Alphaville S.A. (formerly known as "Private Equity AE Investimentos e Participações S.A"

individual and consolidated quarterly interim financial information as of and for the three and six months ended June 30, 2020.

KPDS 718198

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Independent auditors' report on the parent company and consolidated financial statements

To the Shareholders and Management of
Alphaville S.A.
São Paulo – SP

Opinion

We have audited the parent company and consolidated interim financial statements of Alphaville S.A., respectively referred to as Parent Company and Consolidated, which comprise the parent company and consolidated statement of financial position as of June 30, 2020, the parent company and consolidated statements of profit or loss and comprehensive income for the three and six-months period ended on that date and changes in equity and cash flows for the six-month period ended on that date, including significant accounting policies and other explanatory information.

Opinion on the parent company interim financial statements

In our opinion, the accompanying parent company interim financial statements present fairly, in all material respects, the financial position of Alphaville S.A. ("the Company") as of June 30, 2020 and of its financial performance and its cash flows for the six-month period ended on that date, in accordance with accounting practices adopted in Brazil, applicable to real estate development entities in Brazil, registered with the Brazilian Securities and Exchange Commission (CVM).

Opinion on the consolidated interim financial statements

In our opinion, the accompanying interim consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Alphaville S.A as of June 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the six-month periodended on that date, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil, registered with the CVM.

Basis for opinion

We conducted our audit in accordance with Brazilian and international auditing standards (ISAs). Our responsibilities, under those standards, are further described in the Auditor's responsibilities for the audit of the parent company and consolidated financial statements section of our report We are independent of the Company and its subsidiaries, in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide basis for our opinion.

Emphasis of Matter

Accounting practices adopted in Brazil applicable to real estate development entities in Brazil, registered with the CVM

As described in Note 2.1, the parent company and consolidated interim financial statements were prepared in accordance with the accounting practices adopted in Brazil applicable to real estate development entities in Brazil, registered with the CVM and the interim consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil and IFRS applicable to real estate development entities in Brazil, registered with CVM. Accordingly, the determination of the accounting policy adopted by the Company for the recognition of revenue in contracts for the purchase and sale of unfinished estate units on the aspects related to the transfer of control, is in accordance with the understanding provided for in CVM Official Letter/CVM/SNC/SEP No. 02/2018 on the application of CPC 47 - Revenue from Contracts with Customers (IFRS 15). Our opinion is not modified in this respect.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim parent company and consolidated financial statements of the current six-month period These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern – Parent Company and Consolidated

Notes 2.2.1 (ii), 2.3.1 (i) and 24 to the parent company and consolidated interim financial statements.

Key audit matter	How the matters was addressed in our audit
In the six-month periodended June 30, 2020, the Company incurred a loss of R$104 million, totaling accumulated losses of R$ 2,041 million, basically resulting from its subsidiary Alphaville Urbanismo S.A., which incurred a loss of R$ 202 million totaling R$2,372 million ofaccumulated losses. This situation raises the need for Management to assess the capacity of the Company and its subsidiaries to continue generating sufficient cash flow to ensure operational continuity for the foreseeable future. Based on its assessment, Management concluded that there is no material uncertainty about the Company's ability and its subsidiaries to continue operating for the foreseeable future. Note 2 to the parent company and consolidated interim financial statements mentions how Management has made its judgment that the assumption of continuity is appropriate in preparing these financial statements. This assessment required the exercise of significant management judgment, particularly in forecasting estimates for the sale of lots, evaluating locations and/or regions with the potential for new launches by its subsidiary	Our audit procedures included, among others: We obtained and analyzing the evaluation prepared by Management regarding the uncertainties related to the Company's ability to continue operating in the foreseeable future and the evaluation of the cash flow projections made by the Company. With the assistance of our corporate finance specialists, we assessed the assumptions used in determining the cash flow projections, as well as the consistency of the predictions used by the Company in evaluating the assumption of operating continuity with the cash flow projections, and inspected supporting documentation regarding ongoing negotiations to obtain funds from third parties. We obtained access to confirmation from shareholders about the investment commitment in case of failure in the action plan prepared by the Company, as well as its financial capacity to honor this commitment. We also evaluated the disclosures in the Company's parent company and consolidated interim financial statements.

Alphaville Urbanismo S.A.and real interest rate forecasts and inflation, as well as in the evaluation of the shareholders' financial capacity to honor the capital commitment assumed in case of failure in the action plan prepared by the Company. Due to the relevance, complexity, and judgment involved in determining the underlying assumptions of this assessment, specifically the cash flow projections, and the impact that any significant change in these assumptions could have in the evaluation of the existence of material uncertainty related to the operational continuity and, consequently, in the parent company and consolidated financial statements, we consider this matter significant for our audit.	Based on the evidence obtained through the audit procedures summarized above, we consider acceptable the Management's conclusion that there is no relevant uncertainty related to operational continuity, in the context of the parent company and consolidated financial statements taken as a whole.

Revenue Recognition – estimated construction costs and construction work percentage of completion ("POC")

Notes 2.2.1 (ii), 2.3.1 (i) and 24 to the parent company and consolidated interim financial statements.

Key audit matter	How the matters was addressed in our audit
The Company and its subsidiaries use the Percentage of Completion ("POC" - "Percentage of completion") method to account for revenue from the sale of lots by the subsidiary Alphaville Urbanismo S.A. Due to the relevance of the construction costs to be incurred, which are the basis for revenue recognition and the high degree of judgment involved in determining the percentage of completion of the work, whose changes in the assumptions used could significantly impact sales revenues in the parent company and consolidated interim financial statements and the investment amount recorded using the equity method in the parent company's interim financial statements, we consider this matter to be significant for our audit.	Our audit procedures included, among others, the evaluation of the design of internal controls and, based on sampling, the effectiveness of the internal controls selected as relevant related to the approval and monitoring of individual construction cost budgets per project. Based on a sample of projects, we inspect the value of the costs recorded in the accounting and compare them with the respective supporting documentation, assess the nature and changes in the budgeted cost, carry out the analysis of the percentage of the evolution of the work and evaluate the evolution of costs incurred to verify any relevant movements. We recalculated the revenue recognition considering the management maps of physical evolution. About the costs incurred, we analyzed, on a sample basis, the respective supporting documentation. We also evaluated the disclosures in explanatory notes made by the Company and its subsidiaries. Based on the evidence obtained through the audit procedures summarized above, we consider the balances originating from the revenue recognition process and respective disclosures in the context of the parent company and consolidated interim financial statements taken as a whole to be acceptable.

Recoverability of assets (impairment) – Lots for sale and accounts receivable	
Notes 2.3.5, 2.3.6 (a), 5, 6 and 13 to the parent company and consolidated interim financial statements.	
Key audit matter	**How the matters was addressed in our audit**
The Company and its subsidiaries periodically reviews its portfolio of accounts receivable and lots for sale to estimate the need to set up a provision for the expected loss of accounts receivable and loss due to a reduction in the realizable value of lots for sale and accounts receivable. The determination of the impairment of accounts receivable and lots for sale is documented in internal policies and requires, by its nature, the use of judgments that for accounts receivable are represented by the definition of the historical percentage of losses, delay ranges, and economic growth estimate of GDP. The lots for sale are represented by the recently practiced values in comparison to the cost value accounted for. Due to the relevance of accounts receivable and inventories and the high degree of judgment in determining the assumptions related to the measurement of the provision for expected loss of accounts receivable and loss due to reduction in the realizable value of lots for sale that may impact the amounts recognized in the parent company and consolidated interim financial statements and the investment amount recorded using the equity method in the parent company's interim financial statements, we consider this matter to be significant for our audit.	We obtained an understanding of the process related to the measurement of impairment of accounts receivable and lots for sale. For accounts receivable, we evaluate the calculation of the maturity bands, measurement of the historical percentage of losses, and the use of macroeconomic factors used by the Group to measure expected losses, including the mathematical recalculation of these provisions for expected losses. For lots for sale units completed for lots to be sold, we analyzed the documentation relating to the sales values recently practiced by the Company itself, which support the Group's position regarding the realizable value of these assets. In addition to the value of the land, we check the value quotations market indicative. We also evaluated the disclosures in explanatory notes made by the Company and its subsidiaries. Based on the evidence obtained through the audit procedures summarized above, we consider the balances of accounts receivable and inventories and respective disclosures in the context of the parent company and consolidated interim financial statements taken as a whole to be acceptable.

Recoverable value of intangible assets (“Trademark and Goodwill”)	
Notes 2.3.11 and 8 (c) to the parent company and consolidated interim financial statements	
Key audit matter	**How the matters was addressed in our audit**
The Company's interim consolidated financial statements present intangible assets, which include R$ 420 million Trademark and Goodwill for expected future profitability of R$ 79 million, the realization of which is based on future profitability estimates on business plans and budget prepared by the Company and which are supported by several economic and business assumptions, such as sales evolution and cancellation, launches of new projects, variation in GDP, among others. As described in notes 2.3.11, the Company performs the impairment test to identify possible losses due to impairment of the Trademark and Goodwill's impairment due to expected future profitability.	We obtained an understanding of the process related to the measurement of recoverable values, and the determination of the assumptions and methodologies used by the Company to prepare the impairment test. With the assistance of our corporate finance specialists, we evaluate the assumptions and methodologies related to the growth rate estimates, the discount rate used in discounted cash flows, and definition of cash-generating units. We also evaluated the disclosures in the Company's parent company and consolidated interim financial statements.

Due to the degree of judgment and uncertainty inherent in determining these estimates and the potential impact that any changes in the assumptions could have on the interim parent company and consolidated financial statements, we consider this matter relevant to our audit.	Based on the evidence obtained through the audit procedures summarized above, we consider the Trademark and goodwill balances for expected future profitability and the respective disclosures in the context of the parent company and consolidated interim financial statements taken as a whole to be acceptable.

Other matters – Statement of -value-added

The interim parent company and consolidated statement of value added (DVA) for the six-month period ended June 30, 2020, prepared under responsibility of the Company's management, and presented as supplementary information for IFRS purposes applicable to real estate development entities in Brazil registered with the CVM, were submitted to audit procedures carried out together with the audit of Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Value Added. In our opinion, these statements of value added were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the parent company and consolidated financial statements taken as a whole.

Management's responsibility for the parent company and consolidated interim financial statements

Management is responsible for the preparation and fair presentation of the parent company interim financial statements in accordance with the accounting practices adopted in Brazil, applicable to real estate development entities in Brazil , registered with the CVM, and for the interim consolidated financial statements in accordance with the accounting practices adopted in Brazil and IFRS applicable to real estate development entities in Brazil, registered with the CVM, as well as for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated interim financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting in the preparation of the financial statements unless management either intends to liquidate the Company and its subsidiaries, or cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the parent company and consolidated interim financial statements

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

As part of an audit in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain our professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company internal control or those of its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability or that of its subsidiaries to continue operating as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated interim financial statements, including the disclosures, and whether the parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company and consolidated interim financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those responsible for corporate governance with a statement declaring that we have complied with relevant ethical requirements, including applicable independence requirements, and communicated all possible relationships or matters that might significantly affect our independence, including, where applicable, the corresponding safeguards.

Out of the matters that were the subject matter of communications with those responsible for corporate governance, we determined those, which were considered most significant to the audit of the financial statements for the current period and that, accordingly, constitute the principal audit matters. We described these matters in our audit report, unless a law or regulation has prohibited public disclosure of the matter, or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences from such communication would, from a reasonable perspective, outweigh the benefits of communication for the public interest.

São Paulo, August 13, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

Fernando Antonio Rodrigues Alfredo
Contador CRC 1SP252419/O-0

Alphaville S.A. (formerly known as “Private Equity AE Investimentos e Participações S.A”

Statements of financial position as at June 30, 2020 and December 31, 2019

(In thousands of Brazilian reais)

Assets	Note	Parent company 6/30/2020	Parent company 12/31/2019	Consolidated 6/30/2020	Consolidated 12/31/2019
Current assets					
Cash and cash equivalents	4.1	-	-	28,168	23,087
Financial investments	4.2	1,448	1,620	46,966	37,024
Trade accounts receivable	5.1	-	-	178,080	209,529
Lots for sale	6	-	-	481,015	481,333
Other receivables	5.2	414	341	56,030	57,574
Total current assets		**1,862**	**1,961**	**790,259**	**808,547**
Non-current assests					
Trade accounts receivable	5.1	-	-	475,072	571,139
Lots for sale	6	-	-	240,369	235,044
Dividends receivable	18.1			3,211	3,211
Receivables from related parties	18.1			11,010	731
Other receivables	5.2	-	-	55,618	34,068
		-	**-**	**785,280**	**844,193**
Investments in ownership interest	7	438,194	353,973	27,619	28,526
Property, plant and equipment	8	-	-	27,667	30,689
Intangible	9	-	-	509,502	514,081
		438,194	**353,973**	**564,788**	**573,296**
Total non-current assets		**438,194**	**353,973**	**1,350,068**	**1,417,489**
Total assets		**440,056**	**355,934**	**2,140,327**	**2,226,036**

Liabilities and equity	Note	Parent company 6/30/2020	Parent company 12/31/2019	Consolidated 6/30/2020	Consolidated 12/31/2019
Current liabilities					
Loans and financing	**10**	-	-	68,580	57,465
Debentures	**11**	4,836	3,026	19,741	18,455
Suppliers	**15**	42	3	99,993	95,683
		132	97		
Salaries, payroll charges, taxes and profit sharing				41,055	36,281
Advances from customers	**12**	-	-	105,108	70,123
	12a	-	-		
Amounts to be transferred to development partners				27,102	39,257
Dividends payable	**18.1**	-	-	1,482	1,529
Current account SPE	**18.1**	-	-	14,469	731
Obligations assumed on the assignment of receivables	**5.1**	-	-	70,253	36,230
Other payables	**15**	-	-	93,235	84,443
Provision for legal proceeds	**13**	-		27,742	30,582
Obligations to shareholders	**15**	52,410	-	52,410	-
Total current liabilities		**57,420**	**3,126**	**621,170**	**470,779**
Non-current liabilities					
Loans and financing	**10**	-	-	75,781	93,482
Debentures	**11**	120,000	120,000	820,973	828,142
Acquisition of ownership interests		-	-	23,243	23,297
Provision for legal proceeds	**13**	-	-	114,002	105,617
Warranty provision		-	-	20,962	22,957
Obligations assumed on the assignment of receivables	**5.1**	-	-	121,551	53,405
Other payables	**15**	-	-	71,694	90,672
Total non-current liabilities		**120,000**	**120,000**	**1,248,206**	**1,217,572**
Equity					
Capital	**16**	1,300,633	1,259,893	1,300,633	1,259,893
Capital Reserve		1,007,660	909,657	1,007,660	909,657
Treasury shares		(5,107)	-	(5,107)	-
Retained losses		(2,040,551)	(1,936,742)	(2,040,551)	(1,936,742)
Equity attributable to the owners of the parent		262,635	232,808	262,635	232,808
Non-controlling interests		-	-	8,316	304,877
Total equity		**262,635**	**232,808**	**270,951**	**537,685**
Total liabilities and equity		**440,056**	**355,934**	**2,140,327**	**2,226,036**

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

Alphaville S.A. (formerly known as “Private Equity AE Investimentos e Participações S.A”

Statement of profit or loss

Six-month and three month period ended June 30, 2020 and 2019

(In thousands of Brazilian reais)

