Financial Statements

LOG Commercial Properties e Participações S.A.

Separate and Consolidated Financial Statements for the Year Ended December 31, 2016 and Independent Auditor's Report

(***Free translation to English of Financial Statements Originally Issued in Portuguese)***

LOG Commercial Properties e Participações S.A.

Separate and Consolidated Financial Statements

December 31, 2016

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A free translation from Portuguese into English of Independent Auditor's Report on separate and consolidated financial information in accordance with IFRS and accounting practices adopted in Brazil

INDEPENDENT AUDITOR'S REPORT ON SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors, Shareholders and Officers
LOG Commercial Properties e Participações S.A.
Belo Horizonte - MG

Opinion

We have audited the separate and consolidated financial statements of LOG Commercial Properties e Participações S.A. (the "Company"), identified as Company and Consolidated, respectively, which comprise the balance sheets as at December 31, 2016 and the related income statements, statements of comprehensive income, of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the separate and consolidated financial position of LOG Commercial Properties e Participações S.A. (the "Company"), as at December 31, 2016, its separate and consolidated financial performance and its respective separate and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. In accordance with such standards, our responsibilities are described in section "Auditor's responsibilities for the audit of the separate and consolidated financial statements". We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles set forth in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazil's Association of State Boards of Accountancy (CFC), and we comply with the other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Significant audit issues

Significant audit issues are those that, according to our professional judgment, were the most significant in our audit for the current year. These issues were addressed in the context of our audit of the overall separate and consolidated financial statements and in the formation of our opinion on these separate and consolidated financial statements and, therefore, we do not express a separate opinion on these issues.

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Investment property fair value

According to CPC 28 - Investment Property (equivalent to the international standard IAS 40), investment property is the property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business. An investment property shall be measured initially at its cost, but at each balance sheet closing the entity shall measure this asset at fair value if it can be calculated reliably, and if that is the Company's choice, as determined by the CPC.

As mentioned in Note 2.2 (d), the Company's investment properties are accounted for at fair value. Gains or losses resulting from changes in fair value of investment properties are included in the income statement for the year in which they are generated. Fair value is determined by management, through an assessment models which uses market assumptions, among which, projections of future revenues, future inflation indexes, present value discount rates, among others.

This matter was considered significant for our audit, since the evaluation process involves judgment by management and is highly complex and critical, as well as based on assumptions that are affected by future market expectations and economic conditions. In addition, balances in this account, at December 31, 2016, total R$ 434,670 thousand in Company and R$2,298,800 thousand in consolidated. Therefore, they are material for the financial statements.

Our audit procedures included, among others: (a) use of specialists in valuation models to help evaluate and test assumptions and methodologies used by management in the preparation of cash flow projections, particularly those related projected revenue and discount rate; (b) assessment of the accuracy and completeness of information used in calculations; (c) retroactive review of previous projections to identify any potential inconsistency in the development of future estimates; (d) independent sensitivity calculation of assumptions used; and (e) review of the adequacy of disclosures included in Note 2.2.(d) to the financial statements.

Realization of deferred income and social contribution tax assets arising from income tax losses.

In accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), a deferred tax asset should be recognized for recording unused income tax losses and tax credits to the extent that it is likely that there will be future taxable profits against which unused income tax losses and tax credits may be used.

As disclosed in Note 9, the Company has significant balances of deferred income and social contribution taxes recorded in assets, amounting to R$130,154 thousand in Company and R$134,471 thousand in Consolidated. Management analyzes recoverability of deferred tax assets based on projections containing estimates and tax strategies to generate future taxable profits that are sufficient to fully realize the balance of deferred tax assets recorded. The evaluation of the realization of deferred tax assets is significant to our audit since the evaluation process is complex and based on judgment and estimates of Company's future taxable profits.

Our audit procedures included, among others: (a) use of specialists in valuation models to help review and test assumptions and methodologies used by management in the preparation of future taxable profit projections, and use of tax specialists to help review the future taxable profit tax bases; (b) assessment of the accuracy and completeness of information used in calculations; (c) retroactive review of previous projections to identify any potential inconsistency in the development of future estimates; (d) independent sensitivity calculation of key assumptions used; and (e) review of disclosures adequacy included in Note 9, as required by CPC 32 - Income Taxes (equivalent to the international standard IAS 12).

Other matters

Statements of value added

The separate and consolidated Statements of Value Added (SVA) for the year ended December 31, 2016, prepared under the responsibility of Company management and presented as supplementary information for IFRS purpose, were submitted to the same audit procedures performed in accordance with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and are consistent with the overall separate and consolidated financial statements.

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Other information accompanying the separate and consolidated financial statements and the auditor's report

Company management is responsible for such other information, which includes the Management Report.

Our opinion on the separate and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with the audit of the separate and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, to consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or, otherwise, whether this report appears to be materially misstated. If based on our work we conclude that there is material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this matter.

Management and governance responsibilities for the separate and consolidated financial statements

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

Upon preparing the separate and consolidated financial statements, management is responsible for evaluating the Company's ability to continue as a going concern, disclosing, when applicable, matters related to its operational continuity and the use of this accounting base in the preparation of the financial statements, unless management intends to liquidate the Company and its subsidiaries or cease their operations, or still has no realistic alternative to avoid their shutdown.

People in charge of the Company's and its subsidiaries' governance are those responsible for supervising the process of preparation of the financial statements.

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Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the overall separate and consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but it does not ensure that the audit conducted in accordance with Brazilian and International Standards on Auditing will always detect any material misstatements. Misstatements may derive from fraud or error and are deemed material, separately or taken as a whole, whenever they can influence, within a reasonable perspective, the economic decisions of users made on the basis of referred to financial statements.

As part of the audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and evaluate the risks of material misstatement in the separate and consolidated financial statements, whether caused by fraud or error, plan and perform audit procedures in response to such risks, and obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The risk of not identifying material misstatement resulting from fraud is greater than that from error, since fraud may involve circumvention of internal controls, collusion, falsification, omission or intentional misrepresentation.

- We obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal controls.

- We evaluate the adequacy of accounting policies used and the reasonableness of accounting estimates and respective disclosures made by management.

- We conclude on the adequacy of management's use of the accounting base of operational continuity and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or conditions that may cast significant doubt regarding the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that there is material uncertainty, we must draw attention in our audit report to the respective disclosures in the separate and consolidated financial statements or include a modification in our opinion whenever the disclosures are inadequate. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may threaten the Company's and its subsidiaries' ability to continue as a going concern.

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- We evaluate the overall presentation, structure and content of financial statements, including disclosures and whether the separate and consolidated financial statements represent the corresponding transactions and events consistently with the appropriate disclosure objective.

- We obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities of the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the audit opinion.

We communicate with those in charge of governance regarding, among others, the planned scope, timing of the audit, and significant audit findings, including any significant deficiencies in internal controls identified by us during our work.

We also provide those in charge of governance with a statement that we have complied with the relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, when applicable, respective safeguards.

Based on the matters that were communicated to those in charge of governance, we determine those that were considered most significant in the audit of the financial statements for the current year and, therefore, that represent the significant audit issues. We describe these matters in our audit report, unless the law or regulation has forbidden public disclosure of the matter or when in extremely rare circumstances we determine that the matter should not be reported in our report because the adverse consequences from such disclosure may, within a reasonable perspective, overcome the benefits from communication to the public interest.

Belo Horizonte, February 6, 2017

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/F-6

Flávio de Aquino Machado
Accountant CRC-1MG065899/O-2

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

		Separate		Consolidated	
Assets	**Notes**	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
Current assets					
Cash and cash equivalents	3	**143,180**	13,858	**146,941**	17,258
Receivables	4	**11,216**	7,243	**24,094**	19,119
Recoverable taxes		**5,327**	6,400	**7,476**	8,532
Prepaid expenses		**5,262**	2,386	**6,785**	4,329
Derivative	17(a)	**-**	186	**-**	186
Other		**-**	-	**442**	1
Total current assets		**164,985**	30,073	**185,738**	49,425
Noncurrent assets					
Receivables	4	**4,315**	7,451	**12,800**	14,641
Prepaid expenses		**570**	4,214	**3,694**	7,862
Recoverable taxes		**14,658**	15,166	**40,953**	38,403
Deferred income tax and social contribution	9	**90,014**	51,052	**90,213**	51,052
Other		**475**	150	**1,049**	608
Investments in subsidiaries and joint ventures	5	**1,830,040**	1,671,313	**247,220**	237,314
Investment property	6	**434,670**	430,170	**2,298,800**	2,174,413
Property and equipment		**1,495**	1,624	**1,631**	1,800
Total noncurrent assets		**2,376,237**	2,181,140	**2,696,360**	2,526,093
Total assets		**2,541,222**	2,211,213	**2,882,098**	2,575,518
Liabilities and shareholders' equity					
Current liabilities					
Suppliers		**726**	801	**3,561**	6,601
Loans and financing	7	**22,878**	79,053	**63,400**	116,860
Debentures	7	**273,850**	33,719	**273,850**	33,719
Payroll, social charges and benefits		**2,293**	2,223	**2,523**	2,401
Tax liabilities		**672**	620	**2,680**	2,559
Advances - barters		**-**	-	**1,570**	3,518
Deferred taxes	9	**-**	-	**948**	965
Mandatory minimum dividend payable	11	**3,386**	1,634	**3,386**	1,634
Other		**310**	306	**632**	722
Total current liabilities		**304,115**	118,356	**352,550**	168,979
Noncurrent liabilities					
Loans and financing	7	**121,155**	140,000	**356,070**	398,352
Debentures	7	**295,764**	416,027	**295,764**	416,027
Advances - barters		**40,000**	40,000	**41,073**	42,406
Deferred taxes	9	**-**	-	**54,958**	51,125
Provisions for labor, tax and civil contingencies	10	**495**	739	**495**	739
Other		**456**	326	**1,824**	2,017
Total noncurrent liabilities		**457,870**	597,092	**750,184**	910,666
Total liabilities		**761,985**	715,448	**1,102,734**	1,079,645
Shareholders' equity					
Paid-in capital	11	**1,003,820**	729,043	**1,003,820**	729,043
Capital reserves		**1,961**	24,840	**1,961**	24,840
Earnings reserve		**774,143**	741,882	**774,143**	741,882
Valuation adjustment		**(687)**	-	**(687)**	-
Equity attributable to Company owners		**1,779,237**	1,495,765	**1,779,237**	1,495,765
Noncontrolling interests		**-**	-	**127**	108
Total shareholders' equity		**1,779,237**	1,495,765	**1,779,364**	1,495,873
Total liabilities and shareholders' equity		**2,541,222**	2,211,213	**2,882,098**	2,575,518

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

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Brazilian reais - R$, except earnings per share)

	Notes	Separate		Consolidated	
		2016	2015	2016	2015
Net revenue	13	**18,318**	19,877	**96,774**	92,911
Gross profit		**18,318**	19,877	**96,774**	92,911
Operating income (expenses)					
Selling expenses	14	**(4,959)**	(4,418)	**(10,961)**	(10,146)
General and administrative expenses	14	**(7,559)**	(7,250)	**(8,538)**	(8,416)
Management compensation	14	**(1,005)**	(1,139)	**(1,005)**	(1,139)
Changes in the fair value of investment property	6	**(2,031)**	(26,821)	**(24,477)**	(30,997)
Other operating expenses, net	14	**(197)**	(455)	**(528)**	(2,307)
Results from equity participation	5	**13,009**	24,964	**3,186**	4,439
Income before financial income and taxes		**15,576**	4,758	**54,451**	44,345
Financial income (expenses)					
Financial expenses	15	**(27,130)**	(29,897)	**(60,672)**	(63,384)
Financial income	15	**8,239**	18,735	**9,117**	19,895
(Loss) income before taxes		**(3,315)**	(6,404)	**2,896**	856
Income tax and social contribution					
Current		**-**	(15)	**(5,078)**	(5,999)
Deferred	9	**38,962**	23,615	**37,838**	22,334
	9	**38,962**	23,600	**32,760**	16,335
Income of the year		**35,647**	17,196	**35,656**	17,191
Net income attributable to:					
Shareholders of the Company				**35,647**	17,196
Non-controlling interests				**9**	(5)
				35,656	17,191
Earnings per share (In Reais - R$):					
Basic	12	**0.20320**	0.09927	**0.20320**	0.09927
Diluted	12	**0.20281**	0.09906	**0.20281**	0.09906

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

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Income of the year	**35,647**	17,196	**35,656**	17,191
Effect of change in relative interest in joint ventures	**(687)**	-	**(687)**	-
Total comprehensive income for the year	**34,960**	17,196	**34,969**	17,191
Comprehensive income attributable to:				
Shareholders of the Company			**34,960**	17,196
Non-controlling interests			**9**	(5)
			34,969	17,191

