

Quarterly Information (ITR)

Direcional Engenharia S.A.

March 31, 2020
with Independent Auditor's Report

Direcional Engenharia S.A.

Interim financial information

March 31, 2020

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A free translation from Portuguese into English of Independent Auditor's Report on Review of Individual Interim Financial Information prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil, and of Consolidated Interim Financial Information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB) applicable to Brazilian real estate development entities registered with the Brazilian SEC (CVM)

Independent auditor's report on review of quarterly information

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

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Direcional Engenharia S.A. for the quarter ended March 31, 2020, which comprises the statement of financial position as at March 31, 2020, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Scope of review

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

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

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

Emphases of matter

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

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

Other matters

Statements of value added

The quarterly information referred to above include the individual and consolidated Statements of Value Added (SVA) for the three-month period ended March 31, 2020, prepared under the responsibility of Company management and presented as supplementary information for IAS 34 purposes applicable to Brazilian real estate development entities registered with the CVM. These statements have been subject to review procedures performed in conjunction with the review of quarterly information, to conclude whether they are prepared consistently with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 - Statements of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in accordance with the criteria defined in said Accounting Pronouncement and consistently with the overall accompanying individual and consolidated interim financial information.

Belo Horizonte, May 14, 2020.

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

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

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Direcional Engenharia S.A.

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

	Note	Individual		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Current assets					
Cash and cash equivalents	3.1	362,639	337,067	591,506	533,795
Short-term investments	3.2	188,137	160,220	206,522	195,587
Accounts receivable	4.1	5,099	3,475	294,958	347,538
Inventories	5	2,813	3,302	1,056,631	1,080,672
Receivables from related parties	6.1	31,742	39,190	39,445	44,973
Taxes recoverable		14,119	14,752	24,016	24,560
Accounts receivable from divestiture	4.2	2,600	11,500	12,600	22,514
Other receivables		58,121	52,005	92,866	83,786
Total current assets		665,270	621,511	2,318,544	2,333,425
Noncurrent assets					
Accounts receivable	4.1	62	37	114,990	96,579
Inventories	5	139,688	20,565	2,177,945	2,008,992
Judicial deposits		9,078	8,912	17,026	16,472
Accounts receivable from divestiture	4.2	30,059	29,722	30,059	29,722
Other receivables		9,713	9,651	10,915	10,854
Investments	7	1,440,109	1,437,970	48,600	48,885
Property and equipment	8	71,891	73,784	100,152	101,972
Intangible assets		8,755	6,959	9,592	7,815
Total noncurrent assets		1,709,355	1,587,600	2,509,279	2,321,291
Total assets		2,374,625	2,209,111	4,827,823	4,654,716

	Note	Individual		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Current liabilities					
Loans and financing	9.1	242,430	192,813	244,080	212,514
Trade accounts payable		7,459	8,809	57,010	51,601
Labor obligations	10	14,749	12,771	34,874	30,640
Tax obligations	11	561	514	17,529	22,968
Lease financing	9.2	8,784	8,194	9,266	8,468
Real estate commitments payable	12	-	-	101,250	94,094
Advances from customers	13	17,111	19,253	32,493	37,745
Other accounts payable	14	17,704	25,141	15,560	19,015
Provision for guarantees	15.1	3,627	3,997	20,898	20,752
Payables to related parties	6.1	13,141	14,333	13,635	18,767
Total current liabilities		325,566	285,825	546,595	516,564
Noncurrent liabilities					
Loans and financing	9.1	589,598	589,901	668,982	618,554
Trade accounts payable		401	1,163	4,491	13,098
Provision for guarantees	15.1	1,897	1,931	16,086	15,347
Tax obligations	11	5	40	5,085	3,924
Lease financing	9.2	32,371	33,365	32,530	33,465
Real estate commitments payable	12	76,750	20,227	1,650,332	1,639,109
Advances from customers	13	62,600	-	439,759	368,161
Provision for tax, labor and civil contingencies	15.2	1,797	2,328	29,177	33,747
Other accounts payable	14	17,993	17,404	43,993	43,403
Total noncurrent liabilities		783,412	666,359	2,890,435	2,768,808
Equity					
Capital	16.1	752,982	752,982	752,982	752,982
Capital reserves	16.3	195,378	198,160	195,378	198,160
Stock options granted		15,508	15,508	15,508	15,508
Equity adjustment		(19,087)	(18,679)	(19,087)	(18,679)
Treasury shares		(29,294)	(32,076)	(29,294)	(32,076)
Income reserves	16.4	350,160	341,032	350,160	341,032
		1,265,647	1,256,927	1,265,647	1,256,927
Noncontrolling interests					
		-	-	125,146	112,417
		1,265,647	1,256,927	1,390,793	1,369,344
Total liabilities and equity					
		2,374,625	2,209,111	4,827,823	4,654,716

See accompanying notes.

Direcional Engenharia S.A.

Statements of profit and loss
 Periods ended March 31, 2020 and 2019
 (In thousands of reais, unless otherwise stated)

	Note	Individual		Consolidated	
		03/31/2020	03/31/2019	03/31/2020	03/31/2019
Net revenue	17	11,665	39,043	291,469	348,800
Cost of real estate sold and services rendered	18	(7,178)	(30,267)	(187,383)	(234,958)
Gross profit		4,487	8,776	104,086	113,842
Operating income (expenses)					
General and administrative expenses	18	(28,164)	(25,650)	(31,324)	(28,037)
Selling expenses	18	(1,541)	(1,587)	(34,711)	(32,671)
Equity pickup	7	49,116	54,691	742	1,308
Other operating income (expenses)		(2,478)	(3,655)	(4,480)	(8,805)
		16,933	23,799	(69,773)	(68,205)
Finance costs	19	(18,866)	(19,400)	(19,997)	(20,966)
Finance income	19	7,610	7,429	9,304	9,662
Finance income (costs)	19	(11,256)	(11,971)	(10,693)	(11,304)
Income before income and social contribution taxes		10,164	20,604	23,620	34,333
Income and social contribution taxes	20	(112)	(190)	(5,897)	(7,579)
Net income for the period		10,052	20,414	17,723	26,754
Net income attributable to					
Direcional Engenharia S.A.		10,052	20,414	10,052	20,414
Noncontrolling interests in SPEs and SCPs		-	-	7,671	6,340
Net earnings per share					
Basic	16.5	0.07	0.14		
Diluted	16.5	0.07	0.14		

See accompanying notes.

Direcional Engenharia S.A.

Statements of comprehensive income
Periods ended March 31, 2020 and 2019
(In thousands of reais)

	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Net income for the period	10,052	20,414	17,723	26,754
Total comprehensive income for the period	10,052	20,414	17,723	26,754
Attributable to:				
Company shareholders			10,052	20,414
Noncontrolling interests			7,671	6,340
			17,723	26,754

See accompanying notes.

Direcional Engenharia S.A.

