

(A free translation of the original in Portuguese)

Sonae Sierra Brasil S.A. and Subsidiaries

**Quarterly Information (ITR) at
March 31, 2017
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. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended March 31, 2017, comprising the balance sheet at that date and the statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended, and a summary of significant accounting policies and other explanatory information.

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", of the Brazilian Accounting Pronouncements Committee (CPC) and 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 (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim accounting 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 does 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 CVM.



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, 2017. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the 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 8, 2017

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

A handwritten signature in blue ink, appearing to read 'Marcelo Orlando'.

Marcelo Orlando
Contador CRC 1SP217518/O-7

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SONAE SIERRA BRASIL S.A. AND SUBSIDIARIES

BALANCE SHEET AS OF MARCH 31, 2017
(In thousands of Brazilian Reais - R\$)

ASSETS	Note	Company		Consolidated		LIABILITIES AND EQUITY	Note	Company		Consolidated	
		03/31/17	12/31/16	03/31/17	12/31/16			03/31/17	12/31/16	03/31/17	12/31/16
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	7 and 28	23.301	90.124	205.729	256.046	Loans and financing	14	-	-	70.321	79.098
Trade receivables, net	8	-	-	36.535	43.755	Debentures	15	151.254	65.329	151.254	65.329
Recoverable taxes	9	216	220	4.774	4.594	Domestic trade accounts payable		109	16	5.786	6.149
Prepaid expenses		80	17	191	26	Taxes payable	18	21	54	6.369	9.991
Other receivables	8	-	-	6.593	7.691	Personnel, payroll taxes, benefits, and rewards		16	16	10.323	11.161
Total current assets		<u>23.597</u>	<u>90.361</u>	<u>253.822</u>	<u>312.112</u>	Key money	16	-	-	4.284	4.521
						Dividends payable		34.773	34.773	34.773	34.773
NONCURRENT ASSETS HELD FOR SALE		-	-	32.316	32.316	Earnings payable		-	-	6.920	7.356
						Other payables		164	119	6.750	6.478
NON-CURRENT ASSETS						Total current liabilities		<u>186.337</u>	<u>100.307</u>	<u>296.780</u>	<u>224.856</u>
Restricted investments		-	-	-	-	NON-CURRENT LIABILITIES					
Trade receivables, net	8	-	-	15.520	15.584	Loans and financing	14	-	-	372.654	378.031
Recoverable taxes	9	26.591	27.182	26.591	27.182	Debentures	15	149.226	291.953	149.226	291.953
Loans related to condominiums	10	-	-	26.770	27.228	Key money	16	-	-	1.199	1.506
Deferred income tax and social contribution	23	-	-	7.132	9.336	Deferred income tax and social contribution	23	-	-	621.970	623.271
Escrow deposits	17	2.515	2.479	18.678	17.998	Provision for contingencies	17 and 28	2.515	2.479	7.727	7.698
Other receivables	8	-	-	4.175	4.287	Accruals for variable compensation	25	-	-	3.010	2.601
Investments	11 and 28	2.779.731	2.751.412	39.984	40.145	Total non-current liabilities		<u>151.741</u>	<u>294.432</u>	<u>1.155.786</u>	<u>1.305.060</u>
Investment properties	12	-	-	4.498.799	4.495.815	EQUITY	19				
Property, plant and equipment		-	-	2.912	2.872	Capital		1.397.866	1.397.866	1.397.866	1.397.866
Intangible assets		-	-	2.801	3.206	Capital reserves		80.115	80.115	80.115	80.115
Total non-current assets		<u>2.808.837</u>	<u>2.781.073</u>	<u>4.643.362</u>	<u>4.643.653</u>	Earnings reserves		998.714	998.714	998.714	998.714
						Retained earnings		17.661	-	17.661	-
						Equity attributable to owners of the Company		2.494.356	2.476.695	2.494.356	2.476.695
						Non-controlling interests		-	-	982.578	981.470
						Total equity		2.494.356	2.476.695	3.476.934	3.458.165
TOTAL ASSETS		<u>2.832.434</u>	<u>2.871.434</u>	<u>4.929.500</u>	<u>4.988.081</u>	TOTAL LIABILITIES AND EQUITY		<u>2.832.434</u>	<u>2.871.434</u>	<u>4.929.500</u>	<u>4.988.081</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 INCOME

FOR THE QUARTER ENDED MARCH 31, 2017

(In thousands of Brazilian Reais - R\$, except earnings per share)

		Company		Consolidated	
	Note	03/31/17	03/31/16	03/31/17	03/31/16
NET OPERATING REVENUE FROM RENTALS, SERVICES, AND OTHERS	20	-	-	85.079	83.543
COST OF RENTALS AND SERVICES	21	-	-	(22.006)	(19.810)
GROSS PROFIT		-	-	63.073	63.733
OPERATING (EXPENSES)/INCOME					
General and administrative expenses	21	(593)	(782)	(5.746)	(6.922)
Tax expenses		(140)	(128)	(657)	(778)
Equity pick-up	11 and 28	28.319	29.061	839	819
Other operating income, net		-	-	1.324	6.473
Total income (expenses) from operations, net		27.586	28.151	(4.240)	(408)
OPERATING INCOME BEFORE FINANCIAL EXPENSES		27.586	28.151	58.833	63.325
FINANCIAL EXPENSES, NET	22	(8.132)	(9.432)	(14.825)	(18.664)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		19.454	18.719	44.008	44.661
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	23	(1.793)	-	(9.196)	(10.216)
Deferred	23	-	-	(903)	(634)
Total		(1.793)	-	(10.099)	(10.850)
NET INCOME FOR THE PERIOD		17.661	18.719	33.909	33.811
NET INCOME ATTRIBUTABLE TO					
Owners of the Company				17.661	18.719
Non-controlling interests	28			16.248	15.092
BASIC AND DILUTED EARNINGS PER SHARE - R\$	19	0,23	0,24	0,23	0,24

