

Individual and Consolidated Financial Statements

Iguatemi Empresa de Shopping Centers S.A.

December 31, 2020
with Independent Auditor's Review Report

A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

MESSAGE FROM MANAGEMENT

Resuming of Operations

2020 was a very challenging year for Iguatemi and for the economy as a whole, a year in which we had to adapt quickly to face the challenges brought by a pandemic without precedent. The negative impacts of Covid-19 affected our business practically throughout the whole year of 2020, but began gradually losing steam in May, as operations started to resume. The upward trend in operating hours, observed in the second and third quarters, continued in the fourth quarter with new easing of operating restrictions by Local Authorities. These fewer restrictions lead to a significant increase in our **utilization capacity** - the number of hours operating during the pandemic divided by the number of hours of operation under normalized regime – **61% in the year 2020**.

| Asset | May | June | July | August | September | October | November | December | January | February |
|---------------------------------|--------|---------|---------|---------|-----------|---------|----------|----------|---------|----------|
| Iguatemi São Paulo | | 4 | 6 | | 8 | | 12 | | | 8 12 |
| JK Iguatemi | | 4 | 6 | | 8 | | 12 | | | 8 12 |
| Market Place | | 4 | 6 | | 8 | | 12 | | | 8 12 |
| Pátio Higienópolis | | 4 | 6 | | 8 | | 12 | | | 8 12 |
| Iguatemi Alphaville | | 6 | | 8 | | | 12 | | | 8 12 |
| Iguatemi Campinas | | 4 | | 4 6 | 8 | | 12 | | | 8 12 |
| Galleria | | 4 | | 4 6 | 8 | | 12 | | | 8 12 |
| Esplanada Shopping (original) | | 4 | | 4 6 | 8 | | 12 | 8 12 | | 8 |
| Iguatemi Esplanada (expansão) | | 4 | | 4 6 | 8 | | 12 | 8 12 | | 8 |
| Iguatemi São Carlos | | 6 | 4 | | 6 8 | | 10 | 12 | 12 | |
| Iguatemi Ribeirão preto | | 4 | | | 8 | | 10 12 | 10 12 | | 8 8 |
| Iguatemi Rio Preto | | 4 | | 6 | | 8 | 10 | | 12 | 10 8 |
| Iguatemi Brasília | | 8 | | | 10 | | | 12 | | |
| Iguatemi Porto Alegre | | 8 | | 6 7 | 8 | | 10 | 12 | 12 | 10 |
| Praia de Belas Shopping Center | | 8 | | 6 7 | 8 | | 10 | 12 | 12 | 10 |
| I Fashion Outlet Novo Hamburgo | | 8 | | 6 8 | 11 | | | 12 | | 10 |
| I Fashion Outlet Santa Catarina | | | 8 | | | | | 12 | | |
| Average open days | 4.3 | 21.1 | 20.4 | 29.6 | 30.0 | 31.0 | 30.0 | 28.8 | 26.9 | 26.0 |
| Average total GLA opened in the | 88,395 | 434,709 | 418,968 | 609,077 | 638,139 | 638,139 | 638,132 | 592,845 | 553,371 | 535,207 |

| | | |
|---|---|--|
| Open asset with restrictions | Asset with suspended operations | # Opening hours |
|---|---|--|

Following the same trend, sales continued to recover strongly at the end of the year, despite that in the year sales totals **fell 38.8%** versus the same periods of 2019, year of record sales in the months of Black Friday and Christmas, **total sales for the year reached R\$ 8,7 billion**. Same-store sales (SSS) performed slightly better, **decreasing 28.1% compared to 2019**.

Mixed Use Projects

In order to monetize our land bank and develop the surroundings of our malls, with the objective of improving their traffic, we carried out a fractional sale of land for the construction of a long stay development at Galleria Shopping and a commercial tower at Iguatemi Esplanada. These two transactions generated R\$ 18.9 million in net income for Iguatemi in the fourth quarter of 2020.

Multifamily Galleria Shopping

The Galleria's Multifamily Project was developed by the architectural firm L35 ACIA and based on the American concept of multifamily, a model exclusively dedicated to long-term stay that has gained popularity in recent years due to its payment flexibilities, uncomplicated contracts and digital processes.

The 8,000 m² project will be integrated into the mall, will have 18 floors and 226 units ranging from 31m² to 46m², all furnished, with internet and shared services such as: car sharing, bike sharing, shared laundry, housekeeping and lockers. Luggo, a MRV Group subsidiary, will be responsible for operating the building. The construction is scheduled to start in May 2022 with estimated inauguration in January 2025.

This new project, added to our commercial tower, currently under construction, will help increase the population density of the surroundings, further boosting occupancy and traffic to the mall. The fractional sale of 1.5% of the Galleria Shopping land generated a net result of R\$ 10.7 million in the 4Q20 results.

Commercial Tower Iguatemi Esplanada

The Iguatemi Esplanada project will be a high-end mixed commercial tower with 238 units from 30m² to 980m², ranging from corporate slabs, commercial rooms, small clinics and retail GLA on the ground floor, adding up to 15,5 thousand m² of private area. Located at the rear of the land plot, the commercial tower will have a walkway to access the mall and a large ground floor. We expect construction to take approximately 36 months with its conclusion estimated for February 2025.

The stake sold represents 0.5% of the land plot and generated a net result of R\$ 8.3 million in 4Q20.

Iguatemi Digital

At the beginning of 2021, Iguatemi took another important step in the execution of its Digital Strategy by creating a **Digital BU** with the hiring of a new executive and the attraction of new talent from the industry. The structuring of this new department shows the strengthening of Iguatemi's commitment to the Digital front, and of its capacity to deal with the challenges and specificities of the industry

The new BU will be responsible for planning and executing Iguatemi's digital initiatives, with its focus being the integration of physical and online retail with the help of **Iguatemi 365** and **Iguatemi One**. The idea is to bring new solutions to the Iguatemi client, leveraging the structure and sales of tenants, generating new sources of revenue and entering the digital businesses on time.

Iguatemi 365

We continue to increase our portfolio of brands and listed items in the **Iguatemi 365** marketplace. Currently, the platform has about 400 brands and more than 18 thousand items listed on the website. We continued to expand operations to several cities, covering more than two thousand municipalities and 18 state capitals, which together represent 77.5% of the country's GDP. With the growth of the site, the demand for new brands continues to increase and in the last few months we have included some relevant names from national and international retailers

In 2021, Iguatemi 365 will focus its efforts on: (i) continuing its territorial expansion by increasing the number of assisted markets; (ii) launching the Iguatemi 365 App; (iii) leveraging the catalogs of exclusive brands; (iv) strengthening other categories in the luxury segment, such as: Home, Kitchen, Beverages and Office Equipment; and (v) integrating physical and digital through Guide Shops, pickups and lockers.

Iguatemi One

The loyalty program Iguatemi One has been consolidating itself over the months with new features and even more benefits, improving the phygital journey, integration of the physical and digital worlds - and allowing customers to participate in Iguatemi promotions through the App in a practical and safe way. In addition, the App is fully integrated with Iguatemi 365, allowing users to automatically accumulate points on purchases made in the marketplace.

Going forward, the program will focus on optimizing and completing the integration of Iguatemi One with Iguatemi 365 and, in the future, with other digital initiatives, bringing benefits to our customers and business intelligence for the Company.

Institutional Initiatives

Iguatemi Talks Fashion is a fashion and trends conference that brings together important professionals from Brazil and abroad. In 2020, the 4th edition was held for the first time in digital, expanding its reach, with some specific face-to-face activations and transmitted online. This was also its first 100% free edition, reinforcing Iguatemi's goal in promoting an event that makes knowledge and information accessible to all.

The conference had more than 9,000 hits during its three days and confirmed its commitment to inform and inspire the public by disseminating relevant and unpublished content on innovation, fashion, design, sustainability, business and creativity.

High profile local and foreign names attended the event, including: Gwyneth Paltrow, Margherita Missoni, Giambattista Valli, Li Edelkoort, Alexandre Birman, Sandra Chayo, Marcella Kanner, Fernanda Hoefel, Rachel Maia and Danielle Bibas.

The Conference is already part of the country's fashion calendar and we will continue to invest in this type of content to further strengthen the relationship between the Iguatemi brand and the fashion industry.

In December, at Christmas, Santa Claus was present in our malls in a diferente way. The strategy was converted to the digital environment with "Noel's Booth" (video call with Santa Claus), through Digital letters (more than 3,220 letters were received and answered by Instagram) and through Donation campaigns for several partner institutions supported by Iguatemi.

Employees

At the beginning of 2021, we received another award from the GPTW consultancy, this time Iguatemi was elected as the 15th best large company to work in the retail sector. This recognition in a year as challenging as 2020, shows once again that we have our employees at the center of our strategy.

Among the main actions carried out in 4Q20 that helped us achieve this achievement:

- We reinforced our commitment to diversity, participating in the UNHCR – Empowering Refugees project -, which had as an objective, to promote the employability of women with disabilities and caregivers of people with disabilities. In 2021, nine women who were trained by the program will be hired by Iguatemi to work at the Iguatemi São Paulo and at Iguatemi JK.
- We launched a development program for our employees who are returning from maternity leave - "Equilibrium Project". The program consists in supporting them in the challenges of balancing their careers and motherhood.

- We continued with the partnership with the Fleury laboratory and expanded the testing program with the Mendelics laboratory. In addition, as a preventive measure, we intensified testing for employees at the end of the year, all tests being free of charge for our employees and outsourced staff.
- We sought to recognize our leadership in the great results obtained in the last GPTW survey. For the second year in a row, this time in an online event, we held a celebration recognizing the fifteen leaders who most inspired their employees.

In line with the best health and safety protocols, we continued to execute our back to the office plan, reaching an occupancy level of 87% in the quarter.

Customer Safety

At this time, we continue to comply with the strict hygiene protocols, the recommendations of the health authorities and follow the determinations of State and Municipal decrees. The process of resuming operations at our assets is following the best safety and protection practices, including:

- Reduced opening hours, when applicable;
- Limitation of the flow of vehicles in the parking lots and the capacity of the undertakings according to decrees, by means of automatic software for counting people;
- Implementation of screening at the entrances of the assets, with temperature measurement and control of the use of masks;
- Use of sanitizing mats at the entrance of the malls;
- Special safety protocol implement in four Valet operations that reopened;
- Food courts adjusted for safe distancing;
- Availability of alcohol in gel in bathrooms, food courts, escalators, elevators, docks, parking boxes;
- Complete renovation of the air in malls with external air;
- Beacons in operations subject to customer waiting lines, such as banks, lotteries, vaccine clinics and restaurants;
- Implementation of technologies that help to avoid contagion: touchless elevator buttons, ultraviolet light for cleaning escalators, etc;
- Supply a conduct booklet to tenants.

2020 RESULTS

The Company's operating and financial results for 2020, as mentioned above, were affected by the Covid-19 pandemic. **Total sales in our portfolio decreased by 38.8% in the year to R\$ 8.7 billion. Sales same areas (SAS) decreased 36.2% and Same-store sales (SSS) performed was -28.1% in the year. Same-area rents (SAR) and same-store rents (SSR) fell by 28.5% and 24.5%.** It is worth reminding that the rental indicators are net of discounts and provisions on rents and, therefore, reflect, the decision taken by the Company to grant discounts on a case-by-case basis throughout the year.

In relation to the **malls performance at 100%**, we had a 5.9% decrease in **rent revenue for the year** (minimum rent + overage + temporary rent), reaching R\$ 1.0 billion. Excluding the malls whose stakes were sold this year, we recorded a drop in Rental Revenue at 100% of 2.9% in the year. **Parking revenue totaled R\$ 116.6 million (-52.8% versus 2019).** Excluding the malls from which we divested in 2019, we had a decline in Parking Revenue at 100% of 51.4% in the year. This line has been impacted by new trends in urban mobility, mainly in large centers, where we have significant exposure, in addition to the recent impact of COVID-19 with the suspension of our malls operations and reopening with reduced hours.

The Company achieved gross revenue of R\$ 762.9 million in the year (-11.4% versus 2019), mainly impacted by the decrease in Parking Revenue and Temporary Leases. Due to the pandemic, we kept granting discounts according to the asset and the segment of operation of each tenant, in accordance with the guidelines of the Accounting Pronouncements Committee CPC 06 (R2), we kept the straight-line effect on the discounts granted based on the pandemic scenario, for the average maturity of our contracts with retailers. As a result, we presented a **10.4% drop in Net Revenue to R\$ 675.6 million** in the year.

We have kept implementing strict measures to contain costs and expenses to face the current scenario, leading to a 21.5% drop in the Company's expenses, on the other hand, our costs have gone up 3.7% in the year versus 2019 due to the increase in vacancy, and the expansion of Iguatemi 365 and our retail operations. **EBITDA reached R\$ 508 million in the year**, 20,1% below 2019, with an **75.2% EBITDA margin**.

The Company's **total debt ended the year at R\$ 3.4 billion**, 45.9% above 2019. Cash availability is R\$ 1.7 billion, a 63.7% increase versus 2019, leading to a **net debt of R\$ 1.7 billion** and a **net debt/EBITDA multiple of 3.32x**, a 1.28 increase versus 4T19.

Iguatemi is focused on the process of bringing its operations back to normal, with trained teams and implementing all the health and protection protocols necessary for customers, tenants, employees and suppliers to feel safe in our malls and outlets. We will continue to adopt a transparent posture, focused on operating with all the care that this new scenario requires, and paying attention to innovations to further improve the omnichannel consumer experience.

Carlos Jereissati
CEO of Iguatemi Empresa de Shopping Centers S.A.

MAIN INDICATORS

Financial and operational information is based on the consolidated figures, in R\$ '000, under the Brazilian Corporate Law accounting legislation and IFRS, as expressed in Accounting Pronouncements approved by the Brazilian Securities Commission (CVM) , and were designed to reflect the Company's participation in all shopping centers and towers in its portfolio, but does not include the consolidation of the indirect interest of 6.58% in Shopping Iguatemi Porto Alegre and adjacent tower (Iguatemi Business) as of January 2020.

| Financial indicators - Managerial | 2020 | 2019 | Var. % |
|-----------------------------------|--------------|--------------|-------------------|
| Gross Revenue (R\$ '000) | 762,904 | 861,528 | -11.4% |
| Net Revenue (R\$ '000) | 675,576 | 754,270 | -10.4% |
| EBITDA (R\$ '000) | 508,034 | 635,795 | -20.1% |
| <i>EBITDA Margin</i> | <i>75.2%</i> | <i>84.3%</i> | <i>-9.1 p.a.</i> |
| Net Profit (R\$ '000) | 202,324 | 314,301 | -35.6% |
| <i>Net Margin</i> | <i>29.9%</i> | <i>41.7%</i> | <i>-11.8 p.a.</i> |

| Operational indicators | 2020 | 2019 | Var. % |
|---------------------------------------|-----------|------------|------------|
| Total GLA (sqm) | 710,895 | 709,989 | 0.1% |
| Owned GLA (sqm) | 470,928 | 452,934 | 4.0% |
| Average Owned GLA (sqm) | 469,521 | 457,135 | 2.7% |
| Total GLA, malls (sqm) | 671,909 | 671,118 | 0.1% |
| Owned GLA, malls (sqm) | 437,844 | 420,641 | 4.1% |
| Number of malls ⁽¹⁾ | 16 | 16 | 0.0% |
| Total sales (R\$ '000) ⁽²⁾ | 8,697,166 | 14,217,600 | -38.8% |
| Same-stores sales (SSS) | -28.1% | 4.8% | -32.9 p.p. |
| Same-area sales (SAS) | -36.2% | 6.1% | -42.3 p.p. |
| Same-store rentals (SSR) | -24.5% | 7.3% | -31.9 p.p. |
| Same-area rentals (SAR) | -28.5% | 5.7% | -34.2 p.p. |
| Occupancy cost (% of sales) | 13.5% | 11.7% | 1.9 p.p. |
| Occupancy rate | 93.1% | 93.0% | 0.0 p.p. |
| Net delinquency rate | 5.8% | 0.8% | 5.1 p.p. |

(1) This considers Iguatemi Esplanada and Esplanada Shopping as a single venture.

(2) Adjustment for the assets sold in 2019 (Iguatemi Caxias and Iguatemi Florianópolis) total sales dropped 36.2% in 4Q20 versus 4Q19.

IGUATEMI PORTFOLIO

| Portfolio | City | Total GCA (sqm) ⁽⁴⁾ | Total GLA (sqm) | Iguatemi Interest | Iguatemi GLA (sqm) |
|---|-----------------------|--------------------------------|-----------------|-------------------|--------------------|
| Iguatemi São Paulo | São Paulo | 49,260 | 49,260 | 58.58% | 28,856 |
| JK Iguatemi | São Paulo | 34,357 | 34,357 | 64.00% | 21,988 |
| Pátio Higienópolis | São Paulo | 33,459 | 33,459 | 11.54% | 3,861 |
| Market Place | São Paulo | 26,882 | 26,882 | 100.00% | 26,882 |
| Iguatemi Alphaville | Barueri | 31,147 | 31,147 | 78.00% | 24,295 |
| Iguatemi Campinas | Campinas | 76,894 | 72,725 | 70.00% | 50,908 |
| Galleria | Campinas | 33,141 | 33,141 | 100.00% | 33,141 |
| Iguatemi Esplanada ⁽²⁾ | Sorocaba | 64,809 | 64,809 | 60.93% | 39,488 |
| Iguatemi Esplanada - área proprietária ⁽³⁾ | Sorocaba | 6,556 | 3,678 | 100.00% | 3,678 |
| Iguatemi São Carlos | São Carlos | 22,334 | 22,334 | 50.00% | 11,167 |
| Iguatemi Ribeirão Preto | Ribeirão Preto | 43,430 | 43,430 | 88.00% | 38,218 |
| Iguatemi Rio Preto | São José do Rio Preto | 43,550 | 43,550 | 88.00% | 38,324 |
| Subtotal Sudeste | | 465,819 | 458,772 | 69.93% | 320,806 |
| Iguatemi Porto Alegre ⁽⁴⁾ | Porto Alegre | 67,740 | 64,292 | 42.58% | 27,376 |
| Praia de Belas | Porto Alegre | 47,632 | 44,683 | 57.55% | 25,715 |
| South Sub-total | | 115,373 | 108,976 | 48.72% | 53,091 |
| Iguatemi Brasília | Brasília | 34,447 | 34,447 | 64.00% | 22,046 |
| Federal District Sub-total | | 34,447 | 34,447 | 64.00% | 22,046 |
| I Fashion Outlet Novo Hamburgo | Novo Hamburgo | 20,056 | 20,056 | 41.00% | 8,223 |
| I Fashion Outlet Santa Catarina | Tijucas | 19,836 | 19,836 | 54.00% | 10,712 |
| Power Center Iguatemi Campinas ⁽⁵⁾ | Campinas | 29,822 | 29,822 | 77.00% | 22,963 |
| Outlet and Power Center Sub-total | | 69,715 | 69,715 | 60.10% | 41,898 |
| Malls Sub-total | | 685,353 | 671,909 | 65.16% | 437,841 |
| Market Place Torre I | São Paulo | 15,315 | 15,315 | 100.00% | 15,315 |
| Market Place Torre II | São Paulo | 13,394 | 13,394 | 100.00% | 13,394 |
| Torre Iguatemi Porto Alegre ⁽⁴⁾ | Porto Alegre | 10,276 | 10,276 | 42.58% | 4,376 |
| Towers Sub-total | | 38,985 | 38,985 | 84.86% | 33,085 |
| Total | | 724,339 | 710,895 | 66.24% | 470,926 |

(1) GCA (Gross Commercial Area) includes, in some assets, proprietary areas that do not belong to Iguatemi.

(2) Considers the Iguatemi Esplanada complex, formed by Esplanada Shopping and Iguatemi Esplanada. Located next to Shopping Iguatemi Campinas.

(3) Area owned by Iguatemi at Esplanada, held through a subsidiary.

(4) Considers the 6.58% indirect stake owned by Maiojama Participações.

(5) Power Center located next to Shopping Iguatemi Campinas.

OPERATIONAL PERFORMANCE (at 100% of the mall) – MINIMUM RENTAL + OVERAGE + TEMP. RENT (R\$ '000) ⁽¹⁾

| Portfólio | 2020 | 2019 | Var. % |
|---|------------------|------------------|--------------|
| Iguatemi São Paulo | 226,855 | 218,075 | 4.0% |
| JK Iguatemi | 88,331 | 92,476 | -4.5% |
| Pátio Higienópolis | 104,676 | 107,771 | -2.9% |
| Market Place | 26,931 | 30,683 | -12.2% |
| Torres Market Place | 27,348 | 19,996 | 36.8% |
| Iguatemi Alphaville | 34,131 | 34,808 | -1.9% |
| Iguatemi Campinas | 110,571 | 121,479 | -9.0% |
| Galleria | 22,976 | 22,289 | 3.1% |
| Iguatemi Esplanada ⁽²⁾ | 66,635 | 70,706 | -5.8% |
| Iguatemi São Carlos | 12,533 | 13,437 | -6.7% |
| Iguatemi Ribeirão Preto | 25,646 | 27,603 | -7.1% |
| Iguatemi Rio Preto | 30,914 | 35,315 | -12.5% |
| Iguatemi Porto Alegre | 120,999 | 129,031 | -6.2% |
| Torre Iguatemi Porto Alegre | 9,352 | 7,748 | 20.7% |
| Praia de Belas | 50,172 | 55,450 | -9.5% |
| Iguatemi Florianópolis ⁽³⁾ | - | 19,058 | - |
| Iguatemi Caxias ⁽⁴⁾ | - | 13,630 | - |
| Iguatemi Brasília | 42,350 | 42,993 | -1.5% |
| I Fashion Outlet Novo Hamburgo | 12,029 | 12,778 | -5.9% |
| I Fashion Outlet Santa Catarina | 4,584 | 5,156 | -11.1% |
| Power Center Iguatemi Campinas | 3,018 | 3,195 | -5.6% |
| Total | 1,020,051 | 1,083,677 | -5.9% |
| Total "same-malls"⁽⁵⁾ | 1,020,051 | 1,050,990 | -2.9% |

OPERATIONAL PERFORMANCE (at 100% of the mall) – PARKING REVENUE (R\$ '000)

| Portfólio | 2020 | 2019 | Var. % |
|---|----------------|----------------|---------------|
| Iguatemi São Paulo | 16,792 | 30,943 | -45.7% |
| JK Iguatemi | 10,435 | 23,843 | -56.2% |
| Pátio Higienópolis | 6,948 | 16,504 | -57.9% |
| Market Place | 7,118 | 20,476 | -65.2% |
| Iguatemi Alphaville | 8,467 | 16,446 | -48.5% |
| Iguatemi Campinas | 16,140 | 34,060 | -52.6% |
| Galleria | 5,333 | 10,248 | -48.0% |
| Iguatemi Esplanada ⁽²⁾ | 13,673 | 22,265 | -38.6% |
| Iguatemi São Carlos | 1,964 | 3,728 | -47.3% |
| Iguatemi Porto Alegre | 15,216 | 29,255 | -48.0% |
| Praia de Belas | 7,542 | 19,539 | -61.4% |
| Iguatemi Florianópolis ⁽³⁾ | - | 4,124 | - |
| Iguatemi Caxias ⁽⁴⁾ | - | 3,226 | - |
| Iguatemi Brasília | 5,977 | 11,230 | -46.8% |
| Power Center Iguatemi Campinas | 956 | 1,225 | -22.0% |
| Total | 116,561 | 247,110 | -52.8% |
| Total "same-malls"⁽⁵⁾ | 116,561 | 239,761 | -51.4% |

(1) Numbers do not include the linearization effect.

(2) Considers Iguatemi Esplanada and Esplanada Shopping as one asset.

(3) Stake sold in June 2019.

(4) Stake sold in October 2019.

(5) Excluding malls whose stakes were sold throughout 2019.

SALES AND RENTALS

Total sales reached R\$ 8.7 billion in the quarter, 38.8% below 2019. It is important to note that even with the operating hours of the malls close to the normal, there are still operations with restrictions of 30% to 60% in their operating capacities, such as the food, entertainment and services segments.

As can be seen below, the segments that operated normally had an even better sales performance, such as Miscellaneous Items, Health & Beauty, Jewelry with a drop of 22.3% versus 2019 and Services, Entertainment and Others with a drop of 22.8% versus the previous year, it is worth mentioning that this category includes supermarket operations. The recovery of the two-segment indicator is mainly due to the good sales performance of luxury operations. The inelastic purchasing power of these consumers related with travel restrictions and macroeconomic factors reflected strongly in sales to these tenants. The segment that presented the worst performance was food, due to the physical restrictions for occupying its spaces, during the entire reopening process and which remains today.

| Same-store sales (SSS) | % GLA | 2020 x 2019 | | |
|---|---------------|---------------|---------------|---------------|
| | | Anchors | Other stores | TOTAL |
| Food & Beverage | 12.8% | -31.5% | -39.3% | -38.7% |
| Apparel, Shoes, Leather Goods | 32.4% | -35.5% | -27.8% | -29.2% |
| Household Goods, Bookstores, Stationery, Tech | 13.8% | -32.1% | -23.8% | -25.4% |
| Miscellaneous, Health & Beauty, Jewelry | 16.1% | -36.2% | -21.0% | -22.3% |
| Services, Entertainment, Others | 24.9% | -13.2% | -38.1% | -22.8% |
| TOTAL | 100.0% | -28.7% | -28.0% | -28.1% |

Considering anchor stores those with GLA equal to or greater than 1,000 sqm and other stores those with GLA less than 1,000 sqm

Same-area sales (SAS) decreased 36.2% in the year, while same-store sales (SSS) decreased less, -28.1% in relation to the previous year. Same-area rents (SAR) fell 28.5% and same-store rents (SSR) fell 24.5%.

Rental Revenue at 100% reached R\$ 1.0 billion in 2020 (-5.9% versus 2019). Excluding the malls whose stakes were sold last year, we recorded a decrease in Rental Revenue of 7.3% (considering 100% of interest) in the year. Parking Revenue reached R\$ 116.6 million (-52.8% versus 2019). Excluding the malls from which we divested in 2019, Parking Revenue fell by 51.4% in the quarter (considering 100% of interest).

OCCUPANCY RATE AND COST

The average occupation of the portfolio in the quarter was 93.1%, 0.1 percentage point below 2019. The average occupancy cost was 13.5% in the quarter.

DELINQUENCY

It is important to note that this indicator comes with the resumption of operations. For the year, the average bad debt was 5.1 percentage points above that observed in 2019, at 5.8%.

