Financial Statements

LOG Commercial Properties e Participações S.A.

Consolidated and Individual Financial Statements for the Year Ended December 31, 2019 and Independent Auditor's Report

(Free translation to English of Financial Statements Originally Issued in Portuguese)

LOG Commercial Properties e Participações S.A.

Financial Statements

December 31, 2019

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Independent Auditor's Report in the Individual and Consolidated Financial Statements

To the Shareholders and Officers of
LOG Commercial Properties e Participações S.A.
Belo Horizonte - MG

Opinion

We have audited the individual and consolidated financial statements of LOG Commercial Properties e Participações S.A. ("the Company"), respectively referred to as Individual and Consolidated, which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Opinion on the individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of LOG Commercial Properties e Participações S.A. ("the Company") as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of LOG Commercial Properties e Participações S.A. as at December 31, 2019, and of its consolidated financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with 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 Auditors' 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 included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated 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.

Evaluation of the investment properties' fair value

See Notes 2.2 (c) and 6 to the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Company and its subsidiaries' investment properties comprise projects in operation, projects in construction phase and land and are measured at fair value on the individual and consolidated financial statements based on the discounted cash flow method, for projects in operation and construction phase, and based on the direct market inputs comparative method, for land. The measurement and recognition of fair value relies on underlying assumptions such as projected revenue, projected expenses, discount rate, divestment rate and comparable market inputs, which are subjected to significant judgment from Management and from the external valuation experts contracted by the Company. Due to the relevance, complexity and level of judgment involved in the measurement and recognition of fair value of the investment properties, and the potential impact that a modification in the underlying assumptions could cause to the individual and consolidated financial statements, we considered this matter significant for our audit.	We obtained an understanding of the design of key internal controls related to the measurement and recognition of fair value of investment properties. We obtained the valuation reports prepared by the Company's external experts and, with the assistance of our valuation and corporate finance specialists, evaluated the assumptions used in the determination of the discounted cash flow and direct market inputs comparative methods and we performed a comparison with expectations and market data information at the financial statements as of date. In order to evaluate the reasonableness of the projected financial information used by the Company in the discounted cash flow model, we assessed what was projected last fiscal year with the amounts projected for the current year. In addition, assisted by our corporate finance specialists, we performed a sensitivity analysis in the main assumptions used by the Company. We also assessed the disclosures prepared by the Company, mainly related to the assumptions and methods used to measure the fair value of the investment properties. During the course of our audit, we have identified adjustments that would affect the measure and disclosure of the investment properties' fair value, which were not recorded and disclosed by Management since such adjustments were considered immaterial. Based on the evidences obtained through the procedures described above, we considered acceptable the investment properties' value in the context of the financial statements as a whole, related to the fiscal year ended December 31, 2019.

Recoverability of deferred tax asset

See Notes 2.2(h) and 10 to the individual and consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
A deferred tax asset is recognized in respect of deductible temporary differences only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilised. The Company has significant deferred tax asset balance. Due to the uncertainties implied to the business, which affect the taxable profit projections and the underlying assumptions used to determine the recoverability of the deferred tax assets recognized, as well as the potential impact that a modification in the underlying assumptions could cause to the individual and consolidated financial statements, we considered this matter significant for our audit.	We obtained an understanding of the design of key internal controls related to the recoverability of deferred tax asset. We obtained the taxable profit projections prepared by the Company, and the premises to determine the recoverability of these deferred tax assets, and, with the assistance of our tax and corporate finance specialists, evaluated the deferred tax asset calculation base and the underlying assumptions and methodology used by the Company in the determination of the business plan, budgets or construction contracts already established and other information from the market, such as inflation of expenses and discount rates. We also assessed the disclosures prepared by the Company, mainly related to the projections of the deferred tax asset utilization. Based on the evidences obtained through the procedures described above, we considered acceptable the deferred tax asset's value in the context of the financial statements as a whole, related to the fiscal year ended December 31, 2019.

Other matters - Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with criteria determined in the Technical Pronouncement 09 (CPC 09) - Statement of Value Added issued by the Committee for Accounting Pronouncements (CPC). In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall individual and consolidated financial statements.

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

Management is responsible for the other information comprising the management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated 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 of this other information, we are required to report that fact. We have nothing to report on this matter.

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 with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (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 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 subsidiaries financial reporting process.

Auditors' 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 auditors' 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 Company's and its subsidiaries internal control.
- 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 Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to

draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company and 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the individual and consolidated financial statements. 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 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 individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Belo Horizonte, February 10, 2020

KPMG Auditores Independentes
CRC SP-014428/O-6 F-MG
Original report in Portuguese signed by
Felipe Augusto Silva Fernandes
Accountant CRC MG-091337/O-5 T-SP

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Notes	Consolidated		Individual	
		12/31/19	12/31/18	12/31/19	12/31/18
Assets					
Current assets					
Cash and cash equivalents	3	**507,388**	150,488	**505,869**	149,640
Marketable securities	3	**303,609**	1,997	**303,572**	-
Receivables	4	**49,709**	27,429	**34,456**	13,012
Recoverable taxes		**6,409**	7,997	**4,370**	5,578
Prepaid expenses		**1,489**	3,374	**302**	1,937
Other		**3,434**	2,603	**2,019**	2,476
Total current assets		**872,038**	193,888	**850,588**	172,643
Noncurrent assets available for sale	6	**36,998**	-	**36,998**	-
Noncurrent assets					
Marketable securities	3	**2,936**	4,224	**-**	512
Derivative financial instruments	18 (a)	**70**	53	**70**	53
Receivables	4	**38,848**	18,017	**27,640**	6,494
Receivables from related parties	17	**-**	-	**7,637**	10,426
Prepaid expenses		**5,043**	4,215	**502**	382
Recoverable taxes		**28,255**	44,095	**17,246**	15,010
Deferred income tax and social contribution	10 (b)	**99,359**	126,289	**99,359**	125,769
Other		**17,820**	1,565	**17,617**	1,363
Total long-term realisable		**192,331**	198,458	**170,071**	160,009
Investments in subsidiaries and joint ventures	5	**306,253**	342,794	**2,292,547**	2,257,123
Investment property	6	**2,574,135**	2,485,297	**503,946**	445,780
Property and equipment	7	**4,958**	970	**4,896**	888
Intangible assets		**2,014**	1,490	**2,013**	1,488
Total noncurrent assets		**3,079,691**	3,029,009	**2,973,473**	2,865,288
Total assets		**3,988,727**	3,222,897	**3,861,059**	3,037,931
Liabilities and Equity					
Current liabilities					
Suppliers		**8,501**	12,663	**3,798**	4,550
Payables for investment acquisition	5	**-**	-	**-**	78,109
Loans, financing and debentures	8	**82,526**	94,891	**79,661**	68,053
Derivative financial instruments	18 (a)	**-**	2,345	**-**	2,345
Labor and social liabilities		**4,169**	3,110	**3,695**	2,784
Tax liabilities		**6,886**	4,831	**2,895**	1,710
Advances - barters	9	**1,550**	19,337	**1,550**	19,337
Deferred taxes	10 (b)	**1,763**	1,365	**-**	-
Lease liability	12	**168**	-	**168**	-
Dividend payable	13 (d)	**21,423**	10,328	**21,423**	10,328
Other		**3,436**	1,029	**2,598**	49
Total current liabilities		**130,422**	149,899	**115,788**	187,265
Noncurrent liabilities					
Loans, financing and debentures	8	**807,279**	845,422	**786,553**	702,449
Advances - barters	9	**14,746**	-	**14,746**	-
Deferred taxes	10 (b)	**66,462**	63,343	**-**	-
Provisions for labor, tax and civil risks	11	**1,808**	2,098	**318**	425
Lease liability	12	**4,097**	-	**4,097**	-
Other		**9,690**	2,512	**600**	523
Total noncurrent liabilities		**904,082**	913,375	**806,314**	703,397
Total liabilities		**1,034,504**	1,063,274	**922,102**	890,662
Equity					
Paid-in capital	13	**2,038,072**	1,315,841	**2,038,072**	1,315,841
Capital reserves		**707**	84	**707**	84
Earnings reserve		**900,178**	836,078	**900,178**	836,078
Valuation adjustment		-	(4,734)	-	(4,734)
Equity attributable to Company shareholders		**2,938,957**	2,147,269	**2,938,957**	2,147,269
Noncontrolling interests		**15,266**	12,354	**-**	-
Total equity		**2,954,223**	2,159,623	**2,938,957**	2,147,269
Total liabilities and equity		**3,988,727**	3,222,897	**3,861,059**	3,037,931

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$, except earnings per share)

	Notes	Consolidated		Individual	
		2019	2018	2019	2018
Net revenue from lease and services provided	14	**128,034**	104,827	**25,544**	17,727
Cost of services provided - condominium management	15	**(2,162)**	-	**(2,162)**	-
Gross profit		**125,872**	104,827	**23,382**	17,727
Operating income (expenses)					
Selling expenses	15	**(8,990)**	(8,492)	**(5,131)**	(3,869)
General and administrative expenses	15	**(14,237)**	(11,001)	**(12,856)**	(9,927)
Management compensation	15	**(2,769)**	(1,200)	**(2,769)**	(1,200)
Changes in the fair value of investment property	6	**99,624**	4,100	**21,801**	3,217
Other operating expenses, net	15	**(10,310)**	(3,636)	**(8,972)**	(1,581)
Results from equity participation	5	**(9,015)**	(1,152)	**137,508**	49,438
Income before financial income and taxes		**180,175**	83,446	**152,963**	53,805
Financial income (expenses)					
Financial expenses	16	**(55,927)**	(45,785)	**(45,780)**	(28,740)
Financial income	16	**17,781**	6,973	**17,621**	6,955
Income (loss) before taxes		**142,029**	44,634	**124,804**	32,020
Income tax and social contribution					
Current		**(9,810)**	(6,559)	**-**	-
Deferred	10	**(38,884)**	9,012	**(34,602)**	11,466
	10	**(48,694)**	2,453	**(34,602)**	11,466
Net income for the year		**93,335**	47,087	**90,202**	43,486
Net income attributable to:					
Shareholders of the Company		**90,202**	43,486		
Noncontrolling interests		**3,133**	3,601		
		93,335	47,087		
Earnings per share (In Reais - R$):					
Basic	13 (g)	**1.15151**	0.62892	**1.15151**	0.62892
Diluted	13 (g)	**1.15096**	0.62774	**1.15096**	0.62774

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Consolidated		Individual	
	2019	**2018**	**2019**	**2018**
Net income for the year	**93,335**	47,087	**90,202**	43,486
Effect of change in relative interest in joint ventures	**4,734**	227	**4,734**	227
Total comprehensive income for the year	**98,069**	47,314	**94,936**	43,713
Comprehensive income attributable to:				
Shareholders of the Company	**94,936**	43,713		
Noncontrolling interests	**3,133**	3,601		
	98,069	47,314		

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Paid-in capital			Capital reserves		Earnings reserves						
	Subscript	Share issuance costs	To subscribe	Share issuance costs	Recognized options granted	Legal	Earnings retention	Retained earnings	Valuation adjustment	Equity attributable to Company shareholders (Individual)	Noncontrolling interests	Total (Consolidated)
BALANCE AT DECEMBER 31, 2017	**1,312,287**	-	(90,000)	(2,639)	**2,189**	**20,501**	**782,419**	**-**	**(4,961)**	**2,019,796**	**156**	**2,019,952**
Capital increase	3,554	-	90,000	-	-	-	-	-	-	93,554	-	93,554
Net contributions from noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	8,597	8,597
Recognized options granted	-	-	-	-	534	-	-	-	-	534	-	534
Effect of change in relative interest in joint ventures	-	-	-	-	-	-	-	-	227	227	-	227
Income of the year	-	-	-	-	-	-	-	43,486	-	43,486	3,601	47,087
Allocation of net income:												
Recognition of legal reserve	-	-	-	-	-	2,174	-	(2,174)	-	-	-	-
Dividend payable	-	-	-	-	-	-	-	(10,328)	-	(10,328)	-	(10,328)
Recognition of earnings retention reserve	-	-	-	-	-	-	30,984	(30,984)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	**1,315,841**	-	-	**(2,639)**	**2,723**	**22,675**	**813,403**	-	**(4,734)**	**2,147,269**	**12,354**	**2,159,623**
Capital increase	738,135	(15,904)	-	-	-	-	-	-	-	722,231	-	722,231
Contributions from noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	(221)	(221)
Recognized options granted	-	-	-	-	623	-	-	-	-	623	-	623
Effect of change in relative interest in joint ventures	-	-	-	-	-	-	(4,679)	-	4,734	55	-	55
Net income for the year	-	-	-	-	-	-	-	90,202	-	90,202	3,133	93,335
Allocation of net income:												
Recognition of legal reserve	-	-	-	-	-	4,510	-	(4,510)	-	-	-	-
Dividend payable	-	-	-	-	-	-	-	(21,423)	-	(21,423)	-	(21,423)
Recognition of earnings retention reserve	-	-	-	-	-	-	64,269	(64,269)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	**2,053,976**	**(15,904)**	-	**(2,639)**	**3,346**	**27,185**	**872,993**	-	-	**2,938,957**	**15,266**	**2,954,223**

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 - INDIRECT METHOD
(In thousands of Brazilian reais - R$)