The accompanying notes represent 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 QUARTER ENDED MARCH 31, 2017
(In thousands of Brazilian Reais - R\$)

	<u>Company</u>		<u>Consolidated</u>	
	<u>03/31/17</u>	<u>03/31/16</u>	<u>03/31/17</u>	<u>03/31/16</u>
NET INCOME FOR THE PERIOD	17.661	18.719	33.909	33.811
Other comprehensive income	-	-	-	-
TOTAL OF COMPREHENSIVE INCOME	<u>17.661</u>	<u>18.719</u>	<u>33.909</u>	<u>33.811</u>
NET INCOME ATTRIBUTABLE TO				
Owners of the Company			17.661	18.719
Noncontrolling interests			16.248	15.092

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, 2017
(In thousands of Brazilian Reais - R\$)

	Capital	Capital reserves		Earnings reserves					Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
		Share Issuance costs	Share subscription premium	Legal reserve	Earnings retention reserve	Unrealized earnings	Additional dividends proposed	Retained earnings			
BALANCES AS OF DECEMBER 31, 2015	1.397.866	(16.083)	96.198	54.296	781.465	101.412	3.387	-	2.418.541	890.389	3.308.930
Net income for the period	-	-	-	-	-	-	-	18.719	18.719	15.092	33.811
Dividends arising from operation of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	-	(15.714)	(15.714)
BALANCES AS OF MARCH 31, 2016	<u>1.397.866</u>	<u>(16.083)</u>	<u>96.198</u>	<u>54.296</u>	<u>781.465</u>	<u>101.412</u>	<u>3.387</u>	<u>18.719</u>	<u>2.437.260</u>	<u>889.767</u>	<u>3.327.027</u>
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	-	-	-	-	-	-	-	17.661	17.661	16.248	33.909
Dividends arising from the operations of Fundo de Investimento Imobiliário Shopping Parque D. Pedro and Fundo de Investimento Parque D. Pedro Shopping Center	-	-	-	-	-	-	-	-	-	(15.140)	(15.140)
BALANCES AS OF MARCH 31, 2017	<u>1.397.866</u>	<u>(16.083)</u>	<u>96.198</u>	<u>59.112</u>	<u>850.088</u>	<u>89.514</u>	<u>-</u>	<u>17.661</u>	<u>2.494.356</u>	<u>982.578</u>	<u>3.476.934</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 CASH FLOW
FOR THE QUARTER ENDED MARCH 31, 2017
(In thousands of Brazilian Reais - R\$)**

	Company		Consolidated	
	03/31/17	03/31/16	03/31/17	03/31/16
CASH FLOW FROM OPERATING ACTIVITIES				
Net income for the period	17.661	18.719	33.909	33.811
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	-	613	683
Result value of property and equipment sold	-	-	110	311
Losses (gains) on derivatives transactions, net	892	(580)	892	(580)
Unbilled revenue from rentals	-	-	111	(527)
Allowance for doubtful accounts	-	-	1.370	2.846
Reversal of civil, tax, labor, and social security risks	-	-	(47)	76
Monetary update of reserve for civil, tax, labor and social security risks	36	38	76	57
Accrual for variable compensation	-	-	817	707
Deferred income tax and social contribution	-	-	903	634
Income tax and social contribution	1.793	-	9.196	10.216
Interest on borrowing, financing, debentures and acquisition of assets	8.244	14.965	19.804	28.328
Gains on disposals of investments	-	-	-	(7.040)
Equity pick-up	(28.319)	(29.061)	(839)	(819)
(Increase)/decrease in operating assets:				
Trade receivables	-	-	5.803	4.278
Loans related to condominiums	-	-	458	933
Recoverable taxes	(1.198)	(5.494)	(1.382)	(2.199)
Prepaid expenses	(63)	(22)	(165)	(64)
Escrow deposits	(36)	(21)	(680)	(832)
Other	-	-	1.210	12.363
Increase (decrease) in operating liabilities:				
Domestic trade accounts payable	93	19	(363)	(5.231)
Taxes payable	(33)	(118)	(4.210)	(8.342)
Personnel, payroll taxes, benefits and rewards	-	-	(1.246)	(1.436)
Key money	-	-	(544)	(1.218)
Other payables	45	(118)	272	272
Cash provided by operating activities	(885)	(1.673)	66.068	67.227
Interest paid	(18.188)	(20.324)	(28.484)	(32.240)
Income tax and social contribution paid	-	-	(6.815)	(3.638)
Net cash provided by (used in) operating activities	(19.073)	(21.997)	30.769	31.349
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition or construction of investment property	-	-	(2.984)	(7.832)
Acquisition of property and equipment	-	-	(234)	-
Sale of subsidiary, net of cash and other operating assets at sale (note 19)	-	-	-	36.581
Dividends received	-	-	1.000	920
Net cash used in investing activities	-	-	(2.342)	29.669
CASH FLOW FROM FINANCING ACTIVITIES				
Debentures paid - principal	(47.750)	(47.750)	(47.750)	(47.750)
Loans and financing paid - principal	-	-	(15.418)	(14.269)
Distributed earnings of real estate funds - non-controlling interests	-	-	(15.576)	(15.238)
Net cash used in financing activities	(47.750)	(47.750)	(78.744)	(77.257)
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(66.823)	(69.747)	(50.317)	(16.239)
CASH AND CASH EQUIVALENTS				
At the end of the period	23.301	100.940	205.729	248.906
At the beginning of the period	90.124	170.687	256.046	265.145
DECREASE IN CASH AND CASH EQUIVALENTS, NET	(66.823)	(69.747)	(50.317)	(16.239)