ECONOMIC AND FINANCIAL PERFORMANCE

| Consolidated P&L - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|--|----------------|----------------|-------------------|
| Gross Revenue | 762,904 | 861,528 | -11.4% |
| Taxes and Discounts | -87,328 | -107,258 | 18.6% |
| Net Revenue | 675,576 | 754,270 | -10.4% |
| Costs and Expenses | -210,162 | -220,173 | -4.5% |
| Other Operational Revenues | 39,306 | 100,509 | -60.9% |
| Equity Gain (Loss) in Subsidiaries | 3,314 | 1,189 | 178.7% |
| EBITDA | 508,034 | 635,795 | -20.1% |
| <i>EBITDA Margin</i> | <i>75.2%</i> | <i>84.3%</i> | <i>-9.1 p.a.</i> |
| Depreciation and Amortization | -149,000 | -128,022 | 16.4% |
| EBIT | 359,034 | 507,773 | -29.3% |
| <i>EBIT Margin</i> | <i>53.1%</i> | <i>67.3%</i> | <i>-14.2 p.a.</i> |
| Financial Revenue (Expenses) | -87,447 | -107,331 | -18.5% |
| Income Tax & Social Contribution Tax | -69,623 | -86,141 | -19.6% |
| Net Profit | 202,324 | 314,301 | -35.6% |
| <i>Net Margin</i> | <i>29.9%</i> | <i>41.7%</i> | <i>-11.8 p.a.</i> |

GROSS REVENUE

Iguatemi Gross Revenue in 2020 was R\$ 762.9 million, down 11.4% compared to the same period in 2019. It is important to note that, as shown in the table above of operational performance, the projects that have the most recovery slow are the regions with a more corporate profile, in the vicinity of the Market Place and Praia de Belas shopping malls, they have a flow of 75% below the commercial towers around them, directly reflecting in the parking revenue of the developments.

| Gross Revenues - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|--|----------------|----------------|---------------|
| Rentals | 593,660 | 598,503 | 0.8% |
| Management Fees | 39,259 | 52,721 | -25.5% |
| Parking | 75,750 | 156,222 | -51.5% |
| Other | 54,235 | 54,082 | 0.3% |
| Total | 762,904 | 861,528 | -11.4% |

Rental revenues, comprising minimum rent, overage and temporary rent, increase of 0.8% related to the 2019.

| Rental Revenues - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|---|----------------|----------------|-------------|
| Minimum Rental | 532,967 | 502,614 | 6.0% |
| Percentage Revenues (Overage) | 28,991 | 39,379 | -26.4% |
| Temporary Rentals | 31,702 | 56,510 | -43.9% |
| Total | 593,660 | 598,503 | 0.8% |

This increase of rentals revenue mainly reflects:

- Minimum rent: 6% increase, with the positive effect from the automatic adjustment for inflation.
- Overage: 26.4% decrease due to the drop in sales regarding to the period when the mall was closed or operating with severe flow restrictions due to the COVID-19 pandemic.

- Temporary rent: 43.9% drop due to the discounts granted in temporary rentals and kiosks as a consequence of the pandemic, coupled with a reduction in media and merchandising hires in the assets in the period.

Management fees decreased by 25.5% versus 2019), in line with the reduction in condominium costs and the effect of the COVID19 pandemic in the results presented by the malls.

Parking revenues reached R\$ 75.8 million (-51.5% versus 2019), explained by the decrease in the vehicle traffic in the portfolio as an effect of COVID-19 pandemic.

The Others line increased by 0.3% in the quarter, mainly due to the increase in revenues linked to i-Retail, where we operate selected international brands – and Iguatemi 365.

DEDUCTIONS AND TAXES

Deduction and taxes totaled \$87,3 million in 2020, 18,6% below versus 2019.

NET REVENUES

Net Revenue in the year was R\$ 675.6 million, 10.4% below versus 2019.

COSTS OF RENTALS, SERVICES AND ADMINISTRATIVE EXPENSES

| Costs and Expenses - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|--|-----------------|-----------------|---------------|
| Rent and Services Costs | -153,565 | -148,087 | 3.7% |
| Personnel | -25,562 | -26,636 | -4.0% |
| Third party services | -7,813 | -11,262 | -30.6% |
| Promotional fund | -1,488 | -2,086 | -28.7% |
| Parking | -31,659 | -33,640 | -5.9% |
| Others | -87,043 | -74,463 | 16.9% |
| Expenses | -56,597 | -72,086 | -21.5% |
| Personnel | -23,987 | -42,703 | -43.8% |
| Share-based Compensation | -8,092 | -6,481 | 24.9% |
| Third party services | -15,221 | -12,971 | 17.3% |
| Others | -9,297 | -9,931 | -6.4% |
| Sub Total | -210,162 | -220,173 | -4.5% |
| Depreciation and Amortization | -149,000 | -128,022 | 16.4% |
| Total | -359,162 | -348,195 | 3.1% |

The Rent and Services Costs line was R\$ 153.6 million in the year (excluding depreciation and amortization), an increase of 3.7% in comparison 2019, this increase is due to the part to the increase in stores operated by I-Retail, expansion of Iguatemi 365 operations (which in 2019 was still at the beginning of its operations) and by the increase in expenses related to the vacant area of the projects.

Expenses were 21.5% below 2019, mainly reflecting the reduction of the employees that we had in July 2020 and the reversal of provisioning for the PLR (Profit Sharing and Results) of 2020 (which would be paid in 2021). Despite this, the company decided to maintain the executives Long-Term Incentive Plan with payment in the form of shares.

OTHER OPERATING INCOME (EXPENSES)

In 2020, the Company presented a result of R\$ 18.9 million regarding to CVCs at Galleria Shopping and Iguatemi Esplanada. In addition, other revenues totaled R\$ 20.4 million, mainly due to the growth in point resale revenues, recovery of credits with INSS and fines. Even so, in the total of Other Operating Income and Expenses, the value of R\$ 39.3 million is 60.9% below the same period last year, mainly due to the capital gain of R\$ 60.7 million related to the sale of participation of Iguatemi Florianópolis and Iguatemi Caixias accounted for in 2019.

| Other Op. Rev. (Exp.) - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|---|---------------|----------------|---------------|
| Property development | 18,925 | 20,116 | -5.9% |
| Other | 20,381 | 80,393 | -74.6% |
| Other Operational Rev. (Exp.) | 39,306 | 100,509 | -60.9% |

DEPRECIATION AND AMORTIZATION

The Depreciation and Amortization line increased by 16.4% in the quarter compared to the same period in 2019, to R\$ 149 million, mainly due to the acquisitions of the additional interests in Praia de Belas and Esplanada Shopping, as well as the adaptations of spaces to receive new operations, as a result of the process of updating the Company's tenant mix

NET FINANCIAL REVENUES (EXPENSES)

Net Financial Result in the year was a negative R\$ 92.6 million, 13.8% below the amount presented 2019. In the revenue line, we had an increase of 13.4% in relation to the same period of the previous year due to foreign investments indexed to the dollar. Financial expenses, increased due to funding in 2020, leading to a drop of 4.2% in 2019.

| Net Financial Revenues (Expenses) - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|---|----------------|-----------------|---------------|
| Financial Revenues | 66,089 | 58,290 | 13.4% |
| Financial Expenses | -153,536 | -165,621 | -7.3% |
| Net Financial Revenues (Expenses) | -87,447 | -107,331 | -18.5% |

INCOME TAX AND SOCIAL CONTRIBUTION TAX (CURRENT AND DEFERRED)

In 2020. Income Tax and Social Contribution totaled R\$ 70.2 million. 18.1% below 2019. result of lower operational revenues and discounts granted to tenants during the pandemic related to Covid-19.

NET PROFIT AND FFO

Net Income in the quarter was R\$ 202.3 million. 35.6% below presented in 2019. with Net Margin of 29.6%.

EBITDA

EBITDA reached R\$ 508 million. 20.1% below 2019. with EBITDA margin of 75.2% in 2020.

| Conciliation of EBIT and EBITDA - Accounting (R\$ '000) | 2020 | 2019 | Var. % |
|--|----------------|----------------|------------------|
| Net Profit | 202,324 | 314,301 | -35.6% |
| (+) Income & Social Contribution Taxes | 69,263 | 86,141 | -19.6% |
| (+) Financial Expenses | 153,536 | 165,621 | -7.3% |
| (-) Financial Revenues | -66,089 | -58,290 | 13.4% |
| EBIT | 359,034 | 507,773 | -29.3% |
| (+) Depreciation and Amortization | 149,000 | 128,022 | 16.4% |
| EBITDA | 508,034 | 635,795 | -20.1% |
| Net Revenues | 675,576 | 754,270 | -10.4% |
| EBITDA Margin | 75.2% | 84.3% | -9.1 p.a. |

DEBT

Iguatemi ended the year with a total debt of R\$ 3,379.5 million. with average duration of 3.7 years and average cost of 174.2% of CDI. to which 84.0% of our debt is indexed. The cash position totaled R\$ 1.67 billion an increase of 63.7% from the previous year. as a result. the Company`s net debt 1,705.3 million. leading to a net debt/EBITDA multiple of 3.32x for 2020, 1.28 above 2019.

In October we concluded the issuance of R\$ 500 million in debentures with the objective to serve as resources to repay debt due in 2021 and to strengthen the Company`s working capital. Considering the debt raised. we extended our duration to 3.9 years and increased our cash position to R\$ 1.67 billion, amount 63.7% above from the previous year and that allows us to easily comply with all amortizations in 2021 and 2022

| Consolidated Figures (R\$ '000) | 12/31/2020 | 12/31/2020 | Var. % |
|----------------------------------|------------------|------------------|------------------|
| Total Debt⁽¹⁾ | 3,379,504 | 2,315,664 | 45.9% |
| Cash and Cash Equivalents | 1,674,197 | 1,022,560 | 63.7% |
| Net Debt (Cash) | 1,705,307 | 1,293,104 | 31.9% |
| EBITDA (LTM) | 514,153 | 635,795 | -19.1% |
| Net Debt/EBITDA | 3.32x | 2.03x | 1.28 |
| Cost of Debt (% of CDI) | 174.2% | 110.9% | 63,2 p.a. |
| Average Debt Term (years) | 3.7 | 3.9 | -0.3 |

(1) Total Debt net of the financial instrument (swap) reported in the Noncurrent Assets (R\$ 75 million in 12/31/2020).

| Total Debt Breakdown (R\$ '000) | 12/31/2020 | % | 12/31/2019 | % |
|---------------------------------|------------|-------|------------|-------|
| TR | 460,815 | 13.6% | 224,710 | 9.7% |
| CDI | 2,840,090 | 84.0% | 2,015,436 | 87.0% |
| Others | 78,598 | 2.3% | 75,519 | 3.3% |
| Short-term | 661,969 | 19.6% | 114,904 | 5.0% |
| Long-term | 2,717,535 | 80.4% | 2,200,760 | 95.0% |

CAPITAL MARKETS

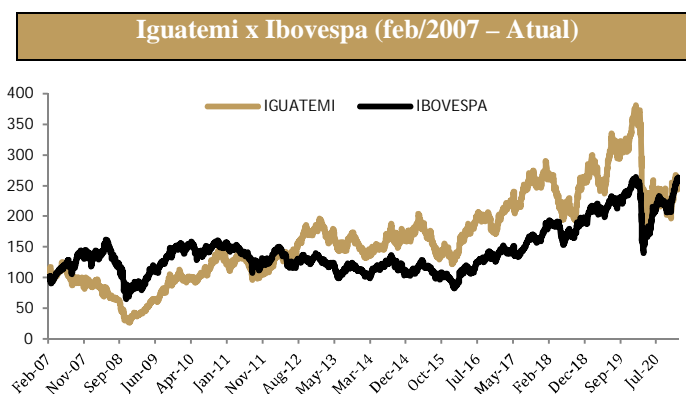
Iguatemi shares are listed on B3's Novo Mercado, under the ticker IGTA3, and are part of the Ibovespa and IBx-100 indexes. The table below presents our largest stockholders and the free float, with date base of 31/12/2020:

| Stockholding structure | Number of shares | % of Total |
|--------------------------|--------------------|----------------|
| Jereissati Participações | 89,345,270 | 50.59% |
| Treasury | 477,801 | 0.27% |
| Others | 86,788,507 | 49.14% |
| Total | 176,611,578 | 100.00% |

Iguatemi stock price ended the 2020 at R\$ 37.15. Currently 12 sell-side analysts have active coverage on Iguatemi shares.

| IGTA ⁽¹⁾ | |
|---------------------------------|-------------------|
| Closing Price (12/31/2020) | R\$ 37.15 |
| Higher price in 4Q20 | R\$ 40.10 |
| Lower price in 4Q20 | R\$ 29.48 |
| Appreciation in 4Q20 | 20.81% |
| Appreciation in 2020 | -29.77% |
| Number of shares | 176,611,578 |
| Market Cap. (12/31/2020) | R\$ 6,561,120,123 |
| Average daily liquidity in 4Q20 | R\$ 81,502,308 |

(1) Source: Bloomberg, data base: 12/31/2020.



HUMAN RESOURCES

We have an experienced management team, and we consistently seek to align the interests of our management and employees with those of our stockholders, through mechanisms of variable remuneration

Iguatemi bonus plan: This program is linked to meeting short-term budget and operational targets. All our employees are eligible. The amount distributed to each employee is linked to the Company's Key Performance Indicators – KPIs (On-Going Business, Projects Under Development and Future Growth) and to individual KPIs.

Long Term Incentive Plan – Restricted Shares: Granting of common shares issued by the Company to eligible employees selected by the Remuneration Committee and approved by the Board of Directors, with the intent to: (a) encourage the improvement of the management of the Company and its Subsidiaries, giving the participants the possibility of being shareholders of the Company, stimulating them in the optimization of all aspects that can value the Company in the long term, giving them, also, an entrepreneurial and corporate vision; (b) encourage the attraction and retention of managers, employees and service providers; (c) to support the alignment of interests between Company's executives and shareholders, maximizing the level of commitment of managers and employees with the generation of sustainable results for the Company; and (d) to increase the attractiveness of the Company and its Subsidiaries. Based on the best market practices and based on the result of a structured diagnostic work, carried out with the help of external consultants in all HR sub-processes and in the CMMI methodology (Capability Maturity Model Integration), the Remuneration and Attraction policies, as well as other department policies were updated. We launched and supported an integrated HCM (Human Capital Management) SuccessFactor for people management that we use extensively in the exercise of human resources processes on a daily basis which managers have access to in order to

facilitate the management of information. the approval levels and transparency for employees who also have access to relevant information. such as:

- complete organizational structure;
- descriptions of all positions;
- positions available for internal registration or nominations;
- platform with courses available;
- self-service in relation to updating your own profile. requesting vacation and consulting payment statements.

We seek to provide an environment that encourages employee engagement with the company. through annual surveys using the GPTW methodology and the formation of Climate Committees composed of active volunteer employees. confirming our understanding of the importance of a physically pleasant and emotionally safe environment for our people. The Saúde Iguatemi program aims to provide ongoing guidance on the integral health of employees. by means of diagnostics. customized programs in the pillars of physical. emotional and financial health. Equally relevant is our dedication to the development of employees and. every year. we invest time and energy in the People Cycle. a practice of individual evaluation. feedback and development plan so that our employees can develop in the organization and occupy new activities and positions in the company. including in this exercise the mapping of internal successors for the maintenance and expansion of business. Our Human Resources policies and practices seek to strengthen the engagement of our employees. offering education and development programs. management tools to improve our individual and collective efficiency. opportunities for internal promotion. as well as competitive remuneration.

On December 31, 2020. Iguatemi had **372 employees**, versus 380 employees on December 31, 2019 (2.1%).

ENVIRONMENTAL PROGRAMS

For more than 10 years. Iguatemi - always concerned with social and environmental aspects - has been implementing sustainability actions to save water and reduce consumption of energy. Highlights are:

Actions to reduce energy consumption:

- Migration to the “Mercado Livre” Market (currently all our malls are in “Mercado Livre”)
- Continuous replacement of lamps and equipment by new. more efficient technologies (chillers. LED. ...)
- Automation of systems to improve the efficiency of malls (illumination. air conditioning ...)
- Actions to save water and increase self-sufficiency:
 - Artesian wells
 - Water and sewerage treatment stations
 - Installation of water saving equipment (aerators. toilet bowls. water-saving valves. ...)

Other initiatives:

We develop our logistics processes (for example. recycling or selective collection) always taking the environment into account.

Currently. four malls have an advanced composting system: Iguatemi Porto Alegre. Iguatemi Campinas and Iguatemi Esplanada. In each mall a different model was adopted and studies are being conducted to define the best model to be adopted in the Group's other assets. Moreover. all our malls have separate collection and recycling systems (in different models).

In addition. we practice social actions. supporting cooperatives. which help needy communities with the work of separations of wastes and re-use of raw materials.

Finally, we signed in 2019 the Woman's Empowerment Principle's (WEP's), a project of the UN and the Global Pact. The initiative reinforces the Company's commitment to the defense of gender equality, ensuring equal opportunities for men and women in the workplace.

EXTERNAL AUDITING SERVICES: COMPLIANCE WITH CVM INSTRUCTION 381/2003

As from the first quarter of 2017 Iguatemi and its subsidiaries began using the auditing services of Ernst & Young Auditores Independentes S.S.. The Company's activity in contracting with our independent auditors of any services not related to external auditing is based on the principles that preserve the external auditor's independence. These internationally accepted principles are: (a) the auditor must not audit his own work; (b) the auditor must not exercise a management function in his client; and (c) the auditor should not promote his client's interests. Note: Non-financial data, such as GLA, average sales, average rentals, occupancy costs, average prices, average market prices, EBITDA, NOI and pro-forma cash flow have not been reviewed by our external auditors.

The Company is committed, by the Commitment Clause in its by-laws, to arbitration in the Market Arbitration Chamber.

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Iguatemi Empresa de Shopping Centers S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Iguatemi Empresa de Shopping Centers S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Iguatemi Empresa de Shopping Centers S.A. as at December 31, 2020, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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 an separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the individual and consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the Company’s financial statements.

Recoverable amount of investment properties and goodwill for future profitability

At December 31, 2020, the balances of investment properties measured by the cost method (Note 8) and of goodwill for future profitability (Notes 7 and 10) totaled R\$1,287,747 thousand and R\$88,169 , respectively, in the individual financial statements, and R\$4,331,401 thousand and R\$88,169 thousand, respectively, in the consolidated financial statements, representing 21% of the Company’s total assets and 63% of the consolidated total assets on that date. The Company and its subsidiaries support the realization of these assets through estimates of their future profitability and cash generation, prepared by management, based on its judgment and supported by the business plan and budget, approved by the corporate governance bodies. These estimates are prepared and reviewed internally in accordance with the Company’s governance structure, since they involve a high degree of judgment. Every year, the Company assesses the assumptions and estimates of future profitability and cash generation by Cash-Generating Units (CGUs) to which the properties and respective goodwill are allocated, as well as growth rates, discount rates, cash flow projections, among other indicators, since there may be changes in the operation markets, whether economic or regulatory. Due to the changes that may occur in these estimates, which may materially impact the recoverable amount of these assets and, consequently, the financial statements as a whole, this issue was considered a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others: (a) the involvement of valuation specialists to assist us in analyzing and reviewing the models and methodologies used by management and in evaluating the assumptions that supported the projections that determined the business plan, budget, technical studies and analyses of the recoverable amount of the investment properties and goodwill for future profitability of the Company; (b) assessing the reasonableness and consistency of the data and assumptions used in preparing those documents, including growth rates, discount rates, country risk and cash flow projections, among others, as provided by Company management and comparing them with external market information, as well as with the assumptions approved by management in preparing its business plan and other estimates made by the Company; (c) assessment of the effects of the COVID-19 pandemic on assumptions used; (d) checking the accuracy of the arithmetic calculations of the projections; (e) the comparison of the assertiveness of projections made in prior periods in relation to the performance achieved by the Company in the year; (f) analyzing information that could contradict the most significant assumptions and methodologies selected; (g) the sensitivity analysis on such assumptions, to evaluate the recoverable amount behavior, considering other scenarios and assumptions, based on market data; (h) comparing the recoverable amount adopted by management, based on the discounted cash flow, with the carrying amount of investment properties and goodwill for future profitability, as well as comparing the Company’s market value, based on the value of its shares traded in the market with the value of its equity; and (i) evaluating the adequacy of the disclosures in the respective notes to the financial statements as at December 31, 2020.

Based on the results of the audit procedures performed on the impairment test of investment properties and goodwill for future profitability, which is consistent with management's assessment, we consider that the criteria and assumptions of the recoverable amount adopted by management, as well as the related disclosures in the respective notes, are appropriate, in the context of the financial statements taken as a whole.

Recognition of rental income and assignment of rights

As mentioned in Notes 2.5 and 20, the Company and its subsidiaries recognize their revenues from minimum rental and assignment of rights to storekeepers negotiated after the date of the venture opening, at the moment they occur, and are presented in operating income and other operating income in the statement of profit or loss, respectively. The assignment of rights to storekeepers prior to the delivery of the venture opening is recognized by the straight-line method, respecting the period of the lease and included in operating income. These transactions are classified as operating leases, since the Group does not transfer substantially all the risks and rewards of ownership of the asset.

For rental revenues, lease agreements generally establish that lessees should pay the highest value between a minimum amount contractually established and a variable, calculated through a percentage on the sales of each establishment. Minimum rental payments are adjusted by regular fixed increases over the term of the agreements, double rental in December and by inflation. Pursuant to CPC 06 (R2)/IAS 17 – Lease Transactions, the minimum rental revenues, considering any effects of deficiencies, discounts, etc. and excluding inflation effects, should be recognized on a straight-line basis over the term of the agreement, and any variable rental excess is recognized when incurred. Similarly, revenues from assignment of use of right to storekeepers are also recognized on a straight-line basis over the term of the agreements, from the beginning of the lease term. The volume of contracts in force and the peculiarity of the contractual conditions of each one, as well as the potential risks involved in relation to the accrual period for revenue recognition led us to identify these issues as a key audit matters.

How our audit addressed this matter:

Our audit procedures included, among others: (a) assessment of the controls involved in the revenue recognition process, (b) document testing on sampling basis, including examining contracts and (c) recalculation of revenue recognition amounts, observing appropriate accrual periods throughout the year and contractual periods; (d) obtaining an understanding and assessing the impacts of concessions to storekeepers on account of the current COVID-19 pandemic on the calculation of straight-lining of rental income, with performance of specific document testing; analytical procedures on the monthly changes in revenues, accounts receivable and receipts, using data disaggregated by shopping mall, to identify changes inconsistent with our expectations obtained from our previous knowledge of the Company and the industry that could indicate potential accrual problems; and (f) assessment of the adequacy of the disclosures in the respective notes to the financial statements as of December 31, 2020.

As a result of these procedures, we identified an audit adjustment indicating the need to supplement revenues from rental and assignment of rights straight-lining, which was not adjusted by the Company due to its immateriality to the financial statements taken as a whole.

Based on the results of audit procedures performed on the recognition of revenues from rental and assignment of rights, which is consistent with management's assessment, we understand that the recognition criteria used by the Company's management, as well as the respective disclosures in the respective notes, are appropriate, in the context of the financial statements taken as a whole.

Recoverable amount of deferred tax assets

As described in Note 16, the Company recorded R\$ 54,925 thousand (Individual) and R\$133,738 thousand (Consolidated), referring to deferred tax credits arising from income and social contribution tax losses and temporary differences whose recognition and realization are based on a study prepared by management on the generation of future taxable profits. Estimated future taxable profit generation requires significant judgment in determining projected future profits.

Monitoring this matter was considered significant for our audit due to the significance of the amounts involved, as well as to the degree of judgment used by management in future taxable profit projections, and the potential impact that any changes in the assumptions and estimates used could have on the amount of these credits recorded in the Company's individual and consolidated financial statements.

How our audit addressed this matter:

Our audit procedures included, among others: (a) analysis of the bases that gave rise to the tax credits under the tax legislation currently prevailing; (b) assessment of the assumptions and methodology used by the Company in future taxable profit projections, such as changes in sales and costs, projection of other expenses and revenues and adjustments for permanent and temporary differences that are part of the determination of taxable profit, effects of the current COVID-19 pandemic on assumptions used, tax planning, tax rates and arithmetic calculations; (c) comparing certain projection data, when available, with other external sources and aligning these assumptions with the business plans approved by the Company's competent bodies; (d) comparing the assertiveness of projections made in prior periods in relation to the performance achieved by the Company in the year; (e) recalculating projections considering historical scenarios and assessing the risks of non-realization in the expected time, or the extension of the maximum term for using the respective credits; and (f) reviewing the disclosures made in Note 16 to the financial statements.

As a result of these procedures, we identified an audit adjustment indicating the need to supplement the provision for the realization of these deferred tax credits, this adjustment being recorded by Company even considering its immateriality for the individual and consolidated financial statements taken as a whole.

Based on the results of the audit procedures performed on the recoverable amount of deferred tax credits, which is consistent with management's assessment, we consider that the criteria and assumptions for determining the realization of deferred taxes adopted by management, as well as the respective disclosures in the corresponding notes, are appropriate, in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined in Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in referred to accounting pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for such other information, which comprise the Management Report. Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the 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 or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated 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.

We communicated with those charged with governance regarding, among other matters, of the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that may have been identified during our audit.

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

São Paulo, March 4, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6



Marcos Kenji de Sá Pimentel Ohata
Accountant CRC-1SP209240/O-7

A free translation from Portuguese into English of the Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board (IASB)

Iguatemi Empresa de Shopping Centers S.A.

