(A free translation of the original in Portuguese)

Sonae Sierra Brasil S.A. and subsidiaries

Quarterly information (ITR) at June 30, 2018 and report on review of quarterly information

(A free translation of the original in Portuguese)

Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Sonae Sierra Brasil S.A. (the "Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2018, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, as well as a summary of significant accounting policies and other explanatory information.

The management is responsible for the preparation of the parent company and consolidated interim accounting information in accordance with the accounting standard CPC 21, Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC), and the International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission, applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and, consequently, did not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the Brazilian Securities Commission.

PricewaterhouseCoopers, Av. Francisco Matarazzo 1400, Torre Torino, São Paulo, SP, Brasil, 05001-903, Caixa Postal 61005, T: +55 (11) 3674 2000, www.pwc.com.br

Sonae Sierra Brasil S.A.

Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the six-month period ended June 30, 2018. These statements are the responsibility of the Company's management and are required to be presented in accordance with standards issued by the Brazilian Securities Commission applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under International Financial Reporting Standards (IFRS), which do not require the presentation of a statement of value added. These statements have been submitted to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, August 6, 2018

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 JUNE 30, 2018
(In thousands of Brazilian Reais - R$)

ASSETS	Note	Company		Consolidated	
		06/30/18	12/31/17	06/30/18	12/31/17
CURRENT ASSETS					
Cash and cash equivalents	7 and 23	62.077	273.327	267.673	448.429
Trade receivables, net	8	-	-	38.913	46.883
Recoverable taxes		231	227	8.876	7.368
Prepaid expenses		55	8	199	18
Other receivables		-	-	6.596	6.669
Total current assets		62.363	273.562	322.257	509.367
NONCURRENT ASSETS HELD FOR SALE	11	-	-	41.854	32.316
NON-CURRENT ASSETS					
Trade receivables, net	8	-	-	12.592	12.514
Recoverable taxes		30.327	28.254	30.327	28.254
Loans related to condominiums		-	-	23.313	24.978
Deferred income tax and social contribution	18	-	-	1.388	2.026
Escrow deposits		2.693	2.597	22.466	20.830
Other receivables		-	-	3.327	2.614
Investments	9 and 23	2.977.973	2.892.971	42.871	41.932
Investment properties	10	-	-	4.746.923	4.645.310
Property, plant and equipment		-	-	3.024	3.315
Intangible assets		-	-	2.496	2.205
Total non-current assets		3.010.993	2.923.822	4.888.727	4.783.978
TOTAL ASSETS		3.073.356	3.197.384	5.252.838	5.325.661

LIABILITIES AND EQUITY	Note	Company		Consolidated	
		06/30/18	12/31/17	06/30/18	12/31/17
CURRENT LIABILITIES					
Loans and financing	12	-	-	72.555	72.011
Debentures	13	171.909	175.567	171.909	175.567
Domestic trade accounts payable		28	-	5.824	3.977
Taxes payable		30	78	6.549	8.290
Personnel, payroll taxes, benefits, and rewards		35	17	8.026	9.324
Key money		-	-	482	1.280
Dividends payable	14 (a)	-	30.000	-	30.000
Earnings payable		-	-	7.468	7.666
Other payables		245	1.855	8.672	8.450
Total current liabilities		172.247	207.517	281.485	316.565
NON-CURRENT LIABILITIES					
Loans and financing	12	-	-	291.778	324.645
Debentures	13	251.535	402.154	251.535	402.154
Key money		-	-	1.172	1.725
Deferred income tax and social contribution	18	-	-	701.068	654.969
Provision for contingencies		2.634	2.597	6.528	7.794
Accruals for variable compensation	20	-	-	2.250	2.708
Total non-current liabilities		254.169	404.751	1.254.331	1.393.995
EQUITY	14				
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		1.102.362	1.107.135	1.102.362	1.107.135
Retained earnings		66.597	-	66.597	-
Equity attributable to owners of the Company		2.646.940	2.585.116	2.646.940	2.585.116
Non-controlling interests		-	-	1.070.082	1.029.985
Total equity		2.646.940	2.585.116	3.717.022	3.615.101
TOTAL LIABILITIES AND EQUITY		3.073.356	3.197.384	5.252.838	5.325.661

The accompanying notes are an integral part of these interim financial information.

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
FOR THE PERIOD ENDED JUNE 30, 2018
(In thousands of Brazilian Reais - R$, except earnings per share)

	Note	Company				Consolidated			
		04/01 a 06/30/18	01/01 a 06/30/18	04/01 a 06/30/17	01/01 a 06/30/17	04/01 a 06/30/18	01/01 a 06/30/18	04/01 a 06/30/17	01/01 a 06/30/17
NET OPERATING REVENUE FROM RENTALS, SERVICES, AND OTHERS	15	-	-	-	-	88.616	177.738	88.109	173.189
COST OF RENTALS AND SERVICES	16	-	-	-	-	(19.798)	(38.126)	(21.038)	(43.042)
GROSS PROFIT		-	-	-	-	68.818	139.612	67.071	130.147
OPERATING (EXPENSES) INCOME									
General and administrative expenses	16	(995)	(1.437)	(509)	(1.102)	(5.781)	(12.085)	(8.378)	(14.128)
Tax expenses		(14)	(236)	(54)	(195)	(184)	(623)	(233)	(890)
Equity pick-up	9 and 23	51.005	85.002	60.762	89.081	2.102	2.979	1.389	2.228
Changes in fair value of investment properties	10	-	-	-	-	94.804	94.804	87.085	87.085
Other operating income, net		-	-	-	-	2.464	3.891	1.538	2.862
Total income (expenses) from operations, net		49.996	83.329	60.199	87.784	93.405	88.966	81.401	77.157
OPERATING INCOME BEFORE FINANCIAL EXPENSES		49.996	83.329	60.199	87.784	162.223	228.578	148.472	207.304
FINANCIAL EXPENSES, NET	17	(8.271)	(16.732)	(5.587)	(13.719)	(14.017)	(27.752)	(12.097)	(26.922)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		41.725	66.597	54.612	74.065	148.206	200.826	136.375	180.382
INCOME TAX AND SOCIAL CONTRIBUTION									
Current		-	-	-	(1.793)	(7.635)	(15.352)	(7.710)	(16.906)
Deferred		-	-	-	-	(44.442)	(46.737)	(27.089)	(27.992)
Total	18	-	-	-	(1.793)	(52.077)	(62.089)	(34.799)	(44.898)
NET INCOME FOR THE PERIOD		41.725	66.597	54.612	72.272	96.129	138.737	101.576	135.484
NET INCOME ATTRIBUTABLE TO									
Owners of the Company						41.725	66.597	54.612	72.272
Non-controlling interests						54.404	72.140	46.964	63.212
BASIC AND DILUTED EARNINGS PER SHARE - R$	14	0,55	0,87	0,71	0,95	0,55	0,87	0,71	0,95

