineffective	750	-	-	-
Tax losses carried forward	15,975	13,118	-	-
Impairment losses on accounts receivable from customers	1,696	465	-	-
Gains /losses reinvested	972	972	-	-
Impairment losses on other assets and write-off of deferred costs	140	509	-	-
	<u>29,820</u>	<u>24,335</u>	<u>506,238</u>	<u>507,495</u>

Deferred income tax assets relating to the fair value of the financial hedging instruments were recorded under hedging reserves of the Group (kEuro -6,194 and kEuro -5,618 at 31 December 2011 and 2010, respectively) and under hedging reserves of the non-controlling interests (kEuro -4,093 and kEuro -3,445 at 31 December 2011 and 2010, respectively).

The movement in deferred income tax assets and liabilities during the years ended 31 December 2011 and 2010 was as follows:

	2011		2010	
	Asset	Liability	Asset	Liability
Opening balance	24,335	507,495	35,782	462,407
Effect in net result:				
Difference between fair value and tax cost of tangible fixed assets and intangible assets	(5)	3,105	(590)	14,767
Difference between fair value and tax cost of the fit-out contracts	-	184	-	(203)
Write-off of movements occurred in the year in deferred income relating key money and expenses related to the opening of shopping centers	-	(217)	-	(139)
Increase / (Decrease) of impairment losses not accepted for tax purposes	893	-	443	-
Increase / (Decrease) of tax losses carried forward	424	-	(8,908)	-
Valuation of hedging financial instruments ineffective	750	-	-	-
Other assets impairment and deferred costs write-off	20	-	102	(1)
Effect of change in tax rate	-	1,141	(594)	26,558
Sub-total (Note 23)	2,082	4,213	(9,547)	40,982
Effect in equity:				
Valuation of hedging financial instruments	1,184	(41)	(2,014)	354
Tax effect related to the costs with IPO in Brasil	1,784	-	-	-
Tax rate change effect related to the hedging	-	-	329	-
Currency translation differences	(177)	(6,916)	350	7,877
Changes in perimeter:				
Sales (Note 6)	-	-	-	(4,067)
Acquisitions (Note 6)	779	1,638	-	-
Others	(167)	(151)	(565)	(58)
Closing balance	<u>29,820</u>	<u>506,238</u>	<u>24,335</u>	<u>507,495</u>

The deferred income tax assets related to tax losses carried forward as of 31 December 2011 and 2010 are made up as follows:

	31.12.11			31.12.10		
	Tax loss	Deferred tax asset	Limit expire date	Tax loss	Deferred tax asset	Limit expire date
Portugal:						
Generated in 2010	108	27	2014	108	27	2014
Generated in 2011	105	26	2015	-	-	
	213	53		108	27	
Spain:						
Generated in 1996	-	-		3,323	997	2011
Generated in 1997	-	-		1,978	594	2012
Generated in 1998	39	12	2016	1,249	375	2013
Generated in 2000	87	26	2018	87	26	2015
Generated in 2002	679	204	2020	1,281	384	2017
Generated in 2003	358	107	2021	358	107	2018
Generated in 2004	507	152	2022	507	152	2019
Generated in 2005	1,320	396	2023	4,320	1,296	2020
Generated in 2006	735	220	2024	2,815	844	2021
Generated in 2007	185	56	2025	1,139	342	2022
Generated in 2008	3,009	903	2026	3,855	1,157	2023
Generated in 2009	3,729	1,119	2027	3,653	1,096	2024
Generated in 2010	2,257	677	2028	2,276	683	2025
Generated in 2011	5,981	1,794	2029	-	-	2026
	18,886	5,666		26,841	8,053	
Without limit of use	6,954	2,086				
	25,840	7,752				
Italy:						
Generated in 2006	-	-		166	46	2011
Generated in 2007	-	-		2,595	715	2012
Generated in 2008	-	-		2,290	630	2013
Generated in 2009	-	-		816	224	2014
Generated in 2010	-	-		317	87	
Generated in 2011	-	-		-	-	
	-	-		6,184	1,702	
Without limit of use	9,320	2,563		1,557	428	
	9,320	2,563		7,741	2,130	
Germany:						
Without limit of use	20,846	4,710		3,181	829	
Brazil:						
Without limit of use	2,565	897		5,970	2,079	
	58,784	15,975		43,841	13,118	

At the statement of financial position date, the Group reviewed the tax losses carried forward and only recorded the deferred income tax assets relating to the tax losses carried forward which will probably be recovered in the future. The tax losses carried forward for which no deferred taxes were recognised are as follows:

	31.12.11			31.12.10		
	Tax loss	Deferred tax credit	Limit expire date	Tax loss	Deferred tax credit	Limit expire date
Portugal:						
Generated in 2005	-	-		32	8	2011
Generated in 2006	140	35	2012	1	-	2012
Generated in 2007	35	9	2013	147	37	2013
Generated in 2008	43	11	2014	704	176	2014
Generated in 2009	185	46	2015	969	242	2015
Generated in 2010	119	30	2014	117	29	2014
Generated in 2011	963	241	2015	-	-	2015
	1,485	372		1,970	492	
Spain:						
Generated in 1996	-	-		1,923	577	2011
Generated in 1997	1,977	593	2015	-	-	2012
Generated in 1998	1,127	338	2016	-	-	2013
Generated in 2001	5	1	2019	5	1	2016
Generated in 2002	530	159	2020	4	1	2017
Generated in 2003	3	1	2021	4	1	2018
Generated in 2005	-	-	2023	1,809	543	2020
Generated in 2006	564	169	2024	1,215	364	2021
Generated in 2007	3,319	996	2025	4,826	1,448	2022
Generated in 2008	11,277	3,383	2026	27,916	8,375	2023
Generated in 2009	31,362	9,409	2027	17,985	5,396	2024
Generated in 2010	5,675	1,702	2028	3,817	1,145	2025
Generated in 2011	5,783	1,735	2029	-	-	2026
	61,622	18,486		59,504	17,851	
Without limit of use	13,513	4,054				
	75,135	22,540				
Italy:						
Generated in 2005	-	-		11	3	2010
Generated in 2006	-	-		553	152	2011
Generated in 2007	-	-		58	16	2012
Generated in 2008	-	-		4,737	1,303	2013
Generated in 2009	-	-		4,288	1,179	2014
Generated in 2010	-	-		5,533	1,522	2015
Generated in 2011	-	-		-	-	2016
	-	-		15,180	4,175	
Without limit of use	14,610	4,018		-	-	
	14,610	4,018		15,180	4,175	
Germany:						
Without limit of use	35,181	7,061		51,641	10,790	
Greece:						
Generated in 2005	-	-	2010	13	3	2010
Generated in 2006	79	19	2011	79	19	2011
Generated in 2007	1,554	314	2012	4,116	988	2012
Generated in 2008	2,450	576	2013	3,490	838	2013
Generated in 2009	7,424	1,682	2014	7,363	1,767	2014
Generated in 2010	6,209	1,393	2015	6,045	1,451	2015
Generated in 2011	2,360	504	2016	-	-	2016
	20,076	4,488		21,106	5,066	
Netherlands:						
Generated in 2001	-	-	2010	5	1	2010
Generated in 2002	-	-	2011	46	11	2011
Generated in 2003	40	9	2012	1,621	373	2012
Generated in 2004	2,296	517	2013	2,141	492	2013
Generated in 2005	2,739	616	2014	2,623	603	2014
Generated in 2006	4,641	1,044	2015	4,188	963	2015
Generated in 2007	6,182	1,391	2016	9,794	2,253	2016
Generated in 2008	13,300	2,992	2017	13,225	3,045	2017
Generated in 2009	17,452	3,927	2018	5,339	1,228	2018
Generated in 2010	8,998	2,024	2019	8,906	2,048	2019
Generated in 2011	2,622	590	2020	-	-	
	58,270	13,110		47,888	11,017	
Romania:						
Generated in 2007	272	44	2013	275	44	2012
Generated in 2008	1,138	182	2014	997	160	2013
Generated in 2009	4,416	707	2015	4,615	738	2016
	2,751	440	2016	2,988	478	
Generated in 2011	2,720	435	2017	-	-	
	11,297	1,808		8,875	1,420	
Brazil:						
Without limit of use	844	307		2,371	821	
Others:						
Without limit of use	357	78		3	1	
	217,255	53,782		208,538	51,633	

23 INCOME TAX

Income tax for the years ended 31 December 2011 and 2010 is made up as follows:

	2011	2010
Current tax	21,740	24,216
Deferred tax (Note 22)	2,131	50,529
	<u>23,871</u>	<u>74,745</u>

The numerical reconciliation between tax expense and the accounting profit multiplied by the applicable tax rate, during the years ended 31 December 2011 and 2010 is as follows:

	2011	2010
Profit before income tax	58,395	108,732
Gains related to the sale of companies	-	(2,971)
Net result of associated undertakings	11,800	(521)
Impairment of goodwill	683	-
Other permanent differences and tax losses for which the recuperability is not probable	<u>16,304</u>	<u>32,794</u>
Taxable profit	87,182	138,034
Effect of different income tax rates in other countries	<u>3,736</u>	<u>52,339</u>
	90,918	190,373
Income tax rate in Portugal	<u>25.0%</u>	<u>25.0%</u>
	22,730	47,593
Tax rate change effect	1,141	27,152
	<u>23,871</u>	<u>74,745</u>

The amount of kEuro 16,304 (kEuro 32,794 in 2010) relates mainly to the following effects:

- (i) Non recognition of the deferred tax related to the temporary differences derived by the revaluations of the investment properties Pantheon Plaza, Freccia Rossa and Zubiarte (Pantheon Plaza, El Rosal, Freccia Rossa and Zubiarte in 2010);
- (ii) Non recognition of the deferred tax assets related to the tax losses carried forward of the companies for which the Group was not certain about its future recuperation (El Rosal, Plaza Eboli, Project Sierra Spain 3, Zubiarte, Pantheon Plaza, Gli Orsi, Freccia Rossa and River Plaza) (El Rosal, Plaza Eboli, Project Sierra Spain 3, Zubiarte, Pantheon Plaza, Gli Orsi, Freccia Rossa and River Plaza in 2010);
- (iii) Write-off of deferred tax assets related to the tax losses carried forward recognised in previous years and for which the Group, in 2010, was not certain about its future recovery (Alexa Holding, Plaza Eboli and El Rosal in 2010);
- (iv) It was recorded in 2011 the deferred tax assets related to the tax losses carried forward related to previous years for which there is today conviction about its future recuperation (Sierra Italy, Srl, Alexa Holding and Sierra Germany) (Sierra Spain, SA in 2010).

24 ACCOUNTS PAYABLE TO SUPPLIERS

At 31 December 2011 and 2010 accounts payable to suppliers were made up as follows:

	31.12.11		31.12.10	
	Current	Non-current	Current	Non-current
Trade creditors	24,923	-	27,423	-
Fixed assets suppliers	9,124	543	5,116	6,171
	<u>34,047</u>	<u>543</u>	<u>32,539</u>	<u>6,171</u>

As of 31 December 2011 and 2010, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2011, the Board of Directors believes that the carrying amount of these accounts payable is similar to its corresponding fair value.