Statements of financial position
December 31, 2020
(In thousands of reais - R\$)

| | Note | Individual | | Consolidated | |
|-----------------------------------|-------|------------------|------------|------------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Assets | | | | | |
| Current | | | | | |
| Cash and cash equivalentes | 4 (a) | 9,978 | 17,864 | 27,526 | 46,924 |
| Short-term investments | 4 (b) | 1,144,102 | 521,129 | 1,543,676 | 922,660 |
| Inventories | | - | - | 9,621 | 6,242 |
| Trade Accounts receivable | 5 | 77,792 | 44,467 | 205,370 | 133,216 |
| Taxes recoverable and tax credits | | 6,788 | 8,711 | 17,902 | 21,133 |
| Loans Receivable | | - | 37 | - | 37 |
| Despesas antecipadas | | 473 | 239 | 6,408 | 6,441 |
| Other Receivables | | 3,520 | 3,173 | 4,495 | 4,159 |
| Total Current Asset | | 1,242,653 | 595,620 | 1,814,998 | 1,140,812 |
| Noncurrent | | | | | |
| Long-term investments | 4 (b) | 102,995 | 52,976 | 102,995 | 52,976 |
| Trade Accounts receivable | 5 | 52,702 | 10,264 | 164,820 | 48,651 |
| Loans Receivable | | - | 161 | 143 | 376 |
| Related-party receivables | 6 | 33,724 | 221,936 | 53,294 | 46,078 |
| Judicial deposits | | 7,788 | 343 | 12,631 | 3,683 |
| Swap Operation | 11 | 75,026 | 63,148 | 75,026 | 63,148 |
| Other receivables | | 157 | - | 168 | 12 |
| Investments: | | | | | |
| Investments proprieties | 8 | 1,287,747 | 1,126,039 | 4,331,401 | 4,091,104 |
| Goodwill on investments | 7 | 3,036,228 | 2,612,700 | 143,074 | 10,607 |
| Ágios em investimentos | 7 | 167,218 | 168,466 | 3,495 | 3,495 |
| Other | 7 | 15,809 | 15,809 | 16,127 | 16,124 |
| Property and equipment | 9 | 7,711 | 14,077 | 31,109 | 36,186 |
| Intangible Assets | 10 | 16,496 | 18,986 | 111,409 | 115,641 |
| Total Noncurrent Assets | | 4,803,601 | 4,304,905 | 5,045,692 | 4,488,081 |
| Total Assets | | 6,046,254 | 4,900,525 | 6,860,690 | 5,628,893 |

See accompanying notes.

| | Note | Individual | | Consolidated | |
|--|--------|------------------|------------|------------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Liabilities and equity | | | | | |
| Current | | | | | |
| Loans and financing | 11 | 480,630 | 25,978 | 578,055 | 51,931 |
| Debentures | 12 | 83,914 | 62,973 | 83,914 | 62,973 |
| Trade accounts payable – domestic | | 10,289 | 6,331 | 23,120 | 14,275 |
| Tax liabilities | 13 | 7,235 | 4,675 | 22,116 | 17,561 |
| Personnel, charges, social charges and premiums | | 9,939 | 22,461 | 12,606 | 26,723 |
| Related-party Payables | 6 | 2,995 | 8,237 | 2,372 | 2,372 |
| Dividend payable | 17 (d) | 48,032 | 73,656 | 48,032 | 73,656 |
| Other liabilities | | 3,934 | 2,853 | 9,533 | 13,833 |
| Total current liabilities | | 646,968 | 207,164 | 779,748 | 263,324 |
| Noncurrent | | | | | |
| Loans and financing | 11 | 960,628 | 1,143,499 | 1,605,327 | 1,798,451 |
| Debentures | 12 | 1,187,234 | 465,457 | 1,187,234 | 465,457 |
| Tax liabilities | 13 | 5,759 | - | 11,894 | 3,656 |
| Provision for tax, civil and labor contingencies | 14 | 23,374 | 23,412 | 25,405 | 24,957 |
| Deferred revenue | | - | 546 | - | 392 |
| Deferred income and social contribution taxes | 16 | 80,897 | 67,972 | 91,661 | 55,580 |
| Related-party payables | 6 | 2,822 | 4,744 | 2,822 | 4,744 |
| Other liabilities | | - | - | 7,271 | 12,270 |
| Total noncurrent liabilities | | 2,260,714 | 1,705,630 | 2,931,614 | 2,365,507 |
| Equity | | | | | |
| Capital | 17 | 1,231,313 | 1,231,313 | 1,231,313 | 1,231,313 |
| Treasury shares | | (15,280) | (9,286) | (15,280) | (9,286) |
| Capital reserves | | 461,932 | 459,307 | 461,932 | 459,307 |
| Income reserves | | 1,460,607 | 1,306,397 | 1,460,607 | 1,306,397 |
| Noncontrolling interests | | - | - | 10,756 | 12,331 |
| Total Equity | | 3,138,572 | 2,987,731 | 3,149,328 | 3,000,062 |
| Total Liabilities | | 6,046,254 | 4,900,525 | 6,860,690 | 5,628,893 |

See accompanying notes.

Iguatemi Empresa de Shopping Centers S.A.

Statements of Income and loss

Year ended December 31, 2020 and 2019

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

| | Note | Individual | | Consolidated | |
|--|------|-----------------|------------|------------------|------------|
| | | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Net operating revenue from leases and services | 20 | 257,157 | 274,099 | 675,576 | 754,270 |
| Cost of leases and services rendered | 21 | (91,292) | (95,695) | (275,261) | (252,174) |
| Gross profit | | 165,865 | 178,404 | 400,315 | 502,096 |
| Operating income (expenses) | | | | | |
| General and administrative expenses | 21 | (63,567) | (73,787) | (83,901) | (96,021) |
| Equity pick-up | 7 | 178,006 | 285,321 | 3,314 | 1,189 |
| Other operating income | 23 | 19,376 | 16,919 | 71,151 | 196,082 |
| Other operating expenses | 23 | (14,087) | (7,542) | (31,845) | (95,573) |
| | | 119,728 | 220,911 | (41,281) | 5,677 |
| Operating income before finance income (costs) and taxes | | 285,593 | 399,315 | 359,034 | 507,773 |
| Finance income (costs) | 22 | (70,427) | (74,698) | (87,447) | (107,331) |
| Income before income and social contribution taxes | | 215,166 | 324,617 | 271,587 | 400,442 |
| Income and social contribution taxes | 16 | | | | |
| Current | | - | - | (40,309) | (57,998) |
| Deferred | | (12,924) | (14,488) | (28,954) | (28,143) |
| | | (12,924) | (14,488) | (69,263) | (86,141) |
| Net income for the year | | 202,242 | 310,129 | 202,324 | 314,301 |
| Controlling interest | | 202,242 | 310,129 | 202,242 | 310,129 |
| Noncontrolling interests | | - | - | 82 | 4,172 |
| Basic earnings per share - R\$ | 18 | 1.14845 | 1.75890 | 1.14845 | 1.75890 |
| Diluted earnings per share - R\$ | 18 | 1.14831 | 1.75867 | 1.14831 | 1.75867 |

See accompanying notes.

Iguatemi Empresa de Shopping Centers S.A.

Statements of comprehensive income
Year ended December 31, 2020 and 2019
(In thousands of reais - R\$)

| | Individual | | Consolidated | |
|-----------------------------------|----------------|------------|----------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Net income for the year | 202,242 | 310,129 | 202,324 | 314,301 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income for the year | 202,242 | 310,129 | 202,324 | 314,301 |
| Controlling interest | 202,242 | 310,129 | 202,242 | 310,129 |
| Noncontrolling interests | - | - | 82 | 4,172 |

See accompanying notes.

Iguatemi Empresa de Shopping Centers S.A.

Statements of changes in equity

Years ended December 31, 2020 and 2019

(In thousands of reais – R\$, except for share value)

| Note | Capital Reserves | | | Income Reserves | | | | Retained earnings | Equity - individual | Noncontrolling interests | Equity - consolidated |
|---|------------------|-------------------------|--------------|-----------------|----------------|------------------|-------------------------------|-------------------|---------------------|--------------------------|-----------------------|
| | Capital | Goodwill on share issue | Other | Treasury shares | Legal | Retained profits | Dividends additional proposed | | | | |
| Balance at December 31, 2018 | 1,231,313 | 452,082 | 3,939 | (10,707) | 114,754 | 955,170 | 89,113 | - | 2,835,664 | 10,670 | 2,846,334 |
| Set-up of reserve for share-based payment | 25.c | - | - | 6,481 | - | - | - | - | 6,481 | - | 6,481 |
| Treasury shares acquired | | - | - | - | (2,003) | - | - | - | (2,003) | - | (2,003) |
| Treasury shares assigned | | - | - | (3,195) | 3,424 | - | - | - | 229 | - | 229 |
| Additional dividends from the previous year | 17.d | - | - | - | - | - | (89,113) | - | (89,113) | (2,511) | (91,624) |
| Net income for the year | | - | - | - | - | - | - | 310,129 | 310,129 | 4,172 | 314,301 |
| Allocation of profit or loss for the year: | | - | - | - | - | - | - | - | - | - | - |
| Legal Reserve | 17.c | - | - | - | 15,506 | - | - | (15,506) | - | - | - |
| Mandatory minimum dividends | 17.d | - | - | - | - | - | - | (73,656) | (73,656) | - | (73,656) |
| Proposed additional dividends | 17.d | - | - | - | - | - | 76,344 | (76,344) | - | - | - |
| Retained profits | | - | - | - | - | 144,623 | - | (144,623) | - | - | - |
| Balance at December 31, 2019 | 1,231,313 | 452,082 | 7,225 | (9,286) | 130,260 | 1,099,793 | 76,344 | - | 2,987,731 | 12,331 | 3,000,062 |
| Set-up of reserve for share-based payment | 25.c | - | - | 8,092 | - | - | - | - | 8,092 | - | 8,092 |
| Treasury shares acquired | | - | - | - | (11,461) | - | - | - | (11,461) | - | (11,461) |
| Treasury shares assigned | | - | - | (5,467) | 5,467 | - | - | - | - | - | - |
| Additional dividends from the previous year | 17.d | - | - | - | - | - | - | - | - | (1,657) | (1,657) |
| Net income for the year | | - | - | - | - | - | - | 202,242 | 202,242 | 82 | 202,324 |
| Reservation realization | | - | - | - | - | - | - | - | - | - | - |
| Allocation of profit or loss for the year: | | - | - | - | - | - | - | - | - | - | - |
| Legal Reserve | 17.c | - | - | - | 10,112 | - | - | (10,112) | - | - | - |
| Mandatory minimum dividends | 17.d | - | - | - | - | - | - | (48,032) | (48,032) | - | (48,032) |
| Proposed additional dividends | 17.d | - | - | - | - | - | 1,968 | (1,968) | - | - | - |
| Retained profits | | - | - | - | - | 142,130 | - | (142,130) | - | - | - |
| Balance at December 31, 2020 | 1,231,313 | 452,082 | 9,850 | (15,280) | 140,372 | 1,241,923 | 78,312 | - | 3,138,572 | 10,756 | 3,149,328 |

See accompanying note.

Iguatemi Empresa de Shopping Centers S.A.

Statements of cash flows – Indirect Method
Year ended december 31, 2020 and 2019
(In thousands of reais - R\$)

| | Individual | | Consolidated | |
|---|------------------|------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Cash flow from operating activities | | | | |
| Net income for the year | 202,242 | 310,129 | 202,324 | 314,301 |
| Adjustments to reconcile net income for the year to cash from operating activities: | | | | |
| Depreciation and amortization | 54,508 | 47,415 | 149,000 | 128,022 |
| Gain or loss on disposal of permanent assets | - | 2 | (8,864) | 1,761 |
| Provision for tax, civil and labor contingencies | (38) | 5,693 | 448 | 6,061 |
| Deferred income and social contribution taxes | 12,924 | 14,488 | 28,954 | 28,143 |
| Provision for share-based payment | 8,092 | 6,481 | 8,092 | 6,481 |
| Provision for bonus program | - | 10,734 | - | 19,275 |
| Inventory valuation allowance | - | - | 930 | 567 |
| Allowance for doubtful accounts | 8,217 | 4,089 | 26,326 | 10,296 |
| Bargain purchase gain | - | - | (6,947) | - |
| Provision for interest, monetary variation and foreign exchange differences on loans, contingencies and judicial deposits | 54,400 | 70,100 | 63,130 | 100,668 |
| Equity pick-up | (178,006) | (285,321) | (3,314) | (1,189) |
| Amortization of borrowing costs | 4,189 | 5,979 | 6,727 | 8,444 |
| Amortization of deferred revenue | (546) | (1,676) | (1,188) | (3,402) |
| Straight-line of Covid-19 discounts | (62,263) | - | (157,514) | - |
| Changes in operating assets: | | | | |
| Trade accounts receivable | (19,540) | (5,133) | (47,101) | (10,519) |
| Inventories | - | - | (4,309) | (1,031) |
| Loans receivable | 198 | (13) | 270 | 709 |
| Related-party receivables | 1,683 | 80,249 | (11,573) | 13,064 |
| Taxes recoverable and tax credits | 463 | (1,833) | - | - |
| Prepaid expenses | (234) | 14 | 33 | 822 |
| Other | (10,126) | 1,631 | (21,289) | (104,202) |
| Changes in operating liabilities: | | | | |
| Personnel, charges, social charges and premiums | (12,522) | (12,067) | (14,117) | (19,938) |
| Trade accounts payable – domestic | 3,958 | 208 | 8,845 | (1,093) |
| Taxes payable | 9,780 | (523) | 49,546 | 47,077 |
| Related-party payables | (7,164) | (671) | 2,435 | (6,536) |
| Other liabilities | 1,081 | (2,022) | (8,503) | 6,188 |
| Other | | | | |
| Payment of income and social contribution taxes | - | - | (26,395) | (42,940) |
| Payment of interest on loans, financing and debentures | (69,020) | (94,895) | (97,613) | (139,087) |
| Net cash generated by operating activities | 2,276 | 153,058 | 138,333 | 361,942 |

See accompanying notes.

Iguatemi Empresa de Shopping Centers S.A.

Statements of cash flows – Indirect Method - continued
 Year ended december 31, 2020 and 2019
 (In thousands of reais - R\$)

| | Individual | | Consolidated | |
|---|------------|------------|--------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Cash flow from investing activities | | | | |
| Acquisition of property and equipment, investment property, and intangible assets | (206,112) | (80,098) | (494,127) | (166,200) |
| Sale of permanent assets | - | - | - | 138,056 |
| Prepayment of dividends – subsidiaries | 202,771 | 338,916 | 1,314 | 652 |
| Capital increase | (244,351) | (60,193) | (520) | - |
| Anticipation of dividends for minority shareholders | - | - | - | (2,511) |
| Advance for future capital increase | (16,920) | (244,488) | - | - |
| Short-term investments | (648,563) | (69,095) | (629,355) | (276,033) |
| Other | - | (163) | (1,657) | (164) |
| Net cash used in investing activities | (913,175) | (115,121) | (1,124,345) | (306,200) |
| Cash flow from financing activities | | | | |
| Loans and financing raised | 1,074,600 | 200,000 | 1,160,100 | 200,000 |
| Loans, financing and debentures paid | (86,470) | (75,401) | (108,369) | (81,014) |
| Dividend paid | (73,656) | (150,000) | (73,656) | (150,000) |
| Treasury shares | (11,461) | (2,003) | (11,461) | (2,003) |
| Net cash generated by (used in) financing activities | 903,013 | (27,404) | 966,614 | (33,017) |
| (Decrease) increase in cash and cash equivalents | (7,886) | 10,533 | (19,398) | 22,725 |
| Cash and cash equivalentes | | | | |
| Closing balance | 17,864 | 7,331 | 46,924 | 24,199 |
| Opening balance | 9,978 | 17,864 | 27,526 | 46,924 |
| (Decrease) increase in cash and cash equivalents | (7,886) | 10,533 | (19,398) | 22,725 |

See accompanying notes.

Iguatemi Empresa de Shopping Centers S.A.

Statement of value added
Year ended December 31, 2020 and 2019
(In thousands of reais - R\$)

| | Individual | | Consolidated | |
|---|-----------------|------------|------------------|------------|
| | 12/31/2020 | 12/31/2019 | 12/31/2020 | 12/31/2019 |
| Lease and other operating revenues | 279,577 | 305,513 | 762,904 | 861,528 |
| Other revenues | (3,356) | 9,122 | 13,319 | 152,392 |
| Allowance for doubtful accounts | (8,217) | (4,089) | (26,326) | (10,296) |
| | 268,004 | 310,546 | 749,897 | 1,003,624 |
| Services and materials acquired from third-parties | | | | |
| Cost of leases and services rendered | (32,093) | (38,943) | (101,638) | (103,215) |
| Bought-in materials, energy and services and others | (9,721) | (27,908) | (20,433) | (119,093) |
| | (41,814) | (66,851) | (122,071) | (222,308) |
| Gross value added | 226,190 | 243,695 | 627,826 | 781,316 |
| Depreciation and amortization | (54,508) | (47,429) | (149,000) | (128,022) |
| Value added, net | 171,682 | 196,266 | 478,826 | 653,294 |
| Value added received in transfer | | | | |
| Equity pickup | 178,006 | 285,321 | 3,314 | 1,189 |
| Finance income | 49,205 | 39,708 | 66,089 | 58,290 |
| | 227,211 | 325,029 | 69,403 | 59,479 |
| Value added to be distributed | 398,893 | 521,295 | 548,229 | 712,773 |
| Payment of value added | | | | |
| Personnel: | | | | |
| Direct compensation | 38,123 | 39,742 | 56,320 | 52,723 |
| Benefits | 3,235 | 14,084 | 5,965 | 18,281 |
| Unemployment compensation fund (FGTS) | 4,893 | 4,360 | 6,373 | 5,565 |
| | 46,251 | 58,186 | 68,658 | 76,569 |
| Government: | | | | |
| Federal | 31,984 | 37,886 | 112,117 | 140,310 |
| State | - | - | 6,889 | 5,978 |
| Local | 1,575 | 3,068 | 7,492 | 12,860 |
| | 33,559 | 40,954 | 126,498 | 159,148 |
| Remuneration of third party capital: | | | | |
| Interest | 81,313 | 93,953 | 105,136 | 137,237 |
| Leases | 179 | 254 | 1,327 | 732 |
| Other | 35,349 | 17,818 | 44,286 | 24,785 |
| | 116,841 | 112,025 | 150,749 | 162,754 |
| Shareholders: | | | | |
| Interest on equity and dividends | 48,032 | 73,656 | 48,032 | 73,656 |
| Retained profit | 154,210 | 236,474 | 154,210 | 236,474 |
| Non-controlling interests | - | - | 82 | 4,172 |
| | 202,242 | 310,130 | 202,324 | 314,302 |
| Total | 398,893 | 521,295 | 548,229 | 712,773 |

See accompanying notes.

Iguatemi Empresa de Shopping Centers S.A.

Note to individual and consolidated financial statements
December 31, 2020 and 2019
(In Thousand of reais – R\$, unless otherwise stated)

1 Operational

a. Business purpose

Iguatemi Empresa de Shopping Centers SA and its subsidiaries (“Iguatemi” or “Company”) with head office at Rua Angelina Maffei Vita, 200, in the city and state of São Paulo, is engaged in the commercial exploration and planning of shopping malls, the rendering of services of management of shopping malls and mixed-use real estate complexes, the purchase and sale of properties, the exploration of short-stay parking lots, intermediation in the lease of promotional spaces, the preparation of studies, projects and planning in promotion and merchandising, the pursuit of other activities that are similar or related to its business purpose and holding interests in other companies as a owner, shareholder or member in any other form permitted by law. The Company trades its shares on B3 S.A, under the ticker symbol “IGTA3”.

The ventures ("shopping centers") are managed jointly with its partners and are set up as condominium of buildings and consortiums. Their operations are recorded by the Company in its accounting books, according to the proportion of their interests.

The company's results are subject to seasonal changes that affect the shopping mall industry. Sales of shopping malls generally increase in seasonal periods, such as the weeks before Easter (April), Mother's Day (May), Valentine's Day (which in Brazil occurs in June), Father's Day (which in Brazil occurs in August), Children's Day (which in Brazil occurs in October) and Christmas Day (December). In addition, a large majority of the Company's leaseholders pay or rent twice in December under their lease prices.

b. Information on real estate developments

Iguatemi and its subsidiaries hold interest in certain real estate ventures, mostly shopping malls, located in Southern, Southeastern and Midwestern Brazil. Shopping malls and commercial towers in operation are the following:

Iguatemi Empresa de Shopping Centers S.A.

Note to individual and consolidated financial statements
December 31, 2020 and 2019
(In Thousand of reais – R\$, unless otherwise stated)

| | Interest (%) | | | |
|---|--------------|----------|------------|--------|
| | 12.31.2020 | | 12.31.2019 | |
| | Direct | Indirect | Total | Total |
| Shopping Center Iguatemi São Paulo (“SCISP”) | 46.21 | 12.37 | 58.58 | 58.58 |
| Shopping Center JK Iguatemi (“JK Iguatemi”) | - | 64.00 | 64.00 | 64.00 |
| Shopping Center Iguatemi Campinas (“SCIC”) | 70.00 | - | 70.00 | 70.00 |
| Shopping Center Iguatemi Porto Alegre (“SCIPA”) (ii) | - | 42.58 | 42.58 | 36.00 |
| Shopping Center Iguatemi Brasília (“SCIBRA”) | 64.00 | - | 64.00 | 64.00 |
| Shopping Center Iguatemi Alphaville (“SCIAAlpha”) | - | 78.00 | 78.00 | 78.00 |
| Market Place Shopping Center (“MPSC”) | - | 100.00 | 100.00 | 100.00 |
| Praia de Belas Shopping Center (“PBSC”) (i) | 57.55 | - | 57.55 | 37.55 |
| Shopping Center Galleria (“SCGA”) | - | 100.00 | 100.00 | 100.00 |
| Esplanada Shopping Center (“SCESP”) (i) | - | 53.21 | 53.21 | 38.21 |
| Shopping Center Iguatemi Ribeirão Preto (“SCIRP”) | - | 88.00 | 88.00 | 88.00 |
| Shopping Center Iguatemi São José Rio Preto (“SCIRIOP”) | - | 88.00 | 88.00 | 88.00 |
| Shopping Center Iguatemi Esplanada (“SCIESP”) | - | 65.71 | 65.71 | 65.71 |
| Shopping Center Iguatemi São Carlos (“SCISC”) | 50.00 | - | 50.00 | 50.00 |
| Platinum Outlet Premium Novo Hamburgo (“IFONH”) | - | 41.00 | 41.00 | 41.00 |
| Ifashion Outlet Santa Catarina (“IFOSC”) | - | 54.00 | 54.00 | 54.00 |
| Boulevard Campinas | 77.00 | - | 77.00 | 77.00 |
| Praia de Belas Prime Offices | 43.78 | - | 43.78 | 43.78 |
| Market Place Tower (“MPT”) | - | 100.00 | 100.00 | 100.00 |
| Shopping Patio Higienópolis | - | 11.54 | 11.54 | 11.54 |

(i) Acquisition of additional fractions of 20% of Praia de Belas Shopping Center (“PBSC”), in Porto Alegre / RS. and 15% of Shopping Center Esplanada (“SCESP”), in Sorocaba / SP. Therefore, the Company now holds a 57.55% interest in PBSC and 53.21% in SCESP. This operation was carried out on January 21, 2020, in the amount of R\$ 260.100, 50% of which was paid upon signature and the remaining 50%, paid on July 14, 2020, with a correction of 120% of the CDI

(ii) Acquisition of a minority interest in the company Maiojama Participações S.A. which holds 14% in Shopping Iguatemi Porto Alegre and in the Iguatemi Business tower attached to the mall. Further details of the operation are listed in Note 6, item b (i).

c. Effects of the Covid-19 pandemic:

In December 2019, a new agent called the new Coronavirus (“Covid-19”) was reported in China. With the exponential growth of cases of contamination by Covid-19 in several countries worldwide, the World Health Organization (WHO) classified Covid-19 as a pandemic and a Public Health emergency of International Interest.

Iguatemi, through communications to the market and material fact, has been updating its shareholders and the market in general on the measures implemented by the Administration in the management of the pandemic of COVID-19.

With a view to controlling rampant contamination and prevent a possible collapse in the health system, the authorities representing the States and Municipalities in which Iguatemi has its malls, announced the complete suspension of all mall activities.

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At this time, we continue to comply with the recommendations of the health authorities and following the determinations of State and Municipal decrees.

In response to this serious pandemic, Iguatemi concerned with preserving the well-being of its employees and aligned with its values and mainly with its commitment to society and communities, carried out several actions and initiatives, which are described in detail in our management report for the year ended December 31, 2020.

Regarding the financial impacts on the Company's individual and consolidated financial statement for the period ended December 31, 2020, management made the following assessments:

- **Minimum rental revenue:** We opted to establish mature and wide-ranging partnerships with our shopkeepers; in so doing, we postponed the collection of the March rent of all approximately 3.000 shopkeepers in our 16 ventures, to be charged from October/2020 on 5 installments. For retailers who remain timely meeting their payment obligations of condo fees and promotion fund, we grant a 50% discount on the rent for the month of March (to be charged as of October) and a 100% discount on the rent for the month of April to May and occasional discounts until December 31, 2020, according to the collection policy. Except for the impacts already recorded as a result of discounts granted to our customers and already recorded in this financial statement and presented in Note 5 and 20, we understand that we have no significant additional adjustments to be recorded in this financial statement.
- **Accounts receivable:** The Collection area is individually addressing each storekeeper whose payment on the maturity date has not yet been made. Accordingly, following CVM Memorandum Circular SNC/SEP 03/20 - Guidance on the impacts of COVID-19 in the calculation of expected losses in accordance with CPC 48 (IFRS 9), the Company reviewed the assumptions used in the calculation of losses expected considering the entire life of the financial instruments and, mainly, the data of the current economic scenario, which points to a reduction in the expectation of recovery from default until the date of approval of this financial statements, primarily due to the suspension of the operations of our malls.
- **Investment properties:** Considering the current scenario, management reassessed and adjusted the revenue streams of the malls for year 2020, considering the estimated return of the malls over the year, taking into consideration, however, gradual resumption until the normal flow of people and consumption in our malls. In addition, the discount rates and capitalization rates of the assets were reassessed, weighing between the reduction in the cost of funding (reduction in the SELIC rate) and the assets' execution/performance risk component due to the impacts of the pandemic on the economy. As a consequence, even with the current scenario, no significant adjustment was identified as a result of the review of the recoverability analysis of investment properties.
- **Loans and Trade Payables:** On March 18, 2020, the Company executed a Bank Credit Note with Banco Santander (Brasil) S.A. in the amount of R\$ 100.000, with a CDI rate + 1.54% p.a. to maintain cash availability to address the uncertainties caused by the COVID-19 pandemic. Amortization will occur on September 13, 2021.

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The assessments described above did not significantly impact the Company's individual and consolidated financial statement for December 31, 2020. The adjustments identified arising from changes in the assumptions and in management's judgment due to the Covid-19 pandemic were duly made in this financial information for the period ended December 31, 2020 and presented in accompanying notes.

2 Summary of significant accounting practices

2.1 Basic of preparation

Statement of compliance

All material information of the financial statements, and only it, is disclosed, and corresponds to the information used by Company management. The (individual and consolidated) financial statements are the responsibility of Company management, and comprise:

The individual and consolidated financial statements, identified as "Parent Company" and "Consolidated", were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise Brazilian Securities and Exchange Commission (CVM) rules and Brazilian Financial Accounting Standards Board (CPC) pronouncements, which are in line with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

As there is no difference between consolidated equity and consolidated profit or loss attributable to the Company's shareholders, included in the consolidated financial statements, and Company's equity and profit or loss, included in the parent company financial statements, the Company decided to present these parent company and consolidated financial statements in a single set.