The accompanying notes represent an integral part of these interim financial information.

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2018
(In thousands of Brazilian Reais - R$)

	Company				Consolidated			
	04/01 a 06/30/18	01/01 a 06/30/18	04/01 a 06/30/17	01/01 a 06/30/17	04/01 a 06/30/18	01/01 a 06/30/18	04/01 a 06/30/17	01/01 a 06/30/17
NET INCOME FOR THE PERIOD	41.725	66.597	54.612	72.272	96.129	138.737	101.576	135.484
Other comprehensive income	-	-	-	-	-	-	-	-
TOTAL OF COMPREHENSIVE INCOME	41.725	66.597	54.612	72.272	96.129	138.737	101.576	135.484
NET INCOME ATTRIBUTABLE TO								
Owners of the Company					41.725	66.597	54.612	72.272
Noncontrolling interests					54.404	72.140	46.964	63.212

The accompanying notes are an integral part of these interim financial information.

(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 PERIOD ENDED JUNE 30, 2018
(In thousands of Brazilian Reais - R$)

		Capital reserves		Earnings reserves						
	Capital	Share Issuance costs	Share subscription premium	Legal reserve	Earnings retention reserve	Unrealized earnings	Retained earnings	Total equity attributable 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 period	-	-	-	-	-	-	72.272	72.272	63.212	135.484
Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	(31.528)	(31.528)
BALANCES AS OF JUNE 30, 2017	1.397.866	(16.083)	96.198	59.112	850.088	89.514	72.272	2.548.967	1.013.154	3.562.121
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 period	-	-	-	-	-	-	66.597	66.597	72.140	138.737
Dividends distributed in the period (R$0.06 per share)	-	-	-	-	-	(4.773)	-	(4.773)	-	(4.773)
Dividends arising from the operations of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	(32.043)	(32.043)
BALANCES AS OF JUNE 30, 2018	1.397.866	(16.083)	96.198	66.033	948.713	87.616	66.597	2.646.940	1.070.082	3.717.022

The accompanying notes are an integral part of these interim financial information.

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED JUNE 30, 2018
(In thousands of Brazilian Reais - R$)

	Company		Consolidated	
	06/30/18	06/30/17	06/30/18	06/30/17
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	66.597	72.272	138.737	135.484
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	1.011	1.185
Result value of property and equipment sold	-	-	53	353
(Gains) Losses on derivatives transactions, net	(86)	1.706	(86)	1.706
Unbilled revenue from rentals	-	-	47	64
Allowance for doubtful accounts	-	-	4.167	4.510
Reversal of civil, tax, labor, and social security risks	-	-	(1.403)	(222)
Monetary update of reserve for civil, tax, labor and social security risks	37	68	137	123
Accrual for variable compensation	-	-	1.218	474
Deferred income tax and social contribution	-	-	46.737	27.992
Income tax and social contribution	-	1.793	15.352	16.906
Interest on borrowing, financing and debentures	21.290	14.054	38.615	36.189
Changes in fair value of investment properties	-	-	(94.804)	(87.085)
Equity pick-up	(85.002)	(89.081)	(2.979)	(2.228)
(Increase)/decrease in operating assets:				
Trade receivables	-	-	3.678	1.106
Loans related to condominiums	-	-	1.665	1.065
Recoverable taxes	(2.077)	(2.075)	(3.581)	(2.857)
Prepaid expenses	(47)	(39)	(181)	(156)
Escrow deposits	(96)	(68)	(1.636)	(1.410)
Other	-	-	(640)	1.444
Increase (decrease) in operating liabilities:				
Domestic trade accounts payable	28	18	1.847	66
Taxes payable	(48)	(30)	(5.546)	(3.566)
Personnel, payroll taxes, benefits and rewards	18	-	(2.974)	(4.832)
Key money	-	-	(1.351)	(1.271)
Other payables	(1.610)	40	222	(422)
Cash (used in) provided by operating activities	(996)	(1.342)	138.305	124.618
Interest and derivative transactions paid	(28.184)	(18.188)	(45.657)	(38.468)
Income tax and social contribution paid	-	-	(11.547)	(14.750)
Net cash (used in) provided by operating activities	(29.180)	(19.530)	81.101	71.400
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition or construction of investment property	-	-	(16.347)	(7.501)
Acquisition of property and equipment	-	-	(658)	(360)
Acquisition of intangible assets	-	-	(406)	(1.013)
Dividends received	-	15.400	2.040	1.770
Net cash used in investing activities	-	15.400	(15.371)	(7.104)
CASH FLOW FROM FINANCING ACTIVITIES				
Debentures paid - principal	(147.297)	(47.750)	(147.297)	(47.750)
Loans and financing paid - principal	-	-	(32.175)	(30.994)
Distributed earnings of real estate funds - non-controlling interests	-	-	(32.241)	(31.479)
Dividends paid	(34.773)	(34.773)	(34.773)	(34.773)
Net cash used in financing activities	(182.070)	(82.523)	(246.486)	(144.996)
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(211.250)	(86.653)	(180.756)	(80.700)
CASH AND CASH EQUIVALENTS				
At the end of the period	62.077	3.471	267.673	175.346
At the beginning of the period	273.327	90.124	448.429	256.046
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(211.250)	(86.653)	(180.756)	(80.700)

