

(A free translation of the original in Portuguese)

Sonae Sierra Brasil S.A. and Subsidiaries

**Quarterly Information (ITR) at
March 31, 2019
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 March 31, 2019, comprising the balance sheet as at that date and the statements of income and comprehensive income, changes in equity and cash flows for the quarter 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.



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 quarter ended March 31, 2019. 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, May 9, 2019

A blue ink signature, likely of a representative from PricewaterhouseCoopers, written over the company name.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

A blue ink signature, likely of Marcelo Orlando, written over the name and title.

Marcelo Orlando
Contador CRC 1SP217518/O-7

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF MARCH 31, 2019
(In thousands of Brazilian Reais - R\$)

ASSETS	Note	Company		Consolidated		LIABILITIES AND EQUITY	Note	Company		Consolidated	
		03/31/19	12/31/18	03/31/19	12/31/18			03/31/19	12/31/18	03/31/19	12/31/18
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	7 e 24.1	86.410	62.551	337.178	280.145	Loans and financing	12	-	-	22.324	22.383
Trade receivables, net	8	-	-	42.237	50.694	Debentures	13	8.768	175.616	8.768	175.616
Recoverable taxes		17.906	-	29.943	9.889	Domestic trade accounts payable		36	6	8.167	9.317
Prepaid expenses		70	8	214	22	Taxes payable		42	26	14.385	17.415
Other receivables	24.2	161.678	161.679	6.050	4.119	Personnel, payroll taxes, benefits, and rewards		25	26	8.348	9.055
Total current assets		266.064	224.238	415.622	344.869	Key money		-	-	148	534
						Dividends payable		3.000	3.000	3.000	3.000
NONCURRENT ASSETS HELD FOR SALE	11	21.610	21.610	41.521	41.521	Earnings payable		-	-	6.860	8.071
						Other payables		755	141	8.816	9.681
NON-CURRENT ASSETS						Total current liabilities		12.626	178.815	80.816	255.072
Trade receivables, net	8	-	-	12.235	12.409						
Recoverable taxes		14.092	31.774	14.092	31.774	NON-CURRENT LIABILITIES					
Loans related to condominiums		-	-	21.694	22.296	Loans and financing	12	-	-	307.382	312.832
Deferred income tax and social contribution		-	-	1.090	1.828	Debentures	13	454.654	254.349	454.654	254.349
Escrow deposits		2.713	2.730	24.880	24.089	Key money		-	-	956	767
Other receivables		-	-	2.167	2.167	Deferred income tax and social contribution	18	-	-	769.152	765.870
Investments	9 e 24.3	2.961.254	2.922.085	44.447	44.643	Provision for contingencies		2.689	2.671	6.697	6.581
Investment properties	10	-	-	4.977.297	4.974.104	Accruals for variable compensation	20	-	-	3.436	3.049
Property, plant and equipment		-	-	3.323	3.205	Total non-current liabilities		457.343	257.020	1.542.277	1.343.448
Intangible assets		-	-	2.146	2.348						
Total non-current assets		2.978.059	2.956.589	5.103.371	5.118.863	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		1.288.621	1.288.621	1.288.621	1.288.621
						Retained earnings		29.162	-	29.162	-
						Equity attributable to owners of the Company		2.795.764	2.766.602	2.795.764	2.766.602
						Non-controlling interests		-	-	1.141.657	1.140.131
						Total equity		2.795.764	2.766.602	3.937.421	3.906.733
TOTAL ASSETS		3.265.733	3.202.437	5.560.514	5.505.253	TOTAL LIABILITIES AND EQUITY		3.265.733	3.202.437	5.560.514	5.505.253

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

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2019
(In thousands of Brazilian Reais - R\$, except earnings per share)

		Company		Consolidated	
	Note	03/31/19	03/31/18	03/31/19	03/31/18
NET OPERATING REVENUE FROM RENTALS, SERVICES, AND OTHERS	15	-	-	94.416	89.124
COST OF RENTALS AND SERVICES	16	-	-	(19.510)	(18.327)
GROSS PROFIT		-	-	74.906	70.797
OPERATING (EXPENSES)/INCOME					
General and administrative expenses	16	(922)	(443)	(5.453)	(6.305)
Tax expenses		(181)	(222)	(440)	(439)
Equity pick-up	9 e 24	39.169	33.997	954	877
Other operating income, net		(26)	-	717	1.426
Total income (expenses) from operations, net		38.040	33.332	(4.222)	(4.441)
OPERATING INCOME BEFORE FINANCIAL EXPENSES		38.040	33.332	70.684	66.356
FINANCIAL EXPENSES, NET	17	(8.878)	(8.461)	(13.375)	(13.736)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		29.162	24.871	57.309	52.620
INCOME TAX AND SOCIAL CONTRIBUTION					
Current		-	-	(6.305)	(7.717)
Deferred	18	-	-	(4.020)	(2.296)
Total		-	-	(10.325)	(10.013)
NET INCOME FOR THE PERIOD		29.162	24.871	46.984	42.607
NET INCOME ATTRIBUTABLE TO					
Owners of the Company		-	-	29.162	24.871
Non-controlling interests		-	-	17.822	17.736
BASIC AND DILUTED EARNINGS PER SHARE - R\$	14	0,38	0,33	0,38	0,33

