

Belo Horizonte, August 14th, 2020 – **Direcional Engenharia S.A.**, one of the largest homebuilders and real estate development companies in Brazil, focused on the developing large scale low-income projects and operating in all regions of the Brazilian Territory, discloses here its operating and financial statements for the second quarter of 2020 (2Q20). Unless otherwise expressed, the information in this document is expressed in the national currency (Brazilian Reais – R\$ or BRL) and the Potential Sales Value (“PSV”) demonstrates the value consolidated (100%). The Company’s consolidated financial statements are prepared in accordance with accounting practices adopted in Brazil, which are based on Brazilian Corporate Law and on the regulations issued by the Brazilian Securities Commission (CVM).

2Q20 EARNINGS RELEASE

NET PROFIT REACHES BRL 34 MILLION AND CASH GENERATION OF BRL 80 MILLION, THE BEST QUARTER IN NET SALES

HIGHLIGHTS

- **Net Income of BRL 34 million** in 2Q20, a growth of 240% in comparison with 1Q20, and 31% in comparison with 2Q19, representing the best quarter since 2Q15.
- **ROE (annualized) of 11%.**
- **Cash Generation¹ of BRL 80 million** in 2Q20, quarterly *cash flow yield* of 3%.
- **The best quarter in Net Sales in history: BRL 401 million**
- **Net Sales Speed (VSO) for MCMV 2 e 3 reached 17%** in 2Q20.
- **MCMV Adjusted Gross Margin² of 38%** in the quarter, in line with 1Q20.
- **Net Revenue of BRL 408 million**, the best result since 4Q14.
- **Net Debt³ over Equity of only 2%**, one of the lower rates in the sector.

STOCK TICKER: DIRR3

Quotation 6/30/2020: BRL 15.27

Number of Stocks (Ex treasury shares):
148 million

Market capitalization:
R\$ 2.266 million / US\$ 415 million

FreeFloat:
53%

2Q20 Average Daily Volume:
1,659 thousand stocks
R\$ 17,031 thousand
6,166 transactions

TELECONFERENCE

(In Portuguese with simultaneous translation into English)

Date: 8/17/2020 – Tuesday

Portuguese
10:00 a.m. – Brasília Time

English
9:00 AM a.m. – New York Time

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1. Cash Burn/Generation: net debt variation adjusted by payment of net debt, stock repurchase, and variation in the balance of interest swap operation agreements.

2. Gross Adjusted Margin: excluding capitalized interest for financing of production;

3- Net debt: adjusted by balance of interest swap operation agreements.

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MESSAGE FROM THE BOARD

To face the main challenges imposed by the covid-19 pandemic, we began 2Q20 with two main priorities: (i) To protect and minimize the impacts of this pandemic in our staff, customers, suppliers, and partners; and (ii) to preserve the soundness and liquidity of our balance sheet, in particular via increase of liquidity and maintenance our operational activities mainly sales, transfer and construction, aimed at preserving cash generation.

Analyzing the performance of this post-pandemic quarter, we believe that we are in the right path, and maintaining this strategy will put us in a differentiated position after the pandemic.

The performance and engagement of our staff, which reacted effectively and creatively to the challenges brought by the pandemic, was two of the greatest differentials for achieving outstanding results in that period, in particular considering the evolution of the majority of operational and financial metrics in the quarter.

Our digital sales platform with a fully online workflow, that goes from the customer origination to the signature of the sales agreement, including the approval of the credit with the financing bank, was also one of the main milestones of our performance in this scenario.

The good result of 2Q20 can be evidenced mainly by: **(i) the record of net sales in one quarter: BRL 401 million, followed by the significant improvement in the VSO, reaching 17% in the MCMV segment, and 16% in the consolidated view; (ii) a solid cash generation² of BRL 80 million; and (iii) net income of BRL 34 million, the best since 2015, representing a ROE of 11%.**

The increase of sales in the first semester (+12% about 1H19), in combination with the maintenance of the recurring gross margin, even with the pandemic and the reduction of 49% in the launches, are the evidence of the quality of our products and the assertiveness of our strategic decisions in the period.

Another operational metric which is worth to highlight is the decreasing percentage of canceled sales that represented 14% of sales on 2Q20, in comparison with 19% and 18% in 2Q19 and 1Q20, respectively. This result, which is the best since 2015, can be explained mainly by the improvement of sales and transfers, resulting in reduced deadlines and more assertiveness in the sales.

The results imposed by the pandemic continued to have a strong impact on a relevant part of notary offices and municipal and state bodies during the first months of the quarter, resulting in extended deadlines for approval of projects, and affecting the pace of the launches, resulting in a decrease of 38% in comparison with the same period in 2019 (PSV of BRL 351 million in 2Q20). It is worth mentioning that we observed a gradual resumption of approvals from June.

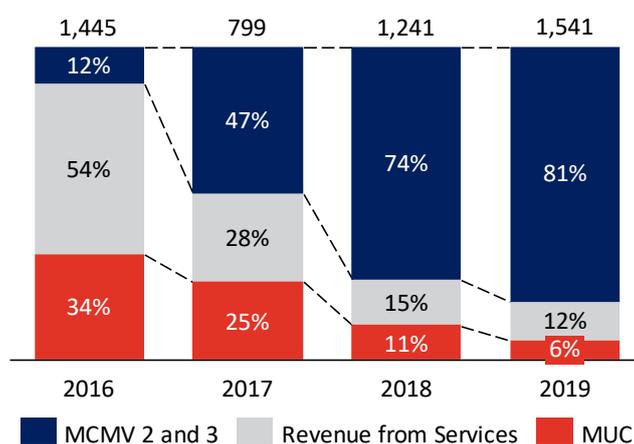
Safety measures adopted in our construction sites allowed us to resume our works in a proper pace, and with low impact in the construction costs. It is worth explaining that we had our works stopped only in Ceará, representing less than 5% the total of Direcional's revenue, and those works were resumed in May.

As a result of good operational performance, Direcional totaled BRL 451 million in Gross Revenue, an increase of 42% in comparison with 1Q20, and 15% higher than in 2Q19. If we exclude Revenue from Services, this increase was even greater: 48% and 31% in 1Q20 and 2Q19, respectively. Revenue from Services decreases 79% in relation to the same period of the previous year, since Direcional has not contracted any project under the MCMV Level 1 since 2018. It is important to highlight that MCMV 2 e 3 segments represents 87% of the total Gross Revenue earned in 1H20.

The graph on the side shows the gross revenue breakdown evolution by segment:

In 2Q20, Net Revenue reached BRL 408 million, a growth of 9% and 40% in comparison with 2Q19 and 1Q20, respectively. Adjusted Gross Profit¹ in the quarter followed the growth of Net Revenue and totaled BRL 134 million, resulting in an Adjusted Gross Margin¹ of 33%. The reduction in consolidated gross margin is a result of (i) non-

Evolution of Gross Revenue per Segment
(% and R\$ million)



recurring provision for losses in turnkey projects of approximately BRL 5 million; (ii) canceled sales in MUC segment related to the last cycle of completion of works in this segment, whose projects were sold using the model of finance transfers after the completion. **It is worth to highlight that the adjusted gross margin of MCMV segment in 2Q20 was 38%, in line with the previous quarter.**

Table below presents the Gross Margin by segment:

Gross Margin per Segment
(% e R\$ milhões)

2Q20 Results (BRL '000)	MCMV 2 and 3	MUC	Revenue from Service	Consolidated
Net Income	358	41	10	408
Adjusted Gross Profit ²	136	3	-5	134
Adjusted Gross Margin²	38%	8%	-52%	33%

The dilution of general and administrative expenses and sales expenses was another important factor for Direcional's results in 2Q20:

- (i) General and Administrative Expenses totaled BRL 25 million in the quarter (5.5% Gross Revenue, in comparison with 9.9% in the previous quarter), a reduction of 21% in comparison with 1Q20, and 8% with the same period in 2019.
- (ii) Sales Expenses represented 9.1% of the Development Gross Revenue on 2Q20 (BRL 40 million), a reduction of 2.6 p.p in comparison with 1Q20; and 1.8 p.p in 2Q19.

As a result, **Direcional Net Income reached BRL 34 million in 2Q20, the highest in a quarter since 2015, resulting in a ROE (annualized) of 11%.**

We ended 2Q20 with a Cash Generation² of BRL 80 million, equivalent to 6% of the Company's Equity. In the last 12 months, Direcional had a cash generation of BRL 158 million, which put the Company in a more comfortable situation and with one of the smallest leverage ratios (Adjusted Net Debt³/Equity) in the sector (2%).

Considering our capacity of building with differential efficiency, by having a dedicated sales staff, operating with mortgage transfer during the construction, unique geographic footprint, strong balance sheet, and a solid landbank (in its majority, purchased through swap), we believe that Direcional and its subsidiary Riva are among the companies that are most prepared to enjoy the opportunities in the sector, in particular considering the reduction in interest rate.

Therefore, looking ahead, we will work to maintain our differentiated operational capacity with a focus on value creation for our shareholders, customers, employees, and the society.

Thank you.

The Management – Direcional Engenharia S.A

1. Gross Adjusted Margin: excluding capitalized interest for financing of production;

2. Cash Burn/Generation: net debt variation adjusted by payment of net debt, stock repurchase, and variation in the balance of interest swap operation agreements.

3- Net debt: adjusted by balance of interest swap operation agreements.

MAIN INDICATORS

	2Q20 (a)	1Q20 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)	1H20 (d)	1H19 (e)	Δ % (d/e)
Financial Indicators								
Net Revenues (In BRL '000)	408,408	291,469	348,800	40.1%	17.1%	699,877	723,304	-3.2%
Gross Profit (BRL '000)	132,139	104,086	113,841	27.0%	16.1%	236,225	238,700	-1.0%
Gross Margin	32.4%	35.7%	32.6%	-3.4 p.p.	-0.3 p.p.	33.8%	33.0%	0.8 p.p.
Adjusted Gross Profit ¹ (BRL '000)	134,486	105,569	115,901	27.4%	16.0%	240,055	242,955	-1.2%
Adjusted Gross Margin ¹	32.9%	36.2%	33.2%	-3,3 p.p.	-0.3 p.p.	34.3%	33.6%	0.7 p.p.
Adjusted EBITDA ¹ (BRL '000)	60,744	45,072	60,368	34.8%	0.6%	105,816	118,944	-11.0%
Adjusted EBITDA Margin ¹	14.9%	15.5%	17.3%	-0.6 p.p.	-2.4 p.p.	15.1%	16.4%	-1.3 p.p.
Net Income (BRL '000)	33,894	10,052	20,413	237.2%	66.0%	43,947	46,313	-5.1%
Net Margin	8.3%	3.4%	5.9%	4.9 p.p.	2.4 p.p.	6.3%	6.4%	-0.1 p.p.
Launches								
PGV Launched - 100% (BRL'000)	351,171	139,892	392,208	151.0%	-10.5%	491,063	954,228	-48.5%
MCMV 2 and 3 ² (BRL'000)	351,171	104,942	326,432	234.6%	7.6%	456,113	807,774	-43.5%
MUC ³ (BRL'000)	0	34,950	65,776	-100.0%	-100.0%	34,950	146,454	-76.1%
PSV Launched - % Direcional (BRL'000)	295,794	122,417	316,063	141.6%	-6.4%	418,211	812,725	-48.5%
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%
Launched Units	2,132	852	2,290	150.2%	-6.9%	2,984	5,418	-44.9%
MCMV 2 and 3	2,132	764	2,174	179.1%	-1.9%	2,896	5,074	-42.9%
MUC	0	88	116	-100.0%	-100.0%	88	344	-74.4%
% Average Direcional	84.2%	87.5%	80.6%	-3.3 p.p.	0.0 p.p.	85.2%	85.2%	0.0 p.p.
Sales								
Net sales- 100%	401,096	298,049	287,389	34.6%	39.6%	699,145	623,625	12.1%
MCMV 2 and 3 (BRL'000)	365,734	267,230	272,543	36.9%	34.2%	632,964	586,016	8.0%
MUC (BRL'000)	35,362	30,820	14,846	14.7%	138.2%	66,181	37,609	76.0%
Net sales-% Direcional	344,066	248,005	253,790	38.7%	35.6%	592,071	544,994	8.6%
MCMV 2 and 3 (BRL'000)	317,764	224,053	244,635	41.8%	29.9%	541,817	516,805	4.8%
MUC (BRL'000)	26,302	23,952	9,156	9.8%	187.3%	50,254	28,189	78.3%
Net Units Sold	2,207	1,648	1,752	33.9%	26.0%	3,855	3,675	4.9%
MCMV 2 and 3	2,122	1,578	1,708	34.5%	24.2%	3,700	3,576	3.5%
MUC	85	70	44	21.4%	93.2%	155	99	56.6%
Consolidated VSO - (% PSV)	15.5%	13.2%	13.1%	2.3 p.p.	2.4 p.p.	30.6%	22.7%	7.9 p.p.
VSO MCMV - (% VGV)	17.0%	15.2%	15.6%	1.8 p.p.	1.5 p.p.	33.6%	26.2%	7.4 p.p.
VSO MUC - (% VGV)	8.0%	6.1%	3.4%	2.0 p.p.	4.6 p.p.	16.3%	7.3%	9.1 p.p.
Other Indicators								
Annualized ROE	11%	3%	89%	8%	8%	7%	6%	-24%
Cash and Cash Equivalents (BRL'000)	835,543	798,028	729,382	820,075	766,310	723,722	859,344	806,729
Gross Debt (BRL'000)	880,866	913,062	831,068	882,245	871,865	936,185	997,592	878,760
Net Debt (BRL'000)	42,971	112,682	101,686	62,170	105,555	212,463	138,248	72,031
Total Shareholder's Equity (BRL'000)	1,429,829	1,390,793	1,369,346	1,408,242	1,387,828	1,366,648	1,393,276	1,377,061
Cash Generation (burn) ⁴ (BRL'000)	79,766	-10,997	34,387	43,385	106,908	-18,169	23,783	286,868
Net Debt / Equity	3.0%	8.1%	7.4%	4.4%	7.6%	15.5%	9.9%	5.2%
Inventory - 100 % (BRL'000)	2,235,027	2,276,753	2,434,918	2,234,885	2,123,418	1,898,446	1,796,351	1,695,938
LandBank - 100 % (PSV - BRL'000)	23,227,370	23,092,927	22,326,962	21,029,801	21,695,053	21,501,897	20,334,373	19,940,900
LandBank - Units	136,729	136,593	133,475	124,454	127,716	126,255	117,895	115,706

1. Gross Adjusted Margin: excluding capitalized interest for financing of production;

2. MCMV 2 and 3: developments carried out under the Minha Casa Minha Vida Housing Program (MCMV) classes 1,5, 2, and 3;

3. MUC: Comprises projects of the middle-income, upper-middle income and commercial segments.

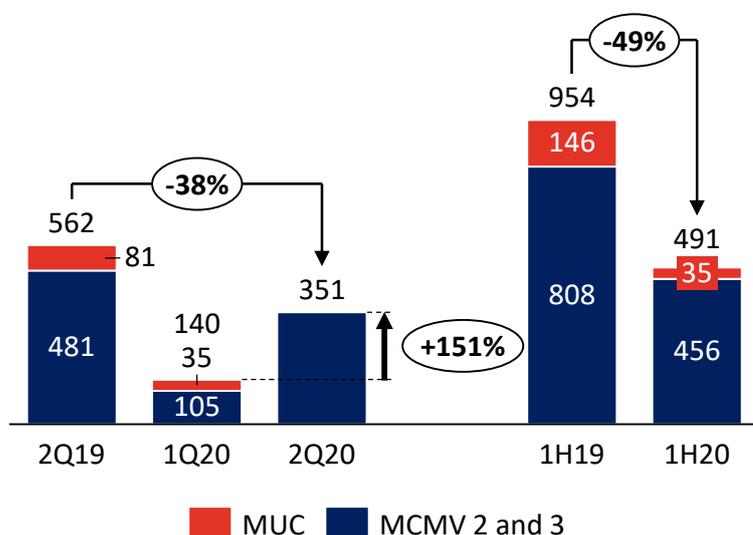
4. Cash Burn/Generation: net debt variation adjusted by payment of net debt, stock repurchase, and variation in the balance of interest swap operation agreements.

LAUNCHES

In 2Q20, Direcional launched 06 projects/stages, totaling a PSV of R\$ 351 million (R\$ 296 million % Direcional), representing a growth of 151% in comparison with the previous quarter. It is worth highlighting that there was a concentration of launches in the last month of the quarter, resulting in a low volume of sales of launches.

Is 1H20, Launches reached BRL 491 million, a decrease of 49% in relation to the same period of 2019. The launches in the semester were impacted by the slower project approvals in municipal and state bodies and notary offices, as an effect of the restrictions imposed by the Covid-19 pandemic. It is worth mentioning that we observed a faster progress in the processes since June.

Launches
(PSV 100% - R\$ million)



Launches 1H20
Geographic Segmentation (% PSV - 100%)

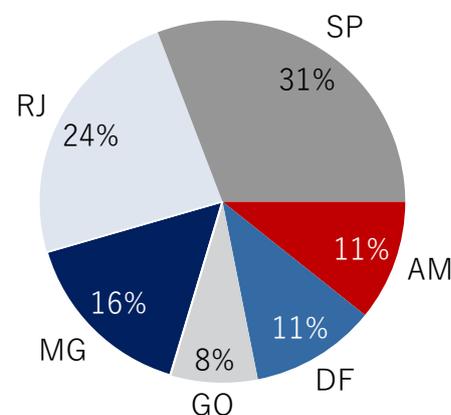


Table below presents information about projects launched in 2Q20:

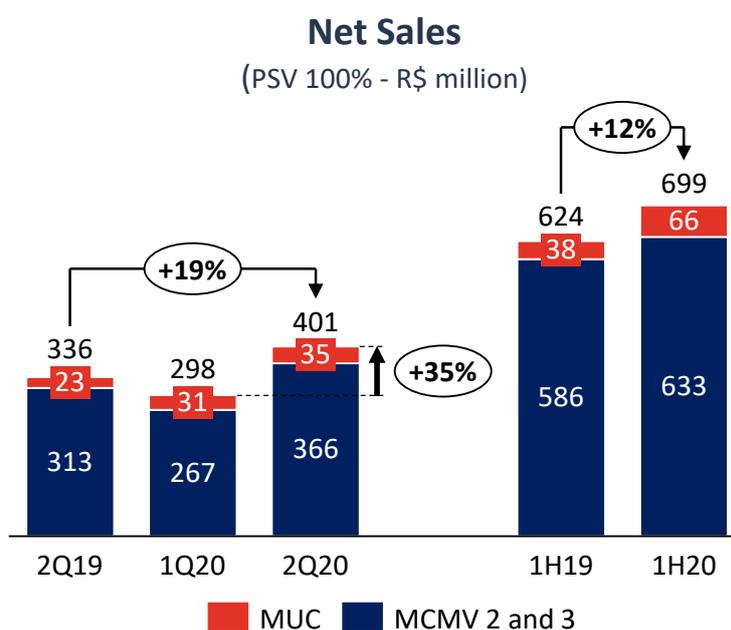
Launches (PSV - BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)	1H20 (c)	1H19 (d)	Δ % (c/d)
PSV Launched - 100%	351,171	139,892	562,020	151.0%	-37.5%	491,063	954,228	-48.5%
MCMV 2 and 3 ²	351,171	104,942	481,342	234.6%	-27.0%	456,113	807,774	-43.5%
MUC	0	34,950	80,678	-100.0%	-100.0%	34,950	146,454	-76.1%
PSV Launched - % Direcional	295,794	122,417	496,662	141.6%	-40.4%	418,211	812,725	-48.5%
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%
Launched Units	2,132	852	3,128	150.2%	-31.8%	2,984	5,418	-44.9%
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%	88.4%	-3.3 p.p.	-4.1 p.p.	85.2%	85.2%	0.0 p.p.
Average Price (BRL/unit)	164,714	164,193	179,674	0.3%	-8.3%	164,565	176,122	-6.6%
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 SALES

In 2Q20, Net Sales reached the **milestone** of R\$ 401 million, a growth of 35% in comparison with the previous quarter, and 19% in relation to 2Q19. **This quarter was the best quarter in net sales at Direcional.**

It is worth emphasizing that the result was achieved even with the low volume of launches, which totaled only BRL 17 million, due to the concentration of launches in the latest weeks of the quarters.

The first semester of 2020 earned BRL 699 million in net sales, a volume 12% higher than the same period in 2019. This result was reached even considering the lower volume of launches in the same period (-59%).