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

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Capital reserves			Earnings reserves						
	Paid in capital	Share premium	Recognized options granted	Legal	Earnings retention	Retained earnings	Valuation adjustment	Equity attributable to shareholders of the Company	Noncontrolling shareholders	Total
BALANCE AT DECEMBER 31, 2014	**171,844**	**527,181**	**1,341**	**15,988**	**737,637**	**-**	**-**	**1,453,991**	**224**	**1,454,215**
Capitalization of reserves	554,486	(527,181)	-	-	(27,305)	-	-	-	-	-
Capital increase	2,713	23,143	-	-	-	-	-	25,856	-	25,856
Net distribution to noncontrolling shareholders	-	-	-	-	-	-	-	-	(111)	(111)
Recognized options granted	-	-	356	-	-	-	-	356	-	356
Income of the year	-	-	-	-	-	17,196	-	17,196	(5)	17,191
Allocation of net income:										
Recognition of legal reserve	-	-	-	860	-	(860)	-	-	-	-
Dividends payable	-	-	-	-	-	(1,634)	-	(1,634)	-	(1,634)
Recognition of earnings retention reserve	-	-	-	-	14,702	(14,702)	-	-	-	-
BALANCE AT DECEMBER 31, 2015	**729,043**	**23,143**	**1,697**	**16,848**	**725,034**	**-**	**-**	**1,495,765**	**108**	**1,495,873**
Capitalization of reserves	24,602	(24,602)	-	-	-	-	-	-	-	-
Capital increase	250,175	1,459	-	-	-	-	-	251,634	-	251,634
Net contributions from noncontrolling shareholders	-	-	-	-	-	-	-	-	10	10
Recognized options granted	-	-	264	-	-	-	-	264	-	264
Income of the year	-	-	-	-	-	35,647	-	35,647	9	35,656
Effect of change in relative interest in joint ventures	-	-	-	-	-	-	(687)	(687)	-	(687)
Allocation of net income:										
Recognition of legal reserve	-	-	-	1,782	-	(1,782)	-	-	-	-
Dividends payable	-	-	-	-	-	(3,386)	-	(3,386)	-	(3,386)
Recognition of earnings retention reserve	-	-	-	-	30,479	(30,479)	-	-	-	-
BALANCE AT DECEMBER 31, 2016	**1,003,820**	**-**	**1,961**	**18,630**	**755,513**	**-**	**(687)**	**1,779,237**	**127**	**1,779,364**

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

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 - INDIRECT METHOD
(In thousands of Brazilian reais - R$)

	Notes	Separate		Consolidated	
		2016	2015	2016	2015
Cash flows from operating activities					
Income of the year		**35,647**	17,196	**35,656**	17,191
Adjustments to reconcile net income to net cash generated by (used in)					
operating activities:					
Depreciation	14	**228**	216	**235**	243
Results from equity participation	5	**(13,009)**	(24,964)	**(3,186)**	(4,439)
Amortization of prepaid expenses		**637**	611	**3,003**	2,585
Allowance for doubtful debts	4	**85**	-	**111**	2,288
Incurred interest		**17,048**	29,180	**50,124**	62,436
Results from derivative financial instruments	17(a)	**5,301**	(6,259)	**5,301**	(6,259)
Deferred taxes		**(38,962)**	(24,918)	**(35,345)**	(20,538)
Changes in the fair value of investment property	6	**2,031**	28,123	**22,019**	29,016
Stock options		**264**	356	**264**	356
		9,270	19,541	**78,182**	82,879
(Increase) decrease in operating assets:					
Trade accounts receivable		**(5,462)**	994	**(7,785)**	(5,014)
Recoverable taxes		**1,763**	(911)	**2,841**	(507)
Prepaid expenses		**131**	(5,691)	**(1,291)**	(7,948)
Other assets		**(326)**	(144)	**(880)**	(525)
Increase (decrease) in operating liabilities:					
Payroll, social charges and benefits		**70**	(260)	**122**	(342)
Taxes, charges and contributions		**(146)**	(115)	**4,651**	4,806
Other liabilities		**(110)**	2,519	**(527)**	421
Income tax and social contribution paid		**-**	-	**(4,728)**	(5,488)
Proceeds from land sales / subsidiary		**4,540**	96,261	**4,540**	105,954
Dividends received from subsidiaries and joint ventures	5	**71,422**	83,016	**-**	20,000
Cash provided by operating activities		**81,152**	195,210	**75,125**	194,236
Cash flows from investing activities					
Increase in / aquisition of investments		**(126,978)**	(71,519)	**(3,887)**	(5,544)
Aquisition of investment properties		**(3,513)**	(12,245)	**(65,705)**	(39,821)
Other		**(786)**	(983)	**(753)**	(983)
Cash used in investing activities		**(131,277)**	(84,747)	**(70,345)**	(46,348)
Cash flows from financing activities					
Loans, financing and debentures		**305,782**	207,406	**305,782**	209,716
Amortization of loans, financing and debentures		**(274,610)**	(267,005)	**(301,697)**	(297,604)
Contracted and redeemed derivative financial instruments		**(5,115)**	6,073	**(5,115)**	6,073
Interest paid		**(95,424)**	(103,705)	**(122,891)**	(126,038)
Increase in due to related parties		**110,201**	-	**110,201**	-
Payment of due to related parties		**(111,387)**	-	**(111,387)**	-
Capital increase		**251,634**	25,856	**251,634**	25,856
Dividends paid	11	**(1,634)**	(25,856)	**(1,634)**	(25,856)
Contributions from (distributions to) noncontrolling shareholders		**-**	-	**10**	(111)
Net cash provided by (used in) financing activities		**179,447**	(157,231)	**124,903**	(207,964)
Increase (decrease) in cash and cash equivalents		**129,322**	(46,768)	**129,683**	(60,076)
Cash and cash equivalents					
At the beginning of the year		**13,858**	60,626	**17,258**	77,334
At the end of the year	3	**143,180**	13,858	**146,941**	17,258
Increase (decrease) in cash and cash equivalents		**129,322**	(46,768)	**129,683**	(60,076)

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

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Notes	Separate		Consolidated	
		2016	2015	2016	2015
Revenue					
Lease revenue	13	**20,150**	21,902	**103,605**	98,949
Other revenue		**46**	4,946	**1,168**	(14,188)
Changes in the fair value of investment property	6	**(2,031)**	(28,123)	**(22,019)**	(29,016)
Revenue from construction of own assets		**94,730**	93,685	**140,025**	122,898
Allowance for doubtful accounts	4	**(85)**	-	**(111)**	(2,288)
		112,810	92,410	**222,668**	176,355
Inputs purchased from third-parties (includes the taxes ICMS, IPI, PIS AND COFINS)					
Supplies, power, outside services and other items		**(18,634)**	(26,697)	**(56,589)**	(49,944)
		(18,634)	(26,697)	**(56,589)**	(49,944)
Gross value added		**94,176**	65,713	**166,079**	126,411
Depreciation	14	**(228)**	(216)	**(235)**	(243)
Net wealth created		**93,948**	65,497	**165,844**	126,168
Value added received in transfer					
Results from equity participation	5	**13,009**	24,964	**3,186**	4,439
Financial income		**8,693**	19,018	**9,601**	20,193
		21,702	43,982	**12,787**	24,632
Total wealth for distribution		**115,650**	109,479	**178,631**	150,800
Wealth distributed					
Personnel:		**5,648**	7,158	**12,741**	8,781
Salaries and wages		**4,928**	6,191	**10,680**	7,361
Benefits		**465**	644	**1,459**	973
Severance pay fund (FGTS)		**255**	323	**602**	447
Taxes and fees:		**(33,298)**	(18,692)	**(17,089)**	(3,059)
Federal		**(33,504)**	(18,890)	**(17,352)**	(3,488)
State		**12**	14	**20**	16
Municipal		**194**	184	**243**	413
Lenders and lessors:		**107,653**	103,817	**147,323**	127,887
Interest		**107,151**	102,890	**142,148**	125,682
Rentals		**458**	888	**4,996**	2,068
Leases		**15**	23	**18**	21
Other		**29**	16	**161**	116
Shareholders:		**35,647**	17,196	**35,656**	17,191
Dividends	11	**3,386**	1,634	**3,386**	1,634
Retained earnings	11	**32,261**	15,562	**32,261**	15,562
Noncontrolling interests		**-**	-	**9**	(5)
Wealth distributed		**115,650**	109,479	**178,631**	150,800

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

1. General information

LOG Commercial Properties e Participações S.A. ("Company") is a publicly traded corporation in category "B" (listed in the Brazilian Securities and Exchange Commission on November 12, 2013), with its head office in Belo Horizonte, Minas Gerais. The Company was incorporated on June 10, 2008 and is engaged in the following activities: (i) management of own assets; (ii) rendering engineering and construction services for residential and/or commercial properties; (iii) development, construction and lease of own or third-party residential and/or commercial buildings, mainly warehouses; and (iv) holding interests in other entities, either as partner or shareholder.

The projects are developed by LOG Commercial Properties e Participações S.A., its subsidiaries, and joint ventures ("Group"), which are primarily engaged in the construction and lease (operating leases) of industrial warehouses, stores/offices, shopping malls, strip malls and development and sale of industrial lots. The projects are located in the States of Minas Gerais, São Paulo, Espírito Santo, Paraná, Rio de Janeiro, Goiás, Ceará, Sergipe and Bahia. See list of subsidiaries, joint ventures and additional information in Note 5.

The Group is currently at a stage of cautious expansion of their project portfolio aimed at improving the allocation of available resources to maintain the growth of its cash flows. Within this context, aiming at maintaining an adequate level of liquidity, improve its capital structure and ensuring its investment capacity, the Group made in December 22, 2016 a private capital increase amounting R$250,000, fully subscribed by its current shareholders (note 11). Additionally the Group holds continued discussions with financial institutions regarding new operations for the purpose of improving even more its indebtedness profile.

In addition, the Group also considers new capital increases to enhance even more its capital structure and to meet its financial and investment commitments. Divestments from its assets portfolio are also considered, depending on existing business and market conditions.

2. Presentation of financial statements, significant accounting policies and new accounting standards

2.1 Presentation of financial statements

I. Statement of compliance

The Company's separate and consolidated financial statements ("Financial Statements") have been prepared in accordance with accounting practices adopted in Brazil (BR GAAP) and also in accordance with the International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In conformity with "OCPC 07 - Evidenciação na Divulgação dos Relatórios Contábil - Financeiros de Propósito Geral" (General Purpose Evidencing the Disclosure of Financial Statements), relevant information regarding the financial statements has been

disclosed and belongs to those used by the administration for its management.

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

II. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the balances of 'Cash and cash equivalents' and 'Investment property', which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

III. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled directly by the Company or indirectly through its subsidiaries. The Company's subsidiaries included in consolidation are listed in note 5.

The full consolidation method is used thus assets, liabilities and profits or losses of subsidiaries are combined with the corresponding line items of the Company's financial statements, on a per line item basis, and the parent company's interests in the subsidiaries' equity, as well as all intragroup transactions, balances, revenue, and expenses are eliminated.

2.2 Significant accounting policies

(a) Cash and cash equivalents

Include cash, bank account balances, and short-term investments maturing in less than three months from contract date and with and minimal risk of changes in fair value. Cash and cash equivalents are classified as financial assets measured at fair value.

(b) Trade receivables

Trade receivables include receivables from the lease of assets, net of the allowance for doubtful accounts, which is recognized based on management's estimate, taking into account the risks involved. The Group's management believes that this allowance is sufficient to cover potential losses. Lease receivables are not adjusted to present value since they have mainly short-term maturities and/or have an immaterial impact on the financial statement.

(c) Investments in subsidiaries and joint ventures

Investments in subsidiaries are recorded in the Company's separate financial statements using the equity method of accounting, based on the subsidiaries' financial statements as of the Company's reporting period and prepared using the same accounting policies used in the Company's financial statements.

In the Company's separate and consolidated financial statements, investments in joint ventures are recorded using the equity method, based on the related investees' financial statements as of the Company's reporting period and using the same accounting policies used in the Company's financial statements

Profits and losses resulting from intragroup transactions are recognized in the financial statements only to the extent of the interest in the investee that are not related to the group.

(d) Investment property

Investment property is measured at fair value. Gains and losses resulting from changes in the fair value of an investment property are recognized in profit or loss for the year.

As at December 31, 2016 and 2015, the calculation of the fair value of investment property was performed by external appraisers, with the required qualifications and recent experience in the valuation of real estate properties in similar locations, as follows:

- Land: use of the Direct Market Inputs Comparative Method, under which fair value is determined by directly comparing the value of other similar properties, located within the same geo-economic region.
- Projects in operation or in construction phase: use the discounted cash flows model for a ten-year period, when the disposal of the investment (divesture) is considered based on a hypothetical sale of the property simulating the perpetuity principle.
- The following assumptions have been taken into consideration:
    - The discount rates used take into account the characteristics of the properties being valued and range from 8.75% to 10.75% p.a. as at December 31, 2016 and 8.75% to 11.0% p.a. as at December 31, 2015.
    - The divesture has been calculated using rates that range from 8.25% to 8.5% p.a. as at December 31, 2016 and 8.5% to 9.5% p.a. as at December 31, 2015.
    - Projected expenses corresponding to a 1.0 rental revenue as at December 31, 2016 and 1.0 to 1.5 rental revenue as at December 31, 2015, for commissions paid to the real estate consultant responsible for the lease of the property and a 2.0% of the residual sale price for commissions paid to the real estate consultant responsible for the sale of the property at the end of horizon, for both periods.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal, where applicable. Any gain or loss arising on derecognition of the property is recognized in profit or loss in the period in which the property is derecognized.

(e) Provisions

A provision is recognized as a result of a past event, when the Group has a legal or constructive obligation that can be reliably estimated and it is probable that a disbursement will be required to settle the obligation.

When a provision is measured based on the estimated future cash flows required to settle the obligation, the provision is recorded for an amount representing the present value of such cash flows.

(f) Loans, financing and debentures

Initially recognized when funds are received, net of transaction costs. At the end of the reporting period they are carried at their initial recognition amounts, less repayments plus accrued interest. Transaction costs are presented as a reduction to current and noncurrent liabilities, and are recognized in profit or loss over the same repayment term of the financing from which they were originated based on the effective interest rate of each transaction.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized, until the assets are substantially ready for their intended use or sale.