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 QUARTER ENDED MARCH 31, 2017
(In thousands of Brazilian Reais - R\$)

	Company		Consolidated	
	03/31/17	03/31/16	03/31/17	03/31/16
REVENUE				
Revenue from rentals and services	-	-	98.480	96.165
Other income	-	-	243	7.463
Expenditures related to the construction of investment property and property and equipment	-	-	3.342	7.832
Allowance for doubtful accounts	-	-	(1.370)	(2.846)
	-	-	100.695	108.614
SERVICES AND SUPPLIES PURCHASED FROM THIRD PARTIES				
Cost of rentals and services	-	-	(18.217)	(18.404)
Supplier, power, outside services and others	(452)	(607)	(6.694)	(11.438)
	(452)	(607)	(24.911)	(29.842)
GROSS VALUE ADDED	(452)	(607)	75.784	78.772
DEPRECIATION AND AMORTIZATION	-	-	(613)	(683)
WEALTH CREATED BY THE COMPANY	(452)	(607)	75.171	78.089
WEALTH RECEIVED IN TRANSFER				
Equity pick-up	28.319	29.061	839	819
Financial income	1.980	5.548	7.025	9.795
	30.299	34.609	7.864	10.614
DISTRIBUTION OF WEALTH	29.847	34.002	83.035	88.703
WEALTH DISTRIBUTED				
Personnel:				
Salaries and wages	141	177	8.433	7.222
Benefits	-	-	750	651
Severance pay fund (FGTS)	-	-	755	379
	141	177	9.938	8.252
Taxes and fees:				
Federal	1.933	126	16.134	14.632
Municipal	-	-	726	3.000
	1.933	126	16.860	17.632
Lenders and lessors:				
Interest expenses	10.112	14.980	21.850	28.459
Rentals	-	-	478	549
	10.112	14.980	22.328	29.008
Interest on capital:				
Retained earnings	17.661	18.719	17.661	18.719
Noncontrolling interests	-	-	16.248	15.092
	17.661	18.719	33.909	33.811
Total	29.847	34.002	83.035	88.703

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, 2017

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 June 18, 2003, and is primarily engaged in: (a) planning, developing, implementing and investing in real estate, namely shopping malls and related activities, as a developer, builder, lessor and advisor; (b) operating and managing own and/or third party properties and stores and providing related services; and (c) holding equity interests in other companies and/or real estate investment funds, directly or indirectly through subsidiaries and associates.

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, 2017 and 2016, 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 Boavista Shopping Ltda.	100.00
Pátio Uberlândia Shopping Ltda.	100.00
Pátio Londrina Empreendimentos e Participações Ltda.	100.00
Pátio Goiânia Shopping Ltda.	100.00
Pátio Campinas Shopping Ltda. (b)	-
Pátio São Bernardo Shopping Ltda.	100.00
Unconsolidated associate:	
Field 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 March 31, 2017.

(b) On March 24, 2016, the Company sold its subsidiary Pátio Campinas Shopping Ltda.

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2017

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

As of March 31, 2017 and 2016, 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 Metr�pole	100.00
Pátio Uberl�ndia Shopping Ltda.	Franca Shopping	76.92
Pátio Uberl�ndia Shopping Ltda.	Uberl�ndia Shopping	100.00
Pátio Boavista Shopping Ltda.	Shopping Manauara	100.00
Pátio Londrina Empreendimentos e Participações Ltda.	Boulevard Londrina	88.64
Pátio Goi�nia Shopping Ltda.	Passeio das �guas Shopping	100.00
Campo Limpo Empreendimentos e Participações Ltda.	Shopping Campo Limpo	100.00

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, 2016 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 and reserve for contingencies) is presented in Note 28.

The interim financial information was approved by the Directors on May 8, 2017.

3. New standards, amendments to and interpretations of standards

The existing standards, amendments and interpretations with the early adoption on January 1, 2017 do not have a material impact on the Company's interim financial information.

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2017

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

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, 2017, 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:

Type	Initial date	Maturity date	Notional R\$	Active index edge	Passive index edge	Fair value		R\$
						Active index edge	Passive index edge	
Swap	8/22/2013	2/15/2019	54,500	IPCA + 6.25%	CDI + 1.24%	72,133	84,425	(12,292)

As of March 31, 2017, the Company recognized in income for the year losses arising from changes in fair value of financial instruments (swap) of R\$892 thousand, as disclosed in note 15.

(iii) Rent fluctuation risk

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

Sonae Sierra Brasil S.A.

Notes to the interim financial information at March 31, 2017

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

(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.

March 31, 2017	Weighted average effective interest rate - %	2017	2018	2019	2020	2021	2022 forward	Total
Loans and financing	9.48%	112,794	108,552	103,808	94,271	70,386	135,317	625,128
Debentures	11.05%	-	170,987	169,522	-	-	-	340,509

(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 March 31, 2017.
- Adverse scenario: a 25% fluctuation in the main risk factors for the financial instruments compared to the level as of March 31, 2017.
- Remote scenario: a 50% fluctuation in the main risk factor for the financial instrument compared to the level as of March 31, 2017.