Statements of changes in equity
 Periods ended March 31, 2020 and 2019
 (In thousands of reais)

	Attributable to Company shareholders											
	Note	Capital reserves					Income reserves					
		Capital	Treasury shares	Share issue/ divestiture	Options granted	Equity adjustment	Legal	Retained profits	For investments	Equity - Individual	Noncontrolling interests	Equity - Consolidated
Balance at December 31, 2018		752,982	(37,531)	203,615	11,720	(18,621)	25,345	-	345,181	1,282,691	110,584	1,393,275
Stock options recognized	16.3	-	-	-	1,298	-	-	-	-	1,298	-	1,298
Capital reduction by noncontrolling interests	16.6	-	-	-	-	-	-	-	-	-	1,449	1,449
Net income (loss) for the period		-	-	-	-	-	20,414	-	-	20,414	6,340	26,754
Dividends proposed	16.4.3	-	-	-	-	-	-	-	(56,068)	(56,068)	-	(56,068)
Disposal of treasury shares	16.2	-	3,235	(3,235)	-	-	-	-	-	-	-	-
Transactions with noncontrolling shareholders	16.6	-	-	-	-	(61)	-	-	-	(61)	-	(61)
Balance at March 31, 2019		752,982	(34,296)	200,380	13,018	(18,682)	25,345	20,414	289,113	1,248,274	118,373	1,366,647
Balance at December 31, 2019		752,982	(32,076)	198,160	15,508	(18,679)	30,370	-	310,662	1,256,927	112,417	1,369,344
Capital increase by noncontrolling shareholders	16.6	-	-	-	-	-	-	-	-	-	5,058	5,058
Net income (loss) for the period	16.6	-	-	-	-	-	-	10,052	-	10,052	7,671	17,723
Disposal of treasury shares	16.6	-	2,782	(2,782)	-	-	-	-	-	-	-	-
Prior years' adjustments	16.7	-	-	-	-	-	-	(924)	-	(924)	-	(924)
Transactions with noncontrolling shareholders	16.6	-	-	-	-	(408)	-	-	-	(408)	-	(408)
Balance at March 31, 2020		752,982	(29,294)	195,378	15,508	(19,087)	30,370	9,128	310,662	1,265,647	125,146	1,390,793

See accompanying notes.

Direcional Engenharia S.A.

Statements of cash flows

Periods ended March 31, 2020 and 2019

(In thousands of reais)

	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cash flow from operating activities				
Income before income and social contribution taxes	10,164	20,604	23,620	34,333
Adjustments to reconcile net income to cash from operating activities				
Depreciation and amortization	4,122	3,173	9,276	12,672
Equity pickup	(49,116)	(54,691)	(742)	(1,308)
Provision for guarantees	(401)	(1,144)	888	2,354
Interest on charges and financing	15,273	18,331	16,917	19,866
Provision for tax, labor and civil contingencies	(531)	929	(4,570)	1,625
Gains from (losses on) barter transactions	-	-	(318)	(3,934)
Taxes	-	(190)	-	(7,579)
Gains from (losses on) sale of equity interest	(337)	-	(323)	-
Present value adjustment on accounts receivable	-	-	744	(1,765)
Present value adjustment on lease financing	679	780	684	792
Allowance for doubtful accounts	-	-	4,265	1,022
Provision for stock option plan	-	1,298	-	1,298
Provision for profit sharing	2,305	1,051	2,305	1,051
Increase (decrease) in assets				
Accounts receivable	(1,649)	(27,225)	9,943	(33,990)
Inventories	489	(1,806)	(5,013)	23,660
Sundry receivables	(6,178)	(15,196)	(9,141)	(14,819)
Transactions with related parties	10,417	(10)	8,208	1,014
Judicial deposits	(166)	(484)	(554)	1,182
Taxes recoverable	633	1,051	544	157
(Decrease) increase in liabilities				
Trade accounts payable	(12,147)	6,877	(16,856)	2,403
Labor obligations	(327)	(5)	1,929	1,008
Tax obligations	(3)	378	(1,773)	6,481
Real estate commitments payable	-	-	(50,467)	(37,672)
Advances from customers	(2,142)	-	14,341	7,807
Accounts payable	(6,848)	8,267	(2,865)	9,812
Transactions with related parties	(1,192)	(1,443)	(5,132)	(2,848)
Income and social contribution taxes paid	(97)	(81)	(8,402)	(7,146)
Net cash from (used in) operating activities	(37,052)	(39,536)	(12,492)	17,476

Direcional Engenharia S.A.

Statements of cash flows (Continued)
 Periods ended March 31, 2020 and 2019
 (In thousands of reais)

	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cash flow from investing activities				
Increase (decrease) in investments (SPCs and SPEs)	7,441	(96,992)	731	(8,256)
Dividends received	38,612	45,088	296	-
Sale of equity interests	8,900	(430)	9,900	(431)
Additions to property and equipment	246	(2,541)	6	(3,842)
Increase in leased property	(1,041)	(1,269)	(1,346)	(1,351)
Additions to intangible assets	3,833	(536)	3,890	(586)
Short-term investments	(27,917)	30,105	(10,935)	20,606
Net cash from (used in) investing activities	30,074	(26,575)	2,542	6,140
Cash flow from financing activities				
Dividends paid	-	(56,068)	-	(56,068)
Additions to lease financing	1,041	-	1,346	-
Amortization of lease financing	(2,057)	(309)	(2,100)	(302)
Interest paid on leases	(67)	(269)	(67)	(271)
New borrowings	42,386	60,805	113,520	90,284
Repayment of borrowings	(2,074)	(35,309)	(42,686)	(164,770)
Interest paid	(6,271)	(6,928)	(7,002)	(8,892)
Capital increase/decrease by noncontrolling shareholders	(408)	(61)	4,650	1,388
Net cash from (used in) financing activities	32,550	(38,139)	67,661	(138,631)
Increase in cash and cash equivalents	25,572	(104,250)	57,711	(115,015)
Cash and cash equivalents				
At beginning of period	337,067	390,971	533,795	715,294
At end of period	362,639	286,721	591,506	600,279

See accompanying notes.

Direcional Engenharia S.A.

Statements of value added
 Periods ended March 31, 2020 and 2019
 (In thousands of reais)

	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Revenue				
Real estate sold and services rendered	12,876	40,285	320,234	367,355
Other operating income (expenses)	(2,478)	(3,655)	(4,480)	(8,805)
Allowance for doubtful accounts – reversal (set-up)	-	-	(4,265)	(1,022)
	10,398	36,630	311,489	357,528
Inputs acquired from third parties				
Raw materials used	(5,792)	(25,250)	(149,938)	(187,591)
Materials, electricity, outsourced services and other operating expenses	(3,707)	(3,779)	(5,857)	(6,008)
Other	(4,683)	(6,668)	(37,917)	(35,654)
	(14,182)	(35,697)	(193,712)	(229,253)
Gross value added	(3,784)	933	117,777	128,275
Depreciation and amortization, net	(4,122)	(3,173)	(9,276)	(12,672)
Net value added generated by the Company	(7,906)	(2,240)	108,501	115,603
Value added received in transfer				
Equity pickup	49,116	54,691	742	1,308
Finance income	7,610	7,429	9,304	9,662
	56,726	62,120	10,046	10,970
Total value added to be distributed	48,820	59,880	118,547	126,573
Distribution of value added				
Personnel	18,580	18,636	48,947	51,681
Taxes, charges and contributions	1,322	1,430	30,397	25,113
Debt remuneration	18,866	19,400	21,480	23,025
Retained profits	10,052	20,414	10,052	20,414
Income attributable to noncontrolling shareholders	-	-	7,671	6,340
	48,820	59,880	118,547	126,573

See accompanying notes.

Direcional Engenharia S.A.

Notes to interim financial information
March 31, 2020
(In thousands of reais, unless otherwise stated)

1. Operations

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

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

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

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

1.1. COVID-19 analysis

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

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

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

In general terms, these measures are as follows:

Direcional Engenharia S.A.

Notes to interim financial information
March 31, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

Safety measures

Procedures in construction sites

For our construction workers to be kept safe and appropriately perform their roles, the following procedures became mandatory: before entering the construction site, measuring the employee's or visitor's temperature (this procedure is repeated after lunch), wearing appropriate protection masks (mandatorily during the entire work shift), hand hygiene procedures (inputs provided by the Company), daily screening by a security technician and counting on the recurring presence of a nurse technician in each regional office to assess the employees' health. Construction sites are well-ventilated and spacious, which enables Company employees to maintain the appropriate security distancing suggested by WHO. In addition to the IPE items usually provided to each employee, the Company delivered hygiene kits containing soap, detergent and toilet paper every week. Common spaces such as canteens, water fountains and dressing rooms in work sites are sanitized at least 4 times a day. For the hygiene of work tools, the Company provides 70% alcohol, disinfectants and bleach. Work and meal times are also more flexible in order to prevent crowds.