The amounts reported above have the following reimbursement plan:

	31.12.11	31.12.10
Short term:		
0-90 days	23,362	25,380
90-180 days	383	920
+ 180 days	10,302	6,239
	<u>34,047</u>	<u>32,539</u>
Medium long term:		
n+1	1	1
n+2	515	6,143
n+4	-	27
n+5	27	-
	<u>543</u>	<u>6,171</u>

25 STATE AND OTHER PUBLIC ENTITIES

At 31 December 2011 and 2010 state and other public entities were made up as follows:

	31.12.11			31.12.10		
	Asset		Liability	Asset		Liability
	Current	Non-current	Current	Current	Non-current	Current
Income tax	14,699	209	14,230	11,775	58	8,981
VAT	20,855	102	7,018	25,493	102	7,134
Social security contributions	100	-	1,054	38	-	1,163
Other taxes	1,270	-	697	131	-	1,261
	<u>36,924</u>	<u>311</u>	<u>22,999</u>	<u>37,437</u>	<u>160</u>	<u>18,539</u>

According the current tax legislation, the tax returns of Portuguese companies included in the consolidation are subject to a revision and correction by the fiscal authorities within a period of four years, exception made when fiscal losses have occurred, fiscal incentives have been granted or auditing or claims are in course, in cases, depending on circumstances, the final dates can be extended or suspended. Because of that the tax returns of

the Portuguese companies of the years 2008 until 2011 are still subject of review and adjustment.

The Board of Directors believes that any possible adjustments that may be made by the tax authorities as a result of their reviews will not have a significant effect on the financial statements as of 31 December 2011.

The amount of kEuro 20,855 and kEuro 25,493 as of 31 December 2011 and 2010, respectively, receivable from public entities, relates basically to Value Added Tax ("VAT") receivable. In accordance to tax legislation, the Group follows the procedure of recording under this caption the VAT included in the invoices from third parties during the period of construction of the shopping centres and requests the reimbursement of that VAT only after the beginning of operation of the shopping centres.

As of 31 December 2011 and 2010, there are no overdue debts to the state and other public entities.

26 OTHER PAYABLES

At 31 December 2011 and 2010 other payables were made up as follows:

	31.12.11	31.12.10
Dividends (Note 41)	23,735	-
Price adjustment acquisition Alexa	11,207	-
Ploiesti acquisition	6,124	6,124
Gift cheques	2,818	3,236
Advances from customers	1,693	2,158
Rent deposits from tenants (Note 11)	756	884
"Câmara Municipal de Guimarães"	280	969
River Plaza acquisition	-	50
Advance made for hypermarket sale in Italy	-	7,554
Olimpiaka Akinita	-	3,560
Other payables	3,437	3,235
	<u>50,050</u>	<u>27,770</u>

The amount of kEuro 6,124 refers to the debt related to the acquisition in July 2008 of the company owning the Project "Ploiesti".

The amount of kEuro 2,818 of gift cheques relates to deposits received until 31 December 2011 on the sale of those gift cheques, net of gift cheques expired or compensated until that date. The Group recognises in an account to be paid all gift cheques sold and this account is settled when the cheques are compensated by the tenants (in this case the fee charged is recognised on the statement of profit and loss) or when the cheques expire (in this case the income corresponds to the amount of the expired cheques).

The amount of kEuro 11,207 refers to the estimation of the price adjustment related to the acquisition of 50% of AlexaHld (Note 6).

As of 31 December 2011 and 2010, this caption related to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2011, the Board of Directors believes that the carrying amounts of these accounts payable is similar to its fair value.

The above balance for other creditors shows an average payment period below 90 days.

27 OTHER CURRENT LIABILITIES

At 31 December 2011 and 2010 other current liabilities were made up as follows:

	31.12.11	31.12.10
Accrued services payable	13,973	11,835
Accrual for vacations and vacations bonuses and bonus	13,919	14,752
Accrued fixed assets payable	11,405	11,114
Deferred rental income	10,193	10,231
Accrued interest expense	9,964	8,259
Condominium margin	3,826	4,122
Accrued property tax	3,639	3,663
Cascaishopping price adjustment	1,480	1,480
Key money invoiced in advance	1,296	1,457
Others	14,218	12,168
	<u>83,913</u>	<u>79,081</u>

The amount of kEuro 13,919 and kEuro 14,752 as of 31 December 2011 and 2010, respectively, includes the amount of kEuro 1,511 and kEuro 1,841, respectively, related to remuneration bonus attributed to some employees of the Group, which will be paid two years after the corresponding attribution date, as long as the employees involved are still employees of the Group as of the payment date. This remuneration bonus will be adjusted, until the corresponding payment date, by the annual variation of the Net Asset Value (NAV) of the Group. These remuneration premiums are, since 2005, deferred over three years (from the year of attribution until the year of payment) and recorded as expense, on the basis of the gross amount that was attributed to those employees, and any subsequent adjustment, derived from the variation of the Group's NAV, recorded in the statements of profit and loss of the year in which the variation occurs.

As of 31 December 2011 and 2010, the amounts of kEuro 11,405 and kEuro 11,114, respectively, relate to the estimate, made by the Board of Directors for liabilities associated with the investments made in the investment properties, for which the corresponding invoices were not yet been received.

28 VARIATIONS ON PROVISIONS AND IMPAIRMENT LOSSES

The movement in provisions and impairment losses during the years ended 31 December 2011 and 2010 is made up as follows:

	2011				31.12.11
	31.12.10	Increase	Utilization	Translation differences	
Impairment losses on accounts receivable:					
Trade receivables (Note 12)	20,006	7,318	(2,804)	(173)	24,347
Other receivables (Note 13)	7	-	-	-	7
	20,013	7,318	(2,804)	(173)	24,354
Provisions for risks and costs:					
Other risks and costs	2,459	374	(497)	(136)	2,200
	<u>22,472</u>	<u>7,692</u>	<u>(3,301)</u>	<u>(309)</u>	<u>26,554</u>

	2010				31.12.10
	31.12.09	Increase	Utilization	Translation differences	
Impairment losses on accounts receivable:					
Trade receivables (Note 12)	21,684	5,629	(7,578)	271	20,006
Other receivables (Note 13)	292	-	(285)	-	7
	21,976	5,629	(7,863)	271	20,013
Provisions for risks and costs:					
Other risks and expenses	470	1,975	(76)	90	2,459
	<u>22,446</u>	<u>7,604</u>	<u>(7,939)</u>	<u>361</u>	<u>22,472</u>

Impairment losses on accounts receivable are deducted from the amount of the corresponding asset.

29 SERVICES RENDERED

Services rendered for the years ended 31 December 2011 and 2010 are made up as follows:

	2011	2010
Services rendered:		
Fixed rents	210,822	217,814
Turnover rents	9,107	9,308
Mall income	10,058	7,844
Common charges	81,299	82,958
Administrative fees	40,633	34,900
Parking lot income	21,303	15,889
Other	14,000	16,144
	<u>387,222</u>	<u>384,857</u>

30 VARIATION IN FAIR VALUE OF THE INVESTMENT PROPERTIES

The variation in fair value of the investment properties in 2011 and 2010 is made up as follows:

	2011	2010
Transfers from "in progress" (Note 7)	1,535	4,043
Variation in fair value between years in investment properties under development (Note 7):	(1,311)	12,621
Variation in fair value between years (Note 7):		
- Gains	84,938	55,834
- Losses	(122,453)	(50,462)
Variation in fair value on "fit-out" contracts (Note 7)	138	(1,147)
	<u>(37,153)</u>	<u>20,889</u>

31 OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2011 and 2010 is made up as follows:

	2011	2010
Key money	3,093	4,930
Co-generation	1,487	4,063
Development fees	2,878	3,653
Reversal of Park Avenue' rents	4,025	-
Other	6,476	9,297
	<u>17,959</u>	<u>21,943</u>

The amount recorded under the caption "Reversal of Park Avenue's rents" regards the suspension, based on decision of the courthouse, of the rents to be paid to the owner of the land as a result of the fact that the construction license was not yet obtained.

32 IMPAIRMENT LOSSES AND WRITE-OFF

The impairment losses for the years ended 31 December 2011 and 2010 are the following:

	2011	2010
Impairment losses goodwill (Note 9)	683	-
Write-off and Impairment losses in the investment properties in progress (Note 7)	9,559	30,822
	<u>10,242</u>	<u>30,822</u>

The caption of "Write-off and impairment losses in the investment properties in progress" relates to impairment losses for some of the properties currently under development, for which there are some uncertainties over their future viability.

33 OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2011 and 2010 are made up as follows:

	2011	2010
Real estate tax	7,345	5,684
Adjustment of the VAT receivable in Greece	4,221	-
Taxes related to the sale of the assets El Rosal and Plaza Éboli	2,207	-
Taxes related to the income in Brazil (PIS e COFINS)	3,166	3,300
Indemnities paid to tenants	1,775	1,743
Other	10,104	9,093
	<u>28,818</u>	<u>19,820</u>

During the year ended at 31 December 2011 the group recognised on the statement of profit and loss an impairment in the amount of kEuro 4,221, as a result of the assessment made on the recoverability of the VAT receivable in Greece.

34 NET FINANCIAL RESULTS

Net financial results are made up as follows:

	2011	2010
Expenses:		
Interest expense	59,236	63,418
Stamp duty related to financing	567	463
Foreign currency exchange losses	537	2,419
Fair value loss on hedging derivative ineffective	4,602	-
Other	4,018	5,298
	<u>68,960</u>	<u>71,598</u>
Net financial expenses	<u>(54,705)</u>	<u>(61,726)</u>
	<u>14,255</u>	<u>9,872</u>
Income:		
Interest income	13,624	4,096
Foreign currency exchange gains	108	4,703
Other	523	1,073
	<u>14,255</u>	<u>9,872</u>

35 SHARE OF RESULTS OF ASSOCIATED UNDERTAKINGS

Share of results of associated companies are made up as follows:

	2011	2010
Share of results of associated undertakings (Note 5):		
Net profit	(10,820)	521
Impairment losses	(980)	-
	<u>(11,800)</u>	<u>521</u>

36 INVESTMENT INCOME

Investment income is made up as follows

	2011	2010
Gains obtain on the sale to Sierra Portugal Fund:		
LeiriaShopping (Nota 6)	-	2,159
Goodwill related to capital increase with change of percentage of owners	-	(1,768)
Alexa Sale (annul of Goodwill)	-	(2,622)
Sale of MC Property Management S.A.(Note 6)	-	(48)
Sale of Pylea SA(Note 6)	-	4,483
Torre Ocidente price adjustment	-	(637)
Torre Oriente price adjustment	-	(9)
Other	(182)	1,413
	<u>(182)</u>	<u>2,971</u>

37 OPERATING LEASES

In the operating leases where the Group is the lessor, the minimal lease payments (fixed rents) recorded during the years ended 31 December 2011 and 2010 amounted to kEuro 210,822 and kEuro 217,814 respectively (Note 29).

In addition, as of 31 December 2011, the Group has celebrated, as lessor, operating lease contracts for which the minimal lease payments (fixed rent) are due as follows:

	31.12.11	31.12.10
Due in N+1	199,010	211,258
Due in N+2	181,621	197,433
Due in N+3	158,183	177,035
Due in N+4	130,756	148,349
Due in N+5	97,812	118,634
Due after N+5	263,907	94,515
Contracts automatically renewed	445	-
	<u>1,031,734</u>	<u>947,224</u>

In the Operational Leases where the Group is the lessee, the minimum lease payments recognised as expense during the years ended 31 December 2011 and 2010 reached the amounts of kEuro 3,940 and kEuro 4,024 respectively.

