

Quarterly Information (ITR)

Direcional Engenharia S.A.

June 30, 2022

with Independent Auditor's Review Report

Direcional Engenharia S.A.

Interim financial information

June 30, 2022

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A free translation from Portuguese into English of Independent Auditor's Review Report on quarterly information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB)

Independent auditor's review report on quarterly information

To the
Shareholders, Board of Directors and Officers
Direcional Engenharia S.A.
Belo Horizonte - MG

Introduction

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Direcional Engenharia S.A. (the "Company") for the quarter ended June 30, 2022, comprising the statement of financial position as of June 30, 2022 and the related statements of profit or loss and of comprehensive income for the three and six-month period then ended, and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 – Interim Financial Reporting, and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to real estate development entities in Brazil registered with the Brazilian Securities Commission (CVM), as well as for the fair presentation of this information in conformity with the rules issued by the CVM applicable to the preparation of the Quarterly Information Form (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 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 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 accompanying individual and consolidated interim financial information included in the quarterly information referred to above is not prepared, in all material aspects, in accordance with NBC TG 21 and IAS 34 applicable to Brazilian real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM), and presented consistently with the rules issued by the CVM applicable to the preparation of the Quarterly Information Form (ITR).

Emphasis of matter

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

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



Other matters

Statements of value added

The above mentioned quarterly information include the individual and consolidated statement of value added (SVA) for the six-month period ended June 30, 2022, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Belo Horizonte, August 08, 2022

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

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

Direcional Engenharia S.A.

Statements of financial position
June 30, 2022
(In thousands of reais)

	Note	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Current assets					
Cash and cash equivalents	3.1	276,234	287,215	610,663	723,954
Short-term investments	3.2	346,153	323,337	348,469	325,206
Accounts receivable	4.1	13,961	11,340	351,399	231,761
Inventories	5	181	181	1,315,234	1,230,591
Receivables from related parties	6.1	145,013	132,735	59,775	82,261
Taxes recoverable		14,185	12,228	28,686	24,462
Accounts receivable from divestiture	4.2	501	10,258	4,865	17,540
Other receivables	4.3	143,396	130,126	267,847	220,565
Total current assets		939,624	907,420	2,986,938	2,856,340
Noncurrent assets					
Accounts receivable	4.1	1,332	1,026	205,210	244,585
Inventories	5	11,681	97,322	2,251,142	2,303,436
Receivables from related parties	6.1	-	-	-	1,636
Judicial deposits		10,214	8,918	17,595	16,097
Accounts receivable from divestiture	4.2	-	-	12,297	-
Other receivables	4.3	21,047	21,247	22,830	21,457
Investments	7	1,542,555	1,519,013	126,559	117,980
Property and equipment	8	76,336	68,011	110,185	99,075
Intangible assets		18,860	17,315	20,539	19,013
Total noncurrent assets		1,682,025	1,732,852	2,766,357	2,823,279
Total assets		2,621,649	2,640,272	5,753,295	5,679,619