The accompanying notes are an integral part of these interim financial information.

(A free translation of the original in Portuguese)

SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
FOR THE PERIOD ENDED JUNE 30, 2018
(In thousands of Brazilian Reais - R$)

	Company		Consolidated	
	06/30/18	06/30/17	06/30/18	06/30/17
REVENUE				
Revenue from rentals and services	-	-	203.146	200.129
Other income	-	-	1.306	596
Changes in fair value of investment property	-	-	94.804	87.085
Expenditures related to the construction of investment property and property and equipment	-	-	17.411	8.874
Allowance for doubtful accounts	-	-	(4.167)	(4.510)
	-	-	312.500	292.174
SERVICES AND SUPPLIES PURCHASED FROM THIRD PARTIES				
Cost of rentals and services	-	-	(36.333)	(36.548)
Supplier, power, outside services and others	(1.097)	(821)	(21.551)	(15.682)
	(1.097)	(821)	(57.884)	(52.230)
GROSS VALUE ADDED	(1.097)	(821)	254.616	239.944
DEPRECIATION AND AMORTIZATION	-	-	(1.011)	(1.185)
WEALTH CREATED BY THE COMPANY	(1.097)	(821)	253.605	238.759
WEALTH RECEIVED IN TRANSFER				
Equity pick-up	85.002	89.081	2.979	2.228
Financial income	4.560	3.040	11.020	12.314
	89.562	92.121	13.999	14.542
DISTRIBUTION OF WEALTH	88.465	91.300	267.604	253.301
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	340	284	12.794	15.630
Benefits	-	-	1.723	1.533
Severance pay fund (FGTS)	-	-	656	2.143
	340	284	15.173	19.306
Taxes and fees:				
Federal	236	1.985	72.418	56.755
Municipal	-	-	1.441	1.368
	236	1.985	73.859	58.123
Lenders and lessors:				
Interest expenses	21.292	16.759	38.772	39.236
Rentals	-	-	1.063	1.152
	21.292	16.759	39.835	40.388
Interest on capital:				
Retained earnings	66.597	72.272	66.597	72.272
Noncontrolling interests	-	-	72.140	63.212
	66.597	72.272	138.737	135.484
Total	88.465	91.300	267.604	253.301

The accompanying notes are an integral part of these interim financial information.

1. General information

Sonae Sierra Brasil S.A. ("Sonae" or "Company"), headquartered in São Paulo City, São Paulo State, was established on September 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.

The Company trades its shares on Brasil Bolsa Balcão – B3 (São Paulo Stock Exchange), under the ticker symbol "SSBR3", and reports its information to the Brazilian Securities 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 Sonae Sierra SGPS S.A., headquartered in Portugal, and Mr. Alexander Otto and his associates located in Germany.

At June 30, 2018 and 2017, the Company' direct and indirect subsidiaries included in the consolidated financial statements are the following:

	Equity interest - %
Direct subsidiaries:	
Sierra Investimentos Brasil Ltda.	99.99
Unishopping Consultoria Imobiliária Ltda.	99.99
Indirect subsidiaries:	
Fundos de Investimento Imobiliário I (a)	42.28
Fundos de Investimento Imobiliário II (a)	50.10
Pátio Boavista Shopping Ltda.	100.00
Pátio São Bernardo Shopping Ltda.	100.00
Pátio Sertório Shopping Ltda.	100.00
Pátio Uberlândia Shopping Ltda.	100.00
Pátio Londrina Empreendimentos e Participações Ltda.	100.00
Pátio Goiânia Shopping Ltda.	-
Pátio São Paulo Shopping Ltda.	100.00
Unconsolidated associate:	
Campo Limpo Empreendimentos e Participações Ltda.	20.00

(a) Fundo de Investimento II held a 17.72% interest from Fundo de Investimento I. Considering that Fundo de Investimento I and II held 85% and 15%, respectively, of Shopping Parque D. Pedro, the Company held 51% of this property on a combined basis as of June 30, 2018.

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

As of June 30, 2018 and 2017, the Company's subsidiaries and associates held the following interests in shopping malls:

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

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

2. Presentation of interim financial information and summary of significant accounting policies

Basis of presentation

The individual and consolidated interim financial information has been prepared and is being presented in accordance with the International Financial Reporting Standards (IFRS) - IAS 34 - Interim Financial Reporting, and in accordance with CPC 21 - "Interim Financial Information", issued by the Brazilian Accounting Pronouncements Committee (CPC).

The Company's individual interim accounting information does not differ from the IFRS applicable to separate financial statements, in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). These individual statements are disclosed together with the Company's consolidated financial statements.

This information is being presented considering OCPC 07 - "Explanatory Notes", which reinforces the basic disclosure requirements of the existing standards and suggests disclosure focused on: (i) material information for the users; (ii) quantitative and qualitative aspects, and (iii) risks.