Since financing activities are centrally managed by the Company, interest incurred by the Company on the financing of its investees' qualifying assets are capitalized and presented in the investment line item (financial statements), net of gains obtained on the temporary investment of funds obtained on specific borrowings that have not yet been spent on the qualifying assets. In the consolidated financial statements, subsidiaries' amounts are reclassified to cost of qualifying financed investment properties. Due to the fact that investment properties are measured at fair value, the related costs are allocated to profit or loss by deducting such costs from the calculation of equity participation (separate financial statements) and the calculation of changes in fair value (consolidated financial statements).

(h) Stock option plan

The Company has a share-based compensation plan under which certain employee's services are compensated through the grant of stock options. The Company recognizes compensation cost in profit or loss on a straight-line basis over the vesting period, from grant date to the date the options become exercisable, with a corresponding adjustment in equity. Compensation cost was determined based on the fair value of the options on the grant date using the Black & Scholes pricing model. See note 11 (e).

(i) Taxes

Current and deferred income tax, social contribution, and taxes on sales are recognized in profit or loss, except when they correspond to items recognized in 'Other comprehensive income', or are directly recognized in equity, in which

case current and deferred taxes are also recognized in 'Other comprehensive income' or directly in equity, respectively.

Income tax and social contribution

The Company and some subsidiaries calculate income tax and social contribution based on actual taxable income. As permitted by the Brazilian tax law, the subsidiaries and most joint ventures opted for taxation based on deemed income, where the income tax and social contribution taxable base is calculated at the rate of 32% of gross revenues from lease services plus the financial income. The regular 15% income tax rate is levied on deemed taxable income, plus a 10% surtax on income exceeding R$240 per annum, and for social contribution the rate levied is 9%.

As permitted by the prevailing tax law, the subsidiaries and the joint ventures that elected the deemed income taxation regime calculate lease revenues, and financial income on a cash basis.

Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are fully recognized as prescribed by CPC 32 and IAS 12 *Income Tax* on the temporary differences between assets and liabilities recognized for tax purposes and related amounts recognized in the financial statements by applying the statutory tax rates in effect on the date the financial statements were prepared and applicable when such temporary differences reverse.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be generated to realize such deferred tax assets or loss carryforwards. The realization of deferred tax assets is assessed at the end of each annual reporting period and, when it is no longer probable that future taxable income will be available to recover of all or part of the assets, they are adjusted to the expected recoverable amount.

Taxes on revenue

Revenue is recorded net of sales taxes (PIS and COFINS). The aggregate tax rate of the Social Integration Program Tax on Revenue (PIS) and the Social Security Funding Tax on Revenue (COFINS) is 9.25%, levied on actual income (noncumulative regime) or 3.65%, levied of deemed income.

(j) Income and expense recognition

Lease revenue is recognized on a straight-line basis over term of the underlying agreement, net of applicable taxes. Lease revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the amount can be reliably measured.

Revenue and expenses are recorded on the accrual basis.

(k) Financial instruments

Financial assets and liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments and are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of the financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following categories: (i) financial assets at fair value through profit or loss; (ii) held-to-maturity' investments; (iii) loans and receivables; and (iv) available-for-sale. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Ordinary purchases or sales of financial assets are recognized and derecognized on a trade date basis. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of assets in accordance with regulation or market practice.

The Group discloses financial assets, which are classified into the categories described below:

Category	Financial assets
At fair value through profit or loss	Cash and cash equivalents
Loans and receivables	Trade receivables

- Financial assets at fair value through profit or loss

Any gains or losses arising from the financial assets measured at fair value through profit or loss when they are held for trading or on their initial recognition are recognized in profit or loss.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, measured at amortized cost using the effective interest method, less any impairment losses. Interest income, when applicable, is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest income is immaterial.

- Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Upon derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

- Impairment of financial assets

The Group assesses at the end of the reporting periods if there is objective evidence that a financial asset or group of financial assets has been impaired.

A financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. As at December 31, 2016 and 2015, except for the allowance for doubtful debts (note 4), there were no events that indicated potential asset impairment.

Financial liabilities

Financial liabilities held by the Group are: loans, financing and debentures. These financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently recorded at amortized cost, using the effective interest method.

- Derecognition

The Group derecognizes financial liabilities when obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and sum of the consideration paid and payable is recognized in profit or loss.

- Net statement

Financial assets and financial liabilities are stated at their net amounts in the balance sheet if, and only if, the Company has a legally enforceable right to off set the amounts recognized and if there is intent to simultaneously realize the asset and settle the liability.

Derivative financial instruments

The Company contracts non-speculative derivative financial instruments mainly to manage its exposure to interest rate risks. Gains or losses arising from changes in the fair value of derivative instruments are recognized in profit or loss.

(l) Discount to present value

Monetary assets and monetary liabilities are adjusted to their present value based on an effective interest rate resulting from short- (if material) and long-term transactions, without yield or subject to: (i) fixed interest; (ii) interest rates clearly below market rates for similar transactions; and (iii) inflation adjustment only, with no interest. The Group periodically assesses the effect of this policy.

(m) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, and revenues and expenses in the reporting periods. Assets and liabilities subject to these estimates and assumptions include the fair value of investment property, cash and cash equivalents and derivative financial instruments, deferred tax assets, asset impairment testing, and provisions for labor, tax, and civil contingencies. Since management's judgment involves estimates related to the probability of future events, actual results could differ from those estimates.

The Company revises its estimates and assumptions at least annually. The effects arising from these revisions are recognized in the year when the estimates are revised if such revision impacts just such year, or also in

subsequent years if the revision impacts both the current period and future years.

(n) Functional and reporting currency

The separate and consolidated financial statements are presented in Brazilian reais (R$), which is the Group´s functional currency.

(o) Statement of value added

The Company prepares separate and consolidated statements of value added in accordance with Brazilian Accounting Standard (CPC) 09 - *Demonstração do Valor Adicionado* (Statement of Value Added), which are presented as an integral part of the financial statements prepared in accordance with the BRGAAP applicable to publicly heal companies, while for IFRS purposes they are presented as supplemental information.

(p) Leases

Determining whether an arrangement is or contains a lease is based on the arrangement's substance at its inception.

Leases where the Group, as a lessor, does not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases.

Lease revenue from operating leases is recognized on a straight-line basis over the term of the relevant lease agreement.

(q) Earnings per share

Basic

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent by the weighted average number of common shares outstanding in the year, excluding treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares for the conversion of all potentially dilutive common shares. Potentially dilutive e common shares related to shares under the stock option plan, for which a calculation was performed to determine the number of options that could have been exercised at their fair value (determined as the estimated market price of Company stock), based on the monetary value of the subscription rights linked to the outstanding stock options.

(r) Segment information

The Company presents the operating segment of rental, which includes rental of industrial warehouses and to a smaller extent rental of retail space (shopping center and strip mall).

2.3 New standards

The standards and interpretations issued but not yet adopted up to the date of issuance of the Group's financial statements are presented below. The Group intends to adopt these standards, if applicable, when they come into force.

- IFRS 15 – Revenue from Contracts with Customers (CPC 47)
- IFRS 9 – Financial Instruments (CPC 48)
- IFRS 16 – Leasing (not yet issued by CPC)

In light of the Group's current operations, management does not anticipate any material impacts on the financial statements from these changes after their adoption.

There are no other issued standards and interpretations not yet adopted that could, according to management, have a significant impact on the financial position or result of operations of the Company.

3. Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	Separate		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Cash	**16**	21	**19**	22
Bank accounts	**61**	478	**361**	661
Short-term investments:				
Bank Certificates of Deposit (CDBs)	**25,067**	12,676	**25,067**	12,676
Certificates backed by debentures	**15,046**	-	**15,704**	700
Nonexclusive investment fund	**573**	683	**2,603**	3,199
Exclusive investment fund	**102,417**	-	**103,187**	-
Total	**143,180**	13,858	**146,941**	17,258

Short-term investments, classified as held for trading, have daily liquidity, are immediately redeemable and subject to an immaterial risk of change in value, carried at cost plus accrued income, which at December 31, 2016 is 103.53% of the interbank deposit rate (CDI) in separate and 103.39% of CDI on a consolidated basis (107.62% of CDI in separate and 105.05% of CDI on a consolidated basis at December 31, 2015), and adjusted to fair value, when applicable.

Investment in certificates backed by debentures, which have its repurchase guaranteed by financial institutions, can be immediately redeemed according to the Group needs and their yield is pegged to the CDI.

Breakdown of the exclusive investment fund's portfolio, proportionately to the units held by the Company and subsidiaries, is as follows:

	Separate		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Bank Certificates of Deposit (CDBs)	**58,711**	-	**59,153**	-
Repurchase agreements	**25,032**	-	**25,220**	-
Government and private sector securities	**9,970**	-	**10,045**	-
Other	**8,704**	-	**8,769**	-
Total	**102,417**	-	**103,187**	-

4. Trade receivables

Trade receivables are broken down as follows:

	Separate		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Rentals	**9,299**	7,666	**32,679**	27,720
Sale of subsidiary (Note 5 (a))	**4,767**	5,062	**4,768**	5,062
Other	**1,550**	1,966	**2,594**	4,014
	15,616	14,694	**40,041**	36,796
Allowance for doubtful accounts	**(85)**	-	**(3,147)**	(3,036)
Total	**15,531**	14,694	**36,894**	33,760
Current	**11,216**	7,243	**24,094**	19,119
Noncurrent	**4,315**	7,451	**12,800**	14,641
	15,531	14,694	**36,894**	33,760

Leases trade receivables balance refers to the lease of industrial warehouses, under operating leases subject to Law 8245/91 ("Lease Law"), which provisions include, among other, procedures for cancellation of lease agreements and their termination penalties, which are commercially agreed with each tenant. The lease agreements are adjusted on an annual basis using the General Market Price Index (IGPM).

The receivable for the sale of subsidiary refers to the sale of MRV LOG SP I Incorporações SPE Ltda. (“Office Park Pirituba”) to MRV Engenharia e Participações S.A., as disclosed in note 5(a).

The table below shows the aging list of trade receivables:

	Separate		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Undue:				
Up to 12 months	**10,262**	6,902	**22,187**	17,824
13 to 24 months	**4,315**	7,451	**12,800**	14,641
	14,577	14,353	**34,987**	32,465
Past due:				
Up to 30 days	**79**	159	**192**	545
31 to 90 days	**123**	92	**190**	627
More than 90 days	**837**	90	**4,672**	3,159
	1,039	341	**5,054**	4,331
Total	**15,616**	14,694	**40,041**	36,796

Changes in the allowance for doubtful accounts for the years ended December 31, 2016 and 2015 are as follows:

	Separate		Consolidated	
	2016	2015	2016	2015
Opening balance	**-**	-	**(3,036)**	(748)
Recognition	**(85)**	-	**(111)**	(2,288)
Closing balance	**(85)**	-	**(3,147)**	(3,036)

Future minimum lease receivables under non-cancellable operating leases are as follows:

	Separate		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
12 months	**21,605**	22,811	**105,756**	103,156
13 to 24 months	**20,872**	22,312	**81,811**	89,132
25 to 36 months	**6,986**	18,494	**48,987**	63,023
37 to 48 months	**2,519**	4,976	**29,131**	31,182
More than 48 months	**6,062**	7,141	**62,973**	31,010
Total	**58,044**	75,734	**328,658**	317,503

5. Investment in subsidiaries and joint ventures

Refer to interest held in subsidiaries and joint ventures, basically represented by special purpose entities, as follows:

Project	Startup date	Location
Joint ventures - In operation:		
Cabral Investimentos SPE Ltda. ("Cabral")	November-13	Contagem/MG
Parque Torino Imóveis S.A. ("Torino")	April-15	Betim/MG
Joint ventures - At start-up stage:		
Betim I Incorporações SPE Ltda. ("Betim subdivision")	-	Betim/MG
Subsidiaries - In operation:		
Contagem I SPE Ltda. ("LOG I")	February-09	Contagem/MG
Contagem II Incorporações SPE Ltda. ("LOG II")	March-11	Contagem/MG
Jundiaí Incorporações SPE Ltda. ("LOG Jundiaí")	April-11	Jundiaí/SP
Goiânia I Incorporações Imobiliárias SPE Ltda. ("LOG Goiânia")	April-12	Goiânia/GO
Hortolândia Incorporações SPE Ltda. ("LOG Hortolândia")	September-12	Hortolândia/SP
LOG São José dos Pinhais I SPE Ltda. ("LOG SJP")	April-13	São José dos Pinhais/PR
LOG Juiz de Fora I SPE Ltda. ("LOG Juiz de Fora")	June-13	Juiz de Fora/MG
LOG Feira de Santana I SPE Ltda. ("LOG Feira de Santana")	June-13	Feira de Santana/BA
LOG Maracanaú I SPE Ltda. ("LOG Fortaleza")	August-13	Maracanaú/CE
LOG Via Expressa SPE Ltda. ("LOG Via Expressa")	November-13	Betim/MG
LOG Viana I SPE Ltda. ("LOG Viana")	April-14	Viana/ES
LOGCP Londrina I SPE Ltda. ("LOG Londrina")	June-14	Londrina/PR
LOG Itatiaia SPE Ltda. ("LOG Itatiaia")	July-14	Itatiaia/RJ
Subsidiaries - At start-up stage:		
MRV LOG MDI SJC I Incorporações SPE Ltda. ("LOG SJC Sony")	-	São José dos Campos/SP
LOG Sumaré Deltalog I SPE Ltda. ("LOG Sumaré")	-	Sumaré/SP
LOG SJRP I Incorporações SPE Ltda. ("LOG SJRP")	-	São José do Rio Preto/SP
LOG Macaé I SPE Ltda. ("LOG Macaé")	-	Macaé/RJ
LOG RP I SPE Ltda. ("LOG RP")	-	Ribeirão Preto/SP
LOG Curitiba I SPE Ltda. ("LOG Curitiba")	-	Curitiba/PR
LOG Rio SPE Ltda. ("LOG Rio")	-	Campo Grande/RJ
LOG Aracajú SPE Ltda. ("LOG Aracajú")	-	Nossa Senhora do Socorro/SE
LOG Uberaba SPE Ltda. ("LOG Uberaba")	-	Uberaba/MG
LDI LOG Desenvolvimento Imobiliário Ltda. ("LDI")	-	Belo Horizonte/MG

a) The main information on each investment is summarized below:

	Information on investees		Company information		
	Issued capital		Equity interest		
	12/31/2016		12/31/2016		12/31/2015
	Amount	Number of shares	Number of shares	Contractual percentage	Contractual percentage
Joint ventures:					
Cabral	39,247	78,494,000	39,247,000	50.00%	50.00%
Torino	134,900	318,600	127,440	40.00%	40.00%
Betim subdivision	42,851	84,325,968	42,162,984	50.00% (*)	50.00%
Subsidiaries:					
LOG I	71,706	61,460,917	61,455,917	99.99%	99.99%
LOG II	21,917	20,353,954	20,352,154	99.99%	99.99%
LOG Jundiaí	44,760	35,874,919	35,873,675	99.99%	99.99%
LOG Goiânia	67,139	46,930,180	46,930,170	99.90%	99.90%
LOG Hortolândia	77,220	13,000,000	12,999,999	100.00%	100.00%
LOG SJP	24,429	23,351,000	23,350,999	100.00%	100.00%
LOG Juiz de Fora	43,862	10,000	9,999	99.99%	99.99%
LOG Feira de Santana	16,926	19,041,000	19,040,999	99.99%	99.99%
LOG Fortaleza	76,262	34,037,979	34,037,978	99.99%	99.99%
LOG Via Expressa	66,856	47,000,000	46,999,999	99.99%	99.99%
LOG Viana	117,246	10,000	9,999	99.99%	99.99%
LOG Londrina	41,180	10,000	9,999	99.99%	99.99%
LOG Itatiaia	30,044	27,410,838	27,410,837	99.99%	99.99%
LOG SJC Sony	54,345	52,500,000	52,499,999	100.00%	100.00%
LOG Sumaré	712	10,000	9,999	99.99%	99.99%
LOG SJRP	9,803	10,000	9,999	99.99%	99.99%

	Information on investees		Company information		
	Issued capital		Equity interest		
	12/31/2016		12/31/2016		12/31/2015
	Amount	Number of shares	Number of shares	Contractual percentage	Contractual percentage
LOG Macaé	14,047	10,000	9,999	99.99%	99.99%
LOG RP	20,898	10,000	9,999	99.99%	99.99%
LOG Curitiba	26,870	10,000	9,999	99.99%	99.99%
LOG Rio	68,335	10,000	9,999	99.99%	99.99%
LOG Aracajú	14,698	10,000	9,999	99.99%	99.99%
LOG Uberaba	5,762	10,000	9,900	99.00%	99.00%
LDI	3,873	24,690,048	24,689,948	100.00%	100.00%

(*) Actual equity interest percentage of 50.00% at December 31, 2016 (48.03% at December 31, 2015).

	Information on investees							
	Shareholders' equity		Net income (loss) for the year		Investment		Results from equity participation	
	12/31/2016	12/31/2015	2016	2015	12/31/2016	12/31/2015	2016	2015
Joint ventures:								
Cabral	**117,249**	115,145	**2,104**	20,860	**57,984**	56,932	**1,052**	10,430
Torino	**337,249**	331,910	**5,340**	(14,963)	**134,926**	132,790	**2,136**	(5,985)
Betim subdivision	**85,517**	80,943	**(4)**	(12)	**42,759**	38,876	**(2)**	(6)
Capitalized interest (*)	**-**	-	**-**	-	**11,551**	8,716	**-**	-
Total joint ventures - Consolidated	**540,015**	527,998	**7,440**	5,885	**247,220**	237,314	**3,186**	4,439
Subsidiaries:								
LOG I	**177,074**	161,303	**29,946**	25,583	**177,056**	161,286	**29,943**	25,580
LOG II	**44,351**	44,013	**2,297**	10,377	**44,347**	44,008	**2,297**	10,376
LOG Jundiaí	**73,347**	73,639	**452**	3,248	**73,340**	73,632	**452**	3,248
LOG Goiânia	**119,429**	107,779	**8,910**	(6,722)	**119,310**	107,672	**8,901**	(6,715)
LOG Hortolândia	**129,736**	129,653	**3,524**	17,353	**129,736**	129,653	**3,524**	17,353
LOG SJP	**31,989**	28,486	**468**	1,819	**31,989**	28,486	**468**	1,819
LOG Juiz de Fora	**67,649**	62,730	**2,684**	3,946	**67,642**	62,724	**2,684**	3,946
LOG Feira de Santana	**26,944**	25,968	**(1,086)**	5,174	**26,941**	25,965	**(1,086)**	5,173
LOG Fortaleza	**146,490**	122,759	**4,983**	8,321	**146,475**	122,747	**4,983**	8,320
LOG Via Expressa	**104,023**	100,318	**3,151**	12,796	**104,013**	100,308	**3,151**	12,795
LOG Viana	**130,912**	123,054	**9,423**	8,148	**130,899**	123,042	**9,422**	8,147
LOG Londrina	**80,983**	73,774	**5,534**	30	**80,975**	73,767	**5,533**	30
LOG Itatiaia	**38,854**	35,872	**2,806**	9,903	**38,850**	35,869	**2,806**	9,902
LOG SJC Sony	**105,051**	102,776	**2,178**	18,700	**105,051**	102,776	**2,178**	18,700
Office Park Pirituba	**-**	-	**-**	(23,846)	**-**	-	**-**	(23,844)
LOG Sumaré	**8**	8	**(1)**	(1)	**8**	8	**(1)**	(1)
LOG SJRP	**22,734**	22,611	**(180)**	(1,271)	**22,732**	22,609	**(180)**	(1,271)
LOG Macaé	**39,896**	38,487	**1,218**	18,740	**39,892**	38,483	**1,218**	18,737
LOG RP	**53,245**	52,277	**379**	(1,100)	**53,240**	52,272	**379**	(1,100)
LOG Curitiba	**43,472**	40,762	**2,503**	(53,100)	**43,468**	40,758	**2,503**	(53,095)
LOG Rio	**114,231**	61,454	**12,204**	29,582	**114,220**	61,448	**12,203**	29,579
LOG Aracajú	**21,612**	19,936	**1,437**	3,089	**21,610**	19,934	**1,437**	3,089
LOG Uberaba	**10,644**	6,211	**4,339**	(642)	**10,538**	6,149	**4,296**	(636)
LDI	**488**	403	**38**	13	**488**	403	**38**	13
Capitalized interest (*)	**-**	-	**-**	-	**-**	-	**(87,326)**	(69,620)
Total subsidiaries	**1,583,162**	1,434,273	**97,207**	90,140	**1,582,820**	1,433,999	**9,823**	20,525
Total Separate	**2,123,177**	1,962,271	**104,647**	96,025	**1,830,040**	1,671,313	**13,009**	24,964

(*) Amount related to the capitalized financial charges on loans, financing, and debentures taken by the Company for the acquisition/ development of its investees' investment properties and industrial subdivision in investees.

In February 2015, the Company merged subsidiary Campos Sociedade em Conta de Participação ("LOG Campos"), recognizing an investment write-off on separate by R$83,184.

In March 2015, the Company and subsidiary LDI LOG Desenvolvimento Imobiliário Ltda. ("LDI") sold their equity interests in the company MRV LOG SP I Incorporações SPE Ltda. ("Office Park Pirituba") to MRV Engenharia e Participações S.A. ("MRV"). The details of this transaction are as follows:

	Divesture		Total impact
	LOG	LDI	on profit or loss
Sale price	109,989	11	110,000
Discount to present value	(5,801)	(1)	(5,802)
	104,188	10	104,198
Cost of the Investment	(104,188)	(10)	(104,198)
Deferred Income tax and social contribution	1,000	-	1,000
	1,000	-	1,000

On November 25, 2015, the Company transferred the receivable balance to HSBC Bank Brasil S.A., regarding the sale above mentioned. Since the Company no longer retains the risks and responsibilities of the transferred receivable, the receivable was derecognized from the balance sheet.

Under the transfer agreement, the Company retains the right to receive the amounts related to the adjustment for the IPCA (since March 2015), which total R$4,768 as at December 31, 2016 (R$5,062 as at December 31, 2015). These amounts will be received in monthly installments through October 2017.

b) Joint ventures:

- Cabral Investimentos SPE Ltda. (“Cabral”) is mainly engaged in building investment proprieties in shopping mall and store segments and other assets for rental.
- Parque Torino Imóveis S.A. (“Torino”) is engaged in the lease of own properties, construction, and development of real estate projects.
- Betim I Incorporações SPE Ltda. (“Loteamento Betim”) is mainly engaged in the subdivision of industrial land for sale and development, building and rental of business assets, primarily, logistics warehouses.

Even though the main strategic decisions regarding the business to be developed and the definition of the joint ventures’ capital structure to be jointly decided, the Company has a major role in the financial, accounting and operating of the companies Cabral and Betim Subdivision.

The risks and rewards arising on the net results generated by these entities are assumed by each shareholder, according to the percentage equity interest held.

The joint ventures do not entail contractual restrictions to the distributions or funds generated by their operating activities to their controlling shareholders.

The main financial information is as follows:

	Cabral		Torino		Betim subdivision	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cash and cash equivalents	**15,415**	20,724	**1,147**	3,731	**16**	3
Trade receivables	**548**	5,076	**10**	10	**-**	-
Inventories	**-**	-	**-**	-	**6,973**	12,033
Other current assets	**41**	719	**197**	199	**12**	-
Total current	**16,004**	26,519	**1,354**	3,940	**7,001**	12,036
Inventories	**-**	-	**-**	-	**78,835**	68,962
Investment property	**107,483**	95,830	**347,400**	339,225	**-**	-
Other noncurrent assets	**-**	234	**57**	-	**3**	2
Total noncurrent assets	**107,483**	96,064	**347,457**	339,225	**78,838**	68,964
Total assets	**123,487**	122,583	**348,811**	343,165	**85,839**	81,000
Current liabilities	**2,944**	2,628	**170**	110	**322**	57
Noncurrent liabilities	**3,294**	4,810	**11,392**	11,145	**-**	-
Equity	**117,249**	115,145	**337,249**	331,910	**85,517**	80,943
Liabilities and shareholders' equity	**123,487**	122,583	**348,811**	343,165	**85,839**	81,000

	Cabral		Torino		Betim subdivision	
	2016	2015	2016	2015	2016	2015
Operating revenue	**2,812**	10,376	**3,138**	3,721	**-**	**-**
Operating cost	**-**	(3,385)	**-**	-	**-**	-
Other operating expenses	**(1,589)**	-	**(1,128)**	-	**(2)**	-
Financial income (expenses)	**2,473**	4,330	**186**	(805)	**(2)**	(9)
Changes in the fair value of investment property	**(660)**	12,231	**3,661**	(17,768)	**-**	-
Income tax and social contribution	**(932)**	(2,692)	**(517)**	(111)	**-**	(3)
Net income (loss)	**2,104**	20,860	**5,340**	(14,963)	**(4)**	(12)

c) The changes in the balances of investments in subsidiaries and joint ventures in the years ended December 31, 2016 and 2015 were as follows:

	Opening balances	Capital contributions (reversals)	Result from equity participation	Dividends received	Other	Closing balances
Year ended December 31, 2016:						
Joint ventures:						
Cabral	56,932	-	1,052	-	-	57,984
Torino	132,790	-	2,136	-	-	134,926
Betim subdivision	38,876	3,885	(2)	-	-	42,759
Capitalized interest	8,716	-	-	-	2,835	11,551
Total joint ventures - Consolidated	**237,314**	**3,885**	**3,186**	**-**	**2,835**	**247,220**
Subsidiaries:						
LOG I	161,286	3,133	29,943	(17,306)	-	177,056
LOG II	44,008	892	2,297	(2,850)	-	44,347
LOG Jundiaí	73,632	3,502	452	(4,246)	-	73,340
LOG Goiânia	107,672	8,987	8,901	(6,250)	-	119,310
LOG Hortolândia	129,653	1,961	3,524	(5,402)	-	129,736
LOG SJP	28,486	3,035	468	-	-	31,989
LOG Juiz de Fora	62,724	4,400	2,684	(2,166)	-	67,642
LOG Feira de Santana	25,965	2,062	(1,086)	-	-	26,941
LOG Fortaleza	122,747	22,755	4,983	(4,010)	-	146,475
LOG Via Expressa	100,308	9,354	3,151	(8,800)	-	104,013
LOG Viana	123,042	14,433	9,422	(15,998)	-	130,899
LOG Londrina	73,767	3,224	5,533	(1,549)	-	80,975
LOG Itatiaia	35,869	2,976	2,806	(2,801)	-	38,850
LOG SJC Sony	102,776	97	2,178	-	-	105,051
LOG Sumaré	8	1	(1)	-	-	8
LOG SJRP	22,609	332	(180)	(29)	-	22,732
LOG Macaé	38,483	191	1,218	-	-	39,892
LOG RP	52,272	589	379	-	-	53,240
LOG Curitiba	40,758	221	2,503	(14)	-	43,468
LOG Rio	61,448	40,569	12,203	-	-	114,220
LOG Aracajú	19,934	240	1,437	(1)	-	21,610
LOG Uberaba	6,149	93	4,296	-	-	10,538
LDI	403	47	38	-	-	488
Capitalized interest (*)	-	-	(87,326)	-	87,326	-
Total subsidiaries	**1,433,999**	**123,094**	**9,823**	**(71,422)**	**87,326**	**1,582,820**
Total Separate	**1,671,313**	**126,979**	**13,009**	**(71,422)**	**90,161**	**1,830,040**
Year ended December 31, 2015:						
Total Consolidated	242,961	5,544	4,439	(20,000)	4,370	237,314
Total Separate	1,771,228	71,519	24,964	(83,016)	(113,382)	1,671,313

(*) Write-off of the capitalized interest as a result of the adoption of the fair value for investment property.