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

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF CHANGE IN EQUITY (COMPANY AND CONSOLIDATED)
FOR THE PERIOD ENDED MARCH 31, 2019
(In thousands of Brazilian Reais - R\$)

		Capital reserves		Earnings reserves				Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
	<u>Capital</u>	<u>Share Issuance costs</u>	<u>Share subscription premium</u>	<u>Legal reserve</u>	<u>Earnings retention reserve</u>	<u>Unrealized earnings</u>	<u>Retained earnings</u>			
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	-	-	-	-	-	-	24.871	24.871	17.736	42.607
Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	(15.152)	(15.152)
BALANCES AS OF MARCH 31, 2018	<u>1.397.866</u>	<u>(16.083)</u>	<u>96.198</u>	<u>66.033</u>	<u>948.713</u>	<u>92.389</u>	<u>24.871</u>	<u>2.609.987</u>	<u>1.032.569</u>	<u>3.642.556</u>
BALANCES AS OF DECEMBER 31, 2018	<u>1.397.866</u>	<u>(16.083)</u>	<u>96.198</u>	<u>75.496</u>	<u>1.083.560</u>	<u>129.565</u>	<u>-</u>	<u>2.766.602</u>	<u>1.140.131</u>	<u>3.906.733</u>
Net income for the period	-	-	-	-	-	-	29.162	29.162	17.822	46.984
Dividends arising from the operations of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	(16.296)	(16.296)
BALANCES AS OF MARCH 31, 2019	<u>1.397.866</u>	<u>(16.083)</u>	<u>96.198</u>	<u>75.496</u>	<u>1.083.560</u>	<u>129.565</u>	<u>29.162</u>	<u>2.795.764</u>	<u>1.141.657</u>	<u>3.937.421</u>
The accompanying notes are an integral part of these interim financial information.										

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2019
(In thousands of Brazilian Reais - R\$)

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/19</u>	<u>03/31/18</u>	<u>03/31/19</u>	<u>03/31/18</u>
NET INCOME FOR THE PERIOD	29.162	24.871	46.984	42.607
Other comprehensive income	-	-	-	-
TOTAL OF COMPREHENSIVE INCOME	<u>29.162</u>	<u>24.871</u>	<u>46.984</u>	<u>42.607</u>
NET INCOME ATTRIBUTABLE TO				
Owners of the Company	-	-	29.162	24.871
Noncontrolling interests	-	-	17.822	17.736

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

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOW

FOR THE PERIOD ENDED MARCH 31, 2019

(In thousands of Brazilian Reais - R\$)

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/19</u>	<u>03/31/18</u>	<u>03/31/19</u>	<u>03/31/18</u>
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	29.162	24.871	46.984	42.607
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	433	523
Result value of property and equipment sold	-	-	17	38
Gains on derivatives transactions, net	(35)	(107)	(35)	(107)
Unbilled revenue from rentals	-	-	(58)	(79)
Allowance for doubtful accounts	-	-	1.511	2.628
Reversal of provision for contingencies	-	-	15	(138)
Monetary adjustment of provision for contingencies	18	19	60	95
Accrual for variable compensation	-	-	2.469	825
Deferred income tax and social contribution	-	-	4.020	2.296
Income tax and social contribution	-	-	6.305	7.717
Interest on loans, financing and debentures	10.246	11.576	17.803	20.374
Equity pick-up	(39.169)	(33.997)	(954)	(877)
(Increase)/decrease in operating assets:				
Trade receivables	-	-	7.178	7.100
Loans related to condominiums	-	-	602	1.076
Recoverable taxes	(224)	(1.459)	(2.372)	(2.096)
Prepaid expenses	(62)	(70)	(192)	(203)
Escrow deposits	17	(77)	(791)	(836)
Other	1	-	(1.931)	(248)
Increase (decrease) in operating liabilities:				
Domestic trade accounts payable	30	26	(1.150)	1.122
Taxes payable	16	(49)	(2.189)	(3.645)
Personnel, payroll taxes, benefits and rewards	(1)	1	(2.789)	(1.879)
Key money	-	-	(197)	(669)
Payments of contingencies	-	-	41	-
Other payables	614	(1.666)	(865)	336
Cash provided by operating activities	613	(932)	73.915	75.960
Interest and derivative transaction paid	(22.127)	(28.184)	(29.741)	(37.080)
Income tax and social contribution paid	-	-	(7.146)	(6.706)
Net cash provided by (used in) operating activities	<u>(21.514)</u>	<u>(29.116)</u>	<u>37.028</u>	<u>32.174</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Construction and maintenance of investment property	-	-	(3.193)	(7.724)
Acquisition of property and equipment	-	-	(357)	(541)
Acquisition of intangible assets	-	-	(9)	(196)
Dividends received	-	-	1.150	1.139
Net cash used in investing activities	<u>-</u>	<u>-</u>	<u>(2.409)</u>	<u>(7.322)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Debentures raised	200.000	-	200.000	-
Debentures issuance costs	(1.768)	-	(1.768)	-
Debentures paid - principal	(152.859)	(147.297)	(152.859)	(147.297)
Loans and financing paid - principal	-	-	(5.452)	(16.023)
Distributed earnings of real estate funds - non-controlling interests	-	-	(17.507)	(15.833)
Net cash provided by (used in) financing activities	<u>45.373</u>	<u>(147.297)</u>	<u>22.414</u>	<u>(179.153)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	<u>23.859</u>	<u>(176.413)</u>	<u>57.033</u>	<u>(154.301)</u>
CASH AND CASH EQUIVALENTS				
At the end of the period	86.410	96.914	337.178	294.128
At the beginning of the period	62.551	273.327	280.145	448.429
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS, NET	<u>23.859</u>	<u>(176.413)</u>	<u>57.033</u>	<u>(154.301)</u>