Procedures in the administrative office

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

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

Direcional Engenharia S.A.

Notes to interim financial information
March 31, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

Cash protection

With a view to reinforcing Company cash in these unstable times, Company Board of Directors approved the 1st issue of commercial promissory notes amounting to R\$ 100,000,000 over a one-year period (Note 23). In addition, we raised another R\$ 100,000,000 by means of bilateral loans taken out from commercial banks and withdrawing funds from the real estate financing from CEF (legal entity).

We also changed the work schedule of administrative employees, whose work volume decreased significantly. We suspended the work agreements of employees in locations where, due to a state or municipal decree, we may not operate, in accordance with the guidance set out by Provisional Executive Order No. 936/2020, and deferred tax payment pursuant to Ruling No. 139/2020. We are in touch with our suppliers and service providers seeking to adjust the agreements to the new market reality, either by negotiating prices or extending payment terms.

Analysis of impacts on the business

Management carefully considers the information available and government decisions in Company decision-making process. Our activity is classified as essential, reason why our construction sites are working normally except in the state of Ceará where, due to a state decree, our activities are temporarily suspended. Prudently, we took all safety measures required, both in the construction sites and in our main office.

We are monitoring and assessing potential impacts of COVID-19 on our sales, agreement dissolutions, default of full payment (“*pro soluto*”) and the business in general. Since our projects are focused on the “Minha Casa Minha Vida” Program (PMCMV), in which transfer to the financing agent occurs upon sale during construction (associative method) and not at the end of construction, the impacts on the company’s cash generation are mitigated.

Finally, we are aware of the situation and taking all applicable actions on a timely basis seeking to continue operating and having our employees’ health as a priority.

Direcional Engenharia S.A.

Notes to interim financial information
March 31, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

Social cooperation

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

In view of this sanitary crisis scenario and the potential collapse of the hospital infrastructure, the Company donated R\$ 500 thousand to Santa Casa de Misericórdia de Belo Horizonte and R\$ 119 mil to Empresa Pública de Saúde do Rio de Janeiro S.A., and is considering other manners in which to actively contribute with society in these critical times in Brazil.

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

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

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

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Notes to interim financial information
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3. Cash and cash equivalents and short-term investments

3.1. Cash and cash equivalents

Description	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Cash and banks	1,308	13,385	161,653	135,808
Cash equivalents – short-term investments	361,331	323,682	429,853	397,987
Total	362,639	337,067	591,506	533,795

The Company's investments are made through investment funds or in transactions performed directly with first-tier financial institutions. The Company's policy is to invest resources in funds or directly in conservative, highly liquid financial instruments. These short-term investments have yields pegged to the Interbank Deposit Certificate (CDI) rate, ranging from 61.09% to 102.5% of CDI, according to the nature and timing of each instrument. At March 31, 2020, average annual yield of Company financial investments corresponded to 95.41% of CDI.

3.2. Short-term investments

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Investment in Financial Treasury Bills (government bonds)	115,701	117,555	127,007	143,504
Financial Bills (private securities)	72,436	42,665	79,515	52,083
Total	188,137	160,220	206,522	195,587

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

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4. Accounts receivable

4.1. Accounts receivable from operations

Accounts receivable for real estate development	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Completed units	3,387	2,668	196,734	235,548
Incomplete units	-	-	205,573	193,923
Receivables for land sold	-	-	1,225	1,200
(-) Allowance for doubtful accounts	-	-	(21,193)	(17,332)
(-) Adjustment to present value	-	-	(3,313)	(2,569)
	3,387	2,668	379,026	410,770
Accounts receivable for services rendered				
Real estate intermediation	-	-	979	893
Firm-price construction contract	492	753	27,553	31,277
Other services	1,282	91	2,390	1,177
	1,774	844	30,922	33,347
	5,161	3,512	409,948	444,117
Current	5,099	3,475	294,958	347,538
Noncurrent	62	37	114,990	96,579

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

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

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

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

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4. Accounts receivable (Continued)

4.1. Accounts receivable from operations (Continued)

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

	Consolidated	
	03/31/2020	12/31/2019
Falling due		
Within 90 days	198,133	233,631
91 to 180 days	28,662	27,309
181 to 270 days	24,999	18,160
271 to 360 days	13,700	27,117
	265,494	306,217
Overdue		
Within 30 days	2,508	24,539
31 to 60 days	910	558
61 to 90 days	543	482
91 to 120 days	8,639	1,104
121 to 180 days	704	658
More than 180 days	16,160	13,980
	29,464	41,321
	294,958	347,538

At March 31, 2020 and December 21, 2019, maturity of amounts not yet due, recorded in noncurrent assets is as follows:

	03/31/2020	12/31/2019
1-2 years	53,998	50,539
Up to 3 years	44,192	29,542
Up to 4 years	7,545	8,001
After 4 years	9,255	8,497
	114,990	96,579

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4. Accounts receivable (Continued)

4.2. Other accounts receivable

On September 3, 2018, the Company sold Lago da Pedra Participações S.A. to a real estate investment fund for R\$183,156. The amount receivable for this sale at March 31, 2020 is R\$30,059, referring to the additional installment, with observance of the terms and conditions set forth in the agreement regarding the initial price adjustment, restated by the DI rate.

On May 24, 2019, the Company sold all the units of interest held in Linha Verde Participações Ltda. to LMN Empreendimentos e Participações Ltda. for R\$19,000, which will be paid in 19 fixed installments of R\$1,000. The last 10 installments are conditioned to issue of the construction permit in the land paid relating to the SPE sold, which is expected for the end of 2020. At March 31, 2020, the balance receivable is R\$10,000.

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

On October 23, 2019, the Company spun off Âmbar Empreendimentos Ltda. and sold 100% of the units of interest of Viseu Empreendimentos Imobiliários Ltda. resulting from the spin-off, for R\$4,800. The amount is payable in installments, with a down payment of R\$200, five installments of R\$800, and a final installment of R\$600. The balance receivable at March 31 is R\$600.

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Accounts receivable for Disposal of units of interest	32,659	41,222	42,659	52,236
	32,659	41,222	42,659	52,236
Current	2,600	11,500	12,600	22,514
Noncurrent	30,059	29,722	30,059	29,722

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5. Inventories

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Land to be developed	139,688	20,565	2,541,383	2,386,993
Completed units	2,813	3,302	151,993	163,978
Units under construction	-	-	541,200	538,693
	142,501	23,867	3,234,576	3,089,664
Current	2,813	3,302	1,056,631	1,080,672
Noncurrent	139,688	20,565	2,177,945	2,008,992

5.1. Capitalized interest

Interest incurred in connection with project financing is recorded under the captions “Units under construction” and “Completed units” in accordance with OCPC 01, and posted to P&L when the units are sold. At March 31, 2020, interest totaling R\$678 (R\$7,153 for the period ended December 31, 2019) was capitalized in the inventories account. The amount of R\$15,878 (R\$19,126 at December 31, 2019) remains capitalized in the inventories account, referring to unsold units. The average interest capitalization rate was 6.79% in March 2020 (7.07% for the period ended December 31, 2019). As at March 31, 2020 and December 31, 2019, no project financing was recorded in the individual financial statements.