	Note	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Current liabilities					
Loans and financing	9.1	137,623	125,358	139,362	127,205
Trade accounts payable		5,917	8,337	101,161	92,054
Labor obligations	10	19,239	12,649	45,393	31,827
Tax obligations	11	1,306	1,480	29,073	25,094
Lease financing	9.2	9,270	9,339	9,952	10,088
Real estate commitments payable	12	-	-	130,501	62,779
Advances from customers	13	-	-	40,483	14,705
Other accounts payable	14	98,836	28,991	102,146	90,346
Provision for warranty	15.1	1,431	2,258	30,591	28,143
Payables to related parties	6.1	12,467	10,741	14,955	14,600
Total current liabilities		286,089	199,153	643,617	496,841
Noncurrent liabilities					
Loans and financing	9.1	930,331	1,012,001	1,035,098	1,114,197
Trade accounts payable		186	210	7,261	5,958
Provision for warranty	15.1	-	-	11,948	12,051
Tax obligations	11	-	-	7,882	9,701
Lease financing	9.2	22,145	24,985	22,264	25,129
Real estate commitments payable	12	11,982	70,877	2,003,012	2,060,218
Advances from customers	13	380	27,086	364,515	375,344
Provision for tax, labor and civil contingencies	15.2	4,346	4,055	25,857	24,008
Other accounts payable	14	2,028	2,028	97,392	97,392
Total noncurrent liabilities		971,398	1,141,242	3,575,229	3,723,998
Equity					
Capital	16.1	752,982	752,982	752,982	752,982
Capital reserves	16.3	177,690	177,690	177,690	177,690
Stock options granted		1,969	2,259	1,969	2,259
Equity adjustment		(30,208)	(29,847)	(30,208)	(29,847)
Treasury shares		(10,946)	(7,360)	(10,946)	(7,360)
Income reserve	16.4	472,675	404,153	472,675	404,153
		1,364,162	1,299,877	1,364,162	1,299,877
Noncontrolling interests		-	-	170,287	158,903
		1,364,162	1,299,877	1,534,449	1,458,780
Total liabilities and equity		2,621,649	2,640,272	5,753,295	5,679,619

See accompanying notes.

Direcional Engenharia S.A.

Statements of profit or loss

Period ended June 30, 2022

(In thousands of reais, unless otherwise stated)

	Note	Individual				Consolidated			
		01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
		Net revenue	17	15,138	10,056	19,465	6,818	1,054,221	586,126
Cost of real estate sold and services rendered	18	(8,004)	(4,477)	(5,097)	(2,586)	(681,898)	(380,961)	(528,797)	(262,580)
Gross profit		7,134	5,579	14,368	4,232	372,323	205,165	307,251	159,582
Operating income (expenses)									
General and administrative expenses	18	(59,892)	(30,145)	(54,436)	(29,119)	(71,717)	(36,394)	(64,167)	(33,690)
Selling expenses	18	(3,339)	(927)	(2,673)	(2,144)	(97,629)	(52,798)	(88,227)	(45,477)
Equity pickup	7	180,894	96,506	147,086	84,141	9,054	5,524	5,240	2,536
Other operating income (expenses)	-	(2,466)	(608)	(4,356)	(2,011)	(27,060)	(18,234)	(18,897)	(6,100)
		115,197	64,826	85,621	50,867	(187,352)	(101,902)	(166,051)	(82,731)
Finance costs	19	(113,457)	(57,518)	(50,089)	(24,888)	(128,894)	(66,753)	(56,430)	(27,319)
Finance income	19	59,845	28,395	17,921	10,488	70,534	34,226	21,725	12,896
Finance income (costs)	19	(53,612)	(29,123)	(32,168)	(14,400)	(58,360)	(32,527)	(34,705)	(14,423)
Income before income and social contribution taxes (IRPJ and CSLL)		68,719	41,282	67,821	40,699	126,611	70,736	106,495	62,428
Income and social contribution taxes	20	(15)	(10)	(25)	(10)	(22,377)	(12,572)	(17,405)	(9,448)
Net income for the period		68,704	41,272	67,796	40,689	104,234	58,164	89,090	52,980
Net income attributable to Direcional Engenharia S.A.		68,704	41,272	67,796	40,689	68,704	41,272	67,796	40,689
Noncontrolling interests in SPEs and SCPs		-	-	-	-	35,530	16,892	21,294	12,291
Earnings per share									
Basic		0.46	0.28	0.47	0.28				
Diluted		0.46	0.28	0.46	0.28				

See accompanying notes.

Direcional Engenharia S.A.