		Parent company				Consolidated			
	Note	**04/01/2020 06/30/2020**	**01/01/2020 06/30/2020**	**04/01/2019 06/30/2019**	**01/01/2019 06/30/2019**	**04/01/2020 06/30/2020**	**01/01/2020 06/30/2020**	**04/01/2019 06/30/2019**	**01/01/2019 06/30/2019**
Net operating revenue	**19**	-	-	-	-	(22,175)	(39,656)	9,233	(5,428)
Operating costs									
Lot development and sales	**20**	-	-	-	-	(21,266)	(31,559)	(56,293)	(108,951)
Gross operating loss		**-**	**-**	**-**	**-**	**(43,441)**	**(71,215)**	**(47,060)**	**(114,379)**
Operating income (expenses)									
Selling expenses	**20**	-	-	-	-	(4,205)	(11,501)	(10,101)	(19,250)
General and administrative expenses	**20**	(176)	(250)	(150)	(182)	(16,686)	(37,932)	(22,619)	(44,225)
Income from equity method investments	**7**	-	(97,789)		(287,202)		(949)		(4,067)
Amortization for surplus	**7**	-	(4,037)		(7,744)		-		-
Other income (expenses), net	**21**	(124)	(119)	53	(62)	(25,798)	(56,562)	(32,631)	(60,574)
Loss before finance income (costs) and income tax and social contribution		**(300)**	**(102,195)**	**(97)**	**(295,190)**	**(90,130)**	**(178,159)**	**(112,411)**	**(242,495)**
Finance costs	**22**	(1,490)	(2,410)	-	-	(23,318)	(39,090)	(111,204)	(199,227)
Finance income	**22**	783	796	88	114	1,427	4,183	948	3,158
Loss before income tax and social contribution		**(1,007)**	**(103,809)**	**(9)**	**(295,076)**	**(112,021)**	**(213,066)**	**(222,667)**	**(438,564)**
Current income tax and social contribution expenses	**14a**	-	-	-	(2)	-	(84)	-	(534)
Deferred income tax and social contribution expenses	**14a**	-	-	-	-	-	-	-	-
Total income tax and social contribution		**-**	**-**	**-**	**(2)**	**-**	**(84)**	**-**	**(534)**
Loss for the period		**(1,007)**	**(103,809)**	**(9)**	**(295,078)**	**(112,021)**	**(213,150)**	**(222,667)**	**(439,098)**
Net loss attributable to:									
Owners of the parent		(1,007)	(103,809)	(9)	(295,078)	(1,007)	(103,809)	(9)	(295,078)
Non-controlling interests						(111,014)	(109,341)	(222,658)	(144,020)
Basic and diluted loss per thousand shares - in reais						(0.01)	(1.51)	(0.00)	(4.29)

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

Alphaville S.A. (formerly known as “Private Equity AE Investimentos e Participações S.A”

Statement of comprehensive income

Six-month and three period ended June 30, 2020 and 2019

(In thousands of Brazilian reais)

		Parent company				Consolidated			
	Note	**04/01/2020 06/30/2020**	**01/01/2020 06/30/2020**	**04/01/2019 06/30/2019**	**01/01/2019 06/30/2019**	**04/01/2020 06/30/2020**	**01/01/2020 06/30/2020**	**04/01/2019 06/30/2019**	**01/01/2019 06/30/2019**
Loss for the period		(1,007)	(103,809)	(9)	(295,078)	(112,021)	(213,150)	(222,667)	(439,098)
Total comprehensive income for the period, net of taxes		**(1,007)**	**(103,809)**	**(9)**	**(295,078)**	**(112,021)**	**(213,150)**	**(222,667)**	**(439,098)**
Attributable to:									
Owners of the parent		(1,007)	(103,809)	(9)	(295,078)	(1,007)	(103,809)	(9)	(295,078)
Non-controlling interests						(111,014)	(109,341)	(222,658)	(144,020)

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

Alphaville S.A. (formerly known as “Private Equity AE Investimentos e Participações S.A”

Statement of changes in equity

Six-month period ended June 30, 2020 and 2019

(In thousands of Brazilian reais)

		Parent company							
	Note	**Capital**	**Proposed increase in capital**	**Capital reserve**	**Treasury shares**	**Retained losses**	**Total parent company**	**Non-controlling interests**	**Total consolidated**
Balances as at December 31, 2018		**1,265,000**	**(5,107)**	**-**	**-**	**(1,445,331)**	**(185,438)**	**(64,576)**	**(250,014)**
Net income (loss) for the period						(295,078)	(295,078)	(144,020)	(439,098)
Balances as at June 30, 2019		**1,265,000**	**(5,107)**	**-**	**-**	**(1,740,409)**	**(480,516)**	**(208,596)**	**(689,112)**
							-		
Balances as at December 31, 2019		**1,265,000**	**(5,107)**	**909,657**	**-**	**(1,936,742)**	**232,808**	**304,877**	**537,685**
Subscription bonus				(52,410)			**(52,410)**		**(52,410)**
Gain/loss on dilution of interest in subsidiary				(526,611)	-		**(526,611)**	(187,220)	**(713,831)**
Loss for the period						(103,809)	**(103,809)**	(109,341)	**(213,150)**
Capital increase		35,633		677,024			**712,657**		**712,657**
Treasury share			5,107		(5,107)		-	-	-
Balances as at June 30, 2020		**1,300,633**	**-**	**1,007,660**	**(5,107)**	**(2,040,551)**	**262,635**	**8,316**	**270,951**

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

Alphaville S.A. (formerly known as “Private Equity AE Investimentos e Participações S.A”

Statement of cash flows

Six-month period ended June 30, 2020 and 2019

(In thousands of Brazilian reais)

	Parent company		Consolidated	
	06/30/2020	**06/30/2019**	**06/30/2020**	**06/30/2019**
Operating activities				
Profit (loss) before income tax and social contribution	(103,809)	(295,076)	(213,066)	(438,564)
Expenses (income) not affecting cash and cash equivalents				
Depreciation and amortization	-	-	7,677	6,247
Amortization of surplus from business combination.	4,037	7,744	8,371	10,853
Present value adjustment	-	-	(28,775)	(40,281)
Interests and charges not realized, net	1,212	-	30,391	176,271
Allowance for loss on cancelled contracts	-	-	20,153	8,245
Warranty provision	-	-	(339)	5,137
Provision for legal claims and commitments	-	-	51,652	58,331
Provision for loss on CRI	-	-	(12,514)	-
Provision for indenture expenditures	-	-	1,165	(2,911)
Financial discount on assignment of receivables	-	-	1,046	4,794
Gain / Loss ownership interest	97,789	287,202	949	4,067
Provision for loss on realization of lots	-	-	2,479	-
Provision for employee benefits - Bonus	-	-	-	(1,982)
Decrease (increase) in operating assets				
Trade accounts receivable	-	-	90,695	163,917
Lots for sale	-	-	11,398	37,072
Other receivables and other credits	(76)	(8)	3,936	(13,224)
Increase (decrease) in operating liabilities				
Payables for purchase of properties and advances from customers	-		34,985	5,423
Suppliers	41	(23)	4,314	7,575
Salaries, payroll charges, taxes and profit sharing	35	(2)	(1,166)	(8,856)
Other payables	-	-	(60,019)	(58,346)
Related party transactions	-	-	(622)	12,413
Paid income tax and social contribution	-	(2)	(84)	(534)
Cash and cash equivalents from (used in) operating activities	**(771)**	**(165)**	**(47,374)**	**(64,353)**
Investing activities				
Acquisition of property and equipment and intangible assets	-	-	(76)	(809)
Purchase of short-term investments	1,620	2,028	(132,755)	(157,636)
Redemption of short-term investments	(1,448)	(1,863)	122,804	165,443
Increase in investments (Note 7)	-	-	(26)	(4,588)
Cash from (used in) investing activities	**172**	**165**	**(10,053)**	**2,410**
Financing activities				
Capital increase	-	-	-	25,442
Increase in loans and financing	-	-	16,072	130,671
Assignment of receivables	-	-	105,368	(16,806)
Payment of loans and financing – principal	-	-	(28,732)	(43,697)
Payment of loans and financing – interest	599	-	(30,200)	(40,647)
Cash and cash equivalents from financing activities	**599**	**-**	**62,508**	**54,963**
Net increase in cash and cash equivalents	**-**	**-**	**5,081**	**(6,980)**
Cash and cash equivalents				
At the beginning of the period (Note 4.1)	-	-	23,087	25,206
At the end of the period (Note 4.1)	-	-	28,168	18,226
Net increase (decrease) in cash and cash equivalents	**-**	**-**	**5,081**	**(6,980)**

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

Alphaville S.A. (formerly known as “Private Equity AE Investimentos e Participações S.A

Statement of value added

Six-month period ended June 30, 2020 and 2019

(In thousands of Brazilian reais)

	Note	Parent company		Consolidated	
		6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues		**-**	**-**	**(41,116)**	**(5,276)**
Sale of lots (Note 19)				7,449	6,943
Allowance for cancelled contracts (Note 19)				(49,430)	(13,077)
Services (Note 19)				865	858
Inputs acquired from third parties		**-**	**-**	**(69,962)**	**(153,611)**
Cost of lot development and sales (Note 20)				(52,567)	(128,733)
Materials, energy, outsourced services, and other (Note 20)				(17,395)	(24,878)
Gross added value		**-**	**-**	**(111,078)**	**(158,887)**
		(4,411)	**(7,990)**	**(64,494)**	**(67,005)**
Depreciation and amortization				(7,677)	(6,247)
Legal claims				(51,652)	(58,331)
Amortization of goodwill on investment		(4,037)	(7,744)	-	
Other		(374)	(246)	(5,165)	(2,427)
Net added value produced by the entity		**(4,411)**	**(7,990)**	**(175,572)**	**(225,892)**
Added value received in transfer		**(96,993)**	**(287,088)**	**3,234**	**(909)**
Income from equity method investments (Note 7)		(97,789)	(287,202)	(949)	(4,067)
Finance income (Note 22)		796	114	4,183	3,158
Total added value to be distributed		**(101,404)**	**(295,078)**	**(172,338)**	**(226,801)**
Added value distribution		**(101,404)**	**(295,078)**	**(172,338)**	**(226,801)**
Personnel and payroll charges (Note 20)				12,485	12,918
Taxes and contributions				(1,460)	152
Interest (Note 22)		2,410	-	29,793	199,227
Retained earnings attributable to non-controlling interests		-	-	(109,342)	(144,020)
Incurred losses		(103,814)	(295,078)	(103,814)	(295,078)

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

Notes to the individual and consolidated quarterly interim financial information statements

(Amounts in thousands of Brazilian reais, except as otherwise stated)

1 Operations

Alphaville S.A., the current name of Private Equity AE Investimentos e Participações S.A. ("Alphaville" or "Company"), is a closed corporation, incorporated on May 15, 2012, with registered office at Av. Dra. Ruth Cardoso, nº 8.501 3º floor, in the city and state of São Paulo.

The Company's corporate purpose is holding interests in other companies, either business or not, or investment funds, in the capacity of stockholder, shareholder, and/or unitholder, in Brazil and/or abroad.

On December 9, 2013, the Company acquired 70% interest in Alphaville Urbanismo S.A. ("AUSA"), becoming its controlling shareholder, whereas the remaining 30% interest is held by the former controlling shareholder Gafisa S.A.

Alphaville Urbanismo S.A. ("AUSA") is focused on identifying, developing and selling residential lots targeted at many markets throughout the Brazilian territory. The Company does not have any significant investment or activity other than the investment in Alphaville Urbanismo S.A. The financial statements of Company include the Company and its subsidiaries, hereinafter collectively referred to as the Group.

In the end of the year 2019, the subsidiary AUSA went through a corporate restructuring, arising from the redemption of shares, through which Gafisa S.A. left the group, according to the material fact disclosed on October 21, 2019, and the convertible debentures held by the investment vehicles of Pátria Investimento, the Company's shareholders, were converted, so in the end of 2019 the Company held 48.22% interest in the subsidiary, whereas the non-controlling interests held 51.78% interest.

On June 30, 2020, the Group went through a corporate restructuring, by increase in the Company's capital in the amount of R$ 712,657, represented by the issue of 1,353,119,346 registered common shares, with no par value, fully subscribed and paid-in through the contribution of 108,393,588 registered common shares, with no par value, of Alphaville Urbanismo S.A.

Therefore, as at June 30, 2020 the Company started to hold 100% interest in the capital of the subsidiary AUSA

2 Presentation of financial statements and summary of significant accounting policies

Basis of Preparation

In the semester ended June 30, 2020, the Company incurred a loss of R$ 104 million (R$ 296 million in June 2019), totaling accumulated losses of R$ 2,041 million (R$ 1,937 million in December 2019) basically resulting from its subsidiary AUSA which incurred a loss of R$ 202 million (R$ 424 million in June 2019) with total of R$ 2,372 million in accumulated losses (R$ 2,170 million in December 2019). Loss of the subsidiary AUSA results substantially from the sales volume being lower than the cost of carrying the debts and general and administrative expenses, necessary for the development of its business. This situation requires that Management assesses the ability of the Company and its subsidiaries to keep generating sufficient cash flows, to assure that they continue as a going concern for the foreseeable future by either generating operating cash flows, obtaining funds from third parties, or receiving financial support from its shareholders

The Management's assessment considered the business plan of the Company and its subsidiaries, which was prepared based on the current status of assets and liabilities and the future actions that it planned, as well as certain significant macroeconomic and sectoral assumptions, such as, for example, the estimates of realization of lot sales, valuation of localities and/or regions with potential for performing new launches, and real estimates of interest and inflation rates, as well as on the assessment of the shareholders' financial capacity to fulfill the assumed capital commitment in case the action plan prepared by the Company fails.

The planned funding actions that impact the future cash flow estimates include the following:

- Funding of new corporate debts – already negotiated and in approval process (net impact of R$ 36 million);

- Maturity extension of existing debts – in negotiation/approval process (net impact of R$ 51 million).

Considering the business plan, Management believes that the payment of obligations will be made as planned, and that the cash flow generation will be appropriate to meet its obligations in the foreseeable future.

However, in case the business plan is unsuccessful, Management has cash preservation operational alternatives that results in savings of R$ 71,8 million over the next 12 months:

- Reduction in the costs directly related to launches (R$ 27,8 million);

- Re-plotting of the work curve of the projects already launched, without impact on delivery date (R$ 12,0 million);

- Reduction in the expenses for developing and approving new projects (R$ 3,0 million);

- Reduction in general and administrative expenses (R$ 6,3 million);

- Rescheduling of the payments linked to the maintenance of lots in inventory (R$ 13,6 million); and

- Funding of new corporate debts (R$ 9,1 million).

In addition, the Company's shareholders formally pledged to support the Company in all actions necessary to maintain the Company's operational continuity by coordinating, structuring and attracting new financing operations in the capital market, and confirmed having committed capital that can be called upon and may be contributed to the company during the next 12 months, in the event of failure of the business plan.

Based on its evaluation, Management has concluded that there is no significant uncertainty as to the Company's and its subsidiaries ability to continue as a going concern in the foreseeable future. Therefore, the individual and consolidates quarterly interim financial information was prepared based on ability to continue as a going concern.

3 Presentation of the quarterly interim financial information and summary of significant accounting policies

3.1 Basis of presentation and preparation of individual and consolidated quarterly interim financial information

On August 10, 2020, the Company's Board of Directors approved this individual and consolidated quarterly interim financial information of the Company and authorized its disclosure.

The individual quarterly interim financial information, identified as "parent company", has been prepared according to the accounting practices adopted in Brazil issued by the Accounting Pronouncement Committee (CPC) and applicable to the real estate development entities in Brazil registered with the Brazilian Securities and Exchange Commission (CVM).

The individual quarterly interim financial information is not considered to be in compliance with the International Financial Reporting Standards IFRS, because they consider the capitalization of interest on the qualifiable assets of investees in the separate financial statements of the parent company.

The consolidated quarterly financial information has been prepared according to the accounting practices adopted in Brazil and the IFRS applicable to the real estate development entities in Brazil, registered with the CVM. The aspects related to the transfer of control in the sale of real estate units follow the understanding of the Company's management, aligned with the one expressed by CVM in the Circular Letter /CVM/SNC/SEP 02/18 about the application of Technical Pronouncement CPC 47 (IFRS 15).

a. Consolidated quarterly interim financial information

The consolidated financial statements include the individual financial statements of the company and of its subsidiary Alphaville Urbanismo S.A. The control is obtained when the Company has the power of their financial and operational policies and has the capacity of gaining rewards and is exposed to the risks of their activities. The subsidiary is consolidated from the date the full control commences to the date it ceases to exist.

Subsidiaries are all entities (including the special purpose entities) in which the Company has: (a) right to direct relevant activities; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are consolidated from the date the control is transferred to the Company and cease to be consolidated when such control is lost.

The control is obtained when the Company has the power to control the financial and operational policies of an entity to gain rewards from its activities.

In this method, the component of assets, liabilities and profit or loss are fully combined, and the carrying amount of non-controlling interests is determined by applying the respective ownership interest in the equity of the subsidiaries

As at June 30, 2020 and December 31, 2019, the consolidated financial statements include the consolidation in the following proportion:

	Ownership interest %	**Ownership interest %**
Investees	**06/2020**	**12/2019**
Alphaville Urbanismo S.A. (Subsidiary)	100%	48.22%

On December 31, 2019, subsidiary AUSA went through a corporate restructuring, arising from the redemption of shares, through which Gafisa S.A. left the company, according to the material fact disclosed on October 21, 2019, and the convertible debentures held by Pátria Investimento’s investment vehicles were converted, so in the end of 2019 the Company held 48.22% interest in the subsidiary, whereas the non-controlling interests held 51.78% interest; this fact did not change the Company’s status as parent company of AUSA.