	Notes	Consolidated		Individual	
		2019	2018	2019	2018
Cash flows from operating activities					
Net Income for the year		**93,335**	47,087	**90,202**	43,486
Adjustments to reconcile net income to net cash generated by (used in) operating activities:					
Depreciation and amortization	15	**733**	240	**727**	233
Results from equity participation	5	**9,015**	1,152	**(137,508)**	(49,438)
Amortization of prepaid expenses		**1,727**	1,965	**195**	334
Allowance for doubtful accounts	4	**1,608**	1,510	**845**	515
Financial result	16	**38,146**	38,812	**28,159**	21,785
Results on sale of partial equity interest in subsidiary		**7,992**	1,202	**7,992**	1,202
Deferred taxes		**40,419**	(5,772)	**34,603**	(11,466)
Changes in the fair value of investment property	6	**(101,012)**	(7,275)	**(21,801)**	(3,217)
Stock options		**623**	534	**623**	534
		92,586	79,455	**4,037**	3,968
(Increase) decrease in operating assets:					
Trade accounts receivable		**(11,248)**	(3,431)	**(9,965)**	(946)
Recoverable taxes		**2,312**	2,104	**2,006**	1,402
Prepaid expenses		**(5,533)**	(3,285)	**(3,543)**	(1,370)
Other assets		**(17,141)**	(2,641)	**(15,852)**	(2,812)
Increase (decrease) in operating liabilities:					
Labor and social liabilities		**1,059**	117	**911**	147
Tax liabilities		**11,082**	7,110	**1,352**	458
Other liabilities		**9,297**	273	**2,519**	(639)
Income tax and social contribution paid		**(9,027)**	(6,148)	**-**	-
Dividends received from subsidiaries	5	**13,000**	3,150	**95,176**	92,308
Net cash provided by operating activities		**86,387**	76,704	**76,641**	92,516
Cash flows from investing activities					
Increase in marketable securities		**(665,044)**	(445,841)	**(641,864)**	(377,994)
Decrease in marketable securities		**373,111**	654,580	**346,958**	588,979
Increase in / acquisition of investments		**(8,003)**	(77)	**(307,578)**	(252,113)
Receipt for sale of subsidiaries		**20,979**	2,411	**20,979**	2,411
Aquisition of investment properties		**(187,187)**	(175,423)	**(35,912)**	(17,416)
Receipt for the sale of investment property		**164,863**	-	**164,863**	-
Advance to subsidiary		**-**	-	**3,364**	(9,579)
Other		**(665)**	(1,060)	**(680)**	(1,061)
Net cash (used in) provided by investing activities		**(301,946)**	34,590	**(449,870)**	(66,773)
Cash flows from financing activities					
Loans, financing and debentures		**328,959**	394,477	**327,214**	371,629
Amortization of loans, financing and debentures	8 (a)	**(352,834)**	(383,483)	**(234,010)**	(282,554)
Interest paid		**(104,608)**	(73,088)	**(64,909)**	(57,304)
Lease payments		**(122)**	-	**(122)**	-
Capital increase	13 (a)	**738,135**	93,554	**738,135**	93,554
Dividends paid	13 (d)	**(10,328)**	(3,554)	**(10,328)**	(3,554)
Share issuance costs		**(24,096)**	-	**(24,096)**	-
(Payment) receipt on derivative financial instrument		**(2,426)**	(124)	**(2,426)**	(124)
(Distributions to) contributions from noncontrolling shareholders		**(221)**	8,597	**-**	-
Net cash provided by financing activities		**572,459**	36,379	**729,458**	121,647
Increase in cash and cash equivalents		**356,900**	147,673	**356,229**	147,390
Cash and cash equivalents					
At the beginning of the year		**150,488**	2,815	**149,640**	2,250
At the end of the year	3	**507,388**	150,488	**505,869**	149,640
Increase in cash and cash equivalents		**356,900**	147,673	**356,229**	147,390

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Notes	Consolidated		Individual	
		2019	2018	2019	2018
Revenue					
Revenues from lease and services provided		**135,682**	111,626	**28,281**	19,534
Other revenue		**103,685**	1,079	**103,295**	93
Changes in the fair value of investment property	6	**101,012**	7,275	**21,801**	3,217
Revenue from construction of own assets		**228,520**	175,571	**72,432**	51,364
Allowance for doubtful accounts	4	**(1,597)**	(1,510)	**(837)**	(515)
		567,302	294,041	**224,972**	73,693
Inputs purchased from third-parties (includes the taxes ICMS, IPI, PIS AND COFINS)					
Supplies, power, outside services and other items		**(224,639)**	(147,784)	**(93,682)**	(35,426)
		(224,639)	(147,784)	**(93,682)**	(35,426)
Gross value added		**342,663**	146,257	**131,290**	38,267
Depreciation and amortization	15	**(733)**	(240)	**(727)**	(233)
Net wealth created		**341,930**	146,017	**130,563**	38,034
Value added received in transfer					
Results from equity participation	5	**(9,015)**	(1,152)	**137,508**	49,438
Financial income		**18,614**	7,300	**18,445**	7,266
		9,599	6,148	**155,953**	56,704
Total wealth for distribution		**351,529**	152,165	**286,516**	94,738
Wealth distributed					
Personnel:		**34,429**	13,224	**29,248**	7,576
Salaries and wages		**27,767**	10,223	**24,229**	6,173
Benefits		**5,212**	2,352	**3,811**	1,036
Severance pay fund (FGTS)		**1,450**	649	**1,208**	367
Taxes and fares:		**71,189**	13,072	**45,315**	(6,991)
Federal		**70,630**	12,875	**44,789**	(7,105)
State		**13**	10	**11**	8
Municipal		**546**	187	**515**	106
Lenders and lessors:		**152,576**	78,782	**121,751**	50,667
Interest		**141,421**	69,882	**119,182**	49,648
Rentals		**10,840**	8,745	**2,449**	985
Leases		**80**	20	**77**	10
Other		**235**	135	**43**	24
Shareholders:		**93,335**	47,087	**90,202**	43,486
Dividends		**21,423**	10,328	**21,423**	10,328
Retained earnings		**68,779**	33,158	**68,779**	33,158
Noncontrolling interests		**3,133**	3,601	**-**	-
Wealth distributed		**351,529**	152,165	**286,516**	94,738

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

1. General information

LOG Commercial Properties e Participações S.A. ("Company") is a publicly traded corporation listed in B3 S.A (B3), with its head office at 621 Professor Mário Werneck Ave.,10º floor, Belo Horizonte city, Minas Gerais, with CNPJ (taxpayer identification number) nº 09.041.168/0001-10. The Company was incorporated on June 10, 2008 and is engaged in the following activities: (i) management of own and third party assets; (ii) rendering engineering and construction services for residential and/or commercial properties; (iii) development, construction, lease and related services, including real estate consulting, on own or third-party residential and/or commercial buildings, mainly warehouses; and (iv) holding interests in other entities, either as partner or shareholder.

Projects are developed by LOG Commercial Properties e Participações S.A., its subsidiaries and joint ventures ("Group"), which are primarily engaged in the construction and lease (operating leases) of industrial warehouses, stores/offices, shopping malls, strip malls and development and sale of industrial lots. On January 1st, 2019, the Company began providing management services for its own condominiums, previously outsourced to companies operating in that business. Delivered and managed projects are located in the States of Minas Gerais, São Paulo, Espírito Santo, Paraná, Rio de Janeiro, Goiás, Ceará, Sergipe and Bahia.

Since December 2018, the Company has been listed in the special segment "Novo Mercado" of B3 – Brasil, Bolsa, Balcão S.A. (B3), with shares traded under the ticker LOGG3.

In 2019, capital increases in the total amount of R$738,135 were made in the Company, through the issuance of 32,930 thousand new common shares, registered, book-entry and with no par value (Note 13 (a)).

In December 2019, the Company entered into a Purchase and Sale Agreement with LOGCP Inter Fundo de Investimento Imobiliário, for the sale of minority interests in certain investment properties, which ended with funding by R$165 million. The Company continues to evaluate future disposals of the remaining stakes in traded assets and other assets, depending on market conditions.

The Group maintains strong planning for expansion of its activities and, therefore, keep constant assessment of the financial market aiming at the best opportunities to obtain resources to execute its business plan.

2. Presentation of financial statements, significant accounting policies and new accounting standards

2.1 Presentation of financial statements

I. Statement of compliance

The Company's Consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and also in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Individual financial statements are not considered in conformity with International Financial Reporting Standards (IFRS) because it considers the borrowing cost's capitalization on its investees' qualifying assets. In conformity with "OCPC 07 - Evidenciação na Divulgação dos Relatórios Contábil - Financeiros de Propósito Geral" (General Purpose Evidencing the Disclosure of Financial Statements), relevant information regarding the financial statements has been disclosed and belongs to those used by the administration for its management.

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

II. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the balances of 'Cash and cash equivalents', 'Marketable securities', 'Derivative financial instrument', 'Investment property' and several financings (hedge accounting), which are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

III. Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled directly by the Company or indirectly through its subsidiaries. The Company's subsidiaries included in consolidation are listed in Note 5.

In order to determine whether the Company has control over the investees, Management used contractual agreements to evaluate the existing rights that give the Company the ability to direct the relevant activities of the investees, as well as exposure to, or rights to, variable returns from its involvement with them and the ability to use its power to affect the amount of returns.

On consolidation, the assets, liabilities and profits or losses balances of subsidiaries are combined with the corresponding line items of the Company's financial statements, on a per line item basis, and the parent company's interests in the subsidiaries' equity, as well as all intragroup transactions, balances, revenue and expenses are eliminated.

Noncontrolling interest (NCI) are measured initially at their proportionate share of the acquiree´s identifiable net assets at the date of acquisition. Changes in the Group´s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

2.2 Significant accounting policies

(a) Trade receivables

Trade receivables include receivables from the lease of assets, net of the allowance for expected credit loss and from the sale of equity interests in companies that had investment properties as their main assets. Lease receivables are not adjusted to present value since they have mainly short-term maturities and/or have an immaterial impact on the financial statement. Noncurrent trade receivable balances refer to the straight-line recognition of non-uniform contractual payments as required in item 81 of CPC 06 R2 (IAS 17) - *Leases* (Note 2.2 (o)) and installments receivable over twelve months from the sale of equity interests.

(b) Investments in subsidiaries and joint ventures

In the Company's Consolidated and Individual financial statements, investments in joint ventures are recorded using the equity method, based on the related investees' financial statements as of the Company's reporting period and using the same accounting policies used in the Company's financial statements

Investments in subsidiaries are recorded in the Company's Individual financial statements using the equity method of accounting, based on the subsidiaries' financial statements as of the Company's reporting period and prepared using the same accounting policies used in the Company's financial statements.

Profits and losses resulting from intragroup transactions are recognized in the financial statements only to the extent of the interest in the investee held by third parties.

(c) Investment property

Investment property is measured initially at cost and subsequently at fair value, with level 3 measurement (assumptions described below). Gains and losses resulting from changes in the fair value of investment property are recognized in profit or loss for the year.

As at December 31, 2019 and 2018, fair values of investment property were determined based on valuations performed by external appraisers, with the required qualifications and recent experience in the valuation of real estate properties in similar locations, as follows:

- Land: use of the Direct Market Inputs Comparative Method, under which fair value is determined by directly comparing the value of other similar properties, located within the same geo-economic region.

- Projects in operation or in construction phase: use the discounted cash flows model for a ten-year period, when the disposal of the investment (divesture) is considered based on a hypothetical sale of the property simulating the perpetuity principle.

Among the assumptions considered, the main ones were:

- The discount rates used take into account the characteristics of the properties being valued and range from 7.75% to 9.5% p.a. as at December 31, 2019 (8.25% to 10.5% p.a. as at December 31, 2018).

- The divesture has been calculated using rates that range from 7.25% to 8.75% p.a. as at December 31, 2019 (8.0% to 8.5% p.a as at December 31, 2018).

- Projected expenses corresponding to a 1.0 rental revenue as at December 31, 2019 and 2018, for commissions paid to the real estate consultant responsible for the lease of the property. As at December 31, 2019 and 2018, rates of 1.5% and 2.0% of the residual sale price for commissions paid to the real estate consultant responsible for the sale of the property at the end of horizon.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal, where applicable. Any gain or loss arising on derecognition of the property is recognized in line item “Other operating expenses, net” in profit or loss in the period in which the property is derecognized.

Noncurrent assets held for sale

Noncurrent assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower price carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurements are recognized in profit or loss.

(d) Provisions

A provision is recognized as result of a past event, when the Group has a legal or constructive obligation that can be reliably estimated, and it is probable that a disbursement will be required to settle the obligation.

When a provision is measured based on the estimated future cash flows required to settle the obligation, the provision is recorded for an amount representing the present value of such cash flows.

(e) Loans, financing and debentures

Initially recognized when funds are received, net of transaction costs. At the end of the reporting period they are measured at their initial recognition amounts, less repayments plus accrued interest. Transaction costs are presented as a reduction to current and noncurrent liabilities and are recognized in profit or loss over the same repayment term of the financing from which they were originated based on the effective interest rate of each transaction. The Group opted to present the interest paid on loans, financing and debentures as financing activities in the statements of cash flows, since they represent costs of obtaining the referred funds. Loans, financing and debentures are measured at amortized cost, except for financings which are measured at fair value through profit or loss, according to the hedge accounting policy.

(f) Borrowing costs

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

Since financing activities are centrally managed by the Company, interest incurred by the Company on the financing of its investees' qualifying assets are capitalized and presented in line item "Investments in subsidiaries and joint ventures" in the individual financial statements, net of gains obtained on the temporary investment of funds obtained from specific borrowings that have not yet been spent on the qualifying assets. In the Consolidated financial statements, subsidiaries' capitalized borrowing cost are reclassified to cost of the qualifying financed investment properties. Due to the fact that investment properties are measured at fair value, the related costs are allocated to profit or loss by deducting the "Results from equity participation" line item in individual financial statements and "Changes in fair value of investment properties" line item in consolidated financial statements.

(g) Stock option plan

The Company has a share-based compensation plan under which certain employee's services are compensated through the grant of stock options. The Company recognizes compensation cost in profit or loss on a straight-line basis over the vesting period, from grant date to the date the options become exercisable, with a corresponding adjustment in equity. Compensation cost was determined based on the fair value of the options on the grant date using the Black & Scholes pricing model. See Note 13 (e).

(h) Taxes

Current and deferred income tax (IRPJ), social contribution (CSLL), and taxes on revenue are recognized in profit or loss, except when they correspond to items recognized in 'Other comprehensive income', or are directly recognized in equity, in which case current and deferred taxes are also recognized in 'Other comprehensive income' or directly in equity, respectively.

Income taxes: Income tax (IRPJ) and social contribution (CSLL)

The Company and some subsidiaries calculate income tax and social contribution based on actual taxable income. As permitted by the Brazilian tax law, the subsidiaries and most joint ventures opted for taxation based on deemed income, where the income tax and social contribution taxable base is calculated as 32% of gross revenues from lease services plus financial income. The regular 15% income tax rate is levied on deemed taxable income, plus a 10% surtax on income exceeding R$240 per annum, and for social contribution the rate is 9%.

As permitted by the prevailing tax law, the subsidiaries and the joint ventures that elected the deemed income taxation regime calculate lease revenues, and financial income on a cash basis.

Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are recognized, as prescribed by CPC 32 and IAS 12 *Income Tax,* on tax loss carryforwards and the temporary differences between assets and liabilities recognized for tax purposes and the related amounts recognized in the financial statements by applying the statutory tax rates in effect on the date the financial statements were prepared and applicable when such temporary differences reverse.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be generated to realize such deferred tax assets. The realization of deferred tax assets is assessed at the end of each annual reporting period and, when it is no longer probable that future taxable income will be available to recover of all or part of the assets, they are adjusted to the expected recoverable amount.

Taxes on revenue

Revenue is recorded net of PIS and COFINS levied on rental revenue and PIS, COFINS and ISS (Services Tax) on condominium management revenue. The aggregate tax rate of the Social Integration Program Tax on Revenue (PIS) and the Social Security Funding Tax on Revenue (COFINS) is 9.25%, levied on actual income (noncumulative regime) or 3.65%, levied on deemed income.