6. Transactions with related parties

6.1. Related companies

Assets

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Receivables from venture partners in projects (a)	7,680	6,987	34,142	38,707
Checking account with ventures in projects (b)	24,062	32,203	5,303	6,266
	31,742	39,190	39,445	44,973
Current	31,742	39,190	39,445	44,973

Liabilities

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Payables to venture partners in projects (a)	324	325	13,635	18,694
Checking account with ventures in projects (b)	12,817	14,008	-	73
	13,141	14,333	13,635	18,767
Current	13,141	14,333	13,635	18,767

6. Transactions with related parties (Continued)

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6.1. Related companies (Continued)

- (a) Receivables and payables to venture partners: The Company carries out loan transactions with certain venture partners, generally non-controlling shareholders of said SPEs. These transactions are settled upon completion of the construction work. These transactions are adjusted by reference to the CDI rate variation plus spread of up to 4.13% p.a. or by the IGPM plus spread of up to 1% p. m. These transactions are secured by the results obtained in the ventures, so that the partners' right to share such results is conditional upon settlement of the transactions.
- (b) These transactions refer exclusively to the contribution of funds for the construction of units, and are not subject to interest.

Profit or loss

The Company charters aircraft from ALVG Investimentos e Participações Ltda. ("ALVG") for the transportation of executives during the performance of business-related activities. In the period ended March 31, 2020, the monthly amount of R\$147 related to aircraft chartering was paid. ALVG is a company controlled by the same controlling group as that of Direcional.

On December 10, 2014, the Company performed a sale and lease back transaction of the property where its head office is located, through an agreement effective for 12 years, entered into with Fundo de Investimentos BRL Edifícios Comerciais, the buyer of this property. This transaction was approved by the Company's Board of Directors and carried out at market value, as assessed by CB Richard Ellis (CBRE). In the period ended March 31, 2020, the amount of R\$547 was paid monthly (December 31, 2019 - monthly amounts of R\$542) in connection with the property lease. This investment fund is controlled by the same controlling group as that of Direcional.

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

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6. Transactions with related parties (Continued)

6.2. Key management personnel compensation

Total annual compensation of key management personnel (i) proposed by Company management for decision in the GSM that will take place on May 24, 2020; and (ii) paid in 2019 is as follows:

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

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

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

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

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

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7. Investments

a) Changes in investments from December 31, 2019 to March 31, 2020

Subsidiaries	Interest held - %	12/31/2019	Dividends/ amortization	Equity pickup	Capital subscription (reduction)/ Future capital contribution	03/31/2020
Riva 9 Empreendimentos Imobiliários S.A. (*)	99.90%	163,273	-	(132)	(11,633)	151,508
Direcional Taguatinga Engenharia Ltda.	99.99%	71,829	(6,713)	5,723	(7,276)	63,563
Canário Engenharia Ltda.	99.90%	59,150	-	(198)	83	59,035
Bella Moeda Empreendimentos Imobiliários Ltda.	99.99%	44,377	-	-	8	44,385
Napoli Empreendimentos Imobiliários Ltda.	99.90%	38,898	-	(32)	2,059	40,925
Azurita Empreendimentos Imobiliários Ltda.	99.90%	37,037	-	27	(305)	36,759
Água Marinha Empreendimentos Imobiliários Ltda.	90%	31,592	-	(275)	4,644	35,961
Riacho Branco Empreendimentos Imobiliários Ltda.	95.87%	27,240	-	802	5,855	33,897
Tarauaca Empreendimentos Imobiliários Ltda.	99.90%	33,195	-	(266)	247	33,176
Caieiras Empreendimentos Imobiliários Ltda.	99.90%	31,557	-	3,885	(6,138)	29,304
Direcional Santo Antônio Empreendimentos Imobiliários Ltda.	99.99%	25,824	-	-	72	25,896
Barreirinha Empreendimentos Imobiliários SPE Ltda.	99.90%	38,622	(4,032)	(598)	(8,147)	25,845
Xapuri Empreendimentos Imobiliários Ltda.	99.90%	27,236	-	(1,121)	(3,129)	22,986
GTIS LX Participações S.A.	35%	21,670	-	1,427	(119)	22,978
Alto Santo Empreendimentos Imobiliários Ltda.	99.90%	20,163	-	2,502	(23)	22,642
Veneza Empreendimentos Imobiliários Ltda.	99.90%	23,131	-	2,224	(4,969)	20,386
Manauara VII Empreendimentos Imobiliários SPE Ltda.	99.99%	20,185	-	(14)	153	20,324
Jardim Amaralina Empreendimentos Imobiliários SPE Ltda.	50%	16,920	(412)	3,064	(33)	19,539
Constantina Empreendimentos Imobiliários Ltda.	99.90%	15,123	-	2,572	1,091	18,786
Alcobaça Construções E Empreendimentos Imobiliários SPE Ltda.	99.90%	18,760	-	-	1	18,761
Riachos Empreendimentos Imobiliários Ltda.	99.99%	18,396	-	48	-	18,444
Other subsidiaries	-	604,907	(27,159)	28,736	19,925	626,409
Total – Subsidiaries:		1,389,085	(38,316)	48,374	(7,634)	1,391,509
Jointly-controlled entities (Consolidated)	-	48,885	(296)	742	(731)	48,600
Total - Individual		1,437,970	(38,612)	49,116	(8,365)	1,440,109

(*) In the Annual and Special Meeting held on March 4, 2020, Riva 9 shareholders decided to start Riva 9's going public process and application for registration as a category "A" publicly held company with the Brazilian Securities and Exchange Commission (CVM). This registration is under analysis by CVM.

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7. Investments (Continued)

a) Breakdown of balances of subsidiaries and jointly-controlled entities at 03/31/2020

Subsidiaries	Interest held - %	Assets		Liabilities		Equity
		Current	Noncurrent	Current	Noncurrent	
Riva 9 Empreendimentos Imobiliários S.A.	99.90%	108,414	74,929	14,372	17,312	151,659
Direcional Taguatinga Engenharia Ltda	100%	63,951	37,511	15,071	22,828	63,563
Canário Engenharia Ltda.	99.90%	129,702	51	2,328	68,331	59,094
Bella Moeda Empreendimentos Imobiliários Ltda	100%	-	44,384	(1)	-	44,385
Napoli Empreendimentos Imobiliários Ltda	99.90%	40,784	205	23	-	40,966
Água Marinha Empreendimentos Imobiliários Ltda	90%	22,926	19,692	2,126	535	39,957
Azurita Empreendimentos Imobiliários Ltda	99.90%	35,588	2,095	35	852	36,796
Riacho Branco Empreendimentos Imobiliários Ltda	95.87%	53,328	4,409	11,167	11,974	34,596
Tarauaca Empreendimentos Imobiliários Ltda	99.90%	26,322	6,958	12	59	33,209
Jardim Amaralina Empreendimentos Imobiliários SPE Ltda.	50%	64,914	686	23,214	9,313	33,073
Direcional SPL Jordão Empreendimentos Imobiliários Ltda	50%	8,813	22,368	248	184	30,749
Qrtz5 Incorporações De Imóveis SPE Ltda	60%	38,906	1,183	4,402	5,303	30,384
Caieiras Empreendimentos Imobiliários Ltda	99.90%	46,758	2,223	9,441	10,207	29,333
Direcional Santo Antônio Empreendimentos Imobiliários Ltda	100%	24,836	1,061	1	-	25,896
Barreirinha Empreendimentos Imobiliários SPE Ltda	99.90%	26,771	353	1,034	219	25,871
Xapuri Empreendimentos Imobiliários Ltda	99.90%	22,906	1,253	1,095	55	23,009
Alto Santo Empreendimentos Imobiliários Ltda.	99.90%	43,508	26,968	7,587	40,224	22,665
Veneza Empreendimentos Imobiliários Ltda	99.90%	20,128	3,977	2,822	877	20,406
Manauara VII Empreendimentos Imobiliários SPE Ltda	100%	19,245	645	30	-	19,860
Constantina Empreendimentos Imobiliários Ltda	99.90%	26,080	815	5,681	2,409	18,805
Alcobaça Construções E Empreendimentos Imobiliários SPE Ltda	99.90%	20	177,517	1	158,757	18,779
Riachos Empreendimentos Imobiliários Ltda	100%	18,342	120	18	-	18,444
Direcional Rubi Empreendimentos Imobiliários Ltda	100%	19,548	2,319	3,241	737	17,889
Other subsidiaries	-	828,788	1,777,640	170,392	1,756,134	679,902
TOTAL - SUBSIDIARIES		1,690,578	2,209,362	274,340	2,106,310	1,519,290
Jointly-controlled entities		16,985	51,109	4,002	685	63,407

As at March 31, 2020 and December 31, 2019, 36.80% and 35.72% of the Company's assets were respectively included in the equity segregation structure, as established by Law No. 10931/04.