Statements of comprehensive income
 Period ended June 30, 2022
 (In thousands of reais)

	Individual				Consolidated			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Net income for the period	68,704	41,272	67,796	40,689	104,234	58,164	89,090	52,980
Total comprehensive income for the period	68,704	41,272	67,796	40,689	104,234	58,164	89,090	52,980
Attributable to:								
Company shareholders					68,704	41,272	67,796	40,689
Noncontrolling interests					35,530	16,892	21,294	12,291
					104,234	58,164	89,090	52,980

See accompanying notes.

Direcional Engenharia S.A.

Statements of changes in equity
 Period ended June 30, 2022
 (In thousands of reais)

	Attributable to Company shareholders											
	Note	Capital reserves			Income reserves				Individual equity	Noncontrolling interests	Consolidated equity	
		Capital	Treasury shares	Shares issued/ disposed of	Stock options granted	Equity adjustment	Legal	Investment				Retained earnings (accumulated losses)
Balances at December 31, 2020 (restated)		752,982	(52,129)	208,484	4,050	(19,023)	36,022	295,926	-	1,226,312	113,686	1,339,998
Recognized options granted	16,3	-	-	-	1,781	-	-	-	-	1,781	-	1,781
Cancellation of treasury shares	-	-	30,749	(30,749)	-	-	-	-	-	-	-	-
Capital reduction by noncontrolling interests	16,6	-	-	-	-	-	-	-	-	-	(6,434)	(6,434)
Net income (loss) for the period	-	-	-	-	-	-	-	-	67,796	67,796	21,294	89,090
Dividends proposed	16,4,3	-	-	-	-	-	-	(100,135)	-	(100,135)	-	(100,135)
Disposal of treasury shares	16,2	-	4,527	-	(3,609)	-	-	-	(920)	(2)	-	(2)
Share buyback	-	-	(27,054)	-	-	-	-	-	-	(27,054)	-	(27,054)
Transactions with noncontrolling shareholders	16,6	-	-	-	-	553	-	-	-	553	-	553
Balances at June 30, 2021		752,982	(43,907)	177,735	2,222	(18,470)	36,022	195,791	66,876	1,169,251	128,546	1,297,797
Balances at December 31, 2021		752,982	(7,360)	177,690	2,259	(29,847)	43,997	360,156	-	1,299,877	158,903	1,458,780
Recognized options granted	16,3	-	-	-	1,483	-	-	-	-	1,483	-	1,483
Capital reduction by noncontrolling interests	16,6	-	-	-	-	-	-	-	-	-	(24,146)	(24,146)
Net income (loss) for the period	-	-	-	-	-	-	-	-	68,704	68,704	35,530	104,234
Dividends proposed	16,4,3	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Disposal of treasury shares	16,2	-	1,953	-	(1,773)	-	-	-	(180)	-	-	-
Share buyback	-	-	(5,539)	-	-	-	-	-	-	(5,539)	-	(5,539)
Transactions with noncontrolling shareholders	16,6	-	-	-	-	(361)	-	-	-	(361)	-	(361)
Balances at June 30, 2022		752,982	(10,946)	177,690	1,969	(30,208)	43,997	360,156	68,522	1,364,162	170,287	1,534,449

See accompanying notes.

Direcional Engenharia S.A.

Statements of cash flows
 Period ended June 30, 2022
 (In thousands of reais)