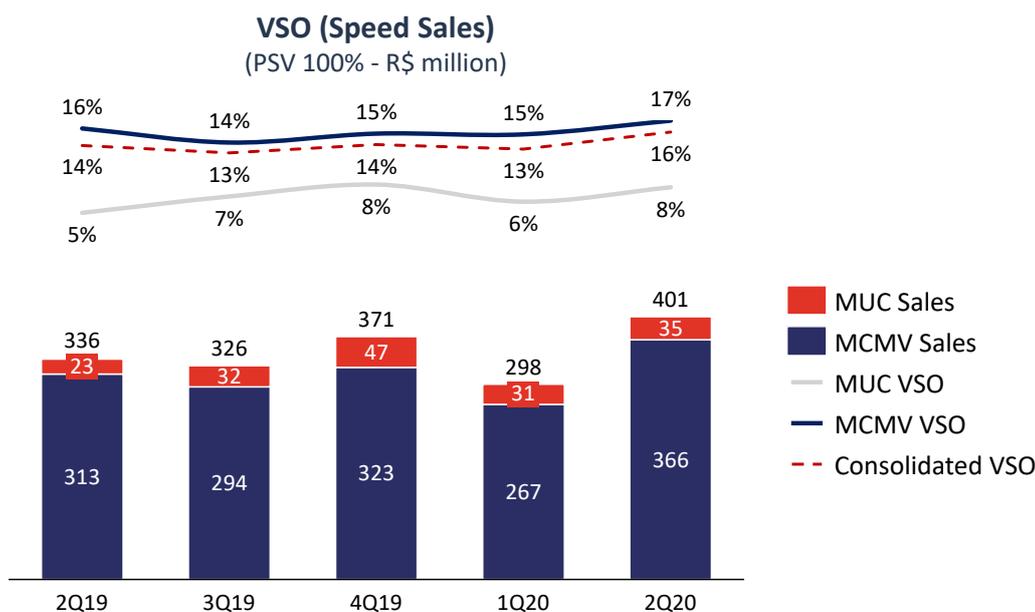
The table below consolidates the information for 2Q20 and 1H20:

Net sales contracted	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)	1H20 (d)	1H19 (e)	Δ % (d/e)
PSV Net Contracted - 100% (BRL'000)	401,096	298,049	336,236	34.6%	19.3%	699,145	623,625	12.1%
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%
PSV Net Contracted - % Direcional (BRL'000)	344,066	248,005	291,204	38.7%	18.2%	592,071	544,994	8.6%
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%
Contracted Units	2,207	1,648	1,923	33.9%	14.8%	3,855	3,675	4.9%
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%
Average Price (BRL/unit)	181,738	180,855	174,850	0.5%	3.9%	181,361	169,694	6.9%
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
VSO in PSV	16%	13%	14%	2 p.p.	2 p.p.	31%	23%	8 p.p.
MCMV 2 and 3	17%	15%	16%	2 p.p.	1 p.p.	34%	26%	0%
MUC ¹	8%	6%	5%	2 p.p.	3 p.p.	16%	7%	0%

SALES SPEED (VSO)

The net sales speed in 2Q20, measured by the VSO (Sales over Supply) ratio, reached 16%. It is worth highlighting that launches VSO was 5%, due to the concentration of launches at the end of the quarter. Inventory VSO reached 17%.

VSO for MCMV 2 and 3 segment reached 17%. MCMV inventory VSO reached 20% in the quarter.

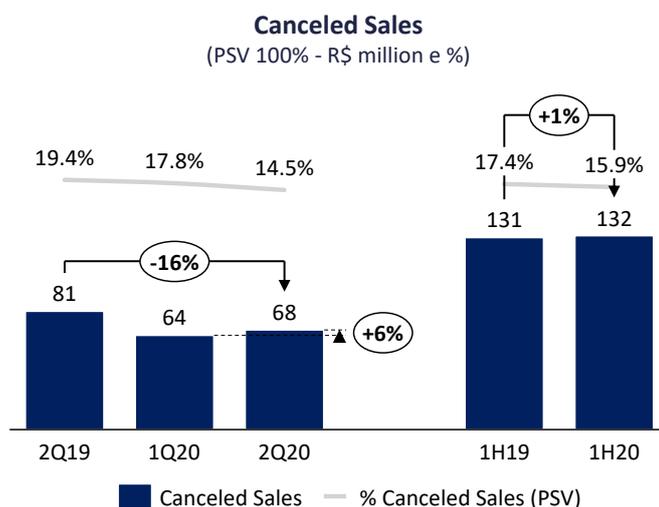


Canceled Sales

In 2Q20, canceled sales totaled of R\$ 68 million (R\$ 61 million % Direcional), representing 14.5% of the gross sales of the quarter, a reduction of 5 p.p when compared to the same period in 2019.

In 1H20, canceled sales totaled BRL 132 million, in line with the same period in the previous year. However, the percentage of canceled related to the gross sales went from 17.4% in 1H19 to 15.9% in 1H20.

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



Canceled Sales (BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)	1H20 (c)	1H19 (d)	Δ % (c/d)
Canceled Sales (100 %)	-68,028	-64,366	-80,750	5.7%	-15.8%	-132,394	-131,160	0.9%
Gross PSV Contracted (100%)	469,124	362,415	416,987	29.4%	12.5%	831,539	754,785	10.2%
% Canceled Sales / Gross PSV Contracted	14.5%	17.8%	19.4%	-3.3 p.p.	-4.9 p.p.	15.9%	17.4%	-1.5 p.p.
Canceled Sales (% Direcional)	-61,108	-57,726	-71,392	5.9%	-14.4%	-118,834	-117,055	1.5%
Gross PSV Contracted	405,173	305,732	362,596	32.5%	11.7%	710,905	662,049	7.4%
% Canceled Sales / Gross PSV Contracted	15.1%	18.9%	19.7%	-3.8 p.p.	-4.6 p.p.	16.7%	17.7%	-1.0 p.p.

In canceled PSV, transfers of credit from customers of the unit originally acquired to another unit of our inventory are disregarded.

INVENTORY

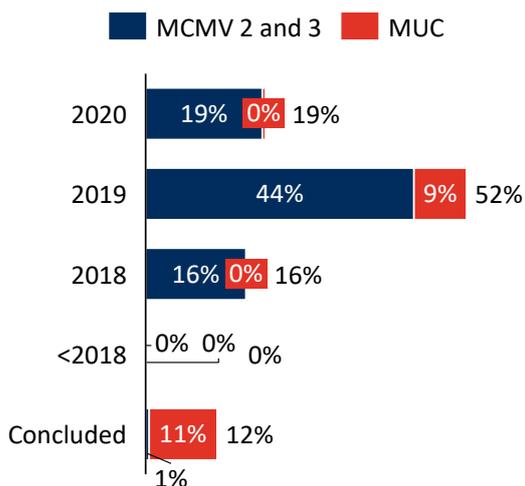
Direcional ended 2Q20 with 11,649 units in the inventory, totalizing a PSV of R\$ 2.2 billion.

Table below shows the inventory at open market value by stage of construction and type of product. It is worth to emphasize that **MCMV** segment has only R\$ 13 million in PSV of completed units, representing 1% of the inventory.

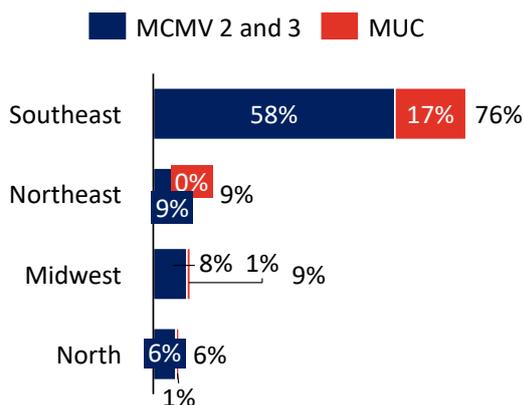
Breakdown of the Inventory at Market Value (BRL'000)	PSV Total			PSV % Direcional		
	MCMV 2 and 3	MUC ²	Consolidated (% Total)	MCMV 2 and 3	MUC ²	Consolidated (% Total)
In progress	1,770	205	1,975	1,558	183	1,740
<i>% Total</i>	79%	9%	88%	70%	8%	78%
Completed	13	247	260	12	215	228
<i>% Total</i>	1%	11%	12%	1%	10%	10%
Total	1,783	452	2,235	1,570	398	1,968
<i>% Total</i>	80%	20%	100%	70%	18%	88%
Total Units	10,638	1,011	11,649	10,638	1,011	11,649
<i>% Total Units</i>	91%	9%	100%	91%	9%	100%

The following graphs show further information on the opening and evolution of the inventory. The main highlights are: (i) **88%** of the PSV in inventory is in projects launched from 2018; (ii) **76%** is located in the Southeast region.

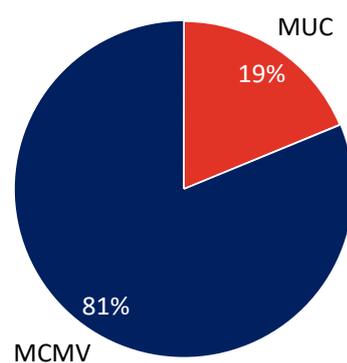
Inventory by Launch Period
(% PSV - 100%)



Inventory by Region
(% PSV - 100%)



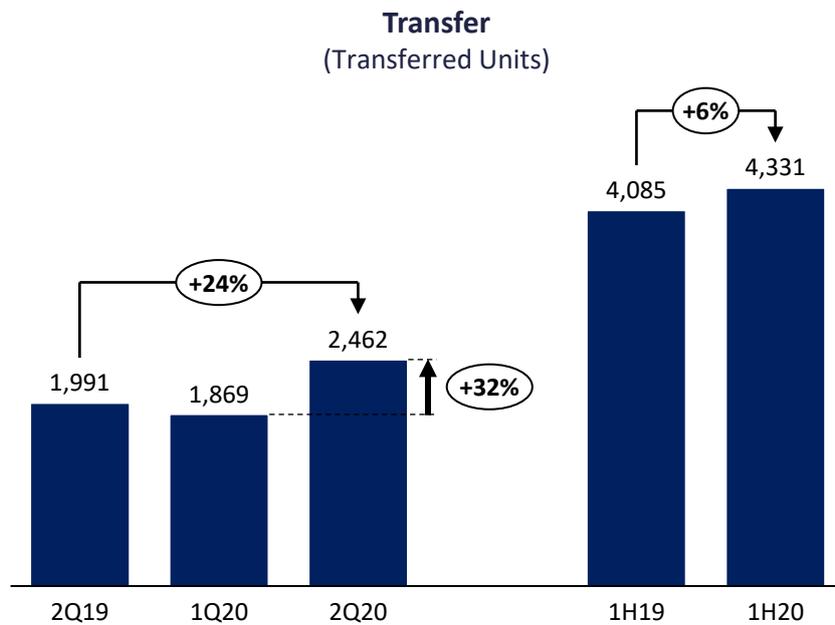
Inventory Segmentation
(PSV 100% - R\$ million)



1 – MUC: Comprises projects of the Middle-Income, Upper Middle-Income, and Commercial segments.

TRANSFERS

In 2Q20, Direcional transferred 2,462 Units, a growth of 32% in relation to the previous quarter, and 24% in relation to the same period of the previous year. In the last 6 months, the volume of transfers totaled 4,331 units, +6% in comparison with 1H19.



PROJECTS DELIVERED

Direcional delivered 3 projects/stages during 2Q20, totaling 1,024 units under the MCMV 2 and 3 segment.

LANDBANK

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

The landbank aimed to MCMV 2 and 3 had a potential PSV of R\$ 19 billion (R\$ 17 billion % Direcional) and 122,568 units. The lands destined to the MUC segment totaled R\$ 4 billion in potential PSV.

The average acquisition cost of the landbank is 11% of the potential PSV, and 84% shall be paid via swap, with a reduced impact on the cash position before the development of the project is started.

Landbank (Total PSV - BRL million)	Lands 2019	Acquisitions 1H19	Launches 1H19	Adjustments ²	Lands 1H20	% PSV	Units	% Units
MCMV 2 and 3	17,957	1,152	-456	-227	18,426	79%	121,224	90%
MUC	4,370	467	-35	-1	4,801	21%	15,515	10%
Total	22,327	1,619	-491	-227	23,227	100%	136,729	100%

1 - MUC: Comprises projects of the middle-income, upper-middle income and commercial segments

2 - Adjustment: update of sales price, canceled Sales and swap.

Landbank (Total PSV - BRL million)	MCMV 2 and 3	Middle	Upper-middle	Commercial	Lands 1H20	% PSV	Units	% Units
Southeast	10,347	2,584	358	424	13,714	59%	72,570	53%
Midwest	4,152	690	0	87	4,929	21%	34,115	25%
North	3,125	497	0	0	3,622	16%	24,190	18%
Northeast	801	161	0	0	962	4%	5,854	4%
Total	18,426	3,933	358	510	23,227	100%	136,729	100%

Acquisition of Land

In 2Q20, five lands were acquired for **MCMV 2 and 3 (4)** and **MUC (1)** segment, with a construction potential of 4 thousand = units and PSV of BRL 716 million.

The average cost of the acquisition was equivalent to 12% of the potential PSV, and 63% of the payment shall be made via swap, which does not cause impact on the Company's cash position in a short term.

In the first six months of 2020, the acquisition of land had a potential PSV of R\$ 1.6 billion, with an average cost of 14% and 79% with payment via swap.

RIVA – Operational Highlights

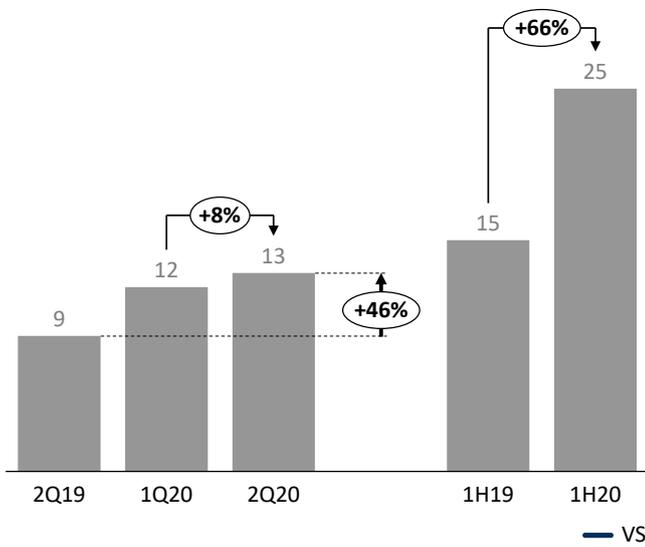
Net sales and VSO

In 2Q20, net consolidated sales by Riva and the SPEs that are part of the membership units purchase and sale agreement reached BRL 76 million, a growth of 46% in comparison with the previous quarter, and 46% when compared to the same period in 2019.

Net sales speed in 2Q20, measured by the VSO (Net Sales Speed Ratio), reached 16%.

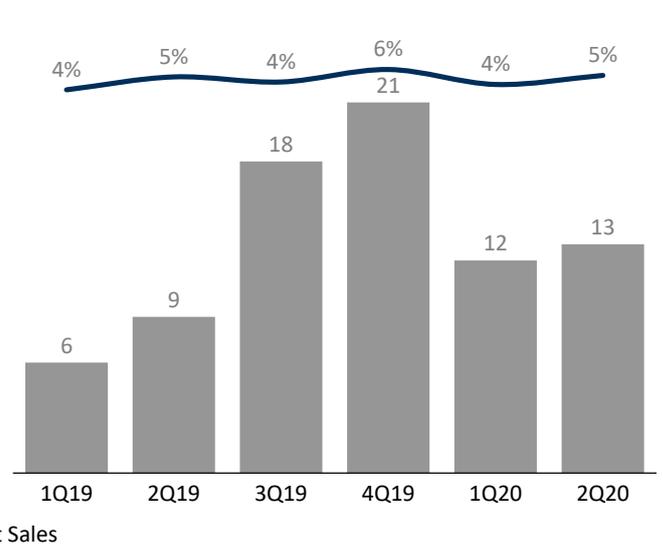
Evolution of Net Sales

(PSV 100% - R\$ million)



Evolution of Net Sales and VSO

(PSV 100% - R\$ million)



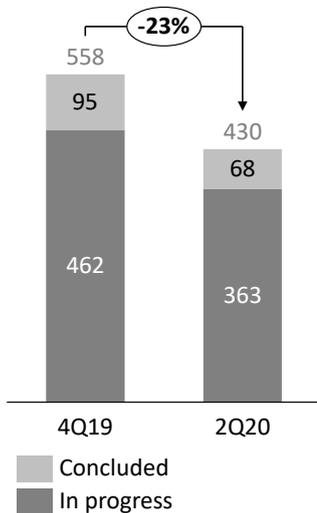
Inventory

At the end of 2Q20, PSV in inventory totaled BRL 430 million, a reduction of 23% when compared to the end of 2019.

The following graphs show further information on the opening and evolution of the inventory.

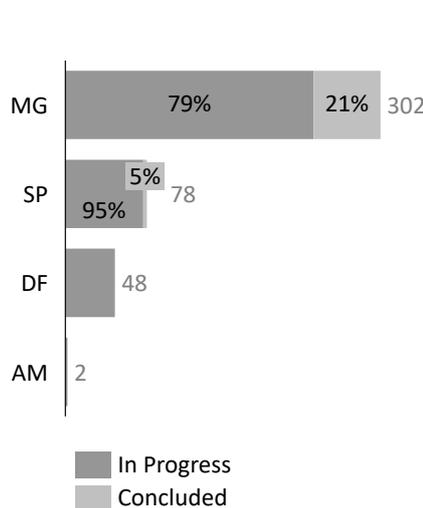
Evolution of Inventory

(PSV 100% - R\$ million)



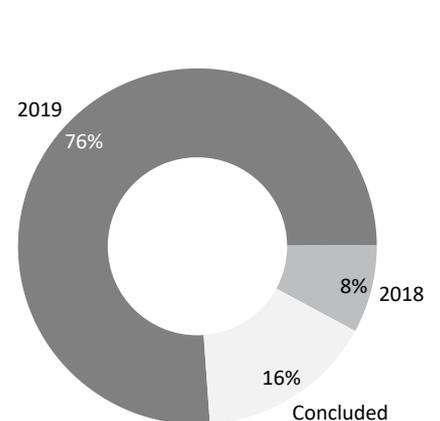
Inventory by Region

(PSV 100% - R\$ million)



Inventory by Launch Year

(% PSV 100%)



FINANCIAL AND ECONOMICAL PERFORMANCE

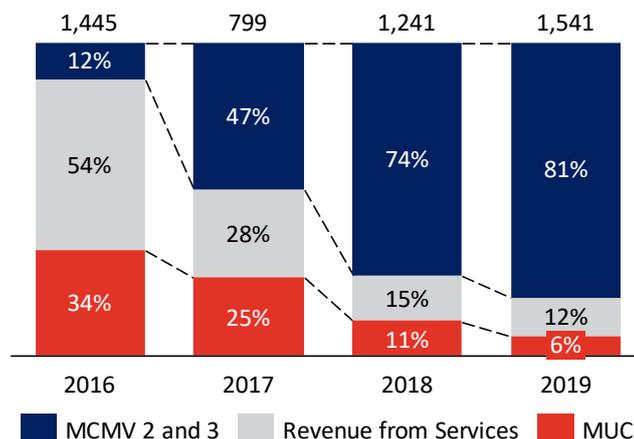
Gross Operational Revenue

Direcional Gross Revenue summed BRL 451 million in 2Q20, a growth of 42% in relation to the previous quarter, and 15% in relation to the same period of the previous year.

Even with the decrease of 79% in the Gross Revenue from Services when compared to 2Q19, Direcional increased its overall Gross Revenue, which reflects the performance of the Real Estate Sales Revenue, whose Gross Revenue reached BRL 439 million in 2Q20, a growth of 48% when compared to 1Q20, and 31% in relation to the same period of the previous year, and represented 87% of the total of revenue earned by Direcional in 1H20. The increase in the Real Estate Sales Revenue is a result of increasing net sales, and the progress of works.

The graph on the side shows the gross revenue breakdown evolution by segment.

Evolution of Gross Revenue per Segment (% and R\$ million)

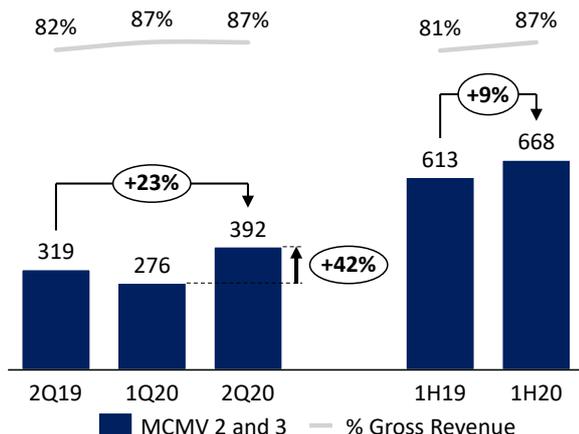


Gross Revenue (BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)	1H20 (c)	1H19 (d)	Δ % (c/d)
Gross Operational Income	450,711	316,712	391,492	42.3%	15.1%	767,423	756,060	1.5%
From Real Estate Sales	438,825	295,652	335,248	48.4%	30.9%	734,477	645,350	13.8%
From Services	11,886	21,060	56,244	-43.6%	-78.9%	32,946	110,711	-70.2%

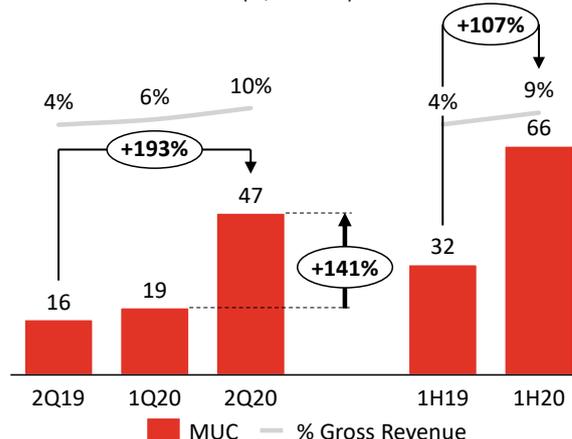
Real Estate Sales Revenue

Gross Revenue from Real Estate Sales, which consolidates MCMV 2 and 3 and MUC segments, reached BRL 439 million in 2Q20, a growth of 31% in relation to same period of the previous year, and 48% in relation to 1Q20. This result is mainly due to the growth of volume of units sold, as well as by the acceleration in the construction of the projects already sold. Gross Revenue of the MCMV segment totaled BRL 668 million 1H20, representing a growth of 9% in comparison with 1H19. Another important point is the performance of the MUC segment, which revenue reached BRL 47 million, a growth of 193% when compared to the same period in the previous year.