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

Individual

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8.33%	(c)	-	-
Cost									
Balance at 12/31/2019	12,065	104,608	3,439	779	5,290	9,100	47,129	275	182,685
Additions	36	2,235	99	-	122	42	1041	5	3,580
Write-offs	-	-	-	-	-	-	-	-	-
Balance at 03/31/2020	12,101	106,843	3,538	779	5,412	9,142	48,170	280	186,265
Depreciation									
Balance at 12/31/2019	(10,373)	(81,651)	(1,959)	(715)	(3,561)	(3,609)	(6,838)	(195)	(108,901)
Depreciation for the year	(264)	(2,968)	(76)	(5)	(136)	(215)	(1,807)	(2)	(5,473)
Write-offs	-	-	-	-	-	-	-	-	-
Balance at 03/31/2020	(10,637)	(84,619)	(2,035)	(720)	(3,697)	(3,824)	(8,645)	(197)	(114,374)
Carrying amount									
At 12/31/2019	1,692	22,957	1,480	64	1,729	5,491	40,291	80	73,784
At 03/31/2020	1,464	22,224	1,503	59	1,715	5,318	39,525	83	71,891

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8. Property and equipment (Continued)

Consolidated

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Sales stand	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8%	(a)	(c)	-	
Cost										
Balance at 12/31/2019	23,957	105,976	7,753	2,458	10,079	9,169	70,155	47,794	1,346	278,687
Additions	76	4,369	116	-	303	42	2,206	1,346	5	8,463
Write-offs	-	-	-	-	-	-	-	-	-	-
Balance at 03/31/2020	24,033	110,345	7,869	2,458	10,382	9,211	72,361	49,140	1,351	287,150
Depreciation										
Balance at 12/31/2019	(19,243)	(81,652)	(4,927)	(2,364)	(7,084)	(3,617)	(49,496)	(7,157)	(1,175)	(176,715)
Depreciation for the year	(490)	(3,604)	(171)	(7)	(238)	(218)	(3,674)	(1,866)	(15)	(10,283)
Write-offs	-	-	-	-	-	-	-	-	-	-
Balance at 03/31/2020	(19,733)	(85,256)	(5,098)	(2,371)	(7,322)	(3,835)	(53,170)	(9,023)	(1,190)	(186,998)
Carrying amount										
At 12/31/2019	4,714	24,324	2,826	94	2,995	5,552	20,659	40,637	171	101,972
At 03/31/2020	4,300	25,089	2,771	87	3,060	5,376	19,191	40,117	161	100,152

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

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

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

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8. Property and equipment (Continued)

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

The Company and its subsidiaries have entered into 39 finance lease agreements for machinery, equipment and vehicles. The book value of property and equipment items under finance lease agreements at March 31, 2020 totaled R\$110,345 (R\$105,976 at December 31, 2019). Property and equipment items acquired in the period on a conditional sale basis amounted to R\$4,369 and are guaranteed by the leased items.

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

9. Loans, financing and leases

9.1. Loans and financing

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Construction financing	-	-	77,488	44,230
FINAME and finance lease of equipment	13,056	15,248	16,602	16,630
Mortgage-backed securities (CRI)	776,561	767,466	776,561	767,466
Bank Credit Bills (CCB)	42,411	-	42,411	2,742
Grand total	832,028	782,714	913,062	831,068
Current	242,430	192,813	244,080	212,514
Noncurrent	589,598	589,901	668,982	618,554

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

Construction financing

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

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9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Leases

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

Mortgage-backed securities (CRI)

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

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

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

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Notes to interim financial information (Continued)
March 31, 2020
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9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Corporate Bank Credit Bills

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

CCB issued by Banco Itaú, referring to Loan 4131, amounting to EUR 7,497,656.98 (seven million, four hundred and ninety-seven thousand, six hundred and fifty-six euros and ninety-eight cents). The exchange rate agreed for this transaction was R\$ 5.3350, which resulted in R\$ 39,999,999.99 (thirty-nine million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine reais and ninety-nine cents). The CCBs were issued in March 2020 and will mature within one year. The interest rate contracted was 2.3625% p.a. For this transaction, a derivative financial instrument (swap) was contracted over the same period (March 2020 to March 2021), to hedge Company exposure to foreign currency. The swap transaction aims at equity protection, mitigating the effects of currency fluctuation by replacing BRL/EUR for CDI plus a fixed spread of 4%. The impacts of this transaction are presented in Note 21.

The noncurrent portion of loans as at March 31, 2020 matures as follows:

Period	03/31/2020	
	Individual	Consolidated
April 2022 to March 2023	153,689	162,118
April 2023 to March 2024	104,117	133,201
April 2024 to March 2025	145,042	176,429
April 2025 onwards	186,750	197,234
	589,598	668,982

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

9.2. Lease financing

The Company has real estate and vehicle leases. The term of real estate leases varies between 1 and 8 years, while vehicles have a term of one year.

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

Breakdown of leases is as follows:

	03/31/2020	
	Individual	Consolidated
Balance at 12/31/2019	41,559	41,933
Additions	1,041	1,346
Payments of principal	(2,057)	(2,100)
Payments of interest	(67)	(67)
PVA (interest appropriated)	679	684
Balance at 03/31/2020	41,155	41,796
Current	8,784	9,266
Noncurrent	32,371	32,530

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

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Notes to interim financial information (Continued)

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9. Loans, financing and leases (Continued)

9.2. Lease financing (Continued)

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

	03/31/2020	
	Individual	Consolidated
Maturity within one year	8,784	9,266
Between 1 and 2 years	7,241	7,400
Between 2 and 3 years	6,157	6,157
More than 3 years	18,973	18,973
	<u>41,155</u>	<u>41,796</u>

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

<u>Consolidated</u>			
<u>Maturity</u>	<u>Consideration (no future inflation)</u>	<u>Consideration (with future inflation)</u>	<u>Inflation not included in agreements</u>
1 st year	9,266	9,581	315
2 nd year	7,400	7,672	272
3 rd year	6,157	6,388	231
4 th year	5,450	5,658	208
5 th year	4,921	5,110	189
6 th year	4,618	4,798	180
7 th year	3,984	4,139	155
	<u>41,796</u>	<u>43,346</u>	<u>1,550</u>

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 (In thousands of reais, unless otherwise stated)

10. Labor obligations

Breakdown of labor obligations is as follows:

Description	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Salaries and withdrawals payable	1,685	1,806	5,535	5,600
Labor and social security charges	1,754	1,476	5,331	4,978
Provisions for employment-related expenses	11,097	8,725	23,441	18,611
Other	213	764	567	1,451
	14,749	12,771	34,874	30,640

