MANAGEMENT REPORT

Dear Shareholders,

In compliance with legal regulations, we submit to your appreciation the Management's Report and the Financial Statements of Sonae Sierra Brasil S.A. for the fiscal year ended December 31, 2018, together with the Independent Auditors' Report.

MESSAGE FROM MANAGEMENT

Performance and Positioning

We started 2018 with high economic recovery expectations, in a promising first quarter with our tenants sales growing 5% as our financial performance accelerating. However, the second quarter brought some headwinds, as the truck drivers' strike and the FIFA World Cup - two events that had a major negative impact to tenants' sales at malls troughout the country. Since August, though, and even in the midst of an election period filled with uncertainties, our malls have attested their resilience and tenant sales resumed their growth at a strong pace.

Therefore, in 2018 the Company could once again deliver solid financial and operational results.

Three of our assets closed 4Q18 with robust double-digit sales growth, namely Passeio das Águas, Manauara and Metrópole. Actually, Passeio das Águas' evolution from quarter to quarter has been remarkable, with higher visitors' traffic and growing occupancy rate.

Furthermore, total sales closed the year of 2018, totaling R$5.1 billion, growing 3.3% over the previous year.

Another positive highlight is the recovery of Plaza Sul Shopping, whose revitalization project and changes in the tenant mix was completed last September. The mall has already started to reap the benefits of the project as tenants' sales grew approximately 8% in 4Q18.

Same-store sales followed the total sales evolution during the year, with strong performance of both anchors and satellites, closing 2018 with a 2.4% increase.

Influenced by the good tenants' sales performance lower temporary discounts and higher leasing spreads, same-store rents grew by 5.1% in 2018.

The overall occupancy rate also showed a good evolution, increasing 100 bps in 2018 and closing the year at 94.6% of the GLA, positively influenced by the robust growth of

approximately 600 bps of the Passeio das Águas's occupancy rate. Our occupancy cost indicator remained competitive throughout the year and closed the period at 9.9%. While net delinquency rate closed the year with a sharp reduction, at 1.9%.

Sonae Sierra Brasil also reported compelling financial performance in 2018. We closed the year with a 5.1% net revenue growth. This increase is due to healthy growth in rents, parking and service revenues, summed up with the continuous reduction of temporary discounts, which dropped approximately 10% in the year.

Stronger revenues together with our disciplined costs and expenses approach, the Company's EBITDA grew 12.0% in 2018, reaching R$210 million.

Our strong operating results coupled with the reduction of our financial leverage and lower cost of debt resulted in a solid growth of more than 25% of the Company's FFO in 2018, which totaled R$121.3 million, representing R$1.59 per share.

The net income for the year reached R$189.2 million in 2018 (or R$2.48 per share), 37% higher than the net income of 2017. Besides our strong operational and financial results commented above, our properties have appreciated even more, resulting in higher gains from the valuation of investment properties.

Outlook

We expect Sonae Sierra Brasil's strong business momentum to continue in 2019 and beyond. The growth pace presented at the end of 2018 shows us the ongoing Brazil's economic recovery. With the approval of the structural reforms, necessary for the country's sustainable growth, we believe that entrepreneurs will increase their investments, boosting job creation, consumption and leveraging retail and shopping center industry performance.

While delivering strong operational performance in our malls will continue to be our priority, we also have the responsibility to efficiently allocate our capital in the most valuable assets of our portfolio to increase shareholder value. In this sense, we started 2019 by exercising our preemptive rights to acquire an additional 30% ownership interest in Plaza Sul for R$158.5 million.

Our strategy of strengthening our current portfolio has been very efficient, exemplified by the continued maturation of our newer assets, particularly Passeio das Águas Shopping, and by the quick sales' growth in Plaza Sul Shopping after the conclusion of its refurbishment and repositioning project last year. We are committed to continue this strategy in the near future.

We know that customers no longer view malls as shopping-only destinations. Therefore, when we focus on creating memorable moments, we are sure to induce a sustainable business growth in a challenging competitive environment.

Hence, we started Shopping Metrópole's refurbishment project, as it will reshuffle our longest-running mall by bringing new sit-down restaurants, a revamped food court, fully revitalized corridors and other innovative operations. The project should be completed by 2020.

We will also continue to monitor the market in search of growth opportunities that have a potential to generate significant and durable cash flow to foster future growth for the Company and return capital to our shareholders.

Last but not least, we will continue to keep a close watch and significant effort at innovation and technology in order to enhance the value of the shopping center consumer journey from several perspectives, including experience and convenience. The pilot project for the creation of a Marketplace in Parque D. Pedro Shopping is one of them and we expect results for the 2H19.

SUSTAINABILITY

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

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

We are pioneers in developing and implementing of new concepts of safety, health and environmental systems in the Brazilian shopping center industry. The Company obtained occupational health and safety certification ISO 45001:2018 and environmental certification 14001:2015 in most of our malls, having eight of them both certificates (Parque D. Pedro Shopping, Plaza Sul Shopping, Franca Shopping, Shopping Metrópole, Uberlândia Shopping, Boulevard Londrina Shopping, Manauara Shopping e Passeio das Águas) and other exclusively with ISO 14001:2015 (Shopping Campo Limpo).

REINVESTMENT POLICY OF PROFITS AND DIVIDENDS

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

Retained Earnings

The retained earnings correspond to the profit remaining after allocation to the legal reserve and the proposal for the distribution of dividends and have as main objective to meet the capital investment plans of the Company and debit amortization. For the year ended December 31, 2018, Management will propose to the Annual Shareholders' Meeting, to retain earnings in the amount of R$134,847 thousand.

Dividends distribution

During 2017, the Company received R$3,000 thousands dividends from its subsidiaries. The Company will propose to the shareholders the distribution of the amount by subtracting it from the unrealized earnings reserve.

EXTERNAL AUDIT SERVICES

The policy of the Company and its subsidiaries in hiring the services of external auditors aims to ensure there is no conflict of interest and loss of independence or objectivity of the auditor. During the year ended December 31, 2018, the Company's external auditors, Price Whaterhouse & Coopers - PWC only performed tax compliance review besides the audit of the Financial Statements. This tax compliance service, in the amount of R$150 thousand, represented 27% of the audit service fees and it was below the limit established by the Company's policy.

HUMAN RESOURCES

On December 31, 2018, the Company had no employees. All 130 employees of the group (130 on December 31, 2017) were allocated to wholly owned subsidiaries. All employees are eligible to receive short-term variable compensation whose assignment is based on the achievement of individual and collective goals previously agreed. In addition, the Company's officers are also eligible to variable long-term compensation.

CORPORATE GOVERNANCE

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

OFFICER’S STATEMENT

In compliance with CVM Instruction 480/09, the officers declare that discussed, revised and agreed with the opinions expressed in the Independent Auditors' Report and the Financial Statements for the year ended December 31, 2018.

Management

www.pwc.com.br

(A free translation of the original in Portuguese)

Sonae Sierra Brasil S.A. and subsidiaries

Individual and consolidated financial statements at December 31, 2018 and independent auditors' report



(A free translation of the original in Portuguese)

Independent auditor's report on the individual and consolidated financial statements

To the Board of Directors and Stockholders
Sonae Sierra Brasil S.A.

Opinion

We have audited the accompanying parent company financial statements of Sonae Sierra Brasil S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2018 and the statements of income, comprehensive income, changes in equity and cash flow for the year then ended, as well as the accompanying consolidated financial statements of Sonae Sierra Brasil S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income, comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

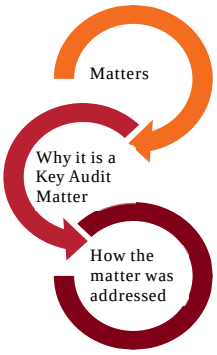
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonae Sierra Brasil S.A. and of Sonae Sierra Brasil S.A. and its subsidiaries as at December 31, 2018, and the financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.These matters were addressed in the context of our audit of the parent company and consolidated financial statements, taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Our audit for the year ended December 31, 2018 was planned and performed considering that the Company's operations did not change significantly in relation to the prior year. In this context, the Key Audit Matters, as well as our audit approach, remained mainly in line with those of the prior year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Valuation of investment properties	
As disclosed in Note 12 to the financial statements, the balance of investment properties, at December 31, 2018, is R$ 4,974,104 thousand, representing 90% of the total of the Company's consolidated assets. These investment properties are measured at their fair value, which is determined through market value appraisal reports prepared by independent appraisers, considering the appraisal methodology, projections and assumptions. Considering that the measurement of the fair value of these investment properties is complex and highly dependent on estimates, this was one of the Key Audit Matters of our audit.	Our audit procedures considered, among others, the analysis of the objectivity, independence and specialization of the external appraisal company, as well as the reasonableness of relevant information and assumptions used in the appraisals provided by management. We read the appraisal reports and discussed the results with management and the independent appraisal company. We verified the approval of the reports, which describe the assumptions adopted by management. In addition, with the support of our experts in the appraisal of investment properties, we discussed the reasonableness of the assumptions, data and models used in the aforementioned appraisal reports. In the context of our audit, we considered that the appraisal methodologies, the assumptions adopted and the disclosures made by management are reasonable.
Rental income	
A portion of rental income has a variable component that includes grace periods, specific clauses in contracts and in renewals, and discounts granted, among others. Despite being established in contracts, they have individual characteristics and may have a complex nature. There are different conditions established in rental contracts, therefore, controls are required to determine the amounts and the period in which the variable rental income should be recognized. We considered the variable rental income a significant area in our audit process due to the special characteristics related to the process of recording and processing of contractual information, as well as the importance of the internal controls established.	With the support of our Information Technology experts, we updated our understanding of and tested the general controls of the technology environment related to security aspects, changes in systems and information operations. We also analyzed the transactions related to the process of recognition of rental income, and the respective disclosures in the notes to the financial statements. We tested the transactions in specific rental agreements, parameterized in the systems used by the Company, specifically with regard to the analysis of the compliance with the policies applied for rental grace periods, discounts and variable income. We tested certain rental income transactions recognized in the Company's results, inspecting the physical documentation, and amounts received from clients.