Revenue from Real Estate Sales – MCMV 2 and 3 (R\$ million)



Revenue from Real Estate Sales – MUC (R\$ million)



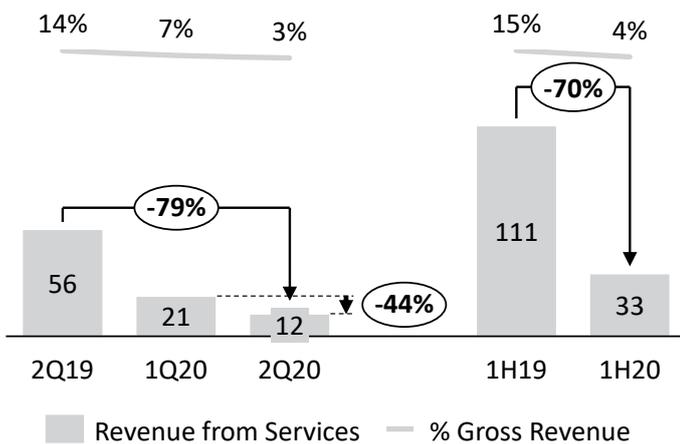
Revenue from Services

Gross revenue from services, which represented 3% of the total of revenue recognized in 2Q20, is composed of (i) revenue from turnkey projects (MCMV Level 1); (ii) from project administration fees and (iii) brokerage fees from units sold by the own real estate broker team.

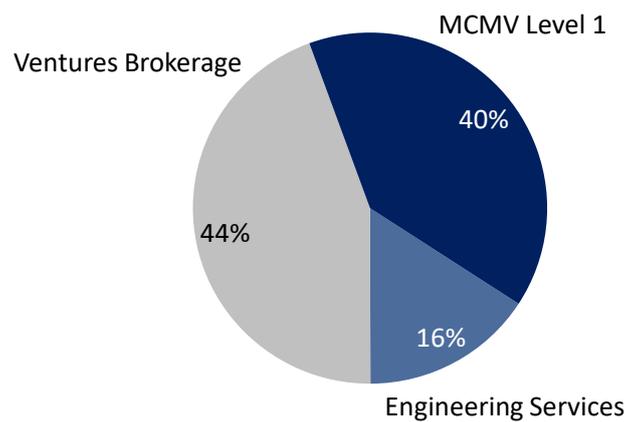
In 2Q20, the revenue reached a volume of R\$ 12 million, a reduction of 79% in relation to 2Q19, and 44% in relation to the previous quarter. In the last 6 months, Revenue from Services totaled R\$ 33 million, representing a decrease of 70% in relation to the same period of 2019. The reduction in the volume of works in projects contracted under the MCMV Level 1, and consequent reduction of revenue from turnkey projects, is the main reason for the decrease in the Revenue from Services, as the Company has not contracted new projects within this segment since 2018.

The graph below shows the evolution of the revenue with provision of services and segmentation.

Revenue from Services
(R\$ million)



Revenue from Services Breakdown 1H20

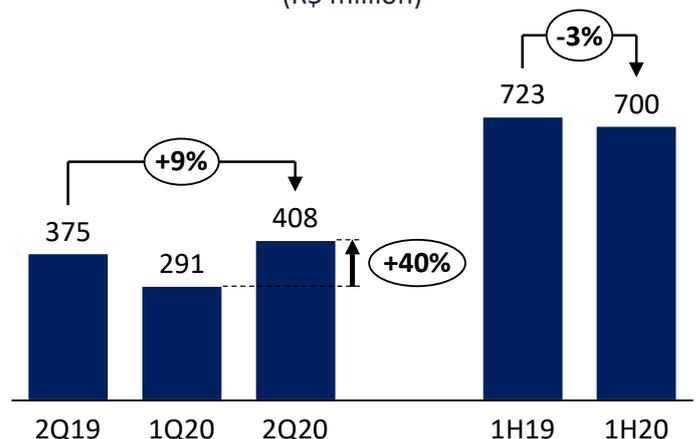


Net Operational Revenue

In 2Q20, Net Revenue reached R\$ 408 million, a growth of 9% 40% in comparison with 1Q19 and 1Q20, respectively.

In the last 6 months, Direcional Net Revenue totaled R\$ 700 million, a reduction of 3% in comparison with 1H19. As already mentioned, the performance is a result of a shorter volume of Revenue from Services.

Net Revenue
(R\$ million)

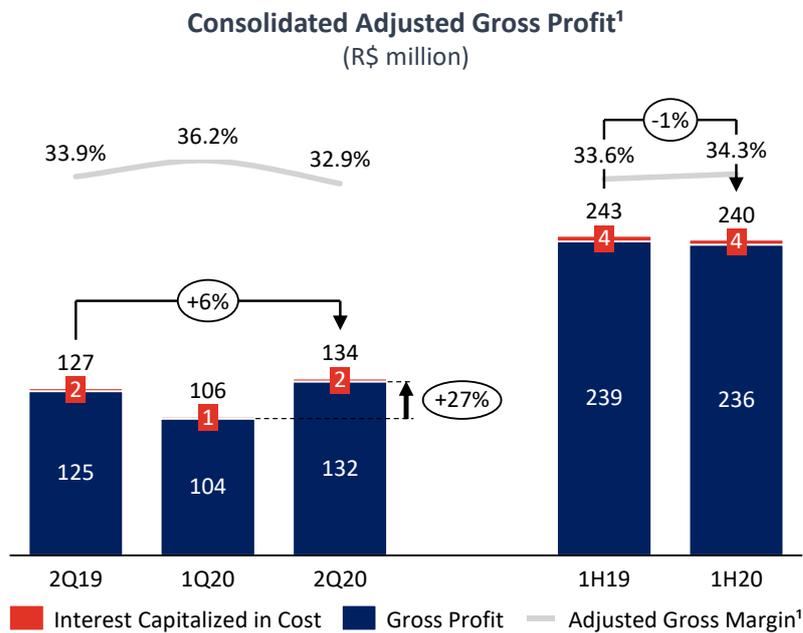


Gross Profit

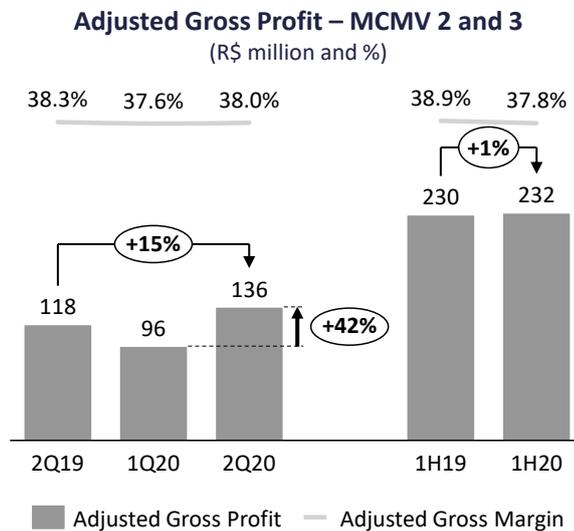
Adjusted Gross Profit¹ in 2Q20 totaled BRL 134 million, resulting in Adjusted Gross Margin¹ of 32.9% in the quarter, and growth of 6% in relation to the same period of the previous year, and 27% when compared to 1Q20.

In the first semester of 2020, Adjusted Gross Profit reached BRL 240 million, the same in 2019. Adjusted Gross Margin in 1H20 reached 34.3%, 0.7 p.p above when compared to 1H19 (33.6%).

The reduction in consolidated gross margin is a result of (i) non-recurring provision for losses in turnkey projects of approximately BRL 5 million; (ii) canceled sales in MUC segment concerning the last cycle of completion of works in this segment, which projects were sold using the model of finance after the completion.



Finally, it is worth highlighting that the margin of MCMV segment in 2Q20 was 38%, in line with the previous quarters.



1- Gross Adjusted Margin: excluding capitalized interest for financing of production;

General and Administrative Expenses (G&A)

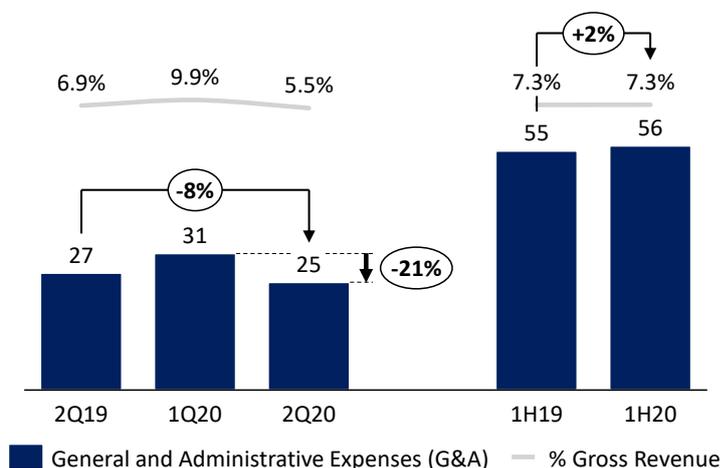
General and Administrative Expenses totaled BRL 25 million in 2Q20, a decrease of 21% when compared to the previous quarter, and 8% in comparison with the previous year, even considering non-recurring expenses during the quarter for mitigating the impacts of COVID-19 among workers and customers.

Decrease of G&A is partially explained by (i) reduction of expenses adopted in the pandemic; (ii) another relevant factor is the result of investments for improvement of processes and systems, in particular with a focus on the digitization of repetitive activities, with significant increase of productivity among collaborators, and reduction of materials.

Finally, it is worth highlighting that the reduction of expenses in the quarter resulted in a relevant dilution of G&A on Gross Revenue, representing a reduction of 1.4 p.p and 4.4 when compared to 2Q19 and 2Q20, respectively.

In 1H20, General and Administrative Expenses totaled BRL 56 million, a growth of 2% in comparison with 1H19.

General and Administrative Expenses (G&A)
(R\$ million)

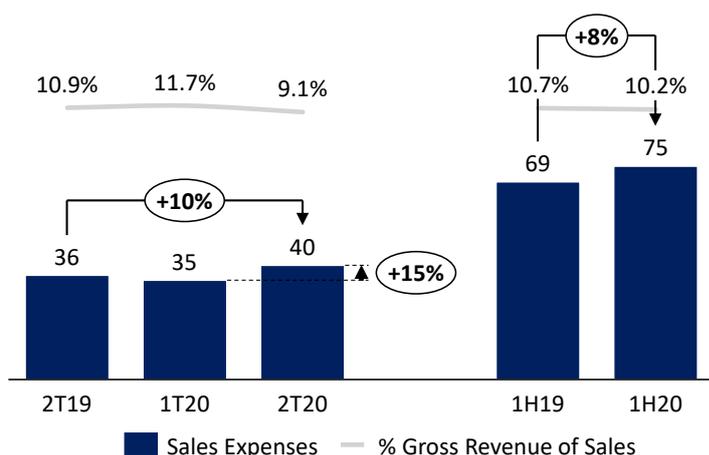


Sales Expenses

In 2Q20, Sales Expenses totaled BRL 40 million, an increase of 15% in comparison with 1Q20, and 10%, in relation to the same period of the previous year, and lower than the growth of Development Gross Revenue. The dilution of sales expenses, which basically comprise expenses with commissions and marketing, can be explained by (i) reduction of canceled sales; (ii) optimization of the sales process, in particular, an increased use of the digital sales channel; (iii) more assertiveness in marketing campaigns with significant increase of digital channels.

In the first semester of 2020, Sales Expenses totaled BRL 75 million, an increase of 8% when compared to BRL 69 million in 1H19. However, it is worth mentioning that Sales Expenses totaled 10.2% of Development Gross Revenue in 1H20, when compared to 10.7% in the first semester of 2019.

Sales Expenses
(R\$ million)



Other operational revenue (and expenses)

In 2Q20, other operational revenue (and expenses) had a negative net balance of BRL 17.5 million, which is a result, in particular, of (i) provisions with legal demands in the amount of BRL 3 million; (ii) provision for loss of accounts receivable in the amount of BRL 3 million, in particular related to the increase of the portfolio; (iii) amortization of goodwill of purchase of shares in approximately BRL 2 million; and (iv) other non-recurring expenses such as discontinued projects, expenses, and donations for fighting and minimizing the impacts of Covid-19, among others, of approximately BRL 9 million.

Ebitda

In 2Q20, Adjusted Ebitda¹ reached BRL 61 million, a growth of 4% in relation to 2Q19, and 35% in relation to the previous quarter. Ebitda margin reached 17%.

The improvement in the Ebitda is due to the significant increase of Gross Profit, as well as the dilution of operational expenses

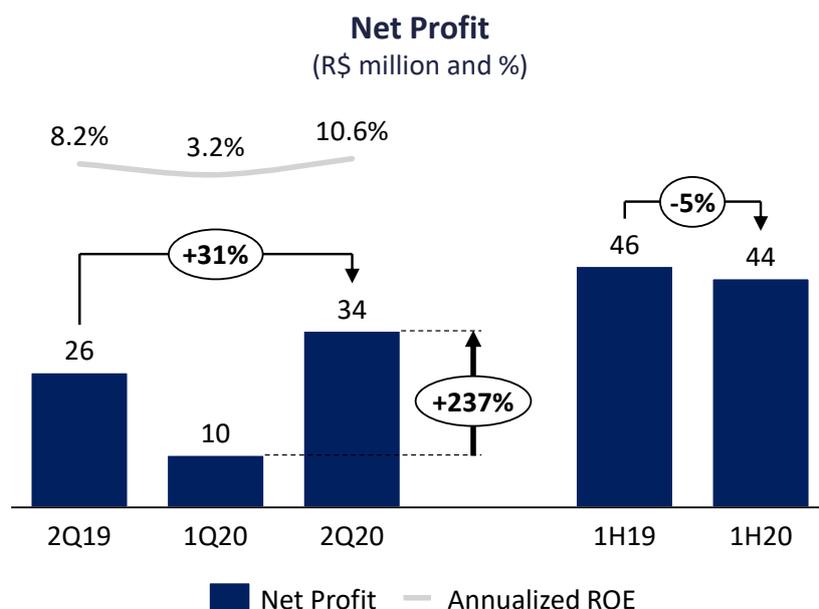
Recomposition of EBITDA (BRL '000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)	1H20 (c)	1H19 (d)	Δ % (c/d)
Net Income	33,894	10,052	25,899	237%	31%	43,946	46,313	-5%
(+) Depreciation and Amortization	9,646	9,275	6,142	4%	57%	18,921	18,814	1%
(+) Income Tax and Social Contribution	8,468	5,897	7,560	44%	12%	14,365	15,139	-5%
(+) Minority Interest	5,159	7,671	6,059	-33%	-15%	12,830	12,399	3%
(+/-) Financial Results	1,393	10,693	10,720	-87%	-87%	12,087	22,024	-45%
(+) Cost of production financing	2,347	1,483	2,196	58%	7%	3,830	4,255	-10%
Adjusted EBITDA	60,906	45,072	58,576	35%	4%	105,978	118,944	-11%
Adjusted EBITDA Margin¹	14.9%	15.5%	15.6%	-1 p,p,	-1 p,p,	15%	(2%)	17 p,p,

¹- Adjusted Ebitda and Ebitda Margin: excluding capitalized interest for financing of production

Net Income

In 2Q20, Direcional had a net income of BRL 34 million, a growth of 237% in relation to the previous year; and 31%, in comparison with 2Q19. It is worth to highlight that this result presents an annualized ROE of 11% in 2Q20.

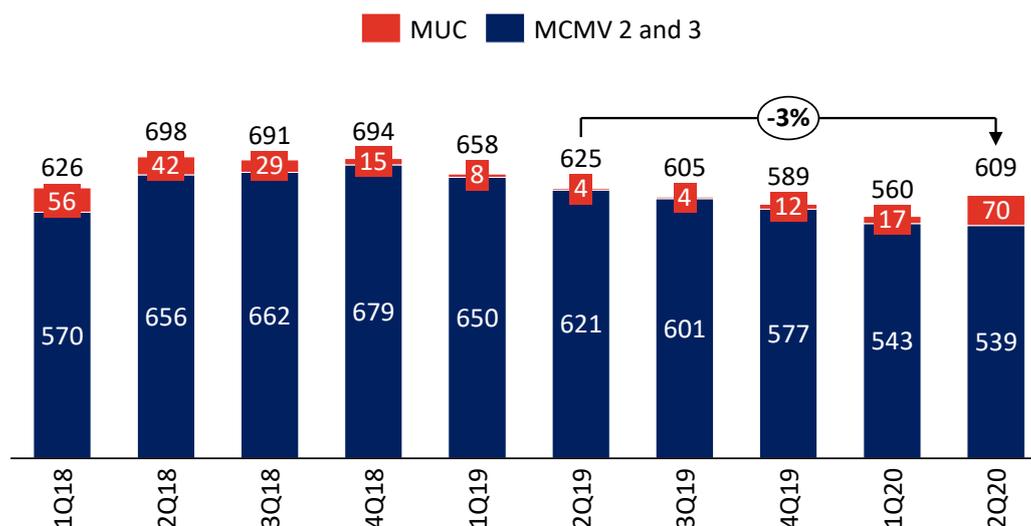
In 1H20, Direcional Net Income totaled BRL 44 million.



Deferred Results

At the end of 2Q20, the deferred results (REF) of the development segment totaled BRL 609 million, and 89% concerns projects of the MCMV 2 and 3 segment, and only 11% concerns the MUC segment. The increase is a result of the sales during 2Q20.

Deferred Revenue of Sales (R\$ million)



The table below presents the evolution of the deferred results:

Deferred Results (BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)
Consolidated Backlog Results (1+2)	1,297	1,255	1,434	3.3%	-9.6%
Backlog Cost – Consolidated (1+2)	-877	-903	-980	-2.9%	-10.6%
Consolidated Backlog Results (1+2)	420	352	454	19.3%	-7.5%
Development Backlog Margin (REF)	32.4%	28.0%	31.6%	4,3 p.p.	0,7 p.p.
Development Backlog Revenues (1)	609	560	625	8.8%	-2.6%
Backlog Costs (1)	-362	-338	-370	6.9%	-2.2%
Development Backlog Results (1)	247	222	255	11.6%	-3.2%
Development Backlog Margin (REF)	40.6%	39.6%	40.9%	1,0 p.p.	-0,2 p.p.
Works Contracts Backlog Revenues (2)	688	695	809	-1.1%	-15.0%
Works Contracts Backlog Cost (2)	-515	-565	-611	-8.8%	-15.6%
Income to apportion, Works Contracts Backlog Results (2)	172	130	199	32.5%	-13.2%
Development Backlog Margin (REF)	25.1%	18.7%	24.5%	6,3 p.p.	0,5 p.p.

1. Deferred Results of Contract Works: approximately R\$ 666 million corresponds to non-started works which, at the moment, the Company is working to adjust contractual parameters, conclude possible regularizations, and negotiate the dates for beginning of works.

BALANCE SHEET HIGHLIGHTS

Cash, Cash Equivalents, and Financial Investments

Direcional ended 2Q20 with Cash Balance, Equivalents, and Financial Investments of R\$ 836 million, an increase of 5% in comparison with 1Q20 and 9% about the same period of the previous year.

Cash and cash equivalents and investments (BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)
Cash and Cash Equivalents	611,617	591,506	617,198	3.4%	-0.9%
Financial Investments	223,926	206,522	149,112	8.4%	50.2%
Total	835,543	798,028	766,310	4.7%	9.0%

Accounts Receivable

Direcional ended 2Q20 with a balance of accounts receivable of BRL 434 million, 6% more when compared to 1Q20, and 10% less when compared to 2Q19. It is worth highlighting that, in spite of the increase of accounts receivable as a result of bigger sales volume, the growth was inferior to the increase of revenue, which confirms the continuity of the reduction of receiving days at Direcional.

Accounts Receivable (BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)
Sale of Real Estate	405,022	377,800	442,502	7.2%	-8.5%
Services	28,021	30,923	38,102	-9.4%	-26.5%
Sale of Land	1,274	1,225	1,146	4.0%	11.2%
Total	434,318	409,948	481,749	5.9%	-9.8%
Current	296,633	294,958	389,115	0.6%	-23.8%
Non-current	137,685	114,990	92,634	19.7%	48.6%

1. Short-term accountable accounts receivable is composed of the debit balance of customers corrected and recognized in the income proportionally to the PoC (**Percent of Completion**), considering the date of permission for occupancy for payment of the financing installment by part of customers to Direcional, plus the recognized revenue of the contract works.

According to current accounting rules, the recognition of Accounts Receivable is proportional to the performance index of the respective works (Percentage of Completion - PoC). Therefore, the accounts receivable balance from development units sold and not completed yet is not totally reflected in the Financial Statements. It is worth to emphasize that the total balance of the Direcional's accounts receivable at the end of 2Q20 totaled R\$ 1.1 billion.

Indebtedness

Gross balance for loans and funding ended the quarter in BRL 881 million, 4% less than the previous quarter, and 1% more than the previous year.

The low leverage ratio, measured by the adjusted net debt² about net equity, ended 2Q20 in 2.3%, one the lowest ratios in the sector.

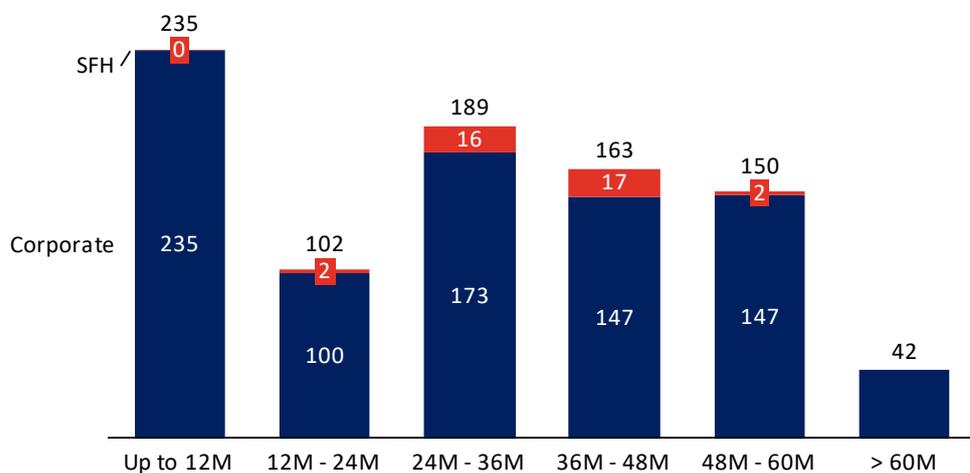
The following table and graphs show further information of debt, as well as its amortization schedule.