This control power was implied, as the Company’s non-controlling shareholders, who owned 51.78% of AUSA’s shares, exercise voting rights, according to the Company’s instructions and the agreement between the parties.

On June 30, 2020, the Group went through a corporate restructuring, in view of the increase in the Company’s capital in the amount of R$ 712,657, represented by the issue of 1,353,119,346 registered common shares, with no par value, fully subscribed and paid-in through the contribution of 108,393,588 registered common shares, with no par value, of Alphaville Urbanismo S.A.

Therefore, as at June 30, 2020 the Company started to hold 100% interest in the capital of the subsidiary AUSA

The Company’s individual and consolidated interim financial information has been prepared and is identified as parent company and consolidated, respectively.

3.2 Functional and presentation currency

The individual (parent company) and consolidated financial statements are presented in reais (presentation currency), which is also the functional currency of the Company and its subsidiary.

3.3 Summary of significant accounting policies

3.3.1 Accounting judgments, estimates and assumptions

Accounting estimates and judgments are evaluated on an ongoing basis based on historical experience and other factors, including expectations on future events, considered reasonable under the circumstances.

(i) Main estimates and assumptions

The main estimates and assumptions related to sources of uncertainty over future estimates and other important sources of uncertainty overestimates at the reporting date of the statement of financial position, which may result in different amounts upon settlement, are shown below:

a. Impairment losses of non-financial assets

Management reviews annually and/or when a specific event occurs the net carrying amount of assets with the objective of evaluating events or changes in the economic, operational or technological circumstances that may indicate an impairment. Should such evidences exist, and the net carrying amount exceeds the recoverable amount, a provision for impairment is recognized by adjusting the carrying amount to the recoverable amount.

Such impairments are recognized in profit or loss for the year when incurred.

b. Allowance for credit risk

Management regularly performs analyses to identify whether there is any objective evidence that indicates that economic benefits associated with the recognized revenue could not flow into the entity. Examples: (a) delays in installment payment; (b) unfavorable local or national economic conditions; among others. In case there are such evidences, the respective allowance is recorded, the model adopted by Company being the simplified approach.

c. Allowance for cancelled contracts

Until December 31, 2017, the Company recognized a net provision of the credit risk and the cancellation in the net operating revenue caption. Through 2018, in view of Company´s interpretation of the CVM/SNC/SEP Circular Office 02/2018, the provision of credit risk and cancellations was calculated and presented in a segregated manner. The provision for credit risk is calculated based on the receivables, less existing guarantees and recorded on other expenses, while, cancellations is calculated from the full reversal of the accounts receivable for installments overdue more than 360 days and is recorded reducing the net revenue and the respective costs of lots, and in return for "lots for sale". (See Note 2.3.3 (iv)).

Group periodically reviews its assumptions for recognition of allowance for cancelled contracts, in view of the review of the history of its current transactions and future loss estimates that consider the macroeconomic conditions that are expected and specific to each transaction.

d. Estimated cost of construction

Estimated costs, mainly comprising the incurred and estimated costs for completing the construction works, are regularly reviewed, based on the progress of construction, and any resulting adjustments are recognized in profit or loss of the Group. The effects of such estimate reviews affect profit or loss.

e. Realization of deferred income tax

The initial recognition and further analysis of the realization of a deferred tax asset is carried out when it is probable that a taxable profit will be available in subsequent years to offset the deferred tax asset, based on projections of results, and supported by internal assumptions and future economic scenarios that enable its total or partial use if the full credit is recorded.

f. Provision for legal claims

The Group recognizes a provision for tax, labor and civil claims. The evaluation of the likelihood of unfavorable outcome includes the evaluation of available evidences, the hierarchy of laws, case laws, the latest court decisions and their relevance in the legal system, as well as the evaluation of external legal counsel.

The provisions are reviewed and adjusted to consider the changes in circumstances, such as statute of limitation, tax inspection conclusions, or additional exposures identified based on new subjects or court decisions.

The settlement of transactions involving these estimates may result in amounts different from those estimated in view of the inaccuracies inherent in their determination processes. The Group reviews the estimates and assumptions at least annually.

g. Revenue Recognition

In the model of sale of lots under contracts with partners, in line with CVM guidelines, the Company believes that control of the land is passed directly from the landowner to the buyer of the lot at the time of signing the purchase and sale contract. Thus, for those projects still under development, after the signing of the purchase and sale contract, the accounting is for the sale by the Company of the improvements allocated to that lot directly to the buyer of the lot and the revenue from this sale is recorded using the percentage method of cost incurred as described in NE 2.3.2.

3.3.2 Recognition of revenues and expenses

The Company applied CPC 47 – Revenue from Contracts with Customers from January 1, 2018, including the guidance contained in Circular Letter CVM/SNC/SEP 02/2018, which establishes the accounting procedures for recognition, measurement and disclosure of certain types of transactions arising from contracts for purchase and sale of real estate unit not yet completed. There was no significant effect from the adoption of CPC 47 and such Circular Letter, and the following procedures were followed:

Sales of Lots (Own)

In this model of operations, the Company buys the land and makes purchase and sale contracts for the lots unilaterally with its customers.

- The incurred cost that corresponds to own lots and improvements sold is fully included in profit or loss;

- The percentage of incurred cost (including land) is determined in relation to its total estimated cost, this percentage being applied to the total sales revenues of lots and improvements and adjusted in accordance with the conditions established in the sales contracts, in order to determine the amount of revenue to be recognized in direct proportion to costs. The cost of improvements not yet sold are recognized in the line item lots for sale, in accordance with the accounting policy (Note 6);

- Sales revenues recognized in excess of actual payments received from customers is recorded as either a current or non-current asset. Any payment received in connection with lot sales that exceeds the amount of revenues recognized is recorded as "Payables for purchase of property and advances from customers".

- Interest on trade accounts receivable, as well as the present value adjustment of trade accounts receivable, are included in lot development and sales when incurred, using the accrual basis of accounting – pro rata basis.

- The Group capitalizes interest on ventures during construction phase and those linked to land development, while the activities to develop the asset for sale are being carried out, provided that there are borrowings outstanding, which are recognized in profit or loss for the year in proportion to the sold units, the same criterion for other costs.

- Taxes levied on the difference between real estate development revenues and the cumulative revenue subject to tax are calculated and recognized when this difference in revenues is recognized.

- Other advertising and publicity expenses, represented by use of media, are recognized in profit or loss when incurred.

(ii) Sales of Lots (partnership contracts)

In this model of operations, the Company enters into a partnership with the landowner ("landowner"). The customer purchases the Company's improvements and the land from the landowner in a purchase and sale contract signed by the three parties. A portion of the agreed amount is allocated to the purchase of the land and due to the landowner and the remainder is allocated to the purchase of improvements and due to the Company.

- The incurred cost that corresponds to improvement sold is fully included in profit or loss;

- The percentage of incurred cost is determined in relation to its total estimated cost, this percentage being applied to the total sales revenues of improvements and adjusted in accordance with the conditions established in the sales contracts, in order to determine the amount of revenue to be recognized in direct proportion to costs. The cost of improvements not yet sold are recognized in the line item lots for sale, in accordance with the accounting policy (Note 6);

- Sales revenues recognized in excess of actual payments received from customers is recorded as either a current or non-current asset. Any payment received in connection with lot sales that exceeds the amount of revenues recognized is recorded as "Payables for purchase of property and advances from customers".

- Interest on trade accounts receivable, as well as the present value adjustment of trade accounts receivable, are included in lot development and sales when incurred, using the accrual basis of accounting – pro rata basis.

- The Group capitalizes interest on ventures during construction phase and those linked to land development, while the activities to develop the asset for sale are being carried out, provided that there are borrowings outstanding, which are recognized in profit or loss for the year in proportion to the sold units, the same criterion for other costs.

- Taxes levied on the difference between real estate development revenues and the cumulative revenue subject to tax are calculated and recognized when this difference in revenues is recognized.

- Other advertising and publicity expenses, represented by use of media, are recognized in profit or loss when incurred.

- The cost of land and respective sales revenues arising from sales of such lots are not recognized in the Company's profit or loss, because they represent real estate owned by partners (landowners). The Company only operates as collection agent of the sales amounts and respective transfer to landowners.

(iii) ICPC 02 and IFRIC 15

In accordance with the aforementioned aforementioned ICPC 02 and IFRIC 15 requirements, the amounts of revenues recognized, and costs incurred are recognized in profit or loss, and the advances received are recognized in the account "payables for purchase of property and advances from customers", as established by the instructions.

3.3.3 Financial instruments

Financial instruments are recognized from the date the Group becomes a party to the contractual provisions of financial instruments, which mainly comprise cash and cash equivalents, financial investments, trade accounts receivable, loans and financing, suppliers, and other debts, are initially measured at fair value. Financial Instruments that are not recognized at fair value through profit or loss are added by any directly attributable transaction costs.

In 2017, the financial instruments used to be categorized and measured as "held for trading", "held to maturity" and "loans and receivables". Since 2018 such instruments have been categorized and measured as "amortized cost", "fair value through other comprehensive income (FVOCI)" and "fair value through profit or loss (FVPL)"; see the classification by year in Note 17.

Financial assets and liabilities are presented net in the statement of financial position if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if there is intention to offset, or simultaneously realize the asset and settle the liability.

(i) Financial assets

The classification of financial assets is based on the business model in which the asset is managed and on their contractual cash flow characteristics, as summarized below:

Categories / measurement	**Conditions of each category**
Amortized cost	The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Categories / measurement	Conditions of each category
At fair value through comprehensive income (FVOCI)	Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
At fair value through profit or loss (FVPL)	Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss.

The Group's main financial assets are demonstrated below, and their classification into amortized cost, FVTPL and FVOCI, is shown in Note 17:

- Cash and cash equivalents: include cash, bank accounts, and financial investments redeemable in 90 days or less from their purchase date, and with insignificant risk of change in value.
- Financial investments: the balances represent investments in: (i) investment funds; (ii) certificates of bank deposit; (iii) savings bonds; (iv) mortgage-backed securities.
- Trade accounts receivable from lots of sale development: Correspond to amounts receivable from sales of lots units, initially recognized as described in Note 2.3.2, adjusted by the agreed-upon contractual conditions, net of present value adjustment.

Derecognition (write-off)
The Group derecognizes a financial asset only when the contractual rights to the cash flows from such asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership to another company. When a financial asset is derecognized in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognized in profit or loss.

(ii) Financial liabilities
Financial liabilities are classified at initial recognition at: (i) amortized cost; or (ii) measured at fair value through profit or loss.

Except of the subscription bonus that is measured at fair value through Profit and loss as described in Note 16, the Group's financial liabilities are classified as measured at amortized cost, using the effective interest method, and include loans, debentures and suppliers, and are measured at fair value through profit or loss.

These financial liabilities are initially recognized when funds are received, net of transaction costs, when applicable. At the reporting date, they are shown at initial recognition, deducted for amortization of principal amounts, when applicable, plus the corresponding incurred charges.

Derecognition (write-off)
Financial liabilities are only derecognized when the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the derecognized financial liability and the sum of the consideration paid and payable is recognized in profit or loss.

(iii) Impairment of financial instruments
The Group recognizes a loss allowance for expected credit losses for all sale contracts of real estate units, the amount being accrued as contra-entry to the recognition of the respective revenue in the line item Provision for legal claims and other operating income (expenses), based on past data and assumptions established in internal policy.

Besides the allowances, the collection activities to recover these amounts continue to be periodically performed because these receivables have secured guarantees of lots sold, to the extent the corresponding deeds are granted upon settlement and/or negotiation of receivables from customers.

(iv) *Provision for cancellation*

When the customers of such lots sale contracts default with installments over 360 days past due, the Group realizes the allowance for cancelled contracts complementing the amount for of balances outstanding, and reversing the revenues and corresponding costs, taking into account the recoverability history of these credits. Such analysis is separately made by sales contract, according to the provisions of Circular Letter CVM/SNC/SEP 02/2018.

The Group periodically reviews its assumptions for recognition of allowance for cancelled contracts and credit risk, in view of the review of the history of its current transactions and future loss estimates that consider the macroeconomic conditions that are expected and specific to each transaction.

Other impairment losses of other assets, when identified, are provisioned.

3.3.4 Cash and cash equivalents and financial investments

Cash and cash equivalents substantially comprise demand deposits and bank certificates of deposit held under resale agreements, denominated in reais, with immediate liquidity, for which there are no penalties or other restrictions for the immediate redemption thereof.

Cash equivalents are classified as financial assets at fair value through profit or loss and are recorded at the original amounts plus income earned through the end of the reporting periods of the financial statements, calculated on a "pro rata basis", which are equivalent to their fair values.

Financial investments include bank deposit certificates, restricted credits in view of the temporary restricted amounts due to the participation of partners (see Note 4.2).

3.3.5 Trade accounts receivable

These are presented at present and realizable values, which is close to its fair value. The classification between current and non-current is made based on the expected maturity of contract installments. The installments outstanding are mainly adjusted based on the General Market Price Index (IGP-M).

3.3.6 Mortgage-backed Securities (CRIs) and Housing Loan Certificate (CCI)

The Group carries out the assignment of lots of sale receivables for securitization and issue of CRIs or CCI's. When there is no right of return, this assignment is recorded as a reduction of accounts receivable. When there is right of return against the Group, the assigned receivable is maintained in the statement of financial position and a contra-entry in liabilities is recorded. The financial guarantees, when an interest is acquired (subordinated CRI or CCI's) and held as guarantee to the disposed receivables, are recorded on the statement of financial position in "non-current assets" in the line item "other receivables" at their realizable values (Note 5.2).

3.3.7 Lots for sale

Lots for sale are measured at cost of development and include the accumulated costs of infrastructure and the finance costs eligible to subdivisions, not in excess of their net realizable values. In the case of lots in development, the portion of inventory corresponds to the incurred costs of lots not yet sold. The Group evaluates the launch dates of such ventures and classifies in non-current those which estimated date is after 12 months.

When the cost of lots for sale exceeds the expected cash flow from sales, completed or in development, an impairment loss is recognized in the period when it is determined that the amount shall not be recoverable.

3.3.8 Selling expenses - Commissions

Brokerage expenditures, when applicable, are recorded in profit or loss under the account "Selling expenses" employing the same percentage-of-completion criteria adopted for recognizing the revenue from units sold. The charges related to sales commission belongs to the buyer, not being recognized as revenue or expense of the Group.

3.3.9 Warranty provision

The Group recognize a provision to cover expenditures for repairing ventures covered during the warranty period. The warranty period is up to five years from the delivery of the venture. From the launch of the venture to the above-mentioned period, the Group calculates the provision based on the history of expenses and recognizes an amount proportional to the progress of the construction work.

3.3.10 Investments in subsidiaries

The investments in subsidiaries in the individual financial statements are recorded under the equity method, according to CPC 18 (IAS 28) - Investments in Associates, Subsidiaries and Joint Ventures.

According to this method, the Group's share in the post-acquisition change in the net assets of these companies, as a result of the recognition of net income or loss for the year or arising from gains or losses on capital reserves, is recognized as operating income (or expense). The effects of such post-acquisition changes are adjusted against the cost of investment. The accounting policies adopted by the subsidiaries are adjusted, when necessary, to those adopted by the Group (Note 7).

Changes in the Company's interests in existing subsidiaries

In the consolidated financial statements, the changes in the controlling interest in the subsidiary that do not result in loss of control are registered as capital transactions. The accounting balances of the non-controlling interest and the controlling interest are adjusted to reflect changes in their respective interests in the subsidiary. The difference between the amount on which noncontrolling interests are adjusted and the fair value of considerations paid or received is recorded directly in equity and attributed to the Company's owners.

3.3.11 Intangible assets

Intangible assets acquired separately are measured at cost during the time of their initial recognition. The cost of intangible assets acquired in a business combination corresponds to the fair value on the acquisition date. After the initial recognition, intangible assets are stated at cost, not considering accumulated amortization and accumulated impairment losses. Intangible assets generated internally, excluding capitalized development costs, are not capitalized, and the expense is reflected in the income statement in the year in which it is incurred.