Why it is a Key Audit Matter	How the matter was addressed in the audit
	We consider that the amounts recorded and the information disclosed are consistent with the data and documents obtained in our audit.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2018, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction 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 if their form and content are in accordance with the criteria defined in the Brazilian Technical Pronouncements Committee CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the independent auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

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

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

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

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

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

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sonae Sierra Brasil S.A.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 7, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Marcelo Orlando
Contador CRC 1SP217518/O-7

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$)

ASSETS	Note	Company 12/31/18	Company 12/31/17	Consolidated 12/31/18	Consolidated 12/31/17
CURRENT ASSETS					
Cash and cash equivalents	7	62.551	273.327	280.145	448.429
Trade receivables, net	8	-	-	50.694	46.883
Recoverable taxes	9	-	227	9.889	7.368
Prepaid expenses		8	8	22	18
Other receivables	8	161.679	-	4.119	6.669
Total current assets		224.238	273.562	344.869	509.367
NONCURRENT ASSETS HELD FOR SALE	13	21.610	-	41.521	32.316
NON-CURRENT ASSETS					
Trade receivables, net	8	-	-	12.409	12.514
Recoverable taxes	9	31.774	28.254	31.774	28.254
Loans related to condominiums	10	-	-	22.296	24.978
Deferred income tax and social contribution	25	-	-	1.828	2.026
Escrow deposits	19	2.730	2.597	24.089	20.830
Other receivables	8	-	-	2.167	2.614
Investments	11	2.922.085	2.892.971	44.643	41.932
Investment properties	12	-	-	4.974.104	4.645.310
Property, plant and equipment		-	-	3.205	3.315
Intangible assets		-	-	2.348	2.205
Total non-current assets		2.956.589	2.923.822	5.118.863	4.783.978
TOTAL ASSETS		3.202.437	3.197.384	5.505.253	5.325.661

LIABILITIES AND EQUITY	Note	Company 12/31/18	Company 12/31/17	Consolidated 12/31/18	Consolidated 12/31/17
CURRENT LIABILITIES					
Loans and financing	14	-	-	22.383	72.011
Debentures	15	175.616	175.567	175.616	175.567
Domestic trade accounts payable		6	-	9.317	3.977
Taxes payable	18	26	78	17.415	8.290
Personnel, payroll taxes, benefits, and rewards		26	17	9.055	9.324
Key money	16	-	-	534	1.280
Dividends payable		3.000	30.000	3.000	30.000
Earnings payable		-	-	8.071	7.666
Other payables		141	1.855	9.681	8.450
Total current liabilities		178.815	207.517	255.072	316.565
NON-CURRENT LIABILITIES					
Loans and financing	14	-	-	312.832	324.645
Debentures	15	254.349	402.154	254.349	402.154
Key money	16	-	-	767	1.725
Deferred income tax and social contribution	23	-	-	765.870	654.969
Provision for contingencies	17	2.671	2.597	6.581	7.794
Accruals for variable compensation	26	-	-	3.049	2.708
Total non-current liabilities		257.020	404.751	1.343.448	1.393.995
EQUITY	19				
Capital		1.397.866	1.397.866	1.397.866	1.397.866
Capital reserves		80.115	80.115	80.115	80.115
Earnings reserves		1.288.621	1.107.135	1.288.621	1.107.135
Equity attributable to owners of the Company		2.766.602	2.585.116	2.766.602	2.585.116
Non-controlling interests		-	-	1.140.131	1.029.985
Total equity		2.766.602	2.585.116	3.906.733	3.615.101
TOTAL LIABILITIES AND EQUITY		3.202.437	3.197.384	5.505.253	5.325.661

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

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$, except earnings per share)

	Note	Company		Consolidated	
		12/31/18	12/31/17	12/31/18	12/31/17
NET OPERATING REVENUE FROM RENTALS, SERVICES, AND OTHERS	20	-	-	374.112	354.856
COST OF RENTALS AND SERVICES	21	-	-	(78.411)	(83.116)
GROSS PROFIT		-	-	295.701	271.740
OPERATING (EXPENSES)/INCOME					
General and administrative expenses	21	(2.709)	(2.080)	(25.565)	(27.950)
Tax expenses		(288)	(205)	(8.683)	(1.418)
Equity pick-up	11	225.402	171.559	6.671	5.427
Changes in fair value of investment properties		-	-	286.750	131.610
Other operating income, net		-	-	5.420	2.976
Total income (expenses) from operations, net		222.405	169.274	264.593	110.645
OPERATING INCOME BEFORE FINANCIAL EXPENSES		222.405	169.274	560.294	382.385
FINANCIAL EXPENSES, NET	22	(33.146)	(29.082)	(53.590)	(63.265)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		189.259	140.192	506.704	319.120
INCOME TAX AND SOCIAL CONTRIBUTION					
Current		-	(1.967)	(32.761)	(47.662)
Deferred		-	196	(111.099)	(19.211)
Total	23	-	(1.771)	(143.860)	(66.873)
NET INCOME FOR THE YEAR		189.259	138.421	362.844	252.247
NET INCOME ATTRIBUTABLE TO					
Owners of the Company		-	-	189.259	138.421
Non-controlling interests		-	-	173.585	113.826
BASIC AND DILUTED EARNINGS PER SHARE - R$	19	2,48	1,81	2,48	1,81

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

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$)

	Company		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
NET INCOME FOR THE YEAR	189.259	138.421	362.844	252.247
Other comprehensive income	-	-	-	-
TOTAL OF COMPREHENSIVE INCOME	189.259	138.421	362.844	252.247
NET INCOME ATTRIBUTABLE TO				
Owners of the Company	-	-	189.259	138.421
Noncontrolling interests	-	-	173.585	113.826

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

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF CHANGE IN EQUITY (COMPANY AND CONSOLIDATED)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$, except value per share)

		Capital reserves		Earnings reserves				Total equity attributable		
	Capital	Share Issuance costs	Share subscription premium	Legal reserve	Earnings retention reserve	Unrealized earnings	Retained earnings	to owners of the parent	Noncontrolling interests	Total equity
BALANCES AS OF DECEMBER 31, 2016	1.397.866	(16.083)	96.198	59.112	850.088	89.514	-	2.476.695	981.470	3.458.165
Net income for the year	-	-	-	-	-	-	138.421	138.421	113.826	252.247
Management's proposal:										
Legal reserve	-	-	-	6.921	-	-	(6.921)	-	-	-
Unrealized earnings	-	-	-	-	-	32.875	(32.875)	-	-	-
Earnings retention reserve	-	-	-	-	98.625	-	(98.625)	-	-	-
Minimum dividends proposed by management (R$0.30 per share)	-	-	-	-	-	-	-	-	-	-
Additional dividends proposed by management (R$0.04 per share)	-	-	-	-	-	(30.000)	-	(30.000)	-	(30.000)
Dividends payable (R$0.10 per share)	-	-	-	-	-	-	-	-	-	-
Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	(65.311)	(65.311)
BALANCES AS OF DECEMBER 31, 2017	1.397.866	(16.083)	96.198	66.033	948.713	92.389	-	2.585.116	1.029.985	3.615.101
Net income for the year	-	-	-	-	-	-	189.259	189.259	173.585	362.844
Management's proposal:										
Legal reserve	-	-	-	9.463	-	-	(9.463)	-	-	-
Unrealized earnings	-	-	-	-	-	44.949	(44.949)	-	-	-
Earnings retention reserve	-	-	-	-	134.847	-	(134.847)	-	-	-
Quotas issued by Fundos de Investimento Imobiliário Shopping Parque D. Pedro	-	-	-	-	-	-	-	-	4.725	4.725
Minimum dividends proposed by management (R$0.06 per share)	-	-	-	-	-	(4.773)	-	(4.773)	-	(4.773)
Dividends payable (R$0.04 per share)	-	-	-	-	-	(3.000)	-	(3.000)	-	(3.000)
Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	(68.164)	(68.164)
BALANCES AS OF DECEMBER 31, 2018	1.397.866	(16.083)	96.198	75.496	1.083.560	129.565	-	2.766.602	1.140.131	3.906.733

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

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$)