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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:

<u>Assumptions</u>	<u>Base scenario</u>	<u>Adverse scenario</u>	<u>Remote scenario</u>
CDI fluctuations:			
Swap derivatives	9.22%	11.53%	13.83%
IPCA fluctuations:			
Debentures	4.06%	5.08%	6.09%
Swap derivatives	4.06%	3.05%	2.03%

Management analysis

<u>Risk factor</u>	<u>Index</u>	<u>Risk</u>	<u>Consolidated</u>		
			<u>Base scenario</u>	<u>Adverse scenario</u>	<u>Remote scenario</u>
Debentures	Inflation index	Increase in IPCA rate	8,303	10,378	12,454
Swap derivatives	Inflation index and interest rate	Increase in CDI rate	5,488	6,860	8,232
Swap derivatives	Inflation index and interest rate	Decrease in IPCA	2,303	1,727	1,151

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, 2017 and December 31, 2016 were as follow:

	<u>Consolidated</u>	
	<u>3/31/2017</u>	<u>12/31/2016</u>
Debt (a)	731,163	805,572
Cash and cash equivalents	(205,729)	(256,046)
Net debt (net cash)	525,434	549,526
Equity attributable to owners of the parent company (b)	2,494,356	2,476,695
Net debt-to-equity ratio	21.06%	22.19%

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- (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 March 31, 2017 and December 31, 2016 the total losses amount R\$ 12,292 and R\$ 8,839 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 March 31, 2017 and December 31, 2016 are as follow:

Parent

<u>Nature</u>	<u>Classification</u>	<u>Fair value hierarchy</u>	<u>3/31/2017</u>		<u>12/31/2016</u>	
			<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Assets:						
Cash and cash equivalents	Loans and receivables	Level 1	23,301	23,301	90,124	90,124
Liabilities:						
Debentures	Other financial liabilities	Level 2	217,455	213,334	275,942	261,697
Debentures	Fair value through profit or loss	Level 2	70,733	70,733	72,501	72,501
Trade payables	Other financial liabilities	Level 2	109	109	16	16
Derivative financial instrument (i)	Fair value through profit or loss	Level 2	12,292	12,292	8,839	8,839

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

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Consolidated

Nature	Classification	Fair value hierarchy	3/31/2017		12/31/2016	
			Carrying amount	Fair value	Carrying amount	Fair value
Assets:						
Cash and cash equivalents	Loans and receivables	Level 1	205,729	205,729	256,046	256,046
Trade receivables, net	Loans and receivables	Level 2	52,055	52,055	59,339	59,339
Loans to condominiums	Loans and receivables	Level 2	26,770	26,770	27,228	27,228
Liabilities:						
Loans and financing	Other financial liabilities	Level 2	442,975	442,975	457,129	457,129
Debentures	Other financial liabilities	Level 2	217,445	213,334	275,942	261,697
Debentures	Fair value through profit or loss	Level 2	70,733	70,733	72,501	72,501
Derivative financial instruments (i)	Fair value through profit or loss	Level 2	12,292	12,292	8,839	8,839
Trade payables	Other financial liabilities	Level 2	5,786	5,786	6,149	6,149

(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) Property management and development

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

	<u>Consolidated - 3/31/2017</u>		
	<u>Property management and development</u>	<u>Investment</u>	<u>Total</u>
Cash and cash equivalents	26,027	179,702	205,729
Trade receivables, net	788	35,747	36,535
Property, plant and equipment and intangible assets	5,713	-	5,713
Investment properties and noncurrent assets held for sale	-	4,531,115	4,531,115
Other assets	<u>1,927</u>	<u>148,481</u>	<u>150,408</u>
Total assets	<u>34,455</u>	<u>4,895,045</u>	<u>4,929,500</u>

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	Consolidated - 12/31/2016		
	Property management and development	Investment	Total
Cash and cash equivalents	22,676	233,371	256,047
Trade receivables, net	6,447	37,307	43,754
Property, plant and equipment and intangible assets	6,078	-	6,078
Investment properties and noncurrent assets held for sale	-	4,528,131	4,528,131
Other assets	<u>2,309</u>	<u>151,762</u>	<u>154,071</u>
Total assets	<u>37,510</u>	<u>4,950,571</u>	<u>4,988,081</u>

(ii) Segment reporting of income statement

	Consolidated - 3/31/2017			
	Property management and development	Investment	Related parties transactions eliminated	Total
Gross revenue	11,706	92,400	(5,383)	98,723
Deductions:				
Taxes	(1,654)	(2,653)	-	(4,307)
Discounts and abatements	<u>-</u>	<u>(9,337)</u>	<u>-</u>	<u>(9,337)</u>
Total	(1,654)	(11,990)	-	(13,644)
Net operating revenue	<u>10,052</u>	<u>80,410</u>	<u>(5,383)</u>	<u>85,079</u>
Operating costs, general and administrative expenses and other	(10,399)	(22,069)	5,383	(27,085)
Equity pick-up	-	839	-	839
Financial expenses, net	<u>731</u>	<u>(15,556)</u>	<u>-</u>	<u>(14,825)</u>
Total	<u>(9,668)</u>	<u>(36,786)</u>	<u>5,383</u>	<u>(41,071)</u>
Income before income tax and social contribution	<u>384</u>	<u>43,624</u>	<u>-</u>	<u>44,008</u>

	Consolidated - 3/31/2016			
	Property management and development	Investment	Related parties transactions eliminated	Total
Gross revenue	12,311	89,928	(5,651)	96,588
Deductions:				
Taxes	(1,738)	(2,806)	-	(4,544)
Discounts and abatements	<u>-</u>	<u>(8,501)</u>	<u>-</u>	<u>(8,501)</u>
Total	(1,738)	(11,307)	-	(13,045)
Net operating revenue	<u>10,573</u>	<u>78,621</u>	<u>(5,651)</u>	<u>83,543</u>
Operating costs and general and administrative expenses	(8,933)	(17,755)	5,651	(21,037)
Equity pick-up	-	819	-	819
Financial expenses, net	<u>579</u>	<u>(19,243)</u>	<u>-</u>	<u>(18,664)</u>
Total	<u>(8,354)</u>	<u>(36,179)</u>	<u>5,651</u>	<u>(38,882)</u>
Income before income tax and social contribution	<u>2,219</u>	<u>42,442</u>	<u>-</u>	<u>44,661</u>