In addition, as of 31 December 2011, the Group had celebrated, as lessee, operating lease contracts for which the minimum lease payments are due as follows:

	31.12.11	31.12.10
Due in N+1	3,106	4,405
Due in N+2	1,425	3,105
Due in N+3	654	1,259
Due in N+4	405	545
Due in N+5	136	251
Due after N+5	3	97
Contracts automatically renewed	328	329
	<u>6,057</u>	<u>9,991</u>

38 RELATED PARTIES

Balances and transactions that existed with related parties, during the years ended 31 December 2011 and 2010, in addition to the loans obtained from the shareholders mentioned in Note 20, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other liabilities	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Mother companies and other shareholders:						
Modelo Continente Hipermercados, S.A.	108	167	609	253	(611)	(651)
Sesagest - Proj.Gestão Imobiliária,SA	7	-	-	-	-	-
Modelo - Dist.e materiais de Construção	101	-	-	-	(224)	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	16	33	49	-	(513)	(419)
Infocfield - Informática, S.A.	112	21	16	-	(28)	(50)
Worten – Equipamentos para o Lar, S.A.	92	67	213	19	(398)	(331)
Raso- Viagens e Turismo,S.A	-	9	-	154	-	(22)
Zippy - Comércio e Distribuição	92	32	-	-	-	(100)
Estêvão Neves - Hipermercados Madeira,S.A	-	43	-	2	-	17
Sonae SGPS, S.A.	-	-	12,094	220	-	-
MDS - Corrector de Seguros,SA	-	3	-	-	-	-
Sonaecom - Serviços de Comunicação,SA	-	44	-	252	-	(105)
Digitmarket - Sistemas de Informação,SA	56	-	-	-	114	147
Contimobe - Imobil. Castelo Paiva,SA	1,759	670	-	-	-	-
Alexa Asset GmbH & Co KG	465	670	-	-	-	-
SMP - Serv Manutenção Planeamento	-	-	-	66	-	(213)
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-	8,907	-	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	7,126	-	-	-
Media Plannig,SA	-	-	-	-	-	-
Sierra Portugal Real Estate	414	412	1,518	2,300	(50)	(59)
Grosvenor Investments, (Portugal), Sarl	-	-	11,868	-	-	-
	<u>3,222</u>	<u>2,171</u>	<u>42,400</u>	<u>3,266</u>	<u>(1,710)</u>	<u>(1,786)</u>
Jointly controlled entities and associate companies						
Modelo Continente Hipermercados, S.A.	138	235	1	1	-	-
Sesagest - Proj.Gestão Imobiliária,SA	252	207	-	-	-	-
Contimobe - Imobil. Castelo Paiva,SA	403	103	-	-	-	-
	<u>793</u>	<u>545</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

	Transactions					
	Sales and services rendered		Purchases and services obtained		Interest expense	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Mother companies and other shareholders:						
Modelo Continente Hipermercados, S.A.	7,635	7,533	(315)	(224)	-	-
Modelo - Dist. de Materias de Construção, SA	824	949	1	2	-	-
Sport Zone - Comércio de Artigos de Desporto, S.A.	5,729	5,194	56	48	-	-
Infocfield - Informática, S.A.	780	932	36	40	-	-
Worten – Equipamentos para o Lar, S.A.	5,356	5,087	115	29	-	-
Raso- Viagens e Turismo,S.A	331	303	(876)	(898)	-	-
Zippy - Comércio e Distribuição	1,408	1,297	9	5	-	-
Estêvão Neves - Hipermercados Madeira,S.A	870	895	-	-	-	-
Sonae SGPS, S.A.	-	-	(213)	-	-	-
Sonaecom - Serviços de Comunicação,SA	-	942	-	(2,456)	-	-
Solinca III- Health &Fitness,SA	975	975	151	166	-	-
Modalfa - Comercio e Serviços	576	621	-	-	-	-
Troiaresort - Investimentos Turísticos,SA	188	140	-	-	-	-
Spel Serviços Auto,SA	-	31	-	-	-	-
Martimope - Emoreendimentos Turísticos,SA	619	609	7	20	-	-
Pharmacontinente - Saúde e Higiene S.A.	627	459	-	-	-	-
NA - Comercio e Artigos de Desporto	-	528	-	5	-	-
Optimus - Comunicações,SA	746	-	(2,162)	-	-	-
SMP - Serv.Manutenção e Planeamento	-	-	(1,339)	-	-	-
Sonae Centre II,SA	-	-	(404)	-	-	-
Mainroad - Serv.Tecn. Informações,SA	-	-	(2,658)	-	-	-
Contimobe-Imobili. Castelo Paiva.SA	-	-	522	-	-	-
We Do Consulting - SI,SA	-	-	(940)	-	-	-
Sierra Portugal Real Estate	5,846	4,355	-	92	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-	-	-	232	212
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	-	-	185	170
	<u>32,510</u>	<u>30,850</u>	<u>(8,010)</u>	<u>(3,171)</u>	<u>417</u>	<u>382</u>
Jointly controlled entities and associate companies						
Modelo Continente Hipermercados, S.A.	357	324	-	-	-	-
Raso- Viagens e Turismo,S.A	-	8	-	-	-	-
Sonaecom - Serviços de Comunicação,SA	-	-	-	-	-	-
Contimobe-Imobili. Castelo Paiva.SA	-	-	139	-	-	-
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 1")	-	-	-	-	3	4
SIERRA Investments (Luxembourg) 1 Sarl ("Luxco 2")	-	-	-	-	2	3
	<u>357</u>	<u>332</u>	<u>139</u>	<u>-</u>	<u>5</u>	<u>7</u>

The remuneration of the Board of Directors, during the years ended 31 December 2011 and 2010, was as follows:

	2011	2010
Fixed remuneration	1,603	1,613
Variable remuneration	1,183	2,610
	<u>2,786</u>	<u>4,223</u>

The total fees invoiced by the auditors, amounted to kEuro 520, which include the amount of kEuro 236 relating to review of accounts and the amounts of kEuro 205, kEuro 47 and kEuro 32, relating to reliability assurance services, tax consulting and other services, respectively.

39 CONTINGENT LIABILITIES AND BANK GUARANTEES

As of 31 December 2011 and 2010, the main contingent liabilities relate to the following situations:

- During 2010, the subsidiary Gli Orsi was notified by the Italian tax authorities to pay income tax on the amount of kEuro 10,587. This notification was claimed by the Group, and for the continuation of the same by judicial process, the Group had to make an advance payment in amount of kEuro 3,180. In January 2012 the company won the case in the first instance.

The company is waiting for the decision of the tax authorities on whether or not they will appeal but has in the meanwhile formally requested the return of the advance deposit.

- During 2009, Larissa (owned 50% by the Group) was notified by the municipality of Larissa to pay a fine amounting to kEuro 11,300 (kEuro 5,650 for the Group) for having built part of the shopping centre without a license. The company claimed against this notification and, in 2010, won in the local Court. The municipality of Larissa however appealed on the decision.

In 2011 a new bill was published allowing entities to legalise some illegal constructions by paying additional tax. The company submitted to the competent authorities its intention to pay the additional tax of kEuro 750 and this was accepted; the payment of this special tax will decrease the amount of court liability regarding the fine imposed by the Municipality.

For the remaining amount, the group, supported by the opinion of its legal advisors, understands that the risk of an adverse outcome is not likely and therefore no provision was made for the same.

- During 2009, Project Sierra Spain 3 (owned 50% by the Group) decided to step out of the Pulianas project given that the conditions were not met for the project to proceed. The site acquisition contract was terminated and the refund was requested of the monies advanced in the context of said contract. The amount of kEuro 10,765 was received in 2010. The seller of the site appealed from the court decision. In the context of the same project, Ikea brought also against Project Sierra Spain 3 proceedings for loss of profits totalling kEuro 13,262. The court has partially upheld Ikea's claim and the company was condemned to pay kEuro 7,591 (kEuro 3,705 for the Group) to Ikea for breach of contract; the company appealed from the court decision supported by the opinion of its legal advisors, understanding that it's probable a positive outcome from both process.
- In March 2011, Park Avenue (owned 50% by the Group) won an arbitration procedure against ETA (the lessor of the land). The decision recognized the right of Park Avenue to suspend the payment of rents until the building license for the project is issued. At the same time, ETA agreed the replacement of the bank guarantee issued by Eurohypo AG by a corporate guarantee issued by Sonae Sierra SGPS and Acropole Charagionis (up to kEuro 7,251 each) for all obligations assumed by Park Avenue in the Lease Agreement. Since payment of the rent is suspended, the risk of enforce-

ment of the guarantee by ETA is low and will happen only if Park Avenue breaches any other contractual obligation of the Lease Agreement.

On the other hand, a joint and several guarantee was granted to the municipality amounting to kEuro 50.000 (kEuro 25,000 for the Group) for proper execution of the construction project.

- During 2010 the subsidiary Sierra Investments SGPS granted a guarantee to the Portuguese tax administration of kEuro 5,556, to deal with the complaint submitted by Sonae Sierra in relation to a notification received related to income tax. No provision was made to be understanding of the Group that the risk of this contingency is unlikely.

Additionally exist as of 31 December 2011 the following bank guarantees granted to third parties:

	31.12.11	31.12.10
Bank guarantees:		
relating tax processes in course	3,501	3,816
relating legal processes in course	167	167
to complete the construction of several projects	15,454	20,992
Others	2,410	1,035
	<u>21,532</u>	<u>26,010</u>

No provision to face risks derived from the construction/development of projects committed above mentioned was recorded, as the Board of Directors believes that the corresponding risk is not probable.

No provision to face risks derived from the tax and legal processes in course above mentioned was recorded, as the Board of Directors believes that the corresponding risk is not probable.

40 COMMITMENTS NOT REFLECTED IN THE STATEMENT OF FINANCIAL POSITION

Following the sale of 49.9% of Sierra European Retail Real Estate Assets Holdings BV's ("Sierra BV") share capital to a group of Investors, in 2003, Sonae Sierra has agreed to revise the sale price of such shares in the event of a sale, to third parties, of some of the shopping centres owned by subsidiaries of Sierra BV (in case of some circumstances).

The price revision can occur both with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is, directly or indirectly, the owner of such asset.

The price revision will be made by Sonae Sierra to the Luxco's or to Sierra BV, in case a important sale, discounts were made related to deferred taxes over the gains.

The price revision will be dependent on the percentage ownership in the company that owns the asset, the Investors' ownership percentage in Sierra BV (and in case of a sale of shares adjusted by a 50% discount) and is limited to:

- in the case of the asset sale, to a maximum amount of kEuro 118,258;
- in the case of a sale of shares of the company that directly or indirectly owns the asset, to a maximum amount of kEuro 59,129;

- (iii) in the case of a sale of shares of the company that directly or indirectly owns the asset, the price revision plus the selling price, cannot result in a new price that is greater than the proportion in the Net Asset Value.

Similar guarantees were granted by Sonae Sierra in relation to the companies transferred to Sierra BV after 2003.

These guarantees are valid while the current agreements with the other stockholders of Sierra BV are maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares at stake before the same are offered for sale to a third party.

In accordance with the agreements made between the shareholders of Sierra BV at the time of its incorporation in 2003, where it was agreed that Sierra BV should exist for an initial period of 10 years (that ends in October 2013), the board decided to use the option predicted in the agreement to extend the Sierra BV for two additional periods of one year starting in 2013. In addition, the board is under negotiations with Sierra BV's investors to analyse the options to the extent of the Fund for an additional period of time.