	Company		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the year	189.259	138.421	362.844	252.247
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	1.940	2.294
Result value of property and equipment sold	-	-	69	523
Gains on derivatives transactions, net	(5.584)	2.709	(5.584)	2.709
Unbilled revenue from rentals	-	-	43	1.381
Allowance for doubtful accounts	-	-	7.921	9.037
Reversal of civil, tax, labor, and social security risks	-	-	(779)	(422)
Monetary adjustment of reserve for civil, tax, labor and social security risks	74	118	198	538
Accrual for variable compensation	-	-	2.469	2.469
Deferred income tax and social contribution	-	(196)	111.099	19.211
Income tax and social contribution	-	1.967	32.761	47.662
Interest on borrowing, financing and debentures	40.304	37.328	73.625	78.651
Changes in fair value of investment properties (note 12)	-	-	(286.750)	(131.610)
Equity pick-up	(225.402)	(171.559)	(6.671)	(5.427)
(Increase)/decrease in operating assets:				
Trade receivables	-	-	(11.670)	(10.476)
Loans related to condominiums	-	-	2.682	2.250
Recoverable taxes	(3.293)	(2.872)	(6.041)	(5.639)
Prepaid expenses	-	9	(4)	8
Escrow deposits	(133)	(118)	(3.259)	(2.832)
Other	(1)	-	2.997	2.695
Increase (decrease) in operating liabilities:				
Domestic trade accounts payable	6	(16)	5.340	(2.172)
Taxes payable	(52)	24	5.105	(26.227)
Personnel, payroll taxes, benefits and rewards	9	1	(2.397)	(4.199)
Key money	-	-	(1.704)	(3.022)
Payments of contingencies	-	-	(632)	(20)
Other payables	(1.714)	28	1.231	20.039
Cash provided by operating activities	(6.527)	5.844	284.833	249.668
Interest paid	(35.179)	(18.188)	(68.680)	(57.384)
Income tax and social contribution paid	-	-	(28.741)	(21.343)
Net cash provided by (used in) operating activities	(41.706)	(12.344)	187.412	170.941
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition or construction of investment property	-	-	(51.249)	(17.885)
Acquisition of property and equipment	-	-	(839)	(2.214)
Acquisition of intangible assets	-	-	(1.203)	(45)
Capital received from subsidiarie	10.000	-	-	-
Dividends received	3.000	30.000	3.960	3.640
Net cash used in investing activities	13.000	30.000	(49.331)	(16.504)
CASH FLOW FROM FINANCING ACTIVITIES				
Debentures raised	-	250.000	-	250.000
Debentures inssuance costs	-	(1.930)	-	(1.930)
Debentures paid - principal	(147.297)	(47.750)	(147.297)	(47.750)
Loans and financing paid - principal	-	-	(61.261)	(62.600)
Distributed earnings of real estate funds - non-controlling interests	-	-	(63.034)	(65.001)
Dividends paid	(34.773)	(34.773)	(34.773)	(34.773)
Net cash used in financing activities	(182.070)	165.547	(306.365)	37.946
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(210.776)	183.203	(168.284)	192.383
CASH AND CASH EQUIVALENTS				
At the end of the year	62.551	273.327	280.145	448.429
At the beginning of the year	273.327	90.124	448.429	256.046
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(210.776)	183.203	(168.284)	192.383

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

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands of Brazilian Reais - R$)

	Company		Consolidated	
	12/31/18	12/31/17	12/31/18	12/31/17
REVENUE				
Revenue from rentals and services	-	-	425.936	409.731
Other income	-	-	2.668	2.002
Changes in fair value of investment property	-	-	286.750	131.610
Expenditures related to the construction of investment property and property and equipment	-	-	1.264	20.144
Allowance for doubtful accounts	-	-	(7.921)	(9.037)
	-	-	708.697	554.450
SERVICES AND SUPPLIES PURCHASED FROM THIRD PARTIES				
Cost of rentals and services	-	-	(72.554)	(74.483)
Supplier, power, outside services and others	(1.939)	(1.494)	(13.539)	(36.494)
	(1.939)	(1.494)	(86.093)	(110.977)
GROSS VALUE ADDED	(1.939)	(1.494)	622.604	443.473
DEPRECIATION AND AMORTIZATION	-	-	(1.940)	(2.294)
WEALTH CREATED BY THE COMPANY	(1.939)	(1.494)	620.664	441.179
WEALTH RECEIVED IN TRANSFER				
Equity pick-up	225.402	171.559	6.671	5.427
Financial income	7.166	12.007	20.417	27.356
	232.568	183.566	27.088	32.783
DISTRIBUTION OF WEALTH	230.629	182.072	647.752	473.962
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	770	586	27.970	29.520
Benefits	-	-	3.177	2.858
Severance pay fund (FGTS)	-	-	1.321	3.020
	770	586	32.468	35.398
Taxes and fees:				
Federal	288	1.976	174.266	90.475
Municipal	-	-	3.104	2.927
	288	1.976	177.370	93.402
Lenders and lessors:				
Interest expenses	40.312	41.089	74.007	90.621
Rentals	-	-	1.063	2.294
	40.312	41.089	75.070	92.915
Interest on capital:				
Dividends	-	-	-	-
Retained earnings	189.259	138.421	189.259	138.421
Noncontrolling interests	-	-	173.585	113.826
	189.259	138.421	362.844	252.247
Total	230.629	182.072	647.752	473.962

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

1. General information

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

Sonae Sierra Brasil S.A. trades its shares on Brasil Bolsa Balcão – B3, (São Paulo Stock Exchange), under the ticker symbol "SSBR3", reporting its information to the Brazilian Securities and Exchange Commission (CVM).

The Company's immediate parent is Sierra Brazil 1 BV, a company headquartered in the Kingdom of the Netherlands while its ultimate parents are Sierra Brazil SGPS S.A., headquartered in Portugal, and Mr. Alexander Otto and his associates located in Germany.

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

a) Sierra Investimentos Brasil Ltda. ("Sierra Investimentos") - primarily engaged in: (i) planning, developing, implementing and investing in real estate, namely shopping malls and related activities, as a developer, builder, lessor and advisor; (ii) operating and managing its own properties and stores and providing related services; and (iii) holding equity interests in other companies. As of December 31, 2018, this company is the parent company of Pátio Boavista Shopping Ltda. ("Pátio Boavista"), Pátio São Bernardo Shopping Ltda. ("Pátio São Bernardo"), Pátio Sertório Shopping Ltda. ("Pátio Sertório"), Pátio Uberlândia Shopping Ltda. ("Pátio Uberlândia"), Pátio Londrina Empreendimentos e Participações Ltda. ("Pátio Londrina"), Pátio São Paulo Shopping Ltda. ("Pátio São Paulo"), Fundo de Investimento Imobiliário Shopping Parque D. Pedro ("Fundo de Investimento Imobiliário I") and Fundo de Investimento Imobiliário Parque D. Pedro Shopping Center ("Fundo de Investimento Imobiliário II").

   (i) Fundo de Investimento Imobiliário I - engaged in holding long term investment properties, to earn income by renting and leasing properties of its real estate assets. As of December 31, 2018, Fundo de Investimento Imobiliário I holds a trust equivalent to 85% of the undivided interest in Shopping Parque D. Pedro.

   (ii) Fundo de Investimento Imobiliário II - engaged in holding long term investment properties, to earn income by renting and leasing properties of its real estate assets. Established on June 30, 2009 through the partial spin-off of Fundo de Investimento Imobiliário I operations, Fundo de Investimento Imobiliário II holds a trust equivalent to 15% of the undivided interest in Shopping Parque D. Pedro and holds units of interest that represent 17.7% of Fundo de Investimento Imobiliário I.

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

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

As of December 31, 2018 and 2017, the Company's subsidiaries and associates held the following interests in shopping malls:

		Undivided interest - %	
Developer	Shopping mall	12/31/2018	12/31/2017
Fundo de Investimento Imobiliário I	Shopping Parque D. Pedro	85.00	85.00
Fundo de Investimento Imobiliário II	Shopping Parque D. Pedro	15.00	15.00
Pátio Londrina	Shopping Plaza Sul	30.00	30.00
Pátio São Bernardo	Shopping Plaza Sul	30.00	30.00
Pátio Boavista	Shopping Center Metrópole	100.00	100.00
Pátio Uberlândia	Franca Shopping	76.92	76.92
Pátio Sertório	Shopping Manauara	100.00	100.00
Pátio Uberlândia Shopping Ltda.	Uberlândia Shopping	100.00	100.00
Pátio Londrina.	Boulevard Londrina	88.64	88.64
Pátio Goiânia Shopping Ltda.(a)	Passeio das Águas Shopping	-	100.00
Sierra Investimentos (a)	Passeio das Águas Shopping	100.00	-
Campo Limpo Empreendimentos e Participações Ltda.	Shopping Campo Limpo	20.00	20.00

(a) On May 2, 2018, Sierra Investimentos merged Pátio Goiânia Shopping Ltda.

2. Basis of preparation

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and disclose all of (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The main accounting practices adopted for the preparation of these financial statements are summarized in Note 29.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Individual financial statements

The individual financial statements have been prepared in accordance with the accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and also are in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These individual financial statements are disclosed together with the consolidated financial statements.

(b) Consolidated financial statements

The consolidated financial statements h ave been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(c) Statements of value added

The preparation of the individual and consolidated statements of value added is required by the Brazilian corporate legislation, and by the accounting practices adopted in Brazil for listed companies. The statements of value added have been prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 – "Statement of Value Added". IFRS does not require the presentation of this statement. Therefore, under IFRS, this statement is presented as supplementary information, and not as part of the set of financial statements.

3. Consolidation

As of December 31, 2018 and 2017, the Company's subsidiaries and the related interests are as follows:

	Ownership interest in investee - %	
	12/31/2018	12/31/2017
Direct subsidiaries:		
Sierra nvestimentos	99.99	99.99
Unishopping Consultoria	99.99	99.99
Indirect subsidiaries:		
Fundo de Investimento Imobiliário I (a)	42.28	42.28
Fundo de Investimento Imobiliário II (a)	50.10	50.10
Pátio Boavista	100.00	100.00
Pátio São Bernardo	100.00	100.00
Pátio Sertório	100.00	100.00
Pátio Uberlândia	100.00	100.00
Pátio Londrina	100.00	100.00
Pátio Sertório Shopping Ltda. (b)	-	100.00
Pátio São	100.00	100.00
Unconsolidated associate-		
Campo Limpo Empreendimentos e Participações Ltda.	20.00	20.00

(a) Fundo de Investimento II holds a 17.72% interest in Fundo de Investimento I. Considering that Fundo de Investimento I and Fundo de Investimento II hold 85% and 15%, respectively, of Shopping Parque D. Pedro, the Company holds 51% of this property on a combined basis as of December 31, 2018 and 2017.

(b) On May 2, 2018, the subsidiary Pátio Goiânia Shopping Ltda. was merged into Sierra Investimentos

4. Critical accounting judgments and main estimates

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

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

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

(a) Investment property value

The fair value measurement of investment property takes into consideration assumptions with high degree of judgment, such as projections of gains and losses for ten years of each mall, calculation of perpetuity added to the residual value, among other significant assumptions disclosed in Note 12.

The fair value of investment property is determined through a semiannual assessment of the future cash flows of each property at present value. Management uses external experts to develop the method and define assumptions, which are mainly based on existing market conditions.

