

Belo Horizonte, July 28th, 2020 - Direcional Engenharia S.A., one of the largest homebuilders and real estate development companies in Brazil, focused on developing large scale low-income projects, and operating in all regions of the Brazilian territory, discloses here its operating statements for the second quarter of 2020 (2Q20). Except when indicated otherwise, all the amounts presented in this document are expressed in local currency (Brazilian reais - R\$), and the Potential Sales Value (PSV) demonstrates the consolidated number (100%).

## NOTICE TO THE MARKET

### OPERATING PREVIEW OF 2Q20

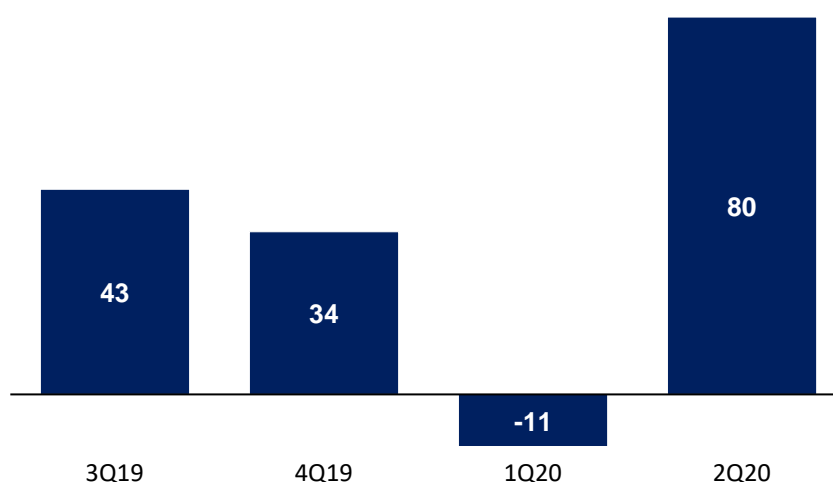
#### HIGHLIGHTS

- **Cash Generation of R\$ 80 million** in 2Q20<sup>1</sup>, representing 6% of Direcional's Equity.
- **Best Net Sales Quarter** in the Company's history: **R\$ 401 million**.
- **VSO** in the MCMV Segment 2 and 3 reached **17%** in 2Q20.

#### CASH GENERATION<sup>1</sup>

Cash generation reached R\$ 80 million in 2Q20, representing 6% of Direcional's Equity. Year-to-date, Cash Generation reached R\$ 69 million.

**Cash Generation (Cash Burn)<sup>1</sup>**  
(R\$ million)

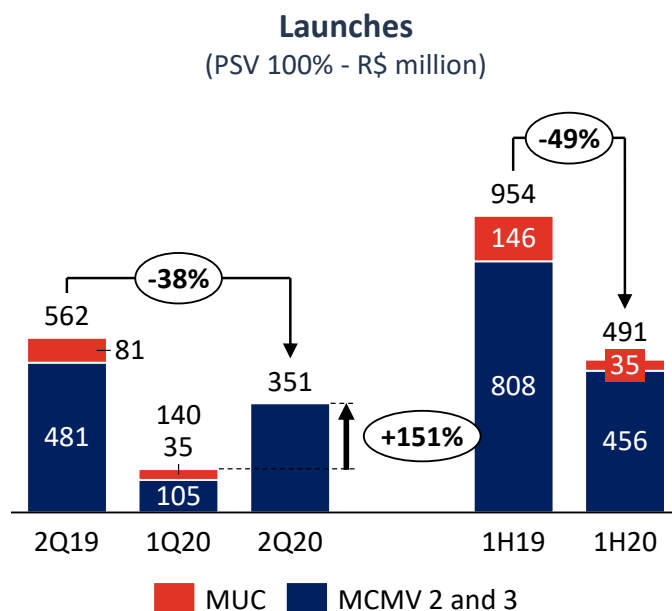


<sup>1</sup> Cash Generation: net debt variation adjusted by payment of net debt and stock repurchase. Prior unaudited information.

## LAUNCHES

In 2Q20, Launches reached R\$ 351 million (06 projects), + 151% QoQ.

In 1H20, Launches reached R\$ 491 million, -49% YoY.