6. Investment property

Investment property consists of properties held to generate lease income or for appreciation in value (including construction in progress) and is comprised of the following:

	Separate		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Industrial w arehouses	**384,740**	370,100	**2,248,870**	2,114,343
Strip Mall	**49,930**	60,070	**49,930**	60,070
Total	**434,670**	430,170	**2,298,800**	2,174,413

The movements in investment property balances for the years ended December 31, 2016 and 2015 were as follows:

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Opening balance	**430,170**	357,548	**2,174,413**	2,190,831
Additions	**3,256**	10,803	**55,049**	39,020
Impact of upstream merger (*)	**-**	84,042	**-**	-
Capitalized interest (note 7)	**3,275**	5,900	**91,357**	77,649
Write-off of subsidiary divesture (*)	**-**	-	**-**	(104,071)
Changes in fair value	**(2,031)**	(28,123)	**(22,019)**	(29,016)
Closing balance	**434,670**	430,170	**2,298,800**	2,174,413

(*) See note 5 (a).

The effects of the changes in the fair value of investment properties recorded in profit or loss, net of taxes is as follows:

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Changes in fair value of investment property	**(2,031)**	(28,123)	**(22,019)**	(29,016)
Deferred PIS/COFINS	**-**	1,302	**(2,458)**	(1,981)
Changes in fair value of investment property in profit or loss	**(2,031)**	(26,821)	**(24,477)**	(30,997)

As at December 31, 2016, investment property included, R$2,195,570 that has been pledged as collateral of loans, financing and debentures entered into by the Company and its subsidiaries (R$2,030,985 as at December 31, 2015).

7. Loans, financing and debentures

a) Loans and financing

Loans and financing as at December 31, 2016 and 2015 are as follows:

			12/31/2016			12/31/2015
Type	**Maturity of principal**	**Effective financial charges p.a. (*)**	**Current**	**Noncurrent**	**Total**	**Total**
Separate:						
Working capital	Sep 13 to Sep 17	CDI + 1.83%	**-**	**-**	**-**	15,372
Working capital	Jun 16	CDI + 4.85%	**-**	**-**	**-**	50,212
Construction financing	Dec 13 to Oct 24	CDI + 1.92%	**5,712**	**34,619**	**40,331**	42,835
Construction financing	Dec 13 to Nov 23	TR + 9.42%	**3,351**	**18,183**	**21,534**	23,204
Construction financing	Dec 13 to Nov 23	TR + 9.43%	**1,660**	**9,008**	**10,668**	11,495
Construction financing	Jul 14 to Jun 22	TR + 11.33%	**4,006**	**16,608**	**20,614**	22,790
Construction financing	Aug 14 to Jul 22	TR + 11.32%	**2,274**	**9,592**	**11,866**	13,088
Construction financing	Apr 15 to Sep 22	TR + 11.07%	**2,776**	**12,159**	**14,935**	16,404
Construction financing	Oct 15 to Sep 25	TR + 9.72%	**565**	**3,975**	**4,540**	4,769
Construction financing	Mar 15 to Jul 23	TR + 9.62%	**1,526**	**7,851**	**9,377**	10,619

Type	Maturity of principal	Effective financial charges p.a. (*)	12/31/2016 Current	12/31/2016 Noncurrent	12/31/2016 Total	12/31/2015 Total
Construction financing	Sep 16 to Aug 26	TR + 10.10%	**447**	**3,489**	**3,936**	3,697
Construction financing	Sep 16 to Aug 26	TR + 10.04%	**971**	**7,570**	**8,541**	8,022
(-) Funding cost			**(410)**	**(1,899)**	**(2,309)**	(3,454)
Total Separate			**22,878**	**121,155**	**144,033**	219,053
Subsidiaries:						
Construction financing	Dec 13 to Nov 23	TR + 9.37%	**1,780**	**9,647**	**11,427**	12,317
Construction financing	Feb 14 to Jan 22	TR + 11.62%	**3,086**	**11,616**	**14,702**	16,408
Construction financing	Aug 14 to Jul 22	TR + 11.05%	**1,415**	**5,984**	**7,399**	8,169
Construction financing	Nov 14 to Oct 22	TR + 10.74%	**753**	**3,355**	**4,108**	4,507
Construction financing	Feb 15 to Jan 25	TR + 10.05%	**1,831**	**11,790**	**13,621**	14,398
Construction financing	Apr 15 to Mar 25	TR + 9.99%	**1,563**	**10,281**	**11,844**	12,487
Construction financing	Feb 15 to Jan 25	TR + 9.99%	**2,592**	**16,687**	**19,279**	20,393
Construction financing	Apr 15 to Mar 25	TR + 9.99%	**3,400**	**22,345**	**25,745**	27,167
Construction financing	Apr 15 to Mar 25	TR + 10.00%	**1,508**	**9,934**	**11,442**	12,077
Construction financing	Apr 15 to Mar 25	TR + 10.02%	**1,766**	**11,607**	**13,373**	14,112
Construction financing	Oct 15 to Sep 25	TR + 9.71%	**2,636**	**18,509**	**21,145**	22,211
Construction financing	Aug 14 to Jul 25	TR + 9.78%	**2,277**	**15,641**	**17,918**	18,854
Construction financing	Jan 15 to Dec 22	TR + 10.14%	**3,342**	**15,457**	**18,799**	21,490
Construction financing	May 15 to Apr 23	TR + 10.05%	**2,085**	**10,258**	**12,343**	14,005
Construction financing	Aug 15 to Jul 23	TR + 10.07%	**1,418**	**7,299**	**8,717**	9,839
Construction financing	Jan 15 to Apr 23	TR + 9.59%	**3,537**	**17,426**	**20,963**	23,680
Construction financing	Jan 15 to Apr 23	TR + 9.61%	**2,146**	**10,575**	**12,721**	14,478
Construction financing	Apr 16 to Mar 26	TR + 10.14%	**3,096**	**23,000**	**26,096**	26,173
Construction financing	Feb 16 to Jan 26	TR + 9.75%	**948**	**6,944**	**7,892**	8,147
(-) Funding cost			**(657)**	**(3,440)**	**(4,097)**	(4,753)
Total subsidiaries			**40,522**	**234,915**	**275,437**	296,159
Total Consolidated			**63,400**	**356,070**	**419,470**	515,212

(*) Consider the debt contractual cost plus other funding and debt service costs.

The table below shows the payment schedule of loans and financing:

	Separate		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
After the reporting period				
12 months	**22,878**	79,053	**63,400**	116,860
13 to 24 months	**21,048**	26,169	**58,168**	61,425
25 to 36 months	**21,046**	19,607	**58,166**	54,862
37 to 48 months	**21,070**	19,606	**58,216**	54,860
More than 48 months	**57,991**	74,618	**181,520**	227,205
Total	**144,033**	219,053	**419,470**	515,212

The movements in loans and financing are as follows:

	Separate		Consolidated	
	2016	2015	2016	2015
Opening balance	**219,053**	277,219	**515,212**	592,905
Funding	**172,000**	53,293	**172,000**	56,063
Accrued financial charges	**29,483**	35,579	**62,655**	69,855
Exchange variations (*)	**(3,406)**	-	**(3,406)**	-
Funding costs	**(1,161)**	(1,622)	**(1,161)**	(2,082)
Amortization of funding costs	**2,305**	2,075	**2,965**	3,184
Repayment of principal	**(247,610)**	(119,005)	**(274,697)**	(149,604)
Payment of financial charges	**(26,631)**	(32,776)	**(54,098)**	(55,109)
Impact of upstream merger (**)	**-**	4,290	**-**	-
Closing balance	**144,033**	219,053	**419,470**	515,212

(*)Working capital originally raised in foreign currency amounting to US$8,253 (R$30,000 at funding date). As descried in note 17(a), the Company hired a derivative financial instrument to hedge its exposure to US dollar fluctuation, by pegging interest to CDI. On September 30, 2016, the Company fully settled this working capital loan, as well as the derivative financial instrument related.
(**) Merger of SCP Campos with and into the Company, as described in Note 5 (a).

Funding during the year ended December 31, 2016, and totally settled during the same fiscal year, was as follows:

	Funding date	Maturity of principal	Effective financial charges p.a.	Amount raised
Separate and Consolidated:				
Working capital	Mar 16	Sep 16	CDI + 1.47% (*)	30,000
Working capital	May 16	Jan 17	CDI + 4.42% (**)	22,000
Working capital	Jun 16	Nov 16	CDI + 3.35%	20,000
Working capital (Commercial notes)	Jun 16	Aug 16	CDI + 3.92% (***)	100,000
Total Separate and Consolidated:				172,000

(*) Working capital originally raised in foreign currency amounting to US$8,253 (R$30,000 at funding date). As descried in note 17(a), the Company hired a derivative financial instrument to hedge its exposure to US dollar fluctuation, by pegging interest to CDI. On September 30, 2016, the Company fully settled this working capital loan, as well as the derivative financial instrument related.
(**) Repaid in advance in December 2016.
(***) Repaid in advance in July 2016.

b) Debentures

On July 29, 2016, the Company completed the ninth issue of simple debentures with total proceeds of R$135,000, in a private placement. The debentures are non-convertible, with unsecured guarantee, represented by 135 debentures with par value of one thousand Brazilian reais, which was fully subscribed and paid by joint venturer MRV Engenharia e Participações S.A.. The debentures bear interest of CDI + 2.36% p.a. with maturity in October 2016, later renegotiated for January 2017.

The position of debentures as at December 31, 2016 and 2015 is as follows:

			Separate and Consolidated			
			12/31/2016			12/31/2015
Issue	Principal maturity	Effective financial charges p.a. (*)	Current	Noncurrent	Total	Total
3rd issue	Jun 14 to Jun 20	CDI + 2.27%	**20,956**	**66,000**	**86,956**	94,066
4th issue	Aug 16 to Feb 19	CDI + 2.13%	**29,629**	**65,000**	**94,629**	105,209
6th issue	Dec 15 to Dec 19	CDI + 2.38%	**15,700**	**70,000**	**85,700**	95,690
7th issue	Jan 17 to Oct 18	118% CDI + 0.14%	**52,509**	**49,996**	**102,505**	101,246
8th issue	Nov 17 to Dec 19	119% CDI + 0.29%	**12,802**	**48,000**	**60,802**	60,301
9th issue	Jan 17	CDI + 2.36%	**144,037**	**-**	**144,037**	-
(-) Funding cost			**(1,783)**	**(3,232)**	**(5,015)**	(6,766)
Total			**273,850**	**295,764**	**569,614**	449,746

(*) Consider the debt contractual cost plus other funding and debt service costs.

As at December 31, 2016, the debentures were simple, nonconvertible, registered, book-entry, and had the following other main features:

Issue	Type	Amount raised	Funding date	Contractual rate	Interest - maturity 1st installment	Charge payment	Repayment of principal
3rd	Collateral	100,000	Jun 13	CDI + 1.90% p.a.	Dec 13	Semiannual	Semiannual
4th	Unsecured (*)	100,000	Feb 14	CDI + 1.85% p.a	Aug 14	Semiannual	Semiannual
6th	Collateral	100,000	Dec 14	CDI + 2.00% p.a	Jun 15	Semiannual	Annual
7th	Unsecured (*)	100,000	Dec 15	118% CDI	May 16	Quarterly	Quarterly
8th	Unsecured (*)	60,000	Dec 15	119% CDI	May 16	Semiannual	Semiannual
9th	Unsecured	135,000	Jul 16	CDI + 2.36% p.a	Jan 17	Bullet payment	Bullet payment

(*) Includes additional collateral consisting of a mortgage and collateral transfer.

The table below shows the debentures payment schedule:

	Separate and Consolidated							
	12/31/2016							12/31/2015
After the reporting period	**3rd issue**	**4th issue**	**6th issue**	**7th issue**	**8th issue**	**9th issue**	**Total**	**Total**
Amortization:								
12 months	**20,956**	**29,629**	**15,700**	**52,509**	**12,802**	**144,037**	**275,633**	35,512
13 to 24 months	**24,000**	**30,000**	**25,000**	**49,996**	**24,000**	**-**	**152,996**	122,004
25 to 36 months	**27,000**	**35,000**	**45,000**	**-**	**24,000**	**-**	**131,000**	152,996
37 to 48 months	**15,000**	**-**	**-**	**-**	**-**	**-**	**15,000**	131,000
After 48 months	**-**	**-**	**-**	**-**	**-**	**-**	**-**	15,000
Total	**86,956**	**94,629**	**85,700**	**102,505**	**60,802**	**144,037**	**574,629**	456,512
Costs:								
12 months	**(452)**	**(300)**	**(415)**	**(264)**	**(352)**	**-**	**(1,783)**	(1,793)
13 to 24 months	**(453)**	**(300)**	**(416)**	**(265)**	**(355)**	**-**	**(1,789)**	(1,793)
25 to 36 months	**(454)**	**(49)**	**(382)**	**-**	**(356)**	**-**	**(1,241)**	(1,750)
37 to 48 months	**(202)**	**-**	**-**	**-**	**-**	**-**	**(202)**	(1,228)
After 48 months	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(202)
Total	**(1,561)**	**(649)**	**(1,213)**	**(529)**	**(1,063)**	**-**	**(5,015)**	(6,766)
Total net	**85,395**	**93,980**	**84,487**	**101,976**	**59,739**	**144,037**	**569,614**	449,746

Changes in debentures are as follows:

	Separate and Consolidated	
	2016	**2015**
Opening balance	**449,746**	441,524
Funding	**135,000**	160,000
Accrued financial charges	**78,910**	65,805
Borrowing costs	**(57)**	(4,265)
Amortization of borrowing costs	**1,808**	5,611
Repayment of principal	**(27,000)**	(148,000)
Payment of financial charges	**(68,793)**	(70,929)
Closing balance	**569,614**	449,746

c) Guarantees

The table below shows the types of guarantee provided in relation to loans, financing and debentures as at December 31, 2016:

	Consolidated			
	Construction financing	**Debentures**	**Total**	
Collateral	425,876	-	425,876	
Collateral/receivables	-	430,592	430,592	
No guaranties	-	144,037	144,037	
Total	425,876	574,629	1,000,505	(*)

(*) Amount of loans, financing and debentures, gross of funding costs.