The useful life of an intangible asset is assessed as defined or indefinite. Intangible assets with finite lives are amortized over their economic useful lives and are assessed for impairment whenever there is an indication of impairment of the asset. The amortization period and method for an intangible asset with a finite life are reviewed at least annually. Changes in the estimated useful life or expected consumption of the future economic benefits of these assets are accounted for through changes in the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment losses, individually or at the cash-generating unit (CGU) level. The indefinite useful life assessment is reviewed annually to determine whether that assessment remains justified. Otherwise, the change in useful life from indefinite to defined is made prospectively.

Gains and losses resulting from the write-off of an intangible asset are measured as the difference between the net value obtained from the sale and the book value of the asset, being recognized in the income statement when it is written off.

The Group annually performs an impairment test in order to identify possible losses due to impairment of the recoverable amount of the goodwill, as determined by CPC 01 / IAS 36 - Reduction in the Recoverable Value of Assets. there is a need to record impairment.

3.3.12 Property and equipment

Property and equipment are measured at cost, net of accumulated depreciation and/or any accumulated impairment losses, if applicable.

Depreciation is calculated based on the straight-line method considering the estimated useful lives of the assets, as follows:

(i) Vehicles – five years;

(ii) Furniture, fixtures and installations – ten years;

(iii) Computers and software licenses - five years;

(iv) Right-of-use of lots - during the contract period;

The residual value, useful life, and depreciation methods are reviewed when there are changes in relation to the information from the prior year or in relation to the current status of assets.

Expenditures incurred in the construction of sales stands and related furnishings are used in the maximum term of one year, considered as expense when the venture is launched.

A property and equipment item is derecognized when sold or no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss, in the year when the asset is derecognized.

Property and equipment are subject to periodic assessments of impairment.

3.3.13 Income tax and social contribution on net income

(i) Current income tax and social contribution

Income taxes in Brazil comprise income tax (25%) and social contribution (9%), for entities on the standard profit regime, for which the composite statutory rate is 34%. Deferred taxes for these entities are recognized for all temporary tax differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts.

As permitted by tax legislation, certain subsidiaries and jointly controlled investees opted for the presumed profit regime. For these companies, the income tax and social contribution are calculated on estimated profits at the rates of 8% and 12% of gross revenues, respectively, on which the rates of the respective tax and contribution are levied.

(ii) Deferred income tax and social contribution

Deferred taxes are recognized in relation to tax losses and temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

They are recognized to the extent that it is probable that future taxable profit will be available to be used for offsetting deferred tax assets, based on profit projections made using internal assumptions and considering future economic scenarios that make it possible their full or partial use, upon the recognition of a provision for the non-realization of the balance

The recognized amounts are periodically reviewed, and the impacts of realization or settlement are reflected in compliance with tax legislation provisions.

Tax assets and liabilities are presented net in the statement of financial position if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if there is intention to offset, or simultaneously realize the asset and settle the liability.

3.3.14 Obligations assumed on the assignment of receivables

These state the balances of assignments of lots receivables with repurchase obligation by the assignors until conditions on compulsory repurchase are adopted. The assigned receivables are discounted to present value.

3.3.15 Other current and non-current liabilities

These liabilities are stated at their known or estimated amounts, plus, when applicable, adjustment for charges and inflation through the end of the reporting period of the statement of financial position, which contra-entry is recorded in profit or loss for the year. When applicable, current and non-current liabilities are recorded at present value based on interest rates that reflect the term, currency and risk of each transaction.

3.3.16 Other employee benefits

The benefits granted to the employees and subsidiary administrators include fixed remuneration (salaries, social security contributions - INSS, FGTS, vacation and 13^{th} salary) and variable compensation such as profit sharing, bonus, and share-based remuneration. These benefits are recorded statement of income for the year, under the account "General and administrative expenses", as they are incurred

The bonus system operates with individual corporate targets, structured based on the efficiency of corporate objectives, followed by the business goals and, finally, individual goals.

The Group do not offer private pension or retirement plans or other post-employment benefits.

3.3.17 Borrowing costs

Borrowing costs are directly related to ventures during the construction and to land phases during the development of assets for sale and are capitalized as part of the corresponding asset's cost, provided that there are borrowings outstanding, which are recognized in the income statement to the extent units are sold. All other borrowing costs are recorded as expense when incurred. Borrowing costs comprise interest and other borrowing-related incurred costs, including those for funding.

Charges that are not recognized in profit or loss are recorded in the financial statements of the parent company, in the line item investments in non-current assets (Note 7).

3.3.18 Provisions

Provisions, including those for civil, labor and tax risks, are recognized as present obligations (legal or constructive) as a result of past events, in which it is possible to reliably estimate amounts and which settlement is probable.

The amount recognized as provision is the best estimate of the considerations required for settling the obligation at the end of each reporting period, considering the risks and uncertainties related to the obligation.

When some or all of the economic benefits required to settle the provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is certain, and the amount can be reliably estimated.

3.3.19 Sales tax

Revenues are stated net of sales taxes.

Under the non-cumulative taxation regime, the PIS and COFINS contribution rates are 1.65% and 7.6%, respectively, for companies under the taxable real profit taxation regime, levied on gross revenue and discounting credits determined based on costs and expenses. For companies that opt for the presumed profit taxation regime, under the cumulative taxation regime, the PIS and COFINS contribution rates are 0.65% and 3%, respectively, on gross revenue, without deductions in relation to incurred costs.

3.3.20 Treasury shares

Own equity instruments that are repurchased (treasury shares) are recognized at cost and recorded in a reduction account of equity

No gain or loss is recognized in the statement of profit or loss upon purchase, sale, issue or cancellation of the Group's own equity instruments.

3.3.21 Payables for purchase of properties and advances from customers

Payables for purchase of lots are recognized at the amounts corresponding to the contractual obligations assumed. Subsequently they are measured at amortized cost, that is, plus interest and charges proportional to the incurred period ("pro rata" basis), net of present value adjustments, when applicable. Advances from customers represent the amounts received in connection with the lot sales that exceed the amount of recognized revenues.

3.3.22 Adjustment to present value - of assets and liabilities

The components of assets and liabilities, arising from long-term or short-term operations when there is a material effect, are adjusted to present value.

Real estate development entities, in installment sales of unfinished units, present receivables with monetary restatement, and must be discounted to present value, since the contracted monetary restatement indices do not include the interest component. The reversal of the adjustment to present value, considering that an important part of the Group's operating context is that of financing its customers, was carried out, having the Group's revenue from the sale of lots as a counterpart.

In this way, certain elements of the asset are adjusted to present value, based on discount rates, which aim to reflect the best estimates, regarding the value of money over time, applied to the future flow of receivables, observing the financial progress of the works.

The discount rate used is based on the premise of the average rate of financing on the date of the contract and loans obtained by its subsidiary, net of the inflationary effect (Note 5).

4 New standards, and standard amendments and interpretations

4.1 New and revised standards and interpretations already issued and not yet adopted

A series of new standards, changes to existing standards and interpretations is effective for years beginning after January 1, 2020. Th Group did not adopt these in the presentation of this parent company and consolidated interim financial information as of and for the three and six months ended June 30, 2020. Management does not expected that adoption will have a significant impact on the financial statements of the Group.

IFRS	**CPC**	**Topic**	**Required application date**
IFRS 17	-	Insurance Contracts	January 1, 2023
IAS 1	-	Amendment – Classification of liabilities as current and non-current	January 1, 2022

5 Cash and cash equivalents and financial investments

5.1 Cash and cash equivalents

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Cash and Banks (a)	-	-	28,168	23,087
Cash and cash equivalents	**-**	**-**	**28,168**	**23,087**

5.2 Financial investments

	Parent company		Consolidated	
	6/30/2020	12/31/2019	6/30/2020	12/31/2019
Investment fund (a)	1,448	1,620	1,471	3,505
Bank certificates of deposit (b)	-	-	36,102	28,369
Restricted credits (c)	-	-	9,393	5,150
	1,448	1,620	46,966	37,024

(a) As of June 30, 2020, the transactions with the Fund (PP Portfolio) with daily liquidity represented interests earned at 83.69% of CDI in the period (98.67% in 2019).

(b) As of June 30, 2020, Bank Certificates of Deposit (CDBs) include interest earned, mostly of 97.0% (from 97.0% to 100.0% in 2019) of Interbank Deposit Certificates rate (CDI).

(c) Amounts related to checking accounts that are restricted in view of the participation of the land venture partners or landowners, which the Group expects to have them cleared in 45 days or less.

6 Trade accounts receivable and other receivables

6.1 Trade accounts receivable

	Consolidated	
	6/30/2020	12/31/2019
Committed purchaser of lots	1,257,632	1,366,289
(-) Present value adjustment (AVP)	(128,188)	(156,962)
(-) Allowance for cancelled contracts and credit risk	(476,292)	(428,659)
	653,152	780,668
Current	178,080	209,529
Non-current	475,072	571,139

The current and non-current portions fall due in the following years:

	Consolidated	
Maturity	**6/30/2020**	**12/31/2019**
Past due:		
Up to 90 days	29,323	43,748
From 91 to 180 days	21,761	19,182
Over 180 days (a)	160,412	162,116
Total past due	**211,496**	**225,046**

Falling due:	Consolidated	
	6/30/2020	**12/31/2019**
2020	144,800	302,735
2021	233,811	208,840
2022	165,740	135,432
2023	121,406	117,563
2024 onwards	380,379	376,673
Total falling due	**1,046,136**	**1,141,243**

Present value adjustment and allowance for credit risk

	Consolidated	
	6/30/2020	**12/31/2019**
(-) Present value adjustment (AVP)	(128,188)	(156,962)
(-) Allowance for cancelled contracts and credit risk	(476,292)	(428,659)
Total	**604,480**	**585,621**
Grand total	**653,152**	**780,668**

The balance of trade accounts receivable from lots sold and not yet completed is not fully reflected in the financial statements. Its recording is limited to the portion of the recognized revenues net of the amounts already received. The non-recognized balance is mentioned in Note 23.

Advances from customers in excess of the revenues recognized in the period are shown in Note 12.

Trade accounts receivable, financed by the Group, are in general subject to IGP-M and IPCA variation, with revenue being recorded in profit or loss in the account "Revenue from sale of lots".

The net amount of present value adjustment recognized in real estate development revenue for the six-month period ended June 30, 2020 was a revenue of R$28,775 (R$64,781 in the years ended December 31, 2019).

The balances of allowance for cancelled contracts and credit risks are considered appropriated by the Group's management to cover the estimate of future losses on realization of the balance of trade accounts receivable (Note 2.3.19). The allowance is calculated based on the gross margin of the venture according to the following average rates of estimated losses: 2.6% of "falling due" group, 6.6% of "past due up to 90 days" group, 9.9% of "past due from 91 to 180 days" group, 14.1% of "past due from 181 to 360 days" group, and 90.0% of "past due over 360 days" group.

Trade accounts receivable from lots were measured at present value using a discount rate determined according to the criteria described in Note 2.3.22. The average rate applied by the Group and its subsidiaries was 5.63% as of June 30, 2020 (5.86% as of December 31, 2019), net of IGP-M.

On August 18, September 27 and November 8, 2017, the Group assigned real estate receivables. Each Real Estate Receivable is represented by a fraction and/or full Housing Loan Certificate (CCI), depending on the case, issued by the respective Assignors. All such receivables have a repurchase obligation by the Assignor until conditions on Compulsory Repurchase are adopted, whether by settlement of receivable or its replacement. The assigned receivables, discounted to present value, are classified in the line item "Obligations assumed on the assignment of receivables". The totality of the receivables assigned by the Group and its subsidiaries have joint liability.

On December 5, 2018, the Group investee assigned real estate receivables. All such receivables shall have a repurchase obligation by the Assignor until conditions on Compulsory Repurchase are adopted. The assigned receivables, discounted to present value, are classified in line item "Obligations assumed on the assignment of receivables". The totality of the receivables assigned by the Group and its subsidiaries have joint liability.

On July 2, September 24 and November 22 and 29, 2019, the Group assigned real estate receivables. All such receivables shall have a repurchase obligation by the Assignor until conditions on Compulsory Repurchase are adopted. The assigned receivables, discounted to present value, are classified in line item "Obligations assumed on the assignment of receivables". The totality of the receivables assigned by the Group and its subsidiaries have joint liability.

Balance of transactions			**Consolidated**	
Year of Assignment	**assigned portfolio**	**portfolio discounted to present value**	**6/30/2020**	**12/31/2019**
2012	116,920	98,541	4,791	5,509
2016	60,263	45,690	5,137	6,917
2017	66,181	47,814	9,175	11,486
2018	23,658	20,867	14,638	16,547
2019	47,575	40,678	42,106	49,176
2020	160,246	115,366	115,957	-
Total assigned receivables			**191,804**	**89,635**
Current			**70,253**	**36,230**
Non-current			**121,551**	**53,405**

In the above transactions, the Group and its subsidiaries are jointly liable until the transaction is settled regarding the default in receivables, replacing or repurchasing them if necessary, from the securitization agent. The Group was engaged to manage and collect such receivables according to the criteria of each investor

6.2 Other receivables

	Parent Company		Consolidated	
	6/30/2020	**12/31/2019**	**6/30/2020**	**12/31/2019**
Advances to venture partners (a)	-	-	36,845	35,944
Deferred expenses and interests	-	-	4,930	5,477
Subordinated mortgage-backed securities (b)	-	-	24,032	4,222
Judicial deposit	-	-	26,976	25,420
Recoverable taxes	-	-	466	1,511
Other receivables (c)	414	341	18,398	19,067
	414	**341**	**111,647**	**91,641**
Current	**414**	**341**	**56,030**	**57,574**
Non-current	**-**	**-**	**55,618**	**34,067**

(a) Amounts receivable from partners (landowners) in lot development.

(b) Certificates acquired in collateralized receivables assignment transactions, subject to inflation adjustments (IGP-M) and provision for impairment when applicable.

(c) Refers to tax credits on advances from customers, advances to suppliers and other sundry receivables.

7 Lots for sale

	Consolidated	
	6/30/2020	**12/31/2019**
Land and projects in development	165,719	166,610
Lots in development	61,664	66,310
Lots completed	157,334	163,194
Surplus on lots acquisition (note 7.b)	114,175	122,772
Reversal of cost of allowance for cancelled contracts	262,236	234,756
Provision for loss on realization of Lots	(39,744)	(37,265)
Total	**721,384**	**716,377**
Current	**481,015**	**481,333**
Non-current	**240,369**	**235,044**

As mentioned in Note 10, the balance of consolidated capitalized financial charges in lots for sale as June 30, 2020 is R$ 19,559 (R$21,396 as of December 31, 2019).