The Group believes that the direct sale of the asset is not an attractive solution for this kind of operations as it is subject to certain encumbrances that are inexistent in the sale of the shares of the company that owns the asset.

It is further noted that Sonae Sierra has provided similar guarantees to the ING on the sale of 50% of Vasco da Gama

41 DIVIDENDS

Following the Shareholders General Meeting deliberation, dated 4 March 2011, the dividends related to the net profit of 2010 that amounted to kEuro 23,735 (Euro 0.73 per share), were not paid during 2011.

As for the dividends related to the net profit of 2011, the Board of Directors proposes an amount of kEuro 21,134 (Euro 0.65 per share) to be paid as dividends. However, this proposal depends on the approval by the Shareholders General Meeting and, for that reason the dividends that are proposed to be distributed were not classified as liabilities in the accompanying financial statements.

42 EARNINGS PER SHARE

As of 31 December 2011 and 2010, basic earnings per share correspond to the net profit divided by the weighted average number of ordinary shares of Sonae Sierra during the year, and was computed as follows:

	2011	2010
Profit considered to compute the basic earnings per share (net profit of the year)	9,748	8,694
Number of shares	32,514,000	32,514,000
Earning per share (Euro)	0.30	0.27

Sonae Sierra has no potential diluted shares and, for that reason, the diluted earnings per share is similar to the basic earnings per share.

43 SEGMENT INFORMATION

The Group adopted for the first time the IFRS 8 – Operational Segments, according to which the disclosed segment information must be the information internally used by the management of the Group.

In accordance to the Management Report, the segments used by the Management of the Group are as follows:

- Sierra Investments
- Sierra Developments
- Sierra Management
- Sonae Sierra Brazil

The Sonae Sierra's reportable segment information for the years ended 31 December 2011 and 2010, regarding the statement of profit and loss, can be detailed as follows:

	31.12.11	31.12.10
Net Operating Margin		
Sierra Investments	105,642	113,702
Sierra Developments	(24,158)	(42,117)
Sierra Management	5,929	6,027
Sonae Sierra Brazil	23,152	26,157
Reclassifications and adjustments	2,235	19,673
Consolidated ⁽¹⁾	112,800	123,442
Direct profit before taxes		
Sierra Investments	63,504	64,522
Sierra Developments	(25,607)	(44,508)
Sierra Management	6,632	6,031
Sonae Sierra Brazil	25,953	23,322
Reclassifications and adjustments	3,278	23,423
Consolidated	73,760	72,790
Indirect income before taxes		
Sierra Investments	(83,120)	(17,186)
Sonae Sierra Brazil	39,630	24,343
Reclassifications and adjustments	(5,454)	(20,142)
Consolidated	(48,944)	(12,985)
Corporate tax + Deferred tax		
Sierra Investments	(2,037)	(34,489)
Sierra Developments	7,778	3,212
Sierra Management	(2,208)	(2,521)
Sonae Sierra Brazil	(18,190)	(14,029)
Reclassifications and adjustments	(411)	(3,284)
Consolidated ⁽¹⁾	(15,068)	(51,111)
Net profit before minorities		
Sierra Investments	(21,653)	12,846
Sierra Developments	(17,829)	(41,295)
Sierra Management	4,424	3,509
Sonae Sierra Brazil	47,393	33,637
Reclassifications and adjustments	(2,587)	(3)
Consolidated	9,748	8,694

(1) The reconciliation with the statutory accounts is presented on the following tables.

The amounts under the caption "Reclassifications and adjustments" can be analysed as follows:

	Net Operating Margin		Direct profit before taxes		Indirect income before taxes		Corporate tax + Deferred tax		Net profit before minorities	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Reclassification of the value created in projects in Sierra Developments ⁽¹⁾	5,873	23,485	5,873	23,485	(5,461)	(20,201)	(412)	(3,285)	-	(1)
Intercompany Elimination	(5,101)	(6,532)	-	-	-	-	-	-	-	-
Others	<u>1,463</u>	<u>2,720</u>	<u>(2,595)</u>	<u>(62)</u>	<u>7</u>	<u>59</u>	<u>1</u>	<u>1</u>	<u>(2,587)</u>	<u>(2)</u>
Reclassifications and adjustments	2,235	19,673	3,278	23,423	(5,454)	(20,142)	(411)	(3,284)	(2,587)	(3)

The Sonae Sierra's reportable segment information for the year ended 31 December 2011 and 2010, regarding the statement of financial position, can be analysed as follows:

	31.12.11	31.12.10
Investment properties		
Sierra Investments	1,747,849	1,910,802
Sonae Sierra Brazil	372,776	433,772
Investment Properties under development and others (Sierra Investments and Brazil)	<u>(62,031)</u>	<u>(59,658)</u>
Consolidated ⁽¹⁾	<u>2,058,594</u>	<u>2,284,916</u>
Bank loans		
Sierra Investments	947,275	1,062,757
Sierra Developments	40,570	9,320
Sonae Sierra Brazil	45,637	41,004
Bank loan at Sonae Sierra SGPS	75,000	85,194
Others	<u>(1,054)</u>	<u>(184)</u>
Consolidated ⁽¹⁾	<u>1,107,428</u>	<u>1,198,091</u>
Deferred taxes liabilities		
Sierra Investments	230,134	238,206
Sierra Developments	3,531	4,063
Sonae Sierra Brazil	55,935	63,561
Others	<u>(2,644)</u>	<u>(1,203)</u>
Consolidated	<u>286,956</u>	<u>304,627</u>

(1) The reconciliation with the statutory accounts is presented on the following tables.

The reportable segment information can be reconciled with the enclosed financial statements as follows:

Statement of profit and loss

	31.12.11	31.12.10
Net Operating Margin - segments	112,800	123,442
Equity method adjustment ⁽¹⁾	(12,176)	(10,946)
Proportional method adjustment ⁽²⁾	78,737	70,343
Indirect Income:		
Variation in fair value of the investment properties	(37,153)	20,889
Other indirect income / costs	(833)	(4,159)
Depreciations, write-off and impairments losses	(12,517)	(33,181)
Letting and Key money on opening ⁽³⁾	(239)	528
Withholding taxes related to Interests and dividends	-	(386)
Other taxes	(2,588)	-
Others	(949)	436
Net Operating Profit as per Financial Statements	125,082	166,966
Corporate tax + Deferred Tax - segments	(15,068)	(51,111)
Equity method adjustment ⁽¹⁾	(2,437)	1,628
Proportional method adjustment ⁽²⁾	(7,677)	(25,202)
Impairment of Goodwill	1,241	-
Others	70	(60)
Income tax as per Financial Statements	(23,871)	(74,745)

⁽¹⁾ The associated companies are included in the Statutory consolidated accounts by the equity method and in the management accounts by the proportional method.

⁽²⁾ The companies owned by the group by less than 100% and more than 50% are included in the management accounts by the proportional method and in the Statutory consolidated accounts are included by the full consolidation method.

⁽³⁾ The Letting and Key money on opening are considered in the indirect result in the management accounts.

Statement of financial position

	31.12.11	31.12.10
Investment properties - segments	2,058,594	2,284,916
Equity method adjustment ⁽¹⁾	(214,119)	(219,736)
Proportional method adjustment ⁽²⁾	1,296,923	1,236,445
Goodwill ⁽³⁾	(36,595)	(37,869)
Others	(34)	(1)
Investment properties as per Financial Statements	3,104,769	3,263,755
Bank loans - segments	1,107,428	1,198,091
Equity method adjustment ⁽¹⁾	(130,026)	(126,896)
Proportional method adjustment ⁽²⁾	584,807	591,408
Financing costs	(9,084)	(10,441)
Short term facilities ⁽⁴⁾	133	194
Others	-	21
Debt - current and non-current as per Financial Statements	1,553,258	1,652,377

- (1) The associated companies are included in the Statutory consolidated accounts by the equity method and in the management accounts by the proportional method.
- (2) The companies owned by the group by less than 100% and more that 50% are included in the management accounts by the proportional method and in the Statutory consolidated accounts are included by the full consolidation method.
- (3) The Sierra Investment segment consider the Goowdill under the caption "Investment Properties".
- (4) The management accounts have the short term facilities recorded under the caption "Cash & Equivalents"

The average number of employees in 2011 and 2010, by business segment is detailed as follows:

	2011	2010
Sierra Investments	17	15
Sierra Developments	73	86
Sierra Management	374	398
Sonae Sierra Brazil	78	74
Non allocated	216	237
	<u>756</u>	<u>810</u>

44 SUBSEQUENT EVENTS

On the 26th January 2012 the joint controlled entity Sonae Sierra Brasil S.A., a Company incorporated in accordance with the Brazilian law, announced to its shareholders and the market that the Board of Directors have approved, in a meeting held on January 26th, 2012, the Company's first (1st) issue of simple debentures, non-convertible into shares, unsecured, in up to two series ("Offer" and "Debentures"), for distribution with limited placement efforts. 30,000 (thirty thousand) Debentures will be issued with unit par value

of R\$ 10,000.00 (ten thousand reais), in a total amount, on the Issue Date (as defined below), of R\$ 300,000,000.00 (three hundred million reais).

For all legal purposes, the date of issuance of the debentures will be February 15th, 2012 ("Issue Date"). The remuneration of the debentures of the 1st and 2nd series will be set through bookbuilding.

The net funds raised by the Company with the Issue will be allocated (i) to the acquisition of new plots of land; (ii) to the increase of the Company's participation in shopping malls; (iii) to the acquisition of new shopping malls; (iv) to the development of new shopping malls; and (v) to constitute cash reserves for the Company.

On the 27th January 2012 the joint controlled entity Sonae Sierra Brasil S.A announced an agreement with CSHG Brasil Shopping FII, a fund managed by Credit Suisse Hedging-Griffo, to obtain an additional 30.0% ownership interest in Shopping Plaza Sul in exchange for a minority stake in Shopping Penha and R\$ 63.9 million in cash.

On the 6th February 2012 the joint controlled entity Sonae Sierra Brasil S.A sold an additional minority ownership stake of 5.1% in Shopping Penha to CSHG Brasil Shopping FII, a fund managed by Credit Suisse Hedging-Griffo for R\$ 11.5 million in cash. With the transaction, Sonae Sierra Brasil has reduced its ownership in Shopping Penha from 56.1% to 51.0%, maintaining the controlling ownership stake and management of this shopping centre.

45 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised for issuance on the 2 of March 2012. However, these financial statements are still depending on the approval by the Shareholders General Meeting, in accordance with business legislation prevailing in Portugal.

46 NOTE ADDED FOR TRANSLATION

This is a translation of financial statements originally issued in Portuguese in accordance with Portuguese Statutory requirements, some of which may not conform to or be required in other countries. In the event of discrepancies, the Portuguese language version prevails.

SONAE SIERRA, S.G.P.S., S.A.