Collaterals consist of the land, improvements, and properties of the financed projects (see Note 6).

Receivables consist of future inflows generated by the financed projects, pledged as collateral in the event of nonpayment to the financial institutions.

d) Allocation of financial charges

Financial charges are capitalized as follows:

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Finance charges from:				
Loans, financing and debentures	**(114,401)**	(109,070)	**(148,233)**	(144,455)
Loan with related parties	**(1,384)**	-	**(1,384)**	-
Total financial charges	**(115,785)**	(109,070)	**(149,617)**	(144,455)
Interest capitalized on:				
Investment property (note 6)	**3,275**	5,900	**91,357**	77,649
Investment	**90,161**	73,990	**2,835**	4,370
Financial charges allocated to profit or loss (note 15)	**(22,349)**	(29,180)	**(55,425)**	(62,436)

For the year ended December 31, 2016, total capitalized borrowing costs represented an average rate of 14.43% p.a., on loans, financing and debentures (14.34% p.a. for the year ended December 31, 2015).

e) Contractual obligations

Loans, financing and debentures do not contain any restrictive covenant related to financial ratios.

The Company is subject to certain contractual requirements that must be complied throughout the debt period, such as: providing information requested within contractual deadlines; do not perform operations that are not in accordance with its corporate purpose, in compliance with the statutory, legal and regulatory provisions in force; obtaining the mandatory project issuance, according to its defined policies; complying with the payments provided for in the agreements; ensuring compliance with all laws, rules and regulations in any jurisdiction in which conducts businesses or have assets; keeping licenses valid for the business operation; honoring the guarantees provided in the agreements; providing information on material acts and facts that may affect its financial condition or ability to fulfill its obligations; proving the allocation of funds raised in the projects described in the agreements, among others. Failure to comply with the mentioned covenants could result in early maturity of the agreements. As at December 31, 2016, the Company is compliant with all the contractual requirements of loan, financing and debenture agreements.

8. Advances - barters

This balance refers to commitments arising from barter transactions under which the Group acquired land in exchange of industrial warehouses. The transaction was recorded at fair value on transaction date, measured based on the sales price of the land obtained through technical reports. The commitments will be discharged by handing over the completed industrial warehouses.

9. Income tax and social contribution

(a) The income tax (IRPJ) and social contribution tax (CSLL) income (expenses) at the statutory tax rate are reconciled as follows:

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Income (loss) before income tax and social contribution	**(3,315)**	(6,404)	**2,896**	856
Statutory rate - income tax and social contribution	34%	34%	34%	34%
Nominal (expense) credit	**1,127**	2,177	**(985)**	(291)
Effect of IRPJ and CSLL on permanent differences:				
Results from equity participation grossed with written-off capitalized interest	**34,114**	32,159	**1,083**	1,509
Effect of upstream merger	**-**	(11,026)	**-**	(11,026)
Depreciation of investment property	**3,220**	-	**4,174**	-
Write-off of fair value on divesture	**-**	1,000	**-**	1,000
Tax basis difference for companies taxes based on deemed income	**-**	-	**28,958**	25,850
Other	**501**	(710)	**(470)**	(707)
IRPJ and CSLL credit (expenses) in profit or loss	**38,962**	23,600	**32,760**	16,335

(b) Deferred tax balances

The breakdown of deferred tax assets (liabilities) disclosed in the balance sheets is as follows:

	Separate		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Noncurrent assets:				
Income tax and social contribution	**90,014**	51,052	**90,213**	51,052
Liabilities:				
Income tax and social contribution	**-**	-	**(23,857)**	(22,534)
PIS/COFINS	**-**	-	**(32,049)**	(29,556)
	-	-	**(55,906)**	(52,090)
Current	**-**	-	**(948)**	(965)
Noncurrent	**-**	-	**(54,958)**	(51,125)
Total	**-**	-	**(55,906)**	(52,090)

The breakdown of the deferred income tax and social contribution is as follows:

	Separate		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Tax effect on:				
Deferred assets:				
Tax loss carryforwards	**33,985**	23,160	**38,279**	26,391
Capitalized interest	**96,075**	66,384	**96,075**	66,384
Temporary differences	**94**	2,338	**117**	2,347
	130,154	91,882	**134,471**	95,122
Reclassified deferred liabilities	**(40,140)**	(40,830)	**(44,258)**	(44,070)
Deferred assets	**90,014**	51,052	**90,213**	51,052
Deferred liabilities:				
Fair value appreciation on investment property	**(40,140)**	(40,830)	**(66,820)**	(65,437)
Rents receivable	**-**	-	**(1,295)**	(1,167)
	(40,140)	(40,830)	**(68,115)**	(66,604)
Reclassified deferred liabilities	**40,140**	40,830	**44,258**	44,070
Deferred tax liabilities	**-**	-	**(23,857)**	(22,534)

The balances of the reclassified deferred taxes are related to taxes on income collected by the same tax authority and were individually made by entity.

As at December 31, 2016, the estimated realization of deferred tax assets, based on the projection of future taxable income, prepared by the Company's management, was as follows:

	IRPJ e CSLL	
	Separate	**Consolidated**
Expected realization:		
2017	126	179
2018	1,792	2,180
2019	3,198	4,074
2020	4,591	6,060
2021	5,879	6,986
After 2021	114,568	114,992
Total	130,154	134,471

As at December 31, 2016, the balance of deferred PIS/COFINS liabilities refers to the tax effect on: (i) fair value appreciation on investment property; and (ii) rents receivable for the remaining balance.

Changes in deferred income tax (IRPJ) and social contribution (CSLL) assets and liabilities for the years ended December 31, 2016 and 2015 is as follows:

	Separate				**Consolidated**			
	2016			**2015**	**2016**			**2015**
	Assets	**Liabilities**	**Net**	**Net**	**Assets**	**Liabilities**	**Net**	**Net**
Opening balance	**91,882**	**(40,830)**	**51,052**	28,535	**95,122**	**(66,604)**	**28,518**	6,280
Write-offs for:								
- divestures	**-**	**-**	**-**	-	**-**	**-**	**-**	(96)
- upstream merger	**-**	**-**	**-**	(1,098)	**-**	**-**	**-**	-
- net income (loss) for the year	**38,272**	**690**	**38,962**	23,615	**39,349**	**(1,511)**	**37,838**	22,334
Closing balance	**130,154**	**(40,140)**	**90,014**	51,052	**134,471**	**(68,115)**	**66,356**	28,518

10. Provisions for labor, tax and civil contingencies

The Group records a provision for contingencies related to claims for which an unfavorable outcome is probable, based on the assessment of its legal counsel. These claims consist only of labor and environmental claims. Changes in the provision balance for the years ended December 31, 2016 and 2015 is as follows:

	Separate and Consolidated	
	2016	**2015**
Opening balance	**739**	203
Additions	**375**	669
Payment	**(371)**	(114)
Reversal	**(248)**	(19)
Closing balance	**495**	739

The lawsuits assessed as possible losses by the legal counsel related to labor lawsuits, amounted to R$747 as at December 31, 2016 (R$552 at December 31, 2015).

Based on the legal counsel's assessment, there are no tax lawsuits for which and unfavorable outcome is considered probable or possible. There is one civil lawsuit, totaling R$5, which an unfavorable outcome is considered possible and there are no lawsuits for which and unfavorable outcome is considered probable.

11. Shareholders' equity

(a) Common shares and issued capital

	Separate and Consolidated	
	12/31/2016	12/31/2015
Capital	**1,003,820**	729,043
Number of common shares, without par value (thousand)	**203,402**	174,557

The Company's authorized capital as at December 31, 2016 and 2015 is R$2,000,000.

Each common share is entitled to one vote in decisions at the shareholders' meeting and the shareholders' meeting can create new classes of shares, such as preferred shares, limited to 50 percent of total shares issued.

The holders of Company shares have preemptive rights, proportionally to their interests, in the subscription of new shares or their partial or total transfer to third parties. These rights can be exercised within the statutory period of thirty (30) days.

During the years ended December 31, 2016 and 2015, the Annual and Extraordinary Shareholders' Meetings and the Board of Directors approved, within the Company's authorized capital ceiling, the following changes in its capital:

Date of approval	Description	Number of shares	Total outstanding shares after issuance	Unit price		Total capital increase	Share capital after capital increase	Share issuance premium
		(thousand)	(thousand)	R$		R$'000	R$'000	R$'000
2016:								
06/28/2016	Issue of new shares	175	174,732	9.32	(*)	175	729,218	1,459
06/28/2016	Capitalization of share issuance	-	174,732	-		24,602	753,820	-
12/22/2016	Issue of new shares	28,670	203,402	8.72		250,000	1,003,820	-
2015:								
04/30/2015	Capitalization of reserves	-	171,844	-		554,486	726,330	-
06/29/2015	Issue of new shares	2,713	174,557	9.53	(**)	2,713	729,043	23,143

(*) R$1.00 allocated to the capital increase and R$8.32 allocated to the premium reserve.
(**) R$1.00 allocated to the capital increase and R$8.53 allocated to the premium reserve.

(b) Capital reserve - share subscription premium

It is the amount contributed by the shareholders that exceeds the amount allocated to the capital increase, net of costs incurred in the share issuances.

(c) Earnings reserves

Legal reserve

The legal reserve is recognized based on the allocation of 5% of profit for the year, up to a ceiling of 20% of share capital. The constitution of a legal reserve is not mandatory when the balance of this reserve, plus the amount share capital, exceeds 30% of share capital. The objective of the legal reserve is to preserve capital and can only be utilized to offset losses or increase capital. The calculation schedules for the recognition of the 2016 and 2015 legal reserve is shown in (d) below.

Earnings retention

The earnings retention reserves represent profits not distributed to shareholders with the purpose of reserving funds to be used in investments according to the Company's budget. As at December 31, 2016, the Company recognized an earnings retention reserve of R$30,479 (R$14,702 as at December 31, 2015).

(d) Mandatory minimum dividend payable to shareholders

Under its bylaws the Company can, by decision of the Board of Directors (i) prepare semiannual, quarterly financial statements or for shorter periods, and declare dividends based on the profits disclosed in such financial statements; or (ii) declare interim dividends, charged to retained earnings or earnings reserves disclosed in the latest annual or semiannual financial statements. The distributed interim dividends can be deducted from the mandatory dividends. The Shareholders' Meeting can change the percentage of dividends to be paid to shareholders. Shareholders are entitled to an annual mandatory minimum dividend of no less than 10% of profit, which can be decreased or increased by the following amounts: (i) amount to be allocated to the legal reserve; (ii) amount to be allocated to the recognition of a provision for contingencies and reversal of the same provisions recognized in prior years; and (iii) amount derived from the reversal of prior years' unrealized earnings reserve, pursuant to Article 202, II, of Corporate Law. Under the law, the payment of the mandatory dividend can be limited to realized profit for the year.

According to the Company's management's proposal, to be approved at the Annual Shareholders' Meeting (ASM), 2016 dividends are as follows (2015 dividends are presented for comparative purposes):

	2016	2015
Net income for the year	**35,647**	17,196
Legal reserve - 5% of net income	**(1,782)**	(860)
Net income available for distribution	**33,865**	16,336
Proposed dividends - 10% of net income available for distribution	**3,386**	1,634
Proposed dividends per share (R$ per share)	**0.0166**	0.0094

The 2015 dividends, amounting to R$1,634, were approved at the Annual and Extraordinary Shareholders' Meetings held on April 29, 2016 and paid on June 28, 2016.

The 2014 dividends, amounting to R$25,856, were approved at the Annual Shareholders' Meetings held on April 30, 2015 and paid on June 29, 2015.

(e) Stock option plan

The Stock Option Plan approved by the Company prescribes a maximum of 3,568,596 shares, equivalent to 5% of total Company shares in November 2010, to be issued under the plan. The plan's charter also establishes the exercise terms and conditions. Once an option is exercised, the corresponding shares will be issued through an increase of the Company's share capital. The exercise price will be equivalent to the book value of each share determined by the Board of Directors at the time each program is discussed and approved.

The Company's officers and employees, including of direct and indirect subsidiaries, may be eligible for the plan. Should the employment agreement or mandate of the employee or officer terminates due to (a) respectively, quitting or resignation; or (b) dismissal (with or without just cause) or removal from office (with or without fair reason), providing the definition of fair reason is provided for in corporate law or of cause is provided for in labor law, as applicable is observed, the options whose exercise right (i) had not been vested until such date will be cancelled; and (ii) had already been vested by such date, may be exercised within ninety day of the date of the termination of said employment agreement or mandate, by means of a written notice sent to the Chairman of the Company´s Board and, after this period, they will be cancelled. In case of death or permanent disability of the beneficiary, his or her successors shall have the right to exercise any unexercised stock options, regardless of the share sale restrictions periods set out in the Plan and even if such stock options are unvested, immediately and during the exercise period set out in the related program, where the number of shares to which the beneficiary's successors are entitled will be calculated on a prorated basis, according to the Plan.