11. Tax obligations

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

Current taxes	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Federal contribution tax on gross revenue for Social Integration Program (PIS)	48	19	87	38
Federal contribution tax on gross revenue for Social Security Financing (COFINS)	236	108	417	196
Special taxation regime	45	46	4,608	5,870
Corporate Income Tax (IRPJ)	1	3	285	1,580
Social Contribution on Net Profit (CSLL)	-	2	144	641
Taxes withheld from third parties	231	328	2,247	2,408
	561	506	7,788	10,733
Deferred taxes				
PIS	-	4	1,506	1,606
COFINS	2	21	6,706	7,185
PVA	-	-	(141)	(110)
IRPJ	2	15	4,968	5,342
CSLL	1	8	2,599	2,800
Other	-	-	(812)	(664)
	5	48	14,826	16,159
	566	554	22,614	26,892
Current	561	514	17,529	22,968
Noncurrent	5	40	5,085	3,924

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Notes to interim financial information (Continued)

March 31, 2020

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12. Real estate commitments payable

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

	12/31/2019	(+) Acquisitions	(-) Payments	(+/-) Reviews	03/31/2020
<u>Individual</u>	20,227	56,523	-	-	76,750

Current	-				-
Noncurrent	20,227				76,750

	12/31/2019	(+) Acquisitions	(-) Payments	(+/-) Revisions	03/31/2020
<u>Consolidated</u>	1,733,203	69,652	(50,467)	(806)	1,751,582

Current	94,094				101,250
Noncurrent	1,639,109				1,650,332

	Consolidated	
	03/31/2020	12/31/2019
<i>Aging list</i>		
Up to 1 year	101,250	94,094
1-2 years	748,986	857,733
2-3 years	583,403	501,386
3-4 years	183,942	135,784
After 4 years	134,001	144,206
	1,751,582	1,733,203

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Notes to interim financial information (Continued)

March 31, 2020

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13. Advances from customers

Individual	12/31/2019	(+) Acquisitions/ receipts	(-) Amortization	03/31/2020
Advances from customers - physical barter of land plot (i)	-	62,220	-	62,220
Advances for receipt (ii)	19,253	8,159	(9,921)	17,491
Total advances	19,253	70,379	(9,921)	79,711

Current	19,253			17,111
Noncurrent	-			62,600

Consolidated	12/31/2019	(+) Acquisitions/ receipts	(-) Amortization	03/31/2020
Advances from customers - physical barter of land plot (i)	372,287	71,943	(318)	443,912
Advances for receipt (ii)	33,619	14,341	(19,620)	28,340
Total advances	405,906	86,284	(19,938)	472,252

Current	37,745			32,493
Noncurrent	368,161			439,759

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

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

14. Other accounts payable

	Individual		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Debts to customers	4,072	4,929	5,095	7,096
Debts to partners (a)	-	-	26,920	26,920
Accounts payable for acquisition of equity interest (b)	18,603	19,254	18,603	19,254
Capital deficiency (c)	11,842	16,764	-	-
Other	1,180	1,598	8,935	9,148
Total	35,697	42,545	59,553	62,418
Current	17,704	25,141	15,560	19,015
Noncurrent	17,993	17,404	43,993	43,403

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14. Other accounts payable (Continued)

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

15. Provisions

15.1. Provision for guarantees

	<u>Individual</u>	<u>Consolidated</u>
Balance at 12/31/2019	5,928	36,099
(+) Provisions	77	6,439
(-) Payments	(481)	(5,554)
Balance at 03/31/2020	5,524	36,984

	<u>Individual</u>		<u>Consolidated</u>	
	<u>03/31/2020</u>	<u>12/31/2019</u>	<u>03/31/2020</u>	<u>12/31/2019</u>
Current	3,627	3,997	20,898	20,752
Noncurrent	1,897	1,931	16,086	15,347
	5,524	5,928	36,984	36,099

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

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

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Notes to interim financial information (Continued)
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15. Provisions (Continued)

15.2. Provision for tax, labor and civil contingencies

	Individual			Total
	Tax	Labor	Civil	
Balance at December 31, 2019	-	1,774	554	2,328
Provisions	-	285	134	419
Reversals	-	(831)	19	(812)
Payments	-	(59)	(79)	(138)
Balance at March 31, 2020	-	1,169	628	1,797

	Consolidated			Total
	Tax	Labor	Civil	
Balance at December 31, 2019	106	13,152	20,489	33,747
Provisions	-	1,362	2,838	4,200
Reversals	-	(2,228)	(4,070)	(6,298)
Payments	-	(1,206)	(1,266)	(2,472)
Balance at March 31, 2020	106	11,080	17,991	29,177

The Company is a party to other tax, civil and labor claims arising from its ordinary course of business considered possible losses by management and its legal advisors. At March 31, 2020, labor claims total R\$21,246, tax proceedings total R\$10,084, and civil proceedings total R\$160,617. As such, no provision was set up to cover possible unfavorable outcomes.

16. Equity

16.1. Capital

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

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

In the year ended March 31, 2020, 474,711 treasury shares were assigned under Share Matching Programs I and II and Stock Option Program 1.

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

16.1. Capital (Continued)

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

16.2. Treasury shares

The Board of Directors approved four repurchase programs of Company-issued shares between 2011 and 2015, in order to hold in treasury and later cancellation or sale, without capital reduction, in order to maximize shareholder value. Accordingly, 8,794,405 shares were acquired, disbursing R\$59,421 at an average price of R\$6.76 per share.

16.3. Capital reserves

16.3.1. Capital reserve for stock option grants

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

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

16.4. Income reserve

16.4.1. Legal reserve

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

16.4.2. Retained profits reserve

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

16.4.3. Dividend distribution

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

On March 11, 2019, the Board of Directors approved the allocation of interim dividends to the income reserve account, according to financial statements for the year ended December 31, 2018, in the amount of R\$56,068, corresponding to R\$0.38 per share (not considering treasury shares). The dividends were paid on March 25, 2019, without monetary restatement or interest. Holders of the Company's shares were entitled to the dividends as at March 14, 2019.

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16. Equity (Continued)

16.4. Income reserve (Continued)

16.4.3. Dividend distribution (Continued)

On October 9, 2019, the Board of Directors approved the allocation of interim dividends to the income reserve account, according to financial statements for the period ended March 31, 2020, in the amount of R\$73,901, corresponding to R\$0.50 per share (not considering treasury shares). Dividends were paid on October 23, 2019, with monetary adjustment or interest. Holders of the Company's shares were entitled to the dividends as at October 14, 2019.

16.5. Earnings per share

The table below shows the calculation of earnings per share for the period ended March 31, 2020 and 2019:

	<u>03/31/2020</u>	<u>03/31/2019</u>
Net income for the period	10,052	20,414
Weighted average number of shares	148,291,363	146,377,654
Basic earnings per share, net - R\$	0.07	0.14

For the periods ended March 31, 2020 and 2019, the calculation of basic and diluted earnings per share remains the same, given the profit computed in the period.

16.6. Noncontrolling interests

In the period ended March 31, 2020, changes in subsidiaries' equity generated an increase amounting to R\$5,058 in noncontrolling shareholders' equity. In the same period, noncontrolling interests in profit or loss amounted to R\$7,671.