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2011 AND 2010

(Translation of the statement of financial position originally issued in Portuguese - Note 29)

(Amounts stated in thousands of Euro)

ASSETS	Notes	31 December 2011	31 December 2010
NON CURRENT ASSETS:			
Investments in group companies and associated companies	3	812,982	718,696
Supplementary capital granted	4	343,000	-
Loans to Group companies	5	2,743	152,091
Deferred tax assets	18	750	-
Total non current assets		1,159,475	870,787
CURRENT ASSETS:			
Loans to Group companies	5	39,971	22,924
Other debtors	6	1,706	337,219
State and other public entities	7	1,225	305
Other current assets	8	6,990	67
Cash and Cash Equivalents	9	7,207	3,466
Total current assets		57,099	363,981
Total assets		1,216,574	1,234,768
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	162,245	162,245
Legal Reserves		57,329	57,329
Other Reserves		325,960	187,160
Retained earnings		495,875	495,875
Net Profit for the period		36,825	162,535
Total Equity		1,078,234	1,065,144
LIABILITIES:			
NON CURRENT LIABILITIES:			
Bond Loans - net of current portion	11	74,876	74,760
Derivative financial instruments	13	4,602	-
Total non current liabilities		79,478	74,760
CURRENT LIABILITIES:			
Bank Loans short term	12	-	10,194
Current portion of debentures loans	11	(116)	(108)
Loans from Group companies	14	28,404	77,863
Shareholders	15	23,736	-
Other Creditors	16	2,451	3,211
State and other public entities	7	45	893
Other current liabilities	17	4,342	2,811
Total current liabilities		58,862	94,864
Total equity and liabilities		1,216,574	1,234,768

The accompanying notes form an integral part of these statements of financial position.

The Board of Directors



SONAE SIERRA, S.G.P.S., S.A.

STATEMENTS OF PROFIT AND LOSS

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of statement of profit and loss originally issued in Portuguese - Note 29)

(Amounts stated in thousands of Euro)

	Notes	2011	2010
Operating revenue:			
Other operating revenue	19	11	33
Total operating revenue		<u>11</u>	<u>33</u>
Operating expenses:			
External supplies and services		(460)	(377)
Personnel expenses		(644)	(1,065)
Other operating expenses	20	<u>(159)</u>	<u>(161)</u>
Total operating expenses		<u>(1,263)</u>	<u>(1,603)</u>
Net operating profit		(1,252)	(1,570)
Financial income	21	10,229	3,798
Financial expenses	21	<u>(6,621)</u>	<u>(4,620)</u>
Total financial results		3,608	(822)
Share of results of associated undertakings		-	-
Gains and losses on investments	21	<u>35,059</u>	<u>164,135</u>
Profit before income tax		37,415	161,743
Income tax	22	<u>(590)</u>	<u>792</u>
Profit after income tax		36,825	162,535
Net profit for the period		<u><u>36,825</u></u>	<u><u>162,535</u></u>

The accompanying notes form an integral part of these statements of profit and loss.

The Board of Directors



SONAE SIERRA, S.G.P.S., S.A.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of the statement of comprehensive income originally issued in Portuguese - Note 29)

(Amounts stated in thousands of Euro)

	Notes	2011	2010
Net profit for the period		36,825	162,535
Changes in the fair value of hedging instruments		-	-
Income tax related to components of other comprehensive income		-	-
Others		-	-
Other comprehensive income of the period		-	-
Total comprehensive income for the period		36,825	162,535

The accompanying notes form an integral part of these statements of comprehensive income.

The Accountant

The Board of Directors

SONAE SIERRA S.G.P.S., S.A.

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of statements of changes in equity originally issued in Portuguese - Note 29)

(Amounts stated in thousands of Euro)

		Attributable to Equity Holders of Sonae Sierra					
			Reserves				
		Share	Legal	Hedging	Retained	Net	
Notes		capital	Reserves	reserve	earnings	profit	Total
Balance at 1 January 2010		162,245	57,329	186,824	495,875	27,647	929,920
Appropriation of consolidated net profit for 2009:							
Transfer to other reserves		-	-	336	(336)	-	-
Dividends distributed		-	-	-	(27,311)	-	(27,311)
Transfer to retained earnings		-	-	-	27,647	(27,647)	-
Net profit for period ended 31 December 2010		-	-	-	-	162,535	162,535
Balance at 31 December 2010		162,245	57,329	187,160	495,875	162,535	1,065,144
Balance at 1 January 2011	10	162,245	57,329	187,160	495,875	162,535	1,065,144
Appropriation of net profit for 2010:							
Transfer to other reserves	24	-	-	138,800	(138,800)	-	-
Dividends distributed	24	-	-	-	(23,735)	-	(23,735)
Transfer to retained earnings		-	-	-	162,535	(162,535)	-
Net profit for period ended 31 December 2011		-	-	-	-	36,825	36,825
Balance at 31 December 2011		162,245	57,329	325,960	495,875	36,825	1,078,234

The accompanying notes form an integral part of these statement of changes in equity.

SONAE SIERRA, SGPS, S.A.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED 31 DECEMBER 2011 AND 2010

(Translation of statement of cash flow originally issued in Portuguese - Note 29)

(Amounts stated in thousands of Euro)

	Notes	2011	2010
OPERATING ACTIVITIES:			
Paid to personnel		611	1,744
Flows from operations		(611)	(1,744)
(Payments)/receipts of income tax		(287)	(1,850)
Other (payments)/receipts relating to operating activities		(760)	(444)
Flows from operating activities [1]		(1,084)	(338)
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments	6	331,323	-
Interest income	21	3,718	3,631
Dividends		40,712	14,521
Other		132,301	34,382
Payments relating to:			
Investments	3	443,132	6,500
Other		-	-
Variation in Loans granted		-	-
Flows from investing activities [2]		64,922	46,034
FINANCING ACTIVITIES:			
Receipts relating to:			
Variation in Loans obtained - others		2,016	-
		-	32,225
Payments relating to:			
Interest expenses		2,460	5,404
Dividends		-	27,312
Bank loans	12	10,194	41,977
Other		-	-
Variation in Loans obtained - others		49,459	74,693
Flows from financing activities [3]		(60,097)	(42,468)
Variation in cash and cash equivalents [4] = [1] + [2] + [3]		3,741	3,229
Effect of exchange differences		-	-
Cash and cash equivalents at the beginning of the year	9	3,466	237
Cash and cash equivalents at the end of the year	9	7,207	3,466
		3,741	3,229

The accompanying notes form an integral part of these statements of cash flows.

The Board of Directors

SONAE SIERRA, SGPS, S.A.

Notes to the financial statements as of 31 December 2011

(Translation of notes originally issued in Portuguese – Note 29)

(Amounts stated in thousands of Euro - kEuro)

1 INTRODUCTION

SONAE SIERRA, S.G.P.S., S.A. ("the Company" or "Sonae Sierra"), has its head office in Lugar do Espido, Via Norte, Apartado 1197, 4471-909 Maia – Portugal, and its activity is holding and finance.

The financial statements are presented in Euro, the functional currency of the Company, as this is the currency of the primary economic environment in which the Company operates.

The Company prepared as well consolidated financial statements, which are separately presented and properly show the financial position, the comprehensive income of its operations and the cash flow statement of all the subsidiaries and associated companies including the parent Company.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying financial statements are as follows:

2.1. Basis of preparation

The accompanying financial statements have been prepared according to the International Financial Report Standards ("IFRS") and approved by the European Union, applicable to economic years beginning on 1 January 2011. These correspond to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC") and approved by the European Union.

The accompanying financial statements have been prepared on a going concern basis and under the historical cost convention with exception of the financial instruments, which are recorded at fair value, maintained in accordance with generally accepted ac-

counting principles in Portugal, adjusted to International Financial Reporting Standards, as adopted by the European Union.

New accounting standards and their impact in these financial statements

Until the date of approval of these financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions with mandatory application to the economic year beginning on 1 January 2011:

	Effective date (financial years beginning on/after)
IAS 24 Related Party Disclosures (Revised)	01-Jan-11
Amendments to IFRS 1 Limited Exemption from comparative IFRS 7 Disclosures for First Time Adopters	01-Jul-10
Amendment to IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues	01-Feb-10
IFRIC 19 - Extinguishing of Financial Liabilities with Equity Instruments	01-Jul-10
Amendment to IFRIC 14 - Prepayments of Minimum Funding Requirements	01-Jan-11
Amendments to IFRS 7 - Financial instruments: Disclosures - Transfer of Financial Assets	01-Jul-11

These standards endorsed by the European Union, were adopted for the first time in 2011, and they do not significantly impact on these financial statements.

The following standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, endorsed by the European Union:

	Effective date (financial years beginning on/after)
Improvements to IFRS (2010)	Several (on / after 01-Jul-10)

The following standards and interpretations were issued by the IASB and they are not yet endorsed by the European Union:

	Effective date (financial years beginning on/after)
IFRS 9 - Financial Instruments	01-Jan-13
Amendments to IAS 12 - Deferred Tax: Recovery of Underlying Assets	01-Jan-12
Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01-Jul-11
Amendments to IFRS 7 - Financial Instruments: Disclosures	01-Jul-11
IFRS 10 - Consolidated Financial Statements	01-Jan-13
IFRS 11 - Joint Arrangements	01-Jan-13
IFRS 12 - Disclosure of Interests in Other Entities	01-Jan-13
IFRS 13 - Fair Value Measurement	01-Jan-13
IAS 27 (Revised 2011)- Separate Financial Statements	01-Jan-13
IAS 28 (Revised 2011)- Investments in Associates and Joint Ventures	01-Jan-13
Amendments to IAS 1 - Presentation of Comprehensive Income	01-Jan-12
Amendments to IAS 19 - Post Employment Benefits	01-Jan-13
IFRS 20 - Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13

2.2. Financial Investments

Financial investments in subsidiaries are recorded at acquisition cost less impairment loss.

2.3. Financial assets and liabilities

Assets and liabilities are recognised in the statement of financial position when the Company becomes part of the corresponding contractual arrangements.

a) Loans granted to Group companies

Loans granted to Group companies are recorded in assets at amortised cost which usually do not differ from the nominal value.

Interest is recorded in the profit and loss statement on an accruals basis. The amounts due and not received at the financial position date are recorded under the caption "Other current assets".

b) Accounts receivable

Accounts receivable are stated at amortised cost which usually does not differ from nominal value less impairment losses. Usually these receivable do not bear interest.

c) Loans

Loans are stated as liabilities at amortised cost.

Any expenses incurred in obtaining such financing, usually paid in advance on issue, namely the bank fees and stamp duty as well as interest expenses and similar expenses, are recognised using the effective interest method in the results of the year, over lifetime of such financing. These expenses incurred are deducted from the caption "Bank loans".

Financial expenses with interests and similar expenses (namely stamp duty) are recorded in the profit and loss statement on an accruals basis. Amounts due and not paid at the balance sheet date are recorded under the financial position item "Other current liabilities".

d) Accounts payable

Accounts payable are stated at amortised cost which usually does not differ from nominal value and do not bear interest.

e) Cash and cash equivalents

The amounts included under caption "Cash and cash equivalents" include cash amounts, bank deposits and term deposits and other cash investments which mature in less than three months and for which the risk of value change is insignificant.

For purposes of the statement of cash flows, "Cash and cash equivalents" also include bank overdrafts, which are included in the financial position statement under caption "Other loans".

f) Derivatives

In term of financial risks, the Group is mainly exposed to risks derived from exchange rate and interest rate fluctuations. The Group uses derivatives financial instruments in managing their financial risks associated with fluctuating interest rate, only as a way to hedge those risks. Derivatives are not used for trading purposes (speculation).

Cash flow hedge instruments in the form of swaps or collars are used by the Group to hedge interest rate risks on loans obtained. The conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of the amount of the loans, maturity dates of the interest and repayment schedules of the loans and for these reason they qualify as perfect hedges.