The table below details the features and terms of the stock option programs:

Program	Approval	Number	% of total approved in the	Vesting	Option price	Participants	Initial exercise deadline	Exercise deadline (*)
1	Jun 11	280,000	7.85%	Up to 4 year	R$ 1.00	Officers	Aug 11	Dec 18
2	Jun 12	89,774	2.52%	Up to 4 year	R$ 5.59	Officers	Aug 12	Aug 19
3	Oct 13	131,515	3.69%	Up to 4 year	R$ 7.51	Officers and managers	Dec 13	Dec 20
4	Nov 14	127,341	3.57%	Up to 4 year	R$ 7.51	Officers and managers	Nov 14	Nov 21
5	Dec 15	110,841	3.11%	Up to 4 year	R$ 7.51	Officers and managers	Dec 15	Dec 22

(*) After each plan's last vesting, the beneficiary has three additional exercise years.

The tables below show the movements in stock options plan per program for the years ended December 31, 2016 and 2015 and supplemental information thereon:

		Movements in 2016 (thousand shares)				
Program	Number of participants	Opening balance	Granted	Expired/ forfeited	Exercised	Closing balance
1	2	280	-	-	-	**280**
2	2	90	-	-	-	**90**
3	4	131	-	(11)	-	**120**
4	4	127	-	(10)	-	**117**
5	3	111	-	-	-	**111**
		739	-	(21)	-	**718**
Weighted average price of shares		4.81	-	7.51	-	**4.73**

		Movements in 2015 (thousand shares)				
Program	Number of participants	Opening balance	Granted	Expired/ forfeited	Exercised	Closing balance
1	2	280	-	-	-	280
2	2	90	-	-	-	90
3	5	131	-	-	-	131
4	5	127	-	-	-	127
5	3	-	111	-	-	111
		628	111	-	-	739
Weighted average price of shares		4.34	7.51	-	-	4.81

Program	Number of vested shares (thou.)	Compensation cost for the year	Unrecognized compensation cost	Remaining compensation cost period (in years)
1	280	-	-	-
2	90	24	-	-
3	26	40	48	1.0
4	19	87	161	1.9
5	11	113	254	2.9
2016	426	264	463	2.4
2015	336	356	779	3.9

None of the programs requires that the beneficiary pay any amount when the option is granted. The stock options granted correspond to 20.72% of total approved for the plan.

Under Article 171, Par. 3, of the Brazilian Corporate Law, the Company's shareholders do not have preemptive rights on the exercise of stock options.

The Company records the employees' share-based compensation in the financial statements based on its fair value. The fair value of the stock option program was estimated based on the Black & Scholes stock option pricing model, considering the following weighed average assumptions:

	1st plan	2nd plan	3rd plan	4th plan	5th plan
Risk-free rate	12.08%	8.66%	10.86%	12.42%	16.20%
Vesting period in years (*)	7	7	7	7	7
Expected annualized volatility	45.73%	42.26%	36.56%	27.17%	26.73%
Expected dividends	5%	5%	5%	5%	6.02%
Stock options fair value on grant date per share	R$ 4.04	R$ 2.73	R$ 2.09	R$ 3.43	R$ 3.48

(*) Vesting period of up to 4 years.

The risk-free rate is based on an average of future CDI rates for the maximum exercise period of each tranche of the plans, using the projection of the São Paulo Mercantile and Stock Exchange (BM&FBOVESPA).

Due to the lack of historical data, the expected volatility was calculated based on the average historical volatility of companies operating in the same industry.

As at December 31, 2016, had all options currently granted been exercised, the Company would have issued 718 thousand, which would represent a 0.35% dilution in relation to total Company shares of 203,402 thousand.

12. Earnings per share

Net income and the weighted average number of common used to calculate basic and diluted earnings per share are as follows:

	Separate and Consolidated	
	2016	2015
Basic earnings per share:		
Net income for the year	**35,647**	17,196
Weighted average number of outstanding common shares (in thousands)	**175,430**	173,227
Basic earnings per share - in R$	**0.20320**	0.09927
Diluted earnings per share:		
Net income for the year	**35,647**	17,196
Weighted average number of outstanding common shares (in thousands)	**175,430**	173,227
Dilutive effect of stock options (in thousands)	**334**	359
Weighted average number of outstanding common shares (in thousands)	**175,764**	173,586
Diluted earnings per share - in R$	**0.20281**	0.09906

13. Net revenue

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Lease revenue	**20,150**	21,902	**103,605**	98,949
PIS/COFINS on revenue	**(1,832)**	(2,025)	**(6,831)**	(6,038)
Net revenue	**18,318**	19,877	**96,774**	92,911

14. Costs and expenses by nature

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Depreciation	**(228)**	(216)	**(235)**	(243)
Advertising	**(750)**	(954)	**(750)**	(954)
Salaries, charges and benefits	**(4,950)**	(4,562)	**(4,932)**	(4,562)
Management compensation	**(1,005)**	(1,139)	**(1,005)**	(1,139)
Outside services	**(2,425)**	(2,439)	**(5,788)**	(5,569)
General expenses	**(1,941)**	(1,486)	**(2,191)**	(1,640)
Stock options	**(264)**	(356)	**(264)**	(356)
Vacancy expenses	**(1,960)**	(1,655)	**(5,339)**	(5,238)
Other (*)	**(197)**	(455)	**(528)**	(2,307)
	(13,720)	(13,262)	**(21,032)**	(22,008)
Classified as:				
Selling expenses	**(4,959)**	(4,418)	**(10,961)**	(10,146)
General and administrative expenses	**(7,559)**	(7,250)	**(8,538)**	(8,416)
Management compensation	**(1,005)**	(1,139)	**(1,005)**	(1,139)
Other operating expenses	**(197)**	(455)	**(528)**	(2,307)
	(13,720)	(13,262)	**(21,032)**	(22,008)

(*) For year 2015, in includes the recognition for the allowance for doubtful debts, amounting to R$2,288, as described in note 4 (R$111 in 2016).

15. Financial expenses and income

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Financial expenses:				
Interest on loans, financing and debentures (note 7 (d))	**(22,349)**	(29,180)	**(55,425)**	(62,436)
Financial adjustments	**(4,181)**	-	**(4,181)**	-
Other financial expenses	**(600)**	(717)	**(1,066)**	(948)
	(27,130)	(29,897)	**(60,672)**	(63,384)
Financial income:				
Income from short-term investments	**3,767**	5,132	**4,229**	5,784
Gain on derivative financial instruments	**-**	6,723	**-**	6,723
Financial adjustments	**4,245**	6,033	**4,246**	6,034
Other financial income	**227**	847	**642**	1,354
	8,239	18,735	**9,117**	19,895
Financial (expenses) income	**(18,891)**	(11,162)	**(51,555)**	(43,489)

16. Related parties

Related-party balances and transactions are as follows:

	Separate		Consolidated	
	12/31/2016	**12/31/2015**	**12/31/2016**	**12/31/2015**
Balance sheet:				
Short-term investments (a)	**25,067**	12,676	**25,067**	12,676
Rental receivables (b)	**20**	18	**273**	325
Receivables for sale of subsidiary (e)	**4,767**	5,062	**4,768**	5,062
Debentures (f)	**144,037**	-	**144,037**	-
Rental payables (g)	**37**	-	**37**	-

	Separate		Consolidated	
	2016	**2015**	**2016**	**2015**
Income statement:				
Income from short-term investments (a)	**1,083**	3,614	**1,083**	3,957
Rental receivables (b)	**272**	246	**4,360**	3,769
Expenses on the provision of administrative services (c)	**826**	956	**1,798**	2,087
Financial expenses due to related parties (d)	**1,384**	-	**1,384**	-
Sale of subsidiary (e)	**-**	109,989	**-**	110,000
Financial expenses on debentures (f)	**9,037**	-	**9,037**	-
Rental expenses (g)	**432**	302	**432**	302

(a) Refers to short-term investments in CDBs with Banco Intermedium S.A. ("Intermedium"), which is controlled by the controlling shareholder of MRV Engenharia e Participações S.A. As at December 31, 2016, short-term investments yielded approximately 105.00% of CDI in separate and on a consolidated basis (108.00% of CDI in separate and on a consolidated basis at December 31, 2015).

Joint venture Cabral Investimentos SPE Ltda ("Cabral") holds short-term investments in Intermedium amounting to R$9,277 at December 31, 2016 (R$13,899 at December 31, 2015). The financial income arising on these short-term investments was R$1,766 for the year ended December 31, 2016 (R$3,417 for the same period of 2015).

(b) Refers to the lease agreement entered into by the Company and subsidiaries with Patrus Transportes Urgentes Ltda., controlled by one of the Company's non-controlling shareholders.

(c) Amounts related to expenses incurred on the provision of administrative services by MRV Engenharia e Participações S.A. The agreement provides for the monthly payment of R$4.1 per project developed by the Company or its investees, in 2016 (R$4.5 in 2015). This amount is annually adjusted using the average salary increase percentage granted to the employees of MRV Engenharia e Participações S.A. The agreement is effective for three years, beginning December 2, 2013, automatically extendable for an equal period, if not apposed by any of the parties.

(d) Refer to financial expenses generated by loan between the Company and its joint venturer MRV Engenharia e Participações S.A. in the amount of R$110,201 granted during year 2016. The loan was adjusted by CDI + spread of 2.36% p.a. and was fully repaid in the same fiscal year.

(e) In 2015, the Company and subsidiary LDI LOG Desenvolvimento Imobiliário Ltda. ("LDI") sold its equity interests in the company MRV LOG SP I Incorporações SPE Ltda. ("Office Park Pirituba") to MRV Engenharia e Participações S.A., as described in note 5 (a).

(f) As mentioned in note 7 (b), refers to the ninth issue of simple debentures with total proceeds of R$135,000, non-convertible, with unsecured guarantee, bearing interest of CDI + 2.36% p.a., which was fully subscribed and paid by joint venturer MRV Engenharia e Participações S.A. on July 29, 2016.

(g) In April 2015, the Company entered into rental agreement of part of tenth floor of the office building where the new head office is located, owned by the companies Conedi Participações Ltda. ("Conedi") and MA Cabaleiro Participações Ltda. ("MA Cabaleiro"). Conedi is a Company´s shareholder and MA Cabaleiro is owned by Marcos Alberto Cabaleiro Fernandez, minority shareholder and member of the Company's board. The rental agreements are effective until February 28, 2025, adjustable by the General Market Price Index (IGPM) and as at December 31, 2016 provides for the monthly payment of R$37 (R$34 as at December 31, 2015).

On August 13, 2015, joint venture Cabral Investimentos SPE Ltda. sold a plot of land to MRV Engenharia e Participações S.A. for R$7,500, paid in a R$750 down payment and 12 monthly installments of R$563, adjusted using the INCC (National Construction Cost Index). The balance was repaid in August 2016 (balance of R$4,568 as at December 31, 2015). In the year ended December 31, 2015, this transaction generated a gain of R$4,151 and, consequently, an impact on the Company's results from equity participation by R$2,075. The financial income earned on this transaction, included in the amount above, was R$97 for the year ended December 31, 2016 (R$91 for the same period in 2015).

The Group conducts transactions with Banco Bradesco, manager of the mutual fund Fundo de Investimento em Participações Multisetorial Plus, a Company shareholder. As at December 31, 2016, the transactions consist of financing and debentures, totaling R$460,206 (R$468,076 as at December 31, 2015). In the year ended December 31, 2016, these transactions, conducted at usual market rates, generated financial expenses of R$63,475 (R$58,410 for the same period in 2015).

Compensation of key management personnel

Pursuant to CPC 05 and IAS 24 *Related Party Disclosures*, which addresses related party disclosures, and according to the Company's understanding, key management personnel consists of members of the Board of Directors and officers elected by the Board of Directors in conformity with the Company's bylaws, and their roles and responsibilities comprise decision-making powers and control of the Company's activities.

	Separate and Consolidated	
	2016	**2015**
Short-term benefits granted to management:		
Management compensation (*)	**1,005**	1,139
Profit sharing	**481**	567
Non-monetary benefits	**44**	44
Share-based compensation:		
Stock option plan	**204**	294
	1,734	2,044

(*) Does not include the employer social security contributions at the rate of 20%.

On April 29, 2016, the Extraordinary Shareholders' Meeting approved the overall management compensation at R$1,900.

Besides the benefits above, the Company does not grant any other benefits such as postemployment benefits, other long-term benefits, or severance pay.

17. Financial instruments and risk management

(a) Financial instruments

Financial instruments are represented by the balances of: cash, banks, short-term investments, trade receivables, trade payables, loans, financing, debentures, and derivatives. All financial instruments held by the Group were recorded as at December 31, 2016.

On March 30, 2016, the Company entered into a non-speculative derivative financial instrument to hedge its exposure to the US dollar fluctuation in the working capital transaction, described in note 7 (a). This derivative was fully redeemed on its maturity date by the amount of R$5,301 and its sole purpose was to hedge the risk of foreign exchange fluctuations by swapping the US dollar fluctuation for a CDI floating rate. Main conditions and effects are described below.