Indebtedness (BRL'000)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)
Loans and Funding	880,866	913,062	871,865	-3.5%	1.0%
CRI	682,867	776,561	757,694	-12.1%	-9.9%
Construction Financing	37,288	77,488	53,877	-51.9%	-30.8%
CCB	146,703	42,411	45,306	245.9%	223.8%
FINAME and Leasing	14,008	16,602	14,988	-15.6%	-6.5%
Cash and Cash Equivalents	835,543	798,028	766,310	4.7%	9.0%
Net Debt¹	45,323	115,034	105,555	-62.6%	-59.3%
Swap agreements position	12,406	2,352	0	-62.6%	-59.3%
Adjusted Net Debt²	32,917	112,683	105,555	-62.6%	-59.3%
Adjusted Net Debt / Equity	2.3%	8.1%	7.6%	-5.3 p.p.	-4.6 p.p.
Loans and investments by index	880,866	913,063	871,865	-3.5%	1.0%
TR	37,288	77,488	31,272	-51.9%	19.2%
IPCA	256,168	258,654	259,104	-1.0%	n/a
CDI	587,411	576,921	581,489	1.8%	1.0%

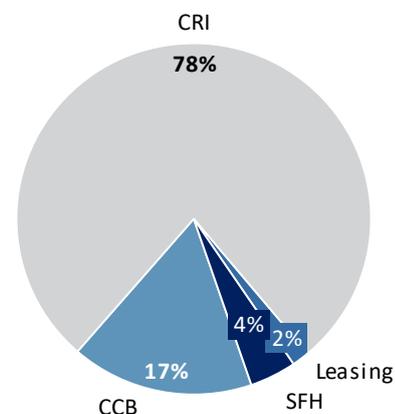
1. Net Debt: Total balance of Loans and Funding reduced by the balance of Cash and Cash Equivalents.

2. Adjusted Net Debt: Net debt plus balance of open positions in swap agreements for protection against interest rate float.

Debt Amortization Schedule
(R\$ million)



Loans and Financing
(% of Debt)

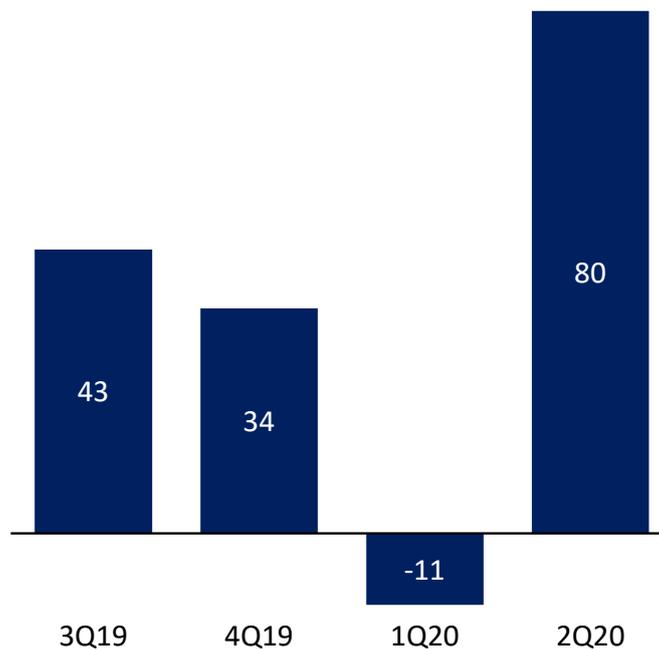


The average maturity of the debt in the end of 2Q20 was 36 months.

Cash Generation (Burn)

Direcional ended 2Q20 totaling BRL 80 million in Cash Generation, representing 6% of Direcional Net Equity. In 1H20, Cash Generation totaled R\$ 69 million.

Cash Generation (Cash Burn) (R\$ million)



1 -- Cash Generation (Burn): net debt variation adjusted by payment of net debt, stock repurchase, and variation in the balance of interest swap operation agreements.

Statements contained in this notice regarding business perspectives, operational and financial projection results, and references to the Company's potential of growth constitute mere estimates and were based on the Board's expectations and estimates regarding the Company's future performance. Although the Company believes that such estimates are based on reasonable assumptions, Company does not ensure they are achievable. The expectations and estimates underlying the Company's future perspectives are highly dependent on the market behavior, the Brazil's economic and political situation, the current and future state regulations, the industry and international markets, and are therefore subject to changes which are beyond control by part of the Company and its Board. The Company shall not commit to publish updates neither to revise the expectations, estimates, and provisions contained herein arising from future information or events.

CONSOLIDATED BALANCE SHEET

IFRS

	Rating	Consolidated	
		6/30/2020	12/31/2019
Current Assets			
Cash and Cash Equivalents	3:1	611,617	533,795
Financial Investments	3.2	223,926	195,587
Accounts Receivable	4.1	296,633	347,538
Inventories	5	1,076,421	1,080,672
Receivables from related parties	6.1	39,236	44,973
Taxes recoverable		22,613	24,560
Accounts receivable from divestiture	4.2	11,623	22,514
Other receivables		103,025	83,786
Total Current Assets		2,385,094	2,333,425
Non-Current Assets			
Accounts Receivable	4.1	137,685	96,579
Inventories	5	2,102,014	2,008,992
Receivables from Related Parties	6.1	1,636	-
Judicial Deposits		17,812	16,472
Accounts Receivable from Divestiture	4.2	30,340	29,722
Other receivables		11,110	10,854
Investments	7	40,526	48,885
P&E	8	94,357	101,972
Intangible Assets		9,286	7,815
Total Non-Current Assets		2,444,766	2,321,291
Total Assets		4,829,860	4,654,716

	Rating	Consolidated	
		6/30/2020	12/31/2019
Current Liabilities			
Leasing and Financing	9.1	235,054	212,514
Suppliers		85,270	51,601
Labor obligations	10	40,213	30,640
Tax obligations	11	22,146	22,968
Lease financing	9.2	9,397	8,468
Real estate commitments payable	12	88,431	94,094
Advances from customers	13	26,710	37,745
Other accounts payable	14	17,459	19,015
Provision for guarantee	15.1	22,022	20,752
Payables to related parties	6.1	15,614	18,767
Total current liabilities		562,316	516,564
Non-Current Liabilities			
Leasing and financing	9.1	645,812	618,554
Suppliers		6,474	13,098
Provision for guarantee	15.1	18,414	15,347
Tax obligations	11	5,072	3,924
Lease financing	9.2	32,180	33,465
Real estate commitments payable	12	1,648,795	1,639,109
Advance from customers	13	403,249	368,161
Provision for labor, tax, and civil contingencies	15.2	28,559	33,747
Other accounts payable	14	49,160	43,403
Total non-current liabilities		2,837,715	2,768,808
Equity			
Capital	16.1	752,982	752,982
Capital reserves	16.3	195,378	198,160
Stock options granted		15,508	15,508
Equity adjustment		(19,087)	(18,679)
Treasury shares		(29,294)	(32,076)
Income reserves	16.4	384,055	341,032
		1,299,542	1,256,927
		130,287	112,417
Non-controlling interest		1,429,829	1,369,344
		4,829,860	4,654,716
Total liabilities and equity		4,829,860	4,654,716

CONSOLIDATED OUTCOME STATEMENT

Consolidated Outcome Statement (BRL Thousand)	2Q20 (a)	1Q20 (b)	2Q19 (c)	Δ % (a/b)	Δ % (a/c)	1S20 (d)	1S19 (e)	Δ % (d/e)
Real Estate Sales Revenues	438,825	295,652	335,248	48.4%	30.9%	734,477	645,350	13.8%
Services Revenues	11,886	21,060	56,244	-43.6%	-78.9%	32,946	110,711	-70.2%
Gross Revenue	450,711	316,712	391,492	42.3%	15.1%	767,423	756,060	1.5%
Deductions from Gross Revenues	-42,303	-25,244	-16,987	67.6%	149.0%	-67,547	-32,757	106.2%
Net Operational Revenue	408,408	291,469	374,504	40.1%	9.1%	699,877	723,304	-3.2%
Cost of real property sale and services rendered	-276,269	-187,383	-249,646	47.4%	10.7%	-463,652	-484,604	-4.3%
Gross Profit	132,140	104,086	124,859	27.0%	5.8%	236,225	238,700	-1.0%
General and Administrative Expenses	-24,736	-31,324	-26,838	-21.0%	-7.8%	-56,060	-54,875	2.2%
Selling expenses	-39,904	-34,711	-36,432	15.0%	9.5%	-74,616	-69,104	8.0%
Equity in the results of investees	-1,059	742	1,100	-242.8%	-196.2%	-317	2,408	-113.2%
Other operating income and expenses	-17,526	-4,478	-12,450	291.4%	40.8%	-22,004	-21,255	3.5%
Operating income (expenses)	-83,225	-69,772	-74,621	19.3%	11.5%	-152,997	-142,825	7.1%
Financial expenses	-17,375	-19,997	-19,842	-13.1%	-12.4%	-37,372	-40,808	-8.4%
Financial income	15,982	9,304	9,122	71.8%	75.2%	25,286	18,784	34.6%
Financial results	-1,393	-10,693	-10,720	-87.0%	-87.0%	-12,087	-22,024	-45.1%
Income before income and social contribution taxes	47,521	23,620	39,518	101.2%	20.3%	71,141	73,851	-3.7%
Income and social contribution taxes – current and deferred	-8,468	-5,897	-7,560	43.6%	12.0%	-14,365	-15,139	-5.1%
Net income for the period before Minority Interest	39,054	17,723	31,958	120.4%	22.2%	56,777	58,712	-3.3%
Non-controlling interest in SPEs and SCPs	-5,159	-7,671	-6,059	-32.7%	-14.9%	-12,830	-12,399	3.5%
Net Income for the period	33,895	10,052	25,899	237.2%	30.9%	43,947	46,313	-5.1%
Gross Margin	32.4%	35.7%	33.3%	3.4 p.p.	-1.0 p.p.	33.8%	33.0%	0.8 p.p.
Adjusted Gross Margin¹	32.9%	36.2%	33.9%	3.3 p.p.	-1.0 p.p.	34.3%	33.6%	0.7 p.p.
Net Margin	8.3%	3.4%	6.9%	-4.9 p.p.	1.4 p.p.	6.3%	6.4%	-0.1 p.p.

CONSOLIDATED CASH FLOW STATEMENT

	Consolidated	
	6/30/2020	6/30/2019
Operational Activities		
Profit before income and social contribution taxes	71,142	73,851
Adjustments for conciliating the result to the availability generated by the operational activities		
Depreciations and Amortizations	18,921	18,814
Equity pickups	317	(2,408)
Provision for guarantee	4,340	5,663
Interest on charges and financing	29,817	40,272
Provision for tax, labor and civil contingencies	(5,188)	3,902
Gains (losses) on physical barter	(15,304)	(5,069)
Income and social contribution taxes	-	(15,139)
Gains (losses) on disposal of equity interests	(227)	-
Present value adjustment of accounts receivable	1,638	(2,859)
Present value adjustment on lease financing	1,434	682
Interest on accounts payable for acquisition of right of use	8,215	5,372
Provision for stock option plan	-	2,287
Provision for profit sharing	2,305	2,245
Increase (decrease) in assets		
Accounts receivable	(29,114)	22,874
Inventories	49,777	77,231
Sundry receivables	(19,495)	(12,933)
Transactions with related parties	7,438	1,606
Judicial deposits	(1,340)	711
Taxes recoverable	1,947	(1,271)
Decrease (increase) of liabilities		
Trade accounts payable	14,074	4,964
Labor obligations	7,268	4,276
Tax obligations	3,044	13,205
Real estate commitments payable	(86,255)	(73,856)
Advances from customers	18,897	12,247
Accounts payable	4,201	(3,469)
Transactions with related parties	(3,153)	15,691
Income and social contribution taxes	(17,083)	(14,654)
Net cash generated (applied) in operational activities	67,616	174,235
Cash flow from investment activities		
Increase (Decrease) of investments (SPCs and SPEs)	7,493	(6,069)
Received dividend	549	-
Stockholding sales	10,500	(17,854)
Increase of fixed assets	459	(4,613)
Leased fixed assets	(2,797)	(4,825)
Increase of intangible assets	-	(1,150)
Financial investment	(28,339)	(5,062)
Net cash generated (applied) in investment activities	(12,135)	(39,573)
Cash flow from financing activities		
Dividend paid	-	(56,069)
Leasing investment amortization	2,657	958
Increase in leasing investment	(4,249)	-
Interest paid on lease	(198)	(69)
Loan	358,576	123,731
Loan amortization	(316,277)	(268,470)
Interest paid	(22,800)	(22,462)
Increase/Reduction of Capital by non-controllers	4,632	(10,377)
Net cash generated (applied) in financing activities	22,341	(232,758)
Increase of cash and cash equivalents	77,822	(98,096)
Cash and cash equivalents		
At the beginning of the period	533,795	715,294
At the end of the period	611,617	617,198

GLOSSARY

Landbank - lands maintained in inventory with an estimate of a future VGV for such.

Classification of the projects by Direcional as the economic segment for which they are destined:

MCMV Level 1	Low-income projects made as contract works within the "Programa Minha Casa, Minha Vida", contracted directly with the Financing Agent, destined to families The monthly income up to R\$ 1,600.00. Properties of this segment has their final price determined by the Financing Agent, pursuant to the ordinance No. 435/2012 of the Ministry of Cities, and their acquisition may be conditionally subsidized by the government.
MCMV 2 and 3	Residential projects with an average price per Unit up to R\$ 240.0 thousand within the "Programa Minha Casa, Minha Vida - levels 1.5, 2 and 3". Until 3T15, the projects belonging to this segment were called "Low-income".
Middle-Income	Residential projects with an average price per Unity above the MCMV ceiling price up to R\$ 500.00 thousand.
Upper Middle-Income	Residential projects with an average price per Unity above R\$ 500.0 thousand.
MUC	Comprises projects of the Middle-income, Upper-middle income, and Commercial segments

Adjusted EBITDA - Adjusted EBITDA is equal to EBITDA (profit before financial result, financial charges included in cost of property sold, Income Tax and Social Contribution, depreciation, and amortization expenses) less the participation of non-controlling stockholders and less the expenses with the stock-option program. We understand that the adjustment to present value of accounts receivable of units sold and not delivered recorded as gross operating revenue (expense) is part of our operating activities and, therefore, we do not exclude this revenue (expense) in the calculation of Adjusted EBITDA. Adjusted EBITDA is not a measure of financial performance under Brazilian Accounting Practices, nor should it be considered in isolation or as an alternative to net income as an operational performance measure or alternative to operating Cash Burns or as a liquidity measure. Adjusted EBITDA is an indicator of our overall economic performance, which is not affected by fluctuations in interest rates, changes in the tax burden of Income Tax and Social Contribution or depreciation and amortization levels.

Adjusted Net Profit -The net profit calculated after the reversal of the administrative expenses related to the Stock Option Plan, in line with the DGAs.

PoC Method - Under IFRS, revenues, costs and expenses related to real estate projects are appropriated based on the accounting method of the cost incurred ("PoC"), by measuring the progress of the work by the actual costs incurred versus the total budgeted expenses for each stage of the project.

Novo Mercado - BOVESPA's special listing segment, where companies adopt differentiated practices of corporate governance, which exceed the requirements of the traditional segment. Direcional joined to Novo Mercado in November 19th, 2009.

Swap - Land purchase system whereby the owner of the land receives in payment a certain number of units of the project to be built in it.

SFH Resources - Housing Financial System (SFH) resources originate from the FGTS and savings account deposits.

Special Tax System 1% (RET1): Tax system applicable to projects with housing units with a sale value of up to R\$ 100.0 thousand, in this case, the tax rate is 1% of gross revenue.

Unearned Results- The result of the balance of real estate sales transactions already contracted (arising from properties whose construction has not yet been completed) and their respective budgeted costs to be earned.

Contracted Net Sales - VGV arising from all contracts for the sale of properties entered into in a given period, including the sale of units launched in the period and the sale of units in stock, net from rescissions.

VGV - Total Potential Sales Value - Total amount to be potentially obtained from the sale of all units of a given real estate development at the launch price. There is a possibility that the VGV launched shall not be realized or differ significantly from the value of Contracted Sales, since the quantity of Units actually sold may differ from the number of units launched and/or the actual selling price of each unit may differ from the launch price.

VGV launched: Total Potential Sales Value of the units launched in a determined period.

Quarterly Information (ITR)

Direcional Engenharia S.A.

June 30, 2020
with Independent Auditor's Report

Direcional Engenharia S.A.

Interim financial information

June 30, 2020

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A free translation from Portuguese into English of Independent Auditor's Report on review of individual and consolidated interim financial information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to Brazilian real estate development entities registered with the Brazilian SEC (CVM)

Independent auditor's report on review of interim financial information

To the
Shareholders, Board of Directors and Officers
Direcional Engenharia S.A.
Belo Horizonte, Minas Gerais (MG)

Introduction

We have reviewed the accompanying individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Direcional Engenharia S.A. for the quarter ended June 30, 2020, comprising the statement of financial position as at June 30, 2020 and the related statements of profit or loss and of comprehensive income for the three- and six-month periods then ended, and the statements of changes in equity and of cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Brazilian Accounting Standard NBC TG 21 - Interim Financial Reporting and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to Brazilian real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM), as well as for the fair presentation of this information in conformity with the rules issued by the CVM applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the individual and consolidated interim financial information prepared in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the CVM

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material aspects, in accordance with NBC TG 21 and IAS 34 applicable to Brazilian real estate development entities registered with the CVM, and presented consistently with the rules issued by the CVM applicable to Quarterly Information (ITR).

Emphasis of a matter

Revenue recognition in purchase and sale agreements for real estate units under construction

As described in Note 2, the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) was prepared in accordance with NBC TG 21 and IAS 34, applicable to Brazilian real estate development entities registered with the CVM. Accordingly, determination of the accounting policy adopted by the entity for revenue recognition in purchase and sale agreements for real estate units under construction, as regards transfer of control, follows the understanding of Company management as to application of NBC TG 47, in line with the understanding expressed by CVM in CVM/SNC/SEP Memorandum Circular No. 02/2018. Our conclusion is not qualified in respect of this matter.



Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated Statements of Value Added (SVA) for the six-month period ended June 30, 2020, prepared under the responsibility of Company management and presented as supplementary information for IAS 34 purposes applicable to Brazilian real estate development entities registered with the CVM. These statements have been subject to review procedures performed in conjunction with the review of quarterly information, to conclude whether they are prepared consistently with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 - Statements of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in accordance with the criteria defined in said Standard and consistently with the overall accompanying individual and consolidated interim financial information.

Belo Horizonte, August 14, 2020

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Rogério Xavier Magalhães
Accountant CRC-1MG080613/O-1

A free translation from Portuguese into English of individual and consolidated interim financial information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to Brazilian real estate development entities registered with the Brazilian SEC (CVM)

Direcional Engenharia S.A.

Statements of financial position
June 30, 2020 and December 31, 2019
(In thousands of reais)

	Note	Individual		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Current assets					
Cash and cash equivalents	3.1	318,371	337,067	611,617	533,795
Short-term investments	3.2	188,103	160,220	223,926	195,587
Accounts receivable	4.1	6,419	3,475	296,633	347,538
Inventories	5	2,818	3,302	1,076,421	1,080,672
Receivables from related parties	6.1	33,358	39,190	39,236	44,973
Taxes recoverable		13,005	14,752	22,613	24,560
Accounts receivable from divestiture	4.2	1,623	11,500	11,623	22,514
Other receivables		69,846	52,005	103,025	83,786
Total current assets		633,543	621,511	2,385,094	2,333,425
Noncurrent assets					
Accounts receivable	4.1	80	37	137,685	96,579
Inventories	5	29,512	20,565	2,102,014	2,008,992
Receivables from related parties	6.1	-	-	1,636	-
Judicial deposits		9,122	8,912	17,812	16,472
Accounts receivable from divestiture	4.2	30,340	29,722	30,340	29,722
Other receivables		9,900	9,651	11,110	10,854
Investments	7	1,524,087	1,437,970	40,526	48,885
Property and equipment	8	67,446	73,784	94,357	101,972
Intangible assets		8,423	6,959	9,286	7,815
Total noncurrent assets		1,678,910	1,587,600	2,444,766	2,321,291
Total assets		2,312,453	2,209,111	4,829,860	4,654,716

	Note	Individual		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Current liabilities					
Loans and financing	9.1	233,651	192,813	235,054	212,514
Trade accounts payable		10,100	8,809	85,270	51,601
Labor obligations	10	13,872	12,771	40,213	30,640
Tax obligations	11	1,113	514	22,146	22,968
Lease financing	9.2	9,187	8,194	9,397	8,468
Real estate commitments payable	12	-	-	88,431	94,094
Advances from customers	13	13,398	19,253	26,710	37,745
Other accounts payable	14	18,934	25,141	17,459	19,015
Provision for guarantees	15.1	3,341	3,997	22,022	20,752
Payables to related parties	6.1	13,122	14,333	15,614	18,767
Total current liabilities		316,718	285,825	562,316	516,564
Noncurrent liabilities					
Loans and financing	9.1	606,667	589,901	645,812	618,554
Trade accounts payable		669	1,163	6,474	13,098
Provision for guarantees	15.1	1,847	1,931	18,414	15,347
Tax obligations	11	-	40	5,072	3,924
Lease financing	9.2	32,107	33,365	32,180	33,465
Real estate commitments payable	12	29,229	20,227	1,648,795	1,639,109
Advances from customers	13	380	-	403,249	368,161
Provision for tax, labor and civil contingencies	15.2	2,134	2,328	28,559	33,747
Other accounts payable	14	23,160	17,404	49,160	43,403
Total noncurrent liabilities		696,193	666,359	2,837,715	2,768,808
Equity					
Capital	16.1	752,982	752,982	752,982	752,982
Capital reserves	16.3	195,378	198,160	195,378	198,160
Stock options granted		15,508	15,508	15,508	15,508
Equity adjustment		(19,087)	(18,679)	(19,087)	(18,679)
Treasury shares		(29,294)	(32,076)	(29,294)	(32,076)
Income reserves	16.4	384,055	341,032	384,055	341,032
		1,299,542	1,256,927	1,299,542	1,256,927
Noncontrolling interests					
		-	-	130,287	112,417
		1,299,542	1,256,927	1,429,829	1,369,344
Total liabilities and equity					
		2,312,453	2,209,111	4,829,860	4,654,716

See accompanying notes.