The Group's criteria for classifying an interest rate derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecast transaction that is subject of the hedges is highly probable

Derivative hedge instruments used by the Group to hedge the exposure to changes in the interest rate of its loans are initially recorded at cost, if any, and subsequently adjusted to the corresponding fair value. Changes in fair value of these hedging instruments are recorded in equity under the caption "Hedging reserves", and then recognised in the statement of profit and loss over the period the hedged instrument affects results, when those meet the conditions to hedge accounting, otherwise the changes in fair value are recognised through the statement of profit and loss.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption "Hedging reserve" are transferred to profit and loss of the year or to the book value of the hedged asset; subsequent variations in fair value are recorded in the statement of profit and loss.

In the cases where the derivative is a component of a hybrid financial instrument that includes both the derivative and a host contract, the embedded derivative should be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and if the host contract is not measured at fair value with changes in fair value reported in net profit and loss.

2.4.Provisions

Provisions are recognised when, and only when, the Company has an obligation (legal or implicit) resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at the reporting date in order to reflect the best estimate as of that date.

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties.

2.5.Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes unless the possibility of an outflow of resources affecting economic benefits is remote.

A contingent asset is not recognized in the financial statements, but disclosed in the notes when an inflow of economic benefits is probable.

2.6.Income tax

Income tax represents the sum of the tax based on the taxable results of the Company and the deferred taxes.

Current income tax is determined based on the taxable result of the Company (which are different from accounting results), in accordance with the tax rules in force where its

head office is located, considering the interim period income and using the estimated effective average annual income tax rate.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are not recognised when the corresponding temporary differences arise from goodwill or from the initial recognition of assets and liabilities other than in a business combination.

Deferred tax assets and liabilities are calculated and evaluated annually at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the date of this financial statements.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used. At each year-end, a review is made of the deferred tax assets and they are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if they relate to items directly recorded in equity captions. In these situations the corresponding deferred tax is recorded in the same corresponding caption.

2.7. Financial position classification

Assets and liabilities due in less than one year from the financial position date are classified as "Current assets" and "Current liabilities" respectively. The other assets and liabilities are classified as "non-current assets and liabilities", respectively.

2.8. Revenue recognition and accrual basis

Dividends are recognized as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which its actual amounts are not known are estimated.

The captions of "Other current assets" and "Other current liabilities" include income and expenses related to the reporting year but which receipt or payment will occur only in the future. Those captions also include revenue and expenses that have already occurred but the corresponding income or cost relate to future years, being in this case recognized in the profit and loss statement of the year to which they relate.

2.9. Balances and transactions expressed in foreign currency

Transactions in currencies other than Euro are translated to Euro using the exchange rate prevailing at the transaction date.

At financial position date, all assets and liabilities expressed in foreign currencies are translated to Euro at exchange rates prevailing at that date.

Exchange differences, favourable and adverse, arising from differences between exchange rates effective at the date of transaction and the ones effective at the date of collections, payments or at the reporting date, are recorded as income and expenses in the profit and loss statement of the year.

2.10. Risk management policies

Risk management is carried out by a central treasury department of the Group Sonae Sierra, under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk.

a) Foreign exchange risk

The activity of the Company is developed inside Portugal and consequently the majority of the company's transactions are maintained in the same currency of the country. The policy to cover this specific risk is to avoid if possible the contracting of services in foreign currency.

b) Liquidity risk

Treasury needs are managed by the financial department of Sonae Sierra which with an opportune and adequate form manages the surplus and deficits of liquidity in each companies of the Group. The treasury needs are covered by an adequate control of accounts receivables and by the maintenance of adequate limits of credit settled by the Company with banking entities.

c) Interest rate risk

The Company income and operating cash-flows are substantially independent of changes in market interests rates, in the measure that its cash and cash equivalents and its financing granted to Group companies are dependent only on the evolution of the interest rates in Euro have had a minimum change.

Concerning loans obtained, as the activity of the Company is done in Euro, the policy of the Company is to get financing as well in Euro, and therefore eliminate the exchange rate risk.

Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the financial position date. For floating rate liabilities, the analysis is prepared assuming the following:

- Amount of liability outstanding at the financial position date was outstanding for the whole year and the contractual re-pricing dates occur in the beginning of the year;
- Changes in market interest rates affect the interest income or expense of floating rate interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value;
- Changes in market interest rates affect the fair value of derivatives designated as hedging instruments and all interest rate hedges are expected to be highly effective;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end and assuming a parallel shift in yield curves;

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated.

If interest rates had been 25 basis points lower and 75 higher and all other variables were held constant, assumptions unlikely occur due to interest rates correlation with other variables, the impact in the Company net profit and equity would be the following:

	2011		2010	
	-25 p.b.	+75 p.b.	-25 p.b.	+75 p.b.
Net Profit ⁽¹⁾	-127	2.175	-75	226

(1) This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk and the year-end exposure may not reflect the exposure during the year, due to the repayments made.

2.11. Estimates and judgments

In the preparation of the accompanying financial statements estimates were used which affect the assets and liabilities and also the amounts booked as income and expenses during the reporting period.

The estimates were calculated using the best information available, at the date of approval of the financial statements, of the events and transactions in course and of the experience from current and/or past events. However, events may occur in subsequent periods that were not anticipated as of the date of these statements and, consequently were not included in those estimates. Changes in the estimates after the closing of the

consolidated financial statements will be booked on the subsequent year, as defined in IAS 8.

2.12. Subsequent Events

Events occurred after the reporting date that provide additional information about conditions that existed at that date (adjusting events) are reflected in financial statements. Events occurred after the reporting date that provide information on conditions that occur after that date (non-adjusting events) are disclosed in the financial statements, if materially significant.

3 INVESTMENTS IN GROUP COMPANIES AND ASSOCIATED COMPANIES

As of 31 December 2011 the Company held the following participations in group companies and associated companies:

Company	Percentage of share capital held	Net Worth	Result of the period	Amount in Financial Position	Amount in Financial Position
		31.12.11			31.12.10
Sierra Investments SGPS, S.A.	100,00%	1.100.149	452	677.272	677.272
Sierra Developments, SGPS, S.A.	100,00%	270.099	(64.313)	200.028	100.028
Sierra Management, SGPS, S.A.	100,00%	13.259	(1.077)	6.550	6.550
	-	-	-	-	3.210
				883.850	787.060
Impairment loss (Note 21)				(70.868)	(68.364)
				812.982	718.696

Principal movements occurred during year 2011 in the Company's shares portfolio were the following:

Disposals	Acquisition cost	Nr. of shares sold	Selling price
Sierra Corporate Services - Apoio à Gestão, S.A.	3.210	50.000	60
	3.210		60

Additionally, there was a share capital increase in Sierra Developments, SGPS, S.A., through a cash contribution in the amount of kEuro 100,000, by issue of 100,000,000 new shares of one Euro each.

4 SUPPLEMENTARY CAPITAL GRANTED

As of 31 December 2011 and 2010 the amounts are as follows:

	31.12.2011	31.12.2010
Sierra Developments SGPS, S.A.	63.000	-
Sierra Investments SGPS, S.A.	280.000	-
	<u>343.000</u>	<u>-</u>

5 LOANS GRANTED TO GROUP COMPANIES

As of 31 December 2011 and 2010 this caption could be disclosed as follows:

	31.12.11		31.12.10	
	Medium		Medium	
	Short term	Long term	Short term	Long term
Medium and long term loans granted:				
Sierra Developments SGPS, S.A.	-	2.743	-	152.091
Short term loans granted				
Sierra Investments SGPS, S.A.	21.143		-	-
Sierra Developments SGPS, S.A.	18.828		540	-
Sierra Developments - Serviços de Prom. Imob., S.A.	-		22.109	-
Sierra Management SGPS, S.A.	-		275	-
	<u>39.971</u>	<u>2.743</u>	<u>22.924</u>	<u>152.091</u>

Medium and long term loans granted were settled in Euro, bear interest at market interest rates and do not have a defined repayment date;

Short term loans, refers to loans granted in Euro to Group companies for less than one year, bearing interest at market rates.

6 OTHER DEBTORS

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.2011	31.12.2010
Interests on loans granted to Group companies		
Sierra Developments SGPS, S.A.	385	736
Amounts to regularize due to Fiscal Unity		
Sierra Portugal, S.A.	1.157	2.397
Paracentro - Gestão de Galerias Comerciais S.A.	89	91
Sierra Management, SGPS, S.A.	33	-
Inparsa - Gestão de Galeria Comercial, S.A.	20	-
Sierra Asset Management-Gestão de Activos S.A.	-	1.575
Sierra Corporate Services - Apoio à Gestão, S.A.	-	726
Sierra Investments, SGPS, S.A.	-	283
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	-	163
Sierra Developments - Serviços de Promoção Imobiliária, S.A.	-	98
Sundry debtors		
Plaza Mayor Shopping, S.A	20	19
El Rosal Shopping, SA	2	-
Transfer of financial investments		
Sierra Investments Holding BV	-	331.131
	<u>1.706</u>	<u>337.219</u>

According to the information included in the statement of financial position, the ageing of the other debtors is as follows:

	31.12.11	31.12.10
Not due	1.684	337.200
0-30 days	<u>22</u>	<u>19</u>
	<u>1.706</u>	<u>337.219</u>

7 STATE AND OTHER PUBLIC ENTITIES

According to current legislation, the fiscal declarations of Portuguese companies are subject to a revision and correction by the tax authorities within the period of four years, exception made when fiscal losses have occurred, fiscal incentives have been conceded or auditing or claims are in course. In those cases, depending on circumstances, the due dates can be extended or suspended. Because of that the fiscal declarations of the Portuguese companies of the years 2008 until 2011 can be changed.

The Board of Directors considers that the possible changes to the fiscal declarations will not have a significant impact in the financial statements as of 31 December 2011.

Under the terms and conditions foreseen in article 88º of the Portuguese Corporate Income Tax Code, the Company is subject to a separate income tax that lies on a number of expenses under the taxes foreseen in that article.

The estimate of corporate income tax (current tax) is calculated for each single company included in the "Regime Especial de Tributação dos Grupos de Sociedades (RETGS)", based on the estimate of the taxable profit of each company.

The companies included in the RETGS are the following:

Estação Oriente - Gestão de Galerias Comerciais, S.A., Inparsi - Gestão de Galeria Comercial, S.A., Sierra Developments SGPS, S.A., Sierra Investments SGPS, S.A., Sierra Portugal, S.A. e Sierra Management SGPS, S.A..

As of 31 December 2011 and 2010 this caption was made up as follows:

	31.12.11		31.12.10	
	Asset	Liability	Asset	Liability
	Short term	Short term	Short term	Short term
Income tax				
Tax recoverable of previous years	843	-	305	-
Income tax	382	-	-	849
Income taxes retained - wages	-	8	-	8
Withholding tax	-	36	-	34
Social security contributions	-	1	-	2
	<u>1.225</u>	<u>45</u>	<u>305</u>	<u>893</u>

8 OTHER CURRENT ASSETS

As of 31 December 2011 and 2010 this caption was made up as follows:

	31.12.2011	31.12.2010
Interests on loans granted to Group companies		
Sierra Investments SGPS, .S.A.	6.466	-
Sierra Portugal, .S.A.	220	-
Sierra Developments, SGPS, S.A.	180	-
Sierra Developments - Serv. Prom. Imob., S.A.	-	25
Sierra Corporate Services - Apoio à Gestão, S.A.	-	1
Banks	23	-
Insurance prepayment	95	35
Bank commissions prepayment	4	4
Sundry	2	2
	<u>6.990</u>	<u>67</u>

The amounts of kEuro 6,466 and kEuro 180, relate to interests receivable on short term loans granted to Sierra Investments SGPS, S.A. and Sierra Developments SGPS, S.A., respectively.

