Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to the Aliansce's 4Q of 2016 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 section 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 have simultaneous webcast that may be accessed through Aliansce's IR website, at http://ir.aliansce.com.br/, and the Engage-x platform. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. 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. We would like to welcome everyone to Aliansce's 4Q 2016 earnings conference call. The resilience of our portfolio was once again demonstrated during the last quarter of 2016. Despite the recessionary environment and its impacts on the sales performance of our tenants, our other operational and financial indicators attest to the quality of Aliansce's portfolio.

Continued growth of same store rent, sustained high levels of occupancy and decreased tenant delinquency are some of these indicators.

In 2016, we successfully concluded the capital increase of R$600 million and the acquisition of 25.1% of Shopping Leblon, a unique and strategic asset to the Company.

As always, our goal has been to prepare our malls for an improved macroeconomic scenario through an ongoing process of enhancing the store mix and upholding the best environment to guarantee a unique and differentiated experience for our consumers.

Additionally, we have taken step to reduce our leverage, which fell to 3.6X and improve our capital structure to increase its exposure to the CDI, taking advantage of the expectation of falling interest rates.

Please turn to page 3 of the presentation which highlights some of the main operational indicators.
The occupancy rate in the fourth quarter of 2016 was higher than the percentage of the third quarter and saw increases in 9 of the 20 shopping malls of the Company.

The occupancy rate of the Company's 10 main assets was over 97%. These malls represented more than 80% of NOI in the 4Q16.

Regarding net late payments, the percentage in the 4Q16 was the lowest in the year and fell to 3.4%, down 1.6 p.p. compared to 4Q15. The improvement in this rate reflects successful negotiations of outstanding payments.

The recovery of overdue rents increased in 10 shopping malls compare to 3Q16. There was also a reduction in gross delinquency. The occupancy cost fell for the third consecutive quarter due to efforts such as reduction in energy costs, as can be seen in the chart at the bottom of this slide.

Despite the small increase from the previous year, we managed to keep occupancy cost, both total and that of satellites, below the industry average. A strong contributor to condominium cost reduction was the migration to the free energy market, among other initiatives to reduce the share of the condominium in the total occupancy cost.

Moving on to slide 4, I'd like to discuss the leasing activity in our shopping malls. The pace continued to strengthen through the end of the year, with an increase not only in the number of stores leased, but also in the commercialized GLA versus 4Q15.

In the year, 370 stores were leased versus 345 in 2015 and leased GLA grew about 20%.

The ongoing improvement in the store mix has become even more relevant in view of the increase in tenant turnover. Given the environment over the last two years, we took the opportunity to refine and optimize the mix.

The Aliansce leasing team stayed ahead of the trend, showing agility in replacing tenants with the best options as defined by the Company's operating area. So, we do not expect a significant impact on the occupancy rate of the portfolio in the 1Q17.

On slide 5, we show the sales performance of tenants that were affected by the current macroeconomic scenario. In this quarter compared to same period last year, same-store sales fell by 4.3%, and same-area sales fell by 3.7% while sales per sqm fell by 0.7%.

The highlight in the quarter again was the performance of satellite stores, similar to prior quarters in the year. Sales per sqm of this group of stores grew by 1.4%. This is an important index as these stores represent 70% of rental revenue and are most vulnerable in times of crisis.

The impact of store mix management is clear in the two charts at the bottom of the slide. The first shows the spread between same-store sales performance and the variation in sales per square meter, a trend that has intensified in the last two years.

On the right, we see the sales growth per sqm of the stores that were replaced. Sales growth was more than 10% when we compare new tenants with those that left the malls in the twelve month period. The calculation considers only the areas occupied in both 4Q15 and 4Q16 and that had a tenant change. There were more than 200 stores with a total GLA of 13,000 sqm.

The next slide shows the 10 most representative assets of Aliansce. It is always worth highlighting the relevance of this group in our results. They represent about 80% of the Company's NOI, and their metrics are higher than the portfolio's average, as you can see here.

Considering that sales of satellites stores are above R$2,500 per sqm, we believe that the occupancy cost of this group of stores could be higher than the current level of 13.7% without affecting tenants' health.

Going to slide 7, we highlight the breakdown in gross revenue of the Company in 4Q16. Compared to the same period of the previous year, we see an increase in the weight of rent, which went up from 73% of gross revenue in 4Q15 to 78% in the last 4Q.

There was also an increase in the portion of the revenue from parking, reflecting, among other factors, the increase in the flow of vehicles and the increase in the average ticket.

The graph to the top right shows the growth in operating revenue, which excludes service revenue and the non-cash impact of straight line adjustments. Also, this graph considers changes in ownership and the effect of the acquisition of Shopping Leblon, growth of operating revenue was 4.8% in the quarter.

Continuing on to slide 8, the first chart compares the increase of same-store rents in 4Q16 versus the previous year, which remained above the performance in the same quarter of 2015.

This growth includes the impact of discounts and percentage rent variation that was offset by the increase of minimum rent of around 8% in the quarter. It should be noted that the level of discounts has remained stable since the 3Q of last year. The graph at the top right shows the evolution of same-store rent and occupancy cost in the last 12 months.

As we have already said, the maintenance of occupancy cost at levels below the industry average, even considering the sales performance presented, is explained in large part by the Company's effort to reduce condominium costs.

On slide 9, here we highlight the variations in the main lines of income in the fourth quarter, excluding the effect of the acquisition of Shopping Leblon and the changes in ownerships between 4Q15 and 4Q16.

Rental revenues went up by 2.9%, driven by Carioca Shopping, Shopping Taboão and Bangu Shopping.

Parking revenue in the Company's shopping malls grew with an increase in vehicle flow and the average ticket. We highlight once again the malls' operating revenue, which excludes the service portion as well as the non-cash impact of the straight line. This revenue grew by 2.6% in 4Q16, on a same malls basis.

In terms of costs and expenses, once again we saw a drop in parking costs explained by the decrease in personnel involved in the operation. Operating costs and the allowance for doubtful accounts continue to pressure the Company's operating margin. In this quarter, we had an increase in the contribution to the condominium and also to the marketing fund of our malls.

On a same malls basis, we were able to reduce general and administrative expenses by 8.6% quarter over quarter and more than 6% year over year, mainly a result of reducing personnel and advisory services, which have been implemented since the end of 2015.

The graphs of the next slide show two potential gains with the improvement of the economic scenario. The first graph shows the evolution of the provision for doubtful accounts versus net delinquency. This chart compares the net late payments to the amount of provisions we reported 360 days later – which was the previous provisioning criteria.

Considering the falling trend in net delinquency in the last 12 months, we could expect a reduction in provisions for doubtful accounts for this year.

The following chart quantifies the potential impact of reduced discounts and operating costs, if we were to return to 2015 and 2014 levels. These are nominal figures, based on the net revenue of each year. Going back to 2014, the difference would be an impact of R$26.5 million.

Slide 11 shows CAPEX in each quarter of 2016, as well as the amounts spent in the last five years. Considering 2016 only, the concentration in the year is explained by the acquisition of Shopping Leblon. The amounts here do not include the debt assumption associated with the acquisition of Shopping Leblon.

Analyzing the chart to the right, which shows net CAPEX in the last 5 years, it is clear that the reduction in investments anticipated a more difficult economic scenario. In 2012, the Company invested R$1.2 billion in acquisitions and developments. Since then, CAPEX has been reduced to R$130 million in 2015.

Excluding the purchase of 25.1% of Shopping Leblon, last year's investment would be less than R$100 million. Today, investment is concentrated on revitalizing the portfolio and improving the tenant mix, with the goal of providing the best experience for our customers and differentiating us as the choice for shopping and leisure.

The table below summarizes the investments expected up to 2019, which remain in line with what we have done in the last 3 years. CAPEX will be focused on the renovation of our current portfolio and improvement of the tenant mix. The Company maintains a more conservative stance regarding investments in expansions and greenfields, but continues to analyze projects, whether for new malls or brownfields. We prefer to wait for a better economic scenario, before launching any project.

The following slide highlights key information on the evolution of the Company's capital structure over the past year. The average cost of debt fell from 14.3% to 13.3%, or 95% of the CDI rate at the end of 2016. Aliansce's leverage was reduced from 4.1x to 3.6x net debt to EBITDA, reflecting the impact of the capital increase concluded at the end of last year.

Regarding the debt profile, the highlight is the increase in exposure to the CDI, taking advantage of opportunities related to falling interest rates. The debt term remained close to six years and the amortization schedule is in line with the Company's cash flow.

Slide 13 highlights the Company's strategy in relation to its capital structure. We intend to keep the Company's leverage at the current level while reducing the cost of debt and increasing the average term. We are taking advantage of opportunities to prepay our most expensive debts and increase our exposure to CDI. The Company had no exposure to CDI in 4Q15, in 4Q16 9.3 % of our gross debt was linked to CDI.

The first chart shows the main transactions carried out in the last 6 months, including the raise of R$180 million at a cost of 99% of CDI, successfully completed last week. Including this amount, the expected exposure to CDI will increase to 19% at the end of 1Q17.

And there are still opportunities for this process to continue. Considering our five most expensive obligations, which total R$460 million or 25% of the Company's gross debt, there is a significant reduction still to be achieved.

The difference between the last funding rate and the cost of the most expensive financings, considering the current CDI and inflation in the last 12 months, is 170 b.p.

Considering the market projections for inflation and CDI for 2017 yearend, the cost reduction could be up to 380 b.p.

Moving on to slide 14, we present a summary of the acquisitions of equity interests in Boulevard Shopping Belém and Parque Shopping Belém. It is worth noting that these assets are dominant in their trading areas, so we believe it was an opportunity to consolidate our portfolio with an attractive return. Taking into consideration the expected NOI for this year, the consolidated cap rate of these acquisitions was 10.3%.

Wrapping up, the Company continues to analyze opportunities and invest in our properties to ensure a special and differentiated consumer experience. We are optimistic that we are entering an improved economic cycle and the dominance and quality of our shopping malls will position us to benefit from the economic recovery.

At the same time, the changes implemented in our capital structure will generate a significant impact on our future financial results. We are confident in the improvement of the economic scenario, which will allow us to generate value for our shareholders.

We are now available to answer your questions. Thank you.

Operator:

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

Eduardo Prado:

We'd like to thank you all for your participation, and we remain available for any questions you may have. Have a good day.

Operator:

Thank you. This concludes Aliansces's 4Q16 earnings conference call. You may disconnect your lines at this time. Have a nice day