	Individual		Consolidated	
	06/30/2022	06/30/2021 (restated)	06/30/2022	06/30/2021 (restated)
Cash flows from operating activities				
Income before income and social contribution taxes	68,719	67,821	126,611	106,495
Adjustments to reconcile income to cash from operating activities				
Depreciation and amortization	11,425	10,638	27,828	24,620
Equity pickup	(180,894)	(147,086)	(9,054)	(5,240)
Short-term investment yield	(8,991)	(1,230)	(9,624)	(1,276)
Provision for warranty	461	450	10,549	11,688
Interest on loans and financing	79,939	39,696	87,647	43,314
Hedge accounting – fair value	(7,631)	-	(7,631)	-
Exchange differences on loans and financing	-	1,097	-	1,097
Provision for tax, labor and civil contingencies	1,780	17	7,521	2,541
Gains (losses) on barter transactions	-	-	(4,863)	(8,434)
Gains (losses) on disposal of equity interests	-	-	(5,297)	(17,500)
Restatement of accounts receivable for acquisition of equity interests	-	(292)	(1,154)	(292)
Present value adjustment on accounts receivable	-	-	(314)	4,601
Present value adjustment on lease financing	1,009	1,212	1,035	1,245
Adjustment to net realizable value of finished inventories	-	-	32	(406)
Allowance for doubtful accounts	-	-	4,541	5,712
Provision for stock option plan	1,483	1,781	1,483	1,781
Provision for profit sharing	2,859	3,559	4,958	3,975
Increase (decrease) in assets				
Accounts receivable	(2,927)	(2,481)	(84,490)	(117,989)
Inventories	40	3,380	112,734	53,678
Sundry receivables	(13,070)	(4,217)	(92,515)	(11,432)
Transactions with related parties	4,625	17,997	25,882	(15,479)
Judicial deposits	(1,296)	(125)	(1,498)	(155)
Taxes recoverable	(1,957)	(186)	(4,224)	(1,077)
(Decrease) increase in liabilities				
Trade accounts payable	(12,385)	(4,025)	(2,347)	(17,326)
Labor obligations	3,731	(477)	8,608	1,314
Tax obligations	(189)	(36)	470	(1,725)
Real estate commitments payable	-	-	(123,227)	(82,171)
Advances from customers	-	(2,362)	7,520	(4,049)
Accounts payable	69,845	(9,425)	55,660	86,419
Provision for tax, labor and civil contingencies	(1,489)	(285)	(5,672)	(5,635)
Transactions with related parties	1,726	(63)	355	(2,898)
Construction warranty	(1,288)	(980)	(8,204)	(9,794)
Income and social contribution taxes paid	-	(8)	(20,687)	(17,109)
Net cash flows from (used in) operating activities	15,525	(25,630)	102,633	28,493

Direcional Engenharia S.A.

Statements of cash flows (Continued)

Period ended June 30, 2022

(In thousands of reais)

Cash flows from investing activities				
Increase (decrease) in investments (SCPs and SPEs)	(91,734)	(81,191)	(3,635)	(48,912)
Dividends received	240,927	62,388	4,110	9,830
Disposal of equity interests	9,757	64,269	6,829	68,974
Increase in property and equipment	(655)	(309)	(5,190)	(4,812)
Property and equipment leased	-	(1,717)	-	(1,717)
Increase in intangible assets	(8,730)	(7,930)	(10,400)	(8,000)
Short-term investments	(13,825)	7,476	(13,639)	7,171
Net cash flows from (used in) investing activities	135,740	42,986	(21,925)	22,534
Cash flows from financing activities				
Dividends paid out	(2)	(100,135)	(2)	(100,135)
Share buyback	(5,539)	(27,054)	(5,539)	(27,054)
Additions to lease financing	-	1,717	-	1,717
Amortization of lease financing	(3,831)	(4,279)	(3,949)	(4,495)
Interest paid on lease	(386)	(327)	(386)	(328)
Loans taken out	-	195,149	129,094	311,784
Payment of debt structuring costs	(856)	-	(856)	-
Repayment of loans	(110,267)	(145,279)	(239,073)	(178,165)
Interest paid	(41,004)	(20,740)	(48,781)	(22,915)
Capital increase (decrease) by noncontrolling shareholders	(361)	553	(24,507)	(5,881)
Net cash flows used in financing activities	(162,246)	(100,395)	(193,999)	(25,472)
Increase (decrease) in cash and cash equivalents	(10,981)	(83,039)	(113,291)	25,555
Cash and cash equivalents				
At beginning of period	287,215	416,630	723,954	731,569
At end of period	276,234	333,591	610,663	757,124

See accompanying notes.