(b) Reserve for contingencies

The reserve for contingencies is recognized for lawsuits assessed by the Company's legal counsel and management as representing probable losses, considering the nature of the lawsuits and the experience in similar cases. Reserves have been recognized for matters classified as legal obligations, regardless of the expected final outcomes of lawsuits.

(c) Deferred income tax and social contribution assets

Based on analyses of multi-year operating projections, the Company recognizes tax credits related to prior years' tax losses carried forward and temporary differences.

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

5. Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's risk management seeks to minimize potential adverse effects on the Company's financial performance.

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

(a) Market risk

(i) Foreign currency risk

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

(ii) Interest rate risk

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

The Company contracted non-speculative derivatives to swap variable indexes subject to interest on the second series of debentures, as follow:

						Fair value		
Type	Initial date	Maturity date	Notional R$	Active index edge	Passive index edge	Active index edge	Passive index edge	R$
Swap	08/22/2013	02/15/2019	27,250	IPCA + 6.25%	CDI + 1.24%	39,870	47,995	(8,125)

As of December 31, 2018, the Company recognized in income for the year gaing arising from changes in fair value of financial instruments "(swap)" of R$359 thousand (and loss of R$2,709 thousand in 2017), as disclosed in Note 15.

(iii) Rent fluctuation risk

The Company's revenue consists basically of rentals received from shopping mall tenants. In general, rentals are adjusted based on the annual fluctuations in the consumer price index (IPCA), as provided for in the lease agreements. Management monitors these risks in order to minimize impacts on its business.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, as well as credit exposure to customers. The credit risk is limited, as the counterparties are represented by banks with a high rating assigned by international credit rating agencies. The Company also carries out ongoing monitoring of the default rate of its receivables. The allowance for doubtful accounts is recognized in an amount considered by Management as sufficient to cover probable losses on the collection of receivables.

(c) Liquidity risk

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

The table below details the remaining contractual maturity of the financial liabilities of the Company, its subsidiaries, and the contractual payment periods. The table was prepared in accordance with undiscounted cash flow of financial liabilities based on the closest date when the Company and its subsidiaries should settle the corresponding obligations. The table includes interest and principal cash flow. As interest flow is based on floating rates, the undiscounted amount was based on the interest curves at the year end. Contractual maturities are based on the most recent dates by which the Company and its subsidiaries should settle the related obligations.

December 31, 2018	Weighted average effective interest rate	2019	2020	2021	2022	2023	2024 forward	Total
Loans and financing	9.56%	51,863	54,372	80,048	75,264	67,489	137,829	466,865
Debentures	9.12%	181,936	19,230	82,033	77,229	89,472	87,364	537,264

(d) Statement of sensitivity analysis

In compliance with CVM Resolution 550, we present below the impacts that would arise from changes in significant risk variables to which the Company is exposed for using derivative instruments. The risk variables significant to the Company in the year, taking into consideration a one year period for this analysis, are its exposure to interest rate fluctuations according to market expectation.

The Company developed a sensitivity analysis, which is presented below:

- Base scenario: maintenance of interest at the same levels as those as of December 31, 2018.
- Adverse scenario: a 25% fluctuation in the main risk factors for the financial instruments compared to the level as of December 31, 2018.
- Remote scenario: a 50% fluctuation in the main risk factor for the financial instruments compared to the level as of December 31, 2018.

Assumptions

As described above, the Company believes that it is exposed to the risk of fluctuations in the interbank deposit rate (CDI) and IPCA, which is the basis for adjusting the debentures and the interest rate swap. Accordingly, the table below shows the indexes and rates used to prepare the sensitivity analysis:

Assumptions	Base scenario	Adverse scenario	Remote scenario
CDI fluctuations:			
Swap derivatives	6.52%	8.15%	9.78%
IPCA fluctuations:			
Debentures	4.01%	5.01%	6.02%
Swap derivatives	4.01%	3.01%	2.01%

Management analysis

			Consolidated		
Risk factor	Index	Risk	Base scenario	Adverse scenario	Remote scenario
Debentures	Inflation index	Increase in CA rate	4,100	5,125	6,150
Swap derivatives	Inflation index and interest rate	Increase in CDI rate	1,893	2,366	2,839
Swap derivatives	Inflation index and interest rate	Decrease in IPCA rate	1,137	852	568

5.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure of the Company, management can make, or may propose to the stockholders when their approval is required, adjustments to the amounts of dividends paid to stockholders, return capital to stockholders, issue new shares or sell assets to reduce, for example, debt.

The Company monitors capital on the basis of the gearing ratio. This ratio corresponds to the net debt expressed as a percentage of total capital. The gearing ratios at December 31, 2018 and 2017 were as follow:

	Consolidated	
	12/31/2018	12/31/2017
Debt (a)	757,055	961,476
Cash and cash equivalents	(280,145)	(448,429)
Net debt (net cash)	476,910	513,047
Equity attributable to the owners of the Company (b)	2,766,602	2,585,116
Net debt-to-equity ratio	17,24%	19.85%

(a) Debt is defined as short- and long-term loans, financing and debentures detailed in Notes 14 and 15. Excludes debts or credits arising from derivative instruments.

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

5.3 Financial instruments by category

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

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

b) Trade accounts receivable and loans to condominiums: are classified as held to maturity and recorded at the contracted amounts, which are equivalent to market value.

c) Trade payables: classified at the contacted amounts, which are equivalent to market value.

d) Loans and financing: measured at amortized cost, which are equivalent to market value.

e) Debentures: part is classified as other financial liabilities, and part is classified as at fair value through profit or loss.

f) Derivative instrument: classified as fair value hedge and measured at fair value.

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

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - other techniques under which all inputs with significant effects on the fair value are observable, either directly or indirectly.
- Level 3 - techniques that use inputs with significant effects on fair value not based on observable market inputs.

The carrying amounts and fair values of the financial instruments of the Company and its subsidiaries at December 31, 2018 and 2017 are as follow:

Parent

			12/31/2018		12/31/2017	
Nature	Classification	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Cash and cash equivalents	Loans and receivables	Level 1	62,551	62,551	273,327	273,327
Liabilities:						
Debentures	Other financial liabilities	Level 2	382,382	378,364	488,312	482,136
Debentures	Fair value through profit or loss	Level 2	39,458	39,458	76,508	76,508
Derivative financial instruments (i)	Fair value through profit or loss	Level 2	8,125	8,125	12,901	12,901

(i) Included in the line item "Debentures" in the Company's liabilities.

Consolidated

			12/31/2018		12/31/2017	
Nature	Classification	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Cash and cash equivalents	Loans and receivables	Level 1	280,145	280,145	448,429	448,429
Trade receivables, net	Loans and receivables	Level 2	63,103	63,103	59,397	59,397
Loans to condominiums	Loans and receivables	Level 2	22,296	22,296	24,978	24,978
Liabilities:						
Loans and financing	Other financial liabilities	Level 2	335,215	335,215	396,656	396,656
Debentures	Other financial liabilities	Level 2	382,382	378,364	488,312	482,136
Debentures	Fair value through profit or loss	Level 2	39,458	39,458	76,508	76,508
Derivative financial instruments (i)	Fair value through profit or loss	Level 2	8,125	8,125	12,901	12,901
Trade payables	Other financial liabilities	Level 2	9,317	9,317	3,977	3,977

(i) Included in the line item "Debentures" in the Company's liabilities.

6. Operating segment reporting

Segment reporting is used by the Company's senior management to make decisions about resources to be allocated to a segment and assess its performance.

The Company's reportable segments, in accordance with technical pronouncement CPC 22 (IFRS 8) - "Operating Segments" are as follow:

a) Third party serrvices

Refer to the provision of assets and property management services to shopping malls' tenants and owners, brokerage services, and the development of projects for a new shopping mall.

b) Investment

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

(i) Segment reporting of assets

	Consolidated - 12/31/2018		
	Third party services	Investment	Total
Cash and cash equivalents	11,129	269,016	280,145
Trade receivables, net	605	62,498	63,103
Property, plant, equipment and intangible assets	5,553	-	5,553
Investment property and non-current assets held for sale	-	5,015,625	5,015,625
Other assets	8,413	132,414	140,827
Total assets	25,700	5,479,553	5,505,253

	Consolidated - 12/31/2017		
	Third party services	Investment	Total
Cash and cash equivalents	16,257	432,171	448,428
Trade receivables, net	6,201	47,165	53,366
Property, plant, equipment and intangible assets	5,519	-	5,519
Investment property and non-current assets held for sale	-	4,677,626	4,677,626
Other assets	2,652	138,070	140,722
Total assets	30,629	5,295,032	5,325,661

(ii) Segment reporting of income statement

	Consolidated - 12/31/2018			
	Third-party services	Investment	Related parties transactions eliminated	Total
Gross revenue	56,868	511,751	(140,015)	428,604
Deductions:				
Taxes	(8,051)	(11,639)	-	(19,690)
Discounts and abatements	-	(34,802)	-	(34,802)
Total	(8,051)	(46,441)	-	(54,492)
Net operating revenue	48,817	465,310	(140,015)	374,112
Operating costs and general and administrative expenses and other	(42,064)	(205,190)	140,015	(107,239)
Equity pick-up	-	6,671	-	6,671
Changes in fair value of investment properties	-	286,750	-	286,750
Financial expenses, net	1,010	(54,600)	-	(53,590)
Total	(41,054)	33,631	140,015	132,592
Income before income tax and social contribution	7,763	498,941	-	506,704

	Consolidated - 12/31/2017			
	Third-party services	Investment	Related parties transactions eliminated	Total
Gross revenue	53,342	386,105	(27,714)	411,733
Deductions:				
Taxes	(7,545)	(10,781)	-	(18,326)
Discounts and abatements	-	(38,551)	-	(38,551)
Total	(7,545)	(49,332)	-	(56,877)
Net operating revenue	45,797	336,773	(27,714)	354,856
Operating costs, general and administrative expenses and other	(43,644)	(93,578)	27,714	(109,508)
Equity pick-up	-	5,427	-	5,427
Changes in fair value of investment properties	-	131,610	-	131,610
Financial expenses, net	1,859	(65,124)	-	(63,265)
Total	(41,785)	(21,665)	27,714	(35,736)
Income before income tax and social contribution	4,012	315,108	-	319,120

7. Cash and cash equivalents

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash and checking account	134	111	3,942	2,411
Short term investments (a)	62,417	273,216	276,203	446,018
Total	62,551	273,327	280,145	448,429

(a) As of December 31, 2018, the short term investments are highly liquid and earn yields at the weighted average interest rate of 100.27% of the interbank deposit rate (CDI) (101.0% as of December 31, 2017). The securities purchased by the Company and its subsidiaries comprise CDBs and debentures issued by banks with which the Company and its subsidiaries maintain relationship. In view of the Company's risk management policy, these investments are held only with first-tier banks highly rated by international rating agencies.