9 CASH AND CASH EQUIVALENTS

At 31 December 2011 and 2010 cash and cash equivalents were made up as follows:

	31.12.2011	31.12.2010
Bank deposits payable on demand	87	36
Treasury applications	7.120	3.430
	<u>7.207</u>	<u>3.466</u>

The treasury applications relate to term deposits, repayable in less than three months of the financial balance sheet date and bearing interest at market rates.

10 SHARE CAPITAL AND LEGAL RESERVES

At 31 December 2011 the share capital was made up of 32,514,000 fully subscribed and paid up ordinary shares of Euro 4.99 each.

The following entities own the share capital at 31 December 2011 and 2010:

Entity	2011	2010
Sonae SGPS. S.A.	50.00%	50.00%
Grosvenor Investments (Portugal), Sarl	50.00%	50.00%

11 BOND LOAN

As of 31 December 2011 and 2010, this caption was made up as follows:

	31.12.2011			31.12.2010			Reimbursement plan
	Used amount		Limit	Used amount		Limit	
	Short term	Medium and long term		Short term	Medium and long term		
Bond loan	75.000	-	75.000	75.000	-	75.000	July 2013
Total Bond Loan	-	75.000		-	75.000		
Deferred financing costs incurred on the issuance of bond loans	(116)	(124)		(108)	(240)		
	(116)	74.876		(108)	74.760		

Bonds - Sonae Sierra / 2008

- 1,500 bonds: Nominal value: 50,000 Euro
- Maximum term: 5 (five) years
- Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period, with a spread of 1.10% p.a.
- Interest Payment: half yearly in arrears, on 25 July and 25 January of each year.
- Redemption: at par, in one payment on 25 July 2013 the payment date of the last coupon.

At 31 December 2011 and 31 December 2010, loans classified as medium and long term are repayable as follows:

	31.12.11		31.12.10	
	Repayment	Interest	Repayment	Interest
N+1	-	-	-	1.701
N+2	75.000	2.218	75.000	1.696
	75.000	2.218	75.000	3.397

12 BANK LOANS

At 31 December 2011 and 2010 bank loans obtained were made up as follows:

		31.12.2011			31.12.2010		
		Limit	Used amount		Limit	Used amount	
Financing Entity			Short term	Medium and long term		Short term	Medium and long term
Short term facilities	BPI	2.494	-	-	2.494	194	-
Bank Loans	Santander Totta	10.000	-	-	10.000	10.000	-
Total Bank Loans			-	-		10.194	-

13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments used by the Company at 31 December 2011 corresponding to "swap in interest rate and was as follows:

	31.12.2011	31.12.2010
Fair value of financial instruments	4.602	-
	4.602	-

The Company took the position on 11.March.2011 that was held by the Group Company (El Rosal) with bank BES, concerning the interest rate swap, which on that date had a fair value assessed by bank BES, in the amount of kEuro 3,775.

During the period between the acquisition date and 31 December 2011 the Company incurred in expenses with interest related to this swap in the amount of kEuro 1,759.

The fair value of the derivative financial instruments, was registered in liabilities under the caption of "Derivative financial instruments" at acquisition date, with subsequent variations on fair value which were registered in the profit and loss , in addition of taxes in the amount of kEuro 750 (Note 18).

14 LOANS FROM GROUP COMPANIES

At 31 December 2011 and 2010 this caption was made up as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Short term loans obtained		
Sierra Portugal, S.A.	17.553	31.790
Sierra Management SGPS, S.A.	9.943	-
Paracentro -Gestão Galeria Comercial S.A.	681	666
Inparsi - Gestão de Galeria Comercial, S.A.	192	78
Project Sierra Portugal VIII Centro Comercial, S.A.	35	40
Sierra Investments, SGPS, S.A.	-	36.447
Sierra Asset Management, Gestão de Activos S.A.	-	7.485
Sierra Developments - Serv. Prom. Imob., S.A.	-	1.028
Sierra Developments Ibéria 1, Prom. Imob., S.A.	-	329
	<u>28.404</u>	<u>77.863</u>

Short term loans refer to loans obtained in Euro from group companies for less than one year period and bearing interest at market conditions.

15 SHAREHOLDERS

At 31 December 2011 and 2010 this caption was made up as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
Payable dividends		
Grosvenor Investments (Portugal) Sarl	11.868	-
Sonae SGPS , S.A.	<u>11.868</u>	<u>-</u>
	<u>23.736</u>	<u>-</u>

In accordance with the decision taken on 7 April 2011, by the Board of Directors, it was approved to deferral the payment of the dividends attributed to the shareholders.

16 OTHER PAYABLES

At 31 December 2011 and 2010 this caption was made up as follows:

	31.12.2011	31.12.2010
Amounts to regularize in the Fiscal Unit		
Sierra Investments, SGPS, S.A.	1.363	-
Sierra Developments, SGPS, S.A.	841	762
Sierra Portugal, S.A.	9	1
Inparsa - Gestão de Galeria Comercial, S.A.	-	41
Sierra Developments - Serviços de Promoção Imobiliária, S.A.	-	2.034
Sierra Management. SGPS, S.A.	-	12
Services rendered		
Sonae SGPS, S.A.	227	214
Others	11	110
MDS	-	37
	<u>2.451</u>	<u>3.211</u>

The above amounts are due as follows:

	31.12.11	31.12.10
Short term:		
0-90 days	239	3.101
90-180 days	2.212	-
+ 180 days	-	110
	<u>2.451</u>	<u>3.211</u>

17 OTHER CURRENT LIABILITIES

At 31 December 2011 and 2010 other current liabilities were made up as follows:

	31.12.2011	31.12.2010
Staff costs payable	391	358
Interest payable		
Sierra Portugal, S.A.	542	51
Sierra Management SGPS, S.A.	57	24
Paracentro -Gestão Galeria Comercial S.A.	11	1
Inparsi - Gestão de Galeria Comercial, S.A.	3	-
Project Sierra Portugal VIII Centro Comercial, S.A.	1	-
Sierra Investments, SGPS, S.A.	-	53
Sierra Asset Management - Gestão de Activos S.A.	-	8
Interest bond loans	972	744
Interest derivative	722	-
Interest bank loans	-	3
Financing costs payable	110	68
Services rendered by third parties payable	53	21
Cascaishopping Centro Comercial, S.A. price adjustment	1.480	1.480
	<u>4.342</u>	<u>2.811</u>

Staff costs as of 31 December 2011 and 2010, include the amounts of kEuro 159 and kEuro 127, respectively, related to remuneration bonus attributed to some employees of the Group, which will be paid after two years to the relevant grant date, as long as the employees involved are still employees of the Group as of the payment date. This remuneration bonus will be adjusted, until the corresponding payment date, by the annual variation of the Net Asset Value (NAV) of the Group. These remuneration premiums are, since 2005, deferred for three years (from the year of grant until the year of payment) and recorded as expense, by the gross amount that was attributed to those employees, and any subsequent adjustment derived from the change in the Group's NAV, recorded in the statements of profit and loss of the year in which the variation occurs.

As of 31 December 2011, the amount of kEuro 1,480, relate to 50%, for costs assumed with the investments made in Cascaishopping, which will be paid to the partners as price adjustment.

18 DEFERRED INCOME TAXES

Deferred income tax assets at 31 December 2011 and 2010, in accordance with the temporary differences that generate them, are made up as follows:

	Deferred tax assets	
	31.12.11	31.12.10
Fair value of financial instruments	750	-
	<u>750</u>	<u>-</u>

The movement in deferred income tax assets during the years ended 31 December 2011 and 2010 was as follows:

	2011	2010
Opening balance	-	-
Effect in net result:		
Fair value of financial instruments	750	-
Closing balance	750	-

19 OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2011 and 2010 is made up as follows:

	2011	2010
Recovery of costs	11	33
	11	33

20 OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2011 and 2010 are made up as follows:

	2011	2010
Stamp duty	82	92
VAT cost	67	58
Subscriptions	10	11
	159	161

21 FINANCIAL RESULTS AND NET INCOME FROM INVESTMENTS

Net financial results are made up as follows:

	2011	2010
Expenses:		
Interests on loans obtained from group companies	1.426	1.894
Interests on bond loans	1.978	1.637
Interests on overdrafts	48	412
Interests on bank loans	4	77
Losses on fair value of derivatives (Note 13)	2.586	-
Stamp duty	12	26
Bank charges	463	459
Others	104	115
	<u>6.621</u>	<u>4.620</u>
Net financial expenses	<u>3.608</u>	<u>(822)</u>
	<u>10.229</u>	<u>3.798</u>
Income:		
Interest income	9.627	3.789
Foreign currency exchange gains	597	5
Other	5	4
	<u>10.229</u>	<u>3.798</u>

Net income from investments is made up as follows:

	2011	2010
Dividends	40.712	14.522
Impairment losses - Group companies (Note 3)	(4.491)	(66.764)
Reversal Impairment losses - Group companies (Note 3)	1.988	1.275
Capital gains/ (losses) (Note 3)	<u>(3.150)</u>	<u>215.102</u>
	<u>35.059</u>	<u>164.135</u>

The amount recorded under the caption "Impairment losses - Group companies" refers to impairment registered by the Company, related to its subsidiary Sierra Management SGPS, S.A.

The amounts recorded under the caption "Dividends" refer to Dividends attributed and received from the following subsidiaries:

	2011	2010
Sierra Investments SGPS, S.A.	39.163	10.284
Sierra Portugal, S.A.	1.549	538
Sierra Management, SGPS, S.A.	-	3.700
	<u>40.712</u>	<u>14.522</u>

22 INCOME TAX

Income tax for the years ended 31 December 2011 and 2010 is made up as follows:

	2011	2010
Current tax	1.340	(792)
Deferred tax (Note 18)	(750)	-
	<u>590</u>	<u>(792)</u>

The reconciliation between tax expense and the accounting profit multiplied by the applicable tax rate is as follows:

	2011	2010
Profit before income tax	37.415	161.743
Dividends	(40.713)	(14.522)
Gains related to the sale of companies	3.150	(215.102)
Reversal Impairment losses - Group companies	(1.988)	(1.275)
Impairment losses - Group companies	4.491	66.764
Other	130	36
Taxable profit	2.485	(2.356)
Income tax rate in Portugal	<u>25,0%</u>	<u>25,0%</u>
	621	(589)
Tax rate change effect	(1)	-
Overestimated tax	(196)	(209)
Insufficiency of tax estimate	8	-
Deferred tax rate different of the income tax rate	(104)	-
Local taxes	153	-
Taxes and rates	107	-
Other	2	6
	<u>590</u>	<u>(792)</u>