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7. Cash and cash equivalents

	Consolidated	
	3/31/2017	12/31/2016
Cash and checking account	1,539	1,652
Short-term investments (a)	<u>204,190</u>	<u>254,394</u>
	<u>205,729</u>	<u>256,046</u>

- (a) As of March 31, 2017, the short term investments are highly liquid and earn yields at the weighted average interest rate of 100.4% of the interbank deposit rate (CDI) (101.0% as of December 31, 2016). The securities purchased by the Company and its subsidiaries comprise CDBs and debentures issued by banks with which the Company and its subsidiaries maintain relationship. In view of the Company's risk management policy, these investments are held only with first-tier banks highly rated by international rating agencies.

8. Trade receivables, net and other receivables

Trade receivables

	Consolidated	
	3/31/2017	12/31/2016
Rentals	66,080	71,987
Assignment of rights receivables (a)	<u>477</u>	<u>420</u>
Total trade receivables billed	66,557	72,407
Unbilled rentals (b)	<u>15,520</u>	<u>15,584</u>
Total trade receivables	82,077	87,991
Allowance for doubtful debts	<u>(30,022)</u>	<u>(28,652)</u>
	<u>52,055</u>	<u>59,339</u>
Current	<u>36,535</u>	<u>43,755</u>
Noncurrent	<u>15,520</u>	<u>15,584</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, 2017, and December 31, 2016, as follows:

	Consolidated	
	3/31/2017	12/31/2016
Current	<u>37,302</u>	<u>46,944</u>
Past due:		
Up to 30 days	3,382	2,379
31 to 60 days	2,025	1,611
61 to 90 days	2,955	1,641
91 to 180 days	3,001	4,344
Over 180 days	<u>17,892</u>	<u>15,488</u>
Subtotal	29,255	25,463
	<u>66,557</u>	<u>72,407</u>

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Allowance for doubtful accounts

The change in the allowance for doubtful accounts for the three-month period ended March 31, 2017 is as follows:

	<u>Consolidated</u>
Balance as of December 31, 2016	(28,652)
Additions in the period, net	<u>(1,370)</u>
Balance as of March 31, 2017	(30,022)

Other receivables

The breakdown of "Other receivables" at March 31, 2017, and December 31, 2016, is as follows:

	<u>Consolidated</u>	
	<u>3/31/2017</u>	<u>12/31/2016</u>
Loan agreement with tenants (a)	6,605	6,677
Receivables from condominiums	3,574	4,722
Others	<u>589</u>	<u>579</u>
	<u>10,768</u>	<u>11,978</u>
Current	<u>6,593</u>	<u>7,691</u>
Noncurrent	<u>4,175</u>	<u>4,287</u>

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

9. Taxes recoverable

	<u>Consolidated</u>	
	<u>3/31/2017</u>	<u>12/31/2016</u>
Withholding income tax (IRRF)	30,684	31,188
Social contribution recoverable	368	305
Others	<u>313</u>	<u>283</u>
	<u>31,365</u>	<u>31,776</u>
Current	<u>4,774</u>	<u>4,594</u>
Noncurrent	<u>26,591</u>	<u>27,182</u>

10. Loans to condominiums

<u>Subsidiary</u>	<u>Condominium</u>	<u>Consolidated</u>	
		<u>3/31/2017</u>	<u>12/31/2016</u>
Pátio São Bernardo	Condomínio Shopping Center Plaza Sul	740	786
Pátio Londrina	Condomínio Shopping Center Plaza Sul	740	786
Pátio Uberlândia	Condomínio Uberlândia Shopping (a)	6,415	6,494
Pátio Londrina	Condomínio Boulevard Londrina Shopping (a)	8,392	8,520
Pátio Goiânia	Condomínio Passeio das Águas Shopping	<u>10,483</u>	<u>10,642</u>
Total		<u>26,770</u>	<u>27,228</u>

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

These loans are considered related party transactions as showed on note 24.

11. Investments

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

	Consolidated	
	<u>3/31/2017</u>	<u>12/31/2016</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	39,984	40,145
<u>Statement of income</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Share of profit or loss of subsidiary for the period	839	819

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

	Consolidated	
	<u>3/31/2017</u>	<u>12/31/2016</u>
<u>Balance sheet</u>		
Current assets	3,527	4,571
Noncurrent assets	275,997	275,869
Current liabilities	1,467	1,703
Noncurrent liabilities	78,139	78,014
Equity	199,918	200,723
<u>Statement of income</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Net operating revenue from rentals and others	5,893	5,843
Profit and comprehensive income for the period	4,194	4,097

- (iii) Changes in investments for the three-month period ended March 31, 2017, are as follows:

	<u>Consolidated</u>
Balances at December 31, 2016	40,145
Equity pick-up	839
Dividends received	<u>(1,000)</u>
Balances at March 31, 2017	<u>39,984</u>

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12. Investment property

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

	Consolidated	
	3/31/2017	12/31/2016
Constructed investment property	4,468,584	4,465,723
Investment property under construction	<u>30,215</u>	<u>30,092</u>
	<u>4,498,799</u>	<u>4,495,815</u>

Changes in investment property for the three-month period ended March 31, 2017:

	Constructed investment properties	Consolidated Investment properties under construction	Total
Balance at December 31, 2016	4,465,723	30,092	4,495,815
Additions	<u>2,861</u>	<u>123</u>	<u>2,984</u>
Balance at March 31, 2017	<u>4,468,584</u>	<u>30,215</u>	<u>4,498,799</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, 2016.

13. 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, 2017, the balance of these properties is R\$32,316, recognized in the line item "Non-current assets held for sale".

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

14. 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	
				3/31/2017	12/31/2016
Banco do Amazonas S.A.-BASA (a)	Manauara Shopping	8.5%	12/10/2020	64,167	68,435
Banco Bradesco S.A. (a)	Boulevard Londrina	TR + 9.7%	3/27/2026	99,907	102,324
Banco Bradesco S.A. (a)	Uberlândia Shopping	TR + 9.7%	1/26/2026	55,872	57,233
Banco Santander S.A. (a)	Passeio das Águas	TR + 9.7%	6/22/2023	193,631	198,654
Banco Itaú BBA S.A. (b)	Shopping Metrópole	TR + 9.3%	5/10/2023	<u>29,398</u>	<u>30,483</u>
Total				<u>442,975</u>	<u>457,129</u>
Current				<u>70,321</u>	<u>79,098</u>
Noncurrent				<u>372,654</u>	<u>378,031</u>

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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, 2017, the total amount of the properties pledged to the banks in connection with the loans and financing is R\$2,086,868 and the amount of net receivables pledged by Pátio Boavista is R\$3,526.

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, 2016	457,129
Payments - principal	(15,418)
Interest payments	(10,296)
Financial charges recorded in net income	<u>11,560</u>
Balance at March 31, 2017	<u>442,975</u>

The loans and financing classified in noncurrent liabilities as of March 31, 2017 mature as follow:

From April 1, 2018	52,709
2019	70,280
2020	70,280
2021	53,168
2022	53,168
2023 - 2026	<u>73,049</u>
Total	<u>372,654</u>

15. Debentures

<u>Debentures</u>	<u>Annual interest rate</u>	<u>Final maturity</u>	<u>Parent and Consolidated</u>	
			<u>3/31/2017</u>	<u>12/31/2016</u>
Securities - 1st series	CDI + 0.96%	2/15/2017	-	49,881
Securities - 2nd series	IPCA + 6.25%	2/15/2019	288,188	298,562
Loss on derivatives in fair value hedge accounting			<u>12,292</u>	<u>8,839</u>
Total			<u>300,480</u>	<u>357,282</u>
Current			<u>151,254</u>	<u>65,329</u>
Non-current			<u>149,226</u>	<u>291,953</u>

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.

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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.

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

	<u>Consolidated</u>
Balance at December 31, 2016	357,282
Amortized borrowing costs	241
Interest allocated to net income	8,003
Principal paid	(47,750)
Interest paid, net of cash received in derivative transactions	(18,188)
Losses on derivative transaction, net	<u>892</u>
Balance at March 31, 2017	<u>300,480</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, 2018	-	(504)	(504)
2019 (repayment of 50% of 2nd series)	<u>149,842</u>	<u>(112)</u>	<u>149,730</u>
	<u>149,842</u>	<u>(616)</u>	<u>149,226</u>

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:

	<u>Contractually required ratio</u>
Net debt/EBITDA	Maximum of 3.0
EBIDTA/Net financial expenses	Minimum of 1.75

As of March 31, 2017, the Company is compliant with all covenants.

16. Key money

<u>Subsidiary</u>	<u>Shopping mall</u>	<u>Consolidated</u>	
		<u>3/31/2017</u>	<u>12/31/2016</u>
Pátio Sertório	Manauara	1,310	1,254
Pátio Londrina	Boulevard Londrina	1,462	1,722
Pátio Goiânia	Passeio das Águas	2,520	2,874
Other	Other	<u>191</u>	<u>177</u>
		<u>5,483</u>	<u>6,027</u>
Current		<u>4,284</u>	<u>4,521</u>
Noncurrent		<u>1,199</u>	<u>1,506</u>

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17. Reserve for contingencies

	Consolidated	
	3/31/2017	12/31/2016
Labor and social security	3,584	3,430
Tax	2,515	2,479
Civil	<u>1,628</u>	<u>1,789</u>
	<u>7,727</u>	<u>7,698</u>

Changes in the reserve for the years ended March 31, 2017 are as follows:

	Consolidated			
	Labor and social security	Tax	Civil	Total
Balances at December 31, 2016	3,430	2,479	1,789	7,698
Addition	243	-	-	243
Monetary update	5	36	35	76
Reversals	<u>(94)</u>	<u>-</u>	<u>(196)</u>	<u>(290)</u>
Balances at March 31, 2017	<u>3,584</u>	<u>2,515</u>	<u>1,628</u>	<u>7,727</u>

Possible losses

The Company and its subsidiaries are parties to other tax, civil, labor and social security lawsuits arising from the normal course of their business and for which the likelihood of loss is possible. The amount of these lawsuits as of March 31, 2017 is R\$31,315 comprised as follows (R\$32,600 at December 31, 2016)

Escrow deposits

Breakdown of escrow deposits:

	Consolidated	
	3/31/2017	12/31/2016
Labor and social security	20	20
Tax (a)	18,421	17,702
Civil	<u>237</u>	<u>276</u>
	<u>18,678</u>	<u>17,998</u>

(a) Refers mainly to the lawsuit challenging the IRRF on the interest of Fundo de Investimento Imobiliário I (Note 27).

18. Taxes payable

	Consolidated	
	3/31/2017	12/31/2016
Income tax and social contribution	4,025	6,451
PIS and COFINS	851	1,873
IRRF	1,168	1,132
Other	<u>325</u>	<u>535</u>
	<u>6,369</u>	<u>9,991</u>

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19. Equity

For the quarter ended March 31, 2017, the Company did not present movements in share capital or in capital or earnings reserves.

The calculation of basic and diluted earnings per share for the quarters ended March 31, 2017 and 2016, are shown below:

(a) 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	
	<u>3/31/2017</u>	<u>3/31/2016</u>
Net income for the year attributable to the Company's owners	17,661	18,719
Weighted average of outstanding common shares - in thousands	<u>76,424</u>	<u>76,424</u>
Basic and diluted earnings per share - R\$	<u>0.23</u>	<u>0.24</u>

20. Net operating revenue from rentals, services and others

	Consolidated	
	<u>3/31/2017</u>	<u>3/31/2016</u>
Gross operating revenue:		
Rentals	79,233	77,440
Revenue from services	6,324	6,660
Parking revenue	10,708	9,398
Key Money	2,215	2,667
Other income	<u>243</u>	<u>423</u>
	<u>98,723</u>	<u>96,588</u>
Deductions:		
Taxes on rentals and services	(4,307)	(4,544)
Discounts and rebates	<u>(9,337)</u>	<u>(8,501)</u>
	<u>(13,644)</u>	<u>(13,045)</u>
	<u>85,079</u>	<u>83,543</u>

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21. Expenses and costs by nature

	Consolidated	
	3/31/2017	3/31/2016
Depreciation and amortization	613	683
Personnel costs	11,734	9,712
External services	2,918	1,658
Costs of occupancy (vacant stores)	5,362	6,552
Costs of contractual agreements with tenants	2,672	2,533
Allowance for doubtful accounts	1,370	2,846
Other	<u>3,083</u>	<u>2,748</u>
	<u>27,752</u>	<u>26,732</u>
Classified as:		
Cost of rentals and services provided	<u>22,006</u>	<u>19,810</u>
General and administrative expenses	<u>5,746</u>	<u>6,922</u>

22. Financial income (expenses), net

	Consolidated	
	3/31/2017	3/31/2016
Financial income:		
Interest on short term investments	5,789	6,482
Other	<u>1,236</u>	<u>3,313</u>
	7,025	9,795
Financial expenses:		
Interest on loans and financing	(11,560)	(13,363)
Interest on debentures	(8,244)	(14,965)
Other	<u>(2,046)</u>	<u>(131)</u>
	<u>(21,850)</u>	<u>(28,459)</u>
Total, net	<u>(14,825)</u>	<u>(18,664)</u>

23. Income tax and social contribution

a) Income tax and social contribution expense

	Consolidated	
	3/31/2017	3/31/2016
Income before income tax and social contribution	44,008	44,661
Statutory rate	<u>34%</u>	<u>34%</u>
Income tax and social contribution charge, at statutory rate	(14,963)	(15,185)
Effect of income tax and social contribution on permanent and temporary differences:		
Equity pick-up	285	278
Other permanent differences	(1,843)	(54)
Tax losses carried forwards not considered	(1,703)	(3,138)
Effect of taxation of subsidiaries based on deemed income	2,671	2,170
Effect of differential taxation of Fundos de Investimento Imobiliário I and II (i)	<u>5,454</u>	<u>5,079</u>
Income tax and social contribution expense at effective rate	(10,099)	(10,850)
Effective rate - %	<u>23</u>	<u>24</u>

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(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	
	3/31/2017	12/31/2016
Tax losses carried forwards	35,292	34,054
Reserve for contingencies	1,257	1,204
Allowance for doubtful accounts	2,653	2,437
Other temporary reserves	(9,885)	(8,620)
Changes in fair values of investment property, net	(644,155)	(643,010)
Total deferred income tax and social contribution	(614,838)	(613,935)
In noncurrent assets	7,132	9,336
In noncurrent liabilities	(621,970)	(623,271)

The credit balances totaling R\$64,956 (Consolidated), as of March 31, 2017, shall be realized within a period of up to ten years, as shown below:

<u>Year</u>	<u>Consolidated</u>
2017	-
2018	160
2019	1,309
2020	3,005
2021	5,659
2022 -2026	54,823
Total	64,956

As of March 31, 2017, the Company and its subsidiaries have R\$234,701 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.

24. 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).

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

Balances and transactions with related parties are as follows:

<u>Balance sheet</u>	<u>Purpose</u>	<u>Consolidated</u>	
		<u>3/31/2017</u>	<u>12/31/2016</u>
Current assets			
Related parties:			
Condomínio Manauara Shopping	(a)	-	87
Boulevard Londrina Shopping	(a)	522	553
Passeio das Águas Shopping	(a)	639	759
Condomínio Uberlândia Shopping	(a)	793	915
Condomínio Shopping Center Plaza Sul	(a)	-	161
Condomínio Franca Shopping Center	(a)	-	9
Condomínio Parque Dom Pedro Shopping	(a)	-	108
Total (*)		<u>1,954</u>	<u>2,592</u>
Noncurrent assets			
Related parties:			
Boulevard Londrina Shopping	(b)	8,392	8,520
Passeio das Águas Shopping	(b)	10,483	10,642
Condomínio Shopping Center Plaza Sul	(b)	1,480	1,572
Condomínio Uberlândia Shopping	(b)	<u>6,415</u>	<u>6,494</u>
Total		<u>26,770</u>	<u>27,228</u>
Current liabilities			
Related parties:			
Parque D. Pedro I BV SARL	(c)	<u>3,036</u>	<u>3,303</u>
Total		<u>3,036</u>	<u>3,303</u>
<u>Statement of profit or loss</u>	<u>Purpose</u>	<u>Consolidated</u>	
		<u>3/31/2017</u>	<u>3/31/2016</u>
Operating revenue			
Related parties:			
Condomínio Shopping Center Penha	(a)	515	395
Condomínio Civil Center Shopping São Bernardo	(a)	390	341
Condomínio Tivoli Shopping Center	(a) and (d)	-	189
Condomínio Franca Shopping Center	(a)	150	136
Condomínio Uberlândia Shopping	(a) and (d)	-	223
Condomínio Shopping Center Plaza Sul	(a)	534	479
Condomínio Parque Dom Pedro Shopping	(a)	1,004	952
Condomínio Campo Limpo Shopping	(a)	284	266
Condomínio Manauara Shopping	(a)	681	574
Condomínio Uberlândia Shopping	(a)	555	340
Boulevard Londrina Shopping	(a)	420	399
Passeio das Águas Shopping	(a)	<u>408</u>	<u>557</u>
Total		<u>4,941</u>	<u>4,851</u>
Finance income			
Related parties:			
Boulevard Londrina Shopping	(b)	102	289
Passeio das Águas Shopping	(b)	130	376
Condomínio Uberlândia Shopping	(b)	<u>91</u>	<u>250</u>
Total		<u>323</u>	<u>915</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 20). 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 line item "other receivables" in current assets (Note 8).

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- (b) Refers to loans to condominiums described in Note 10.
- (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 line item "Earnings payable".
- (d) In May 2016, the subsidiary Unishopping Consultoria has ceased to manage the shopping malls Tivoli and Boavista.

25. Management compensation

Expenses on management compensation are shown below:

	Consolidated	
	<u>3/31/2017</u>	<u>3/31/2016</u>
Payroll and related taxes	1,052	1,010
Variable compensation	817	707
Benefits	<u>114</u>	<u>107</u>
	<u>1,983</u>	<u>1,824</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, 2017, the balance of the line item "Accrual for variable compensation", in the amount of R\$3,010 (R\$2,601 as at December 31, 2016), 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 27, 2017, the overall compensation limit to the Company Directors and Officers for the year 2017, is limited to R\$10,000.

26. Insurance coverage

As at March 31, 2017, insurance coverage is as follows:

<u>Type</u>	<u>Insured amounts</u>
Civil liability (shopping mall operations)	69,164
Fire	1,046,549
Loss of profits	251,604
Windstorms/smokes	150,000
Other	70,665

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27. 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 June 11, 2010, Banco Ourinvest S.A. filed its counterarguments and currently awaits the appellate court decision.

On June 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, 2017, the subsidiary Sierra Investimentos has R\$15,907 pledged as collateral, classified as escrow deposits in noncurrent assets (R\$15,323 as of December 31, 2016).

28. Parent's Financial Statements

28.1 Cash and cash equivalents

	Parent	
	<u>3/31/2017</u>	<u>12/31/2016</u>
Cash and banks	94	81
Short-term investments	<u>23,207</u>	<u>90,043</u>
	<u>23,301</u>	<u>90,124</u>

Short-term investments are highly liquid and earn interest at the weighted average rate of 101.6% of the Interbank Deposit Certificate (CDI) (101.7% as at December 31, 2016).

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

28.2 Investments in subsidiaries

a) Ownership interests

<u>Friday, March 31, 2017</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	1,078,862,171	100.00	28,095	2,755,158
Unishopping Consultoria	12,663,326	100.00	<u>224</u>	<u>24,573</u>
			<u>28,319</u>	<u>2,779,731</u>
<u>December 31, 2016</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	1,078,862,171	100.00	127,365	2,727,063
Unishopping Consultoria	12,663,326	100.00	<u>4,261</u>	<u>24,349</u>
			<u>131,626</u>	<u>2,751,412</u>

(i) Financial information of investees

	<u>Sierra Investimentos</u>		<u>Unishopping Consultoria</u>	
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>12/31/2016</u>
<u>Statement of financial position</u>				
Total assets	2,778,222	2,749,613	34,453	37,508
Total liabilities	23,064	22,550	9,879	13,159
Equity	2,755,158	2,727,063	24,573	24,349
<u>Statement of profit or loss</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Net operating revenue	48	48	11,706	12,312
Profit and comprehensive income for the period	28,095	27,827	224	1,234

(ii) Movements in investments for the three-month period ended March 31, 2017, are as follows:

	<u>Consolidated</u>
Balances at December 31, 2016	2,751,412
Share of profit or loss of subsidiaries	<u>28,319</u>
Balances at March 31, 2017	<u>2,779,731</u>

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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		Fundo de Investimento Imobiliário II	
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>12/31/2016</u>
Noncontrolling interests in share capital	40.00	40.00	49.90	49.90
Profit for the period attributable to noncontrolling interests	11,258	105,284	4,990	46,179
Equity attributable to noncontrolling interests	680,246	679,660	302,332	301,810
Dividends paid to noncontrolling shareholders	11,044	42,047	4,096	15,770

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

	Fundo de Investimento Imobiliário I		Fundo de Investimento Imobiliário II	
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>12/31/2016</u>
<u>Statement of financial position</u>				
Current assets	31,933	34,659	13,914	15,653
Noncurrent assets	1,679,884	1,679,907	599,373	597,479
Current liabilities	11,103	15,316	8,307	9,036
Noncurrent liabilities	100	99	18	17
Equity	1,700,614	1,699,151	604,962	604,079
<u>Statement of profit or loss</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Net operating revenue from rentals and others	32,128	29,693	5,670	5,238
Profit and comprehensive income for the period	28,144	26,060	9,834	9,065

28.3 Provision for risks

	Parent	
	<u>3/31/2017</u>	<u>12/31/2016</u>
Tax	<u>2,515</u>	<u>2,479</u>
	<u>2,515</u>	<u>2,479</u>

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