Direcional Engenharia S.A.

Statements of value added
 Period ended June 30, 2022
 (In thousands of reais)

	Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Revenues				
Real estate sold and services rendered	20,347	21,792	1,107,364	906,608
Other operating income (expenses)	(2,466)	(4,356)	(27,060)	(18,897)
(Set-up) reversal of allowance for doubtful accounts	-	-	(4,541)	(5,766)
	17,881	17,436	1,075,763	881,945
Bought-in inputs				
Raw materials consumed	(1,650)	(4,208)	(555,526)	(424,842)
Materials, power, outsourced services and other operating expenses	(3,600)	(4,621)	(10,621)	(12,171)
Other	(7,894)	(6,953)	(102,392)	(92,717)
	(13,144)	(15,782)	(668,539)	(529,730)
Gross value added	4,737	1,654	407,224	352,215
Depreciation and amortization, net	(11,425)	(10,638)	(27,828)	(24,620)
Net value added produced by the Company	(6,688)	(8,984)	379,396	327,595
Value added received in transfer				
Equity pickup	180,894	147,086	9,054	5,240
Finance income	59,845	17,921	70,534	21,725
	240,739	165,007	79,588	26,965
Total value added to be distributed	234,051	156,023	458,984	354,560
Distribution of value added				
Personnel	46,666	35,787	151,703	124,863
Taxes, charges and contributions	5,224	2,351	70,979	82,198
Debt remuneration	113,457	50,089	132,068	58,409
Retained profits/losses	68,704	67,796	68,704	67,796
Portion of profit or loss attributed to noncontrolling interests	-	-	35,530	21,294
	234,051	156,023	458,984	354,560

See accompanying notes.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

1. Operations

Direcional Engenharia S.A. (“Direcional” or “Company”) is a publicly-held company headquartered in Belo Horizonte, Minas Gerais state, with shares traded on B3, under ticker symbol DIRR3.

Direcional is a real estate development and construction company engaged in developing medium low-income-oriented projects through its wholly-owned subsidiary Riva, primarily in the Northern, Northeastern, Midwestern and Southeastern regions of Brazil. Over its 41 years’ experience in developing and building low-income-oriented projects, the Company established a verticalized structure and a standardized and industrial construction process, which has allowed the construction of projects with high operational efficiency.

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

On August 08, 2022, 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 global pandemic due to the new coronavirus, Covid-19. This disease spread rapidly around the world, which led governments and private sector entities to adopt social distancing measures in order to curb the 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 the smooth running of the Company’s business.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. Covid-19 analysis (Continued)

After two years, the world remains under the effects of the COVID-19 pandemic, but there has been a significant advance in vaccination and, consequently, a considerable reduction in cases, which has made it possible to resume activities that were previously prohibited due to social distancing restrictions. The Company has carried out actions that aim to reinforce the importance of vaccination and raise awareness as to personal hygiene, the use of masks, and avoiding agglomerations among employees. These actions have been carried out by means of internal communications and notices posted in elevators, corridors and construction sites. Employees remain in a hybrid working regime, aiming to reduce the number of people in the office. The Company continues to provide hand sanitizers in the work environments and to maintain the hygiene at the end of the workday, in addition to requiring the use of masks in closed spaces. Direcional is attentive to communications from health authorities and government entities to always position itself correctly and preventively, aiming at the well-being and health of all employees and business partners.

Although the pandemic caused a major recession in the market, the Company faced this critical period without any layoffs. There was a positive effect on sales volume, due to the strong investment in the digitalization of sales channels, and also to the assertiveness in the projects that were launched.

1.1. Analysis of the impacts of the Russia-Ukraine conflict

Since February 2022, the conflict between Russia and Ukraine is being closely monitored, especially because of the tension caused in the markets and the direct consequence of the increase in prices of certain inputs directly affected by the conflict, either due to the impossibility of importing or exporting as a direct result of the war, or restrictions imposed by the allied countries. This new scenario of product shortages and price increases has raised concerns about inflation in the domestic and global markets.