(i) Income and expense recognition

Revenue arises from the operating lease contracts and is recognized on a straight-line basis over the term of contract. Lease revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the amount can be reliably measured. Revenues are being presented net of taxes.

Other income and expenses are recorded on the accrual basis.

(j) Financial instruments

Financial assets and liabilities are recognized when the group becomes a party to the contractual provisions of the instruments and are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of the financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) are deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are stated at their net amounts in the balance sheet if, and only if, the Company has a legally enforceable right to offset the amounts recognized and if there is intent to simultaneously realize the asset and settle the liability.

Financial assets

Financial assets are classified based on the business model under which the asset is managed and its contractual cash flow characteristics, as summarized below:

Categories / measurement	Conditions for category definition
Amortized cost	Financial assets are held within a business model whose objective is to hold financial assets to collect contractual cash flows on specific dates.
Fair value through other comprehensive income (FVTOCI)	There is not a specific definition within the business model about holding financial asset to collect contractual cash flows on specific dates or selling financial assets.
Fair value through profit or loss (FVTPL)	All other financial assets.

The Group's main financial assets are shown below, classified as amortized cost, FVTPL and FVTOCI and presented in Note 18 (b):

- Cash and cash equivalents: Include amounts held as cash, bank accounts, and short-term investments, redeemable within ninety days or less as of the acquisition date, and subject to insignificant risk of change in fair value.

- Marketable securities: The balance is primarily composed of restricted investment funds that include public and private securities (both post fixed), with high liquidity in active markets.

- Derivative financial instruments: Non-speculative derivative financial instruments for exposure management, as described in Note 18 (a).

- Trade receivables: Represented substantially by rental receivables from leased assets and sale of equity interest, as described in item 2.2 (a).

Ordinary purchases or sales of financial assets are recognized and derecognized on a trade date basis. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of assets in accordance with regulation or market practice.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. Upon full derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

Classified at initial recognition as: (i) amortized cost; or (ii) measured at fair value through profit or loss.

The Group's financial liabilities, primarily represented by loans, financing and debentures, are classified as measured at amortized cost, using the effective interest rate method, except for financings which are measured at fair value through profit or loss, because they were designated as hedged items, according to the hedge accounting policy.

Financial liabilities are initially recognized when funds are received, net of transaction costs, when applicable. At the end of the reporting period they are carried at their initial recognition amount, less amortization of installments of principal, when applicable, plus accrued interest. Transaction costs are presented as a reduction of current and noncurrent liabilities and are recognized in profit or loss over the same repayment term of the financing from which they were originated based on the effective interest rate of each transaction.

The Group derecognizes financial liabilities when obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and sum of the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments and hedge accounting

The Group entered non-speculative derivative financial instruments (swaps) to hedge its exposure to changes in indexes and interest rates in several loans, financing and debentures or hedge against changes in the fair value of certain financial instruments.

Derivatives are initially recognized at fair value. After initial recognition, derivatives are still measured at fair value and changes in fair value are recorded in profit or loss.

To hedge against changes in fair value of certain debts, the Company contracted derivative financial instruments and, for avoiding accounting mismatch in the measurement of these instruments, opted for hedge accounting (designations classified as fair value hedge). Accordingly, changes in fair values of hedging instruments (derivatives) and hedged items (contracted debts) are recognized in profit or loss.

At the inception of the hedging relationship, the Company assesses whether the hedge relationship qualifies for hedge accounting; if positive, it formally documents the relationship between the hedging instrument and the hedged item. The assessment of whether the relationship meets the hedge effectiveness requirements is made and documented at the inception of the hedge relationship, on each reporting date and potentially on a relevant change in circumstances that affect the effectiveness requirements. Adjustments to hedge relationships are permitted after designation, without being considered a "discontinuity" of the original hedge relationship.

The Group discontinues hedge accounting only when the hedge relationship (or part thereof) no longer meets the qualifying criteria. This includes cases where the hedging instrument expires, is sold, terminated or exercised. Discontinuation is accounted for prospectively.

Impairment of financial assets

The Group recognize allowance for credit loss for trade receivable arising from leased assets, through an individual analysis of customers and calculates the expected credit loss based on percentages of historical losses.

The Group periodically reviews its assumptions to recognize allowance for expected credit loss considering revision of historical transactions and improvement of its estimates.

(k) Discount to present value

Monetary assets and liabilities are adjusted to their present value based on an effective interest rate resulting from short- (if material) and long-term transactions, without yield or subject to: (i) embedded fixed interest; (ii) interest rates clearly below market rates for similar transactions; and (iii) inflation adjustment only, with no interest. The Group periodically assesses the effect of this standard.

(l) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, and revenues and expenses in the reporting periods.

Assets and liabilities subject to these estimates and assumptions include the fair value of investment property, cash equivalents, marketable securities and derivative financial instruments, deferred tax assets, asset impairment testing, and provisions for labor, tax, and civil risks. Since management's judgment involves estimates related to the probability of future events, actual results could differ from those estimates.

The Company revises its estimates and assumptions at least annually. The effects arising from these revisions are recognized in the year when the estimates are revised if such revision impacts only that year, or also in subsequent years if the revision impacts both the current period and future years.

(m) Functional and reporting currency

The Consolidated and Individual financial statements are presented in Brazilian reais (R$), which is the Group's functional currency.

(n) Statement of value added

The Company prepares Consolidated and Individual statements of value added in accordance with Brazilian Accounting Standard CPC 09 - *Demonstração do Valor Adicionado* (Statement of Value Added), which are presented as an integral part of the financial statements prepared in accordance with accounting practices adopted in Brazil applicable to publicly held companies, while for IFRS purposes they are presented as supplemental information.

(o) Leases

The Group as a lessor

The Group classifies leases as financial or operational. The lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as operating if it does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset.

The Group does not have lease agreements in which it is a finance lessor, classifying all its leases as operating (rental contracts of investment properties). Revenues from operating leases of investment properties are recognized in profit or loss by the straight-line method during the lease period.

The Group as lessee

The Group assesses whether a contract is or contains a lease if it conveys the right to control the use of the identified asset for a period of time in exchange for consideration. Such assessment is performed at inception. Exemptions are applied for short-term leases and low-value items.

The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made until the commencement date; (iii) direct costs incurred; and (iv) estimated costs to be incurred in dismantling and removing the asset, when applicable.

Lease liability is measured at the present value of the lease payments, discounted by the implicit interest rate or by the incremental borrowing rate and represents the obligation to make lease payments.

In measuring the lease liability, the consideration incorporates the actual inflation up to the current period and is discounted at nominal rates that represent the Company's funding costs. When considering future flows with inflationary expectations, the Company assessed as non-material the impacts on lease liabilities and right-of-use assets, depreciation expenses and financial expenses.

In determining the lease term, the Group considers all the facts and circumstances that create an economic incentive to exercise the option of extension, or not exercise a termination option. Extension options (or periods after the termination options) are included in the lease term only if the lease term is reasonably certain to be extended (or not terminated). The assessment is reviewed if there is a significant event or a significant change in circumstances that affects that assessment and is within the control of the Group. The contracts extension assessment affects the amounts of the recognized lease liabilities and rights-of-use assets.

In the income statement for the period, an expense for depreciation of the right-of-use asset and an interest expense for the lease liability are recognized.

(p) Earnings per share

Basic earnings per share are calculated by dividing net income attributed to the holders of common shares of the parent entity by the weighted average number of common shares outstanding during the year, less treasury shares, if any.

Diluted earnings per share are calculated by dividing net income attributed to the holders of common shares of the parent entity by the weighted average number of common shares outstanding during the year, less treasury shares, if any, plus the number of common shares that would be issued assuming that the stock options would be exercised at a price lower than the market price.

(q) Segment information

The Company has one single operating segment represented by lease, which includes lease of industrial warehouses and to a lesser extent lease of retail space (shopping center and strip malls).

2.3 Adoption of new standards

The Group applied CPC 06 (R2) - IFRS 16 "Leases" since January 1st, 2019, using the modified retrospective approach, whereby the cumulative effect of the initial application is recognized as an adjustment to the opening balance of retained earnings and, consequently, comparative information for the year 2018 has not been restated. There were no effects on retained earnings and in profit or loss statement from the initial adoption.

Previously, the Group applied CPC 06 (R1) - IAS 17 and related interpretations. The Group currently assesses whether a contract is or contains a lease based on the definition of lease described in note 2.2 (o).

Other new standards also came into force as of January 1st, 2019 but did not have material effects on the Group's financial statements.

2.4 New standards issued and not yet adopted

The following standards and interpretations should not have a material impact on Group's consolidated financial statements.

- Amendment to references to conceptual framework in IFRS standards
- Definition of a business (Amendments to CPC 15 - IFRS 3)
- Definition of material (Amendments to CPC 26 - IAS 1 e CPC 23 - IAS 8)
- IFRS 17 Insurance contracts

3. Cash and cash equivalents and marketable securities

Breakdown is as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Cash and cash equivalents:				
Cash	**8**	14	**4**	8
Bank accounts	**1,612**	701	**97**	43
Short-term investments:				
Bank certificates of deposit (CDB)	**306,090**	134,674	**306,090**	134,490
Unrestricted investment funds	**199,678**	15,099	**199,678**	15,099
Total cash and cash equivalents	**507,388**	150,488	**505,869**	149,640

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Marketable securities:				
Restricted investment funds (ii)	**45,516**	1,997	**45,479**	-
Unrestricted investment funds (iii)	**170,720**	3,836	**167,982**	512
Bank certificates of deposit (CDB) (iv)	**90,309**	388	**90,111**	-
Total marketable securities	**306,545**	6,221	**303,572**	512
Current	**303,609**	1,997	**303,572**	-
Noncurrent	**2,936**	4,224	**-**	512
	306,545	6,221	**303,572**	512

(i) The Group established a restricted investment fund, managed by first-rate banks, responsible for the custody of the assets and financial settlement of its transactions. The established fund is highly liquid and aim at yielding interest equivalent to CDI. The fund invests in government and other banks securities and in others unrestricted investment funds, which in turn invest primarily in fixed-income securities.

(ii) Include R$2,739 pledged as collateral for “plano empresario” program loans, working capital and debentures.

(iii) Include R$197 given as collateral for loans, financing and debentures, infrastructure works and others.

Short-term investments and marketable securities include interest income earned, equivalent to 100.62% of CDI in Consolidated and 107.67% of CDI in Individual at December 31, 2019 (100.51% of CDI in Consolidated and 100.54% of CDI in Individual at December 31, 2018).

The Company maintains the balance of cash and cash equivalents for the strategic purpose of being able to meet short-term commitments and maintain adequate liquidity in order to take advantage of investment opportunities in the properties market.

Breakdown of the restricted investment fund’s portfolio, proportionately to the units held by the Company and subsidiaries is as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Bank certificates of deposit (CDB)	**266**	104	**266**	-
Securities with repurchase agreement	**1,346**	18	**1,344**	-
Unrestricted investment funds	**40,483**	1,769	**40,450**	-
Debentures	**175**	23	**175**	-
Financial treasury bills	**3,057**	83	**3,055**	-
Public securities	**189**	-	**189**	-
Total	**45,516**	1,997	**45,479**	-

4. Trade receivables

Trade receivables are broken down as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Rentals	**41,674**	38,820	**9,291**	8,328
Sale of equity interest	**43,317**	9,037	**43,317**	9,037
Condominium management	**361**	-	**361**	-
Other	**11,139**	3,915	**11,122**	3,291
	96,491	51,772	**64,091**	20,656
Allowance for doubtful accounts	**(7,934)**	(6,326)	**(1,995)**	(1,150)
Total	**88,557**	45,446	**62,096**	19,506
Current	**49,709**	27,429	**34,456**	13,012
Noncurrent	**38,848**	18,017	**27,640**	6,494
	88,557	45,446	**62,096**	19,506

The rentals trade receivables balance refers to the lease of industrial warehouses and *strip malls*, under operating leases subject to Law 8245/91 ("Lease Law"), which provisions include, among other, procedures for cancellation of lease agreements and their termination penalties, which are commercially agreed with each tenant. The lease agreements are adjusted on an annual basis using the General Market Price Index (IGPM) or the Broad Consumer Price Index (IPCA).

Trade receivables from the sale of equity interest is as follows:

	Consolidated and Individual	
	12/31/19	12/31/18
LOG SJC (Note 17)	**29,760**	9,570
LOG Curitiba (Note 5 (a))	**15,398**	-
	45,158	9,570
Adjustment to present value	**(1,841)**	(533)
Total	**43,317**	9,037
Current	**26,016**	5,468
Noncurrent	**19,142**	4,102
	45,158	9,570

Condominium management refers to the provision of management services for its own condominiums.

The table below shows the aging list of trade receivables:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
In due:				
Up to 12 months	**48,000**	25,598	**33,787**	12,224
After 13 months	**38,848**	18,017	**27,640**	6,494
	86,848	43,615	**61,427**	18,718
Past due:				
Up to 30 days	**379**	397	**117**	123
31 to 90 days	**1,921**	705	**757**	471
More than 90 days	**7,343**	7,055	**1,790**	1,344
	9,643	8,157	**2,664**	1,938
Total	**96,491**	51,772	**64,091**	20,656

Changes in the allowance for doubtful accounts for the years ended December 31, 2019 and 2018 are as follows:

	Consolidated		Individual	
	2019	2018	2019	2018
Opening balance	**(6,326)**	(4,816)	**(1,150)**	(635)
Recognition	**(1,753)**	(1,510)	**(875)**	(515)
Reversals	**145**	-	**30**	-
Closing balance	**(7,934)**	(6,326)	**(1,995)**	(1,150)

Future minimum lease receivables under non-cancellable operating leases are as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
1 year	**130,110**	114,126	**25,037**	21,905
2 years	**94,386**	98,855	**16,339**	17,347
3 years	**80,537**	69,675	**11,962**	9,783
4 years	**67,740**	60,436	**10,094**	6,719
5 years	**52,638**	50,561	**4,100**	4,465
After 5 years	**182,339**	207,552	**8,720**	17,685
Total	**607,750**	601,205	**76,252**	77,904

5. Investment in subsidiaries and joint ventures

a) Main information on each investment is summarized below:

	Equity interest		Information on investees				Investment		Results from equity participation for the year	
			Equity		Net income (loss) for the year					
	12/31/19	12/31/18	12/31/19	12/31/18	2019	2018	12/31/19	12/31/18	2019	2018
Joint ventures:										
Cabral (a)	50.00%	50.00%	**50,460**	108,681	**(31,458)**	2,582	**24,971**	53,700	**(15,729)**	1,366
Torino	40.00%	40.00%	**372,484**	341,623	**11,976**	(4,594)	**151,498**	136,675	**4,819**	(1,838)
Betim subdivision	50.00%	50.00%	**97,081**	95,228	**1,852**	1,177	**48,541**	47,614	**926**	589
LOG SJC Sony (b)	64.97%	89.19%	**105,359**	102,818	**2,092**	(464)	**68,452**	91,704	**1,334**	(414)
Capitalized interest (c)			**-**	-	**-**	-	**12,791**	13,101	**(310)**	(628)
Other			**-**	-	**-**	-	**-**	-	**(55)**	(227)
Total joint ventures - Consolidated			**625,384**	648,350	**(15,538)**	(1,299)	**306,253**	342,794	**(9,015)**	(1,152)
Subsidiaries:										
LOG I	99.99%	99.99%	**145,277**	182,708	**36,560**	4,434	**145,262**	182,690	**36,557**	4,434
LOG II	99.99%	99.99%	**51,803**	46,014	**7,476**	2,479	**51,798**	46,009	**7,476**	2,479
LOG Jundiaí	99.99%	99.99%	**95,246**	83,970	**6,377**	6,303	**95,236**	83,962	**6,376**	6,302
LOG Goiânia	99.90%	99.90%	**150,419**	180,554	**33,786**	5,917	**150,269**	180,373	**33,752**	5,911
LOG Hortolândia	99.99%	100.00%	**139,615**	144,426	**2,851**	7,896	**139,601**	144,426	**2,851**	7,896
LOG SJP	99.99%	100.00%	**49,135**	46,045	**2,854**	(1,639)	**49,130**	46,045	**2,854**	(1,639)
LOG Juiz de Fora	99.99%	99.99%	**107,536**	81,498	**3,455**	8,675	**107,525**	81,490	**3,455**	8,674
LOG Feira de Santana	99.99%	99.99%	**37,618**	29,840	**763**	(2,425)	**37,614**	29,837	**763**	(2,425)
LOG Fortaleza	99.99%	99.99%	**242,682**	183,690	**12,509**	5,747	**242,658**	183,672	**12,507**	5,746
LOG Via Expressa	99.99%	99.99%	**163,765**	115,242	**12,806**	944	**163,749**	115,230	**12,804**	944
LOG Viana	99.99%	99.99%	**137,799**	173,997	**48,203**	12,618	**137,785**	173,980	**48,198**	12,617
LOG Londrina	99.99%	99.99%	**111,897**	90,785	**3,689**	(4,456)	**111,886**	90,776	**3,689**	(4,456)
LOG Itatiaia	99.99%	99.99%	**66,907**	42,953	**2,575**	685	**66,900**	42,949	**2,575**	685
LOG Rio	99.99%	99.99%	**151,320**	146,226	**8,671**	9,623	**151,305**	146,211	**8,670**	9,622
LOG Aracajú	99.99%	99.99%	**71,325**	57,186	**(1,425)**	(4,249)	**71,318**	57,180	**(1,425)**	(4,249)
LOG SJC Sony (b)	0.00%	0.00%	**-**	-	**-**	(23)	**-**	-	**-**	-
LOG Sumaré	99.99%	99.99%	**20**	6	**-**	(1)	**20**	6	**-**	(1)
LOG SJRP	99.99%	99.99%	**23,498**	24,076	**(741)**	384	**23,496**	24,074	**(741)**	384
LOG Macaé	99.99%	99.99%	**13,912**	40,482	**(26,884)**	(1,599)	**13,911**	40,478	**(26,881)**	(1,599)
LOG RP	99.99%	99.99%	**51,198**	51,125	**(242)**	(1,322)	**51,193**	51,120	**(242)**	(1,322)
LOG Curitiba (d)	0.00%	99.99%	**-**	50,603	**(19,979)**	(3,319)	**-**	50,598	**(19,977)**	(3,319)
LOG Uberaba	99.00%	99.00%	**10,620**	12,042	**(1,738)**	(145)	**10,514**	11,922	**(1,721)**	(144)
LDI	100.00%	100.00%	**454**	284	**(62)**	(835)	**454**	284	**(62)**	(835)
LE Empreendimentos	99.00%	99.00%	**100**	67	**(296)**	(64)	**99**	66	**(293)**	(63)
LOG BTS Extrema (e)	91.50%	91.50%	**179,859**	143,116	**36,742**	42,282	**164,571**	130,951	**33,619**	38,688
Capitalized interest (c)			**-**	-	**-**	-	**-**	-	**(18,281)**	(25,982)
Other			**-**	-	**-**	-	**-**	-	**-**	(7,737)
Total subsidiaries			**2,002,005**	1,926,935	**167,950**	87,910	**1,986,294**	1,914,329	**146,523**	50,611
Total Individual			**2,627,389**	2,575,285	**152,412**	86,611	**2,292,547**	2,257,123	**137,508**	49,459

(a) On July 30, 2019, the joint venture Cabral Investimentos SPE Ltda. sold its equity interest in the Shopping Contagem, equivalent to 15%, in the amount of R$25,976, received in cash. This operation generated a loss of R$33,981, affecting the line item 'Share of profit (loss) of equity accounted investees' by R$17,754.

(b) Reclassification from subsidiary to jointly venture after sale of partial equity interest in this subsidiary to an entity controlled by MRV Engenharia e Participações S.A., in July 2018 and December 2019, as described in Note 17.

(c) Amount related to the capitalized financial charges on loans, financing, and debentures taken by the Company for the acquisition/ development of its investees' investment properties and industrial subdivision in investees (Note 2.2 (f)).

(d) Sale of SPE LOG Curitiba shares as described below.

(e) In November 2019, the Company completed the capital contribution by R$78,109 in the subsidiary LOG BTS Extrema Empreendimentos Imobiliária S.A. (LOG BTS Extrema), with no remaining contributions to be paid on December 31, 2019 (R$78,109 on December 31, 2018).

On July 17, 2019, the Company and LDI LOG Desenvolvimento Imobiliário Ltda. entered into an agreement to sell the entire equity interest in subsidiary LOG Curitiba I SPE Ltda. (LOG Curitiba), which owns a land located in the same city, for R$30,800, to be received in 12 equal and consecutive installments, the first on the signatures contract date and the rest in subsequent months. This operation generated a loss of R$22,895, of which R$21,100 was recorded under the caption "Changes in the fair value of investment property", arising from the remeasurement of the fair value of the subsidiary's assets before sale, and R$1,795 related to the sale commission, recorded in "Other operating income (expenses), net".

b) Joint ventures:

- Cabral Investimentos SPE Ltda. ("Cabral") is mainly engaged in building investment proprieties in shopping centers and store segments and other assets for rental.

- Parque Torino Imóveis S.A. ("Torino") is engaged in the lease of own properties, construction, and development of real estate projects.

- Betim I Incorporações SPE Ltda. ("Loteamento Betim") is mainly engaged in the subdivision of industrial land for sale and development, building and rental of business assets, primarily, logistics warehouses.

- MRV LOG MDI SJC I Incorporações SPE Ltda. ("LOG SJC Sony") is mainly engaged in the lease of own properties, construction, and development of real estate projects.

Even though the main strategic decisions regarding the business to be developed and the definition of the capital structure of the joint ventures is jointly determined, the Company is involved in the financial, accounting and operating routines of the companies Cabral and Loteamento Betim.

The net results generated by these entities are assumed by each shareholder, according to the percentage equity interest held.

There are not contractual restrictions on the distributions of funds generated by the operating activities from the joint ventures to their controlling shareholders.

Summarized financial information of the joint ventures is as follows:

	Cabral		Torino (*)		Loteamento Betim		LOG SJC Sony	
	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18
Cash and cash equivalents and marketable securities	**9,971**	14,008	**10,173**	5,579	**86**	489	**3**	3
Trade receivables	**193**	174	**-**	-	**1,938**	2,932	**-**	-
Inventories	**-**	-	**-**	-	**27,847**	15,776	**-**	-
Other current assets	**8**	14	**300**	247	**133**	2	**-**	1
Total current	**10,172**	14,196	**10,473**	5,826	**30,004**	19,199	**3**	4
Trade receivables	**539**	436	**-**	-	**2,616**	2,071	**-**	-
Inventories	**-**	-	**-**	-	**81,738**	79,935	**-**	-
Investment property	**41,626**	100,860	**373,100**	348,300	**-**	-	**109,000**	106,300
Other noncurrent assets	**1,444**	2,398	**472**	283	-	-	**-**	-
Total noncurrent assets	**43,609**	103,694	**373,572**	348,583	**84,354**	82,006	**109,000**	106,300
Total assets	**53,781**	117,890	**384,045**	354,409	**114,358**	101,205	**109,003**	106,304
Current liabilities	**2,860**	7,940	**1,178**	2,826	**1,508**	1,401	**-**	-
Noncurrent liabilities	**461**	1,269	**10,383**	9,960	**15,769**	4,576	**3,644**	3,486
Equity	**50,460**	108,681	**372,484**	341,623	**97,081**	95,228	**105,359**	102,818
Liabilities and equity	**53,781**	117,890	**384,045**	354,409	**114,358**	101,205	**109,003**	106,304

(*) In December 2019, the joint venture Torino issued 17,400 new shares, with an issue price of R$575 (five hundred and seventy-five reais) each. The Company subscribed 6,960 shares, totaling R$4,002, of which up to December 31, 2019 paid in R$1,602. For measuring the investment and equity income, the totality of mentioned capital increase and the respective final equity interest after this event were considered in shareholders' equity. As of December 31, 2019, the Company recognized in line item "Other" in current liabilities the amount of R$2,400 regarding the outstanding installments, which will be paid in subsequent months in 3 installments of R$800 each.

	Cabral		Torino		Loteamento Betim		LOG SJC Sony	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating revenue	**1,039**	4,849	**7,951**	7,480	**6,329**	9,922	**-**	-
Cost of products and services	**-**	-	**-**	-	**(4,240)**	(8,413)	**-**	-
Other operating expenses (*)	**(34,016)**	(1,684)	**(1,800)**	(1,655)	**(55)**	(53)	**(109)**	(46)
Financial income (expenses)	**532**	791	**2,361**	364	**-**	27	**(2)**	21
Changes in the fair value of investment property	**1,277**	(799)	**5,344**	(10,157)	**-**	-	**2,276**	(453)
Income tax and social contribution	**(290)**	(575)	**(1,880)**	(626)	**(182)**	(306)	**(73)**	14
Net income (loss)	**(31,458)**	2,582	**11,976**	(4,594)	**1,852**	1,177	**2,092**	(464)

(*) As described below, in 2019 a loss resulting from the full sale of equity interest in Shopping Contagem was recognized in Cabral.

c) Changes in the balances of investments in subsidiaries and joint ventures in the years ended December 31, 2019 and 2018 are as follows:

	Startup date	Opening balances	Capital contributions (reversals)	Results from equity participation	Dividends received	Other	Closing balances
Year ended December 31, 2019:							
Joint ventures:							
Cabral	11/13	53,700	-	(15,729)	(13,000)	-	24,971
Torino (a)	4/15	136,675	7,604	4,819	-	2,400	151,498
Loteamento Betim	3/18	47,614	1	926	-	-	48,541
LOG SJC Sony (b)	-	91,704	398	1,334	-	(24,984)	68,452
Capitalized interest (c)		13,101	-	(310)	-	-	12,791
Others (d)		-	-	(55)	-	55	-
Total joint ventures - Consolidated		**342,794**	**8,003**	**(9,015)**	**(13,000)**	**(22,529)**	**306,253**
Subsidiaries:							
LOG I (e)	2/09	182,690	3,911	36,557	(13,633)	(64,263)	145,262
LOG II	3/11	46,009	617	7,476	(2,304)	-	51,798
LOG Jundiaí	4/11	83,962	9,982	6,376	(5,084)	-	95,236
LOG Goiânia (e)	4/12	180,373	6,977	33,752	(7,424)	(63,409)	150,269
LOG Hortolândia	9/12	144,426	1,421	2,851	(9,097)	-	139,601
LOG SJP	4/13	46,045	273	2,854	(42)	-	49,130
LOG Juiz de Fora	6/13	81,490	25,464	3,455	(2,884)	-	107,525
LOG Feira de Santana	6/13	29,837	9,031	763	(2,017)	-	37,614
LOG Fortaleza	8/13	183,672	51,862	12,507	(5,383)	-	242,658
LOG Via Expressa	11/13	115,230	42,683	12,804	(6,968)	-	163,749
LOG Viana (e)	4/14	173,980	2,952	48,198	(13,680)	(73,665)	137,785
LOG Londrina	6/14	90,776	20,983	3,689	(3,562)	-	111,886
LOG Itatiaia	7/14	42,949	24,064	2,575	(2,688)	-	66,900
LOG Rio	2/17	146,211	3,806	8,670	(7,382)	-	151,305
LOG Aracajú	10/18	57,180	15,588	(1,425)	(25)	-	71,318
LOG Sumaré	-	6	13	-	1	-	20
LOG SJRP	-	24,074	165	(741)	(2)	-	23,496
LOG Macaé	-	40,478	314	(26,881)	-	-	13,911
LOG RP	-	51,120	317	(242)	(2)	-	51,193
LOG Curitiba (f)	-	50,598	173	(19,977)	(2)	(30,792)	-
LOG Uberaba	-	11,922	314	(1,721)	(1)	-	10,514
LDI	-	284	230	(62)	2	-	454
LE Empreendimentos	-	66	325	(293)	1	-	99
LOG BTS Extrema	-	130,951	1	33,619	-	-	164,571
Capitalized interest (c)		-	-	(18,281)	-	18,281	-
Total subsidiaries		**1,914,329**	**221,466**	**146,523**	**(82,176)**	**(213,848)**	**1,986,294**
Total Individual		**2,257,123**	**229,469**	**137,508**	**(95,176)**	**(236,377)**	**2,292,547**
Year ended December 31, 2018:							
Total Consolidated		254,751	77	(1,152)	(3,150)	92,268	342,794
Total Individual		1,954,717	252,111	49,438	(92,306)	93,163	2,257,123

a) R$2,400 refers to outstanding installment to complete the capital increase in joint venture Torino, which will be paid in 3 installments of R$800.

b) R$24,984 refers to partial sale of equity interest, as described in Note 17.

c) Adjustment in results from equity participation by the capitalized interest amount during the fiscal year, due to adoption of fair value measurement for investment property (Note 2.2 (f)).

d) Valuation adjustment realization regarding changes in relative equity participation in project Loteamento Betim.

e) The amounts listed as "others" refer to the spin-off and merger operation by the Company, referring to 30% of "LOG I" and "LOG Goiânia" and 35% of "LOG Viana", assets that were later sold by the Company, as detailed in note 6.

f) R$30,792 refers to sale of SPE LOG Curitiba shares as described below.