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

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
FOR THE PERIOD ENDED MARCH 31, 2019
(In thousands of Brazilian Reais - R\$)

	Company		Consolidated	
	<u>03/31/19</u>	<u>03/31/18</u>	<u>03/31/19</u>	<u>03/31/18</u>
REVENUE				
Revenue from rentals and services	-	-	106.238	101.970
Other income	-	-	461	365
Expenditures related to the construction of investment property and property and equipment	-	-	3.559	8.461
Allowance for doubtful accounts	-	-	(1.511)	(2.628)
	<u>-</u>	<u>-</u>	<u>108.747</u>	<u>108.168</u>
SERVICES AND SUPPLIES PURCHASED FROM THIRD PARTIES				
Cost of rentals and services	-	-	(15.965)	(17.769)
Supplier, power, outside services and others	(728)	(297)	(6.153)	(10.699)
	<u>(728)</u>	<u>(297)</u>	<u>(22.118)</u>	<u>(28.468)</u>
GROSS VALUE ADDED	<u>(728)</u>	<u>(297)</u>	<u>86.629</u>	<u>79.700</u>
DEPRECIATION AND AMORTIZATION	-	-	(432)	(523)
WEALTH CREATED BY THE COMPANY	<u>(728)</u>	<u>(297)</u>	<u>86.197</u>	<u>79.177</u>
WEALTH RECEIVED IN TRANSFER				
Equity pick-up	39.169	33.997	954	877
Financial income	<u>1.493</u>	<u>3.119</u>	<u>5.239</u>	<u>6.740</u>
	<u>40.662</u>	<u>37.116</u>	<u>6.193</u>	<u>7.617</u>
DISTRIBUTION OF WEALTH	<u>39.934</u>	<u>36.819</u>	<u>92.390</u>	<u>86.794</u>
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	216	146	8.016	6.517
Benefits	-	-	739	653
Severance pay fund (FGTS)	-	-	392	167
	<u>216</u>	<u>146</u>	<u>9.147</u>	<u>7.337</u>
Taxes and fees:				
Federal	181	222	16.321	15.021
Municipal	-	-	847	754
	<u>181</u>	<u>222</u>	<u>17.168</u>	<u>15.775</u>
Lenders and lessors:				
Interest expenses	10.371	11.580	18.614	20.476
Rentals	-	-	476	599
	<u>10.371</u>	<u>11.580</u>	<u>19.090</u>	<u>21.075</u>
Interest on capital:				
Retained earnings	29.166	24.871	29.166	24.871
Noncontrolling interests	-	-	17.819	17.736
	<u>29.166</u>	<u>24.871</u>	<u>46.985</u>	<u>42.607</u>
Total	<u>39.934</u>	<u>36.819</u>	<u>92.390</u>	<u>86.794</u>

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

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

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 March 31, 2019 and 2018, 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.

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

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

As of March 31, 2019 and 2018, the Company's subsidiaries and associates held the following interests in shopping malls:

<u>Developer</u>	<u>Shopping mall</u>	<u>Undivided interest - %</u>
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, 2018 since its objective is to provide an update of the significant activities, events and circumstances in relation to those financial statements.

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. 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.

For the convenience of users, the Company's material interim financial information (cash and cash equivalents, investments in subsidiaries) is presented in Note 24.

The Company adopted all standards, standards reviews and interpretations issued by the IASB and the CPC that were in effect on March 31, 2019.

The interim financial information was approved by the Officers on May 9, 2019.

3. New standards, amendments to and interpretations of standards

IFRS 16 (CPC06) – Leases are effective since January 1st 2019. 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. The adoption of this new standard do not result significant impact on Company's financial statements.

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 three-month period ended March 31, 2019, 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 and its subsidiaries 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 issued in the year 2012. This transaction was paid in February 15, 2019, in the residual amount of R\$ 8,191.

