

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

São Carlos Empreendimentos e Participações S.A. and Subsidiaries

Individual and Consolidated
Financial Statements for the
Year Ended December 31, 2018 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, Directors and Management of
São Carlos Empreendimentos e Participações S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of São Carlos Empreendimentos e Participações S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2018, and the statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

a) Revenue recognition

As mentioned in notes 2.19 and 2.21 to the individual and consolidated financial statements, the Company recognizes revenue from the sale of properties at the time control over properties is transferred to a customer, and revenue arising from operating lease agreements is recognized on a straight-line basis over the lease period. Accordingly, we consider revenue recognition as a key audit matter because the procedures performed by the Company involve specific contractual clauses and system calculations to determine the revenue amount per agreement and the recognition period.

How the matter was addressed in our audit

The key audit procedures are intended to understand the key control activities performed by Management on the determination of an agreement's amount and the revenue recognition timing, and conduct tests, on a sampling basis, on the sale and lease agreements entered into to validate the completeness, accuracy, classification and occurrence of the generated revenue. We also assessed the adequacy of the disclosures made in the financial statements.

Based on the audit evidence obtained by performing our procedures, we consider that the recognized revenue from the sale of properties and revenue arising from operating lease agreements are acceptable in the context of the consolidated financial statements for the year ended December 31, 2018 taken as a whole.

b) Impairment of investment properties

According to note 2.3 to the individual and consolidated financial statements, the Company owns investment properties held for earning rent revenue and/or for capital appreciation, which are recognized at cost, less accumulated depreciation, which does not exceed its realizable value.

In light of the unfavorable economic environment and the increase in the supply of inventories of commercial real estate units, we understand that there is a significant risk of impairment of such investment properties.

Due to the materiality of the balances and the use of internal subjective and market assumptions to determine the recoverable amount of the assets, which involves significant Management judgment, this matter was considered a key audit matter.

How the matter was addressed in our audit

As part of our audit procedures, we assessed the design and implementation of the controls put in place by Management to ensure the completeness and accuracy of the data on the operating lease agreements used to project future cash flows, we conducted tests, on a sampling basis, of the lease agreements used to project future cash flows, and challenged the reasonableness of the assumptions and projections used by Management to prepare the impairment test of investment properties, besides drawing on the support provided by valuation specialists.

Adjustments that could affect the recoverable amount measurement for certain investment properties have been identified by Management, while conducting its impairment test, which elected not to recognize them as such adjustments were considered to be immaterial. Based on the outcome from the procedures summarized above, we consider that the measurement methodologies, the assumptions adopted by Management and disclosures made are acceptable in the context of the financial statements taken as a whole.

Emphasis of matter

Restatement of amounts corresponding to December 31, 2017

On March 7, 2018, we issued an independent auditor's report containing an unmodified opinion on the financial statements of the Company and its subsidiaries, identified as Parent and Consolidated, which are being restated. As described in note 2.28 to the individual and consolidated financial statements, the Company's Management made reclassifications between net revenue from operating lease agreements and net profit from the sale of properties for better disclosure purposes. Consequently, the individual and consolidated financial statements for the year ended December 31, 2017, presented for purposes of comparison, are being restated pursuant to CPC 23 (IAS 8) – Accounting Policies, Changes in Accounting Estimates and Errors. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements, taken as a whole.

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

Management is responsible for the other information. The other information comprises the Management Report.

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

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

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and IFRS, issued by IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, March 11, 2019

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Ribas Gomes Simões
Engagement Partner

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

SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais - R\$)

ASSETS	Note	Parent		Consolidated		LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017			12.31.2018	12.31.2017		
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	3	4,001	56,483	9,509	62,027	Borrowings and financing	10	58,057	66,114	108,578	142,729
Short-term investments	4	244,237	234,259	262,203	288,350	Advances from customers		-	-	15,391	7,803
Trade receivables	5	10,352	80,365	29,206	100,668	Payroll and related taxes		12,133	14,229	13,079	15,593
Due from related parties		-	-	1,219	1,118	Provision for income tax and social contribution		-	-	5,027	4,572
Recoverable taxes	6	16,415	13,359	23,832	17,575	Taxes, fees and contributions		848	3,289	2,677	4,579
Prepaid expenses and other receivables		2,421	3,515	12,379	15,703	Dividends and interest on capital	14.3	3,718	17,180	3,718	17,180
Held-for-sale properties	25	-	-	21,299	13,250	Payables for acquisition of properties		-	-	12,000	3,402
Total current assets		<u>277,426</u>	<u>387,981</u>	<u>359,647</u>	<u>498,691</u>	Other payables		856	2,796	6,615	5,693
						Total current liabilities		<u>75,612</u>	<u>103,608</u>	<u>167,085</u>	<u>201,551</u>
NONCURRENT ASSETS						NONCURRENT LIABILITIES					
Trade receivables	5	31,606	38,491	96,402	109,230	Deferred taxes	11	666	685	8,346	7,823
Related-party balances and transactions	8	126,708	86,096	5,572	1,406	Borrowings and financing	10	693,172	773,201	1,129,781	1,355,272
Escrow deposits	12	54	40	511	142	Provision for risks	12	14,508	14,508	14,525	14,508
Prepaid expenses and other receivables		3,012	3,703	8,856	9,493	Total noncurrent liabilities		<u>708,346</u>	<u>788,394</u>	<u>1,152,652</u>	<u>1,377,603</u>
Investments in subsidiaries and joint ventures	7	956,386	977,057	21,409	23,749	EQUITY					
Investment properties	9	787,611	800,020	2,205,071	2,315,977	Capital	14.1	1,073,912	1,073,912	1,073,912	1,073,912
Property, plant and equipment		580	554	10,523	10,893	Stock option plan		36,447	32,769	36,447	32,769
Intangible assets		857	721	15,453	15,661	Treasury shares	14.2	(81,208)	(63,165)	(81,208)	(63,165)
Total noncurrent assets		<u>1,906,814</u>	<u>1,906,682</u>	<u>2,363,797</u>	<u>2,486,551</u>	Earnings reserves		<u>371,131</u>	<u>359,145</u>	<u>371,131</u>	<u>359,145</u>
						Equity attributable to owners of the Company		1,400,282	1,402,661	1,400,282	1,402,661
						Noncontrolling interests		-	-	3,425	3,427
						Total equity		<u>1,400,282</u>	<u>1,402,661</u>	<u>1,403,707</u>	<u>1,406,088</u>
TOTAL ASSETS		<u>2,184,240</u>	<u>2,294,663</u>	<u>2,723,444</u>	<u>2,985,242</u>	TOTAL LIABILITIES AND EQUITY		<u>2,184,240</u>	<u>2,294,663</u>	<u>2,723,444</u>	<u>2,985,242</u>

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

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SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	Note	Parent		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
NET REVENUE	16	53,797	59,742	229,106	266,700
Rental cost	16	(14,081)	(14,011)	(40,552)	(42,221)
Gross lease revenue		<u>39,716</u>	<u>45,731</u>	<u>188,554</u>	<u>224,479</u>
Sale of properties	16	-	177,661	140,114	285,724
Cost of properties sold	16	-	(74,497)	(111,338)	(138,325)
Gross revenue from sale of properties		-	103,164	28,776	147,399
GROSS PROFIT		<u>39,716</u>	<u>148,895</u>	<u>217,330</u>	<u>371,878</u>
OPERATING INCOME (EXPENSES)					
General and administrative expenses	17	(32,689)	(36,230)	(40,223)	(44,998)
Selling expenses	17	(1,853)	(6,631)	(24,012)	(30,223)
Other operating income, net	17	90	7	388	5,542
Share of profit (loss) of subsidiaries	7	66,462	80,309	(2,236)	(3,298)
OPERATING INCOME BEFORE FINANCE INCOME (COSTS)		<u>71,726</u>	<u>186,350</u>	<u>151,247</u>	<u>298,901</u>
FINANCE INCOME (COSTS)					
Finance income	18	19,518	21,480	22,376	24,989
Finance costs	19	(75,256)	(81,947)	(134,365)	(163,887)
OPERATING INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		<u>15,988</u>	<u>125,883</u>	<u>39,258</u>	<u>160,003</u>
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	20.1	(334)	(6,657)	(21,953)	(39,751)
Deferred	20.1	-	-	(270)	(135)
PROFIT FOR THE YEAR		<u>15,654</u>	<u>119,226</u>	<u>17,035</u>	<u>120,117</u>
ATTRIBUTABLE TO					
Owners of the Company				15,654	119,226
Noncontrolling interests				1,381	891
EARNINGS PER SHARE					
Basic (cents per share - in R\$)	21.1	0.2793	0.2118		
Diluted (cents per share - in R\$)	21.2	0.2736	0.2067		

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

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

SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R\$)

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
PROFIT FOR THE YEAR	15,654	119,226	17,035	120,117
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>15,654</u>	<u>119,226</u>	<u>17,035</u>	<u>120,117</u>
ATTRIBUTABLE TO				
Company's owners			15,654	119,226
Noncontrolling interests			1,381	891

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SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY (PARENT AND CONSOLIDATED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In thousands of Brazilian reais - R\$)

	Note	Attributable to owners of the Company								Noncontrolling interests	Total equity
		Capital	Treasury shares		Stock option plan	Earnings reserves		Retained earnings	Total		
			Loss on sale of treasury shares	Treasury shares		Legal	Earnings retention				
BALANCES AS AT DECEMBER 31, 2016		673,912	(9,925)	(53,897)	27,251	68,552	617,367	-	1,323,260	3,163	1,326,423
Capital increase		400,000	-	-	-	-	(400,000)	-	-	-	-
Recognition of stock option plan		-	-	-	5,518	-	-	-	5,518	-	5,518
Sale of treasury shares		-	-	13,830	-	-	-	-	13,830	-	13,830
Acquisition of treasury shares		-	-	(5,368)	-	-	-	-	(5,368)	-	(5,368)
Loss on the subscription of shares		-	(7,805)	-	-	-	-	-	(7,805)	-	(7,805)
Profit for the year		-	-	-	-	-	-	119,226	119,226	891	120,117
Legal reserve		-	-	-	-	5,961	-	(5,961)	-	-	-
Interest on capital		-	-	-	-	-	-	(46,000)	(46,000)	-	(46,000)
Earnings retention		-	-	-	-	-	67,265	(67,265)	-	-	-
Noncontrolling interests		-	-	-	-	-	-	-	-	(627)	(627)
BALANCES AS AT DECEMBER 31, 2017	14	1,073,912	(17,730)	(45,435)	32,769	74,513	284,632	-	1,402,661	3,427	1,406,088
Aumento de capital		-	-	-	-	-	-	-	-	-	-
Recognition of stock option plan		-	-	-	3,678	-	-	-	3,678	-	3,678
Sale of treasury shares		-	-	14,073	-	-	-	-	14,073	-	14,073
Acquisition of treasury shares		-	-	(24,826)	-	-	-	-	(24,826)	-	(24,826)
Loss on the subscription of shares		-	(7,290)	-	-	-	-	-	(7,290)	-	(7,290)
Expired dividends		-	-	-	-	-	50	-	50	-	50
Profit for the year		-	-	-	-	-	-	15,654	15,654	1,381	17,035
Legal reserve		-	-	-	-	783	-	(783)	-	-	-
Dividends		-	-	-	-	-	-	(3,718)	(3,718)	-	(3,718)
Earnings retention		-	-	-	-	-	11,153	(11,153)	-	-	-
Noncontrolling interests		-	-	-	-	-	-	-	-	(1,383)	(1,383)
BALANCES AS AT DECEMBER 31, 2018	14	1,073,912	(25,020)	(56,188)	36,447	75,296	295,835	-	1,400,282	3,425	1,403,707

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

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SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	15,654	119,226	17,035	120,117
Adjustments to reconcile profit for the year to net cash provided by (used in) operating activities:				
Write-off of allowance for doubtful debts	-	-	304	370
Depreciation and amortization	14,081	14,011	40,552	42,221
Share of profit (loss) of subsidiaries	(66,462)	(80,309)	2,236	3,298
Recognition of stock option plan	3,678	5,518	3,678	5,518
Gain on sale of investment property	-	(103,163)	(28,776)	(80,863)
Income from short-term investments	(6,108)	(8,330)	(7,843)	(9,995)
Adjustments to provision for tax risks	-	423	17	423
Income tax and social contribution	334	6,657	21,953	39,751
Deferred income tax and social contribution	-	-	270	(135)
Effect of acquisition of noncontrolling interests	-	-	(2)	264
Finance charges on borrowings and financing	72,695	76,761	130,653	155,491
Cash provided by operating activities	33,872	30,794	180,077	276,460
Changes in operating assets:				
Trade receivables	1,622	(86,413)	(4,326)	(91,536)
Due from related parties	-	-	(101)	(146)
Escrow deposits	(14)	-	(369)	(18)
Recoverable taxes	(3,115)	9,766	(5,641)	10,269
Held-for-sale properties	-	-	141	(614)
Prepaid expenses and other receivables	1,785	1,180	3,961	749
Changes in operating liabilities:				
Payroll and related taxes	(2,096)	4,519	(2,514)	4,954
Provision for income tax and social contribution	-	-	455	-
Taxes, fees and contributions	(119)	(354)	395	(1,136)
Deferred taxes	(19)	(18)	253	(403)
Advances from customers	-	-	7,588	6,437
Payables for acquisition of properties	-	-	8,598	200
Other payables	(2,167)	(19,817)	566	(17,052)
Income tax and social contribution paid	(2,320)	(374)	(25,552)	(35,690)
Payment of finance charges	(71,428)	(69,679)	(125,065)	(135,022)
Changes in operating assets and liabilities	(77,871)	(161,190)	(141,611)	(259,008)
Cash provided by (used in) operating activities	(43,999)	(130,396)	38,466	17,452
CASH FLOWS FROM INVESTING ACTIVITIES				
Related parties	609	77,264	(4,061)	(2,017)
Dividends received	107,002	121,873	-	1,459
Short-term investments	(3,870)	(44,422)	33,990	(75,250)
Advance for future capital increase	(61,090)	(84,753)	-	-
Proceeds from the sale of investment properties	75,276	102,384	226,174	219,730
Capital decrease in subsidiaries received	-	15,528	-	-
Acquisition of investment properties, property, plant and equipment and intangible assets	(1,834)	(2,142)	(46,634)	(58,011)
Net cash provided by investing activities	116,093	185,732	209,469	85,911
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of principal - borrowings	(89,353)	(76,294)	(265,230)	(164,981)
Borrowings	-	60,000	-	100,000
Sale of own shares	6,783	13,830	6,783	13,830
Share buyback	(24,826)	(18,104)	(24,826)	(18,104)
Interest on capital paid	-	(23,802)	-	(23,802)
Dividends paid	(17,180)	(5,368)	(17,180)	(5,368)
Net cash used in financing activities	(124,576)	(49,738)	(300,453)	(98,425)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52,482)	5,598	(52,518)	4,938
Cash and cash equivalents at the beginning of the year	56,483	50,885	62,027	57,089
Cash and cash equivalents at the end of the year	4,001	56,483	9,509	62,027

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

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SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R\$)

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
REVENUES				
Lease revenue	58,707	64,740	244,402	284,384
Sale of properties	-	<u>177,661</u>	<u>138,415</u>	<u>284,927</u>
	<u>58,707</u>	<u>242,401</u>	<u>382,817</u>	<u>569,311</u>
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of properties sold	-	(74,497)	(111,338)	(138,325)
Supplies, power, outside services and other inputs	<u>(5,402)</u>	<u>(10,177)</u>	<u>(30,972)</u>	<u>(36,958)</u>
	(5,402)	(84,674)	(142,310)	(175,283)
GROSS VALUE ADDED				
	53,305	157,727	240,507	394,028
WITHHOLDINGS				
Depreciation and amortization	(14,081)	(14,011)	(40,552)	(42,221)
WEALTH CREATED				
	<u>39,224</u>	<u>143,716</u>	<u>199,955</u>	<u>351,807</u>
WEALTH RECEIVED IN TRANSFER				
Share of profit (loss) of subsidiaries	66,462	80,309	(2,236)	(3,298)
Finance income	19,518	21,480	22,376	24,989
Other income	90	7	388	5,542
	<u>86,070</u>	<u>101,796</u>	<u>20,528</u>	<u>27,233</u>
TOTAL WEALTH FOR DISTRIBUTION				
	<u>125,294</u>	<u>245,512</u>	<u>220,483</u>	<u>379,040</u>
WEALTH DISTRIBUTED				
Employees and payroll taxes	29,059	32,607	33,145	38,158
Taxes, fees, contributions and other	5,325	15,192	35,938	61,407
Interest and inflation adjustments	72,344	78,487	131,452	159,358
Noncontrolling interests	-	-	1,381	891
Finance costs	2,912	-	2,913	-
Dividends and interest on capital	3,718	46,000	3,718	46,000
Retained earnings	11,936	73,226	11,936	73,226
WEALTH DISTRIBUTED				
	<u>125,294</u>	<u>245,512</u>	<u>220,483</u>	<u>379,040</u>

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

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

SÃO CARLOS EMPREENDIMENTOS E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

(In thousands of Brazilian reais - R\$, unless otherwise stated)

1. GENERAL INFORMATION

São Carlos Empreendimentos e Participações S.A. ("Company") is a publicly-held company established in Brazil, with registered office at Rua Dr. Eduardo de Souza Aranha, 153, 12º andar, Vila Nova Conceição - São Paulo - SP - Brazil. The Company currently has a portfolio that includes office buildings and convenience retail centers located mainly in the States of São Paulo and Rio de Janeiro. The Company has been operating in this market since 1999 and in December 2006 it has joined the Novo Mercado corporate governance listing segment of the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros), where it is listed under the ticker symbol SCAR 3. The Company is engaged in the following operations:

- a) The management of own or third-party real estate projects, including shopping malls.
- b) The purchase and sale of completed or under construction residential and office properties, land or undivided interests in the properties.
- c) Property leasing.
- d) The operation of short-term parking lots.
- e) Performance of other similar activities or any business related to its core business.
- f) Holding interests in other entities.

The Company's subsidiaries are engaged in several core businesses, including investments in and management of single- or multi-tenant commercial real estate projects, mainly in the States of São Paulo and Rio de Janeiro, real estate development projects, purchase and sale of properties, and real estate brokerage services.

The individual and consolidated financial statements are presented in Brazilian reais (R\$), which is the Company's functional and reporting currency in Brazil.

These individual and consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on February 22, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied to the preparation of these individual and consolidated financial statements are described below. These policies have been applied consistently over all reporting periods, except as otherwise indicated.

2.1. Statement of compliance

The individual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and accounting practices adopted in Brazil.

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

Management asserts that all relevant information related to the financial statements is being disclosed and corresponds to the information used by it in its management.

2.2. Basis of presentation

The financial statements have been prepared based on the historical cost, unless otherwise stated. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

In preparing the financial statements, Management makes estimates and assumptions that affect the reported amounts of certain assets, liabilities and other transactions. To make these estimates, Management used the best information available at the end of the reporting period, as well as past and/or current events, also considering assumptions on future events. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The financial statements include, therefore, estimates related to the useful lives of investment properties, property, plant and equipment and intangible assets, the estimated recoverable value of long-lived assets, provisions for contingencies, and the fair value measurement of financial assets and financial liabilities and deferred income tax and social contribution, the allowance for doubtful debts, and the fair value of stock options, among others. Actual results may differ from these estimates.

2.3. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation and are recognized at cost, less any accumulated depreciation and accumulated impairment losses. There are no structured plans for the sale of the properties held for investment since these are substantially used to earn rent revenue and these properties are only sold if Management believes that it would be more beneficial to sell them than keep them as part of the Company's core business. In the case of qualifying assets, the capitalization of charges thereon is in accordance with the Company's accounting policy. The depreciation of these assets begins when they are ready for use and is calculated based on their estimated useful lives, on a straight-line basis, except for land and construction in progress, which are not depreciated.

CPC 28 (IAS 40) - Investment Property allows the Company to recognize its investment properties at fair value or at cost less accumulated depreciation, in which case the fair value of the properties must be disclosed in a note to the financial statements.

The Company elected to maintain its investment properties recorded at cost less accumulated depreciation since it understands it is the best information for companies operating in the real estate investment market to rely on for rental purposes.

2.4. Investments in joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control, where the decisions on financial and operating strategic policies relating to the joint venture activities require the approval of all parties sharing control.

The Company adopts IFRS 11 - Joint Arrangements (CPC 19 (R2) - Joint Arrangements and CPC 36 (R3) - Consolidated Financial Statements). This standard sets out a more realistic approach of joint arrangements and focus on the rights and obligations under the arrangement rather than in its legal form. There are two types of joint arrangements: (a) joint operations - when a joint operator has rights to the assets and obligations relating to the arrangement and consequently accounts for its interest in the assets, liabilities, revenue and expenses; and (b) joint control - when the operator has rights to the net assets of the arrangement and accounts for the investment under the equity method. The Company's investments qualify as joint ventures and are recorded under the equity method of accounting in the individual and consolidated financial statements.

2.5. Property, plant and equipment

Buildings for use in the provision of services, or for administrative purposes, are stated in the balance sheet at cost, less any accumulated depreciation and accumulated impairment losses.

Other property, plant and equipment items are stated at cost, less accumulated depreciation and accumulated impairment losses.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognized in profit or loss as 'Other operating income (expenses)'.

2.6. Intangible assets

Intangible assets consist mainly of software licenses and are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.7. Borrowing costs

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.8. Held-for-sale properties

Properties (and groups held for sale) are classified as held-for-sale properties and measured at cost, net of the depreciation calculated through the date Management decides to sell them.

Such condition is considered met only when the sale is highly probable and the assets are available for immediate sale "as is".

Properties classified as held-for-sale properties are recognized at the lower of their carrying amount and fair value.

2.9. Impairment of tangible and intangible assets

No losses are identified and recognized related to the impairment of tangible and intangible assets for the years ended December 31, 2018 and 2017.

2.10. Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the underlying contract.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of financial assets or financial liabilities, if applicable, after initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within a period established by regulation or convention in the marketplace.

All financial assets recognized are subsequently measured at amortized cost or at fair value, depending on their classification.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost under the effective interest method or measured at fair value through profit or loss.

However, financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or when the continuing involvement approach is applicable, and financial collateral agreements are issued by the Group, are measured in accordance with specific accounting policies.

Classification of financial assets

The debt instruments are subsequently measured at amortized cost provided that the following conditions are met:

- The financial assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Classification of financial liabilities

The debt instruments are either classified as financial liabilities or equity according to the substance of the contractual arrangements and the definitions of financial liability and equity instrument. As at December 31, 2018 and 2017, there are no equity instruments.

- All financial liabilities are subsequently measured at amortized cost under the effective interest method or measured at fair value through profit or loss.
- Financial liabilities are measured at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss.

2.11. Cash and cash equivalents and short-term investments

Include cash, unrestricted bank accounts, and highly-liquid short-term investments, with insignificant risk of change in fair value, especially investment fund shares, bank certificates of deposit, and debentures. Short-term investments are stated at cost, plus income earned through the end of the reporting period, which does not exceed fair value.

2.12. Trade receivables

Trade receivables consist basically of receivables from properties leased and sold in the normal course of the Company's business. If the collection term corresponds to one year or less (or another period that satisfies the normal course of activities), trade receivables are classified in current assets. The criteria for the allowance for doubtful debts are described in note 5.

2.13. Borrowings and financing

Borrowings and financing are initially recognized at fair value, less transaction costs incurred, and subsequently stated at amortized cost. Any difference between the amounts raised (less transaction costs) and the settlement amount is recognized in the income statement over the period borrowings and financing are outstanding, using the effective interest method.

2.14. Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's shareholders is recognized as a liability in the financial statements at the end of the reporting period, as set forth in the Company's bylaws. Any amounts in excess of the mandatory minimum dividend can be accrued on the date they are approved by the shareholders at a General Meeting.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses ("AECL") on trade receivables. The amount of expected credit losses is adjusted at each reporting date to reflect any changes in the credit risk occurred since the initial recognition of the financial instrument.

The Company always recognizes the AECL based on the useful lives for trade receivables. The expected credit losses on these financial assets are calculated using a provision matrix based on the Company's past experience and adjusted according to specific factors of debtors. On a historical basis, the Company's credit losses are immaterial.

2.15. Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

2.16. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized net of direct issue costs.

2.17. Financial liabilities

The debt instruments are either classified as financial liabilities or equity according to the substance of the contractual arrangements and the definitions of financial liability and equity instrument. As at December 31, 2018 and 2017, there are no equity instruments. All financial liabilities are subsequently measured at amortized cost under the effective interest method or measured at fair value through profit or loss.

Financial liabilities are measured at amortized cost using the effective interest method.

2.18. Provisions

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that they will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A constructive obligation arises out of the Company's actions which, by way of a defined standard of past practices, published policies or a satisfactorily specific current statement, indicates to other parties that the Company will assume certain responsibilities; and, consequently, creates a valid expectation among these other parties that the Company will discharge such responsibilities.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties referring to the obligation, according to in-house and outside legal counsel.

2.19. Revenue recognition and sale of properties

Revenue is measured at the fair value of the consideration received or receivable from an operating lease or the sale of properties. Revenue is recognized when the Company and its subsidiaries have transferred control over the properties to a customer.

2.20. Interest income

Interest income earned on short-term investments is accrued on a timely basis, by reference to the outstanding principal and at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.21. Leasing

As at December 31, 2018, lease agreements are classified as finance or operating leases according to CPC 06 (IAS 17) – Leases.

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset from the Company to the lessees are classified as finance leases and recognized as sale financing of the leased assets. The following assumptions were used for the classification analysis, pursuant to said standard: (a) end of the lease term, when ownership is transferred to the lessee; (b) option to purchase the asset at a price that is substantially lower than its fair value; (c) the lease term represents a substantial portion of the asset useful life; (d) the present value of the lease agreement in relation to the fair value of the asset; and (e) the nature of the leased assets, considering the customization for the lessee without the need for material changes. As at December 31, 2018 and 2017, the Company does not have finance leases.

The lease agreements for which the material portion of ownership risks and rights is maintained by the Company, as the lessor, are classified as operating leases. In the years ended December 31, 2018 and 2017, the Company basically acted as a lessor.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognized on a straight-line basis over the leased items' useful lives.

2.22. Share-based payments

Equity-settled payments to employees and officers are measured at the fair value of the equity instruments at the grant date.

Details regarding the determination of the fair value of equity-settled payments are described in note 23.

The fair value determined at the grant date of the equity-settled payments is recorded on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment in line item "Stock option plan", in equity.

2.23. Income tax and social contribution

Income tax and social contribution expenses represent the aggregate of current and deferred taxes.

Current taxes are based on taxable income for the year. Taxable income differs from the profit reported in the consolidated income statement as it includes and excludes revenue or expenses taxable or deductible in other years, and also excludes items that are neither taxable nor deductible. The Company's current tax liabilities are calculated at the tax rates effective at the end of the reporting period, i.e., 25% for income tax and 9% for social contribution.

As permitted by the tax law, some of the Company's subsidiaries opted for taxation based on deemed income. The tax bases of income tax and social contribution under the deemed income regime are calculated at the rate of 8% on revenues from sales of subsidiaries' properties, 32% on gross lease and service revenue, and 100% on finance income, on which the regular 15% tax rate is levied, plus a 10% surtax for income tax and 9% for social contribution. As a result, certain subsidiaries are not subject to the noncumulative regime for taxes on revenue (PIS and COFINS).

2.24. Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to shareholders by the weighted average number of shares outstanding during the year, including the issues of rights and subscription warrants. An entity calculates diluted earnings per share taking into account profit attributable to shareholders and the weighted average number of outstanding shares, plus effects of all potential shares. All instruments and contracts that may result in the issue of shares are considered potential shares.

Comparative figures are adjusted to reflect capitalizations, issuance of subscription warrants, or stock splits. If these changes occur after the end of the reporting period, but before authorization for issuance of the financial statements, calculations per share in these or in any prior-year financial statements should be based on the new number of shares.

2.25. Application of judgment and critical accounting policies in the preparation of the financial statements

Critical accounting policies are those that: (a) are important to portray the Company's financial condition and results; and (b) require Management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The most significant judgments refer to provision for risks and useful life of investment properties, property, plant and equipment and intangible assets. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex.

In the preparation of the financial statements, the Company has relied on variables and assumptions derived from historical experience and various other factors that it deems reasonable and relevant. Even if these estimates and assumptions are revised by the Company in the normal course of business, the portrayal of its financial condition and results often requires the use of judgments as regards the effects of matters inherently uncertain on the carrying amount of its assets and liabilities. Actual results may differ from estimates based on different variables, assumptions or conditions.

In order to understand how the Company makes its judgments about future events, including the variables and underlying assumptions used in the estimates, comments have been included that relate to each critical accounting policy, described above, on the determination of the useful lives of investment properties, property, plant and equipment and intangible assets, provisions for contingent liabilities, measurement of the fair values of financial assets and financial liabilities, and deferred income tax and social contribution, among others.

2.26. Segment information

Operating segment information is presented in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, are the Executive Committee and the Board of Directors, which are also responsible for making the Company's strategic decisions.

As at December 31, 2018 and 2017, the Company and its subsidiaries operate in two main segments (management of office buildings and convenience retail centers). The convenience retail center segment is still in the start-up stage and its results of operations are not considered material for disclosure purposes. Accordingly, investment properties for this segment are disclosed in note 9.

2.27. Statement of value added (DVA)

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as supplemental information to the consolidated financial statements, since this statement is neither required nor mandatory under IFRS.

The DVA has been prepared using information obtained in the same accounting records used to prepare the financial statements.

2.28. Restatement of the financial statements for the year ended December 31, 2017

The Company's Management, with the purpose of improving the set of its financial statements, reviewed the financial information for the year ended December 31, 2017 and concluded on the need to restate the income statement, as prescribed by Technical Pronouncement CPC 23 (IAS 8) - Accounting Policies, Changes in Accounting Estimates and Errors. The reclassifications did not have effects on the gross profit, on the balances of assets and liabilities, and on the income statement and statement of cash flows, as originally presented. The reclassifications, made for purposes of better presentation, consist of the segregation between revenue from rental and profit (loss) from sale of properties. The reclassifications made affected only the income statement and are summarized as follows:

	<u>Parent</u> (As originally stated) <u>12.31.2017</u>	<u>Consolidated</u> (As originally stated) <u>12.31.2017</u>
Net revenue	237,403	552,424
Cost of properties sold	(74,497)	(138,325)
Rental cost	(14,011)	(42,221)
Gross profit	<u>148,895</u>	<u>371,878</u>

	<u>Parent</u> <u>(Restated)</u> <u>12.31.2017</u>	<u>Consolidated</u> <u>(Restated)</u> <u>12.31.2017</u>
Net revenue from rental	59,742	266,700
Rental cost	<u>(14,011)</u>	<u>(42,221)</u>
Net profit from rental	45,731	224,479
Sale of properties	177,661	285,724
Cost of properties sold	<u>(74,497)</u>	<u>(138,325)</u>
Net profit from sale of properties	103,164	147,399
Gross profit	<u>148,895</u>	<u>371,878</u>

2.29. Adoption of new and revised IFRS

New and revised IFRS that are effective for the current year

Impact arising on the first-time adoption of IFRS 9 (CPC 48) – Financial Instruments

The Company adopted IFRS 9 - Financial Instruments (revised in July 2014) and related amendments that are relevant to other IFRS in the current year, which are effective for annual periods beginning on or after January 1, 2018. The IFRS 9 transitional provisions do not require entities to restate any comparative information.

In addition, the Company adopted the resulting amendments to IFRS 7 (CPC 40 (R1)) – Financial Instruments: Disclosures that are applicable to disclosures made for 2018 and for the comparative period.

IFRS 9 has introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities.
- 2) Impairment of financial assets.

The Company adopted IFRS 9 in accordance with the applicable transitional provisions. There are no financial assets or financial liabilities previously designated by the Company as measured at fair value through profit or loss under IAS 39 (CPC 38) that are subject to reclassification or which the Company has elected to reclassify upon IFRS 9 adoption. There are no financial assets or financial liabilities that the Company has elected to designate as measured at fair value through profit or loss upon IFRS 9 (CPC 48) first-time adoption. Management concluded that there is no material impact on the Company's financial statements.

Impact arising on the adoption of IFRS 15 (CPC 47) – Revenue from Contracts with Customers

In the current year, the Company adopted IFRS 15 – Revenue from Contracts with Customers (as amended in April 2016), which is effective for annual periods beginning on or after January 1, 2018. IFRS 15 introduced a five-step revenue recognition approach. Much stricter guidance has been added to IFRS 15 to address specific scenarios. Details on such new requirements and their impact on the Group's consolidated financial statements are described below.

The Company's and its subsidiaries' accounting policies on revenue recognition are detailed in note 2. The adoption of IFRS 15 did not materially affect the Company's financial position and/or financial performance.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how the “transaction date” should be defined in order to determine the exchange rate applicable to the initial recognition of an asset, expense or income when foreign currency consideration of that item has been paid or received in advance, resulting in the recognition of non-monetary assets or non-monetary liabilities (for example, non-refundable deposit or deferred revenue). The adoption of such Interpretation did not have any material impact on the disclosures or amounts reported in these financial statements.

2.30. New and revised standards and interpretations applicable to year ended December 31, 2018

The following new and revised accounting standards, effective for annual periods beginning on or after January 1, 2018, have been adopted in the financial statements. The adoption of these new and revised standards applicable to the Company did not have any significant impacts on the amounts reported and/or disclosed for the current year.

Pronouncement	Description
CPC 48	Financial Instruments
CPC 47	Revenue from Contracts with Customers
Amendments to IFRS 16	

New and revised standards and interpretations issued but not yet adopted

Pronouncement	Description
CPC 06 (R1)	Leases (a)
(a) Effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.	

Management does not expect any significant impact arising on the adoption of those new standards and interpretations.

2.31. Basis of consolidation

Consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and the entities controlled directly by the Company or indirectly through its subsidiaries.

The accounting policies below are applied in the preparation of the consolidated financial statements.

a) Subsidiaries

Subsidiaries are all entities regarding which the Company has the power to determine the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Company and they are unconsolidated from the date that control ceases. All intragroup transactions, balances and unrealized gains are eliminated on consolidation. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The subsidiaries’ accounting policies are changed and their individual financial statements are adjusted, when necessary, to ensure the consistency of the financial data to be consolidated with the Group’s accounting policies.

b) Transactions and noncontrolling interests

For acquisitions of noncontrolling interests, the difference between any consideration paid and the acquired portion of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity. When the Company ceases to have control, any retained interest in the entity is remeasured at fair value, and the change in the carrying amount is recognized in profit or loss.

2.32. The financial statements have been prepared on the assumption that the Company will continue as a going concern, since in recent years the Company has evidenced the balance of its net working capital and positive gross margin. In addition, the Company expects to generate sufficient cash to settle its liabilities in the coming years.

3. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Cash	12	10	30	24
Banks	3,551	786	4,944	2,130
Short-term investments (*)				
Repurchase agreements	-	55,053	-	55,053
Savings and other accounts	438	634	4,535	4,820
	<u>4,001</u>	<u>56,483</u>	<u>9,509</u>	<u>62,027</u>

(*) Short-term investments immediately convertible into cash and insignificant risk of change in value. All short-term investments have been structured to have the features and return of fixed-income securities, yielding approximately 101% of the Interbank Certificate of Deposit rate (CDI).

4. SHORT-TERM INVESTMENTS

	Parent		Consolidated	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Financial bills and fixed-income investment funds	<u>244,237</u>	<u>234,259</u>	<u>262,203</u>	<u>288,350</u>

Refer to financial bills issued by prime banks, basically Itaú Unibanco S.A. and Banco Bradesco S.A., that are not highly liquid and whose redemption before maturity date depends on the secondary market. Fixed-income investment funds are open-end funds, with daily liquidity, managed by prime financial institutions.

5. TRADE RECEIVABLES

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Trade receivables	41,958	43,580	122,981	130,138
Allowance for doubtful debts	(922)	(922)	(1,508)	(1,460)
Receivables from the sale of properties	-	76,198	2,500	76,198
Receivables from the sale of equity interests and disposal of real estate projects	922	-	922	3,000
Common area maintenance and other fees	-	-	713	2,022
Total	41,958	118,856	125,608	209,898
Current	10,352	80,365	29,206	100,668
Noncurrent (i)	31,606	38,491	96,402	109,230

(i) Amounts arising from revenue straight-lining that will be realized after 12 months.

Trade receivables

On a historical basis, the Company's percentage rate of expected credit losses on receivables past due within up to 180 days is close to zero, whereas, for receivables past due for over 180 days, the Company recognizes an allowance for expected credit losses for 100% of the outstanding balances with no indication that they will be collected or renegotiated.

The aging list of trade receivables is as follows:

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Past-due				
31 to 60 days	-	-	131	403
61 to 90 days	-	-	5	319
91 to 120 days	-	-	98	55
121 to 180 days	-	-	105	401
Over 180 days	922	922	3,236	2,423
	922	922	3,575	3,601
Current	41,958	118,856	123,541	207,757
Total trade receivables	42,880	119,778	127,116	211,358

Variations in allowance for doubtful debts

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Opening balance	(922)	(922)	(1,460)	(1,101)
Recognition of allowance	-	-	(123)	(370)
Write-off of allowance	-	-	75	11
Closing balance	(922)	(922)	(1,508)	(1,460)

6. RECOVERABLE TAXES

	Parent		Consolidated	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Recoverable income tax	6,664	4,632	9,735	7,476
Income tax on short-term investments	7,481	5,815	7,800	6,075
Recoverable social contribution (CSLL)	410	539	1,317	866
Recoverable taxes on revenue (PIS and COFINS)	1,772	2,276	4,848	3,038
Other	88	97	132	120
Total	<u>16,415</u>	<u>13,359</u>	<u>23,832</u>	<u>17,575</u>

7. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

	Assets	Liabilities	Capital	Equity (equity deficit)	Interest	Profit (loss) for the year	Balance as at 12.31.2016	Change			Share of profit (loss) of subsidiaries	Dividends distributed - interest on capital	Balance as at 12.31.2017
								Capital increase	Capital decrease	Sale and other			
Subsidiaries													
253 Participações Ltda.	96,898	3,785	32,000	93,112	99.99	14,689	83,423	-	-	-	14,689	(5,000)	93,112
SC Corretora de Imóveis Ltda.	-	3	71	(1)	99.99	(6)	(1)	5	-	-	(6)	-	(1)
Top Center Empreendimentos e Participações Ltda.	471,505	326,332	105,341	145,173	99.99	40,753	166,720	7,500	-	-	40,753	(69,800)	145,173
Globaltech Empreendimentos e Participações Ltda.	23,147	14,558	7,663	8,589	60.00	2,226	4,599	-	-	-	1,335	(780)	5,154
H.T.Y.S.P.E. Empreendimentos e Participações Ltda.	76,454	3,386	57,620	73,067	99.99	14,982	67,086	-	-	-	14,982	(9,000)	73,067
SC Rio Sul Empreendimentos e Participações Ltda.	121,163	2,385	109,983	118,779	99.99	20,595	115,686	-	-	-	20,595	(17,502)	118,779
SC Rio CE Generali Empreendimentos e Participações Ltda.	87,802	1,568	83,800	86,234	99.99	2,779	88,533	-	(3,500)	-	2,779	(1,578)	86,234
SC Rio CE Candelária Empreendimentos e Participações Ltda.	70,424	29,633	40,369	40,792	99.99	1,367	34,925	4,500	-	-	1,367	-	40,792
SC Rio Cidade Nova Empreendimentos e Participações Ltda.	232,310	119,774	113,200	112,536	99.99	755	121,781	-	(10,000)	-	755	-	112,536
SC Rio Pasteur Empreendimentos e Participações Ltda.	50,187	35,250	14,304	14,936	99.99	(2,372)	14,607	2,700	-	-	(2,372)	-	14,935
SC SP CE Aço Empreendimentos e Participações Ltda. (i)	-	-	-	-	99.99	3,568	68,261	3,300	-	(72,780)	3,568	(2,349)	-
Best Center Empreendimentos e Participações SA.	433,539	194,835	318,766	238,704	99.99	(16,654)	210,079	45,000	-	279	(16,654)	-	238,704
U.K.Q.S.P.E. Empreendimentos e Participações Ltda.	-	3	4	(3)	99.60	(1)	(2)	-	-	-	(1)	-	(3)
C.L.D.S.P.E. Empreendimentos e Participações Ltda.	78,343	53,305	23,653	25,038	99.99	1,117	28,049	900	(4,300)	-	1,817	(1,427)	25,039
D.J.L.S.P.E. Empreendimentos e Participações Ltda.	-	-	1	93,112	99.60	-	-	-	-	-	-	-	-
Total							<u>1,003,746</u>	<u>63,905</u>	<u>(17,800)</u>	<u>(72,501)</u>	<u>83,607</u>	<u>(107,436)</u>	<u>953,521</u>
Joint ventures													
H.T.K.S.P.E. Empreendimentos e Participações S.A.	29,826	19,976	11,243	9,850	50.00	(3,396)	5,418	2,500	(1,295)	-	(1,698)	-	4,925
Longford Participações e Empreendimentos S.A.	47,857	10,634	50,692	37,223	50.00	(3,199)	6,351	13,860	-	-	(1,600)	-	18,611
							<u>11,769</u>	<u>16,360</u>	<u>(1,295)</u>	<u>-</u>	<u>(3,298)</u>	<u>-</u>	<u>23,536</u>
Total							<u>1,015,515</u>	<u>80,265</u>	<u>(19,095)</u>	<u>(72,501)</u>	<u>80,309</u>	<u>(107,436)</u>	<u>977,057</u>

	Assets	Liabilities	Capital	Equity (equity deficit)	Interest - %	Profit (loss) for the year	Balance as at 12.31.2017	Change			Share of profit (loss) of subsidiaries	Dividends distributed - interest on capital	Balance as at 12.31.2018
								Capital increase	Capital decrease	Sale and other			
Subsidiaries													
253 Participações Ltda.	98,445	23,845	32,000	74,600	99.99	13,857	93,112	-	-	-	13,857	(32,370)	74,599
SC Corretora de Imóveis Ltda.	-	7	74	(7)	99.99	(7)	(1)	3	-	-	(7)	-	(5)
Top Center Empreendimentos e Participações Ltda.	323,562	232,392	76,276	96,069	99.99	19,793	145,173	28,135	(57,200)	-	19,793	(44,732)	91,169
Globaltech Empreendimentos e Participações Ltda.	23,042	14,453	7,663	8,590	60.00	3,451	5,154	-	-	-	2,070	(2,070)	5,154
H.T.Y.S.P.E. Empreendimentos e Participações Ltda.	77,594	4,062	58,162	73,531	99.99	15,922	73,067	542	-	-	15,922	(16,000)	73,531
SC Rio Sul Empreendimentos e Participações Ltda.	143,622	15,202	109,983	128,420	99.99	24,737	118,779	-	-	-	24,737	(15,095)	128,421
SC Rio CE Generali Empreendimentos e Participações Ltda.	86,970	1,010	83,889	85,960	99.99	1,581	86,234	89	-	-	1,581	(1,944)	85,960
SC Rio CE Candelária Empreendimentos e Participações Ltda.	70,551	26,988	41,127	43,563	99.99	2,014	40,792	758	-	-	2,014	-	43,564
SC Rio Cidade Nova Empreendimentos e Participações Ltda.	226,601	97,514	131,700	129,087	99.99	(1,948)	112,536	18,500	-	-	(1,948)	-	129,088
SC Rio Pasteur Empreendimentos e Participações Ltda.	54,472	5,458	48,304	49,014	99.99	710	14,935	35,000	(1,000)	-	710	(633)	49,012
Best Center Empreendimentos e Participações SA.	424,884	198,226	318,766	226,658	99.99	(12,281)	238,704	-	-	234	(12,281)	-	226,657
U.K.Q.S.P.E. Empreendimentos e Participações Ltda.	-	5	4	(5)	99.94	(2)	(3)	-	-	-	(2)	-	(5)
C.L.D.S.P.E. Empreendimentos e Participações Ltda.	78,322	50,381	25,353	28,990	99.99	2,252	25,039	1,700	-	-	2,252	(1,050)	27,941
Total							<u>953,521</u>	<u>84,727</u>	<u>(58,200)</u>	<u>234</u>	<u>68,698</u>	<u>(113,894)</u>	<u>935,086</u>
Joint ventures													
H.T.K.S.P.E. Empreendimentos e Participações S.A.	29,353	21,750	11,243	7,604	50.00	(2,246)	4,925	-	-	-	(1,123)	-	3,802
Longford Participações e Empreendimentos S.A.	46,932	11,936	50,692	34,997	50.00	(2,226)	18,611	-	-	-	(1,113)	-	17,498
							<u>23,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,236)</u>	<u>-</u>	<u>21,300</u>
Total							<u>977,057</u>	<u>84,727</u>	<u>(58,200)</u>	<u>234</u>	<u>66,462</u>	<u>(113,894)</u>	<u>956,386</u>

Consolidated

HTKSPE Empreendimentos e Participações S.A. and Longford Participações e Empreendimentos S.A. were not consolidated because the Company holds shared control over such investments and reported an investment balance of R\$21,300 as at December 31, 2018 (R\$23,536 as at December 31, 2017).

On October 26, 2017, the Company has completed the sale of the interest held in SC São Paulo CE Aço Empreendimentos e Participações Ltda. ("SPE"), at the amount of R\$296,000, including the balance of the SPE debt, in the amount of R\$118,341. The gain arising from such transaction was R\$103,163.

8. RELATED-PARTY BALANCES AND TRANSACTIONS

Transactions refer to borrowings and financing, retail contracts and other expenses between related parties, as follows:

Subsidiary/associate	Parent	
	Noncurrent assets	
	12.31.2018	12.31.2017
Globaltech Empreendimentos e Participações Ltda.	8,329	1
H.T.Y.S.P.E. Empreendimentos e Participações Ltda.	956	624
SC Rio Cidade Nova Empreendimentos e Participações Ltda.	6,883	18,178
253 Participações Ltda.	6,237	1,490
Longford Participações e Empreendimentos S.A.	3,390	-
SC Rio Pasteur Empreendimentos e Participações Ltda.	5,119	7,924
Top Center Empreendimentos e Participações Ltda.	5,608	10,247
SC Rio CE Generali Empreendimentos e Participações Ltda.	558	1,071
SC Rio Sul Empreendimentos e Participações Ltda.	575	332
H.T.K.S.P.E. Empreendimentos e Participações S.A.	7,458	1,408
Best Center Empreendimentos e Participações S.A.	77,219	42,664
SC Corretora de Imóveis Ltda.	2	1
U.K.Q.S.P.E. Empreendimentos e Participações Ltda.	4	2
C.L.D.S.P.E. Empreendimentos e Participações Ltda.	1,977	1,820
Best Center Inter Rio Empreendimentos e Participações Ltda.	48	-
SC Rio CE Candelária Empreendimentos e Participações Ltda.	2,345	334
Total	126,708	86,096

In the noncurrent assets, R\$126,708 (R\$86,096 as at December 31, 2017), in the Parent, and R\$5,572 (R\$1,406 as at December 31, 2017), in current consolidated, refer to dividends, advance for future capital increase, and interest on capital receivable from subsidiaries and joint ventures.

Management compensation

On April 27, 2018, the Annual Shareholders' Meeting approved the Company's overall management compensation for 2018 in the amount of up to R\$24,988, of which R\$6,819 refers to the fees payable to the Board of Directors and R\$18,169 to the fees payable to the executive committee, including benefits and charges, and the fair value of options granted for the year. In the years ended December 31, 2018 and 2017, the following amounts were paid and accrued:

	Consolidated					
	12.31.2018			12.31.2017		
	Fixed	Variable	Total	Fixed	Variable	Total
Board of Directors	2,090	2,738	4,828	1,851	3,151	5,002
Officers	<u>4,681</u>	<u>6,117</u>	<u>10,798</u>	<u>4,983</u>	<u>8,267</u>	<u>13,250</u>
Total	<u>6,771</u>	<u>8,855</u>	<u>15,626</u>	<u>6,834</u>	<u>11,418</u>	<u>18,252</u>

Key management personnel compensation is set by the Company's Board of Directors, which considers the individual performance and the market trends.

9. INVESTMENT PROPERTIES

	Annual depreciation rate - %	Parent			
		12.31.2018		12.31.2017	
		Cost	Accumulated depreciation	Net	Net
Land		158,912	-	158,912	158,912
Buildings	From 1.67 to 3.41	504,157	(45,239)	458,918	468,685
Facilities	10.00	183,739	(15,200)	168,539	172,136
Construction in progress		<u>1,242</u>	<u>-</u>	<u>1,242</u>	<u>287</u>
Total		<u>848,050</u>	<u>(60,439)</u>	<u>787,611</u>	<u>800,020</u>

	Annual depreciation rate - %	Consolidated			
		12.31.2018		12.31.2017	
		Cost	Accumulated depreciation	Net	Net
Land		666,130	-	666,130	705,111
Buildings	From 1.67 to 3.41	1,190,759	(191,259)	999,500	1,051,709
Facilities and improvements	10.00	561,837	(59,765)	502,072	516,013
Advance for construction		6,709	-	6,709	8,929
Construction in progress		<u>30,660</u>	<u>-</u>	<u>30,660</u>	<u>34,215</u>
Total		<u>2,456,095</u>	<u>(251,024)</u>	<u>2,205,071</u>	<u>2,315,977</u>

Variations are as follows:

	Parent			
	12.31.2016	Additions	Transfer	12.31.2017
Land	158,912	-	-	158,912
Buildings	504,086	4	(13)	504,077
Facilities	174,682	1,590	7,281	183,553
Advance for construction	7,281	-	(7,281)	-
Construction in progress	<u>251</u>	<u>36</u>	<u>-</u>	<u>287</u>
	845,212	1,630	(13)	846,829
Accumulated depreciation	<u>(33,255)</u>	<u>(13,554)</u>	<u>-</u>	<u>(46,809)</u>
Total	<u>811,957</u>	<u>(11,924)</u>	<u>(13)</u>	<u>800,020</u>

	Parent			12.31.2018
	12.31.2017	Additions	Transfer	
Land	158,912	-	-	158,912
Buildings	504,077	80	-	504,157
Facilities	183,553	26	160	183,739
Construction in progress	287	1,127	(172)	1,242
	846,829	1,233	(12)	848,050
Accumulated depreciation	(46,809)	(13,630)	-	(60,439)
Total	800,020	(12,397)	(12)	787,611

	Consolidated				12.31.2017
	12.31.2016	Additions (i)	Write-offs (ii)	Transfers (iii)	
Land	777,148	1,094	(74,990)	1,859	705,111
Buildings	1,410,970	2,739	(191,369)	5,386	1,227,726
Facilities	552,728	1,891	(6,205)	15,794	564,208
Advance for construction	10,256	18,876		(20,203)	8,929
Construction in progress	30,461	20,459	(1,966)	(14,739)	34,215
	2,781,563	45,059	(274,530)	(11,903)	2,540,189
Accumulated depreciation	(210,918)	(39,973)	26,679	-	(224,212)
Total	2,570,645	5,086	(247,851)	(11,903)	2,315,977

- (i) Construction works made at Centro Empresarial do Aço, in progress at Ericson's project and some business centers. Advances for improvements at Urca's and Morumbi Park's projects.
- (ii) On May 29, 2017, subsidiary Top Center sold its total ownership interest (approximately 57%) in Edifício Mykonos, in the amount of R\$41,300, in cash. The gain on such transaction amounted to R\$25,797.

On October 26, 2017, the Company has completed the sale of the interest held in SC São Paulo CE Aço Empreendimentos e Participações Ltda. ("SPE"), at the amount of R\$296,000, including the balance of the SPE debt, in the amount of R\$118,341.

The amount was received as follows:

- a) Closing installment: R\$52,200, paid on October 26, 2017.
- b) Remaining balance: R\$50,184 paid in December 2017, R\$50,184 paid in March 2018 and R\$25,091 paid in June 2018.
- (iii) The main transfers refer to reclassifications from construction in progress to properties available for sale.

	Consolidated				12.31.2018
	12.31.2017	Additions (i)	Write-offs (ii)	Transfers (iii)	
Land	705,111	-	(33,951)	(5,030)	666,130
Buildings	1,227,726	13,279	(70,074)	19,828	1,190,759
Facilities	564,208	1,943	(5,727)	1,413	561,837
Advance for construction	8,929	4,534	(782)	(5,972)	6,709
Construction in progress	34,215	26,034	(8,002)	(21,587)	30,660
	<u>2,540,189</u>	<u>45,790</u>	<u>(118,536)</u>	<u>(11,348)</u>	<u>2,456,095</u>
Accumulated depreciation	<u>(224,212)</u>	<u>(37,413)</u>	<u>8,446</u>	<u>2,155</u>	<u>(251,024)</u>
Total	<u>2,315,977</u>	<u>8,377</u>	<u>(110,090)</u>	<u>(9,193)</u>	<u>2,205,071</u>

(i) The main additions refer to construction works made at Edifícios Generali, Centro Administrativo Santo Amaro, Visconde de Ouro Preto, Urca and Centro Empresarial Botafogo.

On December 1, 2018, subsidiary SC Rio Sul acquired 2 floors of Edifício Visconde de Ouro Preto, in the total amount of R\$12,500.

(ii) On March 15, 2018, subsidiary Top Center sold to third parties its total ownership interest of 63% in Edifício Morumbi Park, in the amount of R\$137.4 million, in cash.

(iii) The main transfers refer to reclassifications from construction in progress to investment property of Edifício Ericson and Edifício Generali.

The Company decided to maintain its investment properties recorded at cost less accumulated depreciation since it understands it is the best information for companies operating in the real estate investment market to rely on for rental purposes.

Pursuant to CPC 28 (IAS 40), independent consultant CB Richard Ellis estimated the fair value of the Company's properties at R\$4.1 billion, determined using the valuation approach set forth by NBR 14653-1-4 of the Brazilian Technical Standards Association (ABNT) and the technical standards of The Royal Institution of Chartered Surveyors (RICS) of the United Kingdom and the Appraisal Institute of the United States, which are internationally used and acknowledged for real estate appraisal and other analyses. The lease revenues and selling value in the 10th year are then adjusted to present value at discount rates that are adequate to the market's risk perception; accordingly, the present value of the cash flows reflects the selling value available for acquisition of the property from the investor's standpoint. Some plots of land have been internally appraised by the Company.

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

Investment properties are measured at fair value annually.

10. BORROWINGS AND FINANCING

Property	Currency	Annual charges - %	Parent		Consolidated	
			12.31.2018	12.31.2017	12.31.2018	12.31.2017
Real estate financing (acquisition of properties) (*)	R\$	TR + 8.9 to 10	613,288	690,819	818,060	1,019,523
Working capital	R\$	CDI + 1.8	22,241	25,761	22,241	25,761
Advanced receivables	R\$	IGP-M + 10.4	17,316	20,282	17,316	20,282
Real estate financing – works	R\$	TR + 9.25 to 9.80	36,942	43,534	237,637	287,472
Debentures	R\$	IPCA + 5.47 to 6.50	61,442	58,919	102,640	106,313
Bank Credit Note	R\$	IPCA + 5.47	-	-	40,465	38,650
Total			751,229	839,315	1,238,359	1,498,001
Current			58,057	66,114	108,578	142,729
Noncurrent			693,172	773,201	1,129,781	1,355,272

Borrowings and financing are linked to the purchase of properties, investment and performance of construction works at the abovementioned projects; borrowings and financing will mature between 2019 and 2030.

These borrowings are subject to the compliance with certain financial and non-financial covenants, required on an annual basis, every December, taking into consideration the subsidiaries' consolidated and/or individual operations. The Company's Management asserts that all covenants have been met as at December 31, 2018 and 2017.

The real estate financing and bank credit notes are collateralized by the properties and receivables from those lease agreements. These collaterals are measured on an annual basis and subject to compliance with certain financial covenants. As at December 31, 2018, a particular creditor, with financing of an outstanding balance amounting to R\$17,316, is assessing the measurement methodology and related compliance with certain financial covenants. Although a potential noncompliance event may arise, it would not generate any unconditional financial obligation for the Company.

As at December 31, 2018, the breakdown of the noncurrent portion per year is as follows:

Maturity year	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
2019	-	71,848	-	155,796
2020	67,502	75,004	124,742	165,345
2021	73,512	81,723	135,247	174,157
2022	68,855	78,012	194,544	163,163
2023	110,152	109,902	213,311	218,620
2024	52,879	51,174	94,243	120,400
2025	50,993	48,843	73,340	73,003
2026	55,023	52,681	70,781	69,820
2027	53,366	50,815	62,684	61,768
2028	58,115	55,337	58,115	55,337
2029	63,288	60,262	63,288	60,262
2030	39,487	37,600	39,486	37,601
	693,172	773,201	1,129,781	1,355,272

The variations in borrowings and financing are as follows:

Parent

<u>Description</u>	<u>Balance as at 12.31.2016</u>	<u>Fund raising</u>	<u>Interest and inflation adjustment</u>	<u>Repayment of principal</u>	<u>Interest and inflation adjustment payment</u>	<u>Balance as at 12.31.2017</u>
Borrowings	848,537	60,000	76,751	(76,294)	(69,679)	839,315

<u>Description</u>	<u>Balance as at 12.31.2017</u>	<u>Fund raising</u>	<u>Interest and inflation adjustment</u>	<u>Repayment of principal</u>	<u>Interest and inflation adjustment payment</u>	<u>Balance as at 12.31.2018</u>
Borrowings	839,315	-	72,695	(89,353)	(71,428)	751,229

Consolidated

<u>Description</u>	<u>Balance as at 12.31.2016</u>	<u>Fund raising</u>	<u>Interest and inflation adjustment</u>	<u>Repayment of principal</u>	<u>Write-off for the sale of (*)</u>	<u>Interest and inflation adjustment payment</u>	<u>Balance as at 12.31.2017</u>
Borrowings	1,658,867	100,000	155,491	(164,981)	(116,354)	(135,022)	1,498,001

<u>Description</u>	<u>Balance as at 12.31.2017</u>	<u>Fund raising</u>	<u>Interest and inflation adjustment</u>	<u>Repayment of principal</u>	<u>Interest and inflation adjustment payment</u>	<u>Balance as at 12.31.2018</u>
Borrowings	1,498,001	-	130,653	(265,230)	(125,065)	1,238,359

(*) Loan settled by the buyer relating to the sale on October 26, 2017 of the investment of SC São Paulo CE Aço Empreendimentos e Participações Ltda. ("SPE").

11. DEFERRED TAXES AND CONTRIBUTIONS

Deferred taxes and contributions arise from temporary differences mainly due to temporarily nondeductible provisions and/or straight-line revenue recognized in profit or loss, and are recorded in noncurrent liabilities.

Deferred taxes and contributions reflect the future tax effects attributable to temporary differences between the tax base of assets and liabilities and the respective book value. Reported amounts are monthly reviewed.

Deferred taxes and contributions are broken down as follows:

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Temporary differences:				
PIS and COFINS - straight-line revenue	50	68	2,673	2,420
IRPJ and CSLL - straight-line revenue	616	617	5,673	5,403
Total	<u>666</u>	<u>685</u>	<u>8,346</u>	<u>7,823</u>

12. PROVISION FOR RISKS AND ESCROW DEPOSITS

The Company and its subsidiaries are parties to tax lawsuits arising from the normal course of their activities.

The provisions were recognized taking into account the in-house and outside legal counsel's opinion, the nature of the lawsuits, the similarity with prior proceedings, the complexity of the claims and the position of courts, whenever the cash disbursement is assessed as probable and the amount can be measured reliably.

The Company's and its subsidiaries' Management understands that the provision is sufficient to cover losses arising from the related lawsuits.

	Parent	
	12.31.2018	12.31.2017
Income tax and social contribution	5,075	5,075
PIS/COFINS (i)	9,378	9,378
Other	55	55
Total	14,508	14,508
Escrow deposits	(54)	(40)
Total	14,454	14,468
	Consolidated	
	12.31.2018	12.31.2017
Income tax and social contribution	5,075	5,075
PIS/COFINS (i)	9,378	9,378
Other	72	55
Total	14,525	14,508
Escrow deposits	(511)	(142)
Total	14,014	14,366

- (i) The Company maintains a provision related to the increase in the PIS and COFINS tax rates, with the purpose of maintaining the payment of such taxes in accordance with Regulatory Instruction 468/04, which establishes that contracts involving assets entered into through October 31, 2003, for a period in excess of one year, are taxed at the rate prevailing before such increase.

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Opening balance	14,508	14,085	14,508	14,085
Write-offs	-	-	-	-
Inflation adjustment	-	423	17	423
Closing balance	14,508	14,508	14,525	14,508

As at December 31, 2018, the Company and its subsidiaries are parties to tax lawsuits, in the amount of R\$38,867 (R\$53,848 as at December 31, 2017), labor lawsuits in the amount of R\$458 (R\$1,656 as at December 31, 2017) and civil lawsuits in the amount of R\$1,154 (R\$89 as at December 31, 2017), whose likelihood of loss is assessed as possible by their internal and external legal counsel and for which no provision was recorded.

Liabilities relating to legal obligations being discussed in court are recognized until a final and unappealable favorable decision is issued.

13. PROFIT SHARING

The Company has an employees' profit sharing program. This program's main calculation measures are the goals set based on the employees' function, area and title, as established by Management, which are recorded in line item "General and administrative expenses".

In the year ended December 31, 2018, the amount of R\$2,572 (R\$2,724 as at December 31, 2017) was recorded in line item "Payroll and related taxes".

14. EQUITY

14.1. Fully paid common shares

As at December 31, 2018 and 2017, capital amounts to R\$1,073,912, represented by 57,737,319 registered common shares without par value.

14.2. Treasury shares

The Company intends to use the proceeds from the sale of treasury shares to discharge obligations related to the stock option plan.

As at December 31, 2018, the Company held in treasury 1,694,995 registered common shares (1,282,201 common shares as at December 31, 2017), acquired at the average cost of R\$31.78 per share (R\$33.63 per share as at December 31, 2017).

On May 4, 2018, the Board of Directors' Meeting approved the new program to buy back up to 1,000,000 common shares issued by the Company, to be cancelled or held in treasury, without decreasing capital. The program is effective for 365 days, from May 7, 2018 to May 6, 2019.

14.3. Allocation of profit for the year

In accordance with the Company's bylaws, shareholders are entitled to a minimum dividend of 25% of the profit for the year, adjusted pursuant to the Brazilian Corporate Law, in accordance with accounting practices adopted in Brazil.

The allocation of the profit for the year ended December 31, 2018 is as follows:

Profit for the year	15,654
Legal reserve - 5%	<u>(783)</u>
Dividend calculation basis	14,871
Mandatory minimum dividends - 25%	<u>(3,718)</u>
Earnings retention	<u>11,153</u>

As at December 31, 2018, an earnings reserve was recognized as a result of the retention of a portion of profit for the year, pursuant to Article 196, of Law 6404/76 (Brazilian Corporate Law), and Article 5, Sole Paragraph, of CVM Instruction 469, of May 2, 2008. Such 2018 retention is based on the capital budget, prepared by Management and approved by the Board of Directors on February 22, 2019. The remaining balance of retained earnings will be allocated to improve the Company's and its subsidiaries' operations, based on the capital budget to be approved at the Annual Shareholders' Meeting to be held on April 30, 2019.

14.4. Earnings reserve - legal

Recognized in an amount corresponding to 5% of profit for the year, pursuant to Article 193 of Law 6404/76, up to the limit of 20% of capital. The legal reserve balance is R\$75,296 as at December 31, 2018 (R\$74,513 as at December 31, 2017).

15. LEASE REVENUE

Operating leases relate to the investment properties owned by the Company and its subsidiaries with lease terms of between two to ten years, with an option to extend for equal period. All operating lease agreements contain market review clauses in the event that the Company exercises its option to renew. The lessee does not have the option to purchase the leased property after the lease term.

As at December 31, 2018, the Company and its subsidiaries do not have any non-cancelable operating lease agreements since the lease agreements are based on the Tenant Act and can be canceled by the lessee or the Company and its subsidiaries at any time, provided that the contractual obligations are met.

16. NET REVENUE FROM RENTAL AND SALE OF PROPERTIES

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Gross lease revenue	58,707	64,740	244,402	284,384
Taxes	(4,910)	(4,998)	(15,296)	(17,684)
Total	<u>53,797</u>	<u>59,742</u>	<u>229,106</u>	<u>266,700</u>
Revenue from sale of properties/investment	-	177,661	138,415	284,927
Taxes	-	-	1,699	797
Total	<u>-</u>	<u>177,661</u>	<u>140,114</u>	<u>285,724</u>

17. COSTS AND EXPENSES BY NATURE

	Parent		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Personnel expenses	(29,119)	(32,665)	(33,297)	(38,258)
Outside services	(1,779)	(1,721)	(4,000)	(3,601)
Depreciation and amortization expenses	(14,081)	(14,011)	(40,552)	(42,221)
Cost of properties sold	-	(74,497)	(111,338)	(138,325)
Selling expenses - Municipal Real Estate Tax (IPTU), common area maintenance and other fees related to vacant areas	(1,853)	(6,631)	(24,012)	(30,223)
Occupancy expenses	(956)	(1,009)	(1,034)	(1,107)
Tax expenses	(81)	(77)	(117)	(106)
Other	(664)	(751)	(1,387)	3,616
Total	<u>(48,533)</u>	<u>(131,362)</u>	<u>(215,737)</u>	<u>(250,225)</u>

	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Classified as:				
Rental cost	(14,081)	(14,011)	(40,552)	(42,221)
Cost of properties sold	-	(74,497)	(111,338)	(138,325)
General and administrative expenses	(32,689)	(36,230)	(40,223)	(44,998)
Selling expenses	(1,853)	(6,631)	(24,012)	(30,223)
Other operating income, net	90	7	388	5,542
Total	<u>(48,533)</u>	<u>(131,362)</u>	<u>(215,737)</u>	<u>(250,225)</u>

18. FINANCE INCOME

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Interest income on				
Short-term investments	19,119	20,173	21,314	22,492
Trade receivables	1	8	202	1,029
Adjustment of recoverable taxes	398	1,299	690	1,467
Other	-	-	170	1
Total	<u>19,518</u>	<u>21,480</u>	<u>22,376</u>	<u>24,989</u>

19. FINANCE COSTS

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Interest and inflation adjustments on				
borrowings and financing	(71,787)	(78,487)	(125,659)	(157,096)
Adjustments to provision for tax risks	-	(423)	-	(423)
Other finance costs	<u>(3,469)</u>	<u>(3,037)</u>	<u>(8,706)</u>	<u>(6,368)</u>
Total	<u>(75,256)</u>	<u>(81,947)</u>	<u>(134,365)</u>	<u>(163,887)</u>

20. INCOME TAX AND SOCIAL CONTRIBUTION

20.1. Breakdown of current and deferred income tax and social contribution expenses

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Current expenses:				
Social contribution	(260)	(2,708)	(6,116)	(11,669)
Income tax	<u>(74)</u>	<u>(3,949)</u>	<u>(15,837)</u>	<u>(28,082)</u>
Total	<u>(334)</u>	<u>(6,657)</u>	<u>(21,953)</u>	<u>(39,751)</u>
Deferred expenses:				
Social contribution	-	-	(95)	(47)
Income tax	-	-	(175)	(88)
Total	<u>-</u>	<u>-</u>	<u>(270)</u>	<u>(135)</u>

20.2. Reconciliation of income tax and social contribution expenses - current and deferred

Income tax and social contribution expenses are reconciled at statutory rates as follows:

	Parent		Consolidated	
	<u>12.31.2018</u>	<u>12.31.2017</u>	<u>12.31.2018</u>	<u>12.31.2017</u>
Income before income tax and social contribution	15,988	125,883	39,258	160,003
Estimated income tax and social contribution expenses at statutory rates - 34%	(5,436)	(42,800)	(13,348)	(54,401)
Share of profit (loss) of subsidiaries	19,339	27,305	(2,685)	(1,121)
Effect on interest on capital	-	15,640	-	15,640
Effect of companies under the deemed income regime	-	-	14,925	10,704
Offset/reversed losses	(14,237)	(4,805)	(21,115)	(8,711)
Other	-	(1,997)	-	(1,997)
Total	<u>(334)</u>	<u>(6,657)</u>	<u>(22,223)</u>	<u>(39,886)</u>

20.3. Deferred tax credits - not recorded

The deferred tax credits not recorded by the Parent as at December 31, 2018 amount to R\$37,317 (R\$23,145 as at December 31, 2017), of which R\$27,439 (R\$17,018 as at December 31, 2017) for income tax and R\$9,978 (R\$6,127 as at December 31, 2017) for social contribution, represented by tax losses and temporary differences. The amount is recorded upon compliance with all assumptions by the Company for recognition of such tax credits.

21. EARNINGS PER SHARE

21.1. Basic earnings per share

The earnings and weighted average number of common shares used in the calculation of basic earnings per share are as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Profit attributable to the Company's owners	15,654	119,226
Weighted average number of common shares used to calculate basic earnings per share (all measurements)	<u>56,042</u>	<u>56,456</u>
Basic earnings per share (cents per share - R\$)	<u>0.2793</u>	<u>2.118</u>

21.2. Diluted earnings per share

The earnings used in the calculation of all diluted earnings per share measures are the same as those for the equivalent basic earnings per share measures, as outlined above.

The weighted average number of common shares used to calculate diluted earnings per share is reconciled with the weighted average number of common shares used to calculate basic earnings per share, as follows:

	<u>12.31.2018</u>	<u>12.31.2017</u>
Profit attributable to the Company's owners	15,654	119,226
Weighted average number of common shares used to calculate basic earnings per share	56,042	56,456
Effect of employees' options	1,168	1,212
Weighted average number of common shares used to calculate basic earnings per share (all measurements)	57,210	57,668
Diluted earnings per share (cents per share - R\$)	<u>0.274</u>	<u>2.067</u>

22. FINANCIAL INSTRUMENTS

22.1. General considerations

The Company and its subsidiaries enter into transactions involving financial instruments, all recorded in balance sheet accounts, which are intended to meet their cash requirements and reduce exposure to market and interest rate risks.

Short-term investments reflect the actually agreed yield rates.

Borrowings and financing are recorded based on the contractual interest of each transaction, as shown in note 10.

22.2. Capital risk management

The Company manages its capital to ensure that subsidiaries will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company's capital structure consists of debt, including borrowings shown in note 10, cash and cash equivalents, short-term investments and securities, and capital attributed to shareholders, which is composed of paid-in capital and reserves.

The leverage ratio at the end of the annual reporting period is as follows:

	<u>Consolidated</u>	
	<u>12.31.2018</u>	<u>12.31.2017</u>
Debt	1,238,359	1,498,001
Cash and cash equivalents	(9,509)	(62,027)
Short-term investments	(262,203)	(288,350)
Net debt	966,647	1,147,624
Equity	1,403,707	1,406,088
Net debt-to-capital ratio	<u>69%</u>	<u>82%</u>

22.3. Categories of financial instruments

	Parent			
	12.31.2018	12.31.2017		
Amortized cost:				
Trade receivables	41,958	118,856		
Cash and cash equivalents	4,001	56,483		
Short-term investments	244,237	234,259		
Total	<u>290,196</u>	<u>409,598</u>		
Borrowings and financing	(751,229)	(839,315)		
Total	<u>(751,229)</u>	<u>(839,315)</u>		
	Consolidated		Fair value	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Amortized cost:				
Trade receivables	125,608	209,898	125,608	209,898
Cash and cash equivalents	9,509	62,027	9,509	62,027
Short-term investments	262,203	288,350	262,203	288,350
Total	<u>397,320</u>	<u>560,275</u>	<u>397,320</u>	<u>560,275</u>
Borrowings and financing	(1,238,359)	(1,498,001)	(1,105,950)	(1,339,026)
Payables for acquisition of properties	(12,000)	(3,402)	(12,000)	(3,402)
Total	<u>(1,250,359)</u>	<u>(1,501,403)</u>	<u>(1,117,950)</u>	<u>(1,342,428)</u>

22.4. Financial risk management goals

Management monitors and manages financial risks inherent in operations and coordinates the access to local financial markets. These risks comprise market risk (changes in interest rates), credit risk and liquidity risk. The main purpose of the financial risk management strategy is to maintain the Company's exposure to these risks at minimum levels by using non-derivative financial instruments and assessing and controlling credit and liquidity risks.

22.5. Foreign currency risk management

The Company and its subsidiaries are not exposed to foreign currency risk. The finance strategy is based on domestic borrowings, denominated in Brazilian reais (R\$).

22.6. Exposure to interest rate risks

The Company is exposed to floating interest rates, related primarily to the fluctuations in TR, IGP-M, IPCA and CDI. As at December 31, 2018 and 2017, there are no contracts in effect related to transactions with derivatives and hedge transactions in the Company.

Interest rates on short-term investments are mostly related to the variation of the CDI and SELIC rates, under conditions, rates and terms comparable to similar transactions carried out in the market.

22.7. Market risk management

The results of the operations depend on the Company's ability to lease the spaces available in the real estate developments. Adverse conditions in the regions where the Company operates may reduce the lease levels, as well as restrict the possibility of increasing the rental price. The most important factors that may adversely affect the operating performance of the Company's developments are:

- Periods of recession and an increase in vacancy levels of the developments or an increase in interest rates that may result in the reduction of the rental prices or an increase in tenants' default rate.
- Tenants' negative perception of the safety, convenience or attractiveness of the areas in which the developments are located.
- Inability to attract and/or maintain premium tenants.
- Default and/or noncompliance with contractual obligations by tenants.
- Increases in the operating costs, including the need to make additional capital contributions, among others.
- Increases in taxes related to the Company's activities.
- Regulatory changes in the commercial real estate industry.

The construction of new real estate developments close to the Company's developments may hamper the Company's ability to renew the rentals or rent them to new tenants, which in turn could require nonbudgeted investments, impairing the Company's business.

In order to mitigate these risk factors, the Company, with the assistance of outside consultants, continuously monitors the real estate market in the regions where the Company operates to follow up the evolution of rental prices and vacancy rates. This way, the Company may anticipate possible market difficulties.

Notwithstanding, the Company maintains, through its sales department, a close relationship with its lessees for an early identification of possible demands and needs.

The monitoring of market trends and behavior of its lessees provides the Company with inputs that allow mitigating the impacts of unforeseen events that might somehow have an adverse effect on its income.

22.8. Liquidity risk management

The Company manages liquidity risk by maintaining proper reserves, bank and other credit facilities to establish reserves that it considers appropriate, based on the continuous monitoring of estimated and actual cash flows, and the combination of the maturity profiles of financial assets and financial liabilities.

22.9. Credit risk

The Company's credit risk can mainly be attributable to the balances of its cash and cash equivalents, short-term investments and trade receivables. In the balance sheet, trade receivables are stated net of the allowance for doubtful debts. The allowance for impairment losses and other receivables is recognized whenever a loss is identified and, based on past experience, such allowance demonstrates that the probable recovery of cash flows is impaired.

The Company's sales policy is subordinated to the credit sales rules set by Management, which seeks to mitigate any loss from customers' delinquency.

Before accepting any new customer, the Company analyzes certain documents, including certificates issued by government agencies. Also the credit status is examined by a service bureau named Centralização de Serviços dos Bancos S.A. - SERASA. As a contract guarantee, in most of contracts, the client is required to have a surety or contract a credit letter, credit insurance or bank credit insurance.

22.10. Concentration risk

The Company maintains bank accounts and short-term investments with financial institutions approved by Management, according to objective credit risk diversification criteria.

Additionally, there is no risk of a high customer concentration.

22.11. Fair value of financial instruments

The Company's financial instruments are managed through operating strategies aimed to obtain liquidity, profitability and security. The control policy consists of an ongoing monitoring of rates agreed versus those in force in the market and confirmation as to whether its short-term financial investments are being properly marked to market by the institutions dealing with its funds.

The Company does not make speculative investments in derivatives nor any other risk assets. The determination of estimated realization values of the Company's financial assets and liabilities relies on information available in the market and relevant assessment methodologies. Nevertheless, a considerable judgment by Management is required when interpreting market data to derive the most adequate estimated realization value.

22.12. Criteria, assumptions and limitations used in determining the fair values

a) Cash and cash equivalents

The fair values of current account balances are consistent with their carrying amounts.

b) Short-term investments

The market values of short-term investment balances are consistent with the account balances.

c) Trade, other receivables and payables for the acquisition of properties

According to the Company's Management, the account balances of trade receivables, other receivables and payables for acquisition of properties approximate their fair values. Borrowings and financing

The fair value of borrowings and financing referred to in note 10 was calculated based on its present value calculated at the future cash flows and using interest rates applicable to instruments of similar nature, terms and risks, or based on market quotations of such securities at the balance sheet dates, measured as inputs (Level 2) different from the prices negotiated in the active markets.

22.13. Sensitivity analysis

As at December 31, 2018, the Company has no effective agreements related to derivative and hedge transactions; therefore, the sensitivity analysis was performed only for the TR, IGP-M, IPCA and CDI variation, which are the basis for inflation adjustments of borrowings contracted, using as assumptions for calculation the rates currently adopted in the market, as follows:

	<u>Risk</u>	<u>Balance</u>	<u>Probable scenario (a)</u>	<u>Possible scenario (b)</u>	<u>Remote scenario (c)</u>
<u>Borrowings</u>					
Indexed to TR	TR increase	1,055,697	-	132	158
Indexed to IGP-M	IGP-M increase	17,316	675	844	1,013
Indexed to CDI	CDI increase	22,241	1,446	1,807	2,168
Indexed to IPCA	IPCA increase	143,105	5,538	6,923	8,307
<u>Short-term investment</u>					
Indexed to CDI	CDI decrease	<u>(262,203)</u>	<u>(17,043)</u>	<u>(12,782)</u>	<u>(8,522)</u>
Total		<u>976,156</u>	<u>(9,384)</u>	<u>(3,076)</u>	<u>3,124</u>

(a) Usual market rates. Considers the TR disclosed by the Central Bank of Brazil, at 0.0% on that date. The CDI, IGP-M and IPCA rates considered are those disclosed in Focus Bulletin issued by the Central Bank of Brazil.

(b) 25% increase in the usual market rates.

(c) 50% increase in the usual market rates.

23. STOCK OPTION PLAN AND SHARE-BASED COMPENSATION PLAN (EQUITY PLAN)

On May 23, 2018, the Extraordinary Shareholders' Meeting approved the Amendment to the Stock Option Plan and the new Share-based Compensation Plan.

The stock option plan model, as defined in the Company's Stock Option Plan and Stock Option Programs ("Stock Option Plan"), comprises three types of grant, namely: grant 1 – the beneficiary will allocate at least 40% of the profit sharing received on an annual basis, upon immediate exercise of options, thus acquiring the corresponding shares issued by the Company. The transfer to third parties is only permitted after the lock-up period of 30 months for 50% of the shares acquired and 60 months for the remaining shares as from the exercise date of the options; grant 2 – the beneficiary may exercise the options after a grace period of 30 months, thus acquiring the corresponding shares issued by the Company; and grant 3 – the beneficiary may exercise the options after a grace period of five years.

In addition, the Company implemented the Share-based Compensation Plan ("Stock Plan") for certain employees and management members. The shares under the Stock Plan are designated as "restricted shares" and the benchmark price per restricted share, for purposes of the Stock Plan, will correspond to the price of the Company's shares traded on B3 S.A. - Brasil, Bolsa, Balcão in the trading session immediately prior to the delivery date of such shares. Such restricted shares are subject to a grace period of five years as from the grant date.

The Company's options were priced based on the binomial stock option measurement model developed by outside experts. When material, the expected stock option lives used in the model were adjusted based on Management's best estimate of the effects of non-transferability, exercise restrictions and behavioral aspects.

Volatility was calculated based on the 90 days prior to the stock option plan grant date. Based on the market scenario, the Company believes that the plan participants will exercise their options on the exercise date.

Below is the number of options available and exercisable at the beginning and at the end of 2018 and 2017:

	12.31.2018		12.31.2017	
	Number of options	Weighted average price of options	Number of options	Weighted average price of options
Initial number	1,710,553		1,653,491	
Options granted	189,879	0.02	170,850	5.58
Options granted	40,000	7.37	216,336	27.50
Options granted	5,465	-	30,000	11.34
Options granted	40,000	3.58	18,000	-
Options granted			50,000	4.56
Options exercised	(165,357)	44.27	(170,850)	5.58
Options exercised	(189,879)	0.02	(27,832)	44.27
Options exercised	(20,000)	4.30	(150,253)	28.05
Options exercised	(45,870)	25.08	(30,000)	8.23
Options exercised			(5,000)	4.30
Options exercised			(5,000)	11.34
Options exercised			(30,000)	12.63
Options cancelled	(10,000)	4.56	(2,173)	18.82
Options cancelled	(5,000)	12.63	(5,000)	25.08
Options granted	-		(1,920)	30.94
Options cancelled	(2,042)	25.08	(96)	-
Final number	<u>1,547,749</u>		<u>1,710,553</u>	

Below is the total number of shares granted under the Stock Option Plan, which will be delivered in the future, under certain conditions:

	12.31.2018		12.31.2017	
	Number of restricted shares	Weighted average price of restricted shares	Number of restricted shares	Weighted average price of restricted shares
Initial number	-		-	-
New restricted shares granted	275,317	9.25	-	-
New restricted shares granted	<u>2,823</u>	-	-	-
Final number	<u>278,140</u>		-	-

For the year ended December 31, 2018, the stock option plan expenses amounted to R\$3,678 (R\$5,518 as at December 31, 2017), recorded in line item "General and administrative expenses".

24. INSURANCE

Considering the nature of the Company's and its subsidiaries' activities, the main operational assets are insured. The contracting of the insurance policies is the responsibility of the lessees.

25. HELD-FOR-SALE PROPERTIES

As at December 31, 2018, the consolidated balance of R\$21,299 (R\$13,250 as at December 31, 2017) in held-for-sale properties refers to the Company's intention to sell properties/land located in the state of São Paulo to third parties.

26. NONCASH TRANSACTIONS

a) Cash and cash equivalents

The breakdown of cash and cash equivalents included in the statements of cash flows is disclosed in note 3.

b) Noncash transactions

	2018		2017	
	<u>Parent</u>	<u>Consolidated</u>	<u>Parent</u>	<u>Consolidated</u>
Loan settled by the buyer relating to the sale of investment property (note 9)	-	-	-	116,354

27. EVENTS AFTER THE REPORTING PERIOD

On February 20, 2019, subsidiary 253 Participações Ltda. irrevocably and irreversibly entered into a Real Estate Purchase and Sale Agreement to sell a Plot of Land of 15,025 m² of CE Tietê Real Estate Project, in the amount of R\$29,662, and received the amount of R\$9,962. The remaining balance will be received by May 6, 2019 and adjusted for inflation based on the IPC-A/IBGE rate.