Direcional Engenharia S.A.

Statements of profit or loss
 Periods ended June 30, 2020 and 2019
 (In thousands of reais, unless otherwise stated)

	Note	Individual				Consolidated			
		01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Net revenue	17	20,303	8,637	79,900	40,856	699,877	408,408	723,304	374,504
Cost of real estate sold and services rendered	18	(12,570)	(5,392)	(63,277)	(33,010)	(463,652)	(276,269)	(484,604)	(249,646)
Gross profit		7,733	3,245	16,623	7,846	236,225	132,139	238,700	124,858
Operating income (expenses)									
General and administrative expenses	18	(49,663)	(21,499)	(49,960)	(24,311)	(56,060)	(24,736)	(54,875)	(26,838)
Selling expenses	18	(1,797)	(256)	(2,658)	(1,072)	(74,616)	(39,904)	(69,104)	(36,432)
Equity pickup	7	111,269	62,153	113,971	59,280	(317)	(1,059)	2,408	1,100
Other operating income (expenses)	-	(10,468)	(7,989)	(6,917)	(3,258)	(22,004)	(17,526)	(21,254)	(12,451)
		49,341	32,409	54,436	30,639	(152,997)	(83,225)	(142,825)	(74,621)
Finance costs	19	(35,002)	(16,136)	(38,125)	(18,724)	(37,372)	(17,375)	(40,808)	(19,841)
Finance income	19	22,020	14,410	13,805	6,375	25,286	15,982	18,784	9,122
Finance income (costs)	19	(12,982)	(1,726)	(24,320)	(12,349)	(12,086)	(1,393)	(22,024)	(10,719)
Income (loss) before income and social contribution taxes		44,092	33,928	46,739	26,136	71,142	47,521	73,851	39,518
Income and social contribution taxes	20	(145)	(34)	(426)	(236)	(14,365)	(8,468)	(15,139)	(7,560)
Net income (loss) for the year		43,947	33,894	46,313	25,900	56,777	39,053	58,712	31,958
Attributable to:									
Direcional Engenharia S.A.		43,947	33,894	46,313	25,900	43,947	33,894	46,313	25,900
Noncontrolling interests in SPEs and SCPs		-	-	-	-	12,830	5,159	12,399	6,058
Earnings per share									
Basic		0.30	0.23	0.32	0.18				
Diluted		0.30	0.23	0.31	0.17				

See accompanying notes.

Direcional Engenharia S.A.

Statements of comprehensive income
 Periods ended June 30, 2020 and 2019
 (In thousands of reais)

	Individual				Consolidated			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Net income for the period	43,947	33,894	46,313	25,900	56,777	39,053	58,712	31,958
Total comprehensive income for the period	43,947	33,894	46,313	25,900	56,777	39,053	58,712	31,958
Attributable to:								
Company shareholders					43,947	33,894	46,313	25,900
Noncontrolling interests					12,830	5,159	12,399	6,058
					56,777	39,053	58,712	31,958

See accompanying notes.

Direcional Engenharia S.A.

Statements of changes in equity
 Periods ended June 30, 2020 and 2019
 (In thousands of reais)

	Attributable to Company shareholders											
	Note	Capital reserves				Income reserves						
		Capital	Treasury shares	Share issue/ divestiture	Options granted	Equity adjustment	Legal	For investments	Retained earnings/ accumulated losses	Equity - Individual	Noncontrolling interests	Equity - Consolidated
Balance at December 31, 2018		752,982	(37,531)	203,615	11,720	(18,621)	25,345	345,181	-	1,282,691	110,584	1,393,275
Stock options recognized	16.3	-	-	-	2,287	-	-	-	-	2,287	-	2,287
Capital reduction by noncontrolling interests	16.6	-	-	-	-	-	-	-	-	-	(10,320)	(10,320)
Income (loss) for the year		-	-	-	-	-	-	-	46,313	46,313	12,399	58,712
Dividends proposed	16.4.3	-	-	-	-	-	-	(56,069)	-	(56,069)	-	(56,069)
Disposal of treasury shares	16.2	-	3,294	(3,294)	-	-	-	-	-	-	-	-
Transactions with noncontrolling shareholders	16.6	-	-	-	-	(58)	-	-	-	(58)	-	(58)
Balance at June 30, 2019		752,982	(34,237)	200,321	14,007	(18,679)	25,345	289,112	46,313	1,275,164	112,663	1,387,827
Balance at December 31, 2019		752,982	(32,076)	198,160	15,508	(18,679)	30,370	310,662	-	1,256,927	112,417	1,369,344
Capital reduction by noncontrolling interests	16.6	-	-	-	-	-	-	-	-	-	5,040	5,040
Income (loss) for the year		-	-	-	-	-	-	-	43,947	43,947	12,830	56,777
Disposal of treasury shares	16.2	-	2,782	(2,782)	-	-	-	-	-	-	-	-
Prior years' adjustments		-	-	-	-	-	-	-	(924)	(924)	-	(924)
Transactions with noncontrolling shareholders	16.6	-	-	-	-	(408)	-	-	-	(408)	-	(408)
Balance at June 30, 2020		752,982	(29,294)	195,378	15,508	(19,087)	30,370	310,662	43,023	1,299,542	130,287	1,429,829

See accompanying notes.

Direcional Engenharia S.A.

Statements of cash flows Periods ended June 30, 2020 and 2019 (In thousands of reais)

	Individual		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cash flow from operating activities				
Income before income and social contribution taxes	44,092	46,739	71,142	73,851
Adjustments to reconcile profit or loss to cash from operating activities				
Depreciation and amortization	7,993	7,162	18,921	18,814
Equity pickup	(111,269)	(113,971)	317	(2,408)
Provision for guarantees	(737)	(1,482)	4,340	5,663
Interest and financial charges on financing	25,778	38,256	29,817	40,272
Provision for tax, labor and civil contingencies	(194)	37	(5,188)	3,902
Gains from (losses on) barter transactions	-	-	(15,304)	(5,069)
Taxes	-	(426)	-	(15,139)
Gains from (losses on) sale of equity interest	(241)	-	(227)	-
Present value adjustment on accounts receivable	-	-	1,638	(2,859)
Present value adjustment on lease financing	1,420	763	1,434	682
Allowance for doubtful accounts	-	2,687	8,215	5,372
Provision for stock option plan	-	2,287	-	2,287
Provision for profit sharing	2,305	2,245	2,305	2,245
Increase (decrease) in assets				
Accounts receivable	(2,987)	1,323	(29,114)	22,874
Inventories	919	(6,233)	49,777	77,231
Sundry receivables	(18,090)	(12,918)	(19,495)	(12,933)
Transactions with related parties	13,128	(3,208)	7,438	1,606
Judicial deposits	(210)	(565)	(1,340)	711
Taxes recoverable	1,747	83	1,947	(1,271)
(Decrease) increase in liabilities				
Trade accounts payable	(7,221)	3,496	14,074	4,964
Labor obligations	(1,204)	2,179	7,268	4,276
Tax obligations	543	464	3,044	13,205
Real estate commitments payable	-	-	(86,255)	(73,856)
Advances from customers	(5,855)	-	18,897	12,247
Accounts payable	(451)	(2,557)	4,201	(3,469)
Transactions with related parties	(1,211)	15,068	(3,153)	15,691
Income and social contribution taxes paid	(129)	(420)	(17,083)	(14,654)
Net cash from (used in) operating activities	(51,874)	(18,991)	67,616	174,235
Cash flow from investing activities				
Increase (decrease) in investments (SPCs and SPEs)	(79,434)	9,665	7,493	(6,069)
Dividends received	103,662	96,038	549	-
Sale of equity interests	9,500	(853)	10,500	(17,854)
Additions to property and equipment	290	(996)	459	(4,613)
Increase in leased property	(2,690)	(4,020)	(2,797)	(4,825)
Additions to intangible assets	-	(1,018)	-	(1,150)
Short-term investments	(27,883)	(2,714)	(28,339)	(5,062)
Net cash from (used in) investing activities	3,445	96,102	(12,135)	(39,573)
Cash flow from financing activities				
Dividends paid	-	(56,069)	-	(56,069)
Additions to lease financing	2,676	306	2,657	958
Repayment of lease financing	(4,163)	-	(4,249)	-
Interest paid on leases	(198)	(63)	(198)	(69)
Loans raised	245,023	60,286	358,576	123,731
Repayment of loans	(192,784)	(87,036)	(316,277)	(268,470)
Interest paid	(20,413)	(19,107)	(22,800)	(22,462)
Capital increase (decrease) by noncontrolling shareholders	(408)	(58)	4,632	(10,377)
Net cash from (used in) financing activities	29,733	(101,741)	22,341	(232,758)
Increase in cash and cash equivalents	(18,696)	(24,630)	77,822	(98,096)
Cash and cash equivalents				
At beginning of period	337,067	390,971	533,795	715,294
At end of period	318,371	366,341	611,617	617,198

See accompanying notes.

Direcional Engenharia S.A.

Statements of value added
 Periods ended June 30, 2020 and 2019
 (In thousands of reais)

	Individual		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Revenue				
Real estate sold and services rendered	23,549	85,563	774,442	764,291
Other operating income (expenses)	(10,468)	(6,917)	(22,004)	(21,254)
Allowance for doubtful accounts – reversal (set-up)	-	(2,686)	(8,656)	(5,371)
	13,081	75,960	743,782	737,666
Inputs acquired from third parties				
Raw materials used	(10,223)	(53,011)	(379,246)	(392,352)
Materials, electricity, outsourced services and other operating expenses	(6,660)	(5,801)	(11,236)	(10,515)
Other	(5,629)	(11,993)	(80,155)	(74,665)
	(22,512)	(70,805)	(470,637)	(477,532)
Gross value added	(9,431)	5,155	273,145	260,134
Depreciation and amortization, net	(7,993)	(7,162)	(18,921)	(18,814)
Net value added generated by the Company	(17,424)	(2,007)	254,224	241,320
Value added received in transfer				
Equity pickup	111,269	113,971	(317)	2,408
Finance income	22,020	13,805	25,286	18,784
	133,289	127,776	24,969	21,192
Total value added to be distributed	115,865	125,769	279,193	262,512
Distribution of value added				
Personnel	33,525	37,929	101,104	107,982
Taxes, charges and contributions	3,391	3,403	80,273	50,754
Debt remuneration	35,002	38,124	41,039	45,064
Retained earnings (accumulated losses)	43,947	46,313	43,947	46,313
Income attributable to noncontrolling shareholders	-	-	12,830	12,399
	115,865	125,769	279,193	262,512

See accompanying notes.

Direcional Engenharia S.A.

Notes to interim financial information
June 30, 2020
(In thousands of reais, unless otherwise stated)

1. Operations

Direcional Engenharia S.A. (“Direcional” or “Company”) is a publicly-held company based in Belo Horizonte, Minas Gerais state, with shares traded on the São Paulo Securities, Commodities and Futures Exchange (BM&FBOVESPA), under ticker symbol DIRR3.

Direcional is a real estate development and construction company engaged in developing large low-income-oriented projects primarily in the Northern, Midwestern and Southeastern regions of Brazil. Over its 39 years’ experience in developing and building low-income-oriented projects, the Company established a verticalized structure and a standardized construction process, which has allowed the construction of large-scale projects.

The Company carries out its development and construction activities through Silent Partnerships (SCPs) and Special Purpose Entities (SPEs) used in the normal course of business with a view to establishing partnerships, allowing the individual monitoring of projects, facilitating new financing lines for production as well as financial accounting control. The SCPs and the SPEs operate exclusively in the real estate sector, and in most cases are linked to a specific project.

On August 14, 2020, the Company’s Board of Directors approved this interim financial information and authorized its disclosure.

1.1. COVID-19 analysis

In March 2020, the World Health Organization (WHO) declared a state of pandemic due to the novel coronavirus, COVID-19. This disease spread rapidly around the world, which led governments and private sector entities to adopt social isolation measures in order to contain the advancement of this pandemic.

To deal with this unexpected situation, Company management created a crisis committee, comprised of Executive Board members, to address the matters relating to COVID-19. This committee continuously monitors the news about this matter in the media and from government authorities, so as to define the best strategy for keeping all employees safe, in the first place, and for Company business to be appropriately performed.

All measures adopted also aim at preserving, to the highest extent possible, all the ecosystem involved in the business, i.e. from Company employees to the suppliers and service providers.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

In general terms, these measures are as follows:

Safety measures

Procedures in construction sites

For our construction workers to be kept safe and appropriately perform their roles, the following procedures became mandatory: before entering the construction site, measuring the employee's or visitor's temperature (this procedure is repeated after lunch), wearing appropriate protection masks (mandatorily during the entire work shift), hand hygiene procedures (inputs provided by the Company), daily screening by a security technician and counting on the recurring presence of a nurse technician in each regional office to assess the employees' health. Construction sites are well-ventilated and spacious, which enables Company employees to maintain the appropriate security distancing suggested by WHO. In addition to the IPE items usually provided to each employee, the Company delivered hygiene kits containing soap, detergent and toilet paper every week.

Common spaces such as canteens, water fountains and dressing rooms in work sites are sanitized at least 4 times a day. For the hygiene of work tools, the Company provides 70% alcohol, disinfectants and bleach. Work and meal times are also more flexible in order to prevent crowds.

Procedures in the administrative office

For the safety and proper performance of administrative activities, we made the working schedule more flexible for main office workers. Employees whose activities do not require their physical presence in the Company's main office as well as professionals belonging to risk groups began to work from home.

We provided masks to all employees, whose must wear them during their working hours, and 70% alcohol in all floors and restrooms. Work stations and the building's common areas are sanitized at least twice a day. Additionally, the employees' temperature is measured twice a day. The employees that display any COVID-19 symptoms are released from work and take the appropriate tests and, if necessary, go into quarantine.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

Safety measures (Continued)

Cash protection

With a view to reinforcing Company cash in these unstable times, the Board of Directors approved the 1st issue of commercial promissory notes amounting to R\$100,000,000 over a one-year period at the CDI+4% p.a. rate. On June 16, 2020, the Company took out another line of credit of R\$100,000,000.00, at a more attractive rate (CDI+2.5% p.a.) and settled the previously contracted promissory notes.

The working hours of administrative employees was also changed, leading to significant reduction in the work volume. The employment contracts of employees were suspended in locations where, due to a state or municipal decree, we are not allowed to operate, in accordance with the guidance set out by Provisional Executive Order No. 936/2020.

The Company chose to defer tax payments pursuant to Ruling No. 139/2020 of the Ministry of Economy, dated April 3, 2020. Management is in contact with suppliers and service providers seeking to adjust the agreements to the new market reality, either by negotiating prices or extending payment terms.

In the 2nd quarter of 2020, there was no need to raise additional financing and loans for cash maintenance, since the generation of cash from customers remains sufficient to finance the Company's operations.

Analysis of impacts on the business

Management carefully considers the information available and government decisions in Company decision-making process. Our activity is classified as essential, reason why our construction sites are operating normally except in the state of Ceará where, due to a state decree, our activities remained suspended from April 20 to May 29, 2020. In June the activities were resumed. Prudently, we took all safety measures required, both in the construction sites and in our main office, with a view to protecting the health of our employees.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

Safety measures (Continued)

Analysis of impacts on the business (Continued)

In the 2nd quarter of 2020, the Company's net sales increased 61% compared to sales in the 1Q2020. We believe that the strong performance in sales is due to the Company's business model, focused on the "Minha Casa Minha Vida" Program (MCMV), in which transfer to the financing agent occurs upon sale during the construction work (associative method) and not at the end of the project, with mitigation of the impacts on the Company's cash generation. Furthermore, there was no restriction on bank credit for the category. Stands and points of sale were gradually opened and the Company is working hard on the online digital sales channels. There was no significant increase in the Company's defaults in the period.

Social cooperation

The Company is inserted in the social context of the cities where it develops its projects. As such, we believe in the large social impact that safe and decent housing represents for a family. Therefore, we are sparing no efforts to maintain our Company operational, always keeping in mind all WHO recommendations and prioritizing our employees' health.

In view of this sanitary crisis scenario and the potential collapse of the hospital infrastructure, the Company donated R\$500 thousand to Santa Casa de Misericórdia de Belo Horizonte and R\$119 thousand to Empresa Pública de Saúde do Rio de Janeiro S.A. in the first quarter and, in the second quarter, donations of hospital furniture were made, in the amount of R\$249 to the Temporary Hospital under construction in pavilion 3 of Riocentro, in Rio de Janeiro. In the period, the Company also donated R\$19 in staple foods to Instituto Hortense de Uberlândia, Minas Gerais state.

The Company is considering other manners in which to actively contribute with society in these critical times in Brazil.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices and policies and statement of compliance

The individual and consolidated interim financial information was prepared in accordance with CPC 21 (R1) - Interim Financial Statements and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), including the pronouncements issued by the Brazilian Financial Accounting Standards Board (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). Accordingly, all relevant information in the interim information is being disclosed and corresponds to the information used in managing the Company.

The accounting practices adopted in the accompanying interim financial information are consistent with those described in Note 2 to Company financial statements for the year ended December 31, 2019, as filed with the CVM. The accounting practices were consistently applied in the periods presented.

3. Cash and cash equivalents and short-term investments

3.1. Cash and cash equivalents

Description	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Cash and banks	2,999	13,385	226,309	135,808
Cash equivalents – short-term investments	315,372	323,682	385,308	397,987
Total	318,371	337,067	611,617	533,795

The Company's investments are made through investment funds or in transactions performed directly with first-tier financial institutions. The Company's policy is to invest resources in funds or directly in conservative, highly liquid financial instruments. These short-term investments have yields pegged to the Interbank Deposit Certificate (CDI) rate, ranging from 75.96% to 209.96% of CDI, according to the nature and timing of each instrument. At June 30, 2020, the average annual gross profitability of the Company's short-term investments corresponded to 93.53% of CDI (97.60% at December 31, 2019).

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

3. Cash and cash equivalents and short-term investments (Continued)

3.2. Short-term investments

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Investment in Financial Treasury Bills (government bonds)	121,003	117,555	144,047	143,504
Financial Bills (private securities)	67,100	42,665	79,879	52,083
Total	188,103	160,220	223,926	195,587

The Company invests in funds limited to the Group companies, managed by first-tier banks, aimed at ensuring investments in conservative instruments that guarantee capital preservation. The purpose of funds held with banks is to follow the changes in Interbank Deposit Certificates (CDI), with investments in fixed-income securities, government bonds from other financial institutions, and open investment funds that ensure liquidity and provide the best financial return within pre-defined risk limits.

4. Accounts receivable

4.1. Accounts receivable from operations

Accounts receivable for real estate development	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Completed units	3,202	2,668	165,426	235,548
Incomplete units	-	-	269,350	193,923
Receivables for land sold	-	-	1,274	1,200
(-) Allowance for doubtful accounts	-	-	(25,547)	(17,332)
(-) Adjustment to present value	-	-	(4,207)	(2,569)
	3,202	2,668	406,296	410,770
Accounts receivable for services rendered				
Real estate intermediation	-	-	962	893
Firm-price construction contract	2,930	753	25,566	31,277
Other services	367	91	1,494	1,177
	3,297	844	28,022	33,347
	6,499	3,512	434,318	444,117
Current	6,419	3,475	296,633	347,538
Noncurrent	80	37	137,685	96,579

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.1. Accounts receivable from operations (Continued)

Because of the revenue recognition criteria, the balance of trade accounts receivable from incomplete units sold is not fully reflected in the financial statements since its recording is limited to the portion of revenue recognized, net of installments already received. Note 17 (a) presents the balances receivable not recognized in the financial statements.

The Company calculated the present value of trade receivables from units not completed, and accounted for the respective amount using an average discount rate of 3.8%, as shown in the NTN-B coupon.

The Company adjusted allowance for doubtful accounts due to a change in estimated loss. Detailed information on the effects of this adjustment is provided in Note 16.7.

Trade receivables from real estate sales are restated according to the Brazilian Construction Cost Index (INCC) variation until the occupancy permit has been registered. After the occupancy permit is registered, these amounts are mostly restated by reference to IPCA, bearing interest of 12% p.a.