Type of transaction	Assets/ liabilities	Maturity	Notional dollar amount	Notional real amount	Long position	Short position
Swap	US dollar fluctuation + 3.20% p.a. / CDI + 1.47% p.a.	09/30/2016	8,253	30,000	27,039	32,340

Impact on profit or loss – Separate and Consolidated			
	Loss on transaction	Mark-to-market	Total
2016	(5,301)	-	(5,301)

In the first quarter of 2015, the Company entered into a non-speculative derivative financial instrument to hedge its exposure to interest rates on financing and debentures, exposed to fluctuations in CDI rate. The sole purpose was to hedge the changes in interest rates by swapping the variable rate (CDI) for fixed rate.

On September 23, 2015, the Company terminated the two swaps in advance for a total of R$6,723, remaining outstanding as at December 31, 2015, in separate and on a consolidated basis, the DI call option as below:

			12/31/2015	Impact on profit or loss		
Type of transaction	Maturity	Notional amount	Derivative fair value	Gain or loss on transaction	Mark-to-market	Total
Option (*)	01/04/2016	250,000	186	-	(464)	(464)
Swap			-	3,482	-	3,482
Swap			-	3,241	-	3,241
			186	6,723	(464)	6,259
Current			186			
Noncurrent			-			
Total			186			

(*) Through payment of premium, amounting to R$650, for the notional amounts above, the Company would receive upon maturity the accumulated CDI variance that exceeds 13.5%.

The DI call option amounting R$186, was redeemed at maturity, in January 2016.

The impacts on profit or loss related to the derivatives above are recognized in line item financial charges and financial income, according to their nature.

(b) Category of financial instruments

	Separate		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Financial assets:				
Cash and banks	**77**	499	**380**	683
Fair value through profit or loss held for trading (*)	**143,103**	13,545	**146,561**	16,761
Loans and receivables	**15,531**	14,694	**36,894**	33,760
Financial liabilities:				
Amortized cost	**714,373**	669,600	**992,645**	971,559

(*) Financial assets and liabilities recognized at fair value with level 2 measurement.

(c) Exposure to interest rates and inflation adjustment indices

The Group is exposed to interest rates on its short-term investments, trade receivables, loans, financing and debentures, as described in notes 3, 4, and 7, respectively.

Sensitivity analysis

The Group is exposed to market risks arising from changes in interest rates and inflation adjustment indices. The sensitivity analysis was developed considering the exposure to changes in CDI and the savings accounts adjustment index ("TR") because the Group's main financial instruments are pegged to such indices, as detailed below.

- *Exposure to CDI*

  CDI is the main index to which the Group's loans and debentures, and short-term investments are pegged.

  Market expectations, based on BM&F (Futures and Commodities Exchange) inputs at December 31, 2016, pointed out an effective mean CDI rate estimated at 11.55% as the probable scenario for 2017, against an effective rate of 13.99% incurred in the year ended December 31, 2016.

- *Exposure to TR*

  The main financial instruments pegged to the Referential Rate ("TR") are the "Corporate Plan" loans. Market expectations, based on indicators released by the BM&F (Commodities and Futures Exchange) at December 31, 2016, pointed to an estimated TR of 0.13% as the probable scenario for 2017, against an effective rate of 2.01% incurred in the year ended December 31, 2016.

The change between the estimated rate for 2017 ("probable scenario") and the effective rate for the last year, in relation to the end of the reporting period, multiplied by the exposed net balance as at December 31, 2016, was used to calculate the financial impact, should the probable scenario materialize in 2016. In conformity with the information required by CVM Instruction 475/08,

we have also calculated scenarios I and II, considering a 25% and 50% increase in the rates estimated for 2017, respectively.

Accordingly, the financial effects for the scenarios and indices described above would be as follows on a consolidated basis:

Index	Financial asset	Financial liability	Net exposed financial liability	Effective annual rate for 2016	Estimated annual rate for 2017 (*)		Change in effective rate for the relevant scenario	Total estimated effect
Probable scenario:								
CDI	146,561	(614,960)	(468,399)	13.99%	11.55%	(i)	-2.44%	11,429
TR	-	(385,545)	(385,545)	2.01%	0.13%	(i)	-1.88%	7,248
								18,677
Scenario I:								
CDI	146,561	(614,960)	(468,399)	13.99%	14.44%		0.45%	(2,108)
TR	-	(385,545)	(385,545)	2.01%	0.16%		-1.85%	7,133
								5,025
Scenario II:								
CDI	146,561	(614,960)	(468,399)	13.99%	17.33%		3.34%	(15,645)
TR	-	(385,545)	(385,545)	2.01%	0.20%		-1.81%	6,978
								(8,667)

(i) Data obtained on the BM&F Bovespa website.
(*) Projection for 2017.

As required by IFRS 7, management believes that the estimated annual rates presented in the probable scenario above reflect the reasonable possible scenario for 2017.

(d) Capital risk management

The Group manages its capital to ensure that all group companies can continue as going concerns, and at the same time maximizes the return of all their stakeholders by optimizing the balance debt and shareholders' equity.

The Group's equity structure consists of net debt (debt broken down in note 7, less cash and cash equivalents, broken down in note 3) and the Group's shareholders' equity.

The Directors periodically review the Company's equity structure. As part of this review, the Directors consider the cost of capital, asset liquidity, the risks associated to each class of equity, and the Group's debt-to-equity ratio. As at December 31, 2016 and 2015, the debt-to-equity ratio is as follows:

	Separate		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Loans, financing and debentures	**713,647**	668,799	**989,084**	964,958
Cash and cash equivalents	**(143,180)**	(13,858)	**(146,941)**	(17,258)
Net debt	**570,467**	654,941	**842,143**	947,700
Shareholders' equity	**1,779,237**	1,495,765	**1,779,364**	1,495,873
Net debt to Shareholders' equity	**32.1%**	43.8%	**47.3%**	63.4%

The Group is currently at a stage of cautious expansion of their project portfolio aimed at improving the allocation of available resources to maintain the growth of their cash flows and improve their capital structure.

(e) Liquidity and interest rate risk table

The table below details the remaining contractual maturity of the Group's non-derivative financial liabilities and the contractual amortization periods. These tables have been prepared using the undiscounted cash flows of the financial liabilities based on the nearest date on which the Group should settle the related obligations. The tables include interest and principal cash flows. As the interest flows refer to floating rates, the undiscounted was obtained based on the index projections from December 31, 2016 to the contractual maturity, which is based on the nearest date on which the Group should settle the related obligations.

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Separate:					
Floating rates	353,828	217,645	177,371	140,834	889,678
Non-interest bearing securities	726	-	-	-	726
Total	354,554	217,645	177,371	140,834	890,404
Consolidated:					
Floating rates	410,874	275,005	234,925	397,697	1,318,501
Non-interest bearing securities	3,561	-	-	-	3,561
Total	414,435	275,005	234,925	397,697	1,322,062

(f) Credit risk

It refers to the risk of a counterparty failing to meet its contractual obligations, leading the Group to incur in financial losses. The Group has the policy of only negotiating with counterparties with creditworthiness and obtaining adequate guarantees, when appropriate, as a way to mitigate the risk of financial loss due to default.

(g) Fair value of financial instruments

The table below shows in detail the comparisons between the carrying amounts and fair values of loans, financing and debentures:

	Separate					
	12/31/2016			12/31/2015		
Financial instruments	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Debentures:						
CDI + 1.90% p.a.	**86,956**	**86,803**	**153**	94,066	90,373	3,693
CDI + 1.85% p.a.	**94,629**	**88,130**	**6,499**	105,209	101,492	3,717
CDI + 2.00% p.a.	**85,700**	**81,780**	**3,920**	95,690	91,448	4,242
CDI + 2.36% p.a.	**144,037**	**144,037**	**-**	-	-	-
118% CDI p.a.	**102,505**	**100,644**	**1,861**	101,246	99,356	1,890
119% CDI p.a.	**60,802**	**58,438**	**2,364**	60,301	58,695	1,606
Total	**574,629**	**559,832**	**14,797**	456,512	441,364	15,148
Working capital loans:						
CDI + 1.60% p.a.	**-**	**-**	**-**	15,372	15,323	49
CDI + 2.00% p.a.	**-**	**-**	**-**	50,212	50,212	-
Total	**-**	**-**	**-**	65,584	65,535	49
Financing:						
Construction financing	**146,342**	**146,342**	**-**	156,923	156,923	-
Total	**146,342**	**146,342**	**-**	156,923	156,923	-
Grand total (w/o issuance costs)	**720,971**	**706,174**	**14,797**	679,019	663,822	15,197

Financial instruments	Consolidated					
	12/31/2016			12/31/2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Debentures:						
CDI + 1.90% p.a.	**86,956**	**86,803**	**153**	94,066	90,373	3,693
CDI + 1.85% p.a.	**94,629**	**88,130**	**6,499**	105,209	101,492	3,717
CDI + 2.00% p.a.	**85,700**	**81,780**	**3,920**	95,690	91,448	4,242
CDI + 2.36% p.a.	**144,037**	**144,037**	**-**	-	-	-
118% CDI p.a.	**102,505**	**100,644**	**1,861**	101,246	99,356	1,890
119% CDI p.a.	**60,802**	**58,438**	**2,364**	60,301	58,695	1,606
Total	**574,629**	**559,832**	**14,797**	456,512	441,364	15,148
Working capital loans:						
CDI + 1.60% p.a.	**-**	**-**	**-**	15,372	15,323	49
CDI + 2.00% p.a.	**-**	**-**	**-**	50,212	50,212	-
Total	**-**	**-**	**-**	65,584	65,535	49
Financing:						
Construction financing	**425,876**	**425,876**	**-**	457,835	457,835	-
Total	**425,876**	**425,876**	**-**	457,835	457,835	-
Grand total (w/o issuance costs)	**1,000,505**	**985,708**	**14,797**	979,931	964,734	15,197

The fair values of loans, financing, and debentures subject to CDI plus spread and TR, a managed prime rate, were estimated by the Company's management based on the future value of the loans on maturity at the contracted rate, discounted to present value at the market rate at December 31, 2016 and 2015.

The table below shows a comparative of the contracted and market rates, at December 31, 2016:

	Current market rate	Maturity dates
Debentures:		
CDI + 1.90% p.a.	CDI + 2.00% p.a.	June 2020
CDI + 1.85% p.a.	CDI + 7.85% p.a.	February 2019
CDI + 2.00% p.a.	CDI + 4.42% p.a.	December 2019
CDI + 2.36% p.a.	CDI + 2.36% p.a.	January 2017
118% CDI p.a.	CDI + 4.37% p.a.	October 2018
119% CDI p.a.	CDI + 4.47% p.a.	December 2019
Construction financing:		
CDI + 1.65% p.a.	CDI + 1.65% p.a.	October 2024
TR + 9.30% a 11.50% p.a.	TR + 9.30% a 11.50% p.a.	August 2026

Management believes that the carrying value of other financial instruments such as cash, banks, short-term investments, trade receivables, and trade payables approximate their fair values because a significant portion of the balances matures on dates close to the reporting period.

18. Guarantees

Except for the guarantees described in notes 6 and 7, the Group does not collateralize any of its assets and is not the guarantor of any other types of third-party transactions.

19. Commitments

On November 8, 2010, the Company entered into a shareholders' agreement with Agropecuária Aroeiras Ltda. mainly aimed at establishing how the capital of Betim I Incorporações SPE Ltda. will be paid in, and other relationships between the shareholders. As Agropecuária Aroeiras Ltda. paid in the capital through the assignment of own land at the time the SPE was established and the Company is paying in capital basically in cash over time, the unpaid balance will be adjusted using a rate equivalent to 66% of the CDI variance, which will be the amount contributed by the Company as capital increase in SPE Betim. As at December 31, 2016, the amount to be paid by the Company is R$8,270 (R$11,986 at December 31, 2015).

20. Noncash transactions

During the years ended December 31, 2016 and 2015, the Company and its subsidiaries conducted the following investment and financing transactions that did not involve not affecting cash, which, therefore, are not reflected in the statement of cash flows:

	Separate		Consolidated	
	2016	2015	2016	2015
Interest capitalization	**93,436**	79,890	**94,192**	82,019
Upstream merger	**-**	84,042	**-**	-
Capital increase arising from the capitalization of reserve	**24,602**	554,486	**24,602**	554,486

21. Insurance

The Group has an insurance policy that considers primarily risk concentration and their materiality, taking into consideration the nature of its business, and advice of the insurance brokers. As at December 31, 2016, insurance coverage is as follows:

Items	Type of coverage	Insured amount
Civil liability (officers)	Insures the coverage of pain and suffering payable by Company officers (D&O).	5,000
Group life and personal injury insurance	Insures payment of compensation related to involuntary personal injuries to employees, contractors, interns, and officers.	6,188
Corporate insurance	Insures payment of compensation to the Company for covered events occurring in leased commercial properties, events such as electric damages, fire, lightening, windstorm, etc.	101,686
Legal guarantee insurance	Insures to the policyholder the payment of any disputed amount in full related to any lawsuit filed with any court or threatened. The contracted guarantee replaces escrow deposits.	68

22. Subsequent event

On January 23, 2017, the Debenture Holders General Meeting approved to postpone the maturity of the ninth issue of debentures from January 25, 2017 to October 27, 2017 with total proceeds of R$135,000, in a private placement, non-convertible, with unsecured guarantee, fully subscribed and paid by joint venturer MRV Engenharia e Participações S.A.

On February 06, 2017, the Extraordinary Shareholders' Meeting approved the reverse split of the Company's shares in the ratio of four to one. The fractional shares generated after the reverse split were canceled and the amount corresponding to such fractions will be reimbursed to the shareholders based on the equity value of each share. The new shareholding structure of the Company is 50,851 thousand common shares, with no par value and without changes in the capital stock of R$1,003,820 which remained unchanged.

23. Approval of the financial statements

These financial statements were approved by the Board of Directors and authorized for issue by the executive committee on February 06, 2017.