6. Investment property

Investment property consists of properties held to generate lease income or for appreciation in value (including construction in progress) and are broken down as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Industrial warehouses	**2,536,495**	2,443,657	**466,306**	404,140
Strip malls	**37,640**	41,640	**37,640**	41,640
Total	**2,574,135**	2,485,297	**503,946**	445,780

Changes in balances of investment property for the years ended December 31, 2019 and 2018 were as follows:

	Consolidated		Individual	
	2019	2018	2019	2018
Opening balance	**2,485,297**	2,397,662	**445,780**	435,082
Additions	**198,246**	157,721	**31,512**	4,114
Capitalized interest (Note 8)	**24,159**	29,349	**4,853**	3,367
Transfer to non-current asset held for sale	**(202,000)**	-	**-**	-
Sale of partial equity interest in subsidiary (Note 17)	**(32,579)**	(106,710)	**-**	-
Changes in fair value	**101,012**	7,275	**21,801**	3,217
Closing balance	**2,574,135**	2,485,297	**503,946**	445,780

Effects of changes in the fair value of investment property on profit or loss, net of taxes are as follows:

	Consolidated		Individual	
	2019	2018	2019	2018
Changes in fair value of investment property	**101,012**	7,275	**21,801**	3,217
Deferred PIS/COFINS	**(1,388)**	(3,175)	**-**	-
Changes in fair value of investment property in profit or loss	**99,624**	4,100	**21,801**	3,217

As at December 31, 2019, from the total amount of investment property, R$1,835,263 has been pledged as collateral for loans, financing and debentures of the Company and its subsidiaries (R$2,157,322 as at December 31, 2018).

<u>Non-current assets held for sale</u>

	Consolidated and Individual	
	2019	2018
Openning balance	**-**	-
Transfer from investment property	**202,000**	-
Sale of assets	**(165,002)**	-
Closing balance	**36,998**	-

In the third quarter of 2019, the Group transferred investment properties to the line item "Non-current assets held for sale", in view of the intention to sell these assets to "LOG CP Inter Fundo de Investimento Imobiliário". On December 18, 2019, the group sold part of these assets to the referred fund for R$165 million, received in full in cash, remaining R$36,998 classified in this line item. The Company continues to evaluate future disposals of the assets classified in this caption.

7. Property and equipment

Changes in property and equipment for the year ended December 31, 2019 and 2018 are as follows:

	Opening balance	Adoption CPC 06 (R2) / IFRS 16	Addition	Closing balance
<u>Consolidated</u>				
<u>Year ended December 31, 2019</u>:				
<u>Cost</u>:				
Right-of-use (*)	-	3,676	711	**4,387**
Other (**)	1,749	-	11	**1,760**
Total cost	1,749	3,676	722	**6,147**
<u>Accumulated depreciation</u>:				
Right-of-use (*)	-	-	243	**243**
Other (**)	779	-	167	**946**
Total accumulated depreciation	779	-	410	**1,189**
Total property and equipment, net	970	3,676	312	**4,958**
<u>Year ended December 31, 2018</u>:				
Total property and equipment, net	1,126	-	(156)	970

	Opening balance	Adoption CPC 06 (R2) / IFRS 16	Addition	Closing balance
Individual				
Year ended December 31, 2019:				
Cost:				
Right-of-use (*)	-	3,676	711	**4,387**
Other (**)	1,537	-	11	**1,548**
Total cost	1,537	3,676	722	**5,935**
Accumulated depreciation:				
Right-of-use (*)	-	-	243	**243**
Other (**)	649	-	147	**796**
Total accumulated depreciation	649	-	390	**1,039**
Total property and equipment, net	888	3,676	332	**4,896**
Year ended December 31, 2018:				
Total property and equipment, net	1,034	-	(146)	888

(*) Rental agreement for the Company's headquarters (Note 17).
(**) Primarily, improvements in third party properties.

At the end of the reporting periods, the Group's management concluded that there were no indications of impairment of its assets with finite useful lives, as none of the loss indicators set out in CPC 01, paragraphs 10 and 12, was evidenced.

8. Loans, financing and debentures

a) Loans, financing and debentures

Loans, financing and debentures as at December 31, 2019 and 2018 are as follows:

Type	12/31/19			12/31/18
	Current	Noncurrent	Total	Total
Individual:				
Debenture - 3rd issue	-	-	-	66,404
Debenture - 8th issue	**16,944**	**12,519**	**29,463**	36,402
Debenture - 10th issue	**320**	**75,500**	**75,820**	100,558
Debenture - 11th issue	**14,706**	**14,571**	**29,277**	43,970
Debenture - 12th issue	**10,062**	**70,001**	**80,063**	90,091
Debenture - 13th issue	**165**	**81,000**	**81,165**	81,216
Debenture - 14th issue	**929**	**150,000**	**150,929**	151,258
Debenture - 15th issue	**7,056**	**56,000**	**63,056**	70,189
Debenture - 16th issue	**23,022**	**81,860**	**104,882**	-
Debenture - 17th issue	**3,391**	**230,000**	**233,391**	-
(-) Funding cost	**(2,903)**	**(6,393)**	**(9,296)**	(10,302)
Total debentures - Individual	**73,692**	**765,058**	**838,750**	629,786
Working capital	-	-	-	71,670
Construction financing	**6,100**	**21,877**	**27,977**	71,403
(-) Funding cost	**(131)**	**(382)**	**(513)**	(2,357)
Total loans and financing - Individual	**5,969**	**21,495**	**27,464**	140,716
Total Individual	**79,661**	**786,553**	**866,214**	770,502
Subsidiaries:				
Construction financing	-	-	-	148,728
Construction financing (*)	**2,981**	**21,215**	**24,196**	23,816
(-) Funding cost	**(116)**	**(489)**	**(605)**	(2,733)
Total loans and financing - Subsidiaries	**2,865**	**20,726**	**23,591**	169,811
Total Consolidated	**82,526**	**807,279**	**889,805**	940,313

(*) Measured at fair value through profit or loss, according to hedge accounting methodology, refer to Note 18 (a).

The main features of loans, financing and debentures are as follows:

Type	Qty	Funding date	Repayment of principal	Interest payment	Maturity of principal	Contractual rate (p.a.)	Effective rate (p.a.)
Debenture - 8th issue	60	12/15	Quarterly	Quarterly	11/17 to 8/21	119% CDI	119% CDI + 0.29%
Debenture - 10th issue	100,000	12/17	Semiannual	Semiannual	12/20 to 12/23	CDI + 1.60%	CDI + 1.77%
Debenture - 11th issue	51,000	12/17	Semiannual	Semiannual	12/18 to 12/21	CDI + 2.00%	CDI + 2.23%
Debenture - 12th issue	10,000	12/17	Monthly	Monthly	1/18 to 12/27	CDI + 2.25%	CDI + 2.42%
Debenture - 13th issue	81,000	7/18	Bullet payment	Semiannual	6/21	108% CDI	108% CDI + 0.87%
Debenture - 14th issue	15,000	11/18	Semiannual	Semiannual	11/21 to 11/23	117% CDI	117% CDI + 0.26%
Debenture - 15th issue	70,000	12/18	Monthly	Monthly	1/19 to 12/28	CDI + 1.35%	CDI + 1.71%
Debenture - 16th issue	100,000	3/19	Semiannual	Semiannual	3/20 to 3/25	108% CDI	108% CDI + 0.34%
Debenture - 17th issue	230,000	9/19	Annual	Semiannual	9/22 to 9/24	116.5% CDI	116.5% CDI + 0.18%
Construction financing	-	9/18	Monthly	Monthly	3/19 to 9/28	TR + 10%	TR + 10.87%
Construction financing	-	12/12	Monthly	Monthly	12/13 to 10/24	CDI + 1.65%	CDI + 1.92%

The debentures issued by the Company are simple, nonconvertible, registered and book-entry.

Funding during the year ended December 31, 2019 is as follows:

Type	Qty	Funding date	Repayment of principal	Interest payment	Maturity of principal	Contractual rate (p.a.)	Amount (*)
Debenture - 16th issue	100,000	03/19	Semiannual	Semiannual	3/20 to 3/25	108% CDI	100,051
Debenture - 17th issue	230,000	09/19	Annual	Semiannual	9/22 to 9/24	116.50% CDI	230,000
Total - Individual and Consolidated							330,051

(*) Gross of funding cost.

During the year ended December 31, 2019, the Group repaid in advance construction financing in the amount of R$175,444, being R$133,979 of principal and R$41,465 of financial interest, with maturities between April 2023 and August 2026, subject to effective rate of TR + 9.37% p.a. to TR + 10.02% p.a.

On November 26, 2019, the Company repaid in advance working capital in the amount of R$61,288, being R$60,873 of principal and R$415 of financial interest, with maturities in March 2024, subject to contractual rate of CDI + 2.10% p.a.

On September 27, 2019, the Company repaid in advance the third issue of debentures, in the amount of R$67,722, with maturities between December 2019 and December 2022, subjects to contractual rate of CDI + 1.90% p.a.

On September 27, 2019, the Company's Board of Directors approved the 17th issue of debentures, non-convertible into shares, of unsecured type, to be converted in kind with collateral guaranty, with issuance of 230,000 with unit value of one thousand reais, totaling of R$230,000. The debentures were issued by the securitizing company, with public distribution and yield interest by 116.50% of CDI with semiannual payment of interest from March 2020 and annual maturity of principal from September 2022 to 2024.

On March 26, 2019, the Company's Board of Directors approved the 16th issue of debentures for private placement, non-convertible into shares, of unsecured type, to be converted in kind with collateral guaranty, for backing the issuance of 100,000 certificates of real estate receivables (CRI) with unit value of one thousand reais, totaling of R$100,051 (include yield of R$51). The CRIs were issued by the securitizing company, with public distribution and yield interest by 108% of CDI with semiannual payment of interest and maturity of principal from the March 2020 to 2025.

Changes in loans, financing and debentures were as follows:

	Consolidated		Individual	
	2019	2018	2019	2018
Opening balance	**940,313**	930,034	**770,502**	682,932
Funding	**331,854**	404,922	**330,051**	381,228
Interest expense	**69,792**	66,241	**61,420**	51,229
Funding cost	**(2,895)**	(10,445)	**(2,837)**	(9,599)
Amortization of funding costs	**7,872**	6,132	**5,686**	4,570
Repayment of principal	**(352,834)**	(383,483)	**(234,010)**	(282,554)
Payment of interest	**(104,297)**	(73,088)	**(64,598)**	(57,304)
Closing balance	**889,805**	940,313	**866,214**	770,502

b) Guarantees

The types of guarantees for loans, financing and debentures as at December 31, 2019 are as follows:

	Consolidated			
	Construction financing	Debentures	Total	
Collateral / receivables	52,173	848,046	900,219	(*)

(*) Amount of loans, financing and debentures, gross of funding costs.

Collaterals consist of the land, improvements, and properties of the financed projects (see Note 6) and shares of joint venture Parque Torino Imóveis S.A.

Receivables consist of future inflows generated by the financed projects, pledged as collateral in the event of nonpayment to the financial institutions.

c) Aging

Aging of loans, financing and debentures by maturity is as follow:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
After the reporting period:				
1 year	**82,526**	94,891	**79,661**	68,053
2 years	**194,518**	134,723	**191,879**	108,774
3 years	**208,797**	255,221	**206,158**	229,301
4 years	**209,151**	176,469	**206,500**	150,542
After 4 years	**194,813**	279,009	**182,016**	213,832
Total	**889,805**	940,313	**866,214**	770,502

d) Allocation of financial charges

Financial charges are capitalized as follows:

	Consolidated		Individual	
	2019	2018	2019	2018
Financial charges on:				
Loans, financing and debentures	**(77,664)**	(72,373)	**(67,106)**	(55,799)
Derivative financial instruments	**(354)**	(2,030)	**(354)**	(2,030)
Total financial charges	**(78,018)**	(74,403)	**(67,460)**	(57,829)
Interest capitalized on:				
Investment property (Note 6)	**24,159**	29,349	**4,853**	3,367
Investment (Note 5)	**-**	-	**18,281**	25,982
Financial charges allocated to profit or loss (Note 16)	**(53,859)**	(45,054)	**(44,326)**	(28,480)

For the year ended December 31, 2019, total capitalized borrowing costs on loans, financing and debentures represented an average rate of 7.71% p.a. (9.08% p.a. for the year ended December 31, 2018).

e) Contractual obligations

The 14th public issue of debentures indenture provide for compliance with certain financial ratios covenants, determined and review by the fiduciary agent, as follows:

Description	Required level	Fiscal year
Net debt / Adjusted EBITDA	8 x	2019
	7 x	2020
	6.5 x	2021
	6 x	2022 onwards

Net debt is: (+) Debt with financial institutions; (+) marketable securities representing debt; (+) leasing; (+/-) derivatives net balance; (-) cash and cash equivalents, public securities, short-term investments and equivalents.

EBITDA is: (+/-) Net income / loss; (+/-) financial result; (+) imcome taxes; (+) depreciation and amortization; (+/-) unusual operations; (+/-) fair value of investments property; (+/-) fair value of associates.

The Company is subject to certain contractual requirements that must be complied throughout the debt period, such as: providing information requested within contractual deadlines; do not perform operations that are not in accordance with its corporate purpose, in compliance with the statutory, legal and regulatory provisions in force; obtaining the mandatory project issuance, according to its defined policies; complying with the payments provided for in the agreements; ensuring compliance with all laws, rules and regulations in any jurisdiction in which conducts businesses or have assets; keeping licenses valid for the business operation; honoring the guarantees provided in the agreements; providing information on material acts and facts that may affect its financial condition or ability to fulfill its obligations; proving the allocation of funds raised in the projects described in the agreements; items related to discontinuation of activities, bankruptcy or insolence; guarantee completeness of data provided to financial agents; not to transfer rights on contracts without the consent of financial agents; not to have significant changes in statutory structure, without observance of the respective laws, and in the stock control, among others. Failure to comply with the mentioned covenants could result in early maturity of the agreements. As at December 31, 2019, the Company is in compliance with all covenants of the loan, financing and debenture agreements.

9. Advances - barters

This balance refers to commitments arising from barter transactions under which the Group acquired land in exchange of industrial warehouses. The balances were recorded at fair values at the transactions dates, measured based on the sales price of the land obtained which was supported by technical reports. The commitments will be discharged by handing over the completed industrial warehouses.

10. Income tax and social contribution

(a) The income tax (IRPJ) and social contribution tax (CSLL) income (expenses) at the statutory tax rate are reconciled as follows:

	Consolidated		Individual	
	2019	**2018**	**2019**	**2018**
Income before income tax and social contribution	**142,029**	44,634	**124,804**	32,020
Statutory rate - income tax and social contribution	**34%**	34%	**34%**	34%
Nominal expense	**(48,290)**	(15,176)	**(42,433)**	(10,887)
Effect of IRPJ and CSLL on permanent differences:				
Results from equity participation grossed of written-off capitalized interest	**(3,065)**	(392)	**52,968**	25,643
Spin-off and merge of investment properties (PPI)	**(7,169)**	-	**(7,169)**	-
Sales of PPI and investment	**(37,187)**	(1,791)	**(37,187)**	(1,791)
Tax basis difference for companies taxes based on deemed income	**47,803**	23,941	**-**	-
Other	**(786)**	(4,129)	**(781)**	(1,499)
IRPJ and CSLL (expense) credit in profit or loss	**(48,694)**	2,453	**(34,602)**	11,466

On December 31, 2019, the Company did not to recognize deferred taxes on tax losses carryforwards of subsidiaries in the amount of R$5,251 (R$7,199 as of December 31, 2018).