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

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Notes to interim financial information (Continued)
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16.7. Prior years' adjustments

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

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

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

The impacts of the change in estimate are as follows:

	<u>03/31/2020</u>	
	<u>Individual</u>	<u>Consolidated</u>
<u>Impacts of the Adjustments:</u>		
(a) Accounts receivable	-	403
(b) Property and equipment	-	(1,327)
(c) Investments	(924)	-
Total adjustments	(924)	(924)

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

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17. Net revenue

	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Gross revenue from sales	1,041	805	295,652	310,102
Gross revenue from services	11,835	39,480	21,060	54,467
Total gross revenue	12,876	40,285	316,712	364,569
Present value adjustment	-	-	(743)	1,764
Taxes on sales	(866)	(915)	(7,745)	(8,169)
Cancelled sales	(345)	(327)	(16,755)	(9,364)
Net operating revenue	11,665	39,043	291,469	348,800

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

The Company also recognized gross revenue for the year of projects under construction amounting to R\$318 at March 31, 2020 and R\$3,934 at March 31, 2019 regarding barter of units to be constructed for land plots.

a) Unearned revenue

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

l) Unearned sales revenue from units sold	1,265,736
<i>Projects under construction</i>	
a) Revenue from contracted sales	3,654,012
b) Allocated sales revenue, net	2,388,276
<i>Allocated sales revenue</i>	2,414,153
<i>Dissolution of agreements – Reversed revenue</i>	(25,877)

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17. Net revenue (Continued)

a) Unearned revenue (Continued)

II) Revenue from indemnification for dissolution agreements	903
III) Budgeted cost to be allocated from units sold	840,199
<i>Projects under construction</i>	
a) Budgeted cost of units (no finance charges)	2,307,332
b) Construction cost incurred	1,476,190
Accrued finance charges	6,578
c) Dissolution of agreements – Construction cost	(15,576)
Dissolution of agreements – Finance charges	(59)
Budgeted cost to be allocated to P&L (no finance charges) (a – b – c)	846,718
Drive CI / CO (no finance charges)	63.30%
IV) Budgeted cost to be allocated to inventories	902,350
<i>Projects under construction</i>	
a) Budgeted cost of units (no finance charges)	1,443,550
b) Construction cost incurred	540,318
Accrued finance charges	882
Units sold	29,472

b) Earned revenue

Income earned from:	01/01/2020 to 03/31/2020		01/01/2019 to 03/31/2019	
	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold
Individual				
Services	10,618	(6,688)	38,238	(30,190)
Development – completed units	1,047	(490)	805	(77)
Total - Individual	11,665	(7,178)	39,043	(30,267)
Subsidiaries				
Services	8,193	(9,779)	14,338	(20,131)
Development – completed units	20,161	(18,824)	17,503	(14,961)
Development – units under construction	251,450	(151,602)	277,916	(169,599)
Total - Subsidiaries	279,804	(180,205)	309,757	(204,691)
Total - Consolidated	291,469	(187,383)	348,800	(234,958)

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18. Costs and expenses by nature

Description	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Raw materials and materials for use and consumption	(5,792)	(25,250)	(149,941)	(187,591)
Personnel expenses	(18,580)	(18,636)	(48,947)	(51,681)
Capitalized interest	-	-	(1,483)	(2,059)
Depreciation and amortization	(4,122)	(3,173)	(9,276)	(12,672)
Third-party services	(3,160)	(3,330)	(4,856)	(5,053)
Electric power, water supply and telephone services	(547)	(449)	(1,001)	(955)
General selling expenses	48	(794)	(12,085)	(9,195)
Sales commissions	(1,238)	(513)	(20,838)	(19,889)
Other expenses	(3,492)	(5,359)	(4,991)	(6,571)
	(36,883)	(57,504)	(253,418)	(295,666)
Classified as				
Cost of real estate sold	(490)	(571)	(170,917)	(185,131)
Costs of services rendered	(6,688)	(29,696)	(16,466)	(49,827)
Selling expenses	(1,541)	(1,587)	(34,711)	(32,671)
General and administrative expenses	(28,164)	(25,650)	(31,324)	(28,037)
	(36,883)	(57,504)	(253,418)	(295,666)

19. Finance income (costs)

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

Finance income	Individual		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Income from short-term investments	4,484	6,369	5,472	8,655
Monetary adjustment and contract interest	774	1,060	1,480	1,007
Revenue from derivatives	2,352	-	2,352	-
	7,610	7,429	9,304	9,662
Finance costs				
Interest expenses	(15,257)	(17,764)	(15,588)	(18,337)
Interest paid on leases	(718)	(972)	(723)	(792)
Bank fees	(506)	(664)	(1,301)	(1,837)
Exchange losses	(2,385)	-	(2,385)	-
	(18,866)	(19,400)	(19,997)	(20,966)
Finance income (costs), net	(11,256)	(11,971)	(10,693)	(11,304)

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20. Income and social contribution taxes

	Individual		Consolidated	
	01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019	01/01/2020 to 03/31/2020	01/01/2019 to 03/31/2019
Income before IRPJ and CSLL	10,164	20,604	23,620	34,333
IRPJ and CSLL at 34%	34%	34%	34%	34%
Estimated expenses with IRPJ and CSLL	3,456	7,005	8,031	11,673
Companies computing taxable profit based on accounting records				
Additions and exclusions	1,400	5,360	-	-
Addition (exclusion) of equity pickup	(49,116)	(54,691)	-	-
Tax base	(37,552)	(28,727)	-	-
Companies computing taxable profit as a percentage of gross sales				
Tax base	-	-	(2,302)	62,126
Rates applicable to profit computed as a percentage of gross sales	2.28%	2.28%	2.28%	2.28%
Tax expenses	-	-	20	965
Expenses with deferred tax	-	-	(72)	452
Companies taxed by RET (1%)				
Tax base	23,743	40,338	87,501	198,967
Rates applicable to the special taxation regime (RET)	0.47%	0.47%	0.47%	0.47%
Tax expenses	95	46	418	786
Expenses with deferred tax	17	144	(7)	148
Companies taxed by RET (4%)				
Tax base	-	-	288,453	272,282
Rates applicable to the special taxation regime (RET)	1.92%	1.92%	1.92%	1.92%
Tax expenses	-	-	6,019	5,377
Expenses with deferred tax	-	-	(481)	(149)
Expenses with IRPJ and CSLL for the period	112	190	5,897	7,579
Effective rate	1.10%	0.92%	24.97%	22.07%

The breakdown of expenses with income and social contribution taxes for the periods ended March 31, 2020 and 2019 shows the timing difference between the cash basis used by SCPs and SPEs, whose taxable profit is computed as a percentage of gross sales and RET (Special Tax Regime), and the provision for taxes on the balance of accounts receivable.

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

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

21. Financial instruments

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

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

Interest rate risk

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

Liquidity risk

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

	Consolidated				Total
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	More than 3 years	
At March 31, 2020					
Loans and financing (Note 9)	244,080	162,118	133,201	373,663	913,062
Trade accounts payable	57,010	4,491	-	-	61,501
Related parties (Note 6.1)	13,635	-	-	-	13,635
Real estate commitments payable (Note 12)	101,250	748,986	583,403	317,943	1,751,582
Advances for receipt (Note 13)	28,340	-	-	-	28,340

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Notes to interim financial information (Continued)

March 31, 2020

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21. Financial instruments (Continued)

Liquidity risk (Continued)

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

Regarding accounts receivable, the Company limits its exposure to credit risks through sales to a wide customer base and ongoing credit rating. At March 31, 2020, there was no significant credit risk concentration associated with customers. Trade accounts receivable are guaranteed by the very real estate units, and the ownership of real estate is transferred only after fully paid.