As of March 31, 2019, the Company recognized in income for the year gains arising from changes in fair value of financial instruments (swap) of R\$ 35, 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 expected doubtful debts is recognized in an amount considered by Management as sufficient to cover expected 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.

March 31, 2019	Weighted average effective interest rate - %	2019	2020	2021	2022	2023	2024 forward	Total
Loans and financing	9.58%	46,693	54,033	80,048	75,264	67,489	137,829	461,356
Debentures	7.94%	21,106	34,187	96,910	92,387	147,562	264,852	657,004

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 March 31, 2019 and December 31, 2018 were as follow:

	Consolidated	
	3/31/2019	12/31/2018
Debt (a)	793,128	757,055
Cash and cash equivalents	(337,178)	(280,145)
Net debt (net cash)	455,950	476,910
Equity attributable to owners of the parent company (b)	2,795,764	2,766,602
Net debt-to-equity ratio	16.31%	17.24%

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

(a) Debt is defined as short- and long-term loans, financing and debentures detailed in Notes 12 and 13 (as of December 31, 2018 excludes gains or losses arising from derivative instruments the total losses amount R\$ 8,125).

(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 amortized cost and their carrying amount is equivalent to the assets' fair value.
- b) Trade accounts receivable and loans to condominiums: are classified as amortized cost and recorded at the contracted amounts, which are equivalent to market value.
- c) Trade payables: classified at the contracted amounts, which are equivalent to market value.
- d) Loans and financing: classified as other financial liability and measured at amortized cost, which are equivalent to market value.
- e) Debentures: part is classified as other financial liabilities.

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 March 31, 2019 and December 31, 2018 are as follow:

Parent

<u>Nature</u>	<u>Classification</u>	<u>Fair value hierarchy</u>	<u>3/31/2019</u>		<u>12/31/2018</u>	
			<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Assets: Cash and cash equivalents	Amortized cost	Level 1	86,410	86,410	62,551	62,551
Liabilities: Debentures	Other financial liabilities	Level 2	463,422	463,935	382,382	378,364
Debentures	Fair value through profit or loss	Level 2	-	-	39,458	39,458
Trade payables	Other financial liabilities	Level 2	36	36	6	6
Derivative financial instrument (i)	Fair value through profit or loss	Level 2	-	-	8,125	8,125

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

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

Consolidated

Nature	Classification	Fair value hierarchy	3/31/2019		12/31/2018	
			Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Cash and cash equivalents	Amortized cost	Level 1	337,178	337,178	280,145	280,145
Trade receivables, net	Amortized cost	Level 2	54,472	54,472	63,103	63,103
Loans to condominiums	Amortized cost	Level 2	21,694	21,694	22,296	22,296
Liabilities:						
Loans and financing	Other financial liabilities	Level 2	329,706	329,706	335,215	335,215
Debentures	Other financial liabilities	Level 2	463,422	463,935	382,382	378,364
Debentures	Fair value through profit or loss	Level 2	-	-	39,458	39,458
Derivative financial instruments (i)						
	Fair value through profit or loss	Level 2	-	-	8,125	8,125
Trade payables	Other financial liabilities	Level 2	8,167	8,167	9,317	9,317

(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 - 3/31/2019		
	Third party services	Investment	Total
Cash and cash equivalents	14,952	322,226	337,178
Trade receivables, net	168	54,304	54,472
Property, plant and equipment and intangible assets	5,469	-	5,469
Investment properties and noncurrent assets held for sale	-	5,018,818	5,018,818
Other assets	2,475	142,102	144,577
Total assets	<u>23,064</u>	<u>5,537,450</u>	<u>5,560,514</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

	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 and equipment and intangible assets	5,553	-	5,553
Investment properties and noncurrent assets held for sale	-	5,015,625	5,015,625
Other assets	<u>8,413</u>	<u>132,414</u>	<u>140,827</u>
Total assets	<u>25,700</u>	<u>5,479,553</u>	<u>5,505,253</u>

(ii) Segment reporting of income statement

	Consolidated – 1/01 to 3/31/2019			
	Third party services	Investment	Related parties transactions eliminated	Total
Gross revenue	14,172	99,584	(7,055)	106,701
Deductions:				
Taxes	(2,018)	(2,946)	-	(4,964)
Discounts and abatements	-	(7,321)	-	(7,321)
Total	(2,018)	(10,267)	-	(12,285)
Net operating revenue	<u>12,154</u>	<u>89,317</u>	<u>(7,055)</u>	<u>94,416</u>
Operating costs, general and administrative expenses and other	(10,587)	(21,154)	7,055	(24,686)
Equity pick-up	-	954	-	954
Financial expenses, net	<u>185</u>	<u>(13,560)</u>	-	<u>(13,375)</u>
Total	<u>(10,402)</u>	<u>(33,760)</u>	<u>7,055</u>	<u>(37,107)</u>
Income before income tax and social contribution	<u>1,752</u>	<u>55,557</u>	<u>-</u>	<u>57,309</u>