This interim financial information should be read together with the financial statements for the year ended December 31, 2017 since its objective is to provide an update of the significant activities, events and circumstances in relation to those financial statements.

For the convenience of users, the Company's material interim financial information (cash and cash equivalents, investments in subsidiaries) is presented in Note 23.

The interim financial information was approved by the Directors on August 6, 2018

3. New standards, amendments to and interpretations of standards

IFRS 9 (CPC48) - Financial Instruments and IFRS 15 (CPC47) - Revenues from Contracts with Customers are effective since January, 1st 2018. The adoption of these new standards do not result significant impact on Company’s financial statements.

In addition, the Company's Management is reviewing IFRS 16 (CPC06) - Leases, which will be effective as of January, 1st 2019. Based on the preliminary studies, the Company do not expect significant impact on its financial statements with the adoption of this new standard.

4. Estimates and critical accounting assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expected future events, which are considered reasonable in the circumstances. In the six-month period ended June 30, 2018, there were no changes in estimates and assumptions that presented a significant risk of causing material adjustments to the carrying amounts of assets and liabilities for the current year in relation to those detailed in the annual financial statements.

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 follows:

						Fair value		
Type	Initial date	Maturity date	Notional R$	Active index edge	Passive index edge	Active index edge	Passive index edge	R$
Swap	8/22/2013	2/15/2019	54,500	IPCA + 6.25%	CDI + 1.24%	39,087	47,095	(8,008)

As of June 30, 2018, the Company recognized in income for the year losses arising from changes in fair value of financial instruments (swap) of R$ 86 thousand, as disclosed in note 13.

(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 in banks and other financial institutions, as well as credit exposure to customers. The Company limits its exposure by adopting policies that allow transactions only with high-rating banks, as assessed by international credit rating agencies. Moreover, the Company constantly monitors the default level of its trade receivables. The allowance for doubtful debts 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.

June 30, 2018	Weighted average effective interest rate - %	2018	2019	2020	2021	2022	2023 forward	Total
Loans and financing	9.54%	52,000	99,502	93,317	70,478	65,137	83,070	463,504
Debentures	8.92%	12,891	182,285	18,636	81,434	76,928	176,241	548,415

(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 June 30, 2018.
- Adverse scenario: a 25% fluctuation in the main risk factors for the financial instruments compared to the level as of June 30, 2018.
- Remote scenario: a 50% fluctuation in the main risk factor for the financial instrument compared to the level as of June 30, 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 indices and rates used to prepare the sensitivity analysis:

Assumptions	Base scenario	Adverse scenario	Remote scenario
CDI fluctuations:			
Swap derivatives	7.32%	9.15%	10.98%
IPCA fluctuations:			
Debentures	4.15%	5.19%	6.23%
Swap derivatives	4.15%	3.11%	2.08%

Management analysis

			Consolidated		
Risk factor	Index	Risk	Base scenario	Adverse scenario	Remote scenario
Debentures	Inflation index	Increase in IPCA rate	4,243	5,304	6,365
Swap derivatives	Inflation index and interest rate	Increase in CDI rate	4,281	5,352	6,422
Swap derivatives	Inflation index and interest rate	Decrease in IPCA	2,356	1,767	1,178

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 June 30, 2018 and December 31, 2017 were as follow:

	Consolidated	
	6/30/2018	12/31/2017
Debt (a)	779,768	961,476
Cash and cash equivalents	(267,673)	(448,429)
Net debt (net cash)	512,095	513,047
Equity attributable to owners of the parent company (b)	2,646,940	2,585,116
Net debt-to-equity ratio	19.35%	19.85%

(a) Debt is defined as short- and long-term loans, financing and debentures detailed in Notes 14 and 15. Excludes gains or losses arising from derivative instruments. At June 30, 2018 and December 31, 2017 the total losses amount R$ 8,008 and R$ 12,901 respectively.

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

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 June 30, 2018 and December 31, 2017 are as follow:

Parent

			6/30/2018		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	62,077	62,077	273,327	273,327
Liabilities:						
Debentures	Other financial liabilities	Level 2	377,596	370,382	488,312	482,136
Debentures	Fair value through profit or loss	Level 2	37,840	37,840	76,508	76,508
Trade payables	Other financial liabilities	Level 2	28	28	-	-
Derivative financial instrument (i)	Fair value through profit or loss	Level 2	8,008	8,008	12,901	12,901

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

Consolidated

Nature	Classification	Fair value hierarchy	6/30/2018 Carrying amount	6/30/2018 Fair value	12/31/2017 Carrying amount	12/31/2017 Fair value
Assets:						
Cash and cash equivalents	Loans and receivables	Level 1	267,673	267,673	448,429	448,429
Trade receivables, net	Loans and receivables	Level 2	51,505	51,505	59,397	59,397
Loans to condominiums	Loans and receivables	Level 2	23,313	23,313	24,978	24,978
Liabilities:						
Loans and financing	Other financial liabilities	Level 2	364,333	364,333	396,656	396,656
Debentures	Other financial liabilities	Level 2	377,596	370,382	488,312	482,136
Debentures	Fair value through profit or loss	Level 2	37,840	37,840	76,508	76,508
Derivative financial instruments (i)	Fair value through profit or loss	Level 2	8,008	8,008	12,901	12,901
Trade payables	Other financial liabilities	Level 2	5,824	5,824	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 services

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 - 6/30/2018		
	Third party services	Investment	Total
Cash and cash equivalents	20,360	247,313	267,673
Trade receivables, net	883	50,622	51,505
Property, plant and equipment and intangible assets	5,520	-	5,520
Investment properties and noncurrent assets held for sale	-	4,788,777	4,788,777
Other assets	3,066	136,297	139,363
Total assets	29,829	5,223,009	5,252,838