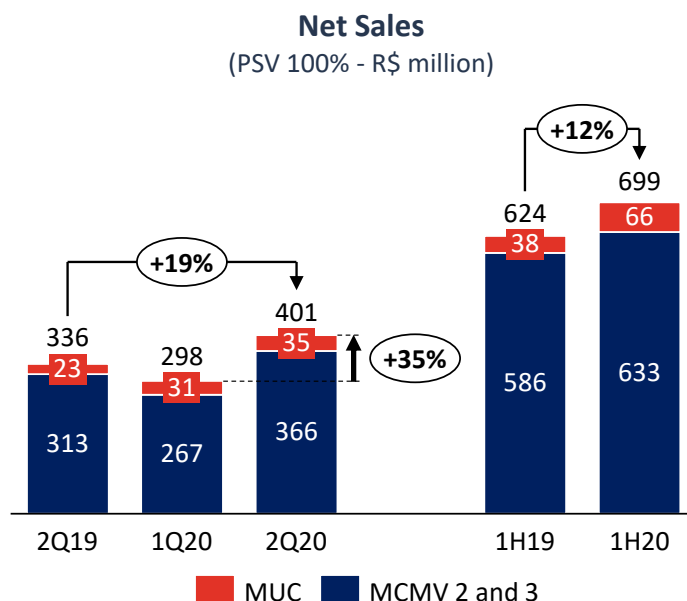
The table below shows information about the developments launched in 2Q20 and 1H20:

| Launches (PSV – BRL '000)          | 2Q20<br>(a)    | 1Q20<br>(b)    | 2Q19<br>(c)    | Δ %<br>(a/b)  | Δ %<br>(a/c)  | 1H20<br>(c)    | 1H19<br>(d)    | Δ %<br>(c/d)  |
|------------------------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|---------------|
| <b>PSV Launched - 100%</b>         | <b>351,171</b> | <b>139,892</b> | <b>481,342</b> | <b>151.0%</b> | <b>-27.0%</b> | <b>491,063</b> | <b>807,774</b> | <b>-39.2%</b> |
| MCMV 2 and 3                       | 351,171        | 104,942        | 481,342        | 234.6%        | -27.0%        | 456,113        | 807,774        | -43.5%        |
| MUC                                | 0              | 34,950         | 80,678         | -100.0%       | -100.0%       | 34,950         | 146,454        | -76.1%        |
| <b>PSV Launched - % Direcional</b> | <b>295,794</b> | <b>122,417</b> | <b>496,662</b> | <b>141.6%</b> | <b>-40.4%</b> | <b>418,211</b> | <b>812,725</b> | <b>-48.5%</b> |
| MCMV 2 and 3                       | 295,794        | 104,942        | 419,315        | 181.9%        | -29.5%        | 400,736        | 669,603        | -40.2%        |
| MUC                                | 0              | 17,475         | 77,346         | -100.0%       | -100.0%       | 17,475         | 143,122        | -87.8%        |
| <b>Units Launched</b>              | <b>2,132</b>   | <b>852</b>     | <b>3,128</b>   | <b>150.2%</b> | <b>-31.8%</b> | <b>2,984</b>   | <b>5,418</b>   | <b>-44.9%</b> |
| MCMV 2 and 3                       | 2,132          | 764            | 2,900          | 179.1%        | -26.5%        | 2,896          | 5,074          | -42.9%        |
| MUC                                | 0              | 88             | 228            | -100.0%       | -100.0%       | 88             | 344            | -74.4%        |
| % Average Direcional               | 84.2%          | 87.5%          | 103.2%         | -3.3 p.p.     | -19.0 p.p.    | 85.2%          | 100.6%         | -15.4 p.p.    |
| Average Price (BRL/units)          | 164,714        | 164,193        | 153,882        | 0.3%          | 7.0%          | 164,565        | 149,091        | 10.4%         |
| MCMV 2 and 3                       | 164,714        | 137,359        | 165,980        | 19.9%         | -0.8%         | 157,498        | 159,199        | -1.1%         |
| MUC                                | n/a            | 397,164        | 353,853        | n/a           | n/a           | 397,164        | 425,739        | -6.7%         |

## CONTRACTED NET SALES

In 2Q20, net sales **reached the milestone** of R\$ 401 million, + 35% QoQ and 19% YoY. It is important to note that **2Q20 was the best quarter of net sales in Direcional's history.**

The first half of 2020 accumulated R\$ 699 million in net sales, 12% higher than the same period in 2019.