	Consolidated – 1/01 to 3/31/2018			
	Third party services	Investment	Related parties transactions eliminated	Total
Gross revenue	12,608	95,695	(5,968)	102,335
Deductions:				
Taxes	(1,782)	(2,778)	-	(4,560)
Discounts and abatements	-	(8,651)	-	(8,651)
Total	(1,782)	(11,429)	-	(13,211)
Net operating revenue	<u>10,826</u>	<u>84,266</u>	<u>(5,968)</u>	<u>89,124</u>
Operating costs and general and administrative expenses	(8,867)	(20,746)	5,968	(23,645)
Equity pick-up	-	877	-	877
Financial expenses, net	<u>272</u>	<u>(14,008)</u>	-	<u>(13,736)</u>
Total	<u>(8,595)</u>	<u>(33,877)</u>	<u>5,968</u>	<u>(36,504)</u>
Income before income tax and social contribution	<u>2,231</u>	<u>50,389</u>	<u>-</u>	<u>52,620</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reals - R\$, unless otherwise stated

7. Cash and cash equivalents

	Consolidated	
	3/31/2019	12/31/2018
Cash and checking account	3,317	3,942
Short-term investments (a)	<u>333,861</u>	<u>276,203</u>
	<u>337,178</u>	<u>280,145</u>

- (a) As of March 31, 2019, the short term investments are highly liquid and earn yields at the weighted average interest rate of 101.08% of the interbank deposit rate (CDI) (100.27% as of December 31, 2018). 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	
	3/31/2019	12/31/2018
Rentals	86,093	93,198
Assignment of rights receivables (a)	<u>762</u>	<u>820</u>
Total trade receivables billed	86,855	94,018
Unbilled rentals (b)	<u>14,738</u>	<u>14,695</u>
Total trade receivables	101,593	108,713
Allowance for expected doubtful debts	<u>(47,121)</u>	<u>(45,610)</u>
Total	<u>54,472</u>	<u>63,103</u>
Current	<u>42,237</u>	<u>50,694</u>
Noncurrent	<u>12,235</u>	<u>12,409</u>

- (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 March 31, 2019, and December 31, 2018, as follows:

	Consolidated	
	3/31/2019	12/31/2018
Current	<u>43,621</u>	<u>50,811</u>
Past due:		
Up to 30 days	3,366	3,535
31 to 60 days	2,203	2,243
61 to 90 days	1,782	1,760
91 to 180 days	3,811	4,875
Over 180 days	<u>32,072</u>	<u>30,794</u>
Subtotal	<u>43,234</u>	<u>43,207</u>
Total	<u>86,855</u>	<u>94,018</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

Allowance for expected doubtful accounts

The change in the allowance for expected doubtful accounts for the three-month period ended March 31, 2019 is as follows:

	<u>Consolidated</u>
Balance as of December 31, 2018	(45,610)
Additions in the period, net	(1,511)
Balance as of March 31, 2019	(47,121)

9. Investments

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

	<u>Consolidated</u>	
	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Balance sheet</u>		
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	44,447	44,643
<u>Statement of income</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Share of profit or loss of subsidiary for the period	954	877

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

	<u>Consolidated</u>	
	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Balance sheet</u>		
Current assets	3,275	4,212
Noncurrent assets	311,279	311,177
Current liabilities	1,705	1,861
Noncurrent liabilities	90,616	90,316
Equity	222,233	223,212
<u>Statement of income</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Net operating revenue from rentals and others	6,147	6,074
Profit and comprehensive income for the period	4,770	4,387

- (iii) Changes in investments for the three-month period ended March 31, 2019, are as follows:

	<u>Consolidated</u>
Balances at December 31, 2018	44,643
Equity pick-up	954
Dividends received	(1,150)
Balances at March 31, 2019	44,447

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reals - R\$, unless otherwise stated

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	
	3/31/2019	12/31/2018
Constructed investment property	4,952,696	4,949,762
Investment property under construction	<u>24,601</u>	<u>24,342</u>
Total	<u>4,977,297</u>	<u>4,974,104</u>

Changes in investment property for the three-month period ended March 31, 2019:

	Constructed investment properties	Consolidated Investment properties under construction	Total
Balance at December 31, 2018	4,949,762	24,342	4,974,104
Additions	<u>2,934</u>	<u>259</u>	<u>3,193</u>
Balance at March 31, 2019	<u>4,952,696</u>	<u>24,601</u>	<u>4,977,297</u>

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, 2018.

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 March 31, 2019, 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. 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.

Domestic	Mall	Annual interest rate	Final maturity	Consolidated	
				3/31/2019	12/31/2018
Banco do Amazonas S.A.-BASA (a)	Manauara Shopping	8.5%	12/10/2020	29,976	34,251
Banco Bradesco S.A. (a)	Boulevard Londrina	TR + 9.7%	3/27/2028	81,588	81,567
Banco Bradesco S.A. (a)	Uberlândia Shopping	TR + 9.7%	1/26/2028	45,444	45,432
Banco Santander S.A. (a)	Passeio das Águas	TR + 9.7%	6/22/2025	152,788	152,865
Banco Itaú BBA S.A. (b)	Shopping Metrôpole	TR + 9.3%	5/10/2023	<u>19,910</u>	<u>21,100</u>
Total				<u>329,706</u>	<u>335,215</u>
Current				<u>22,324</u>	<u>22,383</u>
Noncurrent				<u>307,382</u>	<u>312,832</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

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 March 31, 2019, the total amount of the properties pledged to the banks in connection with the loans and financing is R\$2,229,800 and the amount of net receivables pledged by Pátio Boavista is R\$3,399.