23 RELATED PARTIES

Balances and transactions that existed with related parties, during the years ended 31 December 2011 and 2010, in addition to the loans conceded to and obtained from the shareholders mentioned in Note 5 and 14, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other liabilities	
	31.12.11	31.12.10	31.12.11	31.12.10	31.12.11	31.12.10
Sierra Portugal, S.A.	1.157	2.397	9	1	(322)	(51)
Sierra Developments, SGPS, S.A.	385	736	841	762	180	-
Paracentro-Gestão de Galerias Comerciais S.A.	89	91	-	-	(11)	(1)
Sierra Management. SGPS, S.A.	33	-	-	12	(57)	(24)
Plaza Mayor Shopping, S.A.	20	19	-	-	-	-
Inparsa - Gestão de Galeria Comercial, S.A.	20	-	-	41	(3)	-
El Rosal Shopping, S.A.	2	-	-	-	-	-
Sierra Investments Holding BV	-	331.131	-	-	-	-
Sierra Asset Management-Gestão de Act. S.A.	-	1.575	-	-	-	(8)
Sierra Corporate Services - Apoio à Gestão, S.A.	-	726	-	-	-	1
Sierra Investments, SGPS, S.A.	-	283	1.363	-	6.466	(53)
Sierra Developments Ibéria 1-Prom. Imob. S.A.	-	163	-	-	-	-
Sierra Developments - Serv. de Prom. Imob.,S.A.	-	98	-	2.034	-	25
Sonae SGPS, S.A.	-	-	227	214	-	-
Sonae Center II, S.A.	-	-	-	-	-	-
Project Sierra Portugal VIII Centro Comercial, S.A.	-	-	-	-	(1)	-
MDS	-	-	-	37	-	-
	<u>1.706</u>	<u>337.219</u>	<u>2.440</u>	<u>3.101</u>	<u>6.252</u>	<u>(111)</u>

	Transactions			
	Interest income		Interest expense	
	31.12.11	31.12.10	31.12.11	31.12.10
Sierra Investments, SGPS, S.A.	6.466	-	219	794
Sierra Developments, SGPS, S.A.	2.636	3.129	-	9
Sierra Portugal, S.A.	445	-	1.027	914
Plaza Mayor Shopping, S.A.	78	78	-	-
Sierra Management. SGPS, S.A.	2	70	158	24
Sierra Developments - Serv. de Promoção Imobiliária,S.A.	-	477	-	-
Sierra Corporate Services - Apoio à Gestão, S.A.	-	21	-	4
Sierra Developments Ibéria 1-Promoção Imobiliária S.A.	-	12	-	1
Project Sierra Portugal VI Centro Comercial, S.A.	-	2	-	-
Paracentro-Gestão de Galerias Comerciais S.A.	-	-	17	13
Inparsa - Gestão de Galeria Comercial, S.A.	-	-	5	6
Project Sierra Portugal VIII Centro Comercial, S.A.	-	-	1	1
Sierra Asset Management-Gestão de Activos S.A.	-	-	-	128
	<u>3.161</u>	<u>3.789</u>	<u>1.208</u>	<u>1.100</u>

The remuneration of the Board of Directors, during the years ended 31 December 2011 and 2010, was as follows:

	2011	2010
Fixed remuneration	1.603	1.507
Variable remuneration	1.183	2.122
	<u>2.786</u>	<u>3.629</u>

24 DIVIDENDS

Following the Shareholders General Meeting deliberation, dated 7 April 2011, the net result of 2010 had the following application:

Free reserves	138.800
Dividends	23.735
	<u>162.535</u>

As for the dividends related to the net profit of 2011, the Board of Directors proposes an amount of kEuro 21,134 (Euro 0.65 per share) to be paid as dividends. However, this proposal depends on the approval by the Shareholders General Meeting and, for that reason the dividends that are proposed to be distributed were not classified as liabilities in the accompanying financial statements.

25 EARNINGS PER SHARE

As of 31 December 2011 and 2010, basic earnings per share correspond to the net profit divided by the weighted average number of ordinary shares of Sonae Sierra during the year, and was computed as follows:

	2011	2010
Profit considered to compute the basic earnings per share (net profit of the year)	36.825	162.535
Number of shares	32.514.000	32.514.000
Earning per share (Euro)	<u>1,13</u>	<u>5,00</u>

26 CONTINGENT LIABILITIES AND BANK GUARANTEES

As of 31 December 2011 and 2010, the main contingent liabilities relate to the following situations:

As 31 December 2011, the Company had been notified by the tax authorities regarding to the deductibility of the financial costs incurred in year 2004, in the amount of kEuro 1,019, and concerning years 2005, 2007, 2008 and 2009 as Mother Company of the *RETGS*. No provision was made to be understanding of the Board of Directors that the risk of this contingency is unlikely.

Additionally exist as of 31 December 2011 and 2010 the following bank guarantees granted:

	2011	2010
Bank guarantees:		
relating tax processes in course	3.374	3.809
on loans received	11.500	-
	<u>14.874</u>	<u>3.809</u>

As of 31 December 2011 the amounts recorded under the caption "Relating tax processes in course", refer to guaranties issued in favour of Direcção Geral dos Impostos, related to the suspension of IRC processes for years 1996 (kEuro 1,493), 2004 (kEuro 1,296), and 2008 (kEuro 585).

The guarantee in the amount of kEuro 11,500 was granted by the Company in favour of Deutsche Hypothekienbank, to guarantee the financing provided to Solingen.

In addition, Sonae Sierra SGPS, S.A., ensured several corporate guarantees on behalf of its subsidiaries, as detailed in the notes of the consolidated financial statements.

27 DISCLOSURES REQUIRED BY LEGISLATION

The information on fees charged by the auditor is included in the information disclosed in the notes of the consolidated financial statements.

28 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised for issuance on the 2 of March 2012. However, these financial statements are still depending on the approval by the Shareholders General Meeting, in accordance with business legislation prevailing in Portugal.

29 NOTE ADDED FOR TRANSLATION

This is a translation of financial statements originally issued in Portuguese in accordance with Portuguese Statutory requirements, some of which may not conform to or be required in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statement under the terms of Article 245 A c), d), f), h), i) and m) of the Securities Code

c) Qualified Shareholdings:

Shareholder	Number of shares owned	% owned
Sonae SGPS, S.A	16,257,000	50%
Grosvenor Investments (Portugal), Sarl	16,257,000	50%

d) Identification of the shareholders that owns special rights and description of those rights:

There are no shareholders that owns special rights

f) Restrictions on the transfer and ownership of shares:

There are no restrictions on the transfer and ownership of the shares.

h) Rules applicable to the appointment and replacement of the board members and regarding changes to the Company's articles:

The Board is elected by the General Assembly.

In case of death, resignation or impediment, temporary or permanent, of any of the members of the Board of Directors, the Board will arrange for replacement.

The change to the articles of the company is responsibility of the General Assembly.

i) Powers of the Board of Directors, namely the decision of capital increase:

Is obligation of the Board of Directors to present to the General Assembly a proposal for the capital increase of the Company.

m) Main elements of internal control systems and risk management implemented in the Company regarding the process of disclosure of financial information:

Information presented in the Corporate Governance chapter of the Management report.

Statement under the terms of Article 245, paragraph 1, c) of the Securities code

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 2 March 2012

The Board of Directors

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

(Translation of a Report and Opinion originally issued in Portuguese)

In case of discrepancy the Portuguese version prevails)

To the Shareholders of

Sonae Sierra S.G.P.S, S.A.

In compliance with the applicable legislation and the mandate we have been conferred, we herewith submit for your consideration our Report and Opinion regarding our activity and the individual and consolidated financial statements of Sonae Sierra SGPS, S.A. ("Company") for the year ended 31 December 2011, including the corporate responsibility report, presented by the Company's Board of Directors.

During the year under analysis, the Statutory Audit Board accompanied in detail the management of the Company and its subsidiaries, and verified the regularity of the accounting records, the process of preparation and divulgation of the financial information and correspondent accounting policies, the compliance with the law and the statutes in force, the risk management and internal control system, having met, with the periodicity considered adequate, with the Company's Board of Directors and managers responsible for finance, accounting, internal audit and risk management issues, as well as with the External Auditor, obtaining all the requested information and clarifications for an adequate understanding of the changes in the financial position and results.

Within the scope of its mandate, the Statutory Audit Board examined the individual and consolidated Balance sheets as at 31 December 2011, the individual and consolidated statements of profit and loss by nature, of cash flows and of changes in equity for the year then ended and the related notes to the accounts, and considered that the presented financial information comply with the law and regulations and is adequate for the understanding of the financial situation and results, both of the Company and consolidated.

The Statutory Audit Board has also examined the Management Report for the year ended 31 December 2011 and the Statutory External Auditor's Report and agreed with their content.

In light of the above, the Statutory Audit Board is of the opinion that the information contained in the financial statements under analysis, was prepared in accordance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, financial position and results of Sonae Sierra, S.G.P.S., S.A. and the companies included in consolidation perimeter and that the Management report faithfully describes the business performance and financial position of the Company, both individually and consolidated, and consequently recommends that those should be approved by the Shareholders' General Meeting.

Also it is our understanding that the Management Report faithfully describes the business evolution, performance and financial position of the Company and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

Maia, 02 March 2012

The Statutory Audit Board

David Stannard Jenkins

Jorge Manuel Felizes Morgado

UHY & Associados, SROC, Lda.
Represented by

António Francisco Barbosa dos Santos

STATUTORY AUDIT REPORT AND AUDITORS' REPORT
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(Translation of a report originally issued in Portuguese)

Introduction

1. In accordance with the applicable legislation, we present the Statutory Audit Report and the Auditors' Report on the financial information contained in the Management Report and in the consolidated and separate financial statements of Sonae Sierra, S.G.P.S. (the "Company") which comprise the consolidated and separate Statements of Financial Position as of 31 December 2011 (that presents total assets of 3,826,964 thousand Euros and 1,216,574 thousand Euros, respectively, and consolidated and separate total equity of, 1,492,267 thousand Euros and 1,078,234 thousand Euros, respectively, including a consolidated net profit attributable to the shareholders of the Company of 9,748 thousand Euros and an separate net profit of 36,825 thousand Euros), the Consolidated and Separate Statements of Profit and Loss, Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended and the corresponding notes.

Responsibilities

2. The Company's Board of Directors is responsible for: (i) the preparation of consolidated and separate financial information that present a true and fair view of the financial position of the Company and the companies included in the consolidation, the consolidated and separate results and comprehensive income of their operations, changes in equity and cash flows; (ii) the preparation of historical financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and the maintenance of appropriate internal control systems; (iv) informing any significant facts that have influenced their operations or the operations of the companies included in the consolidation, their financial position, results and comprehensive income.
3. Our responsibility is to audit the financial information contained in the above mentioned documents, namely verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our audit.

Scope

4. Our audit was performed in accordance with the auditing standards ("Normas Técnicas e as Directrizes de Revisão/Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated and separate financial statements are free of material misstatement. This audit included verifying, on a sample basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. This audit also included verifying the consolidation procedures used and the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately audited, assessing the adequacy of the accounting policies used and their uniform application and disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept and assessing the adequacy of the overall presentation of the consolidated and separate financial statements. Our audit also comprised verifying that the financial information contained in the Management Report is in accordance with the consolidated and separate financial statements and the verifications mentioned in the numbers 4 and 5 of the article 451 of the Portuguese Commercial Code. We believe that our audit provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated and separate financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated and separate financial position of Sonae Sierra, S.G.P.S., S.A., as of 31 December 2011, the consolidated and separate results and comprehensive income of its operations, the consolidated and separate changes in equity and the consolidated and separate cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the information there contained is, in accordance with the definitions included in paragraph 4 above, complete, true, timely, clear, objective and licit.

Reporting on other legal requirements

6. Is also our opinion that the financial information included in the Management Report is in accordance with the consolidated and separate financial statements and includes the informations required by article 245-A of the Securities Market Code as applicable to the Company.

Porto, 2 March 2012

Deloitte & Associados, SROC S.A.
Represented by Teresa Alexandra Tavares