The table below consolidates the information for 2Q20 and 1H20:

| Contracted Net Sales                              | 2Q20<br>(a)    | 1Q20<br>(b)    | 2Q19<br>(c)    | Δ %<br>(a/b)  | Δ %<br>(a/c)  | 1H20<br>(c)    | 1H19<br>(d)    | Δ %<br>(c/d)  |
|---|----------------|----------------|----------------|---------------|---------------|----------------|----------------|---------------|
| <b>Net PSV Contracted 100% (BRL '000)</b>         | <b>401,096</b> | <b>298,049</b> | <b>336,236</b> | <b>34.6%</b>  | <b>19.3%</b>  | <b>699,145</b> | <b>623,625</b> | <b>12.1%</b>  |
| MCMV 2 and 3                                      | 365,734        | 267,230        | 313,474        | 36.9%         | 16.7%         | 632,964        | 586,016        | 8.0%          |
| MUC   | 35,362         | 30,820         | 22,763         | 14.7%         | -55.3%        | 66,181         | 37,609         | 76.0%         |
| <b>Net PSV Contracted % Direcional (BRL '000)</b> | <b>344,066</b> | <b>248,005</b> | <b>291,204</b> | <b>38.7%</b>  | <b>18.2%</b>  | <b>592,071</b> | <b>544,994</b> | <b>8.6%</b>   |
| MCMV 2 and 3                                      | 317,764        | 224,053        | 272,171        | 41.8%         | 16.8%         | 541,817        | 516,805        | 4.8%          |
| MUC   | 26,302         | 23,952         | 19,033         | 9.8%          | -38.2%        | 50,254         | 28,189         | 78.3%         |
| <b>Units Contracted</b>                           | <b>2,207</b>   | <b>1,648</b>   | <b>1,923</b>   | <b>33.9%</b>  | <b>14.8%</b>  | <b>3,855</b>   | <b>3,675</b>   | <b>4.9%</b>   |
| MCMV 2 and 3                                      | 2,122          | 1,578          | 1,868          | 34.5%         | 13.6%         | 3,700          | 3,576          | 3.5%          |
| MUC   | 85             | 70             | 55             | 21.4%         | 54.5%         | 155            | 99             | 56.6%         |
| <b>Average Price (BRL/units)</b>                  | <b>181,738</b> | <b>180,855</b> | <b>174,850</b> | <b>0.5%</b>   | <b>3.9%</b>   | <b>181,361</b> | <b>169,694</b> | <b>6.9%</b>   |
| MCMV 2 and 3                                      | 172,354        | 169,347        | 167,812        | 1.8%          | 2.7%          | 171,071        | 163,875        | 4.4%          |
| MUC   | 416,022        | 440,280        | 413,871        | -5.5%         | 0.5%          | n/a            | n/a            | n/a           |
| <b>VSO (Speed Sales) PSV</b>                      | <b>16%</b>     | <b>13%</b>     | <b>14%</b>     | <b>2 p.p.</b> | <b>2 p.p.</b> | <b>31%</b>     | <b>23%</b>     | <b>8 p.p.</b> |
| MCMV 2 and 3                                      | 17%            | 15%            | 16%            | 182%          | 106%          | 34%            | 26%            | 0%            |
| MUC   | 8%             | 6%             | 5%             | 196%          | 347%          | 16%            | 7%             | 0%            |