In addition, the Company considered the guidance contained in OCPC 07, issued by CPC in November 2014, when preparing its financial statements. Accordingly, significant information of the financial statements has been disclosed, and corresponds to the information used by management.

Statements of cash flows

The statements of cash flow were prepared by the indirect method and are presented in accordance with CPC 03 (R2) – Statement of Cash Flow, issued by Brazil's FASB (CPC).

The Company classifies dividends received, arising from the investees' and subsidiaries' operations investing activities.

Approval of financial statements

The Company's Board of Directors approved the financial statements, and authorized its filing on March 04, 2021.

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2.2 Controlled and joint ventures investments

Iguatemi Group's equity interest at December 31, 2020 and 2019 were as follows:

| | Interest (%) | | | |
|--|--------------|----------|------------|--------|
| | 12.31.2020 | | 12.31.2019 | |
| | Direct | Indirect | Total | Total |
| Administradora Gaúcha de Shopping Centers S.A. ("AGSC") (a) | 36.00 | - | 36.00 | 36.00 |
| AEMP - Administradora de Empreendimentos Ltda. ("AEMP") | 100.00 | - | 100.00 | 100.00 |
| AEST - Administradora de Estacionamento Ltda ("AEST") | 100.00 | - | 100.00 | 100.00 |
| Amuco Shopping Ltda. ("Amuco") | 100.00 | - | 100.00 | 100.00 |
| ATOW Administradora de Torres Ltda ("ATOW") | 100.00 | - | 100.00 | 100.00 |
| AZ Brasil Comércio Varejista Ltda. ("AZBR") | - | 100.00 | 100.00 | 100.00 |
| CSC41 Participações Ltda. ("CS41") | 85.25 | 14.75 | 100.00 | 100.00 |
| CSC61 Participações Ltda. ("CS61") | 100.00 | - | 100.00 | 100.00 |
| CSC132 Comércio Varejista Ltda ("POLO") | - | 100.00 | 100.00 | 100.00 |
| CSC142 Participações Ltda ("OLSC") | - | 100.00 | 100.00 | 100.00 |
| DV Brasil Comércio Varejista Ltda ("DV Brasil") | - | 100.00 | 100.00 | 100.00 |
| Fleury Allegro Imóveis Ltda. ("FLEURY") | - | 80.00 | 80.00 | 80.00 |
| Galleria Empreendimentos Imobiliários Ltda. ("01GL") | 100.00 | - | 100.00 | 100.00 |
| Milan Comércio Varejista Ltda. ("MLA") | - | 100.00 | 100.00 | 100.00 |
| I-Art Produções Teatrais Ltda. ("IART") | 100.00 | - | 100.00 | 100.00 |
| IESTA Porto Alegre Estacionamentos Ltda. ("IESTAPA") | 99.99 | - | 99.99 | 99.99 |
| Iguatemi Estacionamentos Ltda. ("IESTA") | 100.00 | - | 100.00 | 100.00 |
| Iguatemi Leasing Ltda. ("Iguatemi Leasing") | 100.00 | - | 100.00 | 100.00 |
| Iguatemi Outlets do Brasil Ltda ("OLNH") | 100.00 | - | 100.00 | 100.00 |
| I-Retail Serv. Consult. de Moda e Particip. Ltda. ("I-Retail") | 100.00 | - | 100.00 | 100.00 |
| Iguatemi 365 Ltda. ("I365") | 100.00 | - | 100.00 | 100.00 |
| JK Iguatemi Administração de Shopping Centers Ltda. ("JK ADM") | 100.00 | - | 100.00 | 100.00 |
| JK Iguatemi Empreendimentos Imobiliários S.A. (JKIG) | 100.00 | - | 100.00 | 100.00 |
| JK Iguatemi Estacionamentos Ltda ("JKES") | 64.00 | - | 64.00 | 64.00 |
| Lasul Empresa de Shopping Centers Ltda. ("Lasul") | 100.00 | - | 100.00 | 100.00 |
| Market Place Participações e Empreendimentos Imobiliários Ltda. ("MPPart") | 100.00 | - | 100.00 | 100.00 |
| Market Place Torres Ltda ("MPT") | 100.00 | - | 100.00 | 100.00 |
| Nova Galleria Empreendimentos Imobiliários Ltda. ("01ING") | 100.00 | - | 100.00 | 100.00 |
| Odivelas SP Participações S.A. ("OSPP") (a) | - | 52.00 | 52.00 | 52.00 |
| Ork Empreendimentos Imobiliários SPE Ltda ("ORKE") | - | 100.00 | 100.00 | 100.00 |
| Praia de Belas Deck Parking Ltda ("PBES") | - | 80.00 | 80.00 | 80.00 |
| Riviera Comércio Varejista Ltda. ("VILE") | - | 100.00 | 100.00 | 100.00 |
| SCIALPHA Participações Ltda. ("SCIALPHA") | 100.00 | - | 100.00 | 100.00 |
| SCIRP Participações Ltda. ("SCRIP") | 100.00 | - | 100.00 | 100.00 |
| Shopping Center Reunidos do Brasil Ltda. ("SCRB") | 100.00 | - | 100.00 | 100.00 |
| SISP Participações Ltda. ("SISP") | 100.00 | - | 100.00 | 100.00 |
| SJRP Iguatemi Empreendimentos Ltda ("SJRP") | 100.00 | - | 100.00 | 100.00 |
| SPH 1 Iguatemi Empreendimentos Imobiliários S.A. ("SPHI") | 100.00 | - | 100.00 | 100.00 |

a) As Jointly-controlled entities AGSC and OSPP were recognized under the equity method, considering the shared control established through Shareholders' Agreements entered into between the companies, according to which neither party may determine financial and operational policies alone.

Consolidation

The consolidated financial statements comprised the financial statements of the Company and its subsidiaries at December 31, 2020. Control is obtained when the Group is exposed or entitled to variable returns based on its involvement with the investee, and has the ability to affect such returns by exercising power in relation to the investee. Specifically, the Group controls an investee if, and only if, it has:

- Power in relation to the investee (i.e., existing rights that guarantee the current ability to govern the relevant activities of the investee);
- Exposure or right to variable returns based on its involvement with the investee;
- The ability to use its power over the investee to affect its profit or loss.

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Generally, it is assumed that the majority of voting rights results in control. To support this assumption, and when the Group has less than the majority of or similar voting rights of an investee, the Group considers all relevant facts and circumstances when assessing whether it has power over an investee, including:

- The contractual agreement with other voting holders in the investee;
- Rights arising from contractual agreements;
- The voting rights and potential voting rights of the Group.

The Group evaluates whether it exercises control over an investee if facts and circumstances indicate changes in one or more of the three control elements. Consolidation of a subsidiary begins when the Group obtains control over that subsidiary, and ends when such control ceases to exist. Assets, liabilities and profit or loss of a subsidiary acquired or disposed of over the year are included in the consolidated financial statements from the date the Group obtains control to the date such control over the subsidiary ceases to exist.

Profit or loss and each component of other comprehensive income is attributed to the Group's controlling and non-controlling shareholders, even if this results in loss to non-controlling shareholders. Whenever necessary, adjustments are made to the financial statements of the subsidiaries to align their accounting practices with the Group's accounting practices. All assets and liabilities, profit or loss, revenues, expenses and cash flows of the same group, related to operations between Group members, are fully eliminated in the consolidation.

Changes in equity interest held in subsidiary, without losing control, are accounted for as equity transactions. If the Group loses the control exercised over a subsidiary, the corresponding assets (including goodwill), liabilities, non-controlling interests and other equity components are written off, whereas any resulting gains or losses are accounted for in profit or loss. Any retained investment is remeasured at fair value.

2.3 Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value, and the value of any non-controlling interests in the acquiree. For each business combination, the acquirer should measure the non-controlling interest in the acquiree at fair value or based on its participation in the identified net assets of acquiree. Costs directly attributable to the acquisition must be expensed as incurred.

Upon acquiring a business, the Group assesses financial assets and liabilities assumed so as to classify them and allocate them in accordance with contractual terms, economic circumstances and relevant conditions at the acquisition date, which includes the acquiree's segregating embedded derivatives existing in host contracts in the acquired company.

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Any contingent consideration to be transferred by the acquiror will be recognized at fair value as of acquisition date. Subsequent changes in fair value of contingent consideration considered as an asset or a liability shall be recognized in the statement of profit or loss.

Initially, goodwill is measured as the exceeding consideration amount transferred in relation to net assets acquired (net identifiable assets acquired and liabilities assumed). If consideration is lower than fair value of net assets acquired, the difference is to be recognized as gains in profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For impairment testing purposes, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and a part of that unit is disposed of, the goodwill associated with the portion disposed of is included in the carrying amount of the operation when determining the respective gain or loss thereon. Goodwill disposed of in these circumstances is calculated based on the relative values of the portion disposed of in relation to the cash-generating unit.

2.4 Goodwill

Goodwill stemming from a business combination is stated at cost on the business combination date. Initially, goodwill is measured as the exceeding consideration amount transferred in relation to net assets acquired (net identifiable assets acquired and liabilities assumed). If consideration is lower than fair value of net assets acquired, the difference is to be recognized as gains in profit or loss. For impairment testing purposes, goodwill is allocated to the investment that benefits from the combination synergy. Goodwill, characterized as future profitability, as a result of a business combination, was not allocated to the investment due to its characteristics, according to note 10 (i)

Goodwill is tested for impairment annually, or whenever there is any indication that a unit may be impaired. If the recoverable amount is lower than they carrying amount, impairment loss is firstly allocated to reduce the carrying amount of goodwill allocated to that unit, and subsequently, to other assets of that unit, proportionally to the carrying amount of each of its assets. Any impairment loss in goodwill is directly recognized in the profit or loss. Impairment losses in subsequent periods are not reversed.

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2.5 Revenue recognition and Determination of profits or loss

IFRS 15 (CPC 47) stems from the principles that the entity will apply to determine the measurement of revenue and how and when it is recognized, based on five steps: (1) identification of contracts with customers; (2) identification of the performance obligations provided for in the contracts; (3) determining the transaction price; (4) allocation of the transaction price to the performance obligation provided for in the contracts and (5) recognition of revenue when the performance obligation is met. Revenue from customer contracts is recognized when control of the goods or services is transferred to the customer for an amount that reflects the consideration to which the Group expects to be entitled in exchange for these goods or services. Revenues, costs and expenses are recognized in accordance with the accrual accounting principle. Expenses and costs are recognized as incurred. Revenues from assignment of rights to storeowners are deferred and allocated to profit or loss according to the fruition of their first lease agreement. Income from disposal of properties is recognized on an accrual basis, and classified as other operating income and expenses, as this is not recurring income.

Operating leases

Lease for which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating lease agreements. Initial direct costs incurred in negotiating operating lease agreements are added to the carrying amount of the leased asset, and recognized over the lease term, similarly to lease revenue. Contingent leases are recognized as revenue over the time they are earned.

Financial swaps

The Company adopts the strategy of negotiating together with associated developers the plots of land around certain malls, for the development of residential and commercial ventures to leverage mall revenues in the future, as well as the profitability of these assets. Negotiations provide for the execution of contracts with characteristics of financial swaps, in which certain performance obligations have to be met.

Rendering of services

This refers to revenues from the collection of condominium fees from shopping malls.

Parking

This refers to revenue arising from the operation of parking lots in the shopping malls. These revenues are allocated to P&L on an accrual basis, according to the use of the parking space by the customer, according to the price schedule per hour, charged over the period used.

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Deferred revenue

The funds received for the assignment of rights (assignment of the shopping malls' technical structure) are accounted for as unearned income, net of taxes and contributions thereon, considering the taxation regime to which the company holding the credits is subject, and will be recognized on a straight-line basis in P&L, based on the rental period of the respective stores to which they refer, from the opening date of the respective ventures.

Revenue earned is presented on a net basis and recognized in P&L when it is probable that the economic benefits flowed to the Company and their amounts could be reliably measured.

2.6 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of an entity and to a financial liability or equity instrument of another entity.

a) Financial assets

Initial recognition and measurement

Financial assets are classified, upon initial recognition, as subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset and of the Company's business model for management of these financial assets. Except for trade accounts receivable that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs in the case of a financial asset not measured at fair value through profit or loss.

For a financial asset to be classified and measured at amortized cost or at fair value through Other Comprehensive Income (OCI), it must generate cash flows that represent Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. This assessment is performed at an instrument level. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model adopted.

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The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular negotiations) are recognized on the trade date, i.e., the date on which the Company undertakes to purchase or sell the asset.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into four categories, as follows:

- i) Financial assets at amortized cost (debt instrument);
- ii) Financial assets at fair value through OCI, with reclassification of accumulated gains and losses (debt instruments);
- iii) Financial assets designated at fair value through OCI, without reclassification of accumulated gains and losses upon their derecognition (equity instruments); and
- iv) Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The financial assets at amortized cost are subsequently measured using the effective interest rate method, and are subject to impairment loss. Gains and losses are recognized in P&L when the asset is written off, modified or impaired.

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Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and losses or impairment reversals are recognized in the statement of profit or loss and calculated in the same manner as for the financial assets measured at amortized cost. The remaining changes in fair value are recognized in other comprehensive income. At the time of derecognition, the cumulative change in fair value recognized in other comprehensive income is reclassified to profit or loss.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under CPC 39 - Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment testing.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or of a group of similar financial assets) is derecognized when:

- i) The rights to receive cash flows from the asset have expired; or
- ii) The Company has transferred the rights to receive cash flows from the asset, or has assumed an obligation to fully pay any cash flows it has received, without material delay, to a third party under a pass thorough arrangement; and (a) the Company has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but transferred control of such asset.

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Impairment of financial assets

The Company assesses the impairment of its financial assets in accordance with the model proposed by CPC 48/IFRS 9 for expected credit loss. The measurement is applied to assets classified as amortized cost and fair value through Other Comprehensive Income (OCI), and is based on the perception of increase in credit risk since the initial recognition of the asset, in which the provision is recorded according to the expected loss for the next 12 months or asset lifetime expected credit losses. For the portfolio of receivables, since they have no significant financing component, the Company applies the simplified approach permitted as a practical expedient by CPC 48/IFRS 9, in which expected losses are recognized for lifetime, starting from the initial recognition of receivables. Further information on measurement of expected credit loss is stated in Note 5.

b) Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost, or derivatives designated as hedging instruments in an effective hedge, as the case may be.

All financial liabilities are initially measured at fair value increased or decreased by, in the case financial liabilities other than at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Financial liabilities at amortized cost.

Subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, if any, include financial liabilities for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing within short term.

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Gains or losses on liabilities for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial recognition date, and only if the CPC 48 /IFRS 9 criteria are met.

Financial liabilities at amortized cost (loans and financing and debentures)

After initial recognition, interest-bearing loans, financing and debentures are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when liabilities are derecognized, and through the amortization process by the effective interest rate method.

The amortized cost is calculated taking into consideration any discount or goodwill on acquisition and rates or costs that are an integral part of the effective interest rate method. Amortization by the effective interest rate method is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation thereunder is extinguished, i.e., when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts, if any, is recognized in the statement of profit or loss.

c) Net presentation of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the individual and consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on net bases, to realize the assets and settle the liabilities simultaneously.

2.7 Fair value measurement

The Group measures financial instruments, such as derivatives, and, for reporting purposes, investment properties at fair value at each statement of financial position closing date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or to transfer the liability will take place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The Group must have access to the principal (or most advantageous) market.

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The fair value of an asset or liability is measured based on the assumption that market participants would use to define the price of an asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which a fair value is measured or disclosed in financial statements are categorized within the fair value hierarchy described below, based on the lowest level input that is significant to the entire fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is either directly or indirectly observable;
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable.

For assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Group determines whether there have been transfers between hierarchy levels, revaluing their categorization (based on the lowest level input that is significant to the entire fair value measurement) at the end of each reporting period. The Group determined the policies and procedures to measure the fair value of investment properties, which was prepared internally based on the knowledge, market performance information, and expertise in the shopping mall segment. For fair value disclosure purposes, the Group determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and their fair value hierarchy level, as described above. Corresponding disclosures at fair value of financial instruments and non-financial assets measured at fair value or, upon disclosure of fair values, are summarized in the respective notes.

2.8 Current vs. Noncurrent classification

The Group records assets and liabilities in its statement of financial position based on current/noncurrent classification. An asset is classified as current when:

- it is held primarily for trading;
- it is expected to be realized within 12 months from the reporting date; or
- it is cash and cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as noncurrent. A liability is classified as current when:

- it is held primarily for trading;
- it is expected to be realized within 12 months from the reporting date; or
- there is no unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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The Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

2.9 Cash and cash equivalents

Cash equivalents are held by the Company for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Group considers as cash equivalents short-term investments immediately redeemable at a known cash amount and that are exposed to an insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for example, within three months from the investment date.

2.10 Inventories

Inventories are carried at the lower of cost and net realizable value. Inventory costs are determined under the average cost of acquisition method. Net realizable value corresponds to the estimated inventory selling price, less those costs required to complete the sale.

2.11 Investments

Investments are measured under the equity method in the parent company financial statements. Investments in entities in which management has significant influence, or holds 20% or more of voting capital, or that are part of the same group under common control, are also measured under the equity method (see Note 7).

Joint ventures

A joint venture is a contractual agreement through which the Company and other parties engage in an economic activity subject to joint control, a situation in which decisions on strategic financial and operational policies related to joint venture activities require the approval of all the parties that share control.

Joint investments are recorded under the equity method, from the date the shared control was acquired, and are not consolidated.

2.12 Investment Properties

Investment properties are initially measured at cost, less accumulated depreciation on a straight-line basis, including transaction costs. The carrying amount includes borrowing costs, the cost for replacing part of an investment property existing at the time the cost is incurred if the recognition criteria are met; excluding costs of daily service of investment property. After initial recognition, investment properties are held at cost, but presented at fair value, which reflects market conditions at the statement of financial position date. Investment properties are written off when sold or when they are no longer permanently used and no future economic benefit from the disposal thereof is expected. The difference between net value obtained from the sale and asset carrying amount is recognized in the statement of profit or loss for the period in which write-off takes place. The Company annually reviews the useful lives and residual values of its investment properties.

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2.13 Property and Equipment

Stated at cost, less accumulated depreciation on a straight-line basis, at the rates disclosed in Note 9.

2.14 Intangible Assets

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis. Intangible assets with finite useful lives are subject to amortization over the estimated economic useful life of the asset and, whenever impairment indicators are identified, they are also tested for impairment (see Note 10).

2.15 Taxes

The provision for income tax was set up at the rate of 15%, plus surtax of 10% on annual taxable profit exceeding R\$240. Social contribution tax was calculated at the rate of 9% on adjusted net income. Deferred income and social contribution taxes were calculated based on temporary differences in revenue recognition and expenses for accounting and tax purposes. As permitted by tax legislation, certain consolidated companies elected the taxation system under which taxable profit is computed as a percentage of gross revenue, for which income and social contribution taxes are calculated at the rate of 32% on gross revenues from services rendered, 8% on goods sold (12% for social contribution tax), and 100% on finance income and other income, on which the regular rate of 15%, plus surtax of 10%, is applied to income tax and 9% to social contribution tax. Therefore, these consolidated companies did not record deferred income and social contribution taxes on income and social contribution tax losses and temporary differences, nor are they included in the context of non-cumulative accounting for Contribution tax on gross revenue for social integration program (PIS) and for social security financing (COFINS).

2.16 Equity

a) Dividend Payment

Dividends payment to shareholders is recognized as a liability in the year-end financial statements, according to the Company's articles of incorporation. Any amount above mandatory minimum dividend is accrued on the date of its approval by the shareholders in General Meeting.

b) Earnings per Share

Basic earnings per share are calculated through profit or loss for the period attributable to the Company's shareholders and the monthly average of outstanding shares in the respective period. Diluted earnings per share are calculated through the referred to average number of outstanding shares, adjusted by instruments potentially convertible into shares, with dilutive effect, for the years presented, under the terms of CPC 41/IAS 33.

c) Common Shares

Common shares are classified as equity. Incremental costs that are directly attributable to issuing shares and stock options are recognized as equity reduction, net of any tax effects.

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d) Treasury Shares

These are own equity instruments there were reacquired (treasury shares), recognized at cost, less equity. No gains or losses are recognized in profit or loss upon purchase, sale, issue or cancellation of the Group's own shares. Any differences between the carrying amount and consideration are recognized in other capital reserves.

2.17 Provisions

a) General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation, and such obligation can be reliably estimated. When the Group is expected to fully or partially reimburse a provision – in virtue of an insurance contract, for example –, such reimbursement is recognized as a separate asset item, but only when the amount is more likely than not to be reimbursed. The expense relating to any provision is stated in profit or loss, net of any reimbursement. If the effect of time value of money is significant, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the liability-specific risks. When the discount is adopted, an increase in provision due to time elapsed is recognized as a financing cost.

b) Provision for tax, labor and civil risks

The Group is party to several legal and administrative proceedings. Provisions are set up for all legal proceeding-related contingencies, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably measured. For labor contingencies, provisions consider the opinion and amounts informed by the legal advisors, according to the percentage defined by management through the history of same-nature proceedings settled for the past 12 months. Assessment of the likelihood of loss also includes an analysis of available evidence, the hierarchy of laws, available case law, the latest decisions of courts of law and their relevance in the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court decisions. Risks classified as possible losses are not recognized for accounting purposes, and are only disclosed, and those classified as remote do not require provision or disclosure.

2.18 Transactions involving share-based payment

The Company offers its employees share-based payment plans, according to which the Company receives the services as consideration for stock options. The value of options granted is recognized as an expense over the vesting period. During this period, the specific conditions for acquiring the rights must be met. At the statement of financial position date, the Company reviews its estimated number of options whose rights are to be acquired based on the vesting conditions. It recognizes the impact of reviewing initial estimates, if any, in profit or loss, against equity.

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2.19 Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated, and therefore adjusted to their present value. Present value adjustment of current monetary assets and liabilities is calculated, and only recorded, if it is considered significant in relation to the overall financial statements. For the purposes of recording and determining whether it is material, the adjustment to present value is calculated considering contractual cash flows and the explicit interest rate, or implicit rate in some cases, for these assets and liabilities. Based on management analysis and best estimates, the Group concluded that the present value adjustment of current monetary assets and liabilities is immaterial in relation to the overall financial statements; accordingly, no such adjustment was recorded.

2.20 Impairment of nonfinancial assets

Management annually reviews the net book value of assets in order to evaluate events or changes in economic, operating or technological conditions that may indicate deterioration or impairment. When such evidence is found, and net book value exceeds recoverable amount, a provision for impairment is recorded so as to adjust the net book value to the recoverable amount. The recoverable amount of an asset or a cash generating unit is defined as the higher of value in use and fair value less costs to sell. In assessing an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry where the cash-generating unit operates. The net fair value of selling expenses is determined, whenever possible, based on recent market transactions between knowledgeable and willing parties with similar assets. In the absence of observable transactions in this regard, an appropriate valuation methodology is used. The calculations provided in this model are corroborated by available fair value indicators, such as quoted prices for listed entities, among other available indicators. The Group's impairment assessment is premised on the forecasts and these detailed financial budgets, which are prepared separately by management for each cash-generating unit to which the assets are allocated. Projections based on these forecasts and budgets generally cover a five year period. An average long-term growth rate is calculated and applied to future cash flows after the fifth year. The impairment loss on the asset is recognized in the statement of profit or loss consistently with the use of the asset subject to loss. For assets other than goodwill, an assessment is made at each reporting date to determine if there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the recoverable value of the asset or the cash-generating unit. A previously recognized impairment loss on an asset is reversed only if there has been a change in the estimates used to determine the recoverable value of the asset since the last impairment loss that was recognized. The reversal is limited so that the carrying amount of the asset is not the book value that would have been determined (net of depreciation, amortization or depletion) if no impairment loss had been recognized for the asset in prior years. This reversal is recognized in profit or loss. The impairment test for goodwill is made annually on December 31 or when circumstances indicate that the carrying amount has deteriorated. The impairment loss is recognized for a cash-generating unit to which the goodwill relates. When the recoverable value of the unit is less than the book value of the unit, the loss is recognized and allocated to

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reduce the book value of the unit assets in the following order: (a) reducing the carrying amount of the goodwill allocated to the cash-generating unit; and (b) then, to the other assets of the unit in proportion to the book value of each asset. Intangible assets with indefinite useful lives are tested for impairment annually on December 31, individually, or at the level of the cash-generating unit, as the case may be or when the circumstances indicate a loss due to devaluation of the book value.

2.21 Conversion of foreign currency

Functional and reporting currency

The financial statements of each investee included in the consolidation are prepared using the functional currency (currency of the primary economic environment in which they operate) of each investee. In defining the functional currency of each of its subsidiaries, management considered which currency significantly influences the selling price of the services rendered and the currency in which the majority of the cost of providing its services is paid or incurred. The consolidated financial statements are presented in Brazilian reais, which is the functional and reporting currency of the Company and all its subsidiaries.

Foreign currency

In the preparation of the Company's (individual and consolidated) financial statements, foreign currency transactions are recorded at the exchange rates prevailing at the date of each transaction. At the end of each accounting period, monetary items in foreign currency are translated at the prevailing rates. Foreign exchange variations on monetary items are recognized in P&L for the year in which they occur.

2.22 New accounting standards, amendments and interpretations

Covid-19-Related Rent Concessions: Amendments to CPC 06 (R2)

The amendments provide relief to lessees from applying CPC 06 (R2) guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under CPC 06 (R2), if the change were not a lease modification. This amendment impacted the Group's individual and consolidated financial statements, as explained in Notes 5 and 20.

Definition of a business: Amendments to CPC 15 (R1)

Amendments to CPC 15 (R1) clarify that, to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments did not impact the Group's individual and consolidated financial statements, but may affect future periods should the Group carry out a business combination.

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Conceptual framework for financial reporting: Review of CPC 00 (R2)

The reviewed pronouncement provides updated definitions and criteria for recognition of assets and liabilities and clarifies important concepts. These amendments did not impact on the Group's individual and consolidated financial statements.

Interest rate benchmark reform: Amendments to CPC 38, CPC 40 (R1) and CPC 48

The amendments to CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments did not impact on the Group's individual and consolidated financial statements.

Definition of material: Amendments to CPC 26 (R1) and CPC 23

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact and are not expected to have any future impact on the Group's individual and consolidated financial statements.

2.23 Reclassification for better presentation

The Company reassessed the nature of certain transactions and, for purposes of better presentation, decided to reclassify the balances presented in the cash flow statement for December 31, 2019.