	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 and equipment and intangible assets	5,519	-	5,519
Investment properties and noncurrent 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 - 4/01 to 6/30/2018			
	Third party services	Investment	Related parties transactions eliminated	Total
Gross revenue	12,861	148,010	(58,752)	102,119
Deductions:				
Taxes	(1,819)	(2,781)	-	(4,600)
Discounts and abatements	-	(8,903)	-	(8,903)
Total	(1,819)	(11,684)	-	(13,503)
Net operating revenue	11,042	136,326	(58,752)	88,616
Operating costs, general and administrative expenses and other	(9,985)	(72,066)	58,752	(23,299)
Changes in fair value of investment properties	-	2,102	-	2,102
Equity pick-up	-	94,804	-	94,804
Financial expenses, net	252	(14,269)	-	(14,017)
Total	(9,733)	10,571	58,752	59,590
Income before income tax and social contribution	1,309	146,897	-	148,206

	Consolidated – 4/01 to 6/30/2017			
	Third party services	Investment	Related parties transactions eliminated	Total
Gross revenue	11,912	95,516	(5,426)	102,002
Deductions:				
Taxes	(1,684)	(2,732)	-	(4,416)
Discounts and abatements	-	(9,477)	-	(9,477)
Total	(1,684)	(12,209)	-	(13,893)
Net operating revenue	10,228	83,307	(5,426)	88,109
Operating costs, general and administrative expenses and other	(11,433)	(22,104)	5,426	(28,111)
Changes in fair value of investment properties	-	87,085	-	87,085
Equity pick-up	-	1,389	-	1,389
Financial expenses, net	567	(12,664)	-	(12,097)
Total	(10,866)	53,706	5,426	48,266
Income before income tax and social contribution	(638)	137,013	-	136,375

	Consolidated – 1/01 to 6/30/2018			
	Third party services	Investment	Related parties transactions eliminated	Total
Gross revenue	25,467	243,706	(64,721)	204,452
Deductions:				
Taxes	(3,601)	(5,559)	-	(9,160)
Discounts and abatements	-	(17,554)	-	(17,554)
Total	(3,601)	(23,113)	-	(26,714)
Net operating revenue	21,866	220,593	(64,721)	177,738
Operating costs, general and administrative expenses and other	(18,852)	(92,812)	64,721	(46,943)
Changes in fair value of investment properties	-	2,979	-	2,979
Equity pick-up	-	94,804	-	94,804
Financial expenses, net	525	(28,277)	-	(27,752)
Total	(18,327)	(23,306)	64,721	23,088
Income before income tax and social contribution	3,539	197,287	-	200,826

	Consolidated – 1/01 to 6/30/2017			
	Property management and development	Investment	Related parties transactions eliminated	Total
Gross revenue	23,618	187,916	(10,809)	200,725
Deductions:				
Taxes	(3,338)	(5,384)	-	(8,722)
Discounts and abatements	-	(18,814)	-	(18,814)
Total	(3,338)	(24,198)	-	(27,536)
Net operating revenue	20,280	163,718	(10,809)	173,189
Operating costs and general and administrative expenses	(21,832)	(44,175)	10,809	(55,198)
Changes in fair value of investment properties	-	87,085	-	87,085
Equity pick-up	-	2,228	-	2,228
Financial expenses, net	1,298	(28,220)	-	(26,922)
Total	(20,534)	16,918	10,809	7,193
Income before income tax and social contribution	(254)	180,636	-	180,382

7. Cash and cash equivalents

	Consolidated	
	6/30/2018	12/31/2017
Cash and checking account	3,972	2,411
Short-term investments (a)	263,701	446,018
	267,673	448,429

(a) As of June 30, 2018, the short term investments are highly liquid and earn yields at the weighted average interest rate of 100.6% 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

Trade receivables

	Consolidated	
	6/30/2018	12/31/2017
Rentals	78,252	81,957
Assignment of rights receivables (a)	452	480
Total trade receivables billed	78,704	82,437
Unbilled rentals (b)	14,657	14,649
Total trade receivables	93,361	97,086
Allowance for doubtful debts	(41,856)	(37,689)
	51,505	59,397
Current	38,913	46,883
Noncurrent	12,592	12,514

(a) Represent receivables from agreements for the assignment of rights for 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 June 30, 2018, and December 31, 2017, as follows:

	Consolidated	
	6/30/2018	12/31/2017
Current	35,004	46,417
Past due:		
Up to 30 days	4,542	3,546
31 to 60 days	2,774	2,256
61 to 90 days	2,193	1,735
91 to 180 days	5,109	4,657
Over 180 days	29,082	23,826
Subtotal	43,700	36,020
Total	78,704	82,437

Allowance for doubtful accounts

The change in the allowance for doubtful accounts for the six-month period ended June 30, 2018 is as follows:

	Consolidated
Balance as of December 31, 2017	(37,689)
Additions in the period, net	(4,167)
Balance as of June 30, 2018	(41,856)

9. Investments

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

	Consolidated	
	6/30/2018	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	42,871	41,932
Statement of income	6/30/2018	6/30/2017
Share of profit or loss of subsidiary for the period	2,979	2,228

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

	Consolidated	
	6/30/2018	12/31/2017
Balance sheet		
Current assets	3,278	4,423
Noncurrent assets	299,028	289,760
Current liabilities	1,612	1,134
Noncurrent liabilities	86,338	83,387
Equity	214,356	209,662
Statement of income	6/30/2018	6/30/2017
Net operating revenue from rentals and others	12,442	12,028
Profit and comprehensive income for the period	14,894	11,140