# OPERATING PREVIEW

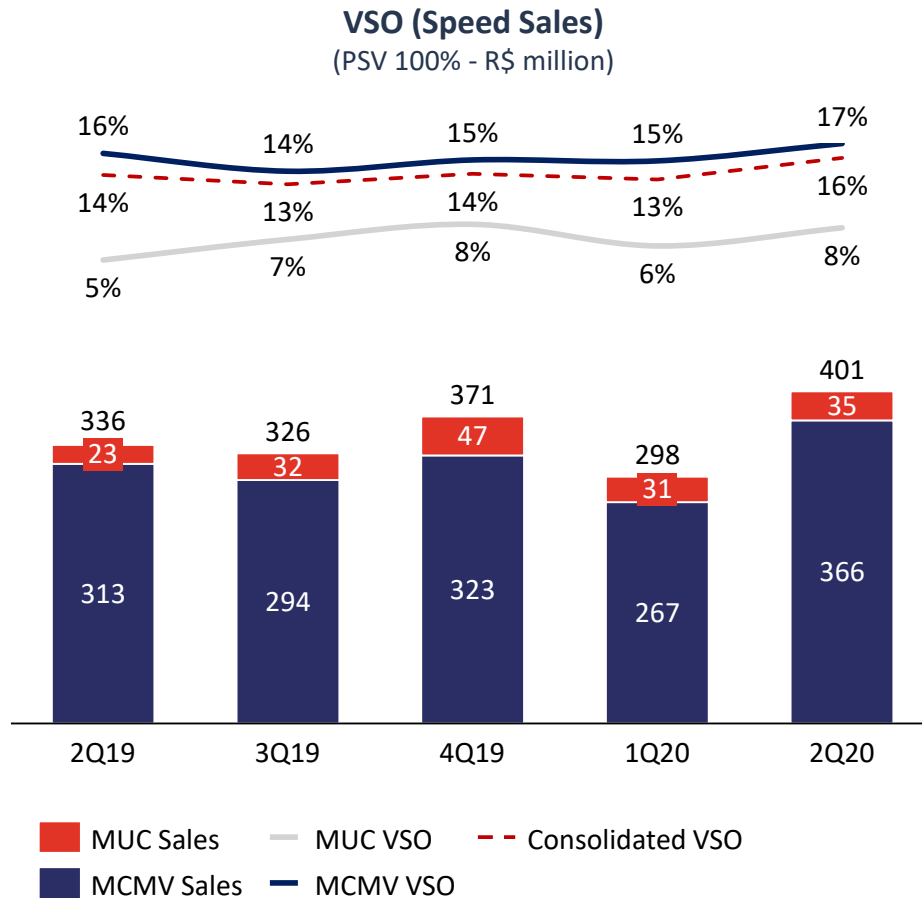
## 2Q20



### SALES SPEED

Net Sales Speed in 2Q20, measured by the VSO (Net Sales over Supply) ratio, reached 16%.

In the MCMV 2 and 3 segment VSO reached 17% in 2Q20.



## INVENTORY

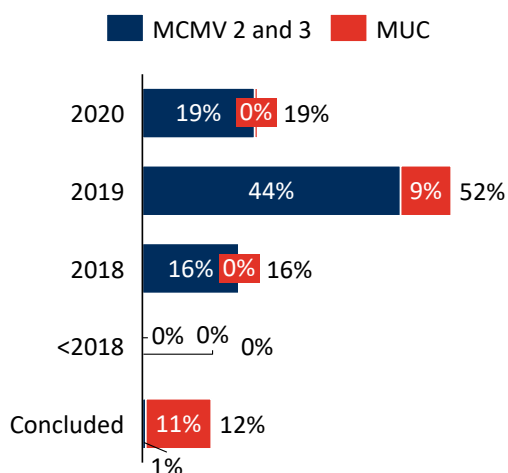
By the end of 2Q20, Direcional had 11,649 units in inventory, totaling a PSV of R\$ 2.2 billion.

The table below shows the inventory at market value by stage of construction and economic segment. It is worth to emphasize that MCMV 2 and 3 segment has only R\$ 13 million in PSV of completed units, representing less than 1% of the total of the inventory.

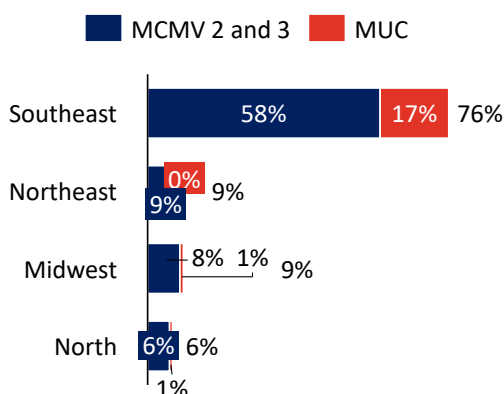
|   | PSV Total     |              |                           | PSV % Direcional |              |                           |
|---|---------------|--------------|---------------------------|------------------|--------------|---------------------------|
| Inventory by Construction Stage<br>(% Total – BRL '000) | MCMV 2 and 3  | MUC          | Consolidated<br>(% Total) | MCMV 2 and 3     | MUC          | Consolidated<br>(% Total) |
| <b>Under Construction</b>                               | 1,770         | 205          | 1,975                     | 1,558            | 183          | 1,740                     |
| % Total   | 79%           | 9%           | 88%                       | 70%              | 8%           | 78%                       |
| <b>Finished Units</b>                                   | 13            | 247          | 260                       | 12               | 215          | 228                       |
| % Total   | 1%            | 11%          | 12%                       | 1%               | 10%          | 10%                       |
| <b>Total</b>  | <b>1,783</b>  | <b>452</b>   | <b>2,235</b>              | <b>1,570</b>     | <b>398</b>   | <b>1,968</b>              |
| % Total   | 80%           | 20%          | 100%                      | 70%              | 18%          | 88%                       |
| <b>Total Units</b>                                      | <b>10,638</b> | <b>1,011</b> | <b>11,649</b>             | <b>10,638</b>    | <b>1,011</b> | <b>11,649</b>             |
| % Total Units   | 91%           | 9%           | 100%                      | 91%              | 9%           | 100%                      |

The following charts present more information about the breakdown and evolution of the inventory. The main highlights are: (i) 88% of PSV in inventory comprises projects launched in 2018, 2019 and 2020; (ii) 76% is located in the Southeastern region of Brazil.