At June 30, 2020 and December 31, 2019, aging list of trade receivables from real estate development and services rendered, recorded in current assets, is as follows:

	Consolidated	
	06/30/2020	12/31/2019
Falling due		
Within 90 days	196,476	233,631
91 to 180 days	42,507	27,309
181 to 270 days	15,715	18,160
271 to 360 days	17,082	27,117
	271,780	306,217
Overdue		
Within 30 days	1,917	24,539
31 to 60 days	740	558
61 to 90 days	754	482
91 to 120 days	873	1,104
121 to 180 days	907	658
More than 180 days	19,662	13,980
	24,853	41,321
	296,633	347,538

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.1. Accounts receivable from operations (Continued)

The maturity of amounts not yet due, recorded in noncurrent assets at June 30, 2020 and December 31, 2019, is scheduled as follows:

	<u>06/30/2020</u>	<u>12/31/2019</u>
1-2 years	68,903	50,539
Up to 3 years	44,392	29,542
Up to 4 years	11,703	8,001
After 4 years	12,687	8,497
	<u>137,685</u>	<u>96,579</u>

4.2. Other accounts receivable

On September 3, 2018, the Company sold its investee Lago da Pedra Participações S.A. to a real estate investment fund for R\$183,156. The amount receivable for this sale at June 30, 2020 is R\$30,340. Based on the agreed terms and conditions regarding adjustments to the initial price by reference to the DI rate, this amount refers to an additional installment.

On May 24, 2019, the Company sold all the units of interest held in Linha Verde Participações Ltda. to LMN Empreendimentos e Participações Ltda. for R\$19,000, which will be paid in 19 fixed installments of R\$1,000. The last 10 installments are conditioned to issue of the construction permit in the land paid relating to the SPE sold, which is expected for the end of 2020. At June 30, 2020, the balance receivable is R\$10,000.

On August 31, 2019, the Company sold 20% of the units of interest of Alterosa Empreendimentos Imobiliários Ltda. for R\$6,500, settled on January 17, 2020.

On October 23, 2019, the Company spun off Âmbar Empreendimentos Ltda. and sold 100% of the units of interest of Viseu Empreendimentos Imobiliários Ltda. resulting from the spin-off, for R\$4,800. The amount is payable in installments, with a down payment of R\$200, five installments of R\$800, and a final installment of R\$600. The balance receivable was settled on April 28, 2020.

On June 1, 2020, the Company sold 1% of the interest held in Riva Empreendimentos Imobiliários S.A., corresponding to 10 shares, to Direcional Participações S.A. for R\$1,623, to be settled in July 2020.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.2. Other accounts receivable (Continued)

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Accounts receivable for disposal of units of interest	31,963	41,222	41,963	52,236
	31,963	41,222	41,963	52,236
Current	1,623	11,500	11,623	22,514
Noncurrent	30,340	29,722	30,340	29,722

5. Inventories

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Land to be developed	29,512	20,565	2,512,586	2,386,993
Completed units	2,818	3,302	142,114	163,978
Units under construction	-	-	523,735	538,693
	32,330	23,867	3,178,435	3,089,664
Current	2,818	3,302	1,076,421	1,080,672
Noncurrent	29,512	20,565	2,102,014	2,008,992

5.1. Capitalized interest

Interest incurred in connection with project financing is recorded under the captions "Units under construction" and "Completed units" in accordance with OCPC 01, and posted to P&L when the units are sold. At June 30, 2020, interest totaling R\$2,177 (R\$7,153 for the period ended December 31, 2019) was capitalized in the inventories account. The amount of R\$15,031 (R\$19,126 at December 31, 2019) remains capitalized in the inventories account, referring to unsold units. The average interest capitalization rate was 6.62% in June 2020 (7.07% for the year ended December 31, 2019). At June 30, 2020 and December 31, 2019, there was no production financing in the individual financial information.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

6. Transactions with related parties

6.1. Related companies

Assets

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Receivables from venture partners in projects (a)	7,033	6,987	35,632	38,707
Checking account with ventures in projects (b)	26,325	32,203	5,240	6,266
	33,358	39,190	40,872	44,973
Current	33,358	39,190	39,236	44,973
Noncurrent	-	-	1,636	-

Liabilities

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Payables to venture partners in projects (a)	325	325	15,614	18,694
Checking account with ventures in projects (b)	12,797	14,008	-	73
	13,122	14,333	15,614	18,767
Current	13,122	14,333	15,614	18,767

(a) Receivables and payables to venture partners: The Company carries out loan transactions with certain venture partners, generally non-controlling shareholders of said SPEs. These transactions are settled upon completion of the construction work. These transactions are adjusted by reference to the CDI rate variation plus spread of up to 4.13% p.a. or by the IGPM plus spread of up to 1% p. m. These transactions are secured by the results obtained in the ventures, so that the partners' right to share such results is conditional upon settlement of the transactions.

(b) These transactions refer exclusively to the contribution of funds for the construction of units, and are not subject to interest.

Profit or loss

The Company charters aircraft from ALVG Investimentos e Participações Ltda. ("ALVG") for the transportation of executives during the performance of business-related activities. In the period ended June 30, 2020, the average monthly amount of R\$97 related to aircraft chartering was paid. ALVG is a company controlled by the same controlling group as that of Direcional.

On December 10, 2014, the Company performed a sale and lease back transaction of the property where its head office is located, through an agreement effective for 12 years, entered into with Fundo de Investimentos BRL Edifícios Comerciais, the buyer of this property. This transaction was approved by the Company's Board of Directors and carried out at market value, as assessed by CB Richard Ellis (CBRE). In the period ended June 30, 2020, the average monthly amount of R\$526 was paid (December 31, 2018 - monthly amount of R\$523) in connection with the property lease. This investment fund is controlled by the same controlling group as that of Direcional.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

6. Transactions with related parties (Continued)

6.1. Related companies (Continued)

Profit or loss (Continued)

During assessment of the lease agreements for adoption of CPC 06 (R2)/IFRS 16, we identified that the lease agreement of the property met the requirements of the standard and, as such, the amount of the net debt discounted at the incremental rate of the Company's loans on right-of-use assets was recognized against lease liabilities payable.

6.2. Key management personnel compensation

Total annual compensation of key management personnel (i) approved at the GSM of May 24, 2020; and (ii) paid in 2019 is set out in the table below:

Approved for the year 2020	2020			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	5	15
Fixed annual compensation (R\$)	1,602	168	2,855	4,625
Variable compensation (R\$)	408	-	1,632	2,040
Share-based payment (R\$)	-	-	2,000	2,000
	2,010	168	6,487	8,665

Paid in 2019	2019			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	5	15
Fixed annual compensation (R\$)	1,073	138	2,814	4,025
Variable compensation (R\$)	-	-	567	567
Share-based payment (R\$)	36	-	2,281	2,317
	1,109	138	5,662	6,909

(*) The number of members of the Company's Board of Directors, Supervisory Board and Statutory Board was calculated in accordance with the provisions in CVM/SEP Memorandum Circular No. 03/2019.

Key management personnel also receive compensation through the stock option plan of the Company, as described in Note 23.

The Company does not offer private pension plans or any post-employment pension or benefit plans.

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7. Investments

a) Changes in balances from December 31, 2019 to June 30, 2020:

Subsidiaries	Interest held	12/31/2019	Dividends/ amortization	Equity pickup	Capital subscription (reduction)/ Future capital contribution	06/30/2020
Riva 9 Empreendimentos Imobiliários S/A (*)	99.00%	163,273	-	(4,494)	(2,553)	156,226
Canário Engenharia Ltda.	100.00%	59,150	-	6,056	5,104	70,310
Direcional Taguatinga Engenharia Ltda	100.00%	71,829	(18,100)	13,865	1,560	69,154
Bella Moeda Empreendimentos Imobiliários Ltda	100.00%	44,377	-	-	8	44,385
Napoli Empreendimentos Imobiliários Ltda	100.00%	38,898	-	(52)	4,349	43,195
Água Marinha Empreendimentos Imobiliários Ltda	90.00%	31,592	-	269	6,280	38,141
Azurita Empreendimentos Imobiliários Ltda	100.00%	37,037	-	(59)	(357)	36,621
Caieiras Empreendimentos Imobiliários Ltda	99.90%	31,557	(4,435)	12,914	(3,725)	36,311
Alto Santo Empreendimentos Imobiliários Ltda.	100.00%	20,162	-	5,233	9,656	35,051
Tarauaca Empreendimentos Imobiliários Ltda	100.00%	33,195	-	(526)	194	32,863
Riacho Branco Empreendimentos Imobiliários Ltda	95.87%	27,240	-	2,250	(3,298)	26,192
Direcional Santo Antônio Empreendimentos Imobiliários Ltda	100.00%	25,824	-	(2)	211	26,033
Barreirinha Empreendimentos Imobiliários SPE Ltda	100.00%	38,622	(4,032)	(2,438)	(6,663)	25,489
Pedra Branca Empreendimentos Imobiliários Ltda	76.00%	13,433	-	80	11,281	24,794
Jardim Amaralina Empreendimentos Imobiliários SPE Ltda.	50.00%	16,920	(412)	8,489	(342)	24,655
Veneza Empreendimentos Imobiliários Ltda	100.00%	23,131	-	7,386	(7,321)	23,196
Rio Largo Empreendimento Imobiliários Ltda	100.00%	13,803	-	719	7,688	22,210
Constantina Empreendimentos Imobiliários Ltda	99.90%	15,123	-	5,212	1,366	21,701
Manauara VII Empreendimentos Imobiliários SPE Ltda	100.00%	20,185	-	(24)	364	20,525
Nobres Empreendimentos Imobiliários Ltda	100.00%	12,310	-	3,372	4,129	19,811
Coral Empreendimentos Imobiliários Ltda	100.00%	22,080	(6,289)	11,533	(7,614)	19,710
Other subsidiaries	-	629,344	(69,845)	41,803	65,686	666,988
Total – Subsidiaries:		1,389,085	(103,113)	111,586	86,003	1,483,561
Jointly-controlled entities (Consolidated)	-	48,885	(549)	(317)	(7,493)	40,526
Total - Individual		1,437,970	(103,662)	111,269	78,510	1,524,087

(*) At the Annual and Special Meeting held on March 4, 2020, Riva 9 shareholders decided to start Riva 9's going public process and application for registration as category "A" publicly held company with the Brazilian Securities and Exchange Commission (CVM). The registration was approved by the CVM on 07/28/2020. Also on 07/28/2020, according to material news release disclosed by the Company, for marketing reasons, the offering was canceled.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
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7. Investments (Continued)

b) Breakdown of balances of subsidiaries and jointly-controlled entities at 06/30/2020

Subsidiaries	Interest held	Assets		Liabilities		Equity
		Current	Noncurrent	Current	Noncurrent	
Riva 9 Empreendimentos Imobiliários S/A	99.00%	112,357	78,596	11,818	21,331	157,804
Direcional Taguatinga Engenharia Ltda	99.90%	109,002	2,133	1,950	38,804	70,381
Canário Engenharia Ltda.	100.00%	61,034	42,617	16,206	18,291	69,154
Bella Moeda Empreendimentos Imobiliários Ltda	50.00%	66,926	2,689	22,789	2,078	44,748
Napoli Empreendimentos Imobiliários Ltda	100.00%	-	44,385	-	-	44,385
Água Marinha Empreendimentos Imobiliários Ltda	100.00%	43,172	204	181	-	43,195
Azurita Empreendimentos Imobiliários Ltda	90.00%	27,172	19,981	3,510	1,264	42,379
Riacho Branco Empreendimentos Imobiliários Ltda	99.90%	35,466	2,119	60	867	36,658
Tarauaca Empreendimentos Imobiliários Ltda	99.90%	44,519	2,964	9,063	2,073	36,347
Jardim Amaralina Empreendimentos Imobiliários SPE Ltda.	99.90%	50,755	27,439	9,127	33,980	35,087
Direcional SPL Jordão Empreendimentos Imobiliários Ltda	99.90%	25,536	7,688	18	310	32,896
Qrtz5 Incorporações De Imóveis SPE Ltda	76.00%	36,303	3,756	3,177	4,258	32,624
Caieiras Empreendimentos Imobiliários Ltda	95.87%	44,286	5,163	10,540	12,289	26,620
Direcional Santo Antônio Empreendimentos Imobiliários Ltda	50.00%	23,570	4,904	1,926	499	26,049
Barreirinha Empreendimentos Imobiliários SPE Ltda	100.00%	24,972	1,061	-	-	26,033
Xapuri Empreendimentos Imobiliários Ltda	60.00%	28,340	3,501	4,909	1,334	25,598
Alto Santo Empreendimentos Imobiliários Ltda.	99.90%	26,781	373	1,492	147	25,515
Veneza Empreendimentos Imobiliários Ltda	99.90%	23,554	7,823	6,811	1,346	23,220
Manauara VII Empreendimentos Imobiliários SPE Ltda	99.90%	30,945	725	8,927	510	22,233
Constantina Empreendimentos Imobiliários Ltda	99.90%	28,171	1,229	6,089	1,588	21,723
Alcobaça Construções E Empreendimentos Imobiliários SPE Ltda	100.00%	19,515	648	101	-	20,062
Riachos Empreendimentos Imobiliários Ltda	99.90%	24,569	1,725	4,953	1,511	19,830
Direcional Rubi Empreendimentos Imobiliários Ltda	100.00%	21,712	3,043	3,925	1,120	19,710
Other subsidiaries	-	862,346	1,868,534	171,119	1,848,281	711,480
TOTAL SUBSIDIARIES		1,771,003	2,133,300	298,691	1,991,881	1,613,731
JOINTLY-CONTROLLED ENTITIES		15,556	51,700	4,323	748	62,185

At June 30, 2020 and December 31, 2019, 45.40% and 35.72% of the Company's assets, respectively, were included in the equity segregation structure, as established by Law No. 10931/04.

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Notes to interim financial information (Continued)
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8. Property and equipment

Individual

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8,33%	(c)	-	-
Cost									
Balance at 12/31/2019	12,065	104,608	3,439	779	5,290	9,100	47,129	275	182,685
Additions	36	3,184	100	-	231	52	2,707	4	6,314
Write-offs	-	(185)	-	-	-	-	(47)	-	(232)
Balance at 06/30/2020	12,101	107,607	3,539	779	5,521	9,152	49,789	279	188,767
Depreciation									
Balance at 12/31/2019	(10,373)	(81,651)	(1,959)	(715)	(3,561)	(3,609)	(6,838)	(195)	(108,901)
Depreciation for the year	(520)	(7,289)	(148)	(9)	(265)	(428)	(3,789)	(2)	(12,450)
Write-offs	-	-	-	-	-	-	30	-	30
Balance at 06/30/2020	(10,893)	(88,940)	(2,107)	(724)	(3,826)	(4,037)	(10,597)	(197)	(121,321)
Carrying amount									
At 12/31/2019	1,692	22,957	1,480	64	1,729	5,491	40,291	80	73,784
At 06/30/2020	1,208	18,667	1,432	55	1,695	5,115	39,192	82	67,446

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
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8. Property and equipment (Continued)

Consolidated

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Sales stands	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8%	(a)	(c)	-	
Cost										
Balance at 12/31/2019	23,957	105,976	7,753	2,458	10,079	9,169	70,155	47,794	1,346	278,687
Additions	64	5,319	152	-	538	52	3,198	3,010	4	12,337
Write-offs	(249)	(185)	-	-	-	-	-	(541)	-	(975)
Balance at 06/30/2020	23,772	111,110	7,905	2,458	10,617	9,221	73,353	50,263	1,350	290,049
Depreciation										
Balance at 12/31/2019	(19,243)	(81,652)	(4,927)	(2,364)	(7,084)	(3,617)	(49,496)	(7,157)	(1,175)	(176,715)
Depreciation for the year	(903)	(8,027)	(327)	(14)	(486)	(435)	(5,380)	(3,931)	(19)	(19,522)
Write-offs	217	-	-	-	-	-	-	328	-	545
Balance at 06/30/2020	(19,929)	(89,679)	(5,254)	(2,378)	(7,570)	(4,052)	(54,876)	(10,760)	(1,194)	(195,692)
Carrying amount										
At 12/31/2019	4,714	24,324	2,826	94	2,995	5,552	20,659	40,637	171	101,972
At 06/30/2020	3,843	21,431	2,651	80	3,047	5,169	18,477	39,503	156	94,357

(a) Sales stands are subject to depreciation in accordance with the estimated flow of sales of each project, written off or due to discontinuance.

(b) The aluminum molds used in the construction of units are subject to depreciation using the unit of production method, which results in expenses recognized based on production.

(c) Right-of-use assets are subject to depreciation on a straight-line basis over the life of each lease contract.

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Notes to interim financial information (Continued)
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8. Property and equipment (Continued)

Consolidated (Continued)

The Company's right-of-use assets comprise properties, vehicles, machinery and equipment. The most significant leased asset is the Company's administrative head office.

The Company and its subsidiaries have entered into 33 finance lease agreements for machinery, equipment and vehicles. The carrying amount of property and equipment under finance lease agreements at June 30, 2020 amounted to R\$111,110 (R\$105,976 at December 31, 2019). Property and equipment acquired for the period on a conditional sale basis amounted to R\$5,319 and are guaranteed by the leased items.

The Company adjusted depreciation of sale stands due to change in estimated sales of these projects. Detailed information on the effects of this adjustment is provided in Note 16.7.

9. Loans, financing and leases

9.1. Loans and financing

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Construction financing	-	-	37,288	44,230
FINAME and finance lease of equipment	10,747	15,248	14,008	16,630
Mortgage-backed securities (CRI)	682,867	767,466	682,867	767,466
Bank Credit Bills (CCB)	146,704	-	146,703	2,742
Grand total	840,318	782,714	880,866	831,068
Current	233,651	192,813	235,054	212,514
Noncurrent	606,667	589,901	645,812	618,554

Company's loans and financing are divided into five main types, namely:

Construction financing

This type of loan aims to finance projects during construction. Interest rates applicable to these loans range from 8.3% to 9.75% p.a., according to the transaction, restated by the Referential Rate (TR). Only the contract with Banco ABC has the interest rate adjusted by CDI + 1.95% p.a. These transactions are backed by mortgages of properties of the respective projects.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2020

(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Leases

This type of loan aims to finance investments in machinery and equipment. Interest rates applicable to these loans are variable interest with margins on CDI of 1.49% to 3.43% per year, according to the transaction. These transactions are guaranteed by machinery and equipment acquired through the financing arrangements.

Mortgage-backed securities (CRI)

107th series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. The remuneration of CRIs on the balance of unit par value of CRIs from the date of issue of CRIs, comprises conventional interest of 0.80% per year, plus accumulated variation of the DI rate. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either.

175th series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. The remuneration of CRIs on the balance of unit par value of CRIs from the date of issue of CRIs, comprises conventional interest of 5% per year, plus IPCA. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either.

193rd series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. The remuneration of CRIs on the balance of unit par value of CRIs from the date of issue of CRIs, comprises conventional interest of 104.00% per year, plus accumulated variation of the DI rate. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either.

Corporate Bank Credit Bills

This concerns CCB Plano Empresário Final issued with Banco ABC in the amount of R\$2,660 (two million, six hundred and sixty reais). Interest rate charged under this type is 2.00% p.m. plus CDI rate, calculated and disclosed by CETIP ("DI rate").

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
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9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Corporate Bank Credit Bills (Continued)

CCB issued by Banco Itaú, referring to Loan 4131, amounting to EUR7,497,656.98 (seven million, four hundred and ninety-seven thousand, six hundred and fifty-six euros and ninety-eight cents). The exchange rate agreed for this transaction was R\$5.3350, which resulted in R\$39,999,999.99 (thirty-nine million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine reais and ninety-nine cents). The CCBs were issued in March 2020 and will mature within one year. The interest rate contracted was 2.3625% p.a. For this transaction, a derivative financial instrument (swap) was contracted over the same period (March 2020 to March 2021), to hedge Company exposure to foreign currency. The swap transaction aims at equity protection, mitigating the effects of currency fluctuation by replacing BRL/EUR for CDI plus a fixed spread of 4%. The impacts of this transaction are presented in Note 21.

The noncurrent portion of loans as at June 30, 2020 matures as follows:

Period	06/30/2020	
	Individual	Consolidated
July 2021 to June 2022	99,164	102,160
July 2022 to June 2023	172,011	189,082
July 2023 to June 2024	146,598	163,361
July 2024 onwards	188,894	191,209
	<u>606,667</u>	<u>645,812</u>

9.2. Lease financing

The Company has real estate and vehicle leases. The term of real estate leases varies between 1 and 7 years, while vehicles have a term of one year.