8 Investments in ownership interest

(i) Ownership interest

a. Information on subsidiaries and jointly controlled investees

The main information on ownership interests is summarized below:

	Ownership interest - %		Total assets		Total liabilities		Equity		Profit (loss) for the period		Parent company	
Direct investees	**06/2020**	**12/2019**	**06/2020**	**12/2019**	**06/2020**	**12/2019**	**06/2020**	**12/2019**	**06/2020**	**06//2019**	**06/2020**	**12/2019**
Alphaville Urbanismo S.A	100%	48.22%	1,171,529	1,200,480	1,349,684	1,177,281	(178,155)	23,199	(201,355)	(422,057)	(178,156)	11,744
Goodwill/Intangible assets from acquisition of Alphaville urbanismo S.A	-	-	-	-	-	-	-	-	-	-	937,891	937,891
Amortization of Intangible assets from acquisition of Alphaville	-	-	-	-	-	-	-	-	-	-	(321,541)	(595,662)
SPE Leblon Incorporadora S.A.	40.00%	40.00%	54,551	35,181	24,500	4,974	30,051	30,207	(884)	(1,247)	-	-
Alphaville Reserva Santa Clara Empr Imob Ltda	25%	25%	16,799	16,802	36	27	16,763	16,775	(84)	(77)	-	-
Krahô Empr. Imob. S.A.	48.00%	48.00%	21,758	21,515	2,231	1,957	19,527	19,558	(55)	(171)	-	-
Total Investiments	-	-	**1,264,637**	**1,273,978**	**1,376,451**	**1,184,239**	**(111,814)**	**89,739**	**(202,378)**	**(423,552)**	**438,194**	**353,973**

	Consolidated Investiments		Parent equity		Consolidated equity	
Direct investees	**06/2020**	**12/2019**	**06/2020**	**06/2019**	**06/2020**	**06/2019**
Alphaville Urbanismo S.A	-	-	(97,789)	(287,202)	-	-
Goodwill/Intangible assets from acquisition of Alphaville urbanismo S.A	-	-	-	-	-	-
Amortization of Intangible assets from acquisition of Alphaville	-	-	-	-	-	-
SPE Leblon Incorporadora S.A.	10,910	11.264	-	-	(353)	(499)
Krahô Empr. Imob. S.A.	9,196	9,222	-	-	(26)	(59)
Alphaville Reserva Santa Clara Empr Imob Ltda	4,191	3,794	-	-	(21)	(19)
Fair Value Adjustment	3,016	3,016	-	-		
Others (a)	306	1,230	-	-	(549)	(3,490)
Total Investiments	**27.619**	**28.526**	**(97,789)**	**(287,202)**	**(949)**	**(4,067)**

(a) Amounts obtained from the sum of the investments in subsidiaries and associates, which equity amounts are below R$4,000.

b. Investment Movement

	Parent Company		Consolidated	
	06/2020	**12/2019**	**06/2020**	**12/2019**
Opening Balance	353.973	(187.752)	28.526	30.299
Equity method	(97.789)	(464.350)	(949)	(5.930)
Capital Payment (note 16)	712.657	126.753	-	-
Purchase of Shares (a)	-	33.500	-	-
amortization / reversal of surplus value (b)	274.122	(120.833)	-	-
Gain/(Loss) with changes to ownership % (c)	(804.769)	966.655	-	-
Other investments	-	-	42	4.157
Closing Balance	**438.194**	**353.973**	**27.619**	**28.526**

(a) On December 27, 2019, an agreement was entered into regarding the Acquisition and Compensation Price Adjustment, resulting from compensation and adjustment of the value related to the purchase price, resulting from the recognition of losses incurred by the Company within the scope of the PSC (Purchase and Sales Contract), by whereby Gafisa sold, and the Company acquired 16,632,522 common, registered shares with no issue value of the investee Alphaville Urbanismo SA, corresponding to R $ 33,500.

(b) Amortization / reversal of the gain is due to the adjustment of the gain on June 30, 2020, based on the increase of the Company's interest in its subsidiary from 48.22% to 100%, the amortization of the period recorded in the result in the caption "Amortization of surplus value" refers to the amount of (R $ 4,037) and the adjustment for the increase in participation recorded in shareholders' equity under the item "Gain / loss on the increase in participation in subsidiary", according to ICPC 09 , since it is a transaction between shareholders, it refers to the amount of R $ 278,158.

(c) The gain / loss with changes in ownership % in subsidiary in the six month period ended on June 30, 2020 is due to the increase in interest (48.22% to 100%) and, in the year ended December 31, 2019 is due to the dilution (70% to 48.22 %) of the Company's interest in its subsidiary, this amount is recorded in the Company's shareholders' equity, in accordance with ICPC 09, as it is a transaction between the Company's shareholders. (Note 16)

At the time of the acquisition of Alphaville Urbanismo S.A., goodwill was generated, which was based on the expectation of future profitability and the capital gains of assets, recognized in the parent company under the investments and consolidated allocated according to the nature of the assets acquired.

Goodwill is measured as the excess of the sum of the consideration transferred, the value of the non-controlling interests in the acquired and the fair value of the interest of the acquirer previously held in the acquired on the net values on the date of acquisition of the acquired assets and identifiable assumed liabilities. As shown in the table below:

	12/312019				06/2020		
Surplus	**Cost**	**Accumulated amortization**	**Price adjustment**	**Net balance**	**Cost**	**Accumulated amortization**	**Net balance**
Lots (**)	326.946	(204.400)	-	122.546	326.946	(212.771)	114.175
Investments in ownership interest – Note 7	3.016	-	-	3.016	3.016	-	3.016
Trademark - Note 9	420.000	-	-	420.000	420.000	-	420.000
Backlog - Note 9 - (*)	350.000	(350.000)	-	-	350.000	(350.000)	-
Advance from customers - Note 12 (*)	150.092	(150.092)	-	-	150.092	(150.092)	-
Fair value on non-controlling interests (***)	(391.322)	108.830	-	(282.492)	(391.322)	391.322	-
Goodwill	79.159	-	-	79.159	79.159	-	79.159
Consideration paid on acquisition	**937.891**	**(595.662)**	**-**	**342.229**	**937.891**	**(321.541)**	**616.350**

	12/312018				06/2019		
Surplus	**Cost**	**Accumulated amortization**	**Price adjustment**	**Net balance**	**Cost**	**Accumulated amortization**	**Net balance**
Lots (**)	326,946	(168,514)	-	158,432	326,946	(179,367)	147,579
Investments in ownership interest – Note 7	3,016	-	-	3,016	3,016	-	3.016
Trademark - Note 9	420,000	-	-	420,000	420,000	-	420,000
Backlog - Note 9 - (*)	350,000	(349,300)	-	700	350,000	(349.300)	700
Advance from customers - Note 12 (*)	150,092	(150,092)	-	-	150,092	(150,092)	-
Fair Value on non-controlling interests (***)	(391,322)	193,077	-	(198,245)	(391,322)	259,602	(131,720)
Goodwill	79,159	-	-	79,159	79,159	-	79.159
Consideration paid on acquisition	**937,891**	**(478,929)**	**-**	**463,062**	**937,891**	**(419,157)**	**518,734**

The table above is used to facilitate the understanding of the Business Combination operation, which took place at the Company during 2013, and the verification of the financial statement values.

(*) Amortization recorded in the item "Consideration paid on acquisition" in the consolidated income statement.

(**) Amortization recorded under "Operating costs - Development and sale of lots" in the consolidated income statement.

(***) Amortization recorded under "Net profit / loss attributable to non-controlling shareholders" in the consolidated income statement.

The realization of goodwill on the investment was recorded based on the issue of the study to determine the realization of goodwill, prepared by an independent appraiser.

The valuation of the recoverable amount was made in accordance with accounting practices. As of June 30, 2020, and December 31, 2019, the Company did not identify future realization losses.

9 Property and equipment

In the six months ended June 30, 2020 and in the year ended December 31, 2019, the changes in property and equipment items are summarized below:

a. Property and equipment

	Consolidated		
Description	**12/31/2019**	**Additions**	**06/30/2020**
Cost			
Hardware	8,321	-	8,321
Vehicles	41	-	41
Leasehold improvements and installations	12,327	36	12,363
Furniture and fixtures	2,322	-	2,322
Machinery and equipment	503	-	503
Right-of-use assets	31,155	-	31,155
Sales stands	502	-	502
	55,171	**36**	**55,207**
Accumulated depreciation			
Hardware	(8,086)	(195)	(8,281)
Vehicles	(41)	-	(41)
Leasehold improvements and installations	(9,096)	(308)	(9,404)
Furniture and fixtures	(2,234)	(38)	(2,272)
Machinery and equipment	(293)	(25)	(318)
Right-of-use assets	(4,732)	(2,366)	(7,098)
Sales stands	-	(126)	(126)
	(24,482)	**(3,058)**	**(27,540)**
Total property and equipment	**30,689**	**(3,022)**	**27,667**

		Consolidated			
Description	**12/31/2018**	**Initial application CPC 06 (R2)**	**Additions**	**Write-offs**	**12/31/2019**
Cost					
Hardware	**8,513**	-	52	(244)	**8,321**
Vehicles	**41**	-	-	-	**41**
Leasehold improvements and installations	**12,067**	-	260	-	**12,327**
Furniture and fixtures	**2,322**	-	-	-	**2,322**
Machinery and equipment	**503**	-	-	-	**503**
Right-of-use assets	**-**	31,155	-	-	**31,155**
Sales stands	**-**	-	502	-	**502**
	23,446	**31,155**	**814**	**(244)**	**55,171**
Accumulated depreciation					
Hardware	**(7,139)**	-	(1,177)	230	**(8,086)**
Vehicles	**(41)**	-	-	-	**(41)**
Leasehold improvements and installations	**(8,120)**	-	(976)	-	**(9,096)**
Furniture and fixtures	**(2,110)**	-	(124)	-	**(2,234)**
Machinery and equipment	**(243)**	-	(50)	-	**(293)**
Right-of-use assets	**-**	-	(4,7320	-	**(4,732)**
	(17,653)	**-**	**(7,059)**	**230**	**(24,482)**
Total property and equipment	**5,793**	**31,155**	**(6,254)**	**(14)**	**30,689**

The following useful lives and percentage rates are used in depreciation calculation

	Useful life	Annual average depreciation rate - %
Hardware	5 years	20
Vehicles	5 years	20
Leasehold improvements and installations	4 years	25
Furniture and fixtures	10 years	10
Machinery and equipment	10 years	10
Right of use of asset	10 years	10

10 Intangible assets

	Consolidated	
	06/30/2020	**12/31/2019**
Software (a)	10,343	14,922
Surplus (b)	499,159	499,159
Total	**509,502**	514,081

a. Software

In the six month ended June 30, 2020 and the year ended December 31, 2019, the changes in intangible asset items are summarized below:

	Consolidated			
Description	**12/31/2019**	**Additions**	**Amortization**	**6/30/2020**
Cost				
Software - Cost	**56,977**	**166**	**-**	**57,143**
Software – Depreciation (a)	**(42,055)**	**-**	**(4,744)**	**(46,799)**
	14,922	**166**	**(4,744)**	**10,343**

	Consolidated			
Description	**12/31/2018**	**Additions**	**Amortization**	**12/31/2019**
Cost				
Software - Cost	**56,185**	792	-	**56,977**
Software – Depreciation (a)	**(32,353)**	**792**	**(9,702)**	**(42,055)**
	23,832	**792**	**(9,702)**	**14,922**

(a) The Software amortization rate is 20% p.a.

b. Intangible goodwill allocation

The fair value allocation of assets acquired, and liabilities assumed was prepared based on the valuation, prepared by independent appraiser, related to the acquisition of Alphaville Urbanismo S. A. The remaining unallocated portion refers to the goodwill for expected future economic benefits.

The Backlog is considered to be an intangible assets because it is the result of future sales already contracted. The result of these sales will be recognized in profit or loss as construction progresses, adopting the percentage-of-completion (POC) method.

Intangible assets comprise the following:

	31/12/2018	Amortization	31/12/2019	Amortization	30/06/2020
Trademark	420,000	-	420,000	-	420,000
Backlog	700	(700)	-	-	-
Goodwill	79,159	-	79,159	-	79,159
	499,859	**(700)**	**499,159**	**-**	**499,159**

The Company engaged a third party appraiser to assist in the valuation of its subsidiary which was used in performance of the impairment test, and concluded that there was no impact that could justify the recording of any change related to impairment:

For the purpose of impairment testing, goodwill and trademark were allocated to the Group's CGUs (operating divisions) as follows:

	06/30/2020	12/31/2019
Alphaville Urbanismo S.A.	499,159	499,159

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future sales of lots and have been based on historical data from both external and internal sources.

	06/30/2020	12/31/2019
Discount rate	15.4%	14.7%
Terminal value growth rate	3.5%	3.5%

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 47% at a market interest rate of 9.7%.

The cash flow projections included specific estimates for twenty years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual Net Cash Flow growth rate, consistent with the assumptions that a market participant would make.

Budgeted Net Cash Flow was estimated taking into account experience, adjusted in order to reflect the resumption in launches back the Group.

The estimated recoverable amount of the CGU exceeded it is carrying amount by R$1,055 as of June 30, 2020 (R$1.554as of December 31, 2019).

11 Loans and financing

			Consolidated	
Type	**Maturity**	**Annual interest rate**	**6/2020**	**12/2019**
Certificate of Bank Credit (a)	Aug/20 to May/23	Fixed 16.21% / CDI +2.35% to CDI + 10.84%	138,582	142,315
Loan (b)	-	-	5,779	8,632
			144,361	**150,947**
Current portion			**68,580**	**57,465**
Non-current portion			**75,781**	**93,482**

(a) It corresponds to credit lines of financial institutions to obtain funds required for developing ventures.

(b) In 2018, the Group raised, through a loan agreement, the amount of R $ 11,069 with guarantee from the Investee for the execution of works.

Certificate of Bank Credit

On August 4, 2015, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$50,000 maturing in 60 months, guaranteed by the fiduciary assignment of select real estate receivables, and with the purpose of providing funds to build real estate ventures.

On November 12, 2015, the Group obtained funding through two Certificates of Bank Credit (CCB), the first (Series 1) amounting to R$150,000 and the second (Series 2) amounting to R$100,000; both of which maturing in 48 months and guaranteed by the fiduciary assignment of real estate receivables.

On June 20, 2018, the Company extended the payment term of the outstanding CCB Series 1, with the due date on February 20, 2020, to additional 27 months, and in Series 2, with the due date on February 20, 2020, to additional 23 months

On December 8, 2017, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$10,000 maturing in 48 months being guaranteed by the fiduciary assignment of select real estate receivables. On June 30, 2020, the Company obtained approval for a three-month grace period for paying principal, and a three-month extension to pay the balance outstanding.

On May 14, 2018, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$24,712 maturing in 50 months being guaranteed by the fiduciary assignment of select real estate receivables. On April 6, 2020, the Company obtained approval for paying 50% of principal of 01 in the first month, and grace period of two subsequent months for paying the principal of the Certificate of Bank Credit (CCB).

On June 4, 2018, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$7,000 maturing in 47 months being guaranteed by the fiduciary assignment of select real estate receivables. On June 30, 2020, the Company obtained approval for a three-month grace period for paying principal, and a four-month extension to pay the balance outstanding.

On September 12, 2018, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$20,000 maturing in 36 months being guaranteed by the fiduciary assignment of select real estate receivables. On May 12, 2020, the Company obtained approval for paying 50% of the principal expected for four months, the balance outstanding being distributed over the transaction's flow.

On October 30, 2018, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$10,000 maturing in 49 months being guaranteed by the fiduciary assignment of select real estate receivables. On June 30, 2020, the Company obtained approval for a three-month grace period for paying principal, and a four-month extension to pay the balance outstanding.

On November 29, 2019, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$30,000 maturing in 42 months being guaranteed by the fiduciary assignment of select real estate receivables. On May 27, 2020, the Company obtained approval for paying 50% of the principal expected for four months, the balance outstanding being distributed over the transaction's flow.

On February 5, 2020, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$10,000 maturing in nine months without pledging a guarantee.

On June 17, 2020, the Group obtained funding through a Certificate of Bank Credit (CCB) in the amount of R$6,072 maturing in 12 months without pledging a guarantee.

The Group is subject to ratios and default limits (covenants), mostly comprising limits to total indebtedness. The Group is compliant with its obligations.

The current and non-current portions fall due as follows:

	Consolidated	
	06/31/2020	**12/31/2019**
2020	38,295	57,465
2021	53,094	44,455
2022	29,789	28,385
2023 onwards	23,183	20,642
Total	**144,361**	**150,947**

The finance costs of loans are capitalized at the cost of venture in progress and land with prospects for launch, according to the use of funds, and recognized in profit or loss according to the revenue recognition criteria, as shown below. The capitalization rate used in the determination of costs of loans eligible to capitalization was 5.85% as at June 30, 2020 (9.86% as at June 30, 2019).

	Consolidated	
	6/2020	**6/2019**
Finance costs	31,626	184,130
Capitalized financial charges	(733)	(3,064)
Net financial charges (Note 22)	30,839	181,066
Financial charges included in the line item of lots for sale		
Opening balance	21,396	24,210
Capitalized financial charges	733	3,064
Charges recognized in profit or loss	(2,570)	(1,983)
Closing balance (Note 6)	**19,559**	**25,291**

12 Debentures

Parent company					
Placement	**Principal – R$**	**Annual interest**	**Final maturity**	**6/30/2020**	**12/31/2019**
First placement - first series	59,126	CDI+3.00%	December 2023	62,605	61,697
First placement - second series	60,874	CDI+3.00%	December 2023	62,231	61,329
				124,236	**123,026**
Current portion				**4,836**	**3,026**
Non-current portion				**120,000**	**120,000**

Consolidated					
Placement	**Principal – R$**	**Annual remuneration**	**Final maturity**	**6/30/2020**	**12/31/2019**
First placement – investor's first series	59,126	CDI+3.00%	December 2023	62,605	61,697
First placement- investor's second series	60,874	CDI+3.00%	December 2023	62,231	61,329
First placement	627,000	CDI+3.05%	December 2025	628,900	629,770
Fourth placement	51,400	CDI+3.90%	December 2024	51,595	53,552
Seventh placement	35,150	CDI+5.85%	March 2022	35,383	40,248
				840,714	**846,596**
Current portion				**19,741**	**18,455**
Non-current portion				**820,973**	**828,141**

The current and non-current portions have the following maturities:

	Consolidated	
Maturity	**06/30/2020**	**12/31/2019**
2020	13,337	18,455
2021	44,691	44,838
2022	97,875-	77,009
2023 onwards	684,810	706,294
	840,714	**846,596**

Parent Company

On January 4, 2019, the Company obtained approval for the first placement of simple nonconvertible debentures, with no secured guarantee, totaling R$ 120,000 (one hundred and twenty million) maturing on December 30, 2023, comprising two series, of which the first one amounts to R$ 59,126 and the second one amounts to R$ 60,874. The net proceeds from the first series placement will be used for acquiring the debentures related to AUSA's second and third placements, whereas those from the second series placement will be used for acquiring the debentures related to AUSA's sixth placement.