(b) Deferred tax balances

Breakdown of deferred tax assets (liabilities) disclosed in the balance sheets is as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Noncurrent assets:				
Income tax and social contribution	**99,359**	126,289	**99,359**	125,769
Liabilities:				
Income tax and social contribution	**(31,451)**	(28,503)	**-**	-
PIS/COFINS	**(36,774)**	(36,205)	**-**	-
	(68,225)	(64,708)	**-**	-
Current	**(1,763)**	(1,365)	**-**	-
Noncurrent	**(66,462)**	(63,343)	**-**	-
Total	**(68,225)**	(64,708)	**-**	-

Breakdown of the deferred income tax and social contribution is as follows:

	Consolidated		Individual	
	12/31/19	12/31/18	12/31/19	12/31/18
Tax effect on:				
Deferred assets:				
Tax loss carryforwards	**60,876**	61,759	**59,697**	57,838
Capitalized interests written-off (*)	**99,691**	115,456	**99,691**	115,456
Temporary differences	**7,109**	1,529	**7,109**	1,529
	167,676	178,744	**166,497**	174,823
Reclassified deferred liabilities	**(68,317)**	(52,455)	**(67,138)**	(49,054)
Deferred tax assets	**99,359**	126,289	**99,359**	125,769
Deferred liabilities:				
Fair value appreciation on investment property	**(97,513)**	(79,072)	**(67,138)**	(49,054)
Rental receivables and others	**(2,255)**	(1,886)	**-**	-
	(99,768)	(80,958)	**(67,138)**	(49,054)
Reclassified deferred liabilities	**68,317**	52,455	**67,138**	49,054
Deferred tax liabilities	**(31,451)**	(28,503)	**-**	-

(*) According to Note 2.2 (f), since financing activities are centrally managed by the Company, interest incurred by the Company on the financing of its investees' qualifying assets are capitalized and presented in the investment line item (Individual financial statements). Since investment properties are measured at fair value, the related costs are allocated to profit or loss by deducting such costs from equity participation calculation (Individual financial statements). In this process, deferred tax assets are recognized, since these amounts will be tax deductible upon realization of the respective investments.

Reclassified deferred tax balances are to offset amounts for presentation purpose. They are related to taxes on income collected by the same tax authority and were individually made by each taxable entity, have the same nature and will be realized simultaneously.

As at December 31, 2019, the estimated realization of deferred tax assets, based on the projection of future taxable income, prepared by the Company's management, is as follows:

	IRPJ and CSLL	
	Consolidated	Individual
Expected realization:		
2020	2,644	2,644
2021	3,024	3,024
2022	3,292	3,292
2023	3,492	3,492
2024	3,590	3,590
2025 a 2027	10,651	10,651
2028 a 2029	72,666	72,666
Total	99,359	99,359

The above-mentioned projection is based on projects which are operating, on the construction and start-up of new industrial warehouse and projects which are in pre-operational phase in the Company's portfolio. Projected revenue from these leased assets contribute to generate taxable income compatible with the realization of deferred tax loss carryforwards. Realization of referred assets arising from the temporary difference referring to capitalized interest considers the same period of tax deductibility applicable to historic costs of the respective investment properties and, in the tenth year, a full realization of mentioned assets is considered.

As at December 31, 2019, the balance of deferred PIS/COFINS liabilities refers to the tax effect on: (i) fair value appreciation on investment property; and (ii) rental receivable for the remaining balance.

Changes in deferred income tax (IRPJ) and social contribution (CSLL) assets and liabilities for the years ended December 31, 2019 and 2018 are as follows:

	Consolidated				Individual			
	2019			2018	2019			2018
	Assets	Liabilities	Net	Net	Assets	Liabilities	Net	Net
Opening balance	**178,744**	**(80,958)**	**97,786**	87,165	**174,823**	**(49,054)**	**125,769**	114,303
Effect of sale of equity interest	**-**	**814**	**814**	1,609	**-**	**-**	**-**	-
Effect of deferred IRPJ and CSLL recognized in:								
Equity	**8,192**	**-**	**8,192**	-	**8,192**	**-**	**8,192**	-
Net income for the period	**(19,260)**	**(19,624)**	**(38,884)**	9,012	**(16,518)**	**(18,084)**	**(34,602)**	11,466
Closing balance	**167,676**	**(99,768)**	**67,908**	97,786	**166,497**	**(67,138)**	**99,359**	125,769

11. Provisions for labor, tax and civil risks

The Group recorded provisions for risks related to claims for which an unfavorable outcome is probable, taking into account on the assessment of its legal counsel. These claims consist primarily of labor claims. Changes for the years ended December 31, 2019 and 2018 are as follows:

	Consolidated		Individual	
	2019	2018	2019	2018
Opening balance	**2,098**	823	**425**	618
Additions and inflation adjustments	**494**	2,191	**169**	184
Payments	**(330)**	(258)	**(153)**	(89)
Reversals	**(454)**	(658)	**(123)**	(12)
Transfer (*)	**-**	-	**-**	(276)
Closing balance	**1,808**	2,098	**318**	425

(*) Provisions initially recognized in the Company and transferred to subsidiaries.

The lawsuits assessed as possible losses by the legal counsel amounted to R$5,672 in Consolidated and R$286 in Individual as at December 31, 2019 (R$6,450 in Consolidated and R$332 in Individual as at December 31, 2018).

12. Lease

The Group does not have lease agreements in which it is a financial lessor, classifying all its leases as operating, fully represented by leases of investment properties.

As a lessee, the Group identified a rental agreement related to its headquarters. This contract´s term is ten years, as of April 1st, 2015, and provides for monthly payment of R$34, annually adjusted by the General Price Index of the Market (IGP-M) (R$38 restated by the contractual index, on the date of initial adoption). For estimating the initial recognition of the right-of-use asset, the option to extend lease agreement for the same period was considered.

Changes in lease liability for the years ended December 31, 2019 and 2018 are as follows:

	Consolidated and Individual	
	2019	**2018**
Opening balance	-	-
Initial adoption of CPC 06 (R2) / IFRS 16	**3,676**	-
Remeasurement	**711**	-
Interest expenses	**311**	-
Repayment of principal	**(122)**	-
Payment of interest	**(311)**	-
Closing balance	**4,265**	-
Current	**168**	-
Noncurrent	**4,097**	-
	4,265	-

The undiscounted contractual cash flows (gross lease liabilities) represent annual cash-outs of R$442, ending February 2035.

There were no expenses related to variable lease payments or subleasing income during the period.

The Group does not have rights-of-use assets that meet the definition of investment property.

Leases representing exemptions in recognition

The Group applies recognition exemptions for short-term leases and leases for which the underlying assets are of low value. These leases essentially include short-term property rental. For these leases, lease expenses are recognized on a straight-line basis, when incurred. In year ended December 31, 2019, these leases represent R$29.

13. Equity

(a) Shares and capital

	Consolidated and Individual	
	12/31/19	**12/31/18**
Subscribed capital	**2,053,976**	1,315,841
Number of common shares, without par value (thousand)	**102,159**	69,230

The Company’s authorized capital as at December 31, 2019 and 2018 is R$2,500,000, represented exclusively by common shares and each share entitles its holder to one vote in shareholders meeting.

The holders of Company shares have preemptive rights, proportionally to their interests, in the subscription of new shares or their partial or total transfer to third parties. These rights can be exercised within the statutory period of thirty days.

During the years ended December 31, 2019 and 2018, the Annual Shareholders' Meetings and the Board of Directors approved the following capital increases:

Date of approval	Description	Number of shares	Total outstanding shares after issuance	Unit price	Total capital increase	Share capital after capital increase
		(thousand)	(thousand)	R$	R$'000	R$'000
2019:						
10/22/19	Issue of new shares	28,350	102,159	22.50	637,875	2,053,976
9/6/19	Issue of new shares	25	73,809	2.39	59	1,416,101
3/20/19	Issue of new shares	4,555	73,784	22.00	100,201	1,416,042
2018:						
7/13/18	Issue of new shares	162	69,230	22.00	3,554	1,315,841

On October 22, 2019, the Company's Board of Directors approved a capital increase of R$637,875 related to 28,350 thousand new shares (R$22.50 per share), within the limit of the authorized capital established in article 6 of the Company's bylaws, arising from the Company's public offering of primary distribution of shares made in October, pursuant to CVM Instruction 476 ("Restricted Offer"). The shares subject to the Restricted Offer were traded on B3 on October 24, 2019 and their physical and financial settlement took place on October 25, 2019.

On September 06, 2019, the Board of Directors approved the capital increase in the amount of R$59, through the issuance of 25 thousand registered common shares, with no par value, intended for the beneficiaries of the Company's stock option plan.

On March 20, 2019, with the conclusion of the process of listing the Company's shares in B3, approval was granted to the Company's capital increase, as approved at Board of Directors meeting held on December 28, 2018, which partially subscribed, totaled an increase of R$100,201 with the issuance of 4,555 thousand new registered common shares, with no par value.

On July 13, 2018, the Extraordinary Shareholders' Meeting approved the Company's capital increase in the amount of R$3,554, through the issuance of 162 thousand common, registered and without par value shares.

(b) Capital reserve

Represents transaction costs for the Company's capital increases and stock options granted to the Company's officers and employees, as described in item (e) below. In accordance with article 200 of Brazilian Corporate Law, the Company may use capital reserves to absorb losses, redem or purchase shares and incorporate into paid-in capital.

In order to perform the capital increases mentioned in item (a) above, the Company incurred in share issuance cost by R$24,096 (R$15,904 net of taxes).

(c) Earnings reserves

Legal reserve

The legal reserve is recognized based on the allocation of 5% of the profit for the year, up to a ceiling of 20% of share capital. The constitution of a legal reserve is not mandatory when the balance of this reserve, plus the paid-in capital amount, exceeds 30% of share capital. The objective of the legal reserve is to preserve capital and can only be utilized to offset losses or increase capital. The calculation schedules for the recognition of the 2019 and 2018 legal reserve is shown in (d) below.

Earnings retention reserve

The earnings retention reserve represents undistributed profits to shareholders aiming to reserve funds to be used in investments according to the Company's capital budget. As at December 31, 2019, the Company recognized an earnings retention reserve of R$64,269 (R$30,984 as at December 31, 2018).

(d) Mandatory minimum dividend payable to shareholders

Under its bylaws, the Company can, by decision of the Board of Directors (i) prepare semiannual or quarterly financial statements or financial statements for shorter periods, and declare dividends or interest on equity based on the profits disclosed in such financial statements; or (ii) declare interim dividends or interest on equity, charged to retained earnings or earnings reserves disclosed in the latest annual or semiannual financial statements. The distributed interim dividends and interest on equity can be deducted from the mandatory dividends. Shareholders are entitled to an annual mandatory minimum dividend of no less than 25% of the net income for the fiscal year, which can be decreased or increased by the following amounts: (i) amount to be allocated to the legal reserve; (ii) amount to be allocated to the recognition of a provision for contingencies and reversal of the same provisions recognized in prior years; and (iii) amount derived from the reversal of prior years' unrealized earnings reserve, pursuant to Article 202, II, of Brazilian Corporate Law. Under the law, the payment of the mandatory dividend can be limited to realized net income for the fiscal year.

According to the Company's management's proposal, to be approved at the Annual Shareholders' Meeting (ASM), 2019 dividends are as follows (2018 dividends are presented for comparative purposes):

	2019	2018
Net income for the year	**90,202**	43,486
Legal reserve - 5% of net income	**(4,510)**	(2,174)
Net income available for distribution	**85,692**	41,312
Proposed dividends - 25% of net income available for distribution	**21,423**	10,328
Proposed dividends per share (R$ per share)	**0.2097**	0.1492

Fiscal year 2018 dividends, amounting to R$10,328, were approved at the Ordinary and Extraordinary Shareholders' Meeting held on April 30, 2019 and paid on June 12, 2019.

Fiscal year 2017 dividends, amounting to R$3,554, were approved at the Ordinary Shareholders' Meeting held on April 30, 2018 and paid on July 13, 2018.

(e) Stock option plan

The Stock Option Plan approved by the Company prescribes a maximum of 892,149 shares, equivalent to 5% of the Company´s total shares as of November 2010, to be issued under the plan. The plan's statute also establishes the exercise terms and conditions. Once an option is exercised, the corresponding shares will be issued through an increase of the Company's share capital. The exercise price will be equivalent average of the last thirty trading sessions prior to the date of the grant of each program. The Company's officers and employees, including those of direct and indirect subsidiaries, may be eligible for the plan. Should the employment agreement or mandate of the employee or officer terminates due to (a) resignation; or (b) dismissal (with or without just cause) or removal from office (with or without fair reason), providing the definition of 'fair reason' and 'just cause' is provided for in corporate law or labor law, respectively, the options whose exercise right (i) had not yet vested will be cancelled; and (ii) had already vested, may be exercised within ninety day of the date of the termination of said employment agreement or mandate, by means of a written notice sent to the Chairman of the Company's Board and, after this period, they will be cancelled. In case of death or permanent disability of the beneficiary, his or her successors shall have the right to exercise any unexercised stock options, regardless of the share sale restrictions periods set out in the Plan and even if such stock options are unvested, immediately and during the exercise period set out in the related program, where the number of shares to which the beneficiary's successors are entitled will be calculated on a prorated basis, according to the Plan.

On September 06, 2019, the Company granted Program 7 of the stock option plan to directors and managers. The program contemplates 226 thousand options with vesting period of up to 5 years and exercise deadline date in December 2026. The stock option fair value is R$4.76 each, giving a total cost of remuneration of R$1,077, which will be recognized in the income statement over the vesting period.

On April 16, 2018, the Company granted Program 6 of the stock option plan to directors and managers. The program contemplates 352 thousand options with vesting period of up to 5 years and exercise deadline date in December 2025. The stock option fair value is R$4.66 each, giving a total cost of remuneration of R$1,642. Additionally, on the same date, the Board of Directors approved an extension of 3 years in exercise deadline date for Programs 1, 2, 3, 4 and 5, with immaterial effects on the fair value of the options in these programs and on the expenses to be recognized.