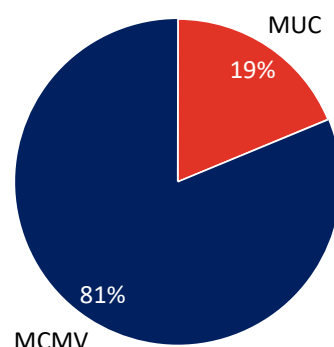
**Inventory by Launch Period**  
(% PSV - 100%)



**Inventory by Region**  
(% PSV - 100%)



**Inventory Segmentation**  
(PSV 100% - R\$ million)



## LAND BANK

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In 2Q20, eleven plots of land for the MCMV 2 and 3 and MUC segments were acquired, with the potential to build 2 thousand units and a PSV of R\$ 416 million.

The average acquisition cost was equivalent to 12% of the potential PSV, 63% of the payment will be settled through swaps, which do not affect the Company's cash position in the short term.

In 1H20, land acquisitions totaled potential PSV of R\$ 1.6 billion, with an average cost of 14% over PSV, 79% of which with swap payments.

Direcional ended 2Q20 with a land bank with a development potential of 136,729 units and PSV of R\$ 23 billion (R\$ 21 billion % Direcional).

Land destined for the MCMV 2 and 3 segments, totaled potential PSV of R\$ 18 billion (R\$ 17 billion % Direcional), and 122,568 units. Land for the MUC segment totaled R \$ 4 billion in potential PSV.

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Statements contained in this document concerning the business perspective, projections of operating and financial results and references to the growth potential of the Company, are mere predictions and were based on expectations and Management estimates in relation to the future performance of the Company. While the Company believes that such forecasts are based on reasonable assumptions, it does not ensure that they are achieved. Expectations and estimates that are based on the future prospects of the Company are highly dependent on market behavior, Brazil's economic and political situation, of existing and future state government regulations, industry and international markets, and therefore, are subject to changes that are beyond the control of the Company and its management. The Company makes no commitment to publish updates or revise expectations, estimates and forecasts contained herein arising from information or future events.

## CONTACTS

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### GLOSSARY

**Land bank** – land held in inventory with the estimate of future PSV of the same.

**Classification of developments by Direcional, according to the economic segment to which they are intended:**

|                     |  |
|---------------------|--|
| MCMV - Level 1      | Low-income projects under construction contracts regarding the Minha Casa Minha Vida Housing Program, contracted directly with the Financing Agent, for families with monthly income of up to R\$ 1,800.00. The properties of this segment have the final price determined by the Financing Agent, under Ordinance 435/2012 of the Ministry of Cities, and their purchase may be conditionally subsidized by the government. |
| MCMV 2 and 3        | Residential developments with cap price of up to R\$ 300.0 thousand per unit, included in Levels 1.5, 2 and 3 of the MCMV Program. Until 3T15, projects of this profile have been called "Popular".  |
| Middle income       | Residential developments with average price ranging from R\$ 300.0 thousand to R\$ 500.0 thousand per unit.  |
| Upper-middle income | Residential developments with average price of more than R\$ 500.0 thousand per unit.  |
| MUC                 | Comprises projects of the middle-income, upper-middle income and commercial segments   |

**Swap** – a system of land purchase whereby the owner of land receives in payment a determined number of units of the undertaking to be built on the land.

**Contracted Sales** – PSV arising from all real estate sales contracts concluded in a given period, including the sale of Units launched in the period and the sale of Units in Inventory.

**PSV** – Potential Sales Value (PSV) – The total value potentially obtained by the sale of all Units of a given residential development at the launch price. There is a possibility that the PSV launched is not realized or differs significantly from the Contracted Sales value, since the amount of Units effectively sold may be different from the amount of Units Launched and/or the actual selling price of each Unit may differ from the launch price.

**PSV Launched:** Potential Sales Value (PSV) of Units Launched over a given period.