8. Trade receivables, net and other receivables

Trade receivables

	Consolidated	
	12/31/2018	12/31/2017
Rentals	93,198	81,957
Assignment of rights receivable (a)	820	480
Total trade receivables billed	94,018	82,437
Unbilled revenue from rentals (b)	14,695	14,649
Total trade receivables billed and unbilled	108,713	97,086
Allowance for doubtful accounts	(45,610)	(37,689)
Total	63,103	59,397
Current	50,694	46,883
Non-current	12,409	12,514

(a) Represent receivables from agreements for the right to use property spaces in shopping malls, also known as "Key Money".

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

The aging list of trade receivables billed as of December 31, 2018 and 2017 is as follows:

	Consolidated	
	12/31/2018	12/31/2017
Current	50,811	46,417
Past due:		
Up to 30 days	3,535	3,546
31 to 60 days	2,243	2,256
61 to 90 days	1,760	1,735
91 to 180 days	4,875	4,657
Over 180 days	30,794	23,826
Subtotal	43,207	36,020
Total	94,018	82,437

Allowance for doubtful accounts

The change in the allowance for doubtful accounts for the years ended December 31, 2018 and 2017 is as follows:

	Consolidated
Balance as of December 31, 2016	(28,652)
Allowances recognized during the year	(9,037)
Balance as of December 31, 2017	(37,689)
Allowances recognized during the year	(7,921)
Balance as of December 31, 2018	(45,610)

Other receivables

Additionally, as of December 31, 2018 and 2017, the balance of "Other receivables" is broken down as follows:

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Capital reduction of investee receivable (a)	161,678	-	-	-
Loan agreement with tenants (b)	-	-	2,167	4,224
Other receivables from condominiums	-	-	2,324	3,111
Other	1	-	1,795	1,948
Total	161,679	-	6,286	9,283
Current	161,679	-	4,119	6,669
Non-current	-	-	2,167	2,614

(a) Amount receivable from subsidiary Sierra Investimentos, related to capital reduction. See note 11 (b).

(b) Refers to loan agreements entered into among the Company's subsidiaries and shopping tenants. These agreements are subject to financial charges that can be indexed to the annual fluctuations of the Amplified Consumer Price Index - IPCA or 103% of CDI. The maturity period is 60 months.

9. Recoverable taxes

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Withholding income tax (IRRF)	31,538	28,254	40,876	34,694
Social contribution	236	227	452	624
Other	-	-	335	304
Total	31,774	28,481	41,663	35,622
Current	-	227	9,889	7,368
Non-current	31,774	28,254	31,774	28,254

10. Loans to condominiums

		Consolidated	
Subsidiary	Condominium	12/31/2018	12/31/2017
Pátio São Bernardo	Condomínio Shopping Center Plaza Sul	342	706
Pátio Uberlândia	Condomínio Uberlândia Shopping (a)	5,139	5,806
Pátio Londrina	Condomínio Boulevard Londrina Shopping (a)	7,325	7,896
Pátio Londrina	Condomínio Shopping Center Plaza Sul	342	706
Sierra Investimentos	Condomínio Passeio das Águas Shopping (a)	9,148	9,864
Total		22,296	24,978

(a) Primarily represent loans granted to promotional funds for recently opened shopping malls, in order to finance marketing campaigns. The interest on these transactions corresponds to the IPCA fluctuation.

These loans are considered related party transactions (see Note 24).

11. Investments

(a) Investments in subsidiaries (Company)

	Number of shares held	Assets	Liabilities	Equity	Revenue	Net income for the year	Equity in investees	Investment balance
December 31, 2018								
Sierra Investimentos	913,862,171	3,287,253	376,890	2,910,363	24,395	215,580	215,580	2,910,363
Unishopping Consultoria	2,663,327	25,700	13,978	11,722	56,867	9,822	9,822	11,722
Total		3,312,953	390,868	2,922,085	81,262	225,402	225,402	2,922,085
December 31, 2017								
Sierra Investimentos	1,078,862,171	2,903,344	25,271	2,878,073	196	170,110	170,110	2,878,073
Unishopping Consultoria	12,663,326	30,631	15,733	14,898	53,342	1,449	1,449	14,898
Total		2,933,975	41,004	2,892,971	53,538	171,559	171,559	2,892,971

(b) Changes in investments

	Company	Consolidated
Balances as of December 31, 2016	2,751,412	40,145
Equity pick-up	171,559	5,427
Dividends received	(30,000)	(3,640)
Balances as of December 31, 2017	2,892,971	41,932
Capital reduction of investee (i)	(175,000)	-
Gain on accounting for fair value of assets received in capital reduction	(18,288)	-
Equity pick-up	225,402	6,671
Dividends received	(3,000)	(3,960)
Balances as of December 31, 2018	2,922,085	44,643

(i) In November 2018, the Company reduced the capital of its subsidiaries Sierra Investimentos and Unishopping Consultoria by R$165,000 and R$10,000, respectively. As of December 31, 2018, the amount of R$161,678 remains pending receipt from the company Sierra Investimentos.

(c) Investments in associate (consolidated)

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

	Consolidated	
	12/31/2018	12/31/2017
Balance sheet		
Number of units of interest held by Sierra Investimentos	9,435,400	9,435,400
Ownership interest in investee (%)	20.00	20.00
Investment balance	44,643	41,932
Statements of income		
Equity pick-up	6,671	5,427

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

	Consolidated	
	12/31/2018	12/31/2017
Balance sheet		
Current assets	4,212	4,423
Noncurrent assets	311,177	289,760
Current liabilities	1,861	1,134
Noncurrent liabilities	90,316	83,387
Equity	223,212	209,662
Statements of income		
Net operating revenue from rentals, services and other	25,423	25,435
Net and comprehensive income for the year	33,353	27,134

(d) Noncontrolling interest

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

	Consolidated			
	Fundo de Investimento Imobiliário I		Fundo de Investimento Imobiliário II	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Interest in capital held by noncontrolling interests (%)	40.00	40.00	49.90	49.90
Net income from noncontrolling interests	120,798	79,232	52,780	46,179
Equity attributable to noncontrolling interests	789,909	712,772	350,222	301,810
Dividends paid to noncontrolling interests	48,386	45,861	19,778	15,770

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

	Fundo de Investimento Imobiliário I		Fundo de Investimento Imobiliário II	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Balance sheet				
Current assets	38,365	35,859	13,647	17,514
Noncurrent assets	1,954,799	1,761,941	696,947	626,649
Current liabilities	18,087	15,701	9,322	9,159
Noncurrent liabilities	305	168	54	30
Equity	1,974,772	1,781,931	701,218	634,974
Statements of income				
Net operating revenue from rentals, services and other	145,234	135,819	25,630	23,968
Changes in fair value of investment properties	175,187	79,466	30,913	14,024
Net and comprehensive income for the year	301,995	198,079	105,772	69,353

12. Investment property

Under technical pronouncement CPC 28 (IAS 40) - "Investment Property", properties held to earn rentals and/or for capital appreciation can be recognized as investment property. The Company's management adopted the fair value method in order better to reflect its business.

	Consolidated	
	12/31/2018	12/31/2017
Constructed investment property	4,949,762	4,615,094
Investment property under construction	24,342	30,216
Total	4,974,104	4,645,310

Changes in investment property for the years ended December 31, 2018 and 2017

	Consolidated		
	Constructed investment properties	Investment properties under construction	Total
Balance at December 31, 2016	4,465,723	30,092	4,495,815
Additions	17,761	124	17,885
Change in fair value of properties	131,610	-	131,610
Balance at December 31, 2017	4,615,094	30,216	4,645,310
Additions	51,102	147	51,249
Transfer to noncurrent assets held for sale (Note 13)	-	(9,205)	(9,205)
Change in fair value of properties	283,566	3,184	286,750
Balance at December 31, 2018	4,949,762	24,342	4,974,104

Fair value measurement methodology

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

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

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

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

The period for fair value measurement is on a semiannual basis.

The assumptions used as of December 31, 2018 and 2017 for the fair value measurement described above are as follow:

12/31/2018				12/31/2017			
10-year discount rate		10-year exit yield		10-year discount rate		10-year exit yield	
Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
11.58%	13.33%	7.75%	9.50%	12.08%	13.58%	8.00%	9.50%

The fair value measurement of investment property is classified at level 3, based on the technique used. The Level 3 classification is based on the assumption of the utilization of other techniques that use data that has a significant effect on the recognized fair value that are not based on observable market inputs.

The main unobservable variable is the discount rate, which took into consideration the potential rental capitalization, the nature of property and market conditions.

13. Non-current assets held for sale

The Company has pieces of land on some shopping malls which Management intends to negotiate with potential developers of residential and/or commercial properties that bring synergy and increase the flow of visitors in these shopping malls. As of December 31, 2018, the balance of these properties is R$41,521, recognized in the line item "Non-current assets held for sale".

These properties were appraised and are stated at their fair value.

As of December 31, 2018, the fair value of those land was determined based on a valuation prepared by an independent external appraiser (Cushman & Wakefield) and, as a result, there is no impairment to be recorded.

