



Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to the Aliansce's 3Q16 earnings conference call. Today with us, we have Mr. Eduardo Prado, IRO, Mr. Renato Botelho, CFO, and Mr. Mauro Junqueira, CIO.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer session for investors and analysts. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator. There will be a replay facility for this call for one week.

We would like to inform that questions can only be asked by telephone, so if you are connected through the webcast, you should email your questions directly to the IR team at ri@aliansce.com.br

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of the Company's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of the Company's and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Eduardo Prado, who will start the presentation. Mr. Prado, you may begin the conference.

Eduardo Prado:

Good morning. I would like to welcome everyone to Aliansce Shopping Centers' 3Q results conference call. During 3Q, Aliansce announced events of extreme relevance to the future of the Company, all of which were successfully concluded in October.

First, at the end of August, the Company announced the acquisition of a stake of 25.1% in Shopping Leblon, a strategic asset for Aliansce, whose operational and financial indicators attest to its quality. We will have the opportunity to discuss about Shopping Leblon and the acquisition further on in this presentation.

At the same time we announced the purchase of this stake in Shopping Leblon, the Company informed to its shareholders the conclusion of this transaction would be subject to the approval of the shareholders' meeting and also to a capital increase, a private capital increase, of at least R\$300 million in order to finance the acquisition but also to strengthen the capital structure of Aliansce. The transaction was approved by majority of the shareholders present at the meeting and the private capital increase was concluded in October, reaching the maximum amount established, of R\$600 million.

In addition, in August, Aliansce started raising R\$175 million through a debenture, continuing the process of restructuring its debt in order to reduce costs and prolong the amortization schedule.

Although still feeling the effects of the current economic scenario, Aliansce's financial indicators and most of the operational indicators in the 3Q demonstrate the resilience and quality of our portfolio. It is worth mentioning that we noticed an improvement in the variation in all sales indicators in the last month of the quarter, especially in satellite stores.

Now, starting the presentation, I am going to slide number 3, going about the main operational indicators. The first graph shows the evolution of the occupancy rate over the last 12 months. The occupancy rate in 3Q was impacted by the vacancy of one anchor, in Parque Shopping Maceió, that represented more than half of the variation seen in relation to 2Q16. The Company, the leading team of the Company, evaluates the possibility of dividing the area of this anchor into operations focused on services.

Regarding the 10 main assets, the most relevant assets, the 10 most relevant assets of the Company, the occupancy rate remained higher than 97%. And those 10 main assets represent more than 80% of the NOI of Aliansce in the quarter.

The chart above, on the right-hand side, shows an improvement, a reduction in net late payments compared to the 2Q16. There was a reduction of 1.1 p.p. and we have seen an improvement in net late payments in 14 of the 19 malls of the portfolio. Also noteworthy is the higher recovery of those payments in relation to previous quarters. The Company has been successful in negotiating with tenants with outstanding payments and we see this reflected in the net late payments of the portfolio.

Regarding the occupancy cost in the graph below, the main highlight here was the reduction of this indicator of satellite stores in relation to the 2Q16. It is also important to note that the satellites' occupancy cost remained stable in relation to the same quarter of last year, reversing an upward trend seen in recent quarters. The total occupancy cost in 3Q remained stable in relation to the previous quarter.

The decrease in the occupancy cost of the quarter is explained in part by the reduction in the representativeness of common costs. As we have highlighted in previous quarters, the migration from the captive energy market to the free energy market is one of the factors for this reduction. The impact will be even more relevant in the coming quarters, due to the fact that important malls part of the portfolio, such as Shopping da Bahia and Boulevard Belém, have not yet completed the migration process.

Moving on to slide number four, we highlight the activity in the quarter and in the first 9M16. In the quarter, the Company leased 93 stores and considering the first 9M16, there were 280 stores leased, with a total GLA of approximately 25 thousand m², which represents an increase of about 18% in comparison with the 9M15. Despite the economic scenario, the Company continues to succeed in the process of qualifying the occupied space, and it is not only occupying space, but at the same time qualifying the store mix of the portfolio.

The objective is to identify brands that are inspirational for our consumers and bring those tenants who we believe have a greater potential for sales growth, which in turn will increase the flow and benefit the mall as a whole. In this slide, we highlight few

store openings that fit this profile, such as the 2nd unit of Zara in Belo Horizonte, one of the main cities in Brazil, and the bookstore Livraria Leitura in Bangu Shopping.

Going to slide number 5, the differences between the main sales indicators confirm the success in the constant improvement of the store mix of our malls. Especially in the last 2 years, the difference between those indicators has increased, reflecting the greater impact of the process of changing stores and also occupying areas by tenants with sales performance above average. Despite the impact of the current economic scenario on same-store sales and same-area sales indicators, sales per square meter grew by 1.9% in 3Q. All indicators improved in relation to the percentages presented not only in the previous quarter but also in the 3Q15, as can be seen in the chart on the right-hand side.

Analyzing the evolution in 3Q16, the month of August was impacted by the Olympic Games, and the month of September, as already mentioned, was the one with the best performance of the quarter in all sales per m² metrics.

At the bottom right, we highlight the variation of sales per m² in the quarter versus the same period of last year of the different groups of stores. Leisure once again was the highlight, followed by the satellite stores. The performance of segments that occupied areas classified as megastore continues to impact the variation of this group. It should be mentioned that leisure has been an important generator of traffic and consequently sales to our malls.

In this sense, the Company increased the frequency of leisure events for families and children using both indoor and outdoor areas of the malls. The result of these initiatives has been very positive for the sales of the Company's malls.

On slide number 6, talking about the main assets of our portfolio, the objective here is to highlight the main indicators of this group of malls, which represent more than 80% of the Company's NOI. The occupancy rate of these assets closed the quarter above 97%, higher than the portfolio average. Similarly, sales per m² of satellite stores reached around R\$2,000/m² per month in the last 12 months, which is about 7% above average. Despite the sales revenue, the occupancy cost of this group of malls is below average and the main reason is the accumulated sales growth in the last four, five years.

Another important factor to be mentioned is that malls with the dominance and resilience shown in these malls tend to stand out even more from the rest of the industry in a challenging economic scenario as we live. Given the level of sales, even in the current scenario, tenants seek to lease spaces in these malls, explaining the high occupancy rate.

Moving on to slide 7, here is the composition, the breakdown of gross revenue in 3Q16. Rental revenue accounted for approximately 70% of total revenue and, as we have seen in recent quarters, the effect of sales on the percentage rent was offset by the above-average increase in kiosk and merchandising revenue. In addition to the effect of the rental of kiosks and merchandising revenue, there was also the lease of spaces in the parking area that explains this growth. As mentioned earlier, many of these events are focused on leisure with impact on flow and sales especially in some segments such as food courts and restaurants. In other lines of gross revenue, the

highlight was, once again, parking revenue, which increased its representativeness from 16% in the 3Q15 to 18% in 3Q16.

The Company understands that it is always important to highlight the variation of the financial indicators on the same basis, that is, excluding the effect of the changes in stakes, in ownerships that occurred in the last 12 months. In September 2015, Aliansce sold a 35% interest in Via Parque Shopping and in December last year, it concludes a small acquisition of about 2% of Shopping da Bahia. Excluding these changes in ownership, gross revenue grew by 2.9% in the quarter and leasing revenue grew by 3.5%.

Moving on to the next slide, we highlight the main indicators of rental revenue. The fact that our portfolio has shown significant sales growth, considering the last 5 years, has resulted in an occupancy costs at levels that we consider adequate of most of our tenants. An adequate occupancy cost allows rental revenue growth even in a difficult sales scenario. Same-store rents showed a 6.4% growth in 3Q16 versus 4.3% in the same quarter last year and 5.7% growth in 2Q16. As always, it is important to note that this metric already includes the impact of sales performance on percentage rent and the impact of most of the discounts that are selectively granted to our retailers. It should also be mentioned that the variation in the quarter was higher than last year's average of 1.7 p.p.

The chart on the right side shows the growth of the variation of all indicators in relation to the last year. Now at the bottom left, we highlight the growth of the minimum rent, reflecting the Company's ability to annually transfer inflation to our lease agreements and the positive impact of renewals. This has been observed recurrently in recent quarters.

In the last chart, on the right-hand side, there is the breakdown of same-store rent per store type. The main highlight was the performance of the movie theaters followed by the anchor stores. The growth of same-store rent of megastores continues to be impacted by the effect of sales performance on the percentage rent.

Moving on to slide number nine, with the main highlights in revenue, costs and expenses. As already mentioned, parking revenue continues to perform well above average, with growth of 12.8% in the quarter. Even excluding the effect of the changes of ownership occurred in the last 12 months, the growth in parking revenue will be 2 digits. It is worth mentioning that the collection of the parking fees of Shopping da Bahia started at the end of June 2015, therefore the parking revenue in the 3Q of last year already included the effect of the parking revenue of the Company's main shopping mall.

The main reason for the parking revenue performance was the increase in the traffic of vehicles of 3.4% in the 3Q and the increase in the average ticket in 15 of the 19 malls of the portfolio. This increase in average ticket occurred during in the past 12 months. This increase in traffic shows that despite the impact on sales, the current scenario did not cause consumers to stop visiting our malls. This fact gives us confidence that with an improvement in the economy, the recovery in sales will happen in a fast way.

Rental revenue increased by 0.8%, or 3.5%, excluding the effect of changes in ownership. Among the factors that explain the variation in the quarter are the maturation of 2 expansions opened in 2Q15 in Carioca Shopping and the other in

Bangu Shopping, and also in Carioca Shopping we saw the positive effect of the entrance of restaurants in an already existing area of the mall, basically we have changed the mix of stores in one area to allow the entrance of these restaurants. Additionally, the sales increase in the newer malls of the portfolio has positively impacted the percentage rents of these assets.

Another factor was a higher contribution of mall and media revenue in most of our malls. Lease and revenue from kiosk and merchandising increased by 4.7% in the 3Q and, considering our current ownership, this growth reached 8.2%. The graph below to the left-hand shows the average growth of more than 20% of both parking and mall and media revenue in the last five years.

In terms of costs and expenses, once again the Company was able to cut parking costs, this quarter the reduction was 4.3%. It is worth noting that this variation does not include Via Parque Shopping. And the reason for that is that in the first 6 months of 2015, the Company recognized 100% of the parking costs instead of its proportional ownership. This error was adjusted through a reversal of the cost in 3Q15, thus affecting the comparability between the two quarters. As seen in recent quarters, Aliansce has been able to improve the margin of the parking operation in most of our malls, if compared to 2Q16.

Also in costs, the operating margin of Aliansce was impacted by the increase in operating costs of malls and Provision for Doubtful Accounts. The increase in the contribution of Aliansce and its partners in the property level, whether for the payment of condominium costs or for managing the marketing fund of the mall explains the variation of the operational cost. The improvement in the economic scenario makes it possible to reduce these disbursements in the short term while improving the late payments and reducing as a result the effect of the Provision of Doubtful Accounts in the income statement of Aliansce.

Speaking of expenses, Aliansce was able to reduce its general and administrative expenses for the fourth consecutive quarter, this time with a 2-digit decrease. As shown in the chart below, G&A's percentage of the Company's net revenue fell by 1.1 p.p. in the last 12 months. If we exclude the effect of the changes in ownership, this reduction would be even greater. Once again, the main factors were the reduction of expenses with personnel and consultancies, and in addition there was also the reduction of travel expenses and the lease of the Company's headquarters.

In slide number 10, all the financial indicators shown here consider the Company's current stake in the portfolio. The variation in costs was the highest impact on the numbers and NOI had a reduction of 4.2% reaching R\$105 million in the quarter. Adjusted EBITDA was approximately R\$87 million, a decrease of R\$6 million in relation to the same period last year.

The chart at the bottom, on the left-hand side, shows the adjusted net income, which excludes non-recurring items and also non-cash effects, and reached R\$4.1 million in the quarter, a reduction of approximately R\$2 million in relation to 3Q15. Adjusted FFO, again, excluding the same items, had a reduction of about R\$4 million in the quarter compared to the same period last year.

Turning to slide number 11, talking about the Company's investment pipeline planned for the end of 2018. The reduction in CAPEX, in the quarter or in the 9M16, was around 25% and reflects the Company's position, given the current economic scenario.

It is important to remember that Aliansce invested more than R\$1.2 billion in 2012 and around R\$600 million in 2013, when the last 2 greenfields developed by the Company were opened. Already at that time, we noticed a greater difficulty to lease spaces in new malls. As a result, the investments were concentrated on the expansions that kept attracting tenants and presenting a very attractive return on invested capital.

In recent quarters, the most relevant investments have been in revitalizing the portfolio, which is the CAPEX spent on a recurring basis, necessary to maintain the best possible environment in our malls and as a result attracting an increasing number of consumers.

The projection of investments until the end of 2018 reflects Aliansce's decision to wait for an improvement in macroeconomic indicators to announce new projects. As shown in the first table of this slide, the investments remain focused on the maintenance and revitalization of the portfolio. About 70% of the total amount will be allocated to this line of CAPEX forecast for the period. The main investments in the other line are, in this order, the payment to the Municipality in order to start collecting parking fees in Shopping da Bahia, and improvements in the access to our malls.

Currently, the investment in the construction of the new movie theater in Shopping West Plaza is the only expansion in progress. The 7 new movie theaters are scheduled to open in 1Q17. The project has a net investment of R\$6.1 million and represents an increase of a little bit of 1,000 m² to our own GLA.

The Company believes in the potential of Shopping West Plaza in view of the density and income profile of its trading area. The mix of the mall, we saw a clear deficiency in the mix of the mall regarding leisure and food offerings. The current challenge is to make West Plaza the benchmark for leisure and gastronomy in the region. Operations of restaurants such as Pecorino, L'Entrecôte de Paris and Outback among others, had successful openings. The 7 state-of-the-art Cinemark screening rooms will set the mall apart from its competitors. The Company's planning for the improvement of the mall tenant mix also includes the opening of a theater at the site of the mall's old movie theater.

It should be noted that the Company has planned and approved expansion projects that could be rapidly launched as the recovery of the economy results in a higher interest from tenants to lease new spaces.

Going to slide number 12, some highlights about the Company's capital structure. The Company closed the quarter with a net debt close to R\$1.3 billion. This amount includes approximately R\$330 million received during the quarter related to a portion of a capital increase. In the quarter, the Company continued its debt restructuring process, with the announcement of a new debenture of R\$175 million. Over the last 12 months, the Company prepaid financing in the total amount of R\$240 million and raised in the same period R\$250 million with a reduction of 1.6 p.p.

The average term of Aliansce's debt is close to 6 years and the principal repayment schedule shown in the chart above to the right is aligned with the Company's cash flow. There is no refinancing need in our amortization schedule.

The average cost of debt is 13.8%, or 98.6% of the current Selic rate. Most of Aliansce's balance sheet is indexed to low volatility indexes which resulted in the lower variation in the Company's cost of capital as shown in the last graph of this slide. In the last three years, the Selic rate has increased above 5 p.p. where the cost of debt of Aliansce has increased a little bit below 3 p.p.

Also discussing the debt profile of Aliansce and the breakdown among indexers, the strategy of having the majority of the debt linked to low volatility indices remains, in a scenario of reduction of the Selic rate, the sales and operation of the malls benefit. The goal will always be to be prepared for a scenario like what we are experiencing now. However, in view of the reduction in the cost of raising funds, raising capital, indexed to the Selic rate and also with the prospect of reducing this rate in the coming years, the Company increased its exposure to this index, the Selic rate, which will reach around 9%, when we consider the debentures issued in October and the debt assumed in the acquisition of the stake in Shopping Leblon.

It is worth noting that the Company tends to benefit from a reduction in the Selic rate also in portion of its debt is linked to the TR rate. The reason for that is the correlation between these two indexes is quite high. Today the TR is close to 2% but it has reached zero when the Selic rate was at a lower level in the past.

On slide number 13, the next slide, we highlight the impact of recent events on the balance sheet of Aliansce. As mentioned at the beginning of this presentation, Aliansce successfully completed 2 transformational events for the Company. First, the acquisition of Shopping Leblon, a strategic asset which we believe to be among the best in the country considering sales and rents per m². At the same time, we announced a private capital raise that has reached the maximum ceiling of R\$600 million. In addition, the Company raised R\$175 million through debentures in October.

The table on this slide summarizes the before and after considering these three events. It is noteworthy that numbers of the 1st column do not consider the amount of R\$330 million related to the capital increase which was received during the 3Q. These events reinforced the cash position of Aliansce in R\$580 million and reduced the Company's leverage to 3.5x considering the adjusted EBITDA of the last 12 months, which does not include the impact of Shopping Leblon.

The Company's strategy aimed at not only the acquisition of a unique mall such as Shopping Leblon, but also takes the opportunity to strengthen the Company's capital structure and reduce its leverage. The interest we received from shareholders to participate in the capital increase demonstrates the positive perception about the strategy adopted by Aliansce.

Moving on to the last slide of the presentation, talking about the acquisition of Shopping Leblon. On October 11, the Company completed the purchase of a stake of 25.1% in the mall. The total value of the transaction was of R\$310 million, of which 60% was paid in cash and the Company assumed a debt of R\$122 million linked to TR and with an amortization period up to 2027.



Considering the service revenues and NOI expected, the cap rate of 1st twelve months is 8.2% and the real and leveraged IRR is 12.6%. This acquisition guarantees Aliansce to remain in charge of the management and leasing of Shopping Leblon.

Talking about the asset, the mall opened in 2006, so it is still relatively young and with growth potential. The Shopping Leblon is the only relevant mall located in the most valued part of the city of Rio de Janeiro and one of the areas with the highest income per capita in the country. Aliansce was responsible for planning and manages and leases the mall since its opening.

Operational indicators shown in this slide attest the quality of the mall, which includes in its store mix some of the major national and international brands. In the 3Q, the mall had a same-store sales growth of 4% and an increase of 11.2% in the same-store rent. The occupancy rate of Shopping Leblon was close to 100% and net late payments of last quarter were close to zero.

The mall will complete 10 years in December and will have the 2nd lease renewal. Over the next 12 months, more than 40% of the minimum rental revenue of the shopping will be renewed. The current occupation cost of satellites enables an increase in rental revenue next year above the average seen in the past 3 years.

In addition to the renewals, the mall also has two expansion projects already designed and approved that represent about 10% of the current GLA of the mall. The expected opening of these expansions is within the next 18 months.

With that, I conclude the call of 3Q results and remain here available with my colleagues to answer any questions you may have. Thank you.

Ivan Henriques, HSBC:

Hello. Thanks for the call. Regarding the Shopping Leblon, it is a good acquisition, of course I visited the mall in person and also know it was acquired from a related party, but I would like to understand the strategic rationale of acquiring a top quality asset which may be well above the average shopping center in your portfolio.

I understand this asset was not part of the IPO of the Company some years ago, so I want to understand the strategic thought and what is different now in the rationale of the acquisition. Of course I understand it is a high quality mall.

Secondly, I would like to ask you more details about rent discounts, because you said you selectively continue to grant it to tenants, and the overall environment in Brazil, if you can give me some of your thoughts on these topics. Thanks.

Eduardo Prado:

Hello, good morning. Thank you for your questions. Regarding Shopping Leblon, we acquired it from a related party, all the measures taken by Aliansce first to establish an Investment Committee in the Board to evaluate the transaction. The Investment Committee was formed by two members of CCP and an independent board member.



They have recommended the acquisition, then the Board voted without the related party participating in the voting and then we submitted to the general shareholders' meeting without Renato voting as well.

So, we did the acquisition of Leblon, it is very important for the Company, so it was an opportunity to acquire a stake and become a shared owner of one of the best malls in the country, with potential to grow.

Unlike other malls, it is the same level of sales in rent per square meter, this mall has learned to grow its revenues not only through renewals, but also expansions we mentioned during the call.

Regarding discounts, we continue to grant discounts on a selective basis, of course, due to the current environment, discounts have increased compared to last year, but still represent around 6% to 7% of the rent revenues.

So, we are being very selective, it is usually two to three months period, and after that period we evaluate how the tenant is performing and decide if we are going to continue the discount or not.

At the same time, the leasing team in the Company has seen other tenants and other options to occupy that space, tenants we believe will have a better sales performance. So, the granting of the discount will depend on not only how the current tenant is performing, but also the options we have to occupy that space.

So, we are being very selective and on the short term. Two to three months, so any changes in the environment, in the economic scenario impacts that discount level very quickly.

Ivan Henriques:

Thank so much.

Operator:

This concludes the question and answer session. At this time I would like to turn the floor back to Mr. Eduardo Prado for any closing remarks.

Eduardo Prado:

I would like to thank you all for your participation and we remain available for any questions, to answer any questions you may have. Thank you and have a nice day.

Operator:

Thank you. This thus concludes today's presentation. You may disconnect your line at this time and have a nice day.



**Conference Call Transcript
3Q16 Results – Q&A
Aliansce (ALSC3 BZ)
November 8th, 2016**

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