(iii) Changes in investments for the six-month period ended June 30, 2018, are as follows:

	Consolidated
Balances at December 31, 2017	41,932
Equity pick-up	2,979
Dividends received	(2,040)
Balances at June 30, 2018	42,871

10. 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	
	6/30/2018	12/31/2017
Constructed investment property	4,722,581	4,615,094
Investment property under construction	24,342	30,216
Total	4,746,923	4,645,310

Changes in investment property for the six-month period ended June 30, 2018:

	Consolidated		
	Constructed investment properties	Investment properties under construction	Total
Balance at December 31, 2017	4,615,094	30,216	4,645,310
Additions	16,199	148	16,347
Changes in fair value of investment properties	91,288	3,516	94,804
Transfer to noncurrent assets held for sale (Note 11)	-	(9,538)	(9,538)
Balance at June 30, 2018	4,722,581	24,342	4,746,923

Management adopts as an accounting policy the fair value revaluation of investment properties on a semiannual basis, that is, as of June 30 and December 31. This policy is being applied consistently and has not been subject to any changes compared to its application as of December 31, 2017.

11. No-current asset 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 June 30, 2018, the balance of these properties is R$41,854, recognized in the line item "Non-current assets held for sale".

These properties were appraised and are stated at their fair value. The impairment risk appraisal has been made annually, at each balance sheet closing.

12. 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	6/30/2018	12/31/2017
Banco do Amazonas S.A.-BASA (a)	Manauara Shopping	8.5%	12/10/2020	42,792	51,349
Banco Bradesco S.A. (a)	Boulevard Londrina	TR + 9.7%	3/27/2026	86,224	91,833
Banco Bradesco S.A. (a)	Uberlândia Shopping	TR + 9.7%	1/26/2026	48,086	51,282
Banco Santander S.A. (a)	Passeio das Águas	TR + 9.7%	6/22/2023	163,736	176,308
Banco Itaú BBA S.A. (b)	Shopping Metrópole	TR + 9.3%	5/10/2023	23,495	25,884
Total				364,333	396,656
Current				72,555	72,011
Noncurrent				291,778	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 June 30, 2018, the total amount of the properties pledged to the banks in connection with the loans and financing is R$2,157,652 and the amount of net receivables pledged by Pátio Boavista is R$3,417.

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:	Consolidated
Balance at December 31, 2017	396,656
Payments - principal	(32,175)
Interest payments	(17,473)
Financial charges recorded in net income	17,325
Balance at June 30, 2018	364,333

The loans and financing classified in noncurrent liabilities as of June 30, 2018 mature as follow:

From July 1st, 2019	35,974
2019	71,948
2020	54,922
2021	54,922
2022	35,791
2023 - 2026	38,221
Total	291,778

13. Debentures

Debentures	Annual interest rate	Final maturity	Parent and Consolidated 6/30/2018	Parent and Consolidated 12/31/2017
Securities issued in 2012- 2nd series (a)	IPCA + 6.25%	2/15/19	153,143	308,740
Securities issued in 2017- 1st series (b)	CDI+0,75%	7/15/22	127,522	127,842
Securities issued in 2017- 2nd series (b)	IPCA+6,24%	7/15/24	134,771	128,238
Loss on derivatives in fair value hedge accounting			8,008	12,901
Total			423,444	577,721
Current			171,909	175,567
Non-current			251,535	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 nº476/09, in two series, with a par value of R$1 each, totaling R$250,000 as detailed bellow:

• 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:

	Consolidated
Balance at December 31, 2017	577,721
Amortized borrowing costs	649
Interest allocated to net income	20,641
Principal paid	(147,297)
Interest paid, net of cash received in derivative transactions	(22,959)
Derivative transactions paid	(5,225)
Gain on derivative transaction, net	(86)
Balance at June 30, 2018	423,444

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

	Principal and interest	Borrowing costs	Total
From July 1st, 2018	-	(314)	(314)
2019	-	(627)	(627)
2020	62,500	(627)	61,873
2021	62,500	(475)	62,025
2022	64,496	(261)	64,235
2023 - 2024	64,496	(153)	64,343
Total	253,992	(2,457)	251,535

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 June 30, 2018, the Company is compliant with all covenants.

14. Equity

(a) Dividends

On April 25, 2018, the Company approved the distribution of complementary dividends in the amount of R$4,773, totaling R$34,773 of dividends using the reserve for unrealized profits. On May 14, 2018, the Company paid the total amount of dividends.

(b) 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 as shown below:

	Parent and Consolidated			
	04/01 a 06/30/2018	01/01 a 06/30/2018	04/01 a 06/30/2017	01/01 a 06/30/2017
Net income for the year attributable to the Company's owners	41,725	66,597	54,612	72,272
Weighted average of outstanding common shares - in thousands	76,424	76,424	76,424	76,424
Basic and diluted earnings per share - R$	0.55	0.87	0.71	0.95

15. Net operating revenue from rentals, services and others

	Consolidated			
	04/01 a 06/30/2018	01/01 a 06/30/2018	04/01 a 06/30/2017	01/01 a 06/30/2017
Gross operating revenue:				
Rentals	81,538	163,894	81,123	160,356
Revenue from services	6,571	13,210	6,485	12,809
Parking revenue	11,382	22,777	11,741	22,449
Key Money	1,686	3,265	2,300	4,515
Other income	942	1,306	353	596
Total	102,119	204,452	102,002	200,725
Deductions:				
Taxes on rentals and services	(4,600)	(9,160)	(4,416)	(8,723)
Discounts and rebates	(8,903)	(17,554)	(9,477)	(18,813)
Total	(13,503)	(26,714)	(13,893)	(27,536)
Net operating revenue from rentals, services and others	88,616	177,738	88,109	173,189

16. Expenses and costs by nature

	Consolidated			
	04/01 a 06/30/2018	01/01 a 06/30/2018	04/01 a 06/30/2017	01/01 a 06/30/2017
Depreciation and amortization	488	1,011	572	1,185
Personnel costs	9,060	17,160	11,184	22,918
External services	3,065	5,584	2,871	5,792
Costs of occupancy (vacant stores)	4,100	7,936	4,657	10,019
Costs of contractual agreements with tenants	3,424	6,586	2,711	5,383
Allowance for doubtful accounts	1,539	4,167	3,140	4,510
Other	3,903	7,767	4,281	7,363
Total	25,579	50,211	29,416	57,170
Classified as:				
Cost of rentals and services provided	19,798	38,126	21,038	43,042
General and administrative expenses	5,781	12,085	8,378	14,128

17. Financial income (expenses), net

	Consolidated			
	04/01 a 06/30/2018	01/01 a 06/30/2018	04/01 a 06/30/2017	01/01 a 06/30/2017
Financial income:				
Interest on short term investments	3,182	7,915	4,028	9,817
Other	1,098	3,105	1,260	2,497
Total	4,280	11,020	5,288	12,314
Financial expenses:				
Interest on loans and financing	(8,527)	(17,325)	(10,575)	(22,135)
Interest on debentures	(9,712)	(21,290)	(5,809)	(14,054)
Other	(58)	(157)	(1,001)	(3,047)
Total	(18,297)	(38,772)	(17,385)	(39,236)
Total, net	(14,017)	(27,752)	(12,097)	(26,922)

18. Income tax and social contribution

a) Income tax and social contribution expense

	Consolidated			
	04/01 a 06/30/2018	01/01 a 06/30/2018	04/01 a 06/30/2017	01/01 a 06/30/2017
Income before income tax and social contribution	148,206	200,826	136,375	180,382
Statutory rate	34%	34%	34%	34%
Income tax and social contribution charge, at statutory rate	(50,390)	(68,281)	(46,368)	(61,330)
Effect of income tax and social contribution on permanent and temporary differences:				
Equity pick-up	715	1,013	473	758
Other permanent differences	(21,079)	(21,079)	(57)	(1,900)
Tax losses carried forwards not considered	(3,172)	(4,406)	(7,495)	(9,199)
Effect of taxation of subsidiaries based on deemed income	3,318	6,253	2,713	5,384
Effect of differential taxation of Fundos de Investimento Imobiliário I and II (i)	18,531	24,411	15,935	21,389
Income tax and social contribution expense at effective rate	(52,077)	(62,089)	(34,799)	(44,898)
Effective rate - %	35	31	26	25

(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	
	6/30/2018	12/31/2017
Tax losses carried forwards	14,204	35,767
Reserve for contingencies	1,252	1,290
Allowance for doubtful accounts	4,962	3,096
Other temporary reserves	(100)	1,317
Changes in fair values of investment property, net	(719,998)	(694,413)
Total deferred income tax and social contribution	(699,680)	(652,943)
In noncurrent assets	1,388	2,026
In noncurrent liabilities	(701,068)	(654,969)

The credit balances totaling R$46,936 (Consolidated), as of June 30, 2018, shall be realized within a period of up to ten years, as shown below:

Year	Consolidated
2018	-
2019	-
2020	988
2021	2,133
2022	3,263
2023-2026	40,552
Total	46,936

As of June 30, 2018, the Company and its subsidiaries have R$225,161 of tax loss carryforwards for which no deferred income tax and social contribution was recognized, since the expected realization is not probable, based on studies and internal projections.

19. Related parties

In the normal 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 shopping malls (common charges and promotion fund).

Balances and transactions with related parties are as follows:

		Consolidated	
Balance sheet	Purpose	06/30/2018	12/31/2017
Current assets			
Related parties:			
Condomínio Boulevard Londrina Shopping	(a)	314	406
Condomínio Passeio das Águas Shopping	(a)	218	402
Condomínio Uberlândia Shopping	(a)	520	672
Condomínio Shopping Center Plaza Sul	(a)	24	72
Condomínio Franca Shopping Center	(a)	-	10
Condomínio Civil Center Shopping São Bernardo	(a)	20	-
Total (*)		1,096	1,562
Noncurrent assets			
Related parties:			
Condomínio Boulevard Londrina Shopping	(b)	7,594	7,896
Condomínio Passeio das Águas Shopping	(b)	9,487	9,864
Condomínio Shopping Center Plaza Sul	(b)	770	1,412
Condomínio Uberlândia Shopping	(b)	5,462	5,806
Total		23,313	24,978
Current liabilities			
Related parties:			
Parque D. Pedro I BV SARL	(c)	3,366	3,489
Total		3,366	3,489

		Consolidated			
Statement of profit or loss	Purpose	04/01 a 06/30/2018	01/01 a 06/30/2018	04/01 a 06/30/2017	01/01 a 06/30/2017
Operating revenue					
Related parties:					
Condomínio Shopping Center Penha	(a)	491	981	489	1,004
Condomínio Civil Center Shopping São Bernardo	(a)	427	848	427	817
Condomínio Franca Shopping Center	(a)	177	356	170	320
Condomínio Shopping Center Plaza Sul	(a)	609	1,218	595	1,129
Condomínio Parque Dom Pedro Shopping	(a)	1,115	2,246	1,106	2,110
Condomínio Campo Limpo Shopping	(a)	314	617	297	581
Condomínio Manauara Shopping	(a)	656	1,322	688	1,369
Condomínio Uberlândia Shopping	(a)	419	831	281	836
Condomínio Boulevard Londrina Shopping	(a)	471	915	459	879
Condomínio Passeio das Águas Shopping	(a)	514	1,052	681	1,089
Total		5,193	10,386	5,193	10,134
Finance income					
Related parties:					
Condomínio Boulevard Londrina Shopping	(b)	72	181	71	173
Condomínio Passeio das Águas Shopping	(b)	80	195	92	222
Condomínio Uberlândia Shopping	(b)	52	122	65	156
Condomínio Shopping Center Plaza Sul	(b)	26	96	57	167
Total		230	594	228	551

(*) Included in trade 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. These revenues are recognized in the line item "Service revenues" (Note 15). These services have been rendered by Unishopping Consultoria. Additionally, there are receivables from the initial expenses of the incorporation of condominiums of recently opened malls, which were paid by the companies owning the respective malls and are recorded in "other receivables" in current assets.