14. Loans and financing

The loans obtained by the Company's subsidiaries are intended for financing construction works and expanding projects, as described below.

				Consolidated	
Domestic	Mall	Annual interest rate	Final maturity	12/31/2018	12/31/2017
Banco do Amazonas S.A.-BASA (a)	Manauara Shopping	8.5%	12/10/2020	34,251	51,349
Banco Bradesco S.A. (a)	Boulevard Londrina	TR + 9.7%	03/27/2028	81,567	91,833
Banco Bradesco S.A. (a)	Uberlândia Shopping	TR + 9.7%	01/26/2028	45,432	51,282
Banco Santander S.A. (a)	Passeio das Águas	TR + 9.7%	06/22/2025	152,865	176,308
Banco Itaú BBA S.A. (b)	Shopping Metrópole	TR + 9.3%	05/10/2023	21,100	25,884
Total				335,215	396,656
Current				22,383	72,011
Non-current				312,832	324,645

Guarantees

(a) In this financing the loan is collateralized by the shopping mall property and collateral of the parent companies of the group.

(b) In this financing the loan is collateralized by the shopping mall property and net receivables.

As of December 31, 2018, the total fair value of the properties pledged to the banks in connection with the borrowings and financing is R$2,229,800 and the amount of the net receivables pledged by Pátio Boavista is R$4,265.

Extension of maturity

The Company's management renegotiated the maturities of the financing agreements with Bradesco and Santander Banks, which are linked to the assets of Shopping Boulevard Londrina, Uberlândia and Passeio das Águas. These contracts had their maturity dates extended for two years, and during this period only interest on debt will be amortized. The remaining clauses of the contracts remained unchanged.

Covenants

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

Changes in loans and financing for the years ended December 31, 2018 and 2017

	Consolidated
Balance at December 31, 2016	457,129
Payments - principal	(62,600)
Interest payments	(39,196)
Financial charges recorded in net income	41,323
Balance at December 31, 2017	396,656
Payments - principal	(61,261)
Interest payments	(33,501)
Financial charges recorded in net income	33,321
Balance at December 31, 2018	335,215

The loans and financing classified in noncurrent liabilities as of December 31, 2018 mature as follow:

2020	26,036
2021	55,511
2022	55,511
2023	52,724
2024	50,734
2025 - 2026	72,316
Total	312,832

15. Debentures

	Annual interest rate	Final maturity	Company and Consolidated	
Debentures			12/31/2018	12/31/2017
Securities issued in 2012- 2nd series (a)	IPCA + 6.25%	2/15/2019	160,416	308,740
Securities issued in 2017- 1st series (b)	CDI+0.75%	7/15/2022	127,639	127,842
Securities issued in 2017- 2nd series (b)	IPCA + +6.24%	7/15/2024	133,785	128,238
Losses on derivative transactions in fair value hedge accounting			8,125	12,901
Total			429,965	577,721
Current			175,616	175,567
Non-current			254,349	402,154

(a) On February 15, 2012, the Company issued 30,000 nonconvertible debentures, in two series, with a par value of R$10 each, totaling R$300,000.

On August 22, 2013, the Company contracted a derivative instrument ("swap") in the notional amount of R$54,500, to swap variable indexes subject to the interest of the 2nd series of debentures. In this transaction, the Company replaced the IPCA plus 6.25% per year by the CDI plus 1.24% per year.

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

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

(b) On July 15, 2017, the Company issued 250,000 nonconvertible debentures pursuant to CVM Instruction No. 476/09, in two series, with a par value of R$1 each, totaling R$250,000 as detailed below:

• First tranche: 125,000 debentures, totaling R$125,000, at an annual floating interest rate equivalent to CDI + 0.75%, with a 5-year final term; and

• Second tranche: 125,000 debentures, totaling R$125,000, at an annual floating interest rate equivalent to IPCA + 6.24%, with a 7-year final term.

The interest rate of debentures was defined after the book building process. The transaction was settled on July 27, 2017.

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

	Company and Consolidated
Balance at December 31, 2016	357,282
New borrowings	250,000
Borrowings costs	(3,660)
Amortized borrowing costs	1,006
Interest allocated to net income	36,322
Principal paid	(47,750)
Interest paid	(18,188)
Losses on derivatives transactions, net	2,709
Balance at December 31, 2017	577,721
Amortized borrowing costs	1,295
Interest allocated to net income	39,009
Principal paid	(147,297)
Interest paid	(35,179)
Partial settlement of derivative transaction	(5,225)
Gain on derivative transaction, net	(359)
Balance at December 31, 2018	429,965

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

	Principal and interest	Borrowing costs	Total
2020	-	(627)	(627)
2021	62,500	(627)	61,873
2022	62,500	(475)	62,025
2023	65,746	(261)	65,485
2024	65,746	(153)	65,593
Total	256,492	(2,143)	254,349

Covenants

The debenture indenture subjects the Company to covenants, which may in cases of non-compliance lead to the early maturity of the debt. These covenants are mainly related to financial ratios such as "Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA", net debt and net financial expenses. The required ratios are shown as follow:

Contractually required ratio	Securities issued in 2012	Securities issued in 2017
Net debt/EBITDA	Maximum of 3.0	Maximum of 3.5
EBIDTA/Net financial expenses	Minimum of 1.75	Minimum of 1.75

As of December 31, 2018, the Company is compliant with all covenants.

16. Key money

		Consolidated	
Subsidiary	Shopping mall	12/31/2018	12/31/2017
Pátio Sertório	Manauara	1,088	1,224
Pátio Londrina	Boulevard Londrina	213	716
Sierra Investimentos	Passeio das Águas	-	1,030
Other		-	35
Total		1,301	3,005
Current		534	1,280
Non-current		767	1,725

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

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

17. Reserve for contingencies

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

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Labor and social security (a)	-	-	3,514	3,677
Tax (b)	2,671	2,597	2,671	2,597
Civil (c)	-	-	396	1,520
Total	2,671	2,597	6,581	7,794

Changes in the reserve for the years ended December 31, 2018 and 2017 are as follows:

	Consolidated			
	Labor and social security (a)	Tax (b)	Civil (c)	Total
Balance at December 31, 2016	3,430	2,479	1,789	7,698
Addition	704	-	57	761
Monetary adjustments	193	118	227	538
Payments	(20)	-	-	(20)
Reversals	(630)	-	(553)	(1,183)
Balance at December 31, 2017	3,677	2,597	1,520	7,794
Addition	-	-	131	131
Monetary adjustments	30	74	94	198
Payments	(6)	-	(626)	(632)
Reversals	(187)	-	(723)	(910)
Balance at December 31, 2018	3,514	2,671	396	6,581

(a) Labor and social security

For the labor and social security risks, the Company maintained a reserve of R$3,514 as of December 31, 2018 (R$3,677 as of December 31, 2017) according to the opinion of legal counsel, which estimate that the probability of loss on these lawsuits is probable.

(b) Tax

The Company is claiming the suspension of the payment of IRRF, economic intervention contribution (CIDE) on payments made abroad. The historical amounts of such lawsuits correspond to the total amount of R$2,671 (R$2,597 as of December 31, 2017), which are deposited in escrow and accrued, considering that the likelihood of loss on these lawsuits is probable.

The lawsuits related to CIDE and IRRF had an unfavorably decision to the Company in the second instance of the appellate court and are currently awaiting trial at the special appeal level.

(c) Civil

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

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

The amount of R$396 (R$1,520 as of December 31, 2017) refers to the estimated court costs and attorney fees for the lawsuits for which a loss is assessed as probable.

Possible losses

The Company and its subsidiaries are parties to other tax, civil, labor and social security lawsuits arising from the normal course of their business and for which the likelihood of loss is possible. The amount of these lawsuits as December 31, 2018 and 2017 is comprised as follow:

	Consolidated	
	12/31/2018	12/31/2017
Labor	3,922	4,146
Tax	8,078	9,405
Civil	10,680	17,312
Total	22,680	30,863

Escrow deposits

Breakdown of escrow deposits:

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Labor and social security	59	-	87	10
Tax (a)	2,671	2,597	23,703	20,661
Civil	-	-	299	159
Total	2,730	2,597	24,089	20,830

(a) Refers mainly to the lawsuit challenging the IRRF on the interest of Fundo de Investimento Imobiliário I (Nota 28).

18. Taxes payable

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Income tax and social contribution	-	-	5,881	4,600
PIS and COFINS	16	74	2,162	1,910
ITBI (a)	-	-	7,382	-
IRRF	1	1	1,311	1,188
Other	9	3	679	592
Total	26	78	17,415	8,290

(a) Refers to the amount of ITBI on transfer of property in operation of corporate development. This debt is part of a judicial discussion that aims to reverse the related collection.

19. Equity

(a) Capital

As of December 31, 2018 and 2017, the Company's subscribed and paid-in capital is R$1,397,866 represented by 76,423,831 common shares without par value.

According to its bylaws, the Company is authorized to increase the capital regardless of any amendment to the said bylaws up to a cap of R$2,000,000 based on a decision of the Board of Directors, which will set in each case the number of shares to be issued, the issue price, and the terms and conditions for capital subscription and payment.

The Company's main shareholders for the year ended December 31, 2018 are as follow:

Name	Percentage	Number of shares
Sierra Brazil 1 BV	66.65%	50,933,104
Alaska Investimento Ltda.	9.50%	7,264,300
Deutsche Bank	6.42%	4,905,400
Other - "free float"	17.43%	13,321,027
Total	100.00%	76,423,831

(b) Capital reserve

Share subscription premium reserve

As of December 31, 2018, the Company had R$96,198 registered as a share premium reserve, net of share issuance costs, that represents the premium paid by shareholders on the issuance of shares.

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

Share issuance costs

Refers to share issuance costs, which were classified as a capital reserve reduction. The amount of R$16,083 was primarily comprised of commission, lawyers, audit service, registration, publication fees and other expenses, and was recorded net of tax impacts.