The table below shows the main terms and conditions of the stock option programs:

Program	Approval	Quantity	Vesting	Strike price	Participants	Initial exercise deadline	Exercise deadline (*)
1	6/11	70,000	Up to 5 year	R$ 4.00	Officers	8/11	12/21
2	6/12	22,444	Up to 5 year	R$ 22.36	Officers	8/12	12/22
3	10/13	32,879	Up to 5 year	R$ 30.04	Officers and managers	12/13	12/23
4	11/14	31,835	Up to 5 year	R$ 30.04	Officers and managers	12/14	12/24
5	12/15	27,710	Up to 5 year	R$ 30.04	Officers and managers	12/15	12/25
6	4/18	352,000	Up to 5 year	R$ 22.00	Officers and managers	12/18	12/25
7	9/19	226,251	Up to 5 year	R$ 23.42	Officers and managers	12/19	12/26

(*) After each plan's last vesting, the beneficiary has three additional exercise years. The programs 1 to 5 had a 3-year extension in exercise deadline date as approved by the Board of Directors.

The tables below show the changes in stock option plan program for the years ended December 31, 2019 and 2018 and supplemental information thereon:

Program	Number of participants	Opening balance	Granted	Expired / forfeited	Exercised	Closing balance
Changes in 2019 (thou. options)						
1	1	70	-	-	(25)	**45**
2	2	22	-	-	-	**22**
3	3	28	-	-	-	**28**
4	3	28	-	-	-	**28**
5	3	28	-	-	-	**28**
6	4	352	-	-	-	**352**
7	17	-	226	-	-	**226**
		528	226	-	(25)	**729**
Weighted average price of options		20.89	23.42	-	4.00	**22.26**
Changes in 2018 (thou. options)		179	352	(3)	-	528
Weighted average price of options		18.92	22.00	30.04	-	20.89

Program	Number of vested shares (thou.)	Compensation cost for the year	Unrecognized compensation cost	Remaining compensation cost period (in years)
1	45	-	-	-
2	22	-	-	-
3	28	-	-	-
4	28	-	-	-
5	28	101	-	-
6	35	379	912	3.0
7	11	143	934	4.0
2019	197	623	1,846	3.6
2018	178	534	1,392	3.8

None of the programs requires that the beneficiary pay any amount when the option is granted. As at December 31, 2019, Stock options granted represents 81.69% of the total approved plan (60.18% as at December 31, 2018).

The weighted average market price of exercised shares, considering each exercise date, during the year ended December 31, 2019, was R$22.39 (nil during the year ended December 31, 2018).

Under Article 171, Par. 3, of the Brazilian Corporate Law, the Company's shareholders do not have preemptive rights on the exercise of stock options.

The Company records the employees' share-based compensation in the financial statements based on its fair value at grant date. The fair value of the stock option program was estimated based on the Black & Scholes stock option pricing model, considering the following weighed average assumptions:

	Program						
	1st	2nd	3rd	4th	5th	6th	7th
Risk-free rate	12.10%	8.66%	10.86%	12.42%	16.20%	8.61%	6.43%
Vesting period in years (*)	7	7	7	7	7	7	7
Expected annualized volatility	45.73%	42.26%	36.56%	27.17%	26.73%	29.38%	30.86%
Expected dividends	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.00%
Stock options fair value on grant date per share	R$ 4.04	R$ 2.73	R$ 2.09	R$ 3.43	R$ 3.48	R$ 4.66	R$ 4.76

(*) Vesting period of up to 5 years.

The risk-free rate is based on an average of future CDI rates for the maximum exercise period of each tranche of the plans, using the projection of B3 (São Paulo Stock Exchange).

Due to the lack of historical data, the expected volatility was calculated based on the average historical volatility of companies operating in the same industry.

As at December 31, 2019, had all options currently granted been exercised, the Company would have issued 729 thousand shares, which would represent a 0.71% dilution in relation to the Company´s total of 102,159 thousand shares (0.76% at December 31, 2018).

(f) Noncontrolling interests

	Consolidated	
	2019	2018
Opening balance	**12,354**	156
Net contributions (distributions) to noncontrolling interests	**(221)**	8,597
Interest in net income for the year	**3,133**	3,601
Closing balance	**15,266**	12,354

(g) Earnings per share

Net income and the weighted average number of common shares used to calculate basic and diluted earnings per share are as follows:

	Consolidated and Individual	
	2019	2018
Basic earnings per share:		
Net income for the year	**90,202**	43,486
Weighted average number of outstanding common (thousand)	**78,334**	69,144
Basic earnings per share - in R$	**1.15151**	0.62892
Diluted earnings per share:		
Net income for the year	**90,202**	43,486
Weighted average number of outstanding common (thousand)	**78,334**	69,144
Dilutive effect of stock options (thousand)	**37**	130
Total shares after dilutive effect (thousand)	**78,371**	69,274
Diluted earnings per share - in R$	**1.15096**	0.62774

14. Net revenue

	Consolidated		Individual	
	2019	2018	2019	2018
Lease revenue	**131,873**	111,626	**24,471**	19,534
Revenue from condominium management service	**3,810**	-	**3,810**	-
Taxes on revenue	**(7,649)**	(6,799)	**(2,737)**	(1,807)
Net revenue	**128,034**	104,827	**25,544**	17,727

15. Costs and expenses by nature

	Consolidated		Individual	
	2019	2018	2019	2018
Costs of services provided - condominium management	**(2,162)**	-	**(2,162)**	-
Operating expenses:				
Depreciation and amortization	**(733)**	(240)	**(727)**	(233)
Advertising	**(1,397)**	(829)	**(1,384)**	(829)
Salaries, charges and benefits	**(8,360)**	(6,701)	**(8,368)**	(6,699)
Management compensation	**(2,769)**	(1,200)	**(2,769)**	(1,200)
Outside services	**(5,131)**	(4,971)	**(2,322)**	(2,341)
General expenses	**(3,878)**	(2,759)	**(3,496)**	(2,343)
Stock options	**(623)**	(534)	**(623)**	(534)
Vacancy expenses	**(3,105)**	(3,459)	**(1,067)**	(817)
Other (*)	**(10,310)**	(3,636)	**(8,972)**	(1,581)
	(36,306)	(24,329)	**(29,728)**	(16,577)
Classified as:				
Selling expenses	**(8,990)**	(8,492)	**(5,131)**	(3,869)
General and administrative expenses	**(14,237)**	(11,001)	**(12,856)**	(9,927)
Management compensation	**(2,769)**	(1,200)	**(2,769)**	(1,200)
Other operating expenses, net	**(10,310)**	(3,636)	**(8,972)**	(1,581)
	(36,306)	(24,329)	**(29,728)**	(16,577)

(*) In 2019, Consolidated and Individual, includes an expense of R$5 million generated in the sale of assets to LOG CP Inter Real Estate Investment Fund (Note 6) and a loss of R$1.4 million generated in the second tranche of the sale of LOG SJC Sony (Note 17).

16. Financial expenses and income

	Consolidated		Individual	
	2019	2018	2019	2018
Financial expenses				
Interest on loans, financing and debentures (Note 8 (d))	**(53,859)**	(45,054)	**(44,326)**	(28,480)
Loss on derivative financial instruments	**267**	680	**267**	680
Other financial expenses	**(2,335)**	(1,411)	**(1,721)**	(940)
	(55,927)	(45,785)	**(45,780)**	(28,740)
Financial income				
Income from short-term investments	**16,685**	5,688	**16,406**	5,355
Interest income on intercompany loans	**-**	-	**741**	861
Income on derivative financial instruments	**23**	50	**23**	50
Inflation adjustments	**879**	505	**879**	505
Other financial income (*)	**194**	730	**(428)**	184
	17,781	6,973	**17,621**	6,955
Financial (expenses) income	**(38,146)**	(38,812)	**(28,159)**	(21,785)

(*) Includes tax effect in financial income.

17. Related parties

Related-party balances and transactions are as follows:

		Consolidated				Individual			
		Asset		Liability		Asset		Liability	
		12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18	12/31/19	12/31/18
Short-term investments and marketable securities									
Other related parties									
Banco Inter S.A. (Inter)	[1]	328,915	105,661	-	-	328,915	105,661	-	-
Banco Bradesco S.A.	[2]	158,794	2,794	-	-	156,055	-	-	-
Intercompany receivables									
Investiees									
SPEs	[3]	-	-	-	-	7,637	10,426	-	-
Rental receivables									
Other related parties									
Patrus Transportes Urgentes Ltda.	[4]	427	331	-	-	21	21	-	-
MRV Engenharia e Participações S.A. (MRV)	[5]	34	-	-	-	34	-	-	-
Receivables from shares sale									
Other related parties									
MRV MRL Camp Nou Incorporações e Participações Ltda.	[6]	27,919	9,037	-	-	27,919	9,037	-	-
Loans, financing and debentures									
Other related parties									
Banco Bradesco S.A.	[2]	-	-	181,472	222,185	-	-	181,472	98,855
Banco Inter S.A. (Inter)	[1]	-	-	50,409	-	-	-	50,409	-
Lease liability									
Other related parties									
Conedi Participações Ltda. e MA Cabaleiro Participações Ltda.	[7]	-	-	41	38	-	-	41	38

		Consolidated				Individual			
		Income		Expense		Income		Expense	
		2019	2018	2019	2018	2019	2018	2019	2018
Financial income									
Short-term investments and marketable securities									
Other related parties									
Banco Inter S.A. (Inter)	[1]	8,328	2,226	-	-	7,974	2,226	-	-
Banco Bradesco S.A.	[2]	1,091	4,551	-	-	934	4,551	-	-
Intercompany receivables									
Investiees									
SPEs	[3]	-	-	-	-	741	861	-	-
Lease revenue									
Rental receivables									
Other related parties									
Patrus Transportes Urgentes Ltda.	[4]	4,753	4,721	-	-	271	292	-	-
MRV Engenharia e Participações S.A. (MRV)	[5]	135	-	-	-	135	-	-	-
Other operating income (expenses), net									
Receivables from shares sale									
Other related parties									
MRV MRL Camp Nou Incorporações e Participações Ltda.	[6]	-	-	1,403	1,202	-	-	1,403	1,202
Operating expenses									
General and administrative expenses									
Other related parties									
Conedi Participações Ltda. e MA Cabaleiro Participações Ltda.	[7]	-	-	311	450	-	-	311	450
MRV Engenharia e Participações S.A.	[8]	-	-	1,639	1,698	-	-	587	781
Financial expenses									
Other related parties									
Interest:									
Banco Bradesco S.A.	[2]	-	-	14,369	24,923	-	-	8,634	14,153
Banco Inter S.A. (Inter)	[1]	-	-	737	-	-	-	737	-
Brokerage fee:									
Banco Bradesco S.A.	[9]	-	-	785	-	-	-	785	-
Banco Inter S.A. (Inter)	[10]	-	-	1,221	1,972	-	-	1,221	1,972

[1] Refers to transactions with Banco Inter S.A. and/or subsidiaries ("Inter"), which is controlled by controlling shareholder of the Company. As at December 31, 2019, short-term investments yielded 118.69% of CDI in Consolidated and Individual (101.45% at December 31, 2018).

Joint venture Cabral Investimentos SPE Ltda ("Cabral") holds short-term investments in Inter amounting to R$5,560 at December 31, 2019 (R$6,312 at December 31, 2018. The financial income arising on these short-term investments for the year ended December 31, 2019 was R$354 (R$641 for the same period of 2018).

[2] Refers to transactions with Banco Bradesco, controlling shareholder of Banco Bradesco Investimentos (BBI), which in turn is the controlling shareholder of 2bCapital, current manager of the Investment Fund for Multisectorial Holdings Plus, a shareholder of the Company.

[3] Refers to loan between the Company and subsidiary, granted in January 2018. This loan is subject to interest by CDI + 2.25% p.a.

[4] Refers to the lease agreement entered by the Company and subsidiaries with Patrus Transportes Urgentes Ltda., controlled by a noncontrolling shareholder of the Company.

[5] Refers to the lease agreement entered by the Company and MRV Engenharia e Participações S.A., company controlled by the Company´s controlling shareholder.

[6] In July 2018, the Company sold equity interest in the subsidiary MRV LOG MDI SJC I Incorporações SPE Ltda. ("LOG SJC Sony") for MRV MRL CAMP NOU Incorporações e Participações Ltda, a company controlled by MRV Engenharia e Participações S.A. The contract determines payments in two tranches as detailed below:

I. R$10,800 referring to 10.81% of the equity interest, to be paid in 24 monthly installments of R$450 each, the first being paid after the approval of the land subdivision project by the Muncipal Administration, an event that took place in July 2018; and

II. R$25,523 (R$24,200 plus updated by IPCA index) referring to 24.22% of the equity interest, which will be paid in 48 monthly installments of R$532 each, the first being paid after approval of a change in the zoning area from industrial to residential by the Municipal Administration, an event that took place in the fourth quarter of 2019.

The effects of this transaction are shown below:

	Effect on results		
	Tranche I	Tranche II	Total
Contractual amount	10,800	25,523	36,323
Present value discount	(847)	(1,942)	(2,789)
	9,953	23,581	33,534
Investment write-off	(11,155)	(24,984)	(36,139)
Other operating income (expenses), net	(1,202)	(1,403)	(2,605)
Deferred income tax and social contribution	(1,383)	(3,606)	(4,989)
Sale result	(2,585)	(5,009)	(7,594)
Trade receivables as at December 31, 2019	4,237	25,523	29,760
Trade receivables as at December 31, 2018	9,570	-	9,570

In this transaction, an agreement of shares holders was celebrated that started to characterize the joint control on this entity, so far controlled by the Company. The amount of transactions affecting cash flows arising from LOG SJC are not relevant for separate presentation in the statement of cash flows

[7] Refers to lease agreement of part of tenth floor of the office building where the head office is located, owned by the companies Conedi Participações Ltda. ("Conedi") and MA Cabaleiro Participações Ltda. ("MA Cabaleiro"). Conedi is a one of the Company's shareholders and MA Cabaleiro is owned by Marcos Alberto Cabaleiro Fernandez, a noncontrolling shareholder and member of the Company's board. The contract is valid until February 28, 2035, including extension of the contract, adjustable by the General Market Price Index (IGPM) and as of January 1st, 2019, due to CPC 06 (R2) adoption, the contract recognition will be made as lease (Note 12) and no more as rental, as presented in note 16 to the financial statements as of December 31, 2018.

[8] Amounts related to expenses incurred on the provision of administrative services. The agreement provides for the monthly payment of R$4 per project developed by the Company or its investees at December 31, 2019 and 2018. This amount is annually adjusted using the average salary increase percentage granted to the employees of MRV. The agreement is effective for three years, beginning December 2, 2013, automatically extendable for an equal period, if not opposed by any of the parties. On December 09, 2019, the contract was renegotiated making the term indefinite, in the absence of opposition by the parties.

[9] Refers to services related to coordination, placement and distribution of CRI (Certificates of real estate receivables), under best efforts modality, backed by the Company's 17th issue of debentures.