Certain balances were reclassified and their effects are shown below:

| Cash flow - Indirect method | Individual | | | Consolidated | | |
|---|-----------------------|------------------|--|-----------------------|------------------|--|
| | Balance in 12.31.2019 | Reclassification | Balance in 12.31.2019 after reclassification | Balance in 12.31.2019 | Reclassification | Balance in 12.31.2019 after reclassification |
| Net cash from operating activities | | | | | | |
| Net income for the period | 310,129 | - | 310,129 | 314,301 | - | 314,301 |
| Adjustments to reconcile net income for the year to net cash generated by operating activities: | | | | | | |
| Interest, income, monetary and exchange variations and others | 97,516 | (27,416) | 70,100 | 141,167 | (40,499) | 100,668 |
| Other | (227,171) | - | (227,171) | (53,027) | - | (53,027) |
| Cash generated from operations | 180,474 | (27,416) | 153,058 | 402,441 | (40,499) | 361,942 |
| Financial investments held for trading | | | | | | |
| Other | (96,511) | 27,416 | (69,095) | (316,532) | 40,499 | (276,033) |
| | (46,026) | - | (46,026) | (30,167) | - | (30,167) |
| Net cash from investing activities | (142,537) | 27,416 | (115,121) | (346,699) | 40,499 | (306,200) |

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3 Significant accounting judgments, estimates and assumptions

Estimates and assumptions

In preparing the financial statements, estimates need to be used to account for certain assets, liabilities and other transactions. The financial statements of the Company and its subsidiaries therefore include estimates referring to the selection of useful lives of its property and equipment and investment properties, provisions necessary for tax, labor and civil contingencies, provisions for income and social contribution taxes, allowance for doubtful accounts, fair value of investment properties for reporting purposes, and other similar provisions. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in their estimate process. The Company reviews its estimates at least once a year.

Judgments

Preparation of parent company and consolidated financial statements of the Group requires that management make judgments, estimates and adopt assumptions that affect the stated amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities. In applying the Group's accounting policies, management made the following judgments that have a more significant effect on the amounts recognized in the consolidated financial statements

Investment properties measured at fair value for reporting purposes

Fair values are based on market values and the estimated value by which a property could be exchanged at the valuation date between knowledgeable and willing parties in an arm's length transaction, as defined in IFRS 13 for level 3 assessments. For To measure fair value of investment properties for reporting purposes, the Group considered the methodology of cash flow discounted to present value. This methodology is projected to current lease revenue, based on current performance and projection, over a 10-year period, considering appropriate growth rates and contract events (restatements, revisions and renewals), occurring in the shortest periodicity defined by legislation on lease contracts. For those cases where current lease is higher or lower than the market, market reviews are considered, at the review dates of each agreement. In addition, in the case of a percentage lease collection, projections consider the higher of the revenues earned. To reflect the perpetuity of operations, at the end of the 10th year, revenue is capitalized, and the revenue stream and perpetuity value are then brought to present value at discount rates appropriate to the market risk perception, taking into account the likely risk/performance of each scenario. For analysis purposes, the continuity of existing agreements is considered, with automatic renewal of those agreements. Losses of revenue due to default were considered. Investment property in construction is valued by estimating the fair value of the entire investment, less the estimated cost to complete the construction, cost of financing and a reasonable profit margin. The main assumptions used to determine the fair value of investment properties are detailed in Note 8.

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Realization of deferred income tax and social contribution credits

Deferred tax assets are recognized for all unused tax losses and negatives bases unused of social contribution, as well as time differences to the extent that it is probable that taxable profit will be available against which losses and temporary differences can be used. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. These losses refer to the Company and are not time-barred. However, offsetting of accumulated tax losses is limited to 30% of taxable profit generated for a given fiscal year. For more details on deferred taxes, see Note 16.

Fair value of financial statements

When the fair value of financial assets and liabilities in the statement of financial position cannot be obtained in active markets, it shall be determined through valuation techniques, including the discounted cash flow method. Inputs for these methods are based on the market, whenever possible. However, when not feasible, a certain level of judgment is required to establish the fair value. Judgment includes consideration of the inputs used, such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4 Cash, cash equivalents and short-term investments

| | Individual | | Consolidated | |
|-------------------------------|------------------|----------------|------------------|----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| (a) Cash and cash Equivalents | | | | |
| Cash and Banks | 9,978 | 17,864 | 27,526 | 46,924 |
| Total | <u>9,978</u> | <u>17,864</u> | <u>27,526</u> | <u>46,924</u> |
| (b) Financial investments | | | | |
| Financial investments (i) | 1,144,102 | 521,129 | 1,543,676 | 922,660 |
| Investment fund (ii) | 69,625 | 20,405 | 69,625 | 20,405 |
| Repurchase agreements (ii) | 33,370 | 32,571 | 33,370 | 32,571 |
| Total | <u>1,247,097</u> | <u>574,105</u> | <u>1,646,671</u> | <u>975,636</u> |
| Current | 1,154,080 | 538,993 | 1,571,202 | 969,584 |
| Noncurrent | 102,995 | 52,976 | 102,995 | 52,976 |

- (i) This is represented by highly-liquid non-boutique fixed-income investment fund, with accumulated yields of 3.06% through December 31, 2020 (5.88% - 2019). Management manages Company's cash through non-boutique investment funds, with expected use of funds for development of foreseen projects.
- (ii) This refers to an investment in a long-term international investment fund, subject to exchange variation, with accumulated yield of 3.82%.
- (iii) Short-term investments under repurchase agreement of financial institution Itaú Unibanco S/A are classified as amortized cost under CPC 48 due to its characteristic, and its objective is to secure borrowing under Mortgage-backed Securities (CRI), maturing on June 19, 2023 and September 17, 2025.

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5 Trade accounts receivable

| | Individual | | Consolidated | |
|---|----------------|---------------|----------------|----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Rents and resale of points of sale receivable | 92,928 | 72,618 | 226,009 | 177,718 |
| Coparticipation receivable (i) | 1,186 | 1,281 | 5,843 | 6,280 |
| Straight-line of discount (ii) | 62,263 | - | 157,514 | - |
| Others (iii) | 3,455 | 1,278 | 62,540 | 52,506 |
| | <u>159,832</u> | <u>75,177</u> | <u>451,906</u> | <u>236,504</u> |
| Provisão para créditos com perda esperada | (29,338) | (20,446) | (81,716) | (54,637) |
| | <u>130,494</u> | <u>54,731</u> | <u>370,190</u> | <u>181,867</u> |
| Current | 77,792 | 44,467 | 205,370 | 133,216 |
| Noncurrent | 52,702 | 10,264 | 164,820 | 48,651 |

- (i) Substantially represents balances receivable for the right to use real estate space. Coparticipation is billed in accordance with agreements and recognized in profit or loss, based on the term of the lease agreement.
- (ii) Due to COVID-19 pandemic, which had large impacts on Company operations, management, in partnership with shopkeepers, adopted new discount policies, under specific conditions in order to create financial breathing room in these shopkeepers' cash flows. These discounts include full or partial exemptions, always based on each shopkeeper's condition (these conditions reach most shopkeepers in the Company's portfolio, but consider exceptions relating to establishments whose operations were not halted when the shopping malls closed). These grants, named "COVID-19 Discounts", will be recorded on a straight line basis for a period of forty eight months, according to the average term of the standard lease, as provided for by CPC 06(R2)/IFRS 16. These discounts net of appropriations from March to December 2020 total R\$ 72.087 - individual and R\$ 181.249 - consolidated.
- (iii) Represented substantially by sales of real estate for the development of real estate projects by the development buyers. Receipts will occur through transfers of funds related to units sold ("financial barter transaction"), as provided in the agreement. On an annual basis, the Company subsequently remeasures this financial asset at fair value, which is supported by the feasibility studies of the projects launched or to be launched in their respective regions. In addition, we highlight that these financial assets are monthly restated based on the INCC/FGV and/or IGP-M/FGV indexes.

The aging list of receivables is as follows:

| | Individual | | Consolidated | |
|-----------------------------------|----------------|---------------|----------------|----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| To fall due from 721 to 1440 days | 25,387 | 3,659 | 67,227 | 17,631 |
| To fall due from 361 to 720 days | 27,315 | 6,605 | 97,593 | 31,020 |
| To fall due up to 360 days | 71,402 | 44,613 | 195,089 | 134,008 |
| Overdue up to 30 days | 4,129 | 1,407 | 10,892 | 4,173 |
| Overdue from 31 to 60 days | 3,133 | 842 | 7,808 | 2,227 |
| Overdue from 61 to 90 days | 1,059 | 335 | 3,390 | 805 |
| Overdue from 91 to 120 days | 2,343 | 549 | 5,818 | 1,392 |
| Overdue from 121 to 360 days | 5,924 | 3,641 | 16,233 | 8,832 |
| Overdue over 360 days | 19,140 | 13,526 | 47,856 | 36,416 |
| | <u>159,832</u> | <u>75,177</u> | <u>451,906</u> | <u>236,504</u> |

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The Company and its subsidiaries calculate the expected loss on accounts receivable based on the elaboration of a “provision matriz”, considering account historical default data that defined a provisioning percentage for each maturity range of the receivables portfolio. As of December 31, 2020, the balance of accounts receivable from rents was subjected to the impacts of COVID - 19, In view of this impact, the Company revisited the study on the provision for loss and in view of the reduction in the expectation of recovery from default, considered an increase in all ranges of the provision matrix. The aging list reflects the original date of each security, with no change in the original dates of the securities overdue, which were renegotiated. The balance of the item “Accounts receivable” was classified in the category of financial assets - “amortized cost”.

Changes in the provision for expected credit losses are presented below:

| | Individual | | Consolidated | |
|---|------------|------------|--------------|------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening Balance | (20,446) | (21,776) | (54,637) | (61,628) |
| Constitution / reversal of provision for expected credit losses | (8,217) | (4,089) | (26,326) | (10,296) |
| Reversal / write-off of bad debts | (675) | 5,419 | (753) | 17,287 |
| Closing Balance | (29,338) | (20,446) | (81,716) | (54,637) |

To determine the recovery of accounts receivable, the Company and its subsidiaries consider any change in the credit quality of the customer from the date the credit was initially granted to year end.

Below is the detail of the percentage of the provision for expected losses:

| | % | |
|------------------------------|------------|------------|
| | 12.31.2020 | 12.31.2019 |
| To fall due | 4.37% | 3.78% |
| Overdue up to 30 days | 33.62% | 28.51% |
| Overdue from 31 to 60 days | 39.60% | 33.88% |
| Overdue from 61 to 90 days | 46.00% | 39.15% |
| Overdue from 91 to 120 days | 52.01% | 43.25% |
| Overdue from 121 to 360 days | 100.00% | 93.08% |
| Overdue over 360 days | 100.00% | 100.00% |

The aging list of amounts included in allowance for doubtful accounts is as follows:

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| | Individual | | Consolidated | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| To fall due | (3,928) | (2,619) | (14,151) | (7,880) |
| Overdue up to 30 days | (841) | (354) | (2,617) | (660) |
| Overdue from 31 to 60 days | (586) | (335) | (2,282) | (667) |
| Overdue from 61 to 90 days | (352) | (190) | (1,086) | (324) |
| Overdue from 91 to 120 days | (792) | (320) | (2,275) | (799) |
| Overdue from 121 to 360 days | (3,699) | (3,102) | (11,449) | (7,891) |
| Overdue over 360 days | (19,140) | (13,526) | (47,856) | (36,416) |
| | <u>(29,338)</u> | <u>(20,446)</u> | <u>(81,716)</u> | <u>(54,637)</u> |

Leases

The Company leases spaces in its shopping malls, with a term of validity between 4 (four) and 5 (five) years, with the option of renewal after this period. Exceptionally they may have contracts with different terms of validity and conditions. The amounts are adjusted annually, according to market indexes.

The future minimum rent to be billed on non-cancelable leases, considering the stores in operation on December 31, 2020 and 2019, are presented as follows:

| | Consolidated | Consolidated |
|----------------------------|------------------|------------------|
| | 12.31.2020 | 12.31.2019 |
| Up to one year | 504,735 | 470,858 |
| Between two and five years | 1,277,847 | 1,276,160 |
| More than five years | 118,467 | 124,842 |
| | <u>1,901,049</u> | <u>1,871,860</u> |

6 Information on related-party balances and transactions

In the normal course of business, the Company carries out transactions with related parties represented by the companies of the Jereissati Group, which are carried out at prices, terms, financial charges and other conditions defined by management.

Related-party transactions and balances

Related-party balances and transactions at December 31, 2020 and December 31, 2019 are as follows:

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a. Balances

| | Individual | | Consolidated | |
|--|------------|------------|--------------|------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Noncurrent assets: | | | | |
| From other related parties: | | | | |
| Shopping Center Galleria (iv) | - | - | 4,739 | 4,624 |
| Shopping Center Iguatemi São Paulo (iii) | 3,880 | 3,441 | 3,880 | 3,441 |
| Praia de Belas Shopping Center (iii) | 321 | 396 | 321 | 396 |
| Federação das Entidades Assistenciais Campinas (i) (CDI + 1% p.a.) | 29,523 | 31,077 | 28,523 | 31,077 |
| Other related parties (ii) | - | - | 15,831 | 6,540 |
| Total receivables from related parties | 33,724 | 34,914 | 53,294 | 46,078 |
| Advances for future capital increase | | | | |
| Lasul Empresa de Shopping Centers Ltda. | - | 1,216 | - | - |
| SPH 1 Iguatemi Empreendimentos Imobiliários S.A. | - | - | - | - |
| SCIRP Participações Ltda. | - | 154,000 | - | - |
| SJRP Iguatemi Empreendimentos Ltda. | - | 164 | - | - |
| SISP Participações Ltda. | - | 688 | - | - |
| Shopping Center Reunidos do Brasil Ltda. | - | 908 | - | - |
| SP74 Participações Ltda. | - | - | - | - |
| JK Iguatemi Empreendimentos Imobiliários Ltda. | - | 579 | - | - |
| CS41 Participações Ltda | - | 11,253 | - | - |
| SCIALPHA Participações Ltda. | - | 10 | - | - |
| CSC61 Participações Ltda. | - | - | - | - |
| I-Retail Serv. Consult. de Moda e Particp. Ltda. | - | 2,600 | - | - |
| Iguatemi Outlets do Brasil Ltda. | - | 1 | - | - |
| Amuco Shopping Ltda. | - | 4,007 | - | - |
| Nova Galleria Empreendimentos Imobiliários Ltda. | - | 6,396 | - | - |
| I-Art Produções Teatrais Ltda. | - | - | - | - |
| Iguatemi 365 Ltda | - | 5,200 | - | - |
| Galleria Empreendimentos Imobiliários Ltda | - | - | - | - |
| Market Place Torres Ltda | - | - | - | - |
| Total advances for future capital increase | - | 187,022 | - | - |
| Total Noncurrent assets | 33,724 | 221,936 | 53,294 | 46,078 |
| Total receivables from related parties | 33,724 | 221,936 | 53,294 | 46,078 |

Iguatemi Empresa de Shopping Centers S.A.

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| | | | | |
|--|---------------|---------------|---------------|---------------|
| Current liabilities | | | | |
| Payables to related parties: | | | | |
| Leasing Shopping Center Iguatemi São Paulo (v) | 2,372 | 2,372 | 2,372 | 2,372 |
| Others Related Parties (ii) | 623 | 5,865 | - | - |
| Total payables to related parties | <u>2,995</u> | <u>8,237</u> | <u>2,372</u> | <u>2,372</u> |
| Dividends payable: | | | | |
| Controlling Shareholders: | | | | |
| Kalila Representações Comerciais Ltda. | 1,135 | 1,741 | 1,135 | 1,741 |
| Jereissati Participações S.A. | 24,336 | 37,318 | 24,336 | 37,318 |
| Noncontrolling Shareholders | 22,561 | 34,597 | 22,561 | 34,597 |
| Total dividends payable | <u>48,032</u> | <u>73,656</u> | <u>48,032</u> | <u>73,656</u> |
| Total current liabilities | <u>51,027</u> | <u>81,893</u> | <u>50,404</u> | <u>76,028</u> |
| Noncurrent liabilities | | | | |
| Payables to related parties: | | | | |
| With related parties: | | | | |
| Leasing Shopping Center Iguatemi São Paulo (v) | 2,822 | 4,744 | 2,822 | 4,744 |
| Total payables to related parties | <u>2,822</u> | <u>4,744</u> | <u>2,822</u> | <u>4,744</u> |
| Total noncurrent liabilities | <u>2,822</u> | <u>4,744</u> | <u>2,822</u> | <u>4,744</u> |
| Total payables to related parties | <u>53,849</u> | <u>86,637</u> | <u>53,226</u> | <u>80,772</u> |

- (i) Refers to a loan with FEAC - Federation of Assistance Entities of Campinas, which holds a 30% interest in Shopping Center Iguatemi Campinas, for the purpose of financing the expansion of the mall, with interest rate 0.8% of CDI per year and settlement scheduled for April 30, 2023.
- (ii) Refers substantially to the receivables from various mall condominiums, arising from the processes of refund of several payments, made by the Company.
- (iii) The balances of related parties between the civil and the commercial condominium refer to reimbursements of expenses not paid by lessees that were paid by the entrepreneurs, as determined by Laws No. 4591/64 and No. 8245/91.
- (iv) Related parties between the civil and the commercial condominium of Galleria Shopping Mall, which will be settled according to the insurer's indemnity.
- (v) Amount payable referring to a corporate office lease agreement entered into with Iguatemi São Paulo shopping mall, maturing on December 31, 2022, due to the adoption of IFRS 16/CPC 06 (R2).

Iguatemi Empresa de Shopping Centers S.A.

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Transactions

| | Individual | | Consolidated | |
|--|-----------------|-----------------|----------------|----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Costs of services rendered: | | | | |
| Services rendered by subsidiaries to shopping malls: | | | | |
| AEST - Administradora de estacionamento Ltda.(ii) | (2,131) | (4,330) | - | - |
| AEMP - Administradora de Empreendimentos Ltda. (ii) | (1,518) | (3,688) | - | - |
| SP74 - Iguatemi Leasing Ltda. (i) | (3,379) | (3,786) | - | - |
| SCRB - Shopping Centers Reunidos do Brasil Ltda. (iii) | (10,247) | (16,367) | - | - |
| | <u>(17,275)</u> | <u>(28,171)</u> | <u>-</u> | <u>-</u> |
| Services rendered by controlling shareholder | | | | |
| Jereissati Participações S.A. (iv) | <u>(1,560)</u> | <u>(1,560)</u> | <u>(1,560)</u> | <u>(1,820)</u> |
| Finance income: | | | | |
| Intercompany loans - subsidiaries: | | | | |
| Praia Belas Deck Parking Ltda. | - | 65 | - | - |
| | <u>-</u> | <u>65</u> | <u>-</u> | <u>-</u> |
| Intercompany loans - related parties: | | | | |
| Federação das Entidades Assistenciais de Campinas | 806 | 2,015 | 806 | 2,015 |
| | <u>806</u> | <u>2,015</u> | <u>806</u> | <u>2,015</u> |
| Finance costs: | | | | |
| Controller stockholder's expenditure on bail | | | | |
| Jereissati Participações S.A. | <u>(262)</u> | <u>(27)</u> | <u>(262)</u> | <u>(27)</u> |

- (i). These refer to brokerage services rendered by lease of stores in their own ventures.
- (ii). These refer to venture and parking management services.
- (iii). These refer to condominium management services.
- (iv). These refer to administrative services rendered by the parent company Jereissati Participações S.A., such as financial and tax advisory services.

A summary of agreements entered into between the Company and related entities is as follows:

Agreements with SP74 - Iguatemi Leasing

Iguatemi Leasing has several service agreements entered into with malls in which the Company holds interest and/or managed by the Company, aiming at the sale and intermediation of promotional spaces and stores, under specific conditions agreed between the parties.

Agreements with AEST, AEMP e SCRIB

These companies have entered into management service agreements in various projects of the Group, under specific conditions agreed by and between the parties.

Iguatemi Empresa de Shopping Centers S.A.

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Intercompany loan agreements

The Company enters into loans and financing agreements as a lender, for the purpose of financing the working capital of related companies, and as borrower, for the purpose of financing its ventures. The terms and conditions of agreements are broken down in the previous table.

Management personnel compensation

Key management personnel's annual compensation related to short-term benefits, amounting to R\$ 25,314, was approved in Annual Shareholders' Meeting held on June, 25, 2020.

The amounts related to the remuneration of key management personnel under the parent company's responsibility are presented below for the twelve-month periods ended December 31, 2020 and 2019:

| | 12.31.2020 | 12.31.2019 |
|--------------------------|---------------|---------------|
| Short-term benefits (i) | 23,325 | 20,398 |
| Share-based Payment (ii) | 4,592 | 1,263 |
| | <u>27,917</u> | <u>21,661</u> |

- (i). These basically refer to Executive Board's fees and profit sharing, including performance bonus.
- (ii). This refers to cost of options for managing officers.

Guarantees given to subsidiaries

- (a) On September 4, 2015, the Board of Directors approved the Company's provision of a guarantee in favor of Nova Galleria Empreendimentos Imobiliários Ltda., in order to guarantee the securitization of the real estate credits arising from the commitment to sell and purchase the properties that make up Shopping Center Galleria, signed by its subsidiaries Galleria Empreendimentos Imobiliários Ltda. and Nova Galleria Empreendimentos Imobiliários Ltda., and Securitizadora RB Capital Companhia de Securitização in the amount of R\$ 210,000, with a CDI + 0.15% p.a. rate, and term of 120 months, according to Note 11 (d).
- (b) On December 28, 2015, the Board of Directors approved a grant by the Company of an alliance in favor of CSC 142 Participações, guaranteeing the securitization of real estate credits with the commitment to sell and buy the property located in the city de Tijucas, on which will be the commercial project built on a residential complex, with the securitization company RB Capital Company of Securitization in the amount of R \$ 105,000, with a CDI rate + 1.30% pa and term of 228 months, according to note nº 11 (e).
- (c) On March 31, 2016, the Board of Directors approved the Company's provision of a guarantee in favor of CSC41 Participações Ltda., in order to guarantee the securitization of the real estate credits with Securitizadora RB Capital Companhia de Securitização in the amount of R\$ 105,000, with a CDI rate + 1.30% p.a. and term of 228 months, according to Note 11 (f).
- (d) On July 12, 2016, the Board of Directors approved the Company's provision of a guarantee in favor of ORK Empreendimentos Imobiliários SPE Ltda., in order to guarantee the securitization of the real estate credits with Securitizadora RB Capital Companhia de Securitização in the amount of R\$ 275,000, with a final CDI rate – 0.10% p.a. and term of 84 months, according to Note 11 (g).

Iguatemi Empresa de Shopping Centers S.A.

Note to individual and consolidated financial statements
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7 Investments

Breakdown of Investment

| | Individual | | Consolidated | |
|--|------------------|------------------|----------------|---------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Goodwill for added value of assets (a) | 79,049 | 80,297 | 3,495 | 3,495 |
| Future profitability(*) | 88,169 | 88,169 | - | - |
| Shareholdings (b) | 3,036,228 | 2,612,700 | 143,074 | 10,607 |
| Other investments | 15,809 | 15,809 | 16,127 | 16,124 |
| | <u>3,219,255</u> | <u>2,796,975</u> | <u>162,696</u> | <u>30,226</u> |

(*) Goodwill generated on acquisition of 100% of equity interest in subsidiaries Lasul and SISP. grounded on future profitability of ventures SCIPA and SCISP. respectively. It was classified as an attempt to recover and not to identify the impairment indicator.

a. *Breakdown of goodwill*

| | Individual | | | | Consolidated | | | |
|--|---------------|--------------------|---------------|---------------|--------------|--------------------|--------------|--------------|
| | 12.31.2020 | | 12.31.2019 | | 12.31.2020 | | 12.31.2019 | |
| | Cost | Total amortization | Net | Net | Cost | Total amortization | Net | Net |
| Goodwill on Acquisition of SISP Participações S.A. (i) | 28,811 | (3,062) | 25,749 | 25,945 | - | - | - | - |
| Goodwill on Acquisition of Solway Participações S.A. (i) | 30,058 | (6,595) | 23,463 | 23,879 | - | - | - | - |
| Goodwill on share issuance - JK Iguatemi (i) | 8,566 | (443) | 8,123 | 8,175 | - | - | - | - |
| Goodwill on Acquisition of RAS Shopping Centers Ltda. (i) | 10,289 | (2,285) | 8,004 | 8,232 | - | - | - | - |
| Goodwill on Acquisition of SPH 1 Iguatemi Emp. Imobiliários S.A. (i) | 15,637 | (1,927) | 13,710 | 14,066 | - | - | - | - |
| Goodwill on Acquisition of Odivelas Participações S.A. (i) | - | - | - | - | 3,495 | - | 3,495 | 3,495 |
| | <u>93,361</u> | <u>(14,312)</u> | <u>79,049</u> | <u>80,297</u> | <u>3,495</u> | <u>-</u> | <u>3,495</u> | <u>3,495</u> |

- (i) Goodwill generated on acquisition of equity interests, but grounded on surplus of assets – shopping malls were reclassified to investment properties in the consolidated financial statements, in accordance with Note 07.
- (ii) Goodwill generated on the acquisition of an additional portion of Odivelas Participações S.A with useful life to be defined after the project is completed. Since this is a minority interest that does not control the operation. the goodwill was not reclassified to Investment property.

Changes in Goodwill

| | Individual | | Consolidated | |
|-----------------|---------------|---------------|--------------|--------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening Balance | 80,297 | 81,545 | 3,495 | 3,495 |
| Amortizations | (1,248) | (1,248) | - | - |
| Closing Balance | <u>79,049</u> | <u>80,297</u> | <u>3,495</u> | <u>3,495</u> |

Iguatemi Empresa de Shopping Centers S.A.