Changes in loans and financing:

Consolidated

Balance at December 31, 2018	335,215
Payments - principal	(5,452)
Interest payments	(7,614)
Financial charges recorded in net income	7,557
Balance at March 31, 2019	<u>329,706</u>

The loans and financing classified in noncurrent liabilities as of March 31, 2019 mature as follow:

From April 1 st , 2020	20,586
2021	55,511
2022	55,511
2023	52,724
2024	50,734
2025 – 2028	72,316
Total	<u>307,382</u>

13. Debentures

<u>Debentures</u>	<u>Annual interest rate</u>	<u>Final maturity</u>	<u>Parent and Consolidated</u>	
			<u>3/31/2019</u>	<u>12/31/2018</u>
Securities issued in 2012- 2nd series (a)	IPCA + 6.25%	2/15/2019	-	160,416
Securities issued in 2017- 1st series (b)	CDI+0.75%	7/15/2022	125,462	127,639
Securities issued in 2017- 2nd series (b)	IPCA+6.24%	7/15/2024	137,517	133,785
Securities issued in 2019- 1st series (c)	CDI+6.38%	1/15/2024	90,181	-
Securities issued in 2019- 2nd series (c)	CDI+6.38%	1/15/2027	110,262	-
Loss on derivatives in fair value hedge accounting			-	8,125
Total			<u>463,422</u>	<u>429,965</u>
Current			<u>8,768</u>	<u>175,616</u>
Non-current			<u>454,654</u>	<u>254,349</u>

- (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.

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reals - R\$, unless otherwise stated

On February 15, 2019, the debentures and the corresponding swap instrument were fully paid in the amount of R\$ 162,413 and R\$ 8,191, respectively.

- (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 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.

- (c) 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.

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

	<u>Consolidated</u>
Balance at December 31, 2018	429,965
New borrowings	200,000
Borrowings costs	(1,768)
Amortized borrowing costs	317
Interest allocated to net income	9,929
Principal paid	(152,859)
Interest paid	(13,936)
Derivative transactions paid	(8,191)
Gain on derivative transaction, net	(35)
Balance at March 31, 2019	<u>463,422</u>

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

	<u>Principal and interest</u>	<u>Borrowing costs</u>	<u>Total</u>
From April 1st, 2020	-	(681)	(681)
2021	62,500	(908)	61,592
2022	62,500	(756)	61,744
2023	111,541	(542)	110,999
2024	111,541	(288)	111,253
2025 forward	<u>110,000</u>	<u>(253)</u>	<u>109,747</u>
Total	<u>458,082</u>	<u>(3,427)</u>	<u>454,655</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

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:

- Net debt/EBITDA maximum of 3.5
- EBITDA/Net financial expenses Minimum of 1.75

As of March 31, 2019, the Company is compliant with all covenants.

14. Equity

Earnings per share calculation:

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:

	<u>Parent and Consolidated</u>	
	<u>3/31/2019</u>	<u>3/31/2018</u>
Net income for the year attributable to the Company's owners	29,162	24,871
Weighted average of outstanding common shares - in thousands	<u>76,424</u>	<u>76,424</u>
Basic and diluted earnings per share - R\$	<u>0.38</u>	<u>0.33</u>

15. Net operating revenue from rentals, services and others

	<u>Consolidated</u>	
	<u>3/31/2019</u>	<u>3/31/2018</u>
Gross operating revenue:		
Rentals	84,888	82,356
Revenue from services	7,117	6,639
Parking revenue	12,975	11,396
Key Money	1,258	1,579
Other income	<u>463</u>	<u>365</u>
Total	<u>106,701</u>	<u>102,335</u>
Deductions:		
Taxes on rentals and services	(4,964)	(4,560)
Discounts and rebates	<u>(7,321)</u>	<u>(8,651)</u>
Total	<u>(12,285)</u>	<u>(13,211)</u>
Net operating revenue from rentals, services and others	<u>94,416</u>	<u>89,124</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

16. Expenses and costs by nature

	Consolidated	
	3/31/2019	3/31/2018
Depreciation and amortization	432	523
Personnel costs	10,586	8,101
External services	2,195	2,519
Costs of occupancy (vacant stores)	3,075	3,836
Costs of contractual agreements with tenants	3,423	3,162
Allowance for expected doubtful accounts	1,511	2,628
Other	<u>3,741</u>	<u>3,863</u>
Total	<u>24,963</u>	<u>24,632</u>
Classified as:		
Cost of rentals and services provided	<u>19,510</u>	<u>18,327</u>
General and administrative expenses	<u>5,453</u>	<u>6,305</u>