The Company was able to transfer part of the cost increase to its products, gradually increasing the sales price. The excellent sales performance helps to keep margins stable, confirming how well positioned the Company is in the market, and shows that the launch and sales strategy has been assertive. The Company opts for a conservative position in the preparation of budgets, considering the impacts of the past, the current situation and future projections. This resilience is a result of a conservative and professional management of the day-to-day activities of the business. Direcional has undergone turbulent and difficult times, always adopting a humble and realistic position. It is a long journey that starts with the assertive choice of land and the best form of payment, approval of the economic feasibility of the project, marketing and sales strategy, and budget development and project execution. Any changes in the economic scenario, from rising interest rates, increased inflation, and even the political scenario, are being closely monitored by the managing officers.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.3. Going concern

Management assessed the Company's ability to continue as a going concern and is comfortable with its financial and operating position. It is not aware of any significant uncertainty that could put its operational capacity at risk. Accordingly, this interim financial information has been prepared based on the going concern assumption.

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

The individual and consolidated interim financial information has been prepared in accordance with CPC 21 (R1) - Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), including the pronouncements issued by Brazil's Financial Accounting Standards Board - FASB ("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 to manage the Company's operations.

The accounting practices adopted in the accompanying interim financial information are consistent with those described in Note 2 to the Company's financial statements for the year ended December 31, 2021, as filed with the CVM. Those accounting practices have been consistently applied to the periods presented.

2.1. Restatement of corresponding interim financial information as of 06/30/2021

As of June 30, 2022, the Company carried out accounting reclassifications referring to the breakdown of short-term investment yield in the cash flow. The table below shows the amounts after reclassification:

	06/30/2021					
	Individual			Consolidated		
	As originally stated	Adjustments	(Restated)	As originally stated	Adjustments	(Restated)
Cash flows from operating activities						
Short-term investment yield	-	(1,230)	(1,230)	-	(1,276)	(1,276)
Net cash flows from operating activities	(24,400)	(1,230)	(25,630)	29,769	(1,276)	28,493
Cash flows from investing activities						
Short-term investments	6,246	1,230	7,476	5,895	1,276	7,171
Net cash flows from investing activities	41,756	1,230	42,986	21,258	1,276	22,534

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

3. Cash and cash equivalents and short-term investments

3.1. Cash and cash equivalents

Description	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Cash and banks	1,755	1,332	217,796	239,215
Cash equivalents – short-term investments	274,479	285,883	392,867	484,739
Total	276,234	287,215	610,663	723,954

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 78.02% to 107.26% of the CDI, according to the nature and timing of each instrument. At June 30, 2022, the accumulated average gross remuneration of the Company's short-term investments was 105.48% of the CDI.

3.2. Short-term investments

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Investment in Financial Treasury Bills (government bonds)	343,295	251,412	345,611	252,985
Financial Bills (corporate bonds)	2,858	71,925	2,858	72,221
Total	346,153	323,337	348,469	325,206

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 set up are intended to monitor the variation of the Interbank Deposit Certificate (CDI), with investments in fixed income securities, government securities of other financial institutions, and open-ended investment funds, which provide liquidity and allow the best financial return within the pre-established risk limits.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

4. Accounts receivable

4.1. Accounts receivable from operations

Accounts receivable for real estate development	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Completed units	3,160	4,215	219,559	170,034
Units under construction	-	-	358,503	329,174
Receivables for land sold	-	-	3,980	2,126
(-) Allowance for doubtful accounts	-	-	(30,077)	(25,536)
(-) Present value adjustment	-	-	(14,427)	(14,741)
	3,160	4,215	537,538	461,057
Accounts receivable for services rendered				
Real estate intermediation	-	-	1,336	1,476
Firm-price construction contract	8,934	5,802	14,389	11,323
Other services	3,199	2,349	3,346	2,490
	12,133	8,151	19,071	15,289
	15,293	12,366	556,609	476,346
Current	13,961	11,340	351,399	231,761
Noncurrent	1,332	1,026	205,210	244,585