Note to individual and consolidated financial statements
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b. Equity Interests

| | Investment's Book value | | Equity's result | |
|----------------------------|-------------------------|------------------|-----------------|----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Interest in subsidiaries | 3,025,068 | 2,602,093 | 178,006 | 285,321 |
| Interest in joint ventures | 11,160 | 10,607 | 3,314 | 1,189 |
| | <u>3,036,228</u> | <u>2,612,700</u> | <u>181,320</u> | <u>286,510</u> |

Changes in equity interests

| | Individual | | Consolidated | |
|--------------------------------------|------------------|------------------|----------------|---------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening Balance | 2,612,700 | 2,573,553 | 10,607 | 10,070 |
| Capital Purchase | 431,373 | 92,742 | 520 | - |
| Advances for future capital increase | 16,920 | - | - | - |
| Purchase Participation (i) | - | - | 123,000 | - |
| Gain on Purchase Participation (i) | - | - | 6,947 | - |
| Equity Equivalence | 178,006 | 285,321 | 3,314 | 1,189 |
| Dividends to Receive | (202,771) | (338,916) | (1,314) | (652) |
| Closing Balance | <u>3,036,228</u> | <u>2,612,700</u> | <u>143,074</u> | <u>10,607</u> |

(i) On January 7, 2020, by means of its subsidiary Lasul Empreendimentos Imobiliários Ltda. the Company acquired 47% of Maiojama Participações S/A for the amount of R\$ 123.000. The operation consists of the acquisition of a minority interest in Maiojama, which holds a 14% interest in Shopping Iguatemi Porto Alegre, in the Iguatemi Business tower attached to the mall and Administradora Gaúcha, the company responsible for the complex administration. The fair value of the assets acquired and liabilities assumed by Maiojama on the acquisition date was calculated by the Company's management through individualized analysis of each asset and liability accounts, the impact being basically attributed to the fair value of the investment property (Shopping Iguatemi Porto Alegre and Torre Iguatemi Business).

Financial information on subsidiaries with non-controlling interests and joint ventures

At December 31, 2020 and 2019, management analyzed the financial information on subsidiaries with non-controlling interests and joint ventures, and concluded that such information is immaterial for reporting purposes. However, as additional information, significant balances of assets, liabilities and profit or loss for the years are as follows:

| | Assets | | Equity | | Net Income (loss) for the period | |
|-------|------------|------------|------------|------------|----------------------------------|------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| AGSC | 567 | 285 | 228 | 99 | 3,779 | 3,330 |
| JKES | 4,244 | 3,710 | 954 | 2,417 | 14 | 9,731 |
| Other | 5,902 | 6,477 | 5,890 | 6,434 | (544) | (149) |

Iguatemi Empresa de Shopping Centers S.A.

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8 Investment properties

At Cost

| Description | Remaining average usefull life in years | | | Accumulated depreciation | Total |
|------------------------------|--|---------|------------------------------------|-----------------------------|-----------|
| | | Land | Buildings, facilities and other | | |
| Individual | | | | | |
| 12.31.2020 | 30 to 60 (*) | 140,009 | 1,560,536 | (412,798) | 1,287,747 |
| 12.31.2019 | 31 to 60 (*) | 140,009 | 1,357,426 | (371,396) | 1,126,039 |
| Consolidated before goodwill | | | | | |
| 12.31.2020 | 30 to 60 (*) | 454,594 | 4,803,418 | (1,005,660) | 4,252,352 |
| 12.31.2019 | 31 to 60 (*) | 445,731 | 4,443,096 | (878,020) | 4,010,807 |
| Goodwill reclassified (**) | | | | | |
| 12.31.2020 | 40 to 60 | 34,785 | 58,576 | (14,312) | 79,049 |
| 12.31.2019 | 40 to 60 | 34,785 | 58,576 | (13,064) | 80,297 |
| Total consolidated 2020 | | 489,379 | 4,861,994 | (1,019,972) | 4,331,401 |
| Total consolidated 2019 | | 480,516 | 4,501,672 | (891,084) | 4,091,104 |

(*) The useful lives of items classified as investment properties were defined based on studies prepared by real estate advisors, and are timely reviewed by management, particularly in cases of significant changes in malls that may change said useful lives. For the year ended December 31, 2020, management detected no significant change.

(**) As mentioned in Note 7 (a), this refers to the asset's surplus value, which is stated as investment in the individual financial statements, and, due to its origin, as investment properties in the consolidated financial statements. The amounts are stated net of amortization.

Income and the substantial costs generated by investment properties are described in Notes 20 and 21, respectively.

Changes in investment properties are as follows:

| | Individual | | Consolidated | |
|-----------------|------------|------------|--------------|------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening Balance | 1,126,039 | 1,099,569 | 4,091,104 | 4,121,627 |
| Addition (i) | 200,151 | 68,499 | 367,864 | 138,196 |
| Write-off | - | - | (1,636) | (1,759) |
| Transfer | - | (7,114) | - | (54,426) |
| Depreciations | (38,443) | (34,915) | (125,931) | (112,534) |
| Closing balance | 1,287,747 | 1,126,039 | 4,331,401 | 4,091,104 |

(i) Amount refers substantially to the Acquisition of additional fraction in shopping malls. according to note 01 item b(i).

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The Company annually estimates the fair value of investment properties, as follows:

| | <u>12.31.2020</u> | <u>12.31.2019</u> |
|------------------------------|--------------------------------|--------------------------------|
| | Shopping malls in operation | Shopping malls in operation |
| Fair Value | 14,612,279 | 13,996,008 |
| Gross Lettable Area (mil m2) | 488 | 478 |

The Company adopted a methodology for calculating the fair value, considering the projected cash flow - Nominal model (fair value - level III), which was prepared by internal specialists, considering physical qualifications, assumptions and weighted estimates with market information real estate, as well as macro economic trends for a period of ten years. The calculations did not include potential expansions, barter of land and unannounced projects (even those contained in "guidance").

Assumptions used in the evaluation:

| | <u>12.31.2020</u> | <u>12.31.2019</u> |
|--------------------------------|-------------------|-------------------|
| Average real discount rate | 6.5% p.a. | 6.1% p.a. |
| Occupancy rate | 94.2% | 95.7% |
| Real growth rate in perpetuity | 2% p.a. | 2% p.a. |
| Annual inflation in perpetuity | 3.7% p.a. | 3.7% p.a. |

Based on the fair value of investment properties, management concluded that there is no indication of impairment.

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9 Property and Equipment

| | | Individual | | | | |
|---------------------------|--|--------------|---------------|-----------------|---------------|---------------|
| | | 12.31.2020 | | 12.31.2019 | | |
| Annual Depreciation Tax % | | Accumulated | | Net cost | Net cost | |
| | | Cost | Depreciation | | | |
| | Furniture and Fixtures | 10 | 6,876 | (6,075) | 801 | 1,386 |
| | Computer Equipment | 33.33 | 10,700 | (9,727) | 973 | 1,679 |
| | Property of Right to use (i) | 25 | 10,693 | (5,346) | 5,347 | 10,239 |
| | Others | 20 | 3,627 | (3,037) | 590 | 773 |
| | | | <u>31,896</u> | <u>(24,185)</u> | <u>7,711</u> | <u>14,077</u> |
| | | Consolidated | | | | |
| | | 12.31.2020 | | 12.31.2019 | | |
| Annual Depreciation Tax % | | Accumulated | | Net cost | Net cost | |
| | | Cost | Depreciation | | | |
| | Installations, Machinery and Equipment | 10 | 20,782 | (9,233) | 11,549 | 10,891 |
| | Furniture and Fixtures | 10 | 13,363 | (8,330) | 5,033 | 5,593 |
| | Computer Equipments | 33.33 | 13,291 | (10,843) | 2,448 | 3,498 |
| | Property of Right to use (i) | 25 | 10,693 | (5,346) | 5,347 | 10,239 |
| | Other | 20 | 17,712 | (10,980) | 6,732 | 5,965 |
| | | | <u>75,841</u> | <u>(44,732)</u> | <u>31,109</u> | <u>36,186</u> |

Changes in property and equipment are as follows:

| | | Individual | | | | |
|--|--|--------------|-----------|-----------------|---------------|---------------|
| | | 12.31.2020 | | | 12.31.2019 | |
| | | Additions | Write Off | Depreciation | Net Cost | Net Cost |
| | Furniture and Fixtures | - | - | (585) | 801 | 1,386 |
| | Computer Equipments | 138 | - | (844) | 973 | 1,679 |
| | Property of Right to use (i) | - | - | (4,892) | 5,347 | 10,239 |
| | Other | 5 | - | (188) | 590 | 773 |
| | | <u>143</u> | <u>-</u> | <u>(6,509)</u> | <u>7,711</u> | <u>14,077</u> |
| | | Consolidated | | | | |
| | | 12.31.2020 | | | 12.31.2019 | |
| | | Additions | Write Off | Depreciation | Net Cost | Net Cost |
| | Installations, Machinery and Equipment | 4,261 | - | (3,603) | 11,549 | 10,891 |
| | Furniture and Fixtures | 389 | - | (949) | 5,033 | 5,593 |
| | Computer Equipments | 601 | - | (1,651) | 2,448 | 3,498 |
| | Property of Right to use (i) | - | - | (4,892) | 5,347 | 10,239 |
| | Other | 1,806 | - | (1,039) | 6,732 | 5,965 |
| | | <u>7,057</u> | <u>-</u> | <u>(12,134)</u> | <u>31,109</u> | <u>36,186</u> |

- (i) This refers to a corporate office lease agreement entered into with Iguatemi São Paulo shopping mall, due to the adoption of IFRS 16/CPC 06 (R2).

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Based on management's assessment, there is no indication of devaluation of the asset that requires the impairment.

10 Intangible assets

| | Individual | | | |
|------------------------------|---------------|--------------------------|---------------|---------------|
| | 12.31.2020 | | 12.31.2019 | |
| | Cost | Accumulated Depreciation | Net | Net |
| Software in development (ii) | 5,817 | - | 5,817 | 10,994 |
| Others (iii) | 40,128 | (29,449) | 10,679 | 7,992 |
| | <u>45,945</u> | <u>(29,449)</u> | <u>16,496</u> | <u>18,986</u> |

| | Consolidated | | | |
|------------------------------|----------------|--------------------------|----------------|----------------|
| | 12.31.2020 | | 12.31.2019 | |
| | Cost | Accumulated Depreciation | Net | Net |
| Goodwill (i) | 88,169 | - | 88,169 | 88,169 |
| Software in development (ii) | 6,600 | - | 6,600 | 10,994 |
| Others (iii) | 49,696 | (33,056) | 16,640 | 16,478 |
| | <u>144,465</u> | <u>(33,056)</u> | <u>111,409</u> | <u>115,641</u> |

- (i) Goodwill net of amortization amounting to R\$ 76,365 (SISP Participações S.A) and R\$ 11,804 (Lasul Empresa de Shopping Centers Ltda.) was calculated by the Company in 2007, through the acquisition of equity interests in the respective companies. This goodwill is economically based on the future profitability of shopping malls – Shopping Center Iguatemi Porto Alegre (Lasul) and Shopping Center Iguatemi São Paulo (SISP).
- (ii) The modules under development are aggregated to cost, and begin to amortize as from completion.
- (iii) Refers to the implementation and improvements of the various technology systems, with amortization in three years.

Changes in intangible assets

| | Individual | | Consolidated | |
|-----------------|---------------|---------------|----------------|----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening Balance | 18,986 | 15,943 | 115,641 | 105,554 |
| Additions | 5,818 | 9,623 | 6,703 | 17,165 |
| Amortizations | (8,308) | (6,580) | (10,935) | (7,078) |
| Closing Balance | <u>16,496</u> | <u>18,986</u> | <u>111,409</u> | <u>115,641</u> |

Goodwill impairment analysis of future profitability

The Cash Generating Unit (CGU) to which goodwill is allocated must be tested for impairment. The test is conducted by comparing the carrying amount of the CGU (including goodwill) with its recoverable amount, and must be performed at least annually, or whenever there is an indication that the CGU may be impaired.

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The goodwill tested for purposes of recoverable amount considers the CGU of shopping Iguatemi São Paulo and Iguatemi Porto Alegre.

Goodwill, which corresponds to approximately 1.56% of the Company's total consolidated assets at December 31, 2019, and 1,66% at 2018, is tested for impairment, considering the CGU of Iguatemi São Paulo and Iguatemi Porto Alegre malls.

The Company analyzed the recoverable amount through the discounted cash flow - nominal model, which was prepared by internal specialists, considering the physical qualifications, assumptions and estimates weighted with real estate market information, as well as macroeconomic trends.

The main assumptions that led to the estimated amount are described below:

| | <u>12.31.2020</u> | <u>12.31.2019</u> |
|--------------------------------|-------------------|-------------------|
| Average real discount rate | 5,7% p.a. | 5,6% p.a. |
| Occupancy rate | 96.9% | 96.7% |
| Real growth rate in perpetuity | 2% p.a. | 2% p.a. |
| Annual inflation in perpetuity | 3,7% p.a. | 3,7% p.a. |

Based on the impairment testing of malls (measured through cash flows) against the net cost value, goodwill for future profitability and for surplus allocated to the respective malls (where applicable), management concluded that there is no indication impairment.

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11 Loans, Financing and derivative instruments

| | | | | Individual | | Consolidated | |
|----------------|--|--|-----|---------------|---------------|---------------|---------------|
| | | | | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Swap operation | | | (a) | 75,026 | 63,148 | 75,026 | 63,148 |
| | | | | <u>75,026</u> | <u>63,148</u> | <u>75,026</u> | <u>63,148</u> |
| Noncurrent | | | | 75,026 | 63,148 | 75,026 | 63,148 |

| | | | | Individual | | Consolidated | |
|----------------------------|------------------------|--------------------|-----|------------------|------------------|------------------|------------------|
| | | | | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Banco Itaú | 92,50% of CDI | July 19, 2021 | (a) | 225,612 | 214,691 | 225,612 | 214,691 |
| Banco Itaú | TR + 6,0% p.a. | July 10, 2031 | (b) | 71,324 | 78,063 | 71,324 | 78,063 |
| Banco Itaú | TR + 6,0% p.a. | December 15, 2030 | (c) | 133,315 | 146,647 | 133,315 | 146,647 |
| RB Capital | CDI + 0,15% p.a. | September 17, 2025 | (d) | - | - | 185,150 | 202,549 |
| RB Capital | CDI + 1,30% p.a. | December 15, 2034 | (e) | - | - | 98,826 | 100,481 |
| RB Capital | CDI + 1,30% p.a. | March 19, 2035 | (f) | - | - | 100,307 | 101,536 |
| RB Capital | CDI - 0,10% p.a. | June 19, 2023 | (g) | - | - | 273,411 | 276,339 |
| RB Capital | 96% of CDI | September 18, 2024 | (h) | 277,081 | 278,359 | 277,081 | 278,359 |
| Apice | 97,5% of CDI | June 27, 2023 | (i) | 251,526 | 250,649 | 251,526 | 250,649 |
| Santander | CDI + 0,75% p.a. | June 01, 2021 | (j) | 207,600 | 200,878 | 207,600 | 200,878 |
| Santander | CDI + 1,54% p.a. | September 13, 2021 | (k) | 103,054 | - | 103,054 | - |
| Banco Itaú | TR + 5,0% to 8,6% p.a. | March 29, 2032 | (l) | 171,746 | - | 171,746 | - |
| Banco Itaú | TR + 5,0% to 8,6% p.a. | March 29, 2032 | (m) | - | - | 84,430 | - |
| Non-financial institutions | IGP-DI | | | - | 190 | - | 190 |
| | | | | <u>1,441,258</u> | <u>1,169,477</u> | <u>2,183,382</u> | <u>1,850,382</u> |
| Current | | | | 480,630 | 25,978 | 578,055 | 51,931 |
| Noncurrent | | | | 960,628 | 1,143,499 | 1,605,327 | 1,798,451 |

Breakdown of debt by index

| | | | | Individual | | Consolidated | |
|----------|--|--|--|------------------|------------------|------------------|------------------|
| | | | | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| TR | | | | 376,385 | 224,710 | 460,815 | 224,710 |
| CDI | | | | 1,064,873 | 944,577 | 1,722,567 | 1,625,482 |
| IGP - DI | | | | - | 190 | - | 190 |
| | | | | <u>1,441,258</u> | <u>1,169,477</u> | <u>2,183,382</u> | <u>1,850,382</u> |

Debt payment schedule

The payment schedule of long-term debts with third parties is as follows:

| | Individual | | Consolidated | |
|--------------|----------------|------------------|------------------|------------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| 2021 | - | 430,355 | - | 525,101 |
| 2022 to 2023 | 535,456 | 430,106 | 830,284 | 710,293 |
| 2023 to 2035 | 425,172 | 283,038 | 775,043 | 563,057 |
| | <u>960,628</u> | <u>1,143,499</u> | <u>1,605,327</u> | <u>1,798,451</u> |

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Changes in loans and financing

| | Individual | | Consolidated | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening balance | 1,169,477 | 975,016 | 1,850,382 | 1,660,098 |
| Borrowings | 274,600 | 200,000 | 360,100 | 200,000 |
| Payments principal and interest | (62,970) | (81,783) | (113,462) | (131,588) |
| Accrued interest | 57,998 | 71,495 | 81,671 | 114,658 |
| Borrowing costs | 2,153 | 4,749 | 4,691 | 7,214 |
| Closing balance | <u>1,441,258</u> | <u>1,169,477</u> | <u>2,183,382</u> | <u>1,850,382</u> |

Description of the main characteristics of loans and financing:

- (a) On July 10, 2013, the Company issued a bank credit note (CCB) in favor of Banco Itaú BBA with principal amount of R\$ 150,000, IPCA rate + 4% p.a. ("Swap" to 92.5% of CDI), semi-annual interest and repayment in the 8th year and total borrowing cost in the amount of R\$ 9,897, specifically for the purpose of building Shopping Center Iguatemi Rio Preto. As a guarantee, the Company presented the ideal fraction corresponding to 88% of Shopping in São José do Rio Preto. On July 18, 2013, the Company entered into a cash flow swap agreement with Banco Itaú BBA SA, with the objective of reducing the risk of fluctuation in the CRI debt index, thus, the credit agreement swap provides that the Company is required to pay 92.5% of the CDI (passive) and to receive 4% pa + IPCA (active tip). At December 31, 2020, the balance amounted to R\$ 150,586 (R\$151,543 in 2019) in Company and Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (b) In order to expand Shopping Center Iguatemi Porto Alegre, the Company entered into a financing agreement with Itaú Unibanco S.A. on July 11, 2014, in the amount of R\$ 78,000, with TR + 6.0, fully released with total borrowing cost of R\$ 1,571. As a guarantee, the Company presented the 40% (forty percent) fraction of Shopping Campinas and its future expansion. The repayment will occur within 144 months, through the Constant Amortization System - SAC. At December 31, 2020, the balance amounted to R\$ 71,324 (R\$ 78,063 in 2019) in Company and Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (c) In order to expand Shopping Center Iguatemi Campinas, the Company entered into a financing agreement with Itaú Unibanco S.A. on July 11, 2014, in the amount of R\$ 152,000, with TR + 6.0, fully released. As a guarantee, the Company presented the 40% (forty percent) fraction of Shopping Campinas and its future expansion. The repayment will occur within 144 months, through the Constant Amortization System - SAC. At December 31, 2020, the balance amounted to R\$ 133,315 (R\$ 146,647 in 2019) in company and consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (d) On September 24, 2015, the Company carried out a Securitization operation with the market through Securitizadora RB Capital in the amount of R\$ 210,000 in the name of subsidiary Galleria Empreendimentos Imobiliarios Ltda., in order to capitalize the Company. The Mortgage-backed Securities had the closing of bookbuilding at the rate of CDI + 0.15% p.a., with grace period of 48 months and repayment in 72 months, as from October 2019. As a guarantee, the Company presented the fraction of 100% (one hundred percent) of Shopping Galleria. At December 31, 2020, the balance amounted to R\$185,150 (R\$ 202,549 in 2019) in Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.

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- (e) On December 28, 2015, the Company carried out a Securitization operation with the market through Securitizadora RB Capital in the amount of R\$ 105,000, with release, at December 31, 2015, of R\$ 35,000 and, on January 4, 2016, of R\$ 70,000 in the name of subsidiary CSC 142 Participações Ltda., for the construction of the future outlet in the city of Tijucas, in Santa Catarina. CRI was distributed at the rate of CDI + 1.30% p.a. and amortization in 228 months. As a guarantee, the Company presented the fraction of 50% of Shopping Iguatemi JK. At December 31, 2020, the balance amounted to R\$ 98,826 (R\$ 100,481 in 2019) in Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (f) On June 30, 2016, the Company carried out a Securitization operation with the market through Securitizadora RB Capital in the amount of R\$ 105,000 in the name of subsidiary CSC 41 Participações Ltda., in order to capitalize the Company. CRI was distributed at the rate of CDI + 1.30% p.a. and amortization in 228 months. As a guarantee, the Company presented the fraction of 50% of Shopping Iguatemi JK. At December 31, 2020, the balance amounted to R\$ 100,307 (R\$ 101,536 in 2019) in Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (g) On July 12, 2016, the Company carried out a Securitization operation with the market through Securitizadora RB Capital in the amount of R\$ 275,000 in the name of subsidiary Ork Empreendimento Imobiliários SPE Ltda., in order to capitalize the Company. CRI was distributed at the rate of CDI - 0.10% p.a. and amortization in 84 months. As a guarantee, the Company presented the fraction of 78% of Shopping Iguatemi Alphaville. At December 31, 2020, the balance amounted to R\$ 273,441 (R\$ 276,339 in 2019) in consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (h) On July 24, 2017, the Company was authorized by the Board of Directors to issue the fifth issue of simple debentures non-convertible into shares, in a single series, to be linked to the issuance of CRI. The operation was completed on September 18, 2017, in the total amount of R\$ 279,635 and total borrowing cost of R\$ 7,600, with remuneration limited to 96% of the accumulated variation of the DI rate, and amortization in 84 months. At December 31, 2020, the balance amounted to R\$ 277,081 (R\$ 278,359 in 2019) in Company and Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (i) On April 30, 2018, the Company was authorized by the Board of Directors to perform the sixth issue of simple non-convertible debentures, in a single series, to be linked to the issuance of Certificates of Real Estate Receivables ("CRI"). The operation was concluded on June 27, 2018, in the total amount of R\$ 254,000, with a remuneration of 97.5% of the CDI and maturity on June 27, 2023. This operation has a non-financial covenant clause, consisting of downgrade by Fitch Ratings or its equivalent by Standard & Poor's or by Moody's, except where such a downgrade is caused solely by changes or impacts on the risk) referring to the credit of the Federative Republic of Brazil (sovereign risk). As of December 31, 2020, the balance is R\$ 251,526 (R\$ 250,649 in 2019) in the parent company and consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (j) On November 14, 2019, the Company was authorized by the Board of Directors to issue a Promissory Note. The transaction was completed on November 29, 2019, in the amount of R\$ 200,000, yielding CDI + 0.75% p.a. and 18-month amortization. At December 31, 2020, the balance amounts to R\$ 207,600 (R\$ 200,878 in 2019) in the individual and consolidated financial statements. This transaction has a covenant with the same level of indebtedness and leverage, described in Note 12 (4th issue).
- (k) On March 18, 2020, the Company executed a Bank Credit Note with Banco Santander (Brasil) S.A. in the amount of R\$ 100,000, with a CDI rate + 1.54% p.a. to maintain cash availability to address the uncertainties caused by the COVID-19 pandemic. Amortization will occur on September 13, 2021. As of December 31, 2020, the balance is R\$ 103,054 Individual and Consolidated. This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.
- (l) In order to increase its interest in Praia de Belas Shopping Center, the Company entered into a financing with Itaú Unibanco SA on March 23, 2020 in the amount of R\$ 174,600, with a rate ranging between TR + 8.60 and TR + 5.00%, this rate is verified monthly by reference to the Selic rate calculated on the date of each maturity. As a guarantee, the Company presented 37.545% of Praia de Belas Shopping Center. Amortization will take place within 120 months, through the Constant Amortization System - SAC. As of December 31, 2020, the balance is R\$ 171,746 (Individual and Consolidated). This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.

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- (m) In order to increase its interest in Esplanada Shopping, the Company entered into a financing with Itaú Unibanco SA on March 23, 2020 in the amount of R\$ 85,500, with a rate ranging between TR + 8.60 and TR + 5.00%. This rate is verified monthly by reference to the Selic rate calculated on the date of each maturity. As a guarantee, the Company provided 27.3271782% of Esplanada Shopping. Amortization will take place within 120 months, through the Constant Amortization System - SAC. As of December 31, 2020, the balance is R\$ 84,430 (Consolidated). This transaction does not have covenants net debt/EBITDA and EBITDA/net finance cost.

12 Debentures

Funds obtained by the Company through offers are used to fund: (a) the expansion of operations in shopping malls in which the Company holds interest; (b) acquisition of more interest; (c) the acquisition of interest in existing third-party shopping malls and smaller networks; (d) the design, incorporation and management of new shopping malls; and (e) refinancing of financial liabilities falling due.

| | Individual and Consolidated | |
|-----------------------|-----------------------------|----------------|
| | 12.31.2020 | 12.31.2019 |
| Debentures 4th issue | 78,598 | 130,216 |
| Debentures 7th issue | 395,223 | 398,214 |
| Debentures 9th issue | 295,136 | - |
| Debentures 10th issue | 502,191 | - |
| | <u>1,271,148</u> | <u>528,430</u> |
| Circulante | 83,914 | 62,973 |
| Não circulante | 1,187,234 | 465,457 |

The debentures are not convertible and have been publicly distributed, under the firm guarantee regime, under the terms of the Distribution Agreement, with brokerage of financial institutions that are part of the marketable securities distribution system, there being no advance reservations or minimum or maximum lots, and the Offer became effective in accordance with the result of the bookbuilding procedure.

The debentures were registered for trading in the secondary market through the National Debentures System and BOVESPA FIX.

Fourth Issue

In February 2013, the Company conducted its fourth issue through a public offering via CVM Rule No. 400. Forty-thousand debentures were allocated in the first series and five thousand debentures in the second series of registered, book-entry, unprivileged, non-convertible debentures, with nominal unit value of R\$ 10, and final maturity on February 15, 2020 for the first series, February 15, 2021 for the second series, totaling R\$ 450,000, with full cost of issue amounting to R\$ 4,465.

The debentures were issued based on the deliberations of the Board of Directors' Meetings held in December 2012.

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Maturity of the First Series debentures will be in 7 (seven) years, from the issue date, with grace period of six years for the amortization of the principal, which will occur in two equal successive annual installments on February 15, 2019 and February 15, 2020. The maturity of the Second Series debentures will be in 8 (eight) years, from the issue date, for full amortization on the maturity date.

On October 2, 2018, the Company acquired and canceled 29,247 debentures of the First Series of the 4th Issue, remaining in circulation 10,753 First Series debentures and 5,000 Second Series debentures.

The 1st series debentures will not be subject to restatement or monetary restatement by any index. On the balance of the nominal value, only remuneration interest corresponding to 100% of the CDI, plus an exponential surcharge equivalent to 0.82% p.a. is levied, paid semi-annually from the issuance date.