17. Financial income (expenses), net

	Consolidated	
	3/31/2019	3/31/2018
Financial income:		
Interest on short term investments	3,750	4,733
Other	<u>1,524</u>	<u>2,007</u>
Total	<u>5,274</u>	<u>6,740</u>
Financial expenses:		
Interest on loans and financing	(7,557)	(8,797)
Interest on debentures	(10,246)	(11,577)
Other	<u>(846)</u>	<u>(102)</u>
Total	<u>(18,649)</u>	<u>(20,476)</u>
Total, net	<u>(13,375)</u>	<u>(13,736)</u>

18. Income tax and social contribution

a) Income tax and social contribution expense

	Consolidated	
	3/31/2019	3/31/2018
Income before income tax and social contribution	57,309	52,620
Statutory rate	<u>34%</u>	<u>34%</u>
Income tax and social contribution charge, at statutory rate	(19,485)	(17,891)
Effect of income tax and social contribution on permanent and temporary differences:		
Equity pick-up	324	298
Tax losses carried forwards not considered	(919)	(1,235)
Effect of taxation of subsidiaries based on deemed income	3,654	2,935
Effect of differential taxation of Fundos de Investimento Imobiliário I and II (i)	<u>6,101</u>	<u>5,880</u>
Income tax and social contribution expense at effective rate	<u>(10,325)</u>	<u>(10,013)</u>
Effective rate - %	<u>18</u>	<u>19</u>

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

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

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	
	3/31/2019	12/31/2018
Tax losses carried forwards	14,455	14,286
Reserve for contingencies	1,237	1,207
Allowance for doubtful accounts	5,326	5,133
Other temporary reserves	1,868	3,076
Changes in fair values of investment property, net	<u>(790,948)</u>	<u>(787,744)</u>
Total deferred income tax and social contribution	<u>(768,062)</u>	<u>(764,042)</u>
In noncurrent assets	<u>1,090</u>	<u>1,828</u>
In noncurrent liabilities	<u>(769,152)</u>	<u>(765,870)</u>

The credit balances totaling R\$40,040 (Consolidated), as of March 31, 2019, shall be realized within a period of up to ten years, as shown below:

<u>Year</u>	<u>Consolidated</u>
2019	-
2020	167
2021	811
2022	1,904
2023	3,016
2024	5,010
2025-2028	<u>29,132</u>
Total	<u>40,040</u>

As of March 31, 2019, the Company and its subsidiaries have R\$273,139 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).

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

Balances and transactions with related parties are as follows:

<u>Balance sheet</u>	<u>Purpose</u>	<u>Consolidated</u>	
		<u>3/31/2019</u>	<u>12/31/2018</u>
Current assets			
Related parties:			
Condomínio Boulevard Londrina Shopping	(a)	165	216
Condomínio Passeio das Águas Shopping	(a)	-	2
Condomínio Uberlândia Shopping	(a)	273	358
Condomínio Franca Shopping Center	(a)	<u>6</u>	<u>10</u>
Total (*)		<u>444</u>	<u>586</u>
Noncurrent assets			
Related parties:			
Condomínio Boulevard Londrina Shopping	(b)	7,160	7,325
Condomínio Passeio das Águas Shopping	(b)	8,944	9,148
Condomínio Shopping Center Plaza Sul	(b)	638	684
Condomínio Uberlândia Shopping	(b)	<u>4,952</u>	<u>5,139</u>
Total		<u>21,694</u>	<u>22,296</u>
Current liabilities			
Related parties:			
Parque D. Pedro I BV SARL	(c)	<u>3,010</u>	<u>3,801</u>
Total		<u>3,010</u>	<u>3,801</u>
		<u>Consolidated</u>	
<u>Statement of profit or loss</u>	<u>Purpose</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Operating revenue			
Related parties:			
Condomínio Shopping Center Penha	(a)	490	490
Condomínio Civil Center Shopping São Bernardo	(a)	452	421
Condomínio Franca Shopping Center	(a)	179	179
Condomínio Shopping Center Plaza Sul	(a)	627	609
Condomínio Parque Dom Pedro Shopping	(a)	1,194	1,131
Condomínio Campo Limpo Shopping	(a)	303	303
Condomínio Manauara Shopping	(a)	737	666
Condomínio Uberlândia Shopping	(a)	425	412
Condomínio Boulevard Londrina Shopping	(a)	461	444
Condomínio Passeio das Águas Shopping	(a)	<u>529</u>	<u>538</u>
Total		<u>5,397</u>	<u>5,193</u>
Finance income			
Related parties:			
Condomínio Boulevard Londrina Shopping	(b)	68	110
Condomínio Passeio das Águas Shopping	(b)	81	115
Condomínio Uberlândia Shopping	(b)	50	70
Condomínio Shopping Center Plaza Sul	(b)	<u>13</u>	<u>70</u>
Total		<u>212</u>	<u>365</u>

(*) 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.