Fair value of financial instruments by category

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

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

Fair value of financial instruments by category (Continued)

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

	Note	Individual		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Financial assets					
Amortized cost		16,592	14,879	421,541	455,648
Accounts receivable	4,1	5,161	3,512	409,948	444,117
Other accounts receivable	-	11,431	11,367	11,593	11,531
Fair value through profit or loss (*)		585,787	538,509	843,039	781,618
Cash and banks	3,1	1,308	13,385	161,653	135,808
Cash equivalents	3,1	361,331	323,682	429,853	397,987
Short-term investments	3,2	188,137	160,220	206,522	195,587
Derivatives	21	2,352	-	2,352	-
Accounts receivable from divestiture	4,2	32,659	41,222	42,659	52,236
Total financial assets		602,379	553,388	1,264,580	1,237,266
Financial liabilities					
Amortized cost		982,967	889,044	2,827,673	2,743,774
Real estate commitments payable	12	76,750	20,227	1,751,582	1,733,203
Advances for receipt	13	17,491	19,253	28,340	33,619
Loans and financing	9	832,028	782,714	913,062	831,068
Trade accounts payable	-	7,860	9,972	61,501	64,699
Transactions with related parties	6,1	13,141	14,333	13,635	18,767
Other accounts payable	14	35,697	42,545	59,553	62,418
Financial liabilities		982,967	889,044	2,827,673	2,743,774

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

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

Fair value of financial instruments

At March 31, 2020, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Amortized cost	16,592	16,592	-	421,541	421,541	-
Accounts receivable	5,161	5,161	-	409,948	409,948	-
Other accounts receivable	11,431	11,431	-	11,593	11,593	-
Fair value through profit or loss	585,787	585,787	-	843,039	843,039	-
Cash and banks	1,308	1,308	-	161,653	161,653	-
Cash equivalents	361,331	361,331	-	429,853	429,853	-
Short-term investments	188,137	188,137	-	206,522	206,522	-
Derivatives receivable	2,352	2,352	-	2,352	2,352	-
Accounts receivable from divestiture	32,659	32,659	-	42,659	42,659	-
Total financial assets	602,379	602,379	-	1,264,580	1,264,580	-
Financial liabilities						
Amortized cost	982,967	993,677	10,710	2,827,673	2,838,377	10,704
Real estate commitments payable	76,750	76,750	-	1,751,582	1,751,582	-
Advances for receipt	17,491	17,491	-	28,340	28,340	-
Loans and financing	832,028	842,738	10,710	913,062	923,766	10,704
Trade accounts payable	7,860	7,860	-	61,501	61,501	-
Transactions with related parties	13,141	13,141	-	13,635	13,635	-
Other accounts payable	35,697	35,697	-	59,553	59,553	-
Financial liabilities	982,967	993,677	10,710	2,827,673	2,838,377	10,704

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

Fair value of financial instruments (Continued)

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

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

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

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

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

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

Fair value of financial instruments (Continued)

At March 31, the position of swap contracts is as follows:

Fair value hedge	Nominal value	Rate	Fair value	Gain from (loss on) transaction – P&L
Bank Credit Bills (hedged item)	40,000	BRL-EUR + 2.36%	42,411	
Swap transaction:	Receivables Payables	BRL-EUR + 2.36% CDI + 4%	42,411 (40,059)	2,411 (59)
Net position – swap – derivative			2,352	2,352

Sensitivity analysis

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

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21. Financial instruments (Continued)

Sensitivity analysis (Continued)

Risk variable		Scenario I	Scenario II	Scenario III
CDI (%)		2.90%	3.63%	4.35%
Risk variable	Risk	Scenario I	Scenario II	Scenario III
CDI	Negative impact for the Company:	(1,810)	(2,262)	(2,714)
Additional finance costs in case the scenarios are confirmed:		-	(452)	(904)
Risk variable		Scenario I	Scenario II	Scenario III
IPCA (%)		3.00%	3.75%	4.50%
Risk variable	Risk	Scenario I	Scenario II	Scenario III
IPCA	Positive impact for the Company:	1,227	1,533	1,840
Additional finance income in case the scenarios are confirmed:		-	306	613
Risk variable		Scenario I	Scenario II	Scenario III
INCC (%)		4.50%	5.63%	6.75%
Risk variable	Risk	Scenario I	Scenario II	Scenario III
INCC	Negative impact for the Company:	(30,956)	(38,695)	(46,434)
Additional finance costs in case the scenarios are confirmed:		-	(7,739)	(15,478)

Business risk management

Risk control system

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

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Notes to interim financial information (Continued)
March 31, 2020
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21. Financial instruments (Continued)

Business risk management (Continued)

Control over maximum cash exposure

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

Demand risk management

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

Operational risks

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

Capital management

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

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

Capital management (Continued)

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

	Consolidated	
	03/31/2020	12/31/2019
Loans and financing	913,062	831,068
(-) Cash and cash equivalents	591,506	533,795
(-) Financial investments	206,522	195,587
(-) Derivatives	2,352	-
Net debt	112,682	101,686
Dividend payment	-	129,969
Equity	1,390,793	1,369,344
Net debt on equity	8.10%	7.43%

For the period ended March 31, 2020, the Company's cash consumption totaled R\$10,996 (adjusted for derivatives), whilst cash generation for 2019 was R\$166,531.

Assets pledged as guarantees

Assets pledged as a guarantee of loans and financing are described in Note 8 and Note 9. The Company and its subsidiaries recorded judicial deposits at March 31, 2020 for R\$17,026 (R\$16,472 at December 31, 2019) as part of the discussion of its contingent liabilities.

22. Stock option plan and incentives associated with Company shares - stock option compensation

Shared-based payment ("Matching Program")

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

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

Shared-based payment ("Matching Program") (Continued)

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

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

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

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

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Notes to interim financial information (Continued)
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23. Insurance

The Group adopts a policy on insurance coverage that considers mainly the concentration of risks and their materiality, considering the nature of its activities and advice of insurance brokers. At March 31, 2020, insurance coverage is as follows:

Items	Type of coverage	Insured amount
Civil works (engineering risks)	Guarantees, during the period of construction of the project, indemnification arising from damages caused to the work, such as: fire, lightning, theft, among other specific coverages for facilities and assemblies at the insured location	3,179,49
Post-delivery guarantee insurance	Guarantees the maintenance and resolution of problems in works delivered for up to 5 years, on damages set forth in the consumer code	60,658
Civil liability (construction in progress)	Guarantees compensation (limited to the sum insured) of the amounts for which the Company may come to be liable for civil damages related to involuntary personal injuries and/or material damages caused to third parties.	427,111
Infrastructure insurance	Guarantees given to the Local Government as to execution of the infrastructure works that are required for the licensing processes of the projects under construction	220,319
Business insurance	Guarantees indemnification to the Company related to the events covered that take place in the commercial property leased, such as fire, lightning and explosion of any nature, and flood, riots, strike and lockout, windstorm, and smoke.	58,500
Civil liability (D&O)	Guarantees coverage of pain and suffering to Company's Directors and Officers	50,000

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

As per the Communication to the Market of April 03, 2020, Company Board of Directors approved the 1st issue of commercial promissory notes, in a single series, (“Issue” and “Promissory Notes”, respectively), under the terms of CVM Ruling No. 566, of July 31, 2015, as amended (“CVM Ruling No. 566”), for public distribution with restricted distribution efforts, under the terms of CVM Ruling No. 476, of January 16, 2009, as amended (“CVM Ruling No. 476”) and other applicable laws and regulations (“Restricted Offer”).

On April 09, 2020, 10 (ten) Promissory Notes were issued, at unit nominal value of R\$10,000,000.00 (ten million reais), totaling R\$100,000,000.00 (one hundred million reais), maturing on April 05, 2021, warranting early maturity or elective early redemption, under the conditions described in the title of the Promissory Notes. Conventional interest is paid and the unit nominal value is subject to amortization at maturity date.

The Issue was solely directed to professional investors, as defined in CVM Ruling No. 539, of August 13, 2013, as amended, in accordance with the provisions of CVM Ruling No. 476.

The net funds obtained by the Company from the Issue will be used in the normal course of business, for rescheduling the Issuer’s debt.