The Second Series debentures will have their nominal unit value or the balance of the nominal unit value, as applicable, restated as of the date of issue, by the variation of Brazil's Extended Consumer Price Index (IPCA) calculated by IBGE. The balance of the nominal value of the Second Series debentures will be entitled to remuneration corresponding to 4.31% p.a. ("Remuneration Interest on Second Series Debentures") on the Unit Nominal Value or the unit nominal value balance, as applicable, from the date of issue or the date immediately preceding payment of the remuneration of Second Series debentures, as applicable, calculated under a compound capitalization regime, on a pro rata temporis basis, considering business days, and paid annually, as defined in the Deed of Issue ("Remuneration of Debentures of the Second Series" and, together with the Remuneration of the Debentures of the First Series, "Remuneration"), according to the formula described in the Deed of Issue. At December 31, 2020, the balance of interest provisioned amounts to R\$ 0 and R\$ 25,329 (noncurrent R\$22,604) at December 31, 2019.

The costs of issuance of the debentures are amortized to profit or loss by the effective cost method, and presented under "Debentures", as a reduction of the debt. Unamortized costs at December 31, 2020 total is R\$ 0 and R\$ 107 at december 31, 2019.

Seventh Issue

In September 2018, the Company issued its seventh issue through a public offering through CVM Instruction 476. Three hundred and ninety-five thousand, one hundred and seventy-six (395,176) Debentures were allocated, of which 100,000 (one hundred thousand) Debentures Series, 65,741 (sixty-five thousand, seven hundred and forty one) Debentures of the second Series and 229,435 (two hundred twenty-nine thousand, four hundred and thirty-five) Debentures of the third Series nominative, book-entry, unsecured and non-convertible into shares and nominal unit value of R\$ 1,000 (one thousand reais), with final maturity on September 20, 2024 for all issues.

The debentures were issued based on the deliberations of the Meetings of the Board of Directors held in August 2018.

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The maturity of the Debentures will be six (6) years, counted from the date of issue, the Debentures Face Value will be fully amortized in a single installment, on the maturity date of the Debentures for all issues.

The (i) Debentures of the 1st series, will bear remuneratory interest corresponding to 107.50% of the cumulative variation of the DI Over Rates, based on 252 business days, (ii) 2nd Series Debentures, remuneration interest corresponding to 100% of the accumulated variation of the DI Over rates, exponentially increased by a surcharge or spread of 0.82% per annum, based on 252 Business Days and (iii) 3rd Series Debentures, will bear remuneration interest corresponding to 109% of the accumulated variation of DI Over Rates, based on 252 Days Useful, all calculated exponentially and cumulatively pro rata temporis for Business Days elapsed, from the first Payment Date or the Payment Date of the Remuneration of the respective series immediately preceding, as the case may be, until the effective payment date. The balance of accrued interest on December 31, 2020 is R\$ 2,370 (R\$ 5,954 in 2019). The Debentures of the 2nd Series and the Debentures of the 3rd Series were distributed only to holders of debentures subject to the 4th issuance of simple, non-convertible debentures of the Issuer's unsecured type, dated December 27, 2012 (Debentures of the 4th Issue).

The costs of issuing the debentures are amortized to the results by the effective cost method and are presented under "Debentures", as a reduction of the debt. The costs to be amortized on December 31, 2020 amount to R \$ 2,323 (noncurrent 1,730) and R\$ 2,916 (noncurrent 2,323) on December 31, 2019.

Ninth issue

On May 2020. the Company conducted its 9th issue of debentures. by means of a public offer in accordance with CVM Ruling No. 476. The Company allocated 300,000 (three hundred thousand) unsecured registered debentures not convertible into shares in a single series. at par value of R\$ 1,000 (one thousand reais). maturing on May 28, 2023.

These debentures were issued based on the decisions of the Board of Directors' meetings held on May 2020.

Referred to debentures mature within 3 (three) years. as from date of issue and their nominal value will be fully amortized in a single installment on maturity date.

Company debentures are subject to interest corresponding to 100% of the accumulated variation of DI Over rates. plus a surtax or spread of 3.0% p.a. calculated under the compound interest method. on a base of 252 business days. all calculated using referred to method and an on a cumulative pro rata basis per business days elapsed. from the first payment date to the effective payment date.

Debenture issue costs are posted to P&L under the effective cost method and recorded in Debentures as debt decrease. At December 31, 2020. costs to be amortized amount to R\$ 6,134 (noncurrent 2,454).

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Tenth issue

In October 2020, the Company conducted its tenth issue of debentures, through a public offering via CVM Ruling No. 476. A total of 500,000 (five hundred thousand) book-entry, unprivileged, non-convertible debentures with a par unit value of R\$1,000 (one thousand reais) was allocated, in up to two series, under the “communicating vessel system”, the first series with final maturity on September 28, 2025 and the second series with 50% maturity on September 28, 2026 and 50% on September 28, 2027.

These debentures were issued based on the decisions of the Board of Directors’ meetings held on September 2020.

Maturity will be in 5 (five) years for the first series and in 7 (seven) years for the second series, from the issue date. The par value of the first series debentures will be fully amortized in a single installment, on the maturity date of the debentures, and the par value of the second series debentures will be amortized in two installments.

The first series debentures will bear interest corresponding to 100% of the accumulated variation of DI Over rates, exponentially increased by a surcharge or spread of 2.15% per year, based on 252 working days, and the second series will bear interest corresponding to the 100% of the accumulated variation of the DI Over rates, exponentially increased by a surcharge or spread of 2.45% per year, based on 252 working days, all of which are calculated exponentially and cumulatively pro rata temporis for working days elapsed, from the first payment date up to the date of the effective payment of both series.

Debenture issue costs are posted to P&L under the effective cost method and recorded in Debentures as debt decrease. At December 31, 2020, costs to be amortized amount to R\$ 2,972 (noncurrent 2.532).

Covenants

All debentures have covenants determining the debt levels and leverage, as follows:

| Debentures | Indebtedness and leverage level | | |
|------------|---------------------------------|--------|------------------------------------|
| 4th issue | Net Debt / EBITDA | < 3.50 | and EBITDA/Net Finance Cost > 2.00 |
| 7th issue | Net Debt / EBITDA | < 3.50 | and EBITDA/Net Finance Cost > 2.00 |
| 9th issue | Net Debt / EBITDA | < 4.00 | and EBITDA/Net Finance Cost > 2.00 |
| 10th issue | Net Debt / EBITDA | < 4.00 | and EBITDA/Net Finance Cost > 2.00 |

Financial indices must be complied with on a quarterly basis. However, compliance of the 9th and 10th issue of debentures will be on March 31, 2022 and after such date, for all subsequent quarters, until final settlement of the transaction. For the 4th and 7th issue, the covenant clause was complied on December 31, 2020 and 2019 and there are no renegotiation clauses

Changes in debentures, recorded in current and noncurrent liabilities, are as follows:

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| | <u>Individual and Consolidated</u> | |
|---------------------------------|------------------------------------|-------------------|
| | <u>12.31.2020</u> | <u>12.31.2019</u> |
| Opening balance | 528,430 | 581,221 |
| Borrowings | 800,000 | - |
| Payments principal and interest | (92,520) | (88,513) |
| Issue costs | 2,036 | 1,230 |
| Accrued interest | 33,202 | 34,492 |
| Closing balance | <u>1,271,148</u> | <u>528,430</u> |

Repayment schedule of principal amount, classified as noncurrent liabilities, is as follows:

| | <u>Individual and Consolidated</u> | |
|-------------------------------------|------------------------------------|-------------------|
| | <u>12.31.2020</u> | <u>12.31.2019</u> |
| 2021 4th issue | - | 50,000 |
| 2021 4th issue Monetary restatement | - | 22,604 |
| 2023 9th issue | 300,000 | - |
| 2024 7th issue | 395,176 | 395,176 |
| 2025 10th issue | 100,000 | - |
| 2027 10th issue | 400,000 | - |
| | <u>1,195,176</u> | <u>467,780</u> |
| Issue cost to allocate | (7,942) | (2,323) |
| | <u>1,187,234</u> | <u>465,457</u> |

Calculation of the internal return rate:

| | Date | Nominal Value | Expenses with issuance | Net Value | Projected interest rate | IRR |
|------------|------------|---------------|------------------------|-----------|--|--------|
| 4th issue | 02/15/2013 | 403,497 | (3,471) | 400,026 | Used the metric of the BMF, being the curve as of 12/30/2020 | 10.88% |
| 4th issue | 02/15/2013 | 50,663 | (434) | 50,229 | Used the metric of the BMF, being the curve as of 12/30/2020 | 10.07% |
| 7th issue | 09/20/2018 | 231,591 | (2,156) | 229,435 | Used the metric of the BMF, being the curve as of 12/30/2020 | 4.76% |
| 7th issue | 09/20/2018 | 66,359 | (618) | 65,741 | Used the metric of the BMF, being the curve as of 12/30/2020 | 5.24% |
| 7th issue | 09/20/2018 | 100,940 | (940) | 100,000 | Used the metric of the BMF, being the curve as of 12/30/2020 | 4.70% |
| 9th issue | 05/28/2020 | 306,552 | (6,552) | 300,000 | Used the metric of the BMF, being the curve as of 12/30/2020 | 7.10% |
| 10th issue | 10/02/2020 | 100,617 | (617) | 100,000 | Used the metric of the BMF, being the curve as of 12/30/2020 | 6.30% |
| 10th issue | 10/02/2020 | 402,467 | (2,467) | 400,000 | Used the metric of the BMF, being the curve as of 12/30/2020 | 6.70% |

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13 Tax Liabilities

| | Individual | | Consolidated | |
|---|---------------|--------------|---------------|---------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Income and social contribution tax payable | - | 121 | 6,781 | 6,558 |
| Deferred taxes (i) | 5,759 | - | 11,894 | - |
| PIS, Cofins and Social Security Funding Tax - Finsocial | 4,095 | 2,724 | 9,082 | 5,862 |
| Other taxes and contributions (ii) | 3,140 | 1,830 | 6,253 | 8,797 |
| | <u>12,994</u> | <u>4,675</u> | <u>34,010</u> | <u>21,217</u> |
| Circulante | 7,235 | 4,675 | 22,116 | 17,561 |
| Não circulante | 5,759 | - | 11,894 | 3,656 |

- (i) Refers substantially to Pis and Cofins taxes on the straight line of COVID-19 discounts. according to note 05, item (ii).
- (ii) The balance as of December 31, 2020. refers substantially to the values of IPTU - Urban Land Building and Tax. of which R\$ 2,746 in the Individual and in the consolidated R\$ 3,305.

14 Provision for tax, labor and civil contingencies

The Company and its subsidiaries figure as defendants in legal and administrative proceedings of tax, labor and civil nature. Accordingly, a provision for contingencies was set up at amounts deemed sufficient to cover probable future disbursements

Breakdown of book balance

| | Individual | | Consolidated | |
|--|---------------|---------------|---------------|---------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Noncurrent | | | | |
| Corella (i) | 30,000 | 30,000 | 30,000 | 30,000 |
| Labor | 321 | 367 | 820 | 698 |
| Other (ii) | 23 | 15 | 1,555 | 1,229 |
| | <u>30,344</u> | <u>30,382</u> | <u>32,375</u> | <u>31,927</u> |
| Asset recorded due to the possibility of repurchase of interest in Corella (i) | (6,970) | (6,970) | (6,970) | (6,970) |
| | <u>23,374</u> | <u>23,412</u> | <u>25,405</u> | <u>24,957</u> |

Summary of main proceedings

Civil and tax

- (i) A The Company is a defendant in a suit that aims to apply a clause of repurchase of the plaintiff's interest in Shopping Center Boulevard Iguatemi, equivalent to 3.58% of this venture. The Company has classified the likelihood of loss as probable and based on the progress of the process and the opinion of its external advisors, at december 31, 2020, the Company's provision totaled R\$ 30,000 (R\$ 30,000 in 2019). The proceeding is pending higher court judgment.

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- (ii) They refer substantially to the provision for Municipal Real Property Tax (IPTU)-related suits by the Votorantim and Sorocaba City Governments, which amount to R\$ 1,555 as of December 31, 2020 (R\$ 1,229 in 2019).

Labor

The Company and its subsidiaries are defendants in various labor claims filed by former employees. Based on the estimated loss assessed by management, the Company recorded a provision, at December 31, 2020, amounting to R\$ 321 (R\$ 367 in 2019) and R\$ 820 in Consolidated (R\$ 698 in 2019).

Tax, civil and indemnification claims rated as possible losses

The Company and its subsidiaries are parties to other tax, civil and indemnification claims arising in the normal course of their business, involving “possible” risk of loss. At December 31, 2020, estimated loss amounts in tax proceedings total R\$ 4,000 (R\$ 796 in 2019), R\$ 23,445 in consolidated (R\$ 8,442 in 2019), in civil proceedings, R\$ 90,513 in Company (R\$ 57,775 in 2019), R\$ 99,962 in Consolidated (R\$ 77,304 in 2019) and in indemnification claims R\$ 119 in Company (R\$0 em 2019) and R\$ 3,421 in Consolidated (R\$ 3,078 em 2018). Most of the civil claims are insured, as shown in Note 19, item (b).

Changes in provision for tax, labor and civil contingencies

Changes in provision for tax, labor and civil contingencies are as follows:

| | Individual | | Consolidated | |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Opening balance | 23,412 | 17,719 | 24,957 | 18,896 |
| Provisions net of reversals | (38) | 5,693 | 448 | 6,061 |
| Closing balance | <u>23,374</u> | <u>23,412</u> | <u>25,405</u> | <u>24,957</u> |

15 Financial Instruments

15.1 General considerations and policies

The Company and its subsidiaries enter into transactions involving financial instruments, where applicable, which are recorded in statement of financial position accounts in order to meet their operating and financial needs. Short-term investments, loans, financing and intercompany loans, debentures, among others, are contracted.

These financial instruments are managed by means of policies, definition of strategies and establishment of control systems, which are monitored by Company management.

Treasury procedures set by the policy in effect include monthly projection routines and assessment of the consolidated currency exposure of the Company and its subsidiaries, based on which management makes its decisions.

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15.2 Financial instruments by category

The Company's financial instruments were classified into the following categories:

| | 12.31.2020 | | | 12.31.2019 | | |
|--|-----------------------------------|------------------|------------------|-----------------------------------|------------------|------------------|
| | Fair value through profit or loss | Amortizable cost | Total | Fair value through profit or loss | Amortizable cost | Total |
| Asset | | | | | | |
| Financial investments | 1,613,301 | 33,370 | 1,646,671 | 943,065 | 32,571 | 975,636 |
| Trade receivables | - | 150,136 | 150,136 | - | 129,361 | 129,361 |
| Other receivables | - | 220,054 | 220,054 | - | 52,506 | 52,506 |
| Loans receivable | - | 143 | 143 | - | 413 | 413 |
| Receivables from other related parties | - | 53,294 | 53,294 | - | 46,078 | 46,078 |
| Total | 1,613,301 | 456,997 | 2,070,298 | 943,065 | 260,929 | 1,203,994 |
| Liabilities | | | | | | |
| Labor obligations | - | 12,606 | 12,606 | - | 26,723 | 26,723 |
| Trade payables | - | 23,120 | 23,120 | - | 14,275 | 14,275 |
| Borrowings | - | 2,108,356 | 2,108,356 | - | 1,787,234 | 1,787,234 |
| Debentures and charges | - | 1,271,148 | 1,271,148 | - | 528,430 | 528,430 |
| Minimum mandatory dividend payable | - | 48,032 | 48,032 | - | 73,656 | 73,656 |
| Other payable | - | 16,804 | 16,804 | - | 26,103 | 26,103 |
| Total | - | 3,480,066 | 3,480,066 | - | 2,456,421 | 2,456,421 |

The Company and its investees apply the hierarchy rules for the evaluation of the fair values of their financial instruments, for financial instruments measured in the balance sheet, which requires the disclosure of fair value measurements by the level of the following hierarchy:

- (i) Quoted prices (unadjusted) in markets for identical assets and liabilities (Level 1).
- (ii) Information, in addition to the quoted prices, included in Level 1 that are adopted by the market for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2)
- (iii) Assumptions, for assets or liabilities, that are not based on observable market data (unobservable inputs) (Level 3).

At December 31, 2020, and December 31, 2019, the instruments recorded at fair value were classified as follows:

| Description | Fair value hierarchy | Fair value | |
|----------------------------------|----------------------|------------|------------|
| | | 12.31.2020 | 12.31.2019 |
| Financial investments | 2nd Level | 1,613,301 | 943,065 |
| Borrowing and financing | 2nd Level | 1,173,581 | 827,970 |
| Mortgage-backed Securities (CRI) | 2nd Level | 934,775 | 959,264 |
| Debentures | 2nd Level | 1,271,148 | 528,430 |

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15.3 Risk factors

The main source of revenue for the Company and its subsidiaries are the leases from the shopping mall lessees.

According to their nature, financial instruments may involve known or unknown risks, and the potential risk assessment is important, in the best judgment of the Company and its subsidiaries. Thus, there may be risks with or without guarantees depending on circumstantial or legal aspects. The main market risk factors that may affect the business of the Company and its subsidiaries are as follows:

a. Credit Risk

The Company and its investees have internal controls capable of monitoring the level of default of its clients to control the credit risk of the portfolio, which is composed of pulverized customers. The assumptions considered by the Company to evaluate the acceptance of potential clients are: the collateral accepted (property, letter of guarantee, insurance, etc.), the suitability of individuals and legal entities involved in the lease (partners, guarantors and guarantors) and use of SERASA as a reference for consultation. The provision for impairment is analyzed at each balance sheet date, by analyzing the historical data of default and projection of expected loss.

The maximum exposure to credit risk at the balance sheet date is the recorded amount of each class of financial assets.

The Company lowers its financial assets when there is no reasonable expectation of recovery (write-off). Receivables written off by the Company continue in the collection process to recover the amount of receivables. When there are recoveries, these are recognized as credit recovery proceeds in the period result.

b. Liquidity Risk

The cash flow forecast is performed in the Company's operating entities by financial professionals who continuously monitor liquidity to ensure that the Company has sufficient cash to meet its operating needs. Such forecast takes into consideration the debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements.

c. Capital management

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders as well as to maintain an optimal target capital structure to reduce the cost of capital. The net financial position is equivalent to total cash and cash equivalents, less short and long-term loans, financing and debentures.

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| | Consolidated | |
|--|--------------------|--------------------|
| | 12.31.2020 | 12.31.2019 |
| Cash, cash equivalents and financial investments | 1,674,197 | 1,022,560 |
| Borrowing financing and debentures | <u>(3,454,530)</u> | <u>(2,378,812)</u> |
| Net financial position | <u>(1,780,333)</u> | <u>(1,356,252)</u> |
| Equity | 3,149,328 | 3,000,062 |

d. Price fluctuation risk

Lease agreements, in general, are restated by reference to the annual variation of the IGP-M (General Market Price Index) and IPCA (Extended Consumer Price Index), as established in lease agreements. Lease levels may vary due to adverse economic conditions and, consequently, the level of revenues may be affected. Management monitors these risks to minimize the impacts on its business.

e. Interest rate risk

The Company's interest rate risk is mainly from short and long-term loans, financing and debentures, described in the prior notes. These financial instruments are subordinated to interest rates pegged to indexes such as TJLP and CDI, as well as the balance of taxes payable, with interest at the Selic rate. The risk inherent in these liabilities arises from the possibility of fluctuation in these rates. The Company and its investees do not have derivative contracts, except for swap disclosed below to cover this risk, as they understand that this risk is mitigated by the existence of assets pegged to the CDI.

Sensitivity analysis - Loans, financing and cash and cash equivalents

Considering the financial instruments mentioned above, the Company conducted a sensitivity analysis, as determined by CVM Ruling No. 475/08, which requires the presentation of two more scenarios with 25% and 50% deterioration of the risk variable considered. These scenarios may generate impacts on profit or loss and cash flows for the Company's next 12 months, as described below:

| Risk factor | Financial instrument | Risk | Scenario | | | | |
|-------------|----------------------|----------------------|----------|----------------|--------------|----------------|--------------|
| | | | Probable | Possible > 25% | Remote > 50% | Possible < 25% | Remote < 50% |
| Itaú | Interest rate swap | Increase in CDI rate | 70,082 | 71,013 | 71,950 | 69,158 | 68,241 |

Sensitivity analysis of fluctuations in monetary restatement indexes

Management considers that the most significant risk of fluctuation in interest rates derives from the liability pegged to IPCA, TR, and mainly the CDI. The risk is related to fluctuations in those rates.

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At December 31, 2020, management estimated scenarios of fluctuations in the DI, TR and IPCA rates. For the probable scenario, rates prevailing at year end were used. These rates were stressed in 25% and 50%, serving as a parameter for the possible and remote scenarios, respectively.

At December 31, 2020, management estimated the future flow of interest payments on its debts pegged to the CDI, IPCA and TR, based on the interest rates presented above, assuming that all interest payments would be made on the contractually established maturity dates. The impact of the hypothetical fluctuations in interest rates can be measured by the difference of the possible future flows of the possible and remote scenarios in relation to the probable scenario, where no increase is estimated. It should be noted that such a sensitivity analysis considers payment flows on future dates. Thus, total in each scenario is not equivalent to the fair value or the present value of these liabilities.

The fair value of these liabilities, while maintaining the Company's credit risk unchanged, would not be impacted in case of fluctuations in interest rates, since the rates used to carry the flows to future value would be the same as those that would bring the flows to present value.

In addition, cash equivalents and short-term floating-income investments that would increase the remuneration in the possible and remote scenarios, neutralizing part of the impact of interest rate increases in the flow of debt payments.

However, due to the lack of predictability of maturities equivalent to financial liabilities, the impact of the scenarios on these assets was not considered. The balances of cash equivalents and short-term investments are shown in Note 4.

The effects of exposure to interest rates, in the sensitivity scenarios estimated by the Company, are shown in the following tables:

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Total interest amounts to be paid in the estimated sensitivity scenarios:

| Transaction | Individual risk | Individual | | | | | Consolidated | | | | |
|-----------------------------------|-----------------------|--------------|--------------|--------------|--------------|---------|--------------|--------------|--------------|--------------|---------|
| | | 2020 | | | | | 2020 | | | | |
| | | Up to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total | Up to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Probable Scenario | | | | | | | | | | | |
| Debits in CDI | Maintenance CDI | 74,945 | 149,544 | 83,586 | 34,260 | 342,335 | 91,758 | 172,742 | 97,002 | 58,075 | 419,667 |
| Debits in TR | Maintenance TR | 27,721 | 83,578 | 72,967 | 132,128 | 316,394 | 35,235 | 114,108 | 100,602 | 186,524 | 436,469 |
| Debits in IPCA | Maintenance IPCA | 79,977 | - | - | - | 79,977 | 79,977 | - | - | - | 79,977 |
| Total related to interest rates | | 182,643 | 233,122 | 156,553 | 166,388 | 738,706 | 206,970 | 286,850 | 197,694 | 244,599 | 936,113 |
| Possible Scenario > 25% | | | | | | | | | | | |
| Debits in CDI | Increase in CDI | 77,754 | 153,728 | 84,061 | 34,260 | 349,803 | 96,283 | 179,913 | 99,690 | 61,573 | 437,459 |
| Debits in TR | Increase in TR | 27,721 | 83,578 | 72,967 | 132,128 | 316,394 | 35,235 | 114,108 | 100,602 | 186,524 | 436,469 |
| Debits in IPCA | Increase in IPCA | 79,977 | - | - | - | 79,977 | 79,977 | - | - | - | 79,977 |
| Total related to interest rates | | 185,452 | 237,306 | 157,028 | 166,388 | 746,174 | 211,495 | 294,021 | 200,292 | 248,097 | 953,905 |
| Remote Scenario > 50% | | | | | | | | | | | |
| Debits in CDI | High increase in CDI | 80,554 | 157,902 | 84,536 | 34,260 | 357,252 | 100,793 | 187,059 | 102,277 | 65,055 | 455,184 |
| Debits in TR | High increase in TR | 27,721 | 83,578 | 72,967 | 132,128 | 316,394 | 35,235 | 114,108 | 100,602 | 186,524 | 436,469 |
| Debits in IPCA | High increase in IPCA | 79,977 | - | - | - | 79,977 | 79,977 | - | - | - | 79,977 |
| Total related to interest rates | | 188,252 | 241,480 | 157,503 | 166,388 | 753,623 | 216,005 | 301,167 | 202,879 | 251,579 | 971,630 |
| Possible Scenario < 25% | | | | | | | | | | | |
| Debits in CDI | Decrease in CDI | 72,130 | 145,351 | 83,109 | 34,262 | 334,852 | 87,219 | 165,552 | 94,484 | 54,564 | 401,819 |
| Debits in TR | Decrease in TR | 27,721 | 83,578 | 72,967 | 132,128 | 316,394 | 35,235 | 114,108 | 100,602 | 186,524 | 436,469 |
| Debits in IPCA | Decrease in IPCA | 79,977 | - | - | - | 79,977 | 79,977 | - | - | - | 79,977 |
| Total related to interest rates | | 179,828 | 228,929 | 156,076 | 166,390 | 731,223 | 202,431 | 279,660 | 195,086 | 241,088 | 918,265 |
| Remote Scenario < 50% | | | | | | | | | | | |
| Debits in CDI | Decrease in CDI | 69,307 | 141,148 | 82,633 | 34,260 | 327,348 | 82,665 | 158,338 | 91,866 | 51,037 | 383,906 |
| Debits in TR | Decrease in TR | 27,721 | 83,578 | 72,968 | 132,128 | 316,395 | 35,235 | 114,108 | 100,602 | 186,524 | 436,469 |
| Debits in IPCA | Decrease in IPCA | 79,977 | - | - | - | 79,977 | 79,977 | - | - | - | 79,977 |
| Total related to interest rates | | 177,005 | 224,726 | 155,601 | 166,388 | 723,720 | 197,877 | 272,446 | 192,468 | 237,561 | 900,352 |

Estimated impacts on the Company's debts

| Operation | Individual | | | | | Consolidated | | | | | |
|--|--------------|--------------|--------------|--------------|----------|--------------|--------------|--------------|--------------|----------|----------|
| | 2020 | | | | | 2020 | | | | | |
| | Up to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total | Up to 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total | |
| Possible Scenario - Probable Scenario | | | | | | | | | | | |
| Debits in CDI | 2,808 | 4,184 | 476 | - | 7,468 | 4,525 | 7,171 | 2,598 | 3,498 | 17,792 | |
| Debits in IPCA | - | - | - | - | - | - | - | - | - | - | |
| Total impact | | 2,808 | 4,184 | 476 | - | 7,468 | 4,525 | 7,171 | 2,598 | 3,498 | 17,792 |
| Remote Scenario - Probable Scenario | | | | | | | | | | | |
| Debits in CDI | 5,609 | 8,358 | 950 | - | 14,917 | 9,035 | 14,317 | 5,185 | 6,980 | 35,517 | |
| Total impact | | 5,609 | 8,358 | 950 | - | 14,917 | 9,035 | 14,317 | 5,185 | 6,980 | 35,517 |
| Possible Scenario - Probable Scenario | | | | | | | | | | | |
| Debits in CDI | (2,815) | (4,193) | (477) | 2 | (7,483) | (4,539) | (7,190) | (2,608) | (3,511) | (17,848) | |
| Total impact | | (2,815) | (4,193) | (477) | 2 | (7,483) | (4,539) | (7,190) | (2,608) | (3,511) | (17,848) |
| Remote Scenario - Probable Scenario | | | | | | | | | | | |
| Debits in CDI | (5,638) | (8,396) | (953) | - | (14,987) | (9,093) | (14,405) | (5,225) | (7,039) | (35,762) | |
| Total impact | | (5,638) | (8,396) | (953) | - | (14,987) | (9,093) | (14,405) | (5,225) | (7,039) | (35,762) |

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16 Income and social contribution taxes

Income and social contribution taxes are calculated at ruling rates, and shown below:

Breakdown of income and social contribution tax expenses for the years

| | Individual | | Consolidated | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Income and social contribution taxes - current | - | - | (40,309) | (57,998) |
| Income and social contribution taxes - deferred | (12,924) | (14,488) | (28,954) | (28,143) |
| | <u>(12,924)</u> | <u>(14,488)</u> | <u>(69,263)</u> | <u>(86,141)</u> |

The net balance of deferred income and social contribution taxes as of December 31, 2020 and December 31, 2019, is as follows:

| | Individual | | Consolidated | |
|--|------------------|------------------|------------------|------------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Tax losses and negative basis of social contribution | 54,925 | 29,485 | 133,738 | 100,229 |
| Swap operation | 25,509 | 21,470 | 25,509 | 21,470 |
| Other temporary additions | 9,720 | 8,583 | 9,720 | 8,583 |
| Deferred taxes - assets | <u>90,154</u> | <u>59,538</u> | <u>168,967</u> | <u>130,282</u> |
| Temporary differences (tax depreciation) | (124,372) | (106,040) | (192,548) | (164,392) |
| Straight-line of Covid-19 discounts | (21,170) | - | (42,571) | - |
| Swap operation | (25,509) | (21,470) | (25,509) | (21,470) |
| Deferred taxes - liabilities | <u>(171,051)</u> | <u>(127,510)</u> | <u>(260,628)</u> | <u>(185,862)</u> |
| Net deferred taxes | <u>(80,897)</u> | <u>(67,972)</u> | <u>(91,661)</u> | <u>(55,580)</u> |

Deferred income and social contribution taxes are recorded to reflect the future tax effects attributable to temporary differences between the tax base of assets and liabilities and their respective book value.