The Company's main leases are the building where the headquarters are located, properties for regional offices, and fleet vehicles.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.2. Lease financing (Continued)

Breakdown of leases is as follows:

	06/30/2020	
	Individual	Consolidated
Balance at 12/31/2019	41,559	41,933
Additions	1,262	1,566
Write-offs / cancellations	(31)	(354)
Payments of principal	(4,163)	(4,249)
Payments of interest	(198)	(198)
Restatement	1,445	1,445
PVA (interest appropriated)	1,420	1,434
Balance at 06/30/2020	41,294	41,577
Current	9,187	9,397
Noncurrent	32,107	32,180

	12/31/2019	
	Individual	Consolidated
First-time adoption	39,456	39,980
Additions	6,123	6,212
Payments of principal	(8,099)	(8,380)
Payments of interest	(198)	(205)
Restatement	1,550	1,567
PVA (interest appropriated)	2,727	2,759
Balance at 12/31/2019	41,559	41,933
Current	8,194	8,468
Noncurrent	33,365	33,465

Breakdown of the lease balance by maturity of the installments is as follows:

	06/30/2020	
	Individual	Consolidated
Maturity within one year	9,187	9,397
Between 1 and 2 years	7,274	7,349
Between 2 and 3 years	6,287	6,287
More than 3 years	18,546	18,544
	41,294	41,577

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.2. Lease financing (Continued)

The table below shows the effects of projected inflation on the balance of lease agreements:

Consolidated	Consideration (no future inflation)	Consideration (with future inflation)	Inflation not included in agreements
1 st year	9,397	9,715	318
2 nd year	7,348	7,619	271
3 rd year	6,287	6,523	236
4 th year	5,587	5,799	212
5 th year	5,118	5,315	197
6 th year	4,803	4,990	187
7 th year	3,037	3,156	119
	41,577	43,117	1,540

10. Labor obligations

Breakdown of labor obligations is as follows:

Description	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Salaries and withdrawals payable	1,651	1,806	5,336	5,600
Labor and social security charges	4,699	1,476	13,653	4,978
Provisions for employment-related expenses	7,606	8,725	20,730	18,611
Other	(84)	764	494	1,451
	13,872	12,771	40,213	30,640

11. Tax obligations

The balances below comprise the provision for current taxes whose triggering event is the realization of accounts receivable, as well as the provision for deferred taxes upon recognition of revenue by the POC method, in which the realization of accounts receivable is deferred throughout the flow of each contract:

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2020

(In thousands of reais, unless otherwise stated)

11. Tax obligations (Continued)

Current taxes	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
PIS	163	19	269	38
COFINS	651	108	1138	196
Special taxation regime	5	46	6,463	5,870
IRPJ	-	3	276	1,580
CSLL	-	2	138	641
Other	264	328	3,001	2,408
	1083	506	11,285	10,733
Deferred taxes				
PIS	3	4	1,668	1,606
COFINS	13	21	7,143	7,185
PVA	-	-	(168)	(110)
IRPJ	9	15	5,520	5,342
CSLL	5	8	2,792	2,800
Other	-	-	(1,022)	(664)
	30	48	15,933	16,159
	1113	554	27,218	26,892
Current	1113	514	22,146	22,968
Noncurrent	-	40	5,072	3,924

12. Real estate commitments payable

Accounts payable arising from the acquisition of land for real estate development, with land itself being part of the guarantee. These contracts are restated by reference to INCC.

	12/31/2019	(+)	(-)	(-)	06/30/2020	
		Acquisitions	Payments	Transfer to SPEs		
Individual	20,227	59,861	-	(50,859)	29,229	
Current	-				-	
Noncurrent	20,227				20,229	
		(+)	(-)	(-)		
	12/31/2019	Acquisitions	Payments	Revisions	Cancellation of contracts	06/30/2020
Consolidated	1,733,203	102,753	(86,254)	12,308	(24,784)	1,737,226
Current	94,094					88,431
Noncurrent	1,639,109					1,648,795

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Notes to interim financial information (Continued)

June 30, 2020

(In thousands of reais, unless otherwise stated)

12. Real estate commitments payable (Continued)

	Consolidated	
	06/30/2020	12/31/2019
<i>Aging list</i>		
Up to 1 year	88,431	94,094
1-2 years	825,127	857,733
2-3 years	531,604	501,386
3-4 years	140,144	135,784
After 4 years	151,920	144,206
	1,737,226	1,733,203

13. Advances from customers

Individual	12/31/2019	(+) Acquisitions/ receipts	(-) Amortization	(-) Transfer to SPEs	06/30/2020
Advances from customers - physical barter of land plot (i)	-	62,600	-	(62,220)	380
Advances for receipt (ii)	19,253	6,174	(12,029)	-	13,398
Total advances	19,253	68,774	(12,029)	(62,220)	13,778
Current	19,253				13,398
Noncurrent	-				380

Consolidated	12/31/2019	(+) Acquisitions/ receipts	(-) Amortization	(-) Write-offs/ cancellations	06/30/2020
Advances from customers - physical barter of land plot (i)	372,287	107,419	(15,304)	(57,496)	406,906
Advances for receipt (ii)	33,619	18,897	(29,463)	-	23,053
Total advances	405,906	126,316	(44,767)	(57,496)	429,959
Current	37,745				26,710
Noncurrent	368,161				403,249

(i) Commitments to deliver ready and completed real estate projects in connection with acquisition of land plots through barter, i.e. exchange of land plot for units to be built;

(ii) Advances from customers in connection with sales of real estate units.

14. Other accounts payable

	Individual		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Payables to customers	4,350	4,929	6,107	7,096
Payables to partners (a)	-	-	26,920	26,920
Accounts payable for acquisition of equity interest (b)	23,160	19,254	23,160	19,254
Capital deficiency (c)	13,047	16,764	-	-
Other	1,537	1,598	10,432	9,148
Total	42,094	42,545	66,619	62,418
Current	18,934	25,141	17,459	19,015
Noncurrent	23,160	17,404	49,160	43,403

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Notes to interim financial information (Continued)
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14. Other accounts payable (Continued)

- (a) On April 20, 2011 the Company entered into a commercial agreement with an investor for the development of projects that will be built in four land plots located in the Federal District, in exchange for R\$44,300 received in cash, with no further remuneration thereon. In December 2012, the green light was given to the project of one of the land plots addressed by the commercial agreement, capitalizing R\$10,380 in SPE Direcional Turquesa Empreendimentos Imobiliários, responsible for the development, construction and sales of the project to be constructed. In April 2014, R\$7,000 was capitalized in SPE Ouro Branco Empreendimentos Imobiliários Ltda., responsible for the construction and sales of the second project to be constructed.
- (b) This account represents the balance of accounts payable for acquisition of equity interest in companies in which the Group has investments.
- (c) This account shows investments in subsidiaries or jointly-controlled entities with capital deficiency.

15. Provisions

15.1. Provision for guarantees

	<u>Individual</u>	<u>Consolidated</u>
Balance at 12/31/2019	5,928	36,099
(+) Provisions	96	13,915
(-) Payments	(836)	(9,578)
Balance at 06/30/2020	5,188	40,436

	<u>Individual</u>		<u>Consolidated</u>	
	<u>06/30/2020</u>	<u>12/31/2019</u>	<u>06/30/2020</u>	<u>12/31/2019</u>
Current	3,341	3,997	22,022	20,752
Noncurrent	1,847	1,931	18,414	15,347
	5,188	5,928	40,436	36,099

The Company sets up provisions for guarantee expenses during the construction period only for units already sold, so that maintenance costs, if any, after handover of keys of real estate units will be deducted from the provision set up.

The provisions for construction guarantee are based on reviews of historical cash outflows regarding maintenance expenses, which represent 1.99% in development work and 1.24% in service work of the total budgeted cost of each project in June 2020.

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15. Provisions (Continued)

15.2. Provision for tax, labor and civil contingencies

	Individual			Total
	Tax	Labor	Civil	
Balance at December 31, 2019	-	1,774	554	2,328
Provisions	-	469	361	830
Reversals	-	(873)	-	(873)
Payments	-	(32)	(119)	(151)
Balance at June 30, 2020	-	1,338	796	2,134

	Consolidated			Total
	Tax	Labor	Civil	
Balance at December 31, 2019	106	13,153	20,489	33,748
Provisions	-	2,079	5,336	7,415
Reversals	-	(3,941)	(6,129)	(10,070)
Payments	-	(1,091)	(1,443)	(2,534)
Balance at June 30, 2020	106	10,200	18,253	28,559

The Company is a party to other tax, civil and labor claims arising from the ordinary course of business considered possible losses by management and its legal advisors. At June 30, 2020, consolidated amounts are as follows: labor claims total R\$21,343, tax proceedings total R\$10,327, and civil proceedings total R\$161,702. Consequently, no provision was set up to cover a possible unfavorable outcome.

16. Equity

16.1. Capital

The Company's fully subscribed and paid-in capital amounts to R\$752,982, comprising 153,398,749 common, registered, book-entry shares with no par value, including 148,399,721 outstanding shares and 4,999,028 treasury shares.

Authorized capital on the date of disclosure of the financial statements totals R\$1,200,000.

In the year ended June 30, 2020, 474,711 treasury shares were assigned under Share Matching Programs I and II and Stock Option Program 1.

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Notes to interim financial information (Continued)
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16. Equity (Continued)

16.1. Capital (Continued)

	Number of shares	Treasury shares	Total
December 31, 2017	146,437,554	6,961,195	153,398,749
Treasury shares assigned	556,486	(556,486)	-
December 31, 2018	146,994,040	6,404,709	153,398,749
Treasury shares assigned	930,970	(930,970)	-
December 31, 2019	147,925,010	5,473,739	153,398,749
Treasury shares assigned	474,711	(474,711)	-
June 30, 2020	148,399,721	4,999,028	153,398,749

16.2. Treasury shares

The Board of Directors approved four repurchase programs of Company-issued shares between 2011 and 2015, in order to hold in treasury and later cancellation or sale, without capital reduction, in order to maximize shareholder value. Accordingly, 8,794,405 shares were acquired, disbursing R\$59.421 at an average price of R\$6.76 per share.

16.3. Capital reserves

16.3.1. Capital reserve for stock option grants

As described in Note 23, the Company recognizes in this account the services received in consideration for the grant of stock options. Together with the exercise of stock options, the reserve is transferred to retained earnings.

16.4. Income reserve

16.4.1. Legal reserve

The legal reserve is set up at 5% of net income for each year, under the terms of article 193 of Law No. 6404/76, limited to 20% of capital stock.

16.4.2. Retained profits reserve

This reserve is set up especially for maintenance of the Company's investment ability and completion of work in progress. Additionally, the Annual General Meeting will decide on the allocation of the amount of income reserves in excess of total capital, pursuant to article 199 of Brazil's Corporation Law (Law No. 11638/2007).

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Notes to interim financial information (Continued)
June 30, 2020
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16. Equity (Continued)

16.4. Income reserve (Continued)

16.4.3. Dividend distribution

The holders of common shares are entitled to a minimum mandatory dividend of 25%, based on net income adjusted for changes in reserves, according to the corporation law in force.

On March 11, 2019, the Board of Directors approved the allocation of interim dividends to the income reserve account, according to financial statements for the year ended December 31, 2018, in the amount of R\$56,069, corresponding to R\$0.38 per share (not considering treasury shares). The dividends were paid on March 25, 2019, without monetary restatement or interest. Holders of the Company's shares were entitled to the dividends as at March 14, 2019.

On October 9, 2019, the Board of Directors approved the allocation of interim dividends to the income reserve account, according to financial statements for the period ended December 31, 2019, in the amount of R\$73,901, corresponding to R\$0.50 per share (not considering treasury shares). Dividends were paid on October 23, 2019, with monetary adjustment or interest. Holders of the Company's shares were entitled to the dividends as at October 14, 2019.

16.5. Earnings per share

The table below shows the calculation of earnings per share for the period ended June 30, 2020 and 2019:

	<u>06/30/2020</u>	<u>06/30/2019</u>
Net income for the period	43,947	46,313
Weighted average number of shares	148,345,246	146,836,517
Basic earnings per share, net - R\$	0.30	0.32
Weighted average number of shares (diluted)	149,287,700	149,281,215
Diluted earnings (loss) per share - R\$	0.30	0.31

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Notes to interim financial information (Continued)
June 30, 2020
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16. Equity (Continued)

16.6. Noncontrolling interests

In the period ended June 30, 2020, changes in subsidiaries' equity generated an increase amounting to R\$5,040 in noncontrolling shareholders' equity. In the same period, noncontrolling interests in profit or loss amounted to R\$12,830.

Acquisitions of interests from noncontrolling shareholders generated a R\$408 reduction recorded directly in the Company's equity.

16.7. Prior years' adjustments

At December 31, 2019, due to issue of the individual financial statements of Riva 9 Empreendimentos Imobiliários S.A. ("Riva 9") (former Jequiá Empreendimentos Imobiliários SPE), we changed the accounting estimate referring to the depreciation method for sales stands and estimated allowance for doubtful accounts.

These changes, presented on an item-by-item basis in the financial statements of Riva 9 at 12/31/2019, were not reflected in the presentation of the consolidated balances of Direcional Engenharia at referred to base date.

Considering that the balances not presented in a consolidated manner at the end of 2019 were not material and the changes presented were one-off, with no impact on the other balances presented in these financial statements, we do not restate such balances, based on the assumptions of CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors.

The impacts of the change in estimate are as follows:

	06/30/2020	
	Individual	Consolidated
<u>Impacts of the Adjustments:</u>		
(a) Accounts receivable	-	403
(b) Property and equipment	-	(1,327)
(c) Investments	(924)	-
Total adjustments	(924)	(924)

- (a) Adjustment in estimated allowance for doubtful accounts.
- (b) Adjustments in estimated depreciation rate of sales stands.
- (c) Impact of the adjustments in the holding company's investments.

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Notes to interim financial information (Continued)
June 30, 2020
(In thousands of reais, unless otherwise stated)

17. Net revenue

	Individual			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Gross revenue from sales	1,910	868	94	(711)
Gross revenue from services	21,639	9,804	82,783	43,303
Total gross revenue	23,549	10,672	82,877	42,592
Taxes on sales	(2,042)	(1,176)	(2,193)	(1,278)
Cancelled sales	(1,204)	(859)	(784)	(458)
Net operating revenue	20,303	8,637	79,900	40,856

	Consolidated			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Gross revenue from sales	734,477	438,825	645,350	335,248
Gross revenue from services	32,946	11,886	110,711	56,244
Total gross revenue	767,423	450,711	756,061	391,492
Present value adjustment	(1,638)	(895)	2,858	1,093
Taxes on sales	(19,066)	(11,321)	(16,422)	(8,253)
Cancelled sales	(46,842)	(30,087)	(19,193)	(9,828)
Net operating revenue	699,877	408,408	723,304	374,504

Taxes on sales and services consist of contribution tax on gross revenue for social integration program (PIS) and contribution tax on gross revenue from social security funding (COFINS), i.e. 1.65% and 7.6%, respectively, for revenue earned under the non-cumulative regime, 0.65% and 3%, respectively, for revenue earned under the cumulative regime, 0.37% and 1.71%, respectively, for revenue earned under the special taxation regime applied to construction and real estate development companies, and 0.09% and 0.44%, respectively, for revenue earned in connection with the “Minha Casa Minha Vida” Program (PMCMV) for units up to R\$100.

The Company also recognized gross revenue for the year of projects under construction amounting to R\$14,986 at June 30, 2020 and R\$1,135 at June 30, 2019 regarding barter of units to be constructed for land plots.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2020

(In thousands of reais, unless otherwise stated)

17. Net revenue (Continued)

a) Unearned revenue

Budgeted costs to be incurred of sales of units under construction and unearned revenue from sales of real estate, arising from projects in progress, not reflected in the financial statements, are as follows:

I) Unearned sales revenue from units sold	1,276,521
<i>Projects under construction</i>	
a) Revenue from contracted sales	3,392,566
b) Allocated sales revenue, net	2,116,045
Allocated sales revenue	2,120,620
Dissolution of agreements – Reversed revenue	(4,575)
II) Revenue from compensation for dissolution of agreements	2,554
III) Budgeted cost to be allocated from units sold	873,811
<i>Projects under construction</i>	
a) Budgeted cost of units (no finance charges)	2,175,966
b) Construction cost incurred	1,331,446
Accrued finance charges	3,303
c) Dissolution of agreements – Construction cost	(32,496)
Dissolution of agreements – Finance charges	(98)
Budgeted cost to be allocated to P&L (no finance charges) (a – b – c)	877,016
Drive CI / CO (no finance charges)	59.70%
IV) Budgeted cost to be allocated to inventories	806,063
<i>Projects under construction</i>	
a) Budgeted cost of units (no finance charges)	1,328,209
b) Construction cost incurred	521,207
Accrued finance charges	939
Units sold	37,666

b) Earned revenue

Income earned from:	01/01/2020 to 06/30/2020		04/01/2020 to 06/30/2020		01/01/2019 to 06/30/2019		04/01/2019 to 06/30/2019	
	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold
Individual								
Services	19,087	(12,081)	8,462	(5,392)	79,806	(63,199)	41,567	(33,010)
Development – completed units	1,216	(489)	175	-	94	(78)	(711)	-
Total - Individual	20,303	(12,570)	8,637	(5,392)	79,900	(63,277)	40,856	(33,010)
Subsidiaries								
Services	9,397	(19,307)	1,203	(9,529)	26,813	(35,231)	12,475	(15,100)
Development – completed units	45,605	(53,426)	18,610	(30,188)	60,762	(50,181)	25,809	(24,373)
Development – units under construction	624,572	(378,349)	379,958	(231,160)	555,829	(335,915)	295,364	(177,163)
Total Subsidiaries	679,574	(451,082)	399,771	(270,877)	643,404	(421,327)	333,648	(216,636)
Total Consolidated	699,877	(463,652)	408,408	(276,269)	723,304	(484,604)	374,504	(249,646)

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Notes to interim financial information (Continued)

June 30, 2020

(In thousands of reais, unless otherwise stated)

18. Costs and expenses by nature

Description	Individual			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Raw materials and materials for use and consumption	(10,223)	(4,432)	(53,011)	(27,761)
Personnel expenses	(33,525)	(14,945)	(37,929)	(19,293)
Depreciation and amortization	(7,993)	(3,869)	(7,162)	(3,990)
Third-party services	(5,554)	(2,394)	(4,678)	(1,348)
Electric power, water supply and telephone services	(1,106)	(559)	(1,123)	(674)
General selling expenses	72	23	(1,046)	(252)
Sales commissions	(1,238)	-	(957)	(444)
Other expenses	(4,463)	(971)	(9,989)	(4,631)
	(64,030)	(27,147)	(115,895)	(58,393)
Classified as				
Cost of real estate sold	(745)	(255)	(928)	(357)
Costs of services rendered	(11,825)	(5,137)	(62,349)	(32,653)
Selling expenses	(1,797)	(256)	(2,658)	(1,072)
General and administrative expenses	(49,663)	(21,499)	(49,960)	(24,311)
	(64,030)	(27,147)	(115,895)	(58,393)
Description	Consolidated			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Raw materials and materials for use and consumption	(379,245)	(229,304)	(392,352)	(204,760)
Personnel expenses	(101,104)	(52,157)	(107,982)	(56,301)
Capitalized interest	(3,667)	(2,184)	(4,255)	(2,196)
Depreciation and amortization	(18,921)	(9,646)	(18,814)	(6,142)
Third-party services	(9,121)	(4,265)	(8,416)	(3,363)
Electric power, water supply and telephone services	(2,114)	(1,112)	(2,099)	(1,144)
General selling expenses	(25,120)	(13,034)	(20,853)	(11,658)
Sales commissions	(43,343)	(22,505)	(41,396)	(21,507)
Other expenses	(11,693)	(6,702)	(12,416)	(5,845)
	(594,328)	(340,909)	(608,583)	(312,916)
Classified as				
Cost of real estate sold	(432,520)	(261,603)	(387,024)	(201,893)
Costs of services rendered	(31,132)	(14,666)	(97,580)	(47,753)
Selling expenses	(74,616)	(39,904)	(69,104)	(36,432)
General and administrative expenses	(56,060)	(24,736)	(54,875)	(26,838)
	(594,328)	(340,909)	(608,583)	(312,916)

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Notes to interim financial information (Continued)
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19. Finance income (costs)

The balances below present the Company's net earnings from short-term investments, collection of interest from contracts, finance costs from some credit facilities used by the Company, and finance costs of accounts held with financial institutions.

Finance income	Individual			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Income from short-term investments	8,317	3,834	12,646	6,276
Monetary adjustment and contract interest	1,297	523	1,159	99
Revenue from derivatives	12,406	10,053		
	22,020	14,410	13,805	6,375
Finance costs				
Interest expenses	(26,096)	(10,838)	(37,028)	(18,291)
Interest paid on leases	(1,507)	(790)	-	-
Bank fees	(1,217)	(712)	(1,097)	(433)
Expenses with derivatives	(473)	(473)	-	-
Exchange losses	(5,709)	(3,323)	-	-
	(35,002)	(16,136)	(38,125)	(18,724)
Finance income (costs), net	(12,982)	(1,726)	(24,320)	(12,349)
Finance income	Consolidated			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Income from short-term investments	9,848	4,376	17,104	8,449
Monetary adjustment and contract interest	3,032	1,553	1,680	673
Revenue from derivatives	12,406	10,053	-	-
	25,286	15,982	18,784	9,122
Finance costs				
Interest expenses	(26,580)	(10,992)	(37,507)	(18,376)
Interest paid on leases	(1,519)	(797)	-	-
Bank fees	(3,091)	(1,790)	(3,301)	(1,465)
Expenses with derivatives	(473)	(473)	-	-
Exchange losses	(5,709)	(3,323)	-	-
	(37,372)	(17,375)	(40,808)	(19,841)
Finance income (costs), net	(12,086)	(1,393)	(22,024)	(10,719)

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20. Income and social contribution taxes

	Individual			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Income before IRPJ and CSLL	44,092	33,928	46,739	26,136
IRPJ and CSLL at 34%	34%	34%	34%	34%
Estimated expenses with IRPJ and CSLL	14,991	11,536	15,891	8,886
Companies computing taxable profit based on accounting records				
Additions and exclusions	3,503	2,102	(9,400)	(7,812)
Addition (exclusion) of equity pickup	(111,269)	(62,153)	(113,971)	(59,280)
Tax base	(63,674)	(26,123)	(76,632)	(40,956)
Companies computing taxable profit as a percentage of gross sales				
Tax base	-	-	-	-
Rates applicable to profit computed as a percentage of gross sales	2.28%	2.28%	2.28%	2.28%
Tax expenses	-	-	-	-
Expenses with deferred tax	-	-	-	-
Companies taxed by RET (1%)				
Tax base	30,901	7,157	90,633	50,296
Rates applicable to the special taxation regime (RET)	0.47%	0.47%	0.47%	0.47%
Tax expenses	99	5	424	377
Expenses with deferred tax	46	29	2	(141)
Companies taxed by RET (4%)				
Tax base	-	-	-	-
Rates applicable to the special taxation regime (RET)	1.92%	1.92%	1.92%	1.92%
Tax expenses	-	-	-	-
Expenses with deferred tax	-	-	-	-
Expenses with IRPJ and CSLL for the period	145	34	426	236
Effective rate	0.33%	0.10%	0.91%	0.90%

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Notes to interim financial information (Continued)
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20. Income and social contribution taxes (Continued)

	Consolidated			
	01/01/2020 to 06/30/2020	04/01/2020 to 06/30/2020	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019
Income before IRPJ and CSLL	71,142	47,521	73,851	39,518
IRPJ and CSLL at 34%	34%	34%	34%	34%
Estimated expenses with IRPJ and CSLL	24,188	16,157	25,109	13,436
Companies computing taxable profit based on accounting records				
Additions and exclusions	-	-	-	-
Addition (exclusion) of equity pickup	-	-	-	-
Tax base	-	-	-	-
Companies computing taxable profit as a percentage of gross sales				
Tax base	18,604	15,059	135,812	73,470
Rates applicable to profit computed as a percentage of gross sales	2.28%	2.28%	2.28%	2.28%
Tax expenses	458	368	2,410	1,440
Expenses with deferred tax	(34)	(25)	686	235
Companies taxed by RET (1%)				
Tax base	128,459	40,958	381,866	182,899
Rates applicable to the special taxation regime (RET)	0.47%	0.47%	0.47%	0.47%
Tax expenses	625	207	1,863	1,077
Expenses with deferred tax	(21)	(14)	(68)	(217)
Companies taxed by RET (4%)				
Tax base	694,619	413,111	533,752	261,727
Rates applicable to the special taxation regime (RET)	1.92%	1.92%	1.92%	1.92%
Tax expenses	13,325	7,376	11,054	5,683
Expenses with deferred tax	12	556	(806)	(658)
Expenses with IRPJ and CSLL for the period	14,365	8,468	15,139	7,560
Effective rate	20.19%	17.82%	20.50%	19.13%

The breakdown of expenses with income and social contribution taxes for the periods ended June 30, 2020 and 2019 shows the timing difference between the cash basis used by SCPs and SPEs, whose taxable profit is computed as a percentage of gross sales, and RET (Special Tax Regime), and the provision for taxes on the balance of accounts receivable.