On July 4, 2019, the Company obtained approval for the placement of the second subordinated debentures, non-convertible, with no secured guarantee, with the maximum amount of R$ 110,000 (one hundred and ten million) maturing in five years. The net proceeds from the second series placement, in the amount of R$ 50,203, were partially used to accelerate amortization of R$ 15,000 and partially used to acquire AUSA's debentures of the sixth placement amounting to R$ 35,000. The early settlement of debenture was carried out in exchange for the payment of the debentures related to AUSA's second and third placement.

Consolidated

On September 9, 2013, the Group obtained approval for the public distribution with restricted efforts of its First Placement of non-convertible simple debentures in sole series, which have secured guarantee, maturing in eight years totaling a maximum of R$800,000, guaranteed by the fiduciary assignment of select lots receivables arising from the Group. The were made on December 9, 2013 in the amount of R$500,000, on July 17, 2014 in the amount of R$150,000, and on March 19, 2015 in the amount of R$150,000. The indenture has clauses that restrict the Group's ability of taking some actions and may require acceleration in case of non-compliance with these clauses. The Company is in compliance with its obligations. On June 19, 2019, the Group extended the period for payment of the balance outstanding of R$660,000, expected to be due on December 11, 2023, for two additional years, without offering guarantee.

On May 9, 2016, the Group obtained approval for the private distribution of its Second Placement of debentures convertible into common shares, in sole series, with no secured guarantee, maturing in four years totaling a maximum of R$350,000. On May 10, 2016, the amount of R$250,000 was paid-in, and on August 16, 2016, R$106,393 was paid-in, amount adjusted for inflation as described in the indenture. On September 5, 2018, the expected interests were accrued in the principal. The indenture does not impose financial ratio restrictions on the Company (Covenants). On December 27, 2019, the shareholders at the Extraordinary Shareholders' Meeting approved the conversion of the totality of Debentures outstanding, comprising 350,000 Debentures, into the Issuer's registered common shares with no par value.

On February 10, 2017, the Group obtained approval for the private distribution of its Third Placement of debentures convertible into common shares, in sole series, with no secured guarantee, maturing in four years totaling a maximum of R$450,000. The payments were on February 21, 2017 in the amount of R$66,000, on March 24, 2017 in the amount of R$40,000, on April 25, 2017 in the amount of R$57,694, on May 17, 2017 in the amount of R$63,658, on June 5, 2017 in the amount of R$53,836, on June 29, 2017 in the amount of R$168,810, on July 31, 2018 in the amount of R$37,128, on September 14, 2018 in the amount of R$37,128, on October 30, 2018 in the amount of R$20,000, on September 14, 2018 in the amount of R$11,998, on December 7, 2018 in the amount of R$11,998, on January 4, 2019 in the amount of R$23,498, on January 31, 2019 in the amount of R$9,249, on February 8, 2019 in the amount of R$47,305, and on February 13, 2019 in the amount of R$618, which amounts were adjusted for inflation as described in the indenture. On September 5, 2018, the expected interests were accrued in the principal. The indenture does not impose financial ratio restrictions on the Company (Covenants). On December 27, 2019, the shareholders at the Extraordinary Shareholders' Meeting approved the conversion of the 524,571 Debentures of the Third Placement into 30,661,340 registered common shares of the Company, with no par value. In the minutes of the Third Placement Debenture Holders' Meeting, held on December 31, 2019, the debenture holders approved the conversion of 75,429 Debentures into the Issuer's registered common shares, with no par value.

On December 27, 2019, the shareholders at the Extraordinary Shareholders' Meeting approved the conversion of the 524,571 Debentures of the Third Placement into 30,661,340 registered common shares of the Company, with no par value. In the minutes of the Third Placement Debenture Holders' Meeting, held on December 31, 2019, the debenture holders approved the conversion of 75,429 Debentures into the Issuer's registered common shares, with no par value.

On January 1, 2018, the Group obtained approval for the private distribution of its Fourth Placement of nonconvertible debentures, in two series (2nd series not subscribed), with secured guarantee, maturing in seven years totaling a maximum of R$58,200, guaranteed by the fiduciary assignment of select lots receivables arising from the Group. The indenture does not impose financial ratio restrictions on the Company (Covenants). The proceeds from the issue will be used to develop select lots ventures and their guarantees.

The deed of issue does not establish restrictive financial indices for the Company ("Covenants"). On December 29, 2019, the capital increase was approved at the Extraordinary General Meeting through the issuance of new common shares, through the capitalization of the 111,078 simple debentures issued by the Group.

On July 4, 2019, the Group obtained approval for the private distribution of its Sixth Placement of non-convertible, subordinated debentures, in sole series, with no secured guarantee, maturing in five years totaling a maximum of R$110,000. The payments were made on September 6, 2019 in the amount of R$35,587, on October 15, 2019 in the amount of R$14,616, and on November 25, 2019 in the amount of R$60,875, which amounts were adjusted for inflation as described in the deed.

On August 2, 2019, the Group obtained approval for the private distribution of its Seventh Placement of simple, nonconvertible debentures, in sole series, with secured guarantee, maturing in seven years totaling a maximum of R$44,000, guaranteed by the fiduciary assignment of select lots receivables arising from the Group. The indenture does not impose financial ratio restrictions on the Company (Covenants). The proceeds from the issue will be used to develop select lots ventures and their guarantees.

13 Advances from customers

	Consolidated	
	06/30/2020	**12/31/2019**
Advances from customers	105,108	70,123
Total	**105,108**	**70,123**
Current	105,108	70,123

The line item advances from customers represents the portion received from customers in an amount above the percentage of completion of the construction work (see Note 23).

13.1 Amounts to be transferred to venture partners

It refers to the portion of amounts received by the company from the sales of lots and to be transferred to land partners through real estate partnership contracts.

	Consolidated	
	06/30/2020	**12/31/2019**
Amount to be transferred to venture partners	27,102	39,257
Total	**27,102**	**39,257**
Current	**27,102**	**39,257**

14 Provision for legal claims

a. Provision for legal claims

The Group and its subsidiaries are parties to lawsuits and administrative proceedings at several courts and government agencies that arise from the ordinary course of business, involving tax, labor, civil and other matters. Management, based on information provided by its legal counsel and analysis of pending claims and, with respect to the labor claims, based on past experience regarding the amounts claimed, recognized a provision in an amount considered sufficient to cover estimated losses on lawsuits in progress The Group does not expect any reimbursement in connection with these claims.

In the first half ended June 30, 2020 and year ended December 31, 2019, the changes in the provision are summarized below:

	Civil lawsuits	Tax proceedings	Labor claims	Total consolidated
Balance as at December 31, 2018	**79,950**	**1**	**4,834**	**84,785**
Additional provision	135,742	2,405	7,229	145,376
Payment or realization of provision	(93,962)	-	-	(93,962)
Balance as at December 31, 2019	**121,730**	**2,406**	**12,063**	**136,199**
Current portion	**27.333**	**540**	**2.709**	**30.582**
Non-current portion	**94.397**	**1.866**	**9.354**	**105.617**
Additional provision	50,390	1,262	-	51,652
Payment or realization of provision	(44,875)	(17)	(1,215)	(46,107)
Balance as at June 30, 2020	**127,245**	**3,651**	**10,848**	**141,744**
Current portion	**24,904**	**715**	**2,123**	**27,742**
Non-current portion	**102,341**	**2,936**	**8,725**	**114,002**

(i) Civil lawsuits, tax proceedings and labor claims

The Group and its subsidiaries are parties to other labor claims, tax proceedings and civil lawsuits arising from the ordinary course of business, which, on the opinion of Management and its legal counsel, expectations of losses are classified into possible, but no provision was recognized to face unfavorable outcomes.

The amounts of these cases are as follows:

	6/30/2020	12/31/2019
Civil lawsuits	212,324	248,237
Tax proceedings	62,637	72,973
Labor claims	6,241	7,178
	281,202	**328,388**

The balance of judicial deposits of the Group, on June 30, 2020, corresponded to R $ 26,976 (R $ 25,420 in 2019) recorded under the caption of other credits in current and non-current assets (Note 5.2).

(ii) Environmental risk

There are various environmental laws at the federal, state and municipal levels. These environmental laws may result in delays for the Group in connection with adjustments for compliance and other costs and impede or restrict ventures. Before the subdivision partnership agreement, the Group assesses all necessary and applicable environmental issues, including the possible existence of hazardous or toxic materials, residual substance, trees, vegetation and the proximity of the land to permanent preservation areas. Therefore, before the launch of a subdivision, the Group obtains all governmental approvals, including environmental licenses.

In addition, the environmental legislation establishes criminal, civil and administrative sanctions to individuals and legal entities for activities considered as environmental infringements or offenses. The penalties include the stop of development activities, loss of tax benefits, confinement and fines. The cases in dispute by the Group at civil court have the likelihood of loss considered possible by the legal counsel as well as in the Group's opinion.

(iii) Payables related to the completion of subdivisions

The Group commits to complete units sold and to comply with the laws regulating the civil construction sector, including the obtainment of licenses from the proper authorities, and compliance with the terms for starting and delivering the ventures, being subject to legal and contractual penalties.

(iv) Commitments

The Group has commitments to third parties (partners), as follow:

- Partnership contracts with Landowners for real estate development. (Note 18.1 (a))
- Commitment to suppliers which are being contracted, or to any third parties in the prelaunch or business evaluation.

The Group does not have long-term obligations through its subsidiaries as at June 30, 2020 and December 31, 2019.

The Group has contract for renting the real estate where its office is located, the monthly cost amounting to R$536 annually adjusted by the change in IGPM-FGV (Note 3.1).

15 Income tax and social contribution

a. Current income tax and social contribution

	Consolidated			
	04/01/2020 to 06/30/2020	**01/01/2020 to 06/30/2020**	**04/01/2019 to 06/30/2019**	**01/01/2019 to 06/30/2019**
Loss before income tax and social contribution and profit sharing	**(113.256)**	**(201.667)**	**(235.289)**	**(423.568)**
Income tax calculated at the applicable rate - 34%	38.507	68.567	79.998	144.013
Net effect of subsidiaries taxed by presumed profit	(20.991)	(37.301)	26.211	(694)
Permanent differences	(3.103)	(2.312)	(51.254)	(55.283)
Income from equity method investments	(168)	(323)	(3.774)	(1.141)
Tax credits not recognized	(14.293)	(28.715)	(51.873)	(87.427)
	(48)	**(84)**	**(692)**	**(532)**
Current income tax and social contribution expenses	**(48)**	**(84)**	**(692)**	**(534)**

The Group did not recognize tax credits on tax losses and negative bases of social contribution from previous years due to recurring losses and has no expectation of realization soon in companies taxable by the taxable income.

b. Deferred income tax and social contribution

Deferred income tax and social contribution have the following origin:

	Consolidated	
	6/30/2020	**12/31/2019**
Assets		
Temporary differences – Deferred PIS and COFINS	2,452	2,639
Provision for legal claims	11,569	12,749
Present value adjustment (AVP)	6,313	8,097
Other provisions	16,815	15,726
	37,149	**39,211**
Liabilities		
Taxation of revenue between cash and accrual regimes	(25.408)	(28.645)
	(25.408)	**(28.645)**
Net amount between assets and liabilities	**11.741**	**10.566**
Deferred tax assets		
Tax loss and income tax and social contribution loss carryforwards	**785,041**	**757,500**
Tax credits not recognized	**(796,782)**	**(768,066)**
	(11,741)	**(10,566)**

16 Suppliers and other payables

	Parent company		Consolidated	
	6/2020	**2019**	**6/2020**	**2019**
Deferred collection (a)	-	-	54,486	54,103
Cancelled contracts payable	-	-	53,043	33,478
Lease, net (Note 3.1)	-	-	23,027	25,716
IPTU payable	-	-	12,556	18,565
Provision for indenture expenditures (b)	-	-	12,495	11,342
Suppliers	42	3	99,993	95,683
Obligations to shareholders (c)	52,410	-	52,410	-
Other payables	-	-	9,322	31,911
Closing balance	**52,452**	**3**	**317,322**	**270,798**
Current	**52,452**	**3**	**245,638**	**180,126**
Non-current	**-**	**-**	**71,694**	**90,672**

(a) Income tax, social contribution, PIS and COFINS for deferred payments are recorded to reflect tax effects deriving from tax basis temporary differences, which determine the time of payment, as property sales are received (SRF Regulatory Instruction no. 84/79), and effective recognition of real estate earnings, in conformity with CFC Resolution no. 1,266/09 and CVM Decision no. 561/08, as amended by CVM Resolution no. 624/10 (OCPC 01(R1)).

(b) In certain sales to customers, the Company has undertaken to cover the deed costs.

(c) Refers to share subscription bonuses resulting from the subscribed and paid-in capital increase, as approved in the Extraordinary Shareholders' Meeting held on June 30, 2020, the exercise of which is subject to the satisfactory conclusion of a public offering of the Company's shares, with a term to occur of up to five years from the date of issue of the bonus o June 30. (Note 16(i))

17 Equity

a. Capital

As at June 30, 2020, the subscribed and paid-in capital amounts to R$ 1,300,633 (R$ 1,259,893 as at December 31, 2019) and is represented by 2,618,119,346 registered common shares, with no par value (1,265,000,000 as at December 31, 2019).

On June 30, 2020, at the Extraordinary Shareholders' Meeting, shareholders approved the capital increase in the amount of R$ 712,657 by issuing 1,353,119,346 new common shares with no par value, comprising the following:

(1) First capital increase by issuing 1,244,181,702 (one billion two hundred forty four million one hundred eighty eight thousand seven hundred and two) new registered common shares, with no par value, at the price of R$ 0.5267 per share, totaling R$ 655,282, of which R$ 32,764 were allocated to capital and R$ 622,518 were allocated to capital reserve.

This increase was subscribed and paid-in by Pátria Funds, through contribution of 99,666,980 (ninety-nine million six hundred sixty-six thousand nine hundred and eighty) registered common shares, with no par value, issued by AUSA.

(2) Second capital increase by issuing 108,937,644 (one hundred and eight million nine hundred thirty seven thousand six hundred forty four) new registered common shares, with no par value, at the price of R$ 0.5267 per share, totaling R$ 57,375, of which R$ 2,869 were allocated to capital and R$ 54,506 were allocated to capital reserve.

This increase was subscribed and paid-in by Pátria Funds, through contribution of 8,726,608 (eight million seven hundred twenty-six thousand six hundred and eight) registered common shares, with no par value, issued by AUSA.

The Company repurchased shares the totality of its 5,107,066 (five million one hundred and seven thousand and sixty-six) unpaid shares. Such shares, after acquired, will be paid-in by the Company by using its capital reserve, without capital reduction, and will hold them in treasury.

The Company's Board of Directors is authorized to take resolution on the issue of common shares, up to the authorized capital limit, not requiring amendment to bylaws.

(i) Allocation of profits

Legal reserve

The legal reserve is annually recognized when profit is generated, to with 5% should be allocated, not exceeding 20% of capital.

Capital reserve

The constitution of a capital reserve in the statements of changes in equity, refers to the gain and loss in the variation in the interest in its subsidiary, in addition to the capital contributions allocated to this item.

Subscription Bonuses (warrants)

On June 30, 2020, the Company issued a subscription bonus to the shareholder Brazilian Private Equity IV – FIP and another to the shareholder Pátria Real Estate II Multiestratégia – FIP, with an aggregate fair value of R$ 52,410, conditioned to the satisfactory completion of an Initial Public Offering (IPO) of the Company on B3 – Brasil, Bolsa, Balcão S.A., to be verified by the publication of the announcement about distribution commencement, under the terms of the CVM Instruction 400, of December 29, 2003, within a five year period.