The Company recognizes allowance for doubtful accounts receivable from installments of direct financing with the customer. The changes in the balance are as follows:

	12/31/2021	(-) Allowance	(+) Reversal	06/30/2022
Changes in ADA	(25,536)	(14,489)	9,947	(30,078)

Because of the revenue recognition criteria, the balance of accounts receivable from units under construction sold is not fully reflected in the interim financial information since its recording is limited to the portion of revenue recognized, net of installments already received. Balances receivable not recognized in the interim financial information are presented in Note 17 (a).

The Company calculated the present value of accounts receivable for units under construction and recorded the amount considering the average discount rate of 5.04% p.a., which is represented by the average funding rate of loans and financing, less the Extended Consumer Price Index (IPCA).

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.1. Accounts receivable from operations (Continued)

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

On December 15, 2020, the Company entered into a Real Estate Credit Assignment agreement, through its subsidiaries, with True Securitizadora S.A. The net amount of the transaction was of R\$116,968. At June 30, 2022, the balance receivable related to this transaction was R\$156.

On December 13, 2021, the Company entered into a new Real Estate Credit Assignment agreement, through its subsidiaries, with True Securitizadora S.A. The net value of the assignment was of R\$100,789. At June 30, 2022, the balance receivable totaled R\$336.

On June 23, 2022 the Company entered into a Real Estate Credit Rights Assignment agreement, through its subsidiaries, with True Securitizadora S.A. The net value of the assignment was of R\$43,281. At June 30, 2022, the balance receivable totaled R\$1,134.

At June 30, 2022 and December 31, 2021, the aging list of receivables from real estate development and services rendered, recorded in current assets, is as follows:

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.1. Accounts receivable from operations (Continued)

	Consolidated	
	06/30/2022	12/31/2021
Falling due		
Within 3 months	158,752	97,924
From 3 to 6 months	59,277	26,915
From 6 to 9 months	29,662	27,090
From 9 months to 1 year	64,811	38,572
	312,502	190,501
Overdue		
Within 1 month	2,627	8,847
From 1 to 2 months	1,571	1486
From 2 to 3 months	1,078	936
From 3 to 4 months	1,217	1,066
From 4 to 6 months	2,030	1,309
Above 6 months	30,374	27,616
	38,897	41,260
	351,399	231,761

The aging list of amounts falling due, recorded in noncurrent assets at June 30, 2022 and December 31, 2021 is as follows:

	06/30/2022	12/31/2021
1-2 years	109,356	153,089
Up to 3 years	47,791	52,957
Up to 4 years	15,659	12,548
After 4 years	32,404	25,991
	205,210	244,585

4.2. Other accounts receivable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Accounts receivable for disposal of units of interest	501	10,258	17,162	17,540
	501	10,258	17,162	17,540
Current	501	10,258	4,865	17,540
Noncurrent	-	-	12,297	-

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.2. Other accounts receivable (Continued)

Changes in accounts receivable for disposal of units of interest are as follows:

	<u>Individual</u>	<u>Consolidated</u>
12/31/2021	10,258	17,540
(+) Disposals	-	5,297
(+/-) Corrections	-	1,154
(-) Receipts	<u>(9,757)</u>	<u>(6,829)</u>
06/30/2022	<u>501</u>	<u>17,162</u>

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 on issue of the construction permit in the land paid relating to the SPE sold, which is expected to occur by June 30, 2023. In the 3rd quarter of 2021, an agreement was reached between the parties and three (3) installments were paid relating to those 10 installments, remaining only 7 installments conditioned on the permit. At June 30, 2022, the balance receivable is R\$7,000.

On December 10, