Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to the Aliansce's 1Q17 earnings conference call. Today with us, we have Mr. Renato Botelho, CFO and IRO, Mr. Mauro Junqueira, CIO, Mr. Rafael Sales, board member of Aliansce, and Mr. Luis Otávio Pinto, Investor Relations Manager.

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. Luis Otávio Pinto, who will start the presentation. Mr. Renato, you may begin the conference.

Luis Otávio Pinto:

Good morning. We would like to welcome everyone to Aliansce 1Q17 earnings conference call. I would like to express my sentiments to the family of our friend, Eduardo Prado, Investor Relations Officer and, since the beginning, responsible for the investor relations area. I would also like to thank the kind message of all, which showed how dear and respected Eduardo was.

Despite the shrinking size of the Brazilian economy in recent year, the resilience of our portfolio was, once again, proved in the 1Q of the year. We worked hard to strengthen our malls, to keep them ready for the expected recovery of the country's economy.

In this sense, we have improved store mix, and vastly maintained a revitalization of our assets, aiming to provide a better ambience and unique experience to our consumers.

Although sales of our tenants are still being impacted by the recession, other operational and financial indicators attest to the quality of our portfolio. Same store and same area rent continue to grow.

Occupancy rates have remained stable and high. Occupancy cost has been stable from quarter to quarter, and sales per m² started to grow in turn. In this quarter, we can already see the results of our debt management, starting with the capital increase last year, which led to an improvement of approximately R$90 million in the financial results compared to the 1Q16.

This improvement was reflected in our AFFO, which was R$32.5 million, an increase of 152.8% over the 1Q16 gains. We will continue with our strategy of prepaying more expensive operations and contracting new debt. We are seeking to optimize our leverage at a lower cost and we can increase in exposure to the CDI, always preserving our liquidity.

Beginning the presentation, we go to slide number three, where we show some of the indicators already mentioned. In this slide, we show the main performance indicators of our malls.

In the upper left hand corner, we have the occupancy rate, which was 96% in the 1Q17, remaining stable in relation to the rates of service during 2016. Considering the performance of the top ten main assets of the Company, which represent 81.6% of NOI, occupancy rate has remained stable and above the portfolio average, closing the 1Q17 at 96%.

Net defaults payments, in the quarter, was 5.2%, which represent a decrease of 0.7 p.p. compared to 2016. This is a positive sign, since the 1Q, net delinquency showed a higher rate than the annual average.

Finally, the occupancy costs remained in line with the number of the 1Q16. Both consolidated and satellite stores. We believe that one of the reasons for this behavior is the company effort to reduce the participation of common condominium charges on the tenant's total cost, by adopting initiatives, such as migration to the free energy market in 17 of our 20 malls.

Moving to the next slide, number four, let us talk a little bit about the leasing activity in our malls. Aliansce is very active in the leasing of stores. In this quarter, we had an increase in the number of stores and the number of GLA increased. 72 stores were leased, as were 63 stores in the same period of 2016. In terms of GLA, we leased 11.000 m² in the 1Q17, an increase of 80.6% in GLA leased over 2016.

As already mentioned, we are taking advantage of this adverse phase to strengthen the mix and the attractiveness of our malls, always seeking new tenants that differentiate them.

Following the presentation, on slide number five, we show the sales performance of the finance. Same-store sales were down 2 p.p. and same-area sales fell by 1.6%. sales per square meter increased by 1.4% in the 1Q17. We have also been seeing a continuous improvement in the level of sales per square meter during the year, with March and April having shown positive sales growth.

In the chart above, to the right, we highlight the performance of sales per square meter of satellite stores, responsible for around 70% of Aliansce's rental revenue. Those stores had sales growth per square meter of 4.6% in the quarter, 3.2 p.p. above its total portfolio growth.

The graphics at the bottom show the positive balance of the finance exchange and the strengthening of the mix of our malls. The chart on the left, we highlight the 3.4 p.p. spread between the sales per square meter growth in the quarter and the same-store sales valuation. Among the satellite stores, this spread is even higher, at 6.4 p.p.

Finally, in the chart to the right, we have the same-area sales of stores that were exchanged between 1Q16 and 1Q17. For this calculation, we exclude the occupation of vacant stores. Same-area sales per m³ of new stores grew by 22% over same area sales of old stores, which were in the portfolio in 1Q16 and were

replaced. This movement involved more than 180 stores, totaling around 12 thousand m³ of GLA. This number shows the greater attractiveness of the new tenants, improving the mix of our malls.
The next slide shows the indicators of the top ten assets of Aliansce.

We always highlight the relevance of this group of assets, which represented approximately 82% of the Company's NOI in the quarter, and whose operating metrics are higher than the average reached by the portfolio.

As we can see in the chart to the right, the cost of occupying this group of malls is below the cost of other malls in the portfolio, demonstrating that we still have room to increase the rent level in these assets.

Going now to the slide seven, we highlight the Company's revenue breakdown in 1Q17.
The acquisition of Shopping Leblon made rent revenue increase as a percentage of total revenue, from 66% of gross revenue in 1Q16 to 69% in 1Q17. As a result, the Company's operating revenues also represented a larger portion of gross revenue in 1Q17.

To the right, we have the revenue from mall operations, which excludes services and the non-cash impact of linear rent. This revenue grew by 6.5% compared to the 1Q16, due to the acquisition of Shopping Leblon. In the same shopping malls base, the increase of this revenue would be of 2.7% against 2016.

In the chart below, we show the breakdown in gross revenue variation between organic growth and changes in ownership. As can be seen, gross revenue growth in this quarter is due to the acquisition of Shopping Leblon, which occurred in the 4Q16.

Turning to slide eight, we show in the first graph the evolution of minimum rent growth per square meter in 1Q17 versus 1Q16, a growth of 6.9%. These totals exclude the effect of rent linearization.

The chart at the top right shows the evolution of same store rent growth and the cost of occupancy in the last 12 months. As mentioned above, maintaining the cost of occupancy at stable and below market average levels has been possible due in large part to the Company's efforts to reduce condominium costs.

The chart at the bottom right shows same store rent growth per store category. Here, we highlight satellite stores, which showed growth 2.0p.p. above the portfolio's average.

Finally, at the bottom of this slide, on the left, we quantified the financial impact that we would have if we were to return to the same percentage of provision for doubtful accounts, discounts and operating costs with vacant stores over net revenue observed in 2015 and 2016. We have between R$43 and R$63 million of recoverable income.

Slide nine shows some variations of the main revenue, costs and expenses lines.

Rental revenues increased by 6.9% in the first quarter, as a result of the acquisition of Shopping Leblon. We also highlight the performance of Boulevard Belém, Carioca Shopping and Shopping Taboão. Parking revenue increased 6.5% in 1Q17, a trend that has been repeated in recent quarters. The growth in parking revenue is linked to the increase in the average ticket and the flow of vehicles during the quarter.

In terms of costs and expenses, we reduced our general and administrative expenses by 11.5% in the quarter, as a result of the Company's efforts to reduce expenses with personnel and consultants, for example, since the end of 2015.

We also had a slowdown in the quarter of mall operating costs, which in 2016 increased by 24% and presented a growth of 3.9% in this quarter.

Slide ten shows the net CAPEX of each quarter since 1Q16 and the projected CAPEX to be spent until 2019.

Net investment was R$19.3 million in 1Q17, a decrease of 4.6% in relation to 1Q16.

The chart at the bottom of the slide summarizes the investments expected up to 2019, which will be focused on maintaining and revitalizing the portfolio and improving the mix of malls.

Greenfields or expansions of GLA are not expected while we do not have a clearer definition of the economic scenario. We constantly analyze possible acquisition, expansion and greenfield projects, and are thus prepared for a new cycle of development with the recovery of growth in the country.

Moving on to the next slide, we highlight the main information on the evolution of the Company's capital structure.

We closed the quarter with a cash of approximately R$640 million. The average cost of our debt fell from 14% in 1Q16 to 12.9% in 1Q17, equivalent to 93.9% of the CDI rate at the end of the quarter. The Company's net debt to EBITDA was also reduced, from 4 times in 1Q16 to 3.5 times in 1Q17. This reduction in leverage reflects both the impact of the capital increase carried out at the end of 2016 and the optimization of our debt structure over the last 12 months.

The chart below shows the evolution of our debt profile over the last quarters. We highlight the increase in exposure to CDI linked to a reduction of exposure to the TR, taking advantage of expectations of reduction of the Selic rate in the coming years. The average term of the debt is close to six years, and our expected cash flow is in line with the scheduled debt payment.

Going now to slide 12, we present the main information about the most recent events.
On May 5, we announced the agreement to purchase 100% of the quotas issued by CTBH *Fundo de Investimento Imobiliário* (Real Estate Investment Fund), which is the sole owner of Boulevard Corporate Tower, the commercial tower annexed to Boulevard Shopping Belo Horizonte.

We exercised the purchase option we hold against the fund's holders and we will realize an investment of R$275 million. The definition of the price was made by adjusting the original sale value of R$187.4 million received by Aliansce in 2014, which was adjusted by CDI + 2% minus the distribution made since the purchase until February 2017. The effective closing of the operation, which, in turn, depends on compliance with certain suspensive conditions, including approval by the Brazilian Antitrust Authority.

It is worth noting that the tower is of "Triple A" standard with 23.4 thousand square meters of total constructed area and 20.4 thousand square meters of leasable area. With a unique infrastructure and privileged location, the development is in the complex that includes Boulevard Shopping Belo Horizonte, guaranteeing comfort to the users' daily routine.

Currently, the tower has an occupancy rate of 62%, which makes it possible in the absence of grace periods and considering expected step-ups in the contract for it to generate a result of R$13.5 million.

We also received the approval of CADE and consequent conclusion of the agreement to acquire additional interests in Parque Shopping Belém and Boulevard Shopping Belém.

Thus, in 2Q17, we will be consolidating these assets at our new stakes of 75% and 79.99%, respectively. At the bottom of this slide, we present a summary of key information related to these acquisitions.

In conclusion, the Company continues to analyze opportunities and invest in our properties to guarantee a unique and differentiated experience to our consumers. The dominance and quality of our shopping malls make it possible for us to take advantage of the economic recovery and the resumption of sales.

At the same time, the changes implemented in our capital structure generate significant impacts on our future financial results. We remain confident of improving the economy and our ability to generate value for our shareholders.

We remain available to answer your questions. Thank you.

Operator:

This concludes the question-and-answer session. At this time, I would like to turn the floor back over to over to Mr. Botelho for his final remarks.

Renato Botelho:

I would like to thank everyone for their participation in our call and leave a positive message – the Company is optimistic about the imminent improvement of economic growth. We have seen improvements in our operating and financial indicators, and we believe that the various structural changes being proposed point to the resumption of growth and consequent improvement of performance of the retail industry.

We remain focused on adding value to our properties and to generating value to our shareholders. Once again, I would like to thank everyone for their participation. Thank you.

Operator:

Thank you. This concludes Aliansce's 1Q17 earnings conference call. You may disconnect your lines at this time. Have a nice day.