The Company (parent company) has a balance of income and social contribution tax losses carryforward on which deferred taxes recoverable were not recognized due to the absence of perspectives for realization through future taxable profit, as the Company has characteristics of a holding company. Due to the taxation regime of SCPs and SPEs (taxable profit computed as a percentage of gross sales or RET), they do not present timing differences.

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Notes to interim financial information (Continued)
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21. Financial instruments

The Company and its subsidiaries engage in transactions involving financial instruments in order to fund their activities or invest available financial resources. These risks are managed through conservative strategies aimed at liquidity, profitability and security. The control policy consists of actually monitoring contract rates versus those effective in the market.

The financial instruments usually entered into by Direcional and its subsidiaries are those recorded under “Cash and cash equivalents,” and financing for construction of real estate projects and for acquisition of machinery and equipment.

Interest rate risk

The Company is exposed to floating interest rates, substantially to the CDI rate, which remunerates short-term investments in Brazilian reais, interest on loans obtained from the Housing Financial System and pegged to the Referential Rate (TR), interest on loans for acquisition of machinery and equipment obtained from BNDES (FINAME) and pegged to the long-term interest rate (TJLP) and TJ462 and interest on working capital loans, leases, debentures and CRI pegged to the CDI.

Liquidity risk

The Company manages its liquidity risk by managing its cash flows, in order to maintain a level of cash and cash equivalents sufficient to meet its needs. The contractual exposures of financial liabilities are as follows:

	Consolidated				Total
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	More than 3 years	
At June 30, 2020					
Loans and financing (Note 9)	235,054	102,160	189,082	354,570	880,866
Trade accounts payable	85,270	6,474	-	-	91,744
Related parties (Note 6.1)	15,614	-	-	-	15,614
Real estate commitments payable (Note 12)	88,431	825,127	531,604	292,064	1,737,226
Advances for receipt (Note 13)	23,053	-	-	-	23,053

Cash flows included in the analysis of maturity of the Company and its subsidiaries are not expected to occur significantly earlier or in significantly different amounts.

Regarding accounts receivable, the Company limits its exposure to credit risks through sales to a wide customer base and ongoing credit rating. At June 30, 2020, there was no significant credit risk concentration associated with customers. Trade accounts receivable are guaranteed by the very real estate units, and the ownership of real estate is transferred only after fully paid.

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Notes to interim financial information (Continued)
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21. Financial instruments (Continued)

Fair value of financial instruments by category

The balances of trade accounts receivable and trade accounts payable at carrying amount, less impairment in case of receivables, are assumed to approximate their fair values.

Fair value hierarchy of assets and liabilities of the Company and its subsidiaries is as follows:

	Note	Individual		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Financial assets					
Amortized cost					
		17,866	14,879	445,855	455,648
Accounts receivable	4.1	6,499	3,512	434,318	444,117
Other accounts receivable	-	11,367	11,367	11,537	11,531
Fair value through profit or loss (*)					
		538,437	538,509	877,506	781,618
Cash and banks	3.1	2,999	13,385	226,309	135,808
Cash equivalents	3.1	315,372	323,682	385,308	397,987
Short-term investments	3.2	188,103	160,220	223,926	195,587
Accounts receivable from divestiture	4.2	31,963	41,222	41,963	52,236
Total financial assets		556,303	553,388	1,323,361	1,237,266
Financial liabilities					
Amortized cost					
		948,930	889,044	2,815,122	2,743,774
Real estate commitments payable	12	29,229	20,227	1,737,226	1,733,203
Advances for receipt	13	13,398	19,253	23,053	33,619
Loans and financing	9	840,318	782,714	880,866	831,068
Trade accounts payable	-	10,769	9,972	91,744	64,699
Transactions with related parties	6.1	13,122	14,333	15,614	18,767
Other accounts payable	14	42,094	42,545	66,619	62,418
Financial liabilities		948,930	889,044	2,815,122	2,743,774

(*) Financial assets recognized in the financial statements at fair value through profit or loss with level 2 measurement in the fair value hierarchy.

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21. Financial instruments (Continued)

Fair value of financial instruments

At June 30, 2020, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Amortized cost	17,866	17,866	-	445,855	445,855	-
Accounts receivable	6,499	6,499	-	434,318	434,318	-
Other accounts receivable	11,367	11,367	-	11,537	11,537	-
Fair value through profit or loss	538,437	538,437	-	877,506	877,506	-
Cash and banks	2,999	2,999	-	226,309	226,309	-
Cash equivalents	315,372	315,372	-	385,308	385,308	-
Short-term investments	188,103	188,103	-	223,926	223,926	-
Accounts receivable from divestiture	31,963	31,963	-	41,963	41,963	-
Total financial assets	556,303	556,303	-	1,323,361	1,323,361	-
Financial liabilities						
Amortized cost	948,930	960,338	(11,408)	2,815,124	2,826,536	(11,412)
Real estate commitments payable	29,229	29,229	-	1,737,226	1,737,226	-
Advances for receipt	13,398	13,398	-	23,053	23,053	-
Loans and financing	840,318	851,726	(11,408)	880,866	892,278	(11,412)
Trade accounts payable	10,769	10,769	-	91,746	91,746	-
Transactions with related parties	13,122	13,122	-	15,614	15,614	-
Other accounts payable	42,094	42,094	-	66,619	66,619	-
Financial liabilities	948,930	960,338	(11,408)	2,815,124	2,826,536	(11,412)

At December 31, 2019, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Amortized cost	14,879	14,879	-	455,648	455,648	-
Accounts receivable	3,512	3,512	-	444,117	444,117	-
Other accounts receivable	11,367	11,367	-	11,531	11,531	-
Fair value through profit or loss	538,509	538,509	-	781,618	781,618	-
Cash and banks	-	-	-	-	-	-
Cash equivalents	13,385	13,385	-	135,808	135,808	-
Short-term investments	323,682	323,682	-	397,987	397,987	-
Accounts receivable from divestiture	160,220	160,220	-	195,587	195,587	-
Accounts receivable from divestiture	41,222	41,222	-	52,236	52,236	-
Total financial assets	553,388	553,388	-	1,237,266	1,237,266	-
Financial liabilities						
Amortized cost	889,044	889,044	-	2,743,774	2,743,774	-
Real estate commitments payable	20,227	20,227	-	1,733,203	1,733,203	-
Advances for receipt	19,253	19,253	-	33,619	33,619	-
Loans and financing	782,714	782,714	-	831,068	831,068	-
Trade accounts payable	9,972	9,972	-	64,699	64,699	-
Transactions with related parties	14,333	14,333	-	18,767	18,767	-
Other accounts payable	42,545	42,545	-	62,418	62,418	-
Financial liabilities	889,044	889,044	-	2,743,774	2,743,774	-

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21. Financial instruments (Continued)

Fair value of financial instruments (Continued)

Management is of the understanding that the financial instruments present no significant changes as compared with respective fair value.

The Company does not engage in transactions involving derivatives or any other assets for speculation purposes.

The Company contracted a derivative financial instruments (*SWAP*) to hedge against a debt pegged to Euro. This derivative is aimed at reducing, or mitigating, the Company's risk of exposure to exchange fluctuation by replacing the exchange rate for CDI.

At June 30, the position of SWAP contracts is as follows:

Fair value hedge	Nominal value	Rate	Fair value	Gain from (loss on) transaction – P&L
Bank Credit Bills (hedged item)	40,000	BRL-EUR + 2.36%	46,535	
Swap transaction:	Receivables	BRL-EUR + 2.36%	46,535	6,535
	Payables	CDI + 4%	(40,758)	(759)
Net position – SWAP – derivative			5,778	5,778
Fair value hedge	Nominal value	Rate	Fair value	Gain from (loss on) transaction – P&L
Mortgage-backed Securities (CRI) (hedged item)	265,814	IPCA + 5.0814%	293,621	
Swap transaction:	Receivables	IPCA + 5.0814%	293,621	27,807
	Payables	CDI + 2.78%	(286,993)	(21,179)
Net position – SWAP – derivative receivable			6,628	6,628

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21. Financial instruments (Continued)

Sensitivity analysis

The Company and its subsidiaries should present a sensitivity analysis for each type of market risk originating from financial instruments and considered significant by management, to which the Company is exposed at each year-end. The exposure refers only to the fluctuation of variable rates that affect both finance income from short-term investments and finance cost from borrowings. Therefore, the financial assets of the Company and its subsidiaries are free of significant risks, as they yield interest at the CDI rate, and loans and financing are pegged to the fluctuation of TR plus fixed spread, in case of project financing (SFH), pegged to the fluctuation of CDI plus fixed spread, in case of Leases, CRI and Derivatives, and pegged to IPCA in the case of Debentures. The Company also has a loan in foreign currency (euro) which is, however, not subject to currency fluctuation (currency risk) since the Company took out a swap pegged to the CDI, maturing on the same date, for hedging purposes. The Company believes that there is no actual impact from analyzing the risk relating to foreign currency for this contract, reason why management will consider, for the sensitivity analysis, the swap contract pegged to the CDI. To conduct the sensitivity analysis, the Company relied on financial market projections for 2020, considering Scenario I, Scenario II, and Scenario III. Scenario I corresponds to interest rate computed on the date above and, according to management's evaluation, this is the most likely scenario at the maturity date of each transaction. For scenarios II and III, increases by 25% and 50%, respectively, were considered for risk variables. The positive or negative impact is shown below:

<u>Risk variable</u>		<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
CDI (%)		2.15%	2.68%	3.22%
<u>Risk variable</u>	<u>Risk</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
	Positive impact for the Company:			
CDI		593	741	889
Additional finance costs in case the scenarios are confirmed:		-	148	296
<u>Risk variable</u>		<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
IPCA (%)		1.81%	2.26%	2.71%
<u>Risk variable</u>	<u>Risk</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
	Negative impact for the Company:			
IPCA		(13,749)	(17,186)	(20,623)
Additional finance income in case the scenarios are confirmed:		-	(3,437)	(6,874)

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21. Financial instruments (Continued)

Sensitivity analysis (Continued)

<u>Risk variable</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
INCC (%)	4.14%	5.18%	6.21%

<u>Risk variable</u>	<u>Risk</u>	<u>Scenario I</u>	<u>Scenario II</u>	<u>Scenario III</u>
INCC	Negative impact for the Company:	(34,044)	(42,555)	(51,066)
Additional finance costs in case the scenarios are confirmed:		-	(8,511)	(17,022)

Business risk management

Risk control system

In order to efficiently manage its risk, the Company carries out the operational control of all projects in course. In light of the management model, the Company calculates potential losses in simulations of unfavorable conditions for each individual project and for the set of projects as a whole, as well as the required maximum cash exposure.

Control over maximum cash exposure

The risk control system monitors the future cash requirements to develop the scheduled portfolio projects, based on an economic feasibility study of each project, as well as the individual cash flow requirements in relation to projected cash flows of the set of projects as a whole. This projection assists with the designing of the financing strategy and in making decisions about the selection of projects.

Demand risk management

Through market knowledge and local partners' support, Direcional identifies the demand for new projects in different regions, and the income bracket of potential buyers to be served. Launches are defined in view of the potential each region has to absorb a certain amount of real estate and respond to price changes. The Company does not intend to operate in markets where there are no reliable data available for analysis of market potential. Accordingly, the Company believes the demand risk of its launches is reduced.

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21. Financial instruments (Continued)

Operational risks

Operational risk management is developed basically by ongoing monitoring of projects as to the completion of the physical and financial schedule of work, in relation to the initial planning of the financial and accounting audit by an independent firm, of judicious analysis of legal risks and credit risks of buyers of units through active management of receivables from projects.

Capital management

Capital management risk arises from the Company's decision to adopt a financing structure for its operations. The Company manages its capital structure, which consists of a ratio between the financial debt and equity (net assets, retained earnings and income reserves), based on internal policies and benchmarks. The key indicators related to this objective are: WACC (Weighted Average Cost of Capital), Net Debt/EBITDA and Net Debt/Equity. Total Debt comprises Loans and Financing (Note 9). The Company may change its capital structure, according to the economic and financing conditions in order to improve its financial leverage and debt management.

The Company's net debt structure includes: loans and financing less cash and cash equivalents.

	Consolidated	
	06/30/2020	12/31/2019
Loans and financing	880,866	831,068
(-) Cash and cash equivalents	611,617	533,795
(-) Short-term investments	223,926	195,587
(-) Derivatives	12,406	-
Net debt	32,917	101,686
Dividend payment	-	129,969
Equity	1,299,542	1,369,344
Net debt on equity	2.53%	7.43%

For the period ended June 30, 2020, the Company's cash generation totaled R\$68,769 (adjusted for derivatives), whilst cash generation for 2019 was R\$166,531.

Assets pledged as guarantees

Assets pledged as a guarantee of loans and financing are described in Note 8 and Note 9. The Company and its subsidiaries recorded judicial deposits at June 30, 2020 of R\$17,812 (R\$16,472 at December 31, 2019) as part of the discussion of its contingent liabilities.

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Notes to interim financial information (Continued)
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22. Stock option plan and incentives associated with Company shares - stock option compensation

Shared-based payment ("Matching Program")

At the Board of Directors' meetings held on May 15, 2015 and March 20, 2017, the regulations of the 1st and 2nd Incentive Programs tied to Direcional Engenharia S.A.'s shares ("Program 1 and Program 2, respectively"), were approved, as amended.

The Programs establish the rules and conditions for granting the right to purchase of shares and granting incentive shares to management and employees of the Company and/or Specific Purpose Entities in which the Company holds an interest ("Beneficiaries"), previously selected by the Board of Directors, in order to attract, encourage and retain them, and align their interests with those of the Company and its shareholders.

To participate in the Matching Program, the Beneficiaries should acquire common shares issued by the Company, whose number and deadline are set individually by the Board of Directors. For each common share of the Company acquired by the Beneficiaries under the 1st Program, the Company will grant the Beneficiaries two common shares, while under the 2nd Program, five common shares will be granted, to be delivered in lots of 25% of total shares over four years. For the Beneficiary to be entitled to receive incentive shares at the end of each Vesting Period, the shares held by such Beneficiary under the Program may not be fully or partially sold or transferred.

The number of shares granted, vesting periods and exercise, approved by the Board of Directors are discussed below:

Program	Year of grant	Period for transfer of shares	Beginning	Shares granted (a)	Grants not activated (b)	Grants cancelled (c)	Shares transferred (d)	Grants in force (a-b-c-d)
1 st Matching Program	2015	4 years	2017	506,000	61,200	127,557	317,243	-
1 st Matching Program	2017	4 years	2018	450,000	86,056	42,908	170,862	150,174
2 nd Matching Program	2017	4 years	2018	1,760,000	-	100,000	1,320,000	340,000
2 nd Matching Program	2018	4 years	2019	360,000	-	-	90,000	270,000
2 nd Matching Program	2018	3 years	2020	170,923	-	9,880	96,869	64,174
1 st Matching Program	2019	3 years	2020	13,628	-	1,113	6,267	6,248
2 nd Matching Program	2019	3 years	2020	58,985	-	4,559	26,608	27,818
1 st Matching Program	2019	3 years	2020	9,662	-	628	2,719	6,315
2 nd Matching Program	2019	3 years	2020	52,888	-	4,584	20,175	28,129
Total				3,382,086	147,256	291,229	2,050,743	892,858

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23. Insurance

The Group adopts a policy on insurance coverage that considers mainly the concentration of risks and their materiality, considering the nature of its activities and advice of insurance brokers. At June 30, 2020, insurance coverage is as follows:

Items	Type of coverage	Insured amount
Civil works (engineering risks)	Guarantees, during the period of construction of the project, indemnification arising from damages caused to the work, such as: fire, lightning, theft, among other specific coverages for facilities and assemblies at the insured location.	3,184,147
Post-delivery guarantee insurance	Guarantees the maintenance and resolution of problems in works delivered for up to 5 years, on damages set forth in the consumer code.	60,752
Civil liability (construction in progress)	Guarantees compensation (limited to the sum insured) of the amounts for which the Company may come to be liable for civil damages related to involuntary personal injuries and/or material damages caused to third parties.	427,820
Infrastructure insurance	Guarantees given to the Local Government as to execution of the infrastructure works that are required for the licensing processes of the projects under construction.	214,447
Business insurance	Guarantees indemnification to the Company related to the events covered that take place in the commercial property leased, such as fire, lightning and explosion of any nature, and flood, riots, strike and lockout, windstorm, and smoke.	58,500
Civil liability (D&O)	Guarantees coverage of pain and suffering to Company's Directors and Officers.	50,000

24. Non-cash transactions

	Individual		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Financing activities	34,163	79,673	36,530	83,947
Right-of-use financing	2,676	43,501	2,657	44,848
Finance charges on loans and financing	22,824	33,232	25,210	36,150
Exchange differences on loans and financing	5,709	-	5,709	-
Amortization of costs with structuring of loans and financing	2,954	2,940	2,954	2,949
Investing activities	4,931	44,329	5,024	64,659
Sale of equity interest	1,623	-	1,623	19,001
Restatement - Sale of equity interest	618	853	604	853
Acquisition (cancellation) of P&E - Lease	2,690	43,476	2,797	44,805

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Notes to interim financial information (Continued)
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25. Events after the reporting period

According to the Notice to the Market on July 28, 2020, in addition to the material news releases disclosed on March 4, 2020 and June 24, 2020, the Company reported that due to market conditions, a request for the cancellation of the public offering of primary distribution of common shares issued by Riva 9 Empreendimentos Imobiliários S.A., subsidiary of the Company ("Riva 9"), was submitted on such date, to be held in Brazil, in an OTC market, pursuant to CVM Ruling No. 400 of December 29, 2003, as amended ("CVM Ruling No. 400"), and other applicable legal provisions, under the coordination of financial institutions that are part of the securities distribution system, including foreign placement efforts ("Offering"), the application for registration of which had been submitted to the CVM on March 4, 2020.

The Company also informed that in view of the request for cancellation of the Offering, the suspensive condition established in the instruments will not materialize and, as such, the following will be rendered void:

- (i) the "Agreement for Purchase and Sale of Units of Interest and Assignment of Acquisition Rights" entered into between the Company and Riva 9, with the intervention and consent of its direct or indirect subsidiaries, Canário Engenharia Ltda., Napoli Empreendimentos Imobiliários Ltda., Direcional Santo Antônio Empreendimentos Imobiliários Ltda., Riacho Branco Empreendimentos Imobiliários Ltda., Xapuri Empreendimentos Imobiliários Ltda., Manauara VII Empreendimento Imobiliário SPE Ltda., Pedra Branca Empreendimentos Imobiliários Ltda., Coral Empreendimentos Imobiliários Ltda., Bella Carioca Empreendimentos Imobiliários SPE Ltda., Alto Pilares Empreendimentos Imobiliários Ltda., Rio Real Empreendimentos Imobiliários Ltda., Água Branca Empreendimentos Imobiliários Ltda., Sodalita Empreendimentos Imobiliários Ltda., Itaguatins Empreendimentos Imobiliários Ltda., Viçosa Empreendimentos Imobiliários Ltda., and Valença Empreendimentos Imobiliários Ltda. (jointly "SPEs"); through which the Company (a) would sell to Riva 9 the units of interest issued by each of the SPEs, whether directly or indirectly owned by the Company; and (b) would assign to Riva 9 the rights and obligations referring to acquisition of properties through assignment of the Agreements for Purchase and Sale entered into between the Company and the respective owners of the properties identified in Attachment 2 to the Agreement for Purchase and Sale of Units of Interest and Assignment of Acquisition Rights; and
- (ii) the "Agreement for Provision of Specialized Advisory, Real Estate Management Services and Other Covenants", entered into between the Company, Riva 9, the SPEs, Alto Buritís Participações Societárias Ltda., and Coroados Empreendimentos Imobiliários Ltda., through which the Company would provide administration and real estate management services to Riva, the SPEs, Alto Buritís Participações Societárias Ltda. and Coroados Empreendimentos Imobiliários Ltda.