[10] Refers to services related to coordination, placement and distribution of CRI (Certificates of real estate receivables), under best efforts modality, backed by the Company's 16th and 17th issue of debentures.

Compensation of key management personnel

Pursuant to CPC 05 and IAS 24 *Related Party Disclosures*, which addresses related party disclosures, and according to the Company's understanding, key management personnel consists of members of the Board of Directors and officers elected by the Board of Directors in conformity with the Company's bylaws, and their roles and responsibilities comprise decision-making powers and control of the Company's activities.

	Consolidated and Individual	
	2019	2018
Short-term benefits granted to management:		
Management compensation (*)	**3,087**	1,200
Profit sharing	**630**	613
Non-monetary benefits	**85**	69
Long-term benefits to management:		
Retirement private plan	**69**	52
Share-based compensation:		
Stock option plan	**532**	467
	4,403	2,401

(*) 2018 does not include the employer social security contributions at the rate of 20%.

On April 30, 2019, the Ordinary Shareholders' Meeting approved the overall management compensation at R$5,921.

Besides the benefits above, the Company does not grant any other benefits such as postemployment benefits or severance pay.

18. Financial instruments and risk management

(a) Financial instruments

Financial instruments are represented by the balances of cash, banks, short-term investments, marketable securities, trade receivables, intercompany loans, trade payables, loans, financing, debentures, and derivatives. All financial instruments held by the Group were recorded as at December 31, 2019.

The Company entered non-speculative derivative financial instruments to hedge its exposure to interbank deposit rate (CDI) fluctuation or to fixed rates. The sole purpose of these transactions is to hedge the risk of rates fluctuation by swapping them. Main conditions and effects are described below:

Type of transaction	Contract date	Asset / Liability	Maturity	Notional amount	Long position	Short position	Effect on result		12/31/19
							Gain (loss) on transaction	Mark-to-market	Derivative fair value (**)
Swap (*)	11/18	10.5% / 108.95% CDI	8/28	23,517	23,661	23,585	76	(6)	70
							76	**(6)**	**70**

	Consolidated and Individual
Noncurrent assets	70
Total	**70**

(*) Derivatives designed as hedge instruments, according to hedge accounting methodology.
(**) In the year ended December 31, 2019, three swaps were redeemed at maturity, for the total amount of R$2,426, with loss in the year of R$81, which intended to hedge rate risk by swapping them.

Type of transaction	Contract date	Asset / Liability	Maturity	Notional amount	Long position	Short position	Effect on result		12/31/18
							Gain (loss) on transaction	Mark-to-market	Derivative fair value
Swap	10/17	100% CDI / 7.19%	1/19	60,000	64,879	65,456	(577)	(10)	(587)
Swap	10/17	100% CDI / 7.64%	4/19	100,000	108,132	109,353	(1,221)	(306)	(1,527)
Swap	12/17	100% CDI / 7.50%	7/19	15,000	15,976	16,130	(154)	(77)	(231)
Swap (*)	11/18	10.5% / 108.95% CDI	8/28	1,305	1,313	1,310	3	50	53
							(1,949)	(343)	(2,292)

	Consolidated and Individual
Noncurrent assets	53
Current liabilities	(2,345)
Total	(2,292)

(*) This derivative´s notional value is R$25,000, of which R$23,695, representing 95%, was designated as a hedge instrument for debt protection, according to the hedge accounting methodology.

Impact on profit or loss – Consolidated and Individual			
	Gain (loss) on transaction	Mark-to-market	Total (*)
2019	(354)	290	(64)
2018	(2,030)	730	(1,300)

(*) In the year ended December 31, 2019, three swaps were redeemed at maturity, for the total amount of R$2,426, with loss in the year of R$81, which intended to hedge rate risk by swapping them.

Impacts on profit or loss related to derivatives above are recognized in line item financial charges and financial income, according to their nature.

Hedge accounting

As described in note 2.2 (j), in order to represent the effects of risk management activities and eliminate accounting mismatch and volatility in results arising from the measurement of financial instruments on different basis, the Group adopted hedge accounting for certain cases.

In order to evaluate whether there is an economic relationship between the hedging instrument and the hedged item, a qualitative evaluation of the effectiveness of the hedge is performed by comparing the critical terms of both instruments. Subsequently, on each reporting date and after a significant change in the hedge relationship circumstances, a quantitative assessment is performed by comparing the change, from the beginning of the hedge relationship, in fair value of the hedge instrument to change in fair value of the hedged item (quantitative effectiveness assessment), as follows:

Dollar offset method = Change in fair value of the hedge instrument /
Change in fair value of the hedged item

In December 2018, the Group formally designated a derivative financial instrument (swap type) as a hedging instrument and a financing as hedged item, establishing a relationship of economic protection between them, according to the hedge accounting methodology. This designation was classified as a fair value hedge, since it reduces the market risk arising from the fair value fluctuations of the respective financing. In this way, both the derivative and the financing are measured at fair value through profit and loss, with the expectation that changes in fair values will compensate each other. The critical terms of the instruments are as follows:

	Hedge Instrument (swap)		Hedge Item
Notional value	25,000		25,000
Contract date	12/18		12/18
Maturity date	8/28		9/28
	Long position	**Short position**	
Rates	10.5%	108.95% CDI	TR + 10%

The effects of hedge accounting on balance sheet and the statement of income are as follows:

Fair value hedge	Notional value	Rates	Fair value		Effects on results
	12/31/19		12/31/19		2019
Loans and financing (Hedged item)	**23,517**	10%	**(23,655)**	(*)	(162)
		Long position 10% (**)	**23,655**		162
Derivative financial instrument (Hedge instrument)	**23,517**				
		Short position 108.95% CDI	**(23,585)**		359
		Swap net position	70		521
		Total net position	**(23,585)**		**359**

(*) Swap hedging relation of 97.76% of the hedged item.
(**) In order to reduce volatility in results, the Company opted for hedge accounting, and in this way, measured the short position of the hedging instrument by the mark-to-market rate of the hedged item.

(b) Category of financial instruments

Consolidated	Note	12/31/19		12/31/18	
		Carrying	Fair value	Carrying	Fair value
Financial assets:					
Amortized cost		**90,177**	**90,177**	46,161	46,161
Cash and bank accounts	3	1,620	1,620	715	715
Trade receivables	4	88,557	88,557	45,446	45,446
Fair value through profit or loss (mandatorily measured) (*)		**812,383**	**812,383**	156,047	156,047
Restricted investment funds	3	45,516	45,516	1,997	1,997
Unrestricted investment funds	3	370,398	370,398	18,935	18,935
Bank certificates of deposit (CDB)	3	396,399	396,399	135,062	135,062
Derivative financial instruments	18 (a)	70	70	53	53
Financial liabilities:					
Amortized cost		**878,375**	**833,184**	929,160	929,231
Loans, financing and debentures	8	865,609	820,418	916,497	916,568
Trade payables (suppliers)		8,501	8,501	12,663	12,663
Lease	12	4,265	4,265	-	-
Fair value through profit or loss (Hedge accounting) (*)		**24,196**	**24,196**	23,816	23,816
Loans, financing and debentures	8	24,196	24,196	23,816	23,816
Fair value through profit or loss (mandatorily measured) (*)		-	-	2,345	2,345
Derivative financial instruments	18 (a)	-	-	2,345	2,345

(*) Financial assets and liabilities recognized at fair value with level 2 measurement, using the discounted cash flows valuation technique.

Fair value of loans, financing, and debentures was estimated by the Company's management based on the future value of the loans at maturity with the contracted rate, discounted to present value at the market rate at December 31, 2019 and 2018.

The table below shows a comparison of the contracted and market rates, at December 31, 2019:

Contractual rate (p.a.)	Current market rate (p.a)	Maturity dates
Debentures		
CDI + 1.35% to 2.25%	CDI + 1.01% to 2.08%	12/21 to 12/28
108% to 119% CDI	CDI + 0.71% to 1.01%	06/21 and 03/25
Construction financing		
CDI + 1.65%	CDI + 1.65%	10/24
TR + 10.00%	TR + 10.00%	09/28

Management believes that the carrying value of other financial instruments such as cash, banks accounts, short-term investments, marketable securities, trade receivables, and trade payables approximate their fair values because substantially all the balances matures on dates close to the reporting period.

(c) Exposure to interest rates and inflation adjustment indices

The Group is exposed to normal market risks arising from changes in interest rates and inflation adjustment indices.

The Company conducted a sensitivity analysis for financial instruments exposed to changes in interest rates and financial indicators. The sensitivity analysis was developed considering the exposure to changes in the indexes of financial assets and financial liabilities, taking into account the net exposure of these financial instruments as at December 31, 2019, as if such balances were outstanding during the entire 2019, as detailed below:

Exposed net financial asset and exposed financial liability, net: the change in the rate estimated for 2020 ("probable scenario") compared to the effective rate for the year of 2019, multiplied by the exposed net balance as at December 31, 2019, was used to calculate the financial impact, had the probable scenario materialized in 2019. For the impact estimates, we took into consideration a decrease in financial assets and an increase in financial liabilities at the rate estimated for 2020 of 25% for scenario I and 50% for scenario II.

Index	Financial asset	Financial liability	Net exposed financial liability	Effective anuual rate for 2019	Estimated annual rate for 2020 (*)		Change in effective rate for the relevant scenario	Total estimated effect
Probable scenario:								
CDI	812,314	(899,542)	(87,228)	5.95%	4.56%	(i)	-1.39%	1,209
TR	-	(24,196)	(24,196)	0.00%	0.01%	(i)	0.01%	(2)
IPCA	29,760	-	29,760	3.91%	5.30%	(i)	1.39%	412
								1,619
Scenario I:								
CDI	812,314	(899,542)	(87,228)	5.95%	5.70%		-0.25%	214
TR	-	(24,196)	(24,196)	0.00%	0.01%		0.01%	(2)
IPCA	29,760	-	29,760	3.91%	3.97%		0.06%	17
								229
Scenario II:								
CDI	812,314	(899,542)	(87,228)	5.95%	6.84%		0.89%	(780)
TR	-	(24,196)	(24,196)	0.00%	0.02%		0.02%	(5)
IPCA	29,760	-	29,760	3.91%	2.65%		-1.26%	(376)
								(1,161)

(i) Data obtained on B3 site.
(*) Projection for 2020.

As required by IFRS 7, management believes that the estimated annual rates presented in the probable scenario above reflect the reasonable possible scenario for 2020.

(d) Capital risk management

The Group manages its capital to ensure that all group companies can continue as going concerns, and at the same time maximizes the return of all their stakeholders by optimizing the balance debt and equity.

The Group's equity structure consists of net debt (debt broken down in Note 8, less cash and cash equivalents and marketable securities, broken down in Note 3) and the Group's equity.

The Management periodically review the Company's equity structure. As part of this review, the Management consider the cost of capital, asset liquidity, the risks associated to each class of equity, and the Group's debt-to-equity ratio.

As at December 31, 2019 and 2018, the debt-to-equity ratio is as follows:

	Consolidated		Individual	
	31/12/19	31/12/18	31/12/19	31/12/18
Loans, financing and debentures	**889,805**	940,313	**866,214**	770,502
Cash and cash equivalents and marketable securities	**(813,933)**	(156,709)	**(809,441)**	(150,152)
Net debt	**75,872**	783,604	**56,773**	620,350
Equity	**2,954,223**	2,159,623	**2,938,957**	2,147,269
Net debt-to-equity ratio	**2.6%**	36.3%	**1.9%**	28.9%

The Group is not subject to any external debt requirements, except for the contractual obligations described in Note 8 (e).

(e) Liquidity and interest rate risk table

The table below details the remaining contractual maturity of the Group's non-derivative financial liabilities and the contractual amortization periods. These tables have been prepared using the undiscounted cash flows of the financial liabilities based on the nearest date on which the Group should settle the related obligations. The tables include interest and principal cash flows. For liabilities with floating rates, the undiscounted cash flow was based on the projections for each index on December 31, 2019.

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Consolidated:					
Floating rates liabilities	123,207	239,522	248,292	463,067	1,074,088
Non-interest bearing liabilities	8,501	-	-	-	8,501
Total	131,708	239,522	248,292	463,067	1,082,589
Individual:					
Floating rates liabilities	119,472	235,445	244,210	439,144	1,038,271
Non-interest bearing liabilities	3,798	-	-	-	3,798
Total	123,270	235,445	244,210	439,144	1,042,069

(f) Credit risk

It refers to the risk of a counterparty failing to meet its contractual obligations, leading the Group to incur in financial losses. The Group has the policy of only negotiating with counterparties with creditworthiness and obtaining adequate guarantees, when appropriate, to mitigate the risk of financial loss due to default.

19. Guarantees

Except for the guarantees described in Notes 6 and 8, the Group does not collateralize any of its assets and is not the guarantor of any other types of third-party transactions.

20. Noncash transactions

During the years ended December 31, 2019 and 2018, the Company and its subsidiaries conducted the following financing and investment transactions that did not involve cash, and, therefore, are not reflected in the statement of cash flows:

	Consolidated		Individual	
	2019	2018	2019	2018
Interest capitalization	**24,159**	29,349	**23,134**	29,349
Sale of partial equity interest (Note 5(a))	**43,317**	9,570	**43,317**	9,570
Right-of-use (Initial adoption and remeasurement of CPC 06 (R2)) (Note 7)	**4,387**	-	**4,387**	-

21. Insurance

The Company has an insurance policy that considers primarily risk concentration and their materiality, taking into consideration the nature of its business, and advice of the insurance brokers. As at December 31, 2019, insurance coverage is as follows:

Items	Type of coverage	Insured amount
Engineering risk insurance	Insures, during the project construction period, any compensation for damages caused to the construction, such as fire, lightning, theft, and other specific coverage of facilities and assemblies on the insured site.	47,876
Civil liability (officers)	Insures the coverage of moral damage suffered by the company officers (D&O)	50,000
Civil liability (events)	Insures the coverage of moral damage suffered by the company events participants.	500
Civil liability (events)	Insures the coverage of moral damage suffered by the company events participants.	1,350
Group life and personal injury insurance	Insures payment of compensation related to involuntary personal injuries to employees, contractors, interns, and officers.	20,168
Corporate insurance	Insures payment of compensation to the Company for covered events occurring in leased commercial properties, events such as electric damages, fire, lightning, windstorm, etc.	142,873
Legal guarantee insurance	Insures to the policyholder the payment of any disputed amount in full related to any lawsuit filed with any court or threatened. The contracted guarantee replaces escrow deposits.	389
Barter insurance	Guarantees the obligation of delivering GLA to the barterer, by the Company, after the conclusion of the agreed work.	53,727
Free energy market guarantee insurance	Guarantees to the energy supplier payments agreed in contracts annually.	323

22. Approval of the financial statements

These financial statements were analyzed by the Fiscal Board and authorized for issue by the Board of Directors on February 10, 2020.