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

- (b) Refers to loans to condominiums.
- (c) Earnings payable from Fundos de Investimento Imobiliário I and II to the related party Parque D. Pedro I BV SARL that 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	
	<u>3/31/2019</u>	<u>3/31/2018</u>
Payroll and related taxes	1,206	1,090
Variable compensation	808	825
Benefits	<u>112</u>	<u>88</u>
Total	<u>2,126</u>	<u>2,003</u>

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 March 31, 2019, the balance of the line item "Accrual for variable compensation", in the amount of R\$3,436 (R\$3,049 as at December 31, 2018), 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 29, 2019, the overall compensation limit to the Company Directors and Officers for the year 2019, is limited to R\$10,000.

21. Insurance coverage

As at March 31, 2019, insurance coverage is as follows:

<u>Type</u>	<u>Insured amounts</u>
Civil liability (shopping mall operations)	97,014
Fire	832,367
Loss of profits	337,112
Windstorms/smokes	260,114
Other	29,528

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

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 March 31, 2019, the subsidiary Sierra Investimentos has R\$21,803 pledged as collateral, classified as escrow deposits in noncurrent assets (R\$21,032 as of December 31, 2018).

23. Subsequent Event

On April 17, 2019, the Company concluded the purchase of an additional 30% of Shopping Plaza Sul, for the amount of R\$ 158,500 paid in cash. As a result, the Company and its subsidiaries undivided interest was increased from 60% to 90%.

24. Parent's Financial Statements

24.1 Cash and cash equivalents

	Parent	
	3/31/2019	12/31/2018
Cash and banks	157	134
Short-term investments	<u>86,253</u>	<u>62,417</u>
Total	<u>86,410</u>	<u>62,551</u>

Short-term investments are highly liquid and earn interest at the weighted average rate of 101.3% of the Interbank Deposit Certificate (CDI) (100.27% as at December 31, 2018).

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

24.2 Other receivables

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 March 31, 2019, the amount of R\$161,678 remains pending receipt from the company Sierra Investimentos.

24.3 Investments in subsidiaries

a) Ownership interests

<u>March 31, 2019</u>	<u>Number of shares held</u>	<u>Ownership interest - %</u>	<u>Share of profit or loss of subsidiaries</u>	<u>Investment balance</u>
Subsidiaries:				
Sierra Investimentos	913,862,171	100.00	37,722	2,948,084
Unishopping Consultoria	2,663,327	100.00	<u>1,447</u>	<u>13,170</u>
			<u>39,169</u>	<u>2,961,254</u>
<u>December 31, 2018</u>	<u>Number of shares held</u>	<u>Ownership interest - %</u>	<u>Share of profit or loss of subsidiaries</u>	<u>Investment balance</u>
Subsidiaries:				
Sierra Investimentos	913,862,171	100.00	215,580	2,910,363
Unishopping Consultoria	2,663,327	100.00	<u>9,822</u>	<u>11,722</u>
			<u>225,402</u>	<u>2,922,085</u>

(i) Financial information of investees

	<u>Sierra Investimentos</u>		<u>Unishopping Consultoria</u>	
	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Statement of financial position</u>				
Total assets	3,321,761	3,287,253	23,064	25,700
Total liabilities	373,677	376,890	9,894	13,978
Equity	2,948,084	2,910,363	13,170	11,722
<u>Statement of profit or loss</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Net operating revenue	8,862	46	14,172	12,608
Profit and comprehensive income for the period	37,722	31,603	1,447	2,394

(ii) Movements in investments for the three-month period ended March 31, 2019, are as follows:

	<u>Consolidated</u>
Balances at December 31, 2018	2,922,085
Equity pick-up	<u>39,169</u>
Balances at March 31, 2019	<u>2,961,254</u>

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2019

In thousands of Brazilian Reais - R\$, unless otherwise stated

b) Noncontrolling interests

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

	Fundo de Investimento Imobiliário I (Noncontrolling interests - 40%)		Fundo de Investimento Imobiliário II (Noncontrolling interests - 49,9%)	
	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Statement of financial position</u>				
Equity attributable to noncontrolling interests	791,120	789,909	350,537	350,222
<u>Statement of profit or loss</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Profit for the period attributable to noncontrolling interests	12,527	12,241	5,295	5,495
Dividends paid to noncontrolling shareholders	11,316	11,059	4,980	4,774

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

	Fundo de Investimento Imobiliário I		Fundo de Investimento Imobiliário II	
	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>3/31/2019</u>	<u>12/31/2018</u>
<u>Statement of financial position</u>				
Current assets	34,784	38,365	13,511	13,647
Noncurrent assets	1,955,355	1,954,799	697,083	696,947
Current liabilities	12,025	18,087	8,592	9,322
Noncurrent liabilities	314	305	55	54
Equity	1,977,800	1,974,772	701,947	701,218
<u>Statement of profit or loss</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
Net operating revenue from rentals and others	35,999	34,773	6,353	6,136
Profit and comprehensive income for the period	31,318	30,603	10,740	10,589

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