The projected realization of deferred taxes was prepared by Management considering the current macroeconomic information available in the market. Currently, tax credits are being consumed by increasing taxable income resulting from a significant reduction in financial expenses and an improvement in the performance of certain assets, which were also considered as part of the assumptions for the preparation of this projection. However, because they involve several assumptions that are not under the control of the Company, such as inflation indices and other economic uncertainties in Brazil, future results may differ materially from those considered in the preparation of this projection.

At December 31, 2020, there are no unrecorded tax credits (R \$ 12,830 in 2019), as a result of Management's assessment of its long-term prospects for realization. The Company presents the projection for the realization of tax credits as follows:

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| Year | % | |
|------|------------|--------------|
| | Individual | Consolidated |
| 2021 | 0% | 3% |
| 2022 | 6% | 10% |
| 2023 | 19% | 21% |
| 2024 | 38% | 37% |
| 2025 | 63% | 57% |
| 2026 | 93% | 80% |
| 2027 | 100% | 100% |

On March 04, 2021, the Company's Supervisory Board met and reviewed the projections for realization of tax credits. On the same date, the Board of Directors approved these projections.

Reconciliation of income and contribution tax expenses.

| | Individual | | Consolidated | |
|--|------------|------------|--------------|------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Profit before income and social contribution taxes | 215,166 | 324,617 | 271,587 | 400,442 |
| Nominal rate | 34% | 34% | 34% | 34% |
| Income and social contribution tax expense at nominal rate | (73,156) | (110,370) | (92,340) | (136,150) |
| Tax effects on: | | | | |
| Equity pickup | 60,538 | 97,009 | 1,127 | 404 |
| Difference in tax base for companies under the taxable profit computed as a percentage of gross sales regime | - | - | 31,899 | 58,974 |
| Permanent exclusions (additions) and others | (306) | (1,127) | (9,949) | (9,369) |
| Income and social contribution tax expense at effective rate | (12,924) | (14,488) | (69,263) | (86,141) |

17 Equity - Individual

a. Capital

At December 31, 2020, the Company's paid-in capital amounted to R\$1,261,728 (R\$1,261,728 at December 31, 2019) comprising 176,611,578 common shares, without par value (176,611,578 common shares at December 31, 2019). The Company's realized capital is R\$ 1,231,313 (R\$ 1,231,313 at December 31, 2019), due to expenses with share issues recorded in the amount of R\$ 30,415 in an equity reducing account.

Authorized Capital

The Company is authorized to increase capital up to 200,000,000 common shares, irrespectively of any corporate restructuring, upon deliberation by the Board of Directors, who will establish the share issue conditions, price and payment conditions.

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The Board of Directors may:

- (i) Reduce or exclude the term for the exercise of the preemptive rights of shareholders for the issue of shares, debentures convertible into shares, and subscription warrants, whose placement is made: (a) by sale on the stock exchange or public subscription; and (b) exchange for shares, in a public offering of acquisition of control, under the terms of the law.
- (ii) Grant, in accordance with the stock option plan approved by the General Meeting, the option to purchase or subscribe shares to its managers, employees and service providers, as well as to the managers and employees of other entities that are direct or indirect subsidiaries of the Company, without the shareholders' preemptive right.

b. Capital Reserves

Goodwill on share issue

The Company allocated R\$ 393,111 and R\$ 58,971, arising from proceeds from the IPO, to the capital reserve, according to the minutes of Board of Directors' meetings held on February 9 and March 1, 2007, respectively, totaling R\$ 452,082.

Others capital reserves

The Company set up a reserve to cover the share-based payment plan in the amount of R\$9,850 (R\$7,225 in December 31, 2019).

Treasury shares

At a meeting of the Board of Directors held on August 7, 2020, the acquisition of up to the limit of 1,299,264 shares of its own issuance was approved, through the parent company to subsidize the share-based payment plan. The maximum term for the acquisition of said shares is 365 days as of this date. For purposes of consolidation of the financial statements, they are presented under "Treasury shares" in equity.

At December 31, 2020, the Company's treasury shares amounted to R\$15,280 (R\$9,286 in 2019) comprising 477,801 common shares (267,923 common shares in 2019).

The market price of these treasury shares at December 31, 2020 is R\$17,750 (R\$14,173 at December 31, 2019), of which R\$37.15 per share (R\$52.90 at December, 31, 2019).

c. Income Reserves

Legal Reserve

A legal reserve is set up by allocating 5% of net income for the period, capped at 20% of capital, in accordance with the articles of incorporation.

Retained Profits Reserve

The retained profits reserve, which corresponds to the remaining profit, after the allocation to the legal reserve and the proposal for dividend payment, is mainly intended to meet the investment plans provided for in the capital budget for expansion, modernization and maintenance of malls.

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d. Dividend and interest on equity

Dividend Policy

The mandatory dividend is equivalent to a certain percentage of the Company's net income, adjusted according to the Brazilian Corporation Law. Under the terms of the Articles of Incorporation currently in force, at least 25% of net income determined in the prior financial year should be distributed as a mandatory dividend. For the purposes of the Brazilian Corporation Law, net income is defined as the profit or loss of the year that remains after deducting

| | <u>12.31.2020</u> | <u>12.31.2019</u> |
|---|-------------------|-------------------|
| Net income for the year | 202,242 | 310,129 |
| Constitution of legal reserve | <u>10,112</u> | <u>15,506</u> |
| Basis for the constitution of dividends | <u>192,130</u> | <u>294,623</u> |
| Minimum mandatory dividend | 48,032 | 73,656 |
| Proposed additional dividends | <u>1,968</u> | <u>76,344</u> |
| | <u>50,000</u> | <u>150,000</u> |
| Proposed dividends per share | 0.28388 | 0.85061 |

(*) Proposed additional dividends were recorded as a surplus in shareholders' equity, as it was not approved at the Annual Shareholders' Meeting. This approval will take place in April 2021.

Additional dividend

As approved at the Special General Meeting held on April 18, 2019, payment of mandatory minimum dividends for the year ended December 31, 2018, amounting to R\$ 60,887, was approved, and additional supplementary dividends through the use of Retained Profits Reserves amounting to R\$ 89,113, totaling R\$ 150,000, off which 25% paid on March 29, 2019, 25% paid on September 30, 2019 and remainder settled on December 20, 2019.

Minimum mandatory dividends

On March 16, 2020, the Company distributed the amount of R \$ 37,500 referring to the 1/2 installment of the 2019 minimum mandatory dividends. On December 18, 2020, the 2/2 installment was paid in the amount of R \$ 36,156, totaling the amount of R \$ 73,656 in 2020. The proposed 2019 dividends will be transferred to the profit reserve, after the Special General Meeting that will take place in April 2021.

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18 Earnings per Share

| | Individual and Consolidated | |
|---|-----------------------------|------------|
| | 12.31.2020 | 12.31.2019 |
| Basic earnings per share from operations (in R\$) | 1.14845 | 1.75890 |
| Diluted earnings per share from operations (in R\$) | 1.14831 | 1.75867 |

a. Basic earnings per share

Earnings and the weighed number of common shares used in the calculation of basic earnings per shares are as follows:

| | Individual and Consolidated | |
|---|-----------------------------|-------------|
| | 12.31.2020 | 12.31.2019 |
| Profit for the year attributable to owners of the Company and used in the calculation of basic earnings per share | 202,242 | 310,129 |
| Weighted average number of common shares for the calculation of basic earnings per share | 176,100,029 | 176,319,900 |

b. Diluted earnings per share

O lucro utilizado na apuração do lucro por ação diluído é o seguinte:

| | Individual and Consolidated | |
|--|-----------------------------|------------|
| | 12.31.2020 | 12.31.2019 |
| Profit used in the calculation of basic and diluted earnings per share | 202,242 | 310,129 |

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

| | Individual and Consolidated | |
|--|-----------------------------|-------------|
| | 12.31.2020 | 12.31.2019 |
| Weighted average number of common shares used in the calculation of basic earnings per share | 176,100,029 | 176,319,900 |
| Weighted average number of employee's options | 21,207 | 22,671 |
| Weighted average number of common shares used in the calculation of diluted earnings per share | 176,121,236 | 176,342,571 |

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19 Insurance

At December 31, 2020, the Company and its ventures had the following main insurance policies taken out from third parties:

a. Named peril insurance

The Company contracted a operational risk insurance, which covers the usual risks that may impact its activities, with Sompo Seguros S.A. (100%). This policy establishes a maximum indemnity limit of R\$ 754,508,058 for property damages and loss of profits. Shopping Pátio Higienópolis also contracted insurance with Sompo Seguros S.A. (100%), whose policy establishes a maximum indemnity limit of R\$ 499,012,770 for property damage and loss of profits.

The insured period is up to September 28, 2022.

| Insured ventures | Property damages | Loss of profits | Total |
|--|------------------|-----------------|---------|
| Shopping Center Praia de Belas | 339,151 | 73,682 | 412,833 |
| Shopping Center Iguatemi São Paulo e Torres | 473,819 | 280,689 | 754,508 |
| Shopping Center Iguatemi São Carlos | 101,497 | 18,401 | 119,898 |
| Shopping Center Iguatemi Porto Alegre | 547,010 | 155,259 | 702,269 |
| Conjunto Comercial Porto Alegre - Torre | 58,748 | 11,479 | 70,227 |
| Shopping Center Iguatemi Campinas | 445,464 | 154,328 | 599,792 |
| Power Center | 53,280 | 5,587 | 58,867 |
| Iguatemi Empresa de Shopping Centers S.A | 7,241 | 57,718 | 64,959 |
| Market Place Shopping Center | 234,203 | 58,131 | 292,334 |
| Market Place - Tower I | 59,028 | 36,215 | 95,243 |
| Market Place - Tower II | 59,708 | - | 59,708 |
| Shopping Center Galleria | 132,124 | 28,848 | 160,972 |
| Shopping Center Iguatemi Brasília | 275,382 | 59,944 | 335,326 |
| Shopping Center Iguatemi Alphaville | 314,696 | 50,614 | 365,310 |
| Shopping Center Esplanada | 149,374 | 45,410 | 194,784 |
| Shopping Center Iguatemi JK | 414,157 | 127,450 | 541,607 |
| Área Comum Iguatemi JK | 170,929 | 2,096 | 173,025 |
| Outlet Novo Hamburgo | 69,533 | 14,621 | 84,154 |
| Shopping Center Iguatemi Ribeirão Preto | 326,170 | 24,427 | 350,597 |
| Shopping Center Iguatemi Esplanada | 368,565 | 43,675 | 412,240 |
| Shopping Center Iguatemi São José do Rio Preto | 290,356 | 26,278 | 316,634 |
| Shopping Pátio Higienópolis | 370,581 | 128,432 | 499,013 |
| Tijucas Fashion Outlet | 56,808 | 3,425 | 60,233 |

b. General civil liability insurance

The Company and Pátio Higienópolis have general liability insurance covering the usual risks applicable to their activities. In insurance contracted with Sompo Seguros SA Such policies refer to the amounts for which the Company may be civilly liable, in a final judicial decision or in an express agreement by the insurer, as regards reparations for involuntary damages , physical and / or material, caused to third parties. The period of coverage of general liability insurance extends until September 28, 2022.

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The insured amount contracted by the Company will have the maximum indemnity amount between R \$ 13,500 and may be divided into: (a) shopping centers and condominium; (b) commercial and / or industrial establishments: for the premises of the holding companies; (c) personal objects of employees; (d) lodging establishments, restaurants, bars, nightclubs and similar; (e) civil liability of the employer; (f) contingent risks of vehicles; (g) damage to store contents; (h) professional failure of the medical area; (i) civil works and / or services of assembly and conditional installation of: error of design, crusade, material damage to the owner of the work; (j) Liability of garage owner: fire / theft of vehicle to places that do not have Valet system and fire / theft / collision for places that have Valet system; (k) flooding / flooding for garagista civil liability and (l) moral damages for all coverages.

The insured amount contracted by Pátio Higienópolis will have the maximum indemnity amount between R \$ 30,000 million and may be divided into: (a) shopping centers and condominium; (b) commercial and / or industrial establishments: for the premises of the holding companies; (c) personal objects of employees; (d) lodging establishments, restaurants, bars, nightclubs and similar; (e) civil liability of the employer; (f) contingent risks of vehicles; (g) damage to store contents; (h) professional failure of the medical area; (i) civil works and / or services of assembly and conditional installation of: error of design, crusade, material damage to the owner of the work; (j) Liability of garage owner: fire / theft of vehicle to places that do not have Valet system and fire / theft / collision for places that have Valet system; (k) flooding / flooding for garagista civil liability and (l) moral damages for all coverages.

20 Net revenue from leases and services

Net revenue from leases and services is represented by:

| | Individual | | Consolidated | |
|--|------------|------------|--------------|------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Rents | 248,672 | 245,326 | 593,660 | 598,503 |
| Parking lots | 27,704 | 52,806 | 75,750 | 156,222 |
| Services rendered | 2,655 | 5,705 | 50,332 | 67,240 |
| Others | 546 | 1,676 | 43,162 | 39,563 |
| Gross revenue from rent and services | 279,577 | 305,513 | 762,904 | 861,528 |
| Taxes and deductions | (22,420) | (31,414) | (87,328) | (107,258) |
| Net revenue from rent and services (i) | 257,157 | 274,099 | 675,576 | 754,270 |

(i) The net revenue from rentals and services as of December 31, 2020 was impacted by straight line of COVID-19 discounts, according to note 05 item (ii).

21 Cost of services and expenses by nature

The Company opted for presenting the consolidated income statement by nature. As required by the IFRS, detailed costs of services rendered and administrative expenses by nature are as follows:

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a. Parenty Company

| | 12.31.2020 | | | 12.31.2019 | | |
|-------------------------------|------------------|----------------------|------------------|------------------|----------------------|------------------|
| | Cost of services | Administrative costs | Total | Cost of services | Administrative costs | Total |
| Depreciation and amortization | (37,388) | (17,120) | (54,508) | (32,229) | (15,186) | (47,415) |
| Personal | (17,091) | (19,264) | (36,355) | (18,672) | (31,261) | (49,933) |
| Share remuneration | - | (8,092) | (8,092) | - | (6,481) | (6,481) |
| Third Party Services | (5,241) | (10,841) | (16,082) | (7,181) | (12,125) | (19,306) |
| Promotion fund | (261) | - | (261) | (332) | - | (332) |
| Parking | (12,865) | - | (12,865) | (14,970) | - | (14,970) |
| Others | (18,446) | (8,250) | (26,696) | (22,311) | (8,734) | (31,045) |
| | <u>(91,292)</u> | <u>(63,567)</u> | <u>(154,859)</u> | <u>(95,695)</u> | <u>(73,787)</u> | <u>(169,482)</u> |

b. Consolidated

| | 12.31.2020 | | | 12.31.2019 | | |
|-------------------------------|------------------|----------------------|------------------|------------------|----------------------|------------------|
| | Cost of services | Administrative costs | Total | Cost of services | Administrative costs | Total |
| Depreciation and amortization | (121,696) | (27,304) | (149,000) | (104,087) | (23,935) | (128,022) |
| Personal | (25,562) | (23,987) | (49,549) | (26,636) | (42,703) | (69,339) |
| Share remuneration | - | (8,092) | (8,092) | - | (6,481) | (6,481) |
| Third Party Services | (7,813) | (15,221) | (23,034) | (11,262) | (12,971) | (24,233) |
| Promotion fund | (1,488) | - | (1,488) | (2,086) | - | (2,086) |
| Parking | (31,659) | - | (31,659) | (33,640) | - | (33,640) |
| Others | (87,043) | (9,297) | (96,340) | (74,463) | (9,931) | (84,394) |
| | <u>(275,261)</u> | <u>(83,901)</u> | <u>(359,162)</u> | <u>(252,174)</u> | <u>(96,021)</u> | <u>(348,195)</u> |

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22 Finance income (cost)

Finance income (costs) are as follows:

| | Individual | | Consolidated | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Financial income: | | | | |
| Interest income | 2,461 | 4,248 | 1,855 | 9,459 |
| Monetary and exchange rate variations | 11,151 | 61 | 11,180 | 217 |
| Income from financial investments | 22,108 | 27,416 | 39,359 | 40,499 |
| Gain on swap operation | 13,485 | 7,983 | 13,485 | 7,983 |
| Other financial income | - | - | 210 | 132 |
| | <u>49,205</u> | <u>39,708</u> | <u>66,089</u> | <u>58,290</u> |
| | | | | |
| | Individual | | Consolidated | |
| | 12.31.2020 | 12.31.2019 | 12.31.2020 | 12.31.2019 |
| Financial expenses: | | | | |
| Interest on borrowing and financing | (60,151) | (71,495) | (86,362) | (114,658) |
| Monetary and exchange rate variations | (8,704) | (345) | (8,672) | (461) |
| Debenture charges | (35,238) | (34,492) | (35,238) | (34,492) |
| Taxes and fees | (3,024) | (2,561) | (4,193) | (3,548) |
| Other financial expenses | (12,515) | (5,513) | (19,071) | (12,462) |
| | <u>(119,632)</u> | <u>(114,406)</u> | <u>(153,536)</u> | <u>(165,621)</u> |
| | | | | |
| Financial result | <u>(70,427)</u> | <u>(74,698)</u> | <u>(87,447)</u> | <u>(107,331)</u> |

23 Other operating income (expenses)

Other operating income refers basically to revenues from resale of spaces, store transfer fees, fines for termination of contracts with storekeepers and sale of assets, while other operating expenses refer mainly to the allowance for doubtful accounts.

24 Segment Reporting

The information presented to the chief decision-maker to allocate resources and evaluate the performance of the Company and its subsidiaries, presents the Shopping Center segment of the Group in accordance with CPC 22/IFRS 8. The statement of profit or loss is the lowest level for purpose of analysis of the Company's performance.

25 Employee benefits

a. Supplementary private pension plan

The Company maintains a supplementary private pension plan (defined contribution) at Itaú Vida e Previdência S.A. This plan is optional to employees and the Company contributes with 100% of the monthly amount contributed by employees.

The Company has no obligation nor right in relation to any surplus or deficit from the plan. At December 31, 2020 the Company's contribution reached R\$ 1,810 (R\$ 1,874 at December 31, 2019).

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b. Iguatemi Bonus Plan

The Company has a bonus plan linked to the attainment of budget and operational goals for all employees.

At December 31, 2020, the amount paid to eligible employees was approximately R\$ 10,763 (R\$ 11,967 at December 2019). Payments are made annually.

c. Share-based payment plan

On March 28, 2018, the Extraordinary Shareholders' Meeting of the Company terminated the Stock Option Plan approved by the previous Shareholders' Meeting held on November 8, 2006, maintaining the effectiveness of the options still in effect granted based on it and the respective Programs. Also on March 28, 2018, the Company's Extraordinary General Meeting approved a new Long-Term Incentive Plan – Restricted Shares ("Plan"). The purpose of the Plan is to allow the granting of Shares Restricted to Eligible Employees, with a view to: (i) encouraging the improvement of the management of the Company and its Subsidiaries, giving the Participants the possibility of being shareholders of the Company, in the optimization of all aspects that can value the Company in the long term, giving them, also, an entrepreneurial and corporate vision; (ii) encourage the attraction and retention of managers, employees and service providers; (iii) support the alignment of interests between executives and shareholders of the Company, maximizing the level of commitment of managers and employees with the generation of sustainable results for the Company; and (iv) to increase the attractiveness of the Company and its Subsidiaries.

At March 31, 2019, the stock options of the prior plan were ceased, as follows:

| | Options in Circulation | | | |
|-------------------|---|----------------------------------|----------------------------|--|
| | Options in circulation at the end of the year | Remaining contract life (months) | Exercise price range (R\$) | Options exercisable at the end of the period |
| December 31, 2018 | 145,785 | 3 | 22.32 - 22.45 | 10,000 |
| March, 31, 2019 | - | - | 22.67 - 22.80 | - |

Restricted Share Program

Granting of restricted shares, to be settled in equity instruments, subject to the vesting condition of one year, with vesting of (a) 1/3 of the total restricted shares granted after the first (1) year, on May 1, 2019; (b) 1/3 of the total restricted shares granted after the second (second) year on May 1, 2020; and (c) 1/3 of the total restricted shares granted after the third (third) year, on May 1, 2021. This plan will be accounted for in accordance with CPC 10 - Share-based Payment and its corresponding IFRS 2, which requires the Company to calculate the value of the equity instruments granted based on their fair value at the grant date. There is no exercise price to be considered. The corresponding expense will be recognized over the vesting period to acquire the right to exercise the instruments. The fair value of the shares granted was estimated at the grant date and is equivalent to R \$ 35.75 (thirty-five reais and seventy-five cents) per share, corresponding to the average of the share price of the trading sessions between April 2018 and April 30, 2018, which was adopted in order to allow the pricing and cutoff for calculating the

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overall volume of Program 2018, excluding the dividends per share, as declared at the Annual Shareholders' Meeting held on April 19, 2018. Considering the use of the matching concept, for each Restricted Share acquired by the participant, through the use of the Authorized Funds, a multiple of up to 6 (six) Restricted Shares may be additionally granted, respecting the blocking periods and criteria of this Program. The criteria adopted for the choice of participants and matching are: performance of the year prior to the 2018 Program; quality of the challenges established for the year prior to the 2018 Program (KPIs); future potential of the participant; and company performance and expectations for the future.

On May 7, 2019, the proposal for the long-term incentive program, restricted shares for 2019 and its beneficiaries, was approved, within the scope of the Long-Term Incentive Plan approved at the Special General Meeting held on March 28 2018.

The quantities granted per lot are described in the following table:

| | Amount Granted 2018 | Grace date | Total Plan Expense 2018 | Plan expense Accrued in 2018 |
|------------------|------------------------|------------|----------------------------|---------------------------------|
| Vesting 1st Year | 94,373 | 05/01/2019 | 3,954 | 3,808 |
| Vesting 2nd Year | 94,373 | 05/01/2020 | 3,298 | 3,176 |
| Vesting 3rd Year | 94,373 | 05/01/2021 | 1,856 | 1,788 |
| Total | 283,119 | | 9,108 | 8,772 |

| | Amount Granted 2019 | Grace date | Total Plan Expense 2019 | Plan expense Accrued in 2019 |
|------------------|------------------------|------------|----------------------------|---------------------------------|
| Vesting 1st Year | 78,637 | 05/01/2020 | 3,183 | 2,535 |
| Vesting 2nd Year | 78,637 | 05/01/2021 | 3,038 | 2,420 |
| Vesting 3rd Year | 78,661 | 05/01/2022 | 1,592 | 1,267 |
| Total | 235,935 | | 7,813 | 6,222 |

| | Amount Granted 2020 | Grace date | Total Plan Expense 2020 | Plan expense Accrued in 2020 |
|------------------|------------------------|------------|----------------------------|---------------------------------|
| Vesting 1st Year | 76,659 | 05/01/2021 | 3,535 | 1,441 |
| Vesting 2nd Year | 76,659 | 05/01/2022 | 3,374 | 1,375 |
| Vesting 3rd Year | 76,682 | 05/01/2023 | 1,768 | 720 |
| Total | 230,000 | | 8,677 | 3,536 |

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26 Subsequent events

At the meeting held on February 17, 2021, the Board of Directors approved the ratification of the long-term incentive program, restricted actions for 2020 and its beneficiaries, within the scope of the Long-Term Incentive Plan, approved at the Special General Meeting held on March 28, 2018.

In early March 2021, the Company announced the suspension of operations of 15 of the 16 malls due to the worsening of the COVID-19 pandemic, according to guidance of state governments: until March 19, 2021 for the state of São Paulo, until March 7, 2021 for the state of Rio Grande do Sul, and until March 14, 2021 for the Federal District. Given the recently published guidance, the possible accounting impacts on the Company's individual and consolidated financial statements cannot yet be determined. I Fashion Outlet Santa Catarina remains open from Monday through Friday, but with reduced opening hours and days.