(b) Refers to loans to condominiums.

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

20. Management compensation

Expenses on management compensation are shown below:

	Consolidated	
	6/30/2018	6/30/2017
Payroll and related taxes	2,333	1,052
Variable compensation	1,218	817
Benefits	193	114
Total	3,744	1,983

These amounts are recorded as "cost of rentals and services rendered", in the statement of profit or loss for the period.

The amounts referring to the compensation of key Management personnel are represented by short and long-term benefits, substantially corresponding to fixed and variable compensation (including performance bonus). There is no post-employment benefits or share-based compensation.

As at June 30, 2018, the balance of the line item "Accrual for variable compensation", in the amount of R$2,250 (R$2,708 as at December 31, 2017), classified in noncurrent liabilities, includes only variable compensation (performance bonuses) awarded to Company's officers.

In addition, as approved at the Annual and Extraordinary Shareholders' Meetings held on April 25, 2018, the overall compensation limit to the Company Directors and Officers for the year 2018, is limited to R$10,000.

21. Insurance coverage

As at June 30, 2018, insurance coverage is as follows:

Type	Insured amounts
Civil liability (shopping mall operations)	93,243
Fire	800,000
Loss of profits	321,089
Windstorms/smokes	250,000
Other	31,070

22. 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 manager of Fundo de Investimento Imobiliário I, Banco Ourinvest S.A., ceased to 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 obligation 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 September 11, 2010, Banco Ourinvest S.A. filed its counterarguments and currently awaits the appellate court decision.

On September 25, 2015, the Federal Court accepted the appeal of the federal government, thus overruling the lower court decision. On July 13, 2015, the BTG Pactual Serviços Financeiros S.A. DTVM, the current manager of Fundo de Investimento Parque D. Pedro I, has filed an appeal to continue the suspension of the obligation 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 at June 30, 2018, the subsidiary Sierra Investimentos has R$19,364 pledged as collateral, classified as escrow deposits in noncurrent assets (R$18,064 as of December 31, 2017).

23. Parent's Financial Statements

23.1 Cash and cash equivalents

	Parent	
	6/30/2018	12/31/2017
Cash and banks	192	111
Short-term investments	61,885	273,216
Total	62,077	273,327

Short-term investments are highly liquid and earn interest at the weighted average rate of 102.3% of the Interbank Deposit Certificate (CDI) (101.4% as at December 31, 2017).

23.2 Investments in subsidiaries

a) Ownership interests

June 30, 2018	Number of shares held	Ownership interest - %	Share of profit or loss of subsidiaries	Investment balance
Subsidiaries:				
Sierra Investimentos	1,078,862,171	100.00	80,903	2,958,976
Unishopping Consultoria	12,663,326	100.00	4,099	18,997
			85,002	2,977,973

December 31, 2017	Number of shares held	Ownership interest - %	Share of profit or loss of subsidiaries	Investment balance
Subsidiaries:				
Sierra Investimentos	1,078,862,171	100.00	170,110	2,878,073
Unishopping Consultoria	12,663,326	100.00	1,449	14,898
			171,559	2,892,971

(i) Financial information of investees

	Sierra Investimentos		Unishopping Consultoria	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Statement of financial position				
Total assets	3,167,962	2,903,344	29,826	30,631
Total liabilities	208,986	25,271	10,828	15,733
Equity	2,958,976	2,878,073	18,998	14,898
Statement of profit or loss	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Net operating revenue	6,229	96	25,468	23,619
Profit and comprehensive income for the period	80,903	89,335	4,099	(254)

(ii) Movements in investments for the six-month period ended June 30, 2018, are as follows:

	Consolidated
Balances at December 31, 2017	2,892,971
Equity pick-up	85,002
Balances at June 30, 2018	2,977,973

b) Noncontrolling interests

(i) Noncontrolling interests in Fundos de Investimento Imobiliário I and II

	Fundo de Investimento Imobiliário I		Fundo de Investimento Imobiliário II	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Noncontrolling interests in share capital	40.00	40.00	49.90	49.90
Profit for the period attributable to noncontroling interests	50,229	79,232	21,911	34,594
Equity attributable to noncontrolling interests	740,390	712,772	329,692	317,213
Dividends paid to noncontrolling shareholders	22,785	45,861	9,456	19,140

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

	Fundo de Investimento Imobiliário I		Fundo de Investimento Imobiliário II	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Statement of financial position				
Current assets	35,538	35,859	16,269	17,514
Noncurrent assets	1,829,331	1,761,941	652,589	626,649
Current liabilities	13,680	15,701	8,837	9,159
Noncurrent liabilities	214	168	37	30
Equity	1,850,975	1,781,931	659,984	634,974
Statement of profit or loss	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Net operating revenue from rentals and others	68,622	66,025	12,110	11,651
Profit and comprehensive income for the period	125,574	109,927	43,910	38,586

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