Once the IPO condition is fulfilled, each subscription bonus can be exercised at a total strike price of R$ 1,00 and will be settled in shares of the Company.

The number of shares to be issued when exercising these subscription bonuses is variable and is based on an aggregate reference value of R$ 140,000 and the value of the shares in the IPO.

The subscription bonus is measured at fair value, using the Monte Carlo method, considering a probability and subscription value using the following main inputs: (i) the Company's fair value, measured by a third party certified company, (ii) the volatility of the market value of public companies in the real estate sector and (iii) the probability of completion of the IPO within the specified timeframe.

Gain / loss in percentage change in subsidiary

During the first six months of 2020 and fiscal year 2019, the Company obtained gains and losses related to the increase of its participation in subsidiary from 48.22% to 100% (in 2020) in the amount of R $ 526,611 and dilution of participation of 70 % to 48.22% (in 2019) in the amount of R$ 966,655. Such amounts are recorded in the Company's shareholders' equity, in accordance with ICPC 09, as it is a transaction between the Company's shareholders.

	6/2020	**12/2019**
Gain/Loss on change in ownership %	(804,769)	966,657
Purchase of shares	-	33,500
Amortization Surplus	278,158	(95,224)
Interest forgiveness by shareholders	-	4,725
	(526,611)	**909,657**

Profit reserve

The profit reserve is annually recognized with the allocation of 95% of net income for the year, and in the first half ended June 30, 2020 and year ended December 31, 2019, the Company recognized loss, so this reserve was not recognized.

Shares in treasury

Repurchase of shares by the Company on June 30, 2020 for holding them in treasury, totaling 5,107,066 (five million one hundred and seven thousand and sixty-six) unpaid shares in Alphaville S.A. held by Pátria Funds, reclassified from the group.

Dividends
In view of the loss for the years, there is no proposal for dividends as at December 31, 2019 for the parent company

Earnings per share
The basic and diluted earnings per share is calculated by dividing the loss attributable to the owners of the parent by the weighted average number of shares in issuance during the period.

On August 10, 2020, as disclosed in note 26 of subsequent events, the minutes of the Extraordinary Shareholders' Meeting, approved the reverse split of shares, in the proportion of 38 (thirty-eight) shares to 1 (one), with the share capital to be represented by 68,897,877 shares, retrospectively adjusting the calculation of the basic and diluted loss per thousand outstanding shares based on CPC 41 / IAS 33.

	6/30/2020	**6/30/2019**
Loss attributable to the owners of the Parent	(103,809)	(295,078)
Weighted average number of shares	68,763	68,763
Basic and diluted loss per thousand shares – in reais	(1,51)	(4,29)

The Group has potential shares in the form of the subscription bonus issued. No adjustment was required to the diluted earnings per share as it would be anti-dilutive.

18 Financial instruments and risk management

The Company and its subsidiaries do not make speculative investments in derivatives or in any other risky assets. The Company's and its subsidiaries operations are subject to the risk factors described below:

Risk considerations

a. *Credit risk*

The Company and its subsidiaries limit their exposure to credit risks associated with cash and cash equivalents, making investments only in short-term securities of top tier financial institutions.

With regards to trade account receivable, the Company limits its exposure to credit risks through sales to a broad base of customers and ongoing credit analysis.

Additionally, there is no relevant history of losses due to the existence of secured guarantee for the recovery of its products in the cases of default during the construction period.

As at June 30, 2020 and December 31, 2019, there was no significant credit risk concentration associated with customers. Despite this fact, the Company records an allowance for credit risks and cancelled contracts, see Note 2.3.1 (b) and (c).

b. *Interest rate risk*

Interest rate risk arises from the possibility that the Company and its subsidiaries may experience gains or losses because of fluctuations in the interest rates of its financial assets and liabilities.

Aiming to mitigate this type of risk, the Company and its subsidiaries seek to diversify funding in terms of fixed and floating rates. The interest rates on loans are disclosed in Note 10. The interest rates contracted on financial investments are disclosed in Note 4.

c. *Liquidity risk*

Liquidity risk refers to the possibility that the group and its subsidiaries do not have appropriated funds to meet their commitments in view of the settlement terms of their rights and obligations, as mentioned in Note 1.

To mitigate liquidity risk and optimize the weighted average cost of capital, the Company monitors on an on-going basis the indebtedness level according to the market standards and the fulfillment of covenants provided for in loan contracts in order to guarantee that the operating-cash generation and the advance funding, when necessary, are appropriate to meet the schedule of commitments.

Consolidated

As at June 30, 2020	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
Financial investments (Note 4.2)	46,966	-	-	-	46,966
Trade accounts receivable (Note 5.1)	482,021	446,658	88,104	240,849	1,257,632
Loans and financing (Note 10)	(68,580)	(75,781)	-	-	(144,361)
Debentures (Note 11)	(19,741)	(309,188)	(212,385)	(299,400)	(840,714)
Suppliers (Note 15)	(99,993)	-	-	-	(99,983)
Net effect	**340,673**	**61,689**	**(124,281)**	**(58,551)**	**219,530**

As at December 31, 2019	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
Financial investments (Note 4.2)	37,024	-	-	-	37,024
Trade accounts receivable (Note 5.1)	527,781	461,835	241,087	134,886	1,366,289
Loans and financing (Note 10)	(57,465)	(93,482)	-	-	(150,947)
Debentures (Note 11)	(18,455)	(352,435)	(464,213)	(11,493)	(846,596)
Suppliers (note 15)	(95,683)	-	-	-	(95,683)
Net effect	**393,202**	**15,918**	**(222,406)**	**123,373**	**310,087**

d. *Fair value classification*

The Company uses the following classification to determine and disclose the fair value of financial instruments through the valuation technique:

- Level 1: quoted prices (without adjustments) in active markets for identical assets or liabilities;

- Level 2: input different from the quoted prices in active markets included in Level 1, which are observable, directly (as prices) or indirectly (prices derivate); and

- Level 3: inputs to asset or liability not based on observable market variables (non-observable inputs).

The fair value classification of financial instrument assets measured at fair value through profit or loss of the Company presented in the financial statements for the first half ended June 30, 2020 and as at December 31, 2019 is as follows.

	Consolidated		
As at June 30, 2020			
Financial assets	**Level 1**	**Level 2**	**Level 3**
Financial investments (Note 4.2)	-	46,966	-
Subscription bonuses (Note 15c and 16(i))	-	-	52,410

	Consolidated		
As at December 31, 2019			
Financial assets	**Level 1**	**Level 2**	**Level 3**
Financial investments (Note 4.2)	-	37,024	-

In the first six months of June 30, 2020 and year ended December 31, 2019, there were no transfers between the levels 1 and 2 fair value classification, nor were transfers between levels 3 and 2 fair value classification.

Fair value of financial instruments

Fair value measurement

The following estimated fair values were determined using available market information and proper measurement methodologies. However, a considerable amount of judgment is necessary to interpret market information and estimate fair value. Accordingly, the estimates presented in this document are not necessarily indicative of amounts that the Company could realize in the current market. The use of different market assumptions and/or estimation methodology may have a significant effect on estimated fair values.

The following methods and assumptions were used in order to estimate the fair value for each financial instrument type for which the estimate of values is practicable:

(i) The amounts of cash and cash equivalents, financial investments, trade accounts receivable and other receivables and other current liabilities approximate to their fair values recorded in the financial statements.

(ii) The fair value of bank loans and other financial debts is estimated through future cash flows discounted using rates that are annually available for similar and outstanding debts or terms.

(iii) The subscription bonus is measured at fair value, using the Monte Carlo method, considering a probability and subscription value using the following main variables: (i) the Company's fair value, measured by a third party certified company, (ii) the volatility of the market value of public companies in the real estate sector and (iii) the probability of completion of the IPO, which is considered level 3 in the fair value accounting hierarchy.

The carrying amounts and fair values of the significant financial assets and liabilities as at June 30, 2020 and December 31, 2019 are as follows:

	Consolidated					
	06/30/2020		12/31/2019			
	Carrying amount	Fair value	Carrying amount	Fair value	Measurement Type	Measurement Type
Financial assets						
Cash and cash equivalents (Note 4.1)	28,168	28,168	23,087	23,087	FVTPL	FVTPL
Financial investments (Note 4.2)	46,966	46,966	37,024	37,024	FVTPL	FVTPL
Subordinated mortgage-backed securities (Note 5.2.b.)	24,032	-	4,222	-	Amortized cost	Amortized cost
Trade accounts receivable (Note 5.1)	653,52	653,152	780,668	780,668	Amortized cost	Amortized cost
Financial liabilities						
Loans and financing (Note 9)	144,361	146,839	150,947	149,691	Amortized cost	Amortized cost
Debentures (Note 11)	840,714	895,078	846,597	917,500	Amortized cost	Amortized cost
Suppliers (Note 15)	99,993	99,993	95,683	95,683	Amortized cost	Amortized cost
Subscription bonuses (Note 15c and 16(i))	52,510	52,510	-	-	FVTPL	FVTPL

(i) Risk of debt acceleration

As at June 30, 2020 and December 31, 2019, the Company has loans and financing, with restrictive covenants related to cash generation, indebtedness ratios and other (note 10 and 11).

(ii) Market risk

The Company carries out the construction and sales of subdivisions. In addition to the risks that affect the real estate market as a whole, such as supply disruptions and volatility in the prices of construction materials and equipment, changes in the supply and demand for ventures in certain regions, strikes and environmental rules and zoning, the Company's operations are particularly affected by the following risks.

The state of the economy of Brazil, which may inhibit the development of the real estate industry, through the slowdown in economy, increase in interest rates, currency fluctuation and political instability, besides other factors.

The level of interest of buyers in a new venture launched or the sale price per unit necessary to sell all units may be below expectations, making the venture less profitable than expected.

In the event of bankruptcy or significant financial difficulties of a large company of the real estate industry, the industry may be adversely affected, which could decrease the customer confidence in other companies operating in the industry.

Local and regional real estate market conditions, such as oversupply, land shortage in certain regions, or significant increase in land acquisition cost.

Risk of buyers having a negative perception of the security, convenience and appeal of the Company's properties, as well as about their location.

The Company's profit margins may be affected by the increase in operating costs, including investments, insurance premium, real estate taxes and government rates.

The opportunities for subdivisions may decrease.

The building and sale of real estate units may not be completed as scheduled, thus increasing the construction costs or cancellation of sale contracts.

Delinquency after the delivery of units acquired on credit. The Company has the right to file a collection action to receive the amounts due and/or repossess the real estate unit from the delinquent buyer, not being possible to guarantee that it will be able to recover the total amount of the debt balance or, once the real estate unit is repossessed, its sale on satisfactory conditions.

Drop in the market value of land held in inventory, before the subdivision of the venture to which it was intended, and the incapacity to maintain the margins that were previously projected for the respective subdivisions.

(iii) *Capital management*

The objective of the Company's capital management is to guarantee that a strong credit rating and an optimum capital ratio is maintained in order to support the Company's business and maximize value to shareholders. see supplementary analysis mentioned in note 2 (Basis for preparation and preparation of individual and consolidated quarterly interim financial information).

The Company considers its capital structure to be composed of: (i) loans and financing and debentures less cash and cash equivalents and financial investments; and (ii) equity:

	Parent company		**Consolidated**	
	06/30/2020	**12/31/2019**	**06/30/2020**	**12/31/2019**
Loans and financing (Note 10)	-	-	144,361	150,947
Debentures (Note 11)	124,236	123,026	840,114	846,597
(-) Cash and cash equivalents and financial investments (Notes 4.1 and 4.2)	(1,448)	(1,620)	(75,134)	(60,111)
Net debt of cash	**122,788**	**121,406**	**909,341**	**937,433**
Equity	**232,485**	**232,808**	**240,800**	**537,687**

(iv) *Sensitivity analysis*

The following chart shows the sensitivity analysis of financial instruments for the period of one year.

As of June 30, 2020, and December 31, 2019, the Company has the following financial instruments:

(a) Financial investments, loans and financing linked to Interbank Deposit Certificates (CD) and IGP-M (debentures);

(b) Trade accounts receivable linked to IGP-M and IPCA;

For the sensitivity analysis of the period ended June 30, 2020, the Group considered the interest rate on investments, loans and accounts receivable, CDI at 3.95% and IGP-M at 6.82%, for one year respectively (CDI at 4,59% and IGP-M at 7,32% in December, 30, 2019).

The scenarios considered were as follows:

- Scenario I: 50% increase in the risk variables used for pricing
- Scenario II: 25% increase in the risk variables used for pricing;
- Scenario III: 25% decrease in the risk variables used for pricing;
- Scenario IV: 50% decrease in the risk variables used for pricing.

As of June 30, 2020

		Scenarios				
Instrument	**Risk**	**Scenario probable**	**I Increase 50%**	**II Increase 25%**	**II Decrease 25%**	**IV Decrease 50%**
Financial investments	Increase/Decrease of CDI	1,855	2,747	2,301	1,409	963
Loans and financing	Increase/Decrease of CDI	5,702	8,445	7,074	4,331	2,959
Debentures	Increase/Decrease of CDI - IGPM	33,208	49,181	41,195	25,222	17,235
Subscription bonuses	CDI-IGPM	52,510	34,313	43,452	61,673	70,762
Net effect of the CDI variation		**93,275**	**94,687**	**94,022**	**92,635**	**91,919**
Trade accounts receivable	Increase/Decrease of IGPM	85,743	125,878	105,810	65,675	45,608
Convertible debentures	Increase/Decrease of IGP-M	-	-	-	-	-
Net effect of the IGP-M variation		**85,743**	**125,878**	**105,810**	**66,675**	**45,608**

As of December 31, 2019

		Scenarios				
Instrument	**Risk**	**Scenario Probable**	**I Increase 50%**	**II Increase 25%**	**II Decrease 25%**	**IV Decrease 50%**
Financial investments	Increase/Decrease of CDI	1,699	2,512	2,106	1,293	887
Loans and financing	Increase/Decrease of CDI	6,928	10,241	8,585	5,272	3,616
Debentures	Increase/Decrease of CDI	38,860	57,435	48,146	29,570	20,282
Net effect of the CDI variation		**47,487**	**70,188**	**58,837**	**36,136**	**24,785**
Trade accounts receivable	Increase/Decrease of IGP-M	99,984	146,567	123,275	76,692	53,401
Convertible debentures	Increase/Decrease of IGP-M	-	-	-	-	-
Net effect of the IGP-M variation		**99,984**	**146,567**	**123,275**	**76,692**	**53,401**

19 Related parties

19.1 Balances with related parties

Related party transactions refer substantially to debit notes and financial contributions to SPEs and Consortia, without charging financial charges, for the development of real estate projects, the balance of which is as follows:

Consolidated		
	06/30/2020	**12/31/2019**
Assets		
Current account (a)	2,664	731
Current account – Consortia (b)	8,346	-
	11,010	731
Dividends receivable	3,211	3,211
	14,221	**3,942**
Non-current	**14,221**	**3,942**
Liabilities		
Current account - SPEs (a)	5,783	731
Current account - Consortia	8,686	-
	14,469	731
Dividends payable	1,482	1,529
	15,951	**2,260**
Current	**15,951**	**2,260**

(a) The Group participates in the development of subdivisions with other partners, directly or through related parties, based on the formation of joint venture. The management structure of these ventures and the cash management are centralized in the lead partner of the venture, which manags the construction schedule and budgets. Thus, the lead partner ensures that the investments of the necessary funds are made and allocated as planned. The sources and use of funds of the venture are reflected in these balances, observing the respective interest, which are not subject to indexation or financial charges and do not have a fixed maturity date. The average term for the development and completion of the ventures in which the funds are invested is between 24 and 36 months.

(b) Consortia is the legal structure based on which the venture is developed, and refers to transactions between the leader of the consortium and the consortium members as per item (a).

19.2 Other related parties

a. SupplierCard

The Group has a business relationship with Supplier Administradora de Cartões de Crédito S.A. ("Supplier"), a company that holds direct interest in certain equity investment funds managed by Pátria Investimentos Ltda. The business relationship of the Group with Supplier consists of the offering of a financing solution to the Group's suppliers, which may opt for advancing their receivables. The advance of receivables is performed by Supplier's partner financial institutions. As at June 30, 2020 the amount is R$20,113 (R$16,904 as at December 31, 2019).