(c) Legal reserve

As provided by Article 193 of Law 6404/76, 5% of net income for the year must be used to recognize a legal reserve, which cannot exceed 20% of capital. As of December 31, 2018, the Company had a legal reserve in the amount of R$75,496 (R$66,033 as of December 31, 2017).

(d) Unrealized earnings reserve

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

It is considered realized the portion of the net income of the year that exceeds the positive net equity pick-up.

As of December 31, 2018, the Company had R$129,565 (R$92,389 as of December 31, 2017) related to the portion of unrealized earnings reserve yet to be considered.

(e) Earnings retention reserve

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

As of December 31, 2018, the Company had R$1,083,560 (R$948,713 as of December 31, 2017) related to earnings retention reserve.

(f) Dividends

Under the bylaws, shareholders are entitled to minimum dividends of 25% of net income adjusted according to the Brazilian Corporate Law. These dividends were calculated as of December 31, 2018, as follows:

i) Calculation of minimum mandatory dividends

	12/31/2018
Net income for the year	189,259
Legal reserve	(9,463)
Unrealized earnings reserve	(44,949)
Earnings retention reserve	(134,847)
Minimum mandatory dividends	-

ii) Realized earnings during the year

During 2018, the Company received R$3,000 in dividends from its subsidiary Unishopping Consultoria. The Company will propose to the shareholders the distribution of the amount by subtracting it from the unrealized earnings reserve.

iii) Dividends paid during the year

On April 25, 2018, the Company approved the payment of supplementary dividends in the amount of R$4,773, totaling R$34,773 of dividends paid through the use of unrealized earnings reserve. These dividends were paid on May 14, 2018.

(g) Earnings per share

As required by technical pronouncement CPC 41 (IAS 33) – “Earnings per Shares”, the table below shows the reconciliation of net income with the amounts used to calculate the basic earnings per share.

The Company has no debt convertible into shares nor stock options granted. Therefore, there is no diluted effect on the earnings per share shown below:

	Company and Consolidated	
	12/31/2018	12/31/2017
Net income for the year attributable to the Company's owners	189,259	138,421
Weighted average of outstanding common shares - in thousands	76,424	76,424
Basic and diluted earnings per share - R$	2,48	1.81

20. Net operating revenue from rentals, services and others

	Consolidated	
	12/31/2018	12/31/2017
Gross operating revenue:		
Rentals	342,788	328,075
Revenue from services	26,549	25,628
Parking revenue	50,741	47,768
Key Money	5,858	8,259
Other income	2,668	2,003
Total	428,604	411,733
Deductions:		
Taxes on rentals and services	(19,690)	(18,326)
Discounts and abatements	(34,802)	(38,551)
Total	(54,492)	(56,877)
Net operating revenue from rentals, services and others	374,112	354,856

21. Expenses and costs by nature

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Depreciation and amortization	-	-	1,940	2,294
Personnel costs	771	586	37,606	42,183
External services	1,804	1,320	10,661	12,679
Costs of occupancy (vacant stores)	-	-	15,945	19,367
Costs of contractual agreements with tenants	-	-	13,264	10,324
Allowance for doubtful accounts	-	-	7,921	9,037
Other	134	174	16,639	15,182
Total	2,709	2,080	103,976	111,066
Classified as:				
Cost of rentals and services provided	-	-	78,411	83,116
General and administrative expenses	2,709	2,080	25,565	27,950

22. Financial income (expenses), net

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Financial income:				
Interest on short term investments	5,566	9,959	14,101	22,550
Other	1,600	2,048	6,316	4,806
Total	7,166	12,007	20,417	27,356
Financial expenses:				
Interest on loans and financing	-	-	(33,321)	(41,323)
Interest on debentures	(40,304)	(37,328)	(40,304)	(37,328)
Other	(8)	(3,761)	(382)	(11,970)
Total	(40,312)	(41,089)	(74,007)	(90,621)
Total, net	(33,146)	(29,082)	(53,590)	(63,265)

23. Income tax and social contribution

a) Income tax and social contribution expenses

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Income before income tax and social contribution	189,259	140,192	506,704	319,120
Statutory rate	34%	34%	34%	34%
Income tax and social contribution charge, at statutory rate	(64,348)	(47,665)	(172,279)	(108,501)
Effect of income tax and social contribution on permanent and temporary differences:				
Equity pick-up	76,637	58,330	2,268	1,845
Impact of tax regularization program - PERT	-	22	-	15,343
Other permanent differences	-	(1,793)	(31,418)	(2,409)
Tax losses carried forwards not recognized	(12,289)	(10,665)	(15,438)	(23,806)
Effect of taxation of subsidiaries based on deemed income	-	-	14,208	12,119
Effect of differential taxation of Fundos de Investimento Imobiliário I and II (i)	-	-	58,799	38,536
Income tax and social contribution expense at effective rate	-	(1,771)	(143,860)	(66,873)
Effective rate - %	-	1	28	21

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

b) Deferred income tax and social contribution

Based on the analyses of the multi-year operating projections, the Company recognized tax credits related to tax losses carried forwards and temporary differences in prior years.

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

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

	Consolidated	
	12/31/2018	12/31/2017
Tax losses carried forwards	14,286	35,767
Reserve for civil, tax, labor and social security risks	1,207	1,290
Allowance for doubtful accounts	5,133	3,096
Other temporary reserves	3,076	1,317
Changes in fair values of investment property, net	(787,744)	(694,413)
Total deferred income tax and social contribution	(764,042)	(652,943)
In noncurrent assets	1,828	2,026
In noncurrent liabilities	(765,870)	(654,969)

The credit balances totaling R$40,79 (Consolidated), as of December 31, 2018, shall be realized in the period within a period of up to ten years, as shown below:

Year	Consolidated
2019	-
2020	167
2021	811
2022	1,904
2023	3,016
2024	5,010
2025-2028	29,171
Total	40,079

As of December 31, 2018, the Company and its subsidiaries have R$251,750 of tax losses carried forwards for which no deferred income tax and social contribution was recognized, since the expected realization is not probable, based on studies and internal projections.

24. Related parties

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

Balances and transactions with related parties as of December 31, 2018 and 2017 are as follow:

		Company		Consolidated	
Balance sheet	Purpose	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Current assets-					
Related parties:					
Condomínio Boulevard Londrina Shopping	(a)	-	-	216	406
Condomínio Passeio das Águas Shopping	(a)	-	-	2	402
Condomínio Uberlândia Shopping	(a)	-	-	358	672
Condomínio Shopping Center Plaza Sul	(a)	-	-	-	72
Condomínio Franca Shopping Center	(a)	-	-	10	10
Total (*)		-	-	586	1,562
Subsidiary					
Sierra Investimentos	(d)	161,678	-	-	-
Total		161,678	-	-	-
Noncurrent assets-					
Related parties:					
Condomínio Boulevard Londrina Shopping	(b)	-	-	7,325	7,896
Condomínio Passeio das Águas Shopping	(b)	-	-	9,148	9,864
Condomínio Shopping Center Plaza Sul	(b)	-	-	684	1,412
Condomínio Uberlândia Shopping	(b)	-	-	5,139	5,806
Total		-	-	22,296	24,978
Current liabilities-					
Related parties-					
Parque D. Pedro I BV SARL	(c)	-	-	3,801	3,489
Total		-	-	3,801	3,489

Profit or loss	Purpose	Consolidated 12/31/2018	Consolidated 12/31/2017
Operating revenue:			
Related parties:			
Condomínio Shopping Center Penha	(a)	1,930	1,977
Condomínio Civil Center Shopping São Bernardo	(a)	1,695	1,635
Condomínio Franca Shopping Center	(a)	716	678
Condomínio Shopping Center Plaza Sul	(a)	2,450	2,353
Condomínio Parque Dom Pedro Shopping	(a)	4,586	4,286
Condomínio Campo Limpo Shopping	(a)	1,232	1,185
Condomínio Manauara Shopping	(a)	2,664	2,685
Condomínio Uberlândia Shopping	(a)	1,687	1,675
Condomínio Boulevard Londrina Shopping	(a)	1,820	1,732
Condomínio Passeio das Águas Shopping	(a)	2,059	2,145
Total		20,839	20,351
Financial revenue:			
Related parties:			
Condomínio Boulevard Londrina Shopping	(b)	380	276
Condomínio Passeio das Águas Shopping	(b)	457	382
Condomínio Uberlândia Shopping	(b)	271	262
Condomínio Shopping Center Plaza Sul	(b)	126	280
Total		1,234	1,200

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

(a) Refers to revenue from services related to the management of common charges and the promotion fund for the said condominiums. This revenue is recognized in the line item "Revenue - services", as disclosed in Note 20. These services have been rendered by Unishopping Consultoria. Additionally, there are receivables from the initial expenses of the constitution of condominiums of the newly opened malls, which were paid by the companies owning the respective malls and are recorded in "other receivables" in current assets (Note 8).

(b) Refers to loans to condominiums described in Note 10.

(c) Yield payable to Fundos de Investimento Imobiliário I and II. The related company Parque D. Pedro I BV SARL holds 27.6% and 15.9% of the units of these funds, respectively. The amount is recognized as "earnings payable".

(d) Amount receivable from the subsidiary Sierra Investimentos, related to the capital reduction. See note 11.

25. Insurance

The Company has a risk management program designed to mitigate risks by contracting in the market insurance compatible with its size and operations. The insurance was taken out at amounts considered sufficient by management to cover possible claims, considering the nature of its activity, the risks involved in its operations and the guidance of its insurance advisors.

As of December 31, 2018, the Company had the following main insurance policies contracted with third parties:

Type	Amount insured - R$
Civil liability (shopping mall operations)	93,243
Fire	800,000
Loss of profits	321,089
Windstorms/smoke	250,000
Other	31,070

26. Management compensation

During the years ended December 31, 2018 and 2017, expenses on management compensation are broken down as follows:

	Consolidated	
	12/31/2018	12/31/2017
Payroll and related taxes	4,733	4,518
Variable compensation	3,469	2,469
Benefits	411	407
Total	8,613	7,394

These amounts are recorded as "cost of rents and services", in the statement of income.

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

As of December 31, 2018, the balance of the line item "Accrual for variable compensation", totaling R$3,049 (R$2,708 as of December 31, 2017), stated in non-current liabilities, includes only variable compensation (performance bonuses) awarded to Company officers.

Additionally, as approved at the Annual and Extraordinary Shareholders' Meetings held on April 27, 2018, the overall compensation paid to the Company Directors and Officers in 2018 is R$10,000.

27. Additional disclosures on cash flow

The Company conducted the following noncash transactions:

	Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Trade payables balance that were not settled through the balance sheet date	-	-	-	1,730
Payment of taxes using tax credits	-	-	-	19,797
Amount receivable related to capital reduction of investee	161.678	-	-	-
Transfer of land related to capital reduction of investee	21,610	-	-	-
Transfer of investment property to assets held for sale	-	-	9,205	-

28. Commitments

With the enactment of Law 12.024, of August 27, 2009, which prescribes the tax treatment applicable to income earned by real estate investment funds, the administrator of Fundo de Investimento Imobiliário I, Banco Ourinvest S.A., stopped retain IRRF on income paid to a certain shareholder headquartered in Brazil. In view of the inquiry made by Banco Ourinvest S.A. to the Federal Revenue Service on the content and scope of this Law, the subsidiary Sierra Investimentos committed under an agreement entered into with this bank, dated October 29, 2009, to make a short term investment under custody to cover the possible collection of the tax that is not being withheld. At the same date, Parque D. Pedro 1 BV/SARL (a Luxembourg company belonging to the same corporate group of the Company) and Sierra Investimentos entered into an agreement under which Parque D. Pedro 1 BV/SARL agrees to reimburse Sierra Investimentos for any type of risk arising from the nonpayment of the said tax by Banco Ourinvest S.A.

On May 13, 2010, the federal government filed an appeal against the federal lower court decision. On June 11, 2010, Ourinvest SA filed its counterarguments and currently awaits the appelate court decision.

On June 25, 2015, the Federal Court accepted the appeal of the federal government, which was contrary to the first decision. On July 13, 2015, BTG Pactual Serviços Financeiros S.A. DTVM, the current administrator of Fundo de Investimento Parque D. Pedro I, has filed an appeal to continue the suspension of the payment of the tax credit, as well as to reverse this decision.

As a result of this decision and pursuant to the earlier commitment, the subsidiary Sierra Investments used the totality of the funds held in restricted investments to make a deposit in an escrow account, which aims to ensure the suspension of the tax credit.

As of December 31, 2018, the subsidiary Sierra Investimentos has a balance of R$21,032 pledged as collateral, classified as escrow deposits in noncurrent assets (R$18,064 as of December 31, 2017).

29. Summary of significant accounting policies

The main accounting policies applied to the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

29.1 Consolidation

Subsidiaries include all entities (including structured entities) over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which that control ceases.

Transactions, balances and unrealized gains on transactions between companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

29.2 Functional and presentation currency

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

29.3 Cash and cash equivalents

Represented by available bank accounts. The short-term investments are highly liquid investments readily convertible into cash and that are subject to an insignificant risk of changes in value. Short-term investments are stated at cost, plus yields accrued through the end of the reporting period.

29.4 Financial assets

29.4.1 Classification

The Company and its subsidiaries classify their financial assets, upon initial recognition, in the following categories: measured at fair value through profit or loss; loans and receivables; and available-for-sale. The classification depends on the nature and purpose for which the financial assets were acquired.

Derivatives are also categorized as measured at fair value through profit or loss unless they are designated as hedges.

Financial assets are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period.

29.4.2 Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flow have expired or have been transferred and the Company and its subsidiaries have transferred substantially all of the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the statement of income in the period in which they arise.

29.4.3 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

29.4.4 Impairment of financial assets

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

The criteria that the Company and its subsidiaries use to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency on interest or principal repayments;
- It is probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.

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

29.5 Trade receivables

Trade receivables are initially stated at billed amounts based on the contractual rental amounts and services provided, adjusted based on effects arising from the recognition of revenue from rental on a straight line basis, calculated based on the contractual terms.

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

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

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

From January 1, 2018 the Company adopted IFRS 9 (CPC 48) - Financial Instruments. With the adoption of this standard, the Company's management has analyzed its policies for recognizing the allowance for doubtful accounts and understands that the practices adopted are in compliance with the requirements of said standard. Accordingly, the adoption of IFRS 9 (CPC 48) did not generate any significant impact on the Company's financial statements.

29.6 Property and equipment

Carried at cost of purchase, less accumulated depreciation. Depreciation is calculated on a straight line basis based on the estimated useful lives of the assets.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

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

29.7 Investment property

Investment properties represent land and buildings in shopping malls held to earn rental income and/or for capital appreciation, as disclosed in Note 12.

Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are measured at fair value. The gain or loss from the change in the fair value of investment properties in operation are recognized in profit or loss for the period in which they arise, specifically in line item "operating income (expenses)". Independent external appraisers using the cash flow model, discounted at market rates, make valuations. Every quarter, reviews are conducted to value any changes in the recognized balances.

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

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

29.8 Intangible assets

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

29.9 Impairment of assets

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

As of December 31, 2018, the management of the Company and its subsidiaries did not identify any evidence that the items of its property, plant and equipment, intangible assets and other assets might be impaired.

29.10 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recoverable principally through a sale transaction and a sale is considered highly probable.

They are stated at the lower of the carrying amount and fair value less costs to sell.

29.11 Loans, financing and debentures

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

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

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

29.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

29.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of each reporting period, considering the risks and uncertainties relating to the obligation.

As of December 31, 2018 and 2017, the main provisions recognized by the Company and subsidiaries are as follow:

29.13.1 Reserve for contingencies

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

29.13.2 Accrual for variable compensation

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

29.14 Revenue recognition

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

From January 1, 2018 the Company adopted IFRS 15 (CPC 47) - Revenue from Contracts with Customers. With the adoption of this standard, the Company's Management has analyzed all the new requirements applicable to the recognition of revenues from service contracts and understands that the practices meet these requirements. Accordingly, the adoption of IFRS 15 (CPCP 47) did not generate any significant impact on the Company's financial statements.

Our revenue derives mainly from the following activities:

a) Rental

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

b) Parking

Refers to revenue from the operation of parking lots in shopping malls.

c) Services

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

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

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

d) Property space lease fees (key money)

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

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

e) Lessee transfer fees

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

29.15 Income tax and social contribution

Income tax is calculated at the rate of 15%, plus a 10% surtax on annual taxable income exceeding R$240. Social contribution is calculated at the rate of 9% on the annual taxable income. Deferred income tax and social contribution result from temporary differences in the recognition of income and expenses for tax and financial reporting purposes, and tax losses carried forward when their utilization against future taxable income is probable. As permitted by tax legislation, certain consolidated subsidiaries opted for taxation based on deemed income.

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

The balance of deferred tax assets is reviewed at the end of each year, and when it is not probable that future taxable profits will be available to allow the recovery of all assets, or part of the assets, the balance is adjusted by the amount expected to be recovered.

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

29.16 Earnings per share

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

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

29.17 Accounting pronouncements that are not yet effective

The following new standard was issued by the IASB but is not effective for 2018. The early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

IFRS 16 – "Leases" –the new standard requires lessees to recognize the liability for the future payments and the right to use the leased asset for virtually all lease contracts, including operating leases. Certain short term and low-value contracts may be out of the scope of this new standard. The criteria for the recognition and measurement of leases in the lessors' financial statements have been substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and supersedes IAS 17 - "Lease Transactions" and related interpretations.

The Company's Management analyzed this standard and concluded that it does not have significant impact on its financial statements.

There are no other IFRS standards or IFRIC interpretations that are not effective that could have a significant impact on the Group's financial statements.

30. Subsequent event

a) Issue of debentures:

On February 4, 2019, the Company issued R$200,000 in Debentures, with the following characteristics:

- First tranche: 90 thousand debentures, totaling R$90,000, at an annual floating interest rate equivalent to CDI + 0.80%, with a 5-year final term; and

- Second tranche: 110 thousand debentures, totaling R$110,000, at an annual floating interest rate equivalent to CDI + 1.05%, with a 8-year final term.

The proceeds from the issue obtained by the Company will be used to improve cash, as well as for additional investments to be carried out at the sole discretion of the Company.

b) Settlement of debenture contracts and swap transactions:

On February 15, 2019, the Company settled the remaining balance of the principal and interest of the second tranche of Debentures issued in 2012, as well as the swap instrument contracted for this debt, in the total amount of R$170,604.

31. Approval of the financial statements

All relevant information in the financial statements, and only this information, is being emphasized, and corresponds to that used by management in its analysis. The financial statements were approved by the management and Board of Directors on February 28, 2019.

FISCAL COMMITTEE OPINION

The Fiscal Committee of SONAE SIERRA BRASIL S.A., in the exercise of its legal and statutory duties, concluded the examination of the Financial Statements of the Company for the year ended December 31, 2018, comprising the Balance Sheet, Statements of Income, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Statements of Value Added, as well as their related Notes. This examination was followed by the analysis of documents and, substantially, by information and clarifications provided to the members of this Committee by the external auditors and the Company's management, including the analysis of the Annual Management's Report.

Therefore, based on the examinations performed and on Price Waterhouse Coopers auditor´s report, issued at March 7, 2019, not qualified, the Fiscal Committee concluded unanimously that the documents mentioned above are in compliance, opining favorably to its referral to the deliberation of Annual Shareholders' Meeting.

São Paulo, March 11, 2019

Marcos de Bem Guazzelli

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