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b. Saneamento Ceará S.A. Transaction

In the context of the development of the ventures (i) Alphaville Ceará Residenciais 1 and 2 and Empresarial; (ii) Terras Alphaville Ceará 1; (iii) Terras Alphaville Ceará 2 and 3; (iv) Loteamento Ceará Comercial 2; (v) Loteamento Ceará Comercial 3; and (vi) Loteamento Ceará Comercial 4, collectively known as "Cidade Alpha Ceará Venture", the Group created the subsidiaries ("Subdivision Companies") and Alpha Saneamento Participações S.A. ("Alpha Sanitation"). The Subdivision Companies were responsible for building the Ceará Venture, where a Sewage Treatment Plant (ETE) was built, through the Group's investment in the building of sewer networks and infrastructure and sewage treatment plant.

After (i) Alpha Sanitation created Saneamento Ceará S.A. ("Ceará Sanitation"); (ii) the local concessionaire company denied the interest in operating the ETE; (iii) the Subdivision Company transferred to Ceará Sanitation the right to exploit the basic sanitation system of the venture granted by the Government; Alpha Sanitation made a contribution to Ceará Sanitation of the infrastructure portion (internal network), and the total cost incurred to build the ETE in the total amount of R$8,975.

Accordingly, Ceará Sanitation and Opersan Resíduos Industriais S.A., a subsidiary of Pátria Investimentos, entered into a Contract for Operation & Maintenance (O&M) for establishing the assumptions of the ETE operation and maintenance. Opersan acquired 51% of the shares in Ceará Sanitation which were held by Alpha Sanitation for the amount of R$ 4,150, and Ceará Sanitation entered with the Homeowners' Association into a contract for basic sanitation system operation and started to receive a monthly fee for it. The monthly fee is equivalent to the amount the local concessionaire would charge. Future investments in the ETE expansion would be Opersan's sole responsibility, provided that the respective need is agreed. Ceará Sanitation has operated the basic sanitation system of the venture since December 12, 2019.

c. Endorsements, guarantees and sureties

The financial transactions of subsidiaries and joint ventures are guaranteed by endorsements or sureties of the Group in proportion to the latter's interest in the capital of such companies. In addition, the Group provides guarantee to financial institutions through the portfolio of venture receivables in the amount of R$1,327 as at June 30, 2020 (R$1,516 as at December 31, 2019); these amounts include the guarantees of loans and financing.

d. Management transaction (compensation)

The annual aggregate amount approved at the shareholders' meeting to be distributed among the Group's management members as at June 30, 2020, as fixed and variable compensation, benefits and charges is up to R$1,080 (R$ 7,854 in 2019), recorded in the line item "general and administrative expenses".

e. Sublease contracts

The Investee is a lessee of 3,928 sqm of business offices, corresponding to 3rd (1,897 sqm) and 4th (2,031 sqm) floors of the building Eldorado Business Tower, where the Group's head office is located, which rental contract expires on August 14, 2025.

f. Profit sharing

The Group has a profit-sharing plan that entitles its employees and management members, and those of its subsidiaries to participate in the distribution of the Group's profits.

This plan is tied to the achievement of specific targets, established, agreed-upon and approved by the Board of Directors at the beginning of each year.

Profit sharing is calculated and reserved based on the achievement of the Group's targets for the period. After the end of the year, an assessment of the achievement of the Group's and employee's targets is performed. As of June, 30 2020 and December 31, 2019, no target was met, accordingly, the reserve was reversed.

20 Net operating revenue

	Parent Company				Consolidated			
	04/01/2020 a 06/30/2020	01/01/2020 a 06/30/2020	04/01/2019 a 06/30/2019	01/01/2019 a 06/30/2019	04/01/2020 a 06/30/2020	01/01/2020 a 06/30/2020	04/01/2019 a 06/30/2019	01/01/2019 a 06/30/2019
Gross operating revenue								
Sale of lots	-	-	-	-	2,286	7,449	19,734	6,943
Services	-	-	-	-	426	865	522	858
Allowance for loss on cancelled contracts	-	-	-	-	(25,477)	(49,430)	(10,249)	(13,077)
Deductions from gross revenue	-	-	-	-	590	1,460	(774)	(152)
Net operating revenue	-	-	-	-	**(22,175)**	**(39,656)**	**9,233**	**(5,428)**

21 Costs and expenses by nature

	Parent Company				Consolidated			
	04/01/2020 a 06/30/2020	01/01/2020 a 06/30/2020	04/01/2019 a 06/30/2019	01/01/2019 a 06/30/2019	04/01/2020 a 06/30/2020	01/01/2020 a 06/30/2020	04/01/2019 a 06/30/2019	01/01/2019 a 06/30/2019
Cost of lot development and sales								
Construction cost	-	-	-	-	(18,451)	(34,545)	(4,889)	(36,198)
Land cost	-	-	-	-	(337)	(1,164)	(12,694)	(15,610)
Development cost	-	-	-	-	(10,946)	(14,287)	(39,850)	(56,859)
Reversal of the cost of allowance for cancelled contracts (Note 2.3.3 (iii))	-	-	-	-	11,351	27,481	4,934	6,836
Provision for loss on realization of inventories	-	-	-	-	(2,479)	(2,479)	-	-
Maintenance/warranty	-	-	-	-	269	339	(3,034)	(5,137)
Venture cost					(20,593)	(22,589)	(55,533)	(106,968)
Financial charges:	-	-	-	-	(673)	(2,570)	(760)	(1,983)
	-	-	-	-	**(21,266)**	**(27,225)**	**(56,293)**	**(108,951)**
Selling expenses:								
Marketing	-	-	-	-	(4,015)	(10,489)	(8,389)	(15,712)
Brokerage and sale commission	-	-	-	-	(190)	(1,012)	(1,712)	(3,538)
	-	-	-	-	**(4,205)**	**(11,501)**	**(10,101)**	**(19,250)**

	Parent Compay				Consolidated			
	04/01/2020 a 06/30/2020	**01/01/2020 a 06/30/2020**	**04/01/2019 a 06/30/2019**	**01/01/2019 a 06/30/2019**	**04/01/2020 a 06/30/2020**	**01/01/2020 a 06/30/2020**	**04/01/2019 a 06/30/2019**	**01/01/2019 a 06/30/2019**
Administrative expenses:								
Salaries and payroll charges	-	-	-	-	(4,382)	(10,705)	(4,835)	(11,011)
Employee benefits	-	-	-	-	(863)	(1,780)	(1,157)	(1,907)
Travel and utilities	-	-	-	-	(22)	(69)	(188)	(200)
Services	(176)	(250)	(150)	(182)	(4,601)	(11,263)	(7,553)	(14,431)
Rents and condominium fees	-	-	-	-	127	(1,257)	(3,604)	(5,742)
Corporate development	-	-	-	-	(3,116)	(5,011)	(2,219)	(4,761)
Depreciation	-	-	-	-	(3,796)	(7,802)	(2,940)	(6,247)
Other	-	-	-	-	(33)	(45)	(123)	74
	(176)	**(250)**	**(150)**	**(182)**	**(16,686)**	**(37,932)**	**(22,619)**	**(44,225)**

22 Other operating income (expenses), net

	Parent Compay				Consolidated			
	04/01/2020 a 06/30/2020	**01/01/2020 a 06/30/2020**	**04/01/2019 a 06/30/2019**	**01/01/2019 a 06/30/2019**	**04/01/2020 a 06/30/2020**	**01/01/2020 a 06/30/2020**	**04/01/2019 a 06/30/2019**	**01/01/2019 a 06/30/2019**
Provision for legal Claims	-	-	-	-	**(27,236)**	**(65,067)**	(36,945)	(58,331)
Provision for Credit Loss					**4,353**	**1,797**	(60)	(2,004)
Other operating income (expenses) net	**(119)**	**(119)**	53	(62)	**(3,039)**	**(6,708)**	4,427	(239)
Total	**(119)**	(119)	53	(62)	(25,798)	(56,562)	(32,631)	**(60,574)**

23 Finance income (costs)

	Parent Compay				Consolidated			
	04/01/2020 a 06/30/2020	**01/01/2020 a 06/30/2020**	**04/01/2019 a 06/30/2019**	**01/01/2019 a 06/30/2019**	**04/01/2020 a 06/30/2020**	**01/01/2020 a 06/30/2020**	**04/01/2019 a 06/30/2019**	**01/01/2019 a 06/30/2019**
Income from financial investments	783	796	88	114	1,177	3,579	697	2,410
Other income	-	-	-	-	250	604	251	748
Total finance income	**783**	**796**	**88**	**114**	**1,427**	**4,183**	**948**	**3,158**
Interest on funding, net of capitalization (Note 10)	-	(1,212)	-	-	(13,388)	(30,839)	(101,802)	(181,066)
Banking expenses	(1,490)	(1,198)	-	-	(559)	(2,312)	(767)	(1,536)
Granted discounts, other (expenses) and reversals (Note 5.2*b)	-	-	-	-	(9,371)	(5,940)	(8,635)	(16,625)
Total finance costs	**(1,490)**	**(2,410)**	**-**	**-**	**(23,318)**	**(39,091)**	**(111,204)**	**(199,227)**
Net finance income (costs)	**(707)**	**(1,614)**	**88**	**114**	**(21,891)**	**(34,908)**	**(110,256)**	**(196,069)**

24 Ventures under construction - information and commitments

a. Contracted real estate transactions to be recognized concerning the accumulated works in progress

	Consolidated	
	6/30/2020	**12/31/2019**
(+) Total gross sales revenue	627,985	552,495
(-) Total recognized revenue	(347,505)	(320,292)
(=) Balance of revenue to be recognized	**280,480**	**232,203**
(+) Total cost of real estate sold	(385,813)	(333,952)
(-) Total recognized cost	207,965	186,155
(=) Balance of cost to be recognized	**(177,848)**	**(147,797)**
Profit or loss to be recognized	**102,632**	**84,406**

(i) The sales revenue of units sold to be recognized are measured by the face value of contracts, plus contractual adjustments and deducted for cancelled contracts, not considering the effects of the levied taxes and present value adjustment.

(ii) The estimated cost of units sold to be incurred do not contemplate financial charges, which are recognized in properties for sale and profit or loss (cost of real estate sold) in proportion to the units sold as they are incurred.

b. Commitments with estimated cost not yet incurred, related to the units in inventory

Amounts not reflected in the financial statements

	Consolidated	
	06/30/2020	**12/31/2019**
Balance of cost to be incurred	(101,842)	(96,530)

25 Additional information to the Statement of Cash Flows

Reconciliation of the changes in assets and liabilities with the cash flows arising from financing activities:

Consolidated	**Transactions**	**Cash**			**Non-Cash**	
	12/31/2019	**Funding**	**Interest payment**	**Principal payment**	**Interest**	**6/30/2020**
Loans, financing and debentures (Notes 9 and 10)	997,554	16,072	(30,200)	(28,732)	30,391	985,075

Consolidated	**Transactions**	**Cash**			**Non-Cash**		
	12/31/2018	**Funding**	**Interest Payment**	**Principal Payment**	**Interest**	**Conversion of Debentures**	**12/31/2019**
Loans, financing and debentures (Notes 9 and 10)	2.223.546	405.749	(88.565)	(150.499)	358.005	(1.750.692)	997.544

26 Insurance

The Group and its subsidiaries have insurance, mentioned below, to cover possible risks on its assets and/or liabilities.

Type	**Coverage amount**
	2020
a) Physical damage to properties of others	10,200
b) Engineering risks and civil liability	40,797
c) Civil liability - Directors and Officers (D&O)	70,000
d) Performance bond (construction work)	79,949
e) Judicial executions	39,890
f) Rental surety bond	7,802
Total insurance	**248,638**

27 Operating segments

Management understands that the Group is organized in a single business unit - development of gated subdivisions. Although it could sell products with different name, it performs the monitoring of its activities, performance assessment and decision-making regarding fund allocation at the real estate venture level, not at segment level. All revenues are generated in Brazil and there is no concentration of revenue from transactions with a single external customer, which is equivalent to 10% or more of the Company's revenue. Accordingly, Management understands that the disclosure of information by segment is not applicable to the Group's activities. All revenue is generated in Brazil and there is no concentration of revenues from transactions with a single external customer, which amount to 10% or more of the Company's revenues.

28 Other Information

Impacts of COVID-19 (Corona virus)

The Company has been adopting monitoring and prevention measures in line with the guidelines established by the health authorities in order to minimize, as much as possible, any impacts arising from the COVID-19 pandemic, about the safety of people and the continuity of its business.

In this regard, the following measures were taken:

- Office - we adopt remote work (home office) for all our employees who continue to perform their activities through the technological resources available;

- Construction in progress - we suspended the activities in all construction sites in compliance with the State and Municipal decrees, resuming only in the cities in which there was permission from the authorities, yet adopting hygiene and safety protocols for the own workers and third parties;

- Launches and Sales - we postponed the launch of new projects planned for the year until there is an improvement in health and safety conditions, as well as closing all our sales stands, in order to avoid agglomerations and risk of transmission / contagion. Our commercial team was trained and guided to sell through online service.

  As concerning operating cash flow, there was a negative impact with the postpone of the launch plan and the reduction in sales when compared to the Group's business plan for the months of March to May, 20. This impact was minimized by the sales volume of launches made by Alphaville in the first half of March, with a result higher than the 2020 business plan. Sales from March to June 2020 were lower than planned. It is worth mentioning that the sale of inventory in June has already recovered the sales level projected in the company's business plan for this month. Still in the case of cash inflows, the Company observed a reduction in the effectiveness of cancellations originated by customers, thus minimizing the impact of cash inflows reduction in the first months of the pandemic. The PSV canceled between March and June 2020 was lower than expected. In aggregate, the company's cash inflow was lower than planned for the year from March to June 2020.

  In contrast to the reduction observed in cash inflows since the beginning of the pandemic, there was a reduction in the company's expenses as a result of operational measures implemented in a timely manner. The result of these measures was a reduction in the outflows out of the company's operating cash between March and June 2020.

  The cash flow was also impacted by the economic crisis caused by the pandemic. Despite the uncertainties, Alphaville continued to access the capital market to monetize its receivables portfolio and finance its operations. In the first half of 2020, it performed receivables assignment transactions in the FIDIC modality, totaling R$ 115 million and issued corporate debt totaling R $ 16.1 million in the same period. However, one of the CRI's financial operations planned and structured by the company to be completed in March 2020 did not occur due to the sudden reduction in liquidity in the capital market as of the second week of March.

  The Company's Management believes that appropriate measures have been taken to prevent the spread of COVID-19, as well as to ensure business continuity during the pandemic period.

29 Events after the reporting period

Corporate Change

On July 20, 2020, shareholders approved at the Extraordinary Shareholders' Meeting the following: (i) change in the Company's registered office to Av. Dra. Ruth Cardoso, nº 8.501 3º andar, in the city and state of São Paulo; (ii) change in the authorized capital limit and full amendment and consolidation of the Company's By-laws to adjust it to the legal and regulatory requirements for public companies and the provisions of the "Novo Mercado" Listing Rules of B3; (iii) change in the composition of the Board of Directors; (iv) Deferred Stock Plan targeted at the eligible management members and employees of the Company and its subsidiaries, aimed to attract, motivate and retain them, as well as align their interests to those of the Company and its shareholders.

Stock Options

The Deferred Stock Plan will be managed by the Board of Directors, which may approve, annually or at other regular intervals, the Deferred Stock Programs, which will contain the definition of Beneficiaries, number of granted shares, distribution among beneficiaries, effective dates, and other specific rules of each Program, according to the general terms and conditions established in the Plan, particularly the maximum amount of up to 3% of total Shares of the Company.

Also on June 20, 2020, shareholders approved at the Extraordinary Shareholders' Meeting the following: (i) the going public process of the Company, and the submission of the application for registry as publicly-traded company in the "A" category with the Brazilian Securities and Exchange Commission (CVM); (ii) submission to B3 of the application for listing the company in the Novo Mercado and listing the Company's shares on B3; and (iii) the carry out of the Public Offering in Brazil, in over-the-counter non-organized exchange market and with restricted efforts abroad.

Reverse stock split

On August 10, 2020, at the Extraordinary Shareholders' Meeting, shareholders approved the reverse stock split in a ratio of 38-to-1 (thirty-eight shares to one), so capital started to be represented by 68,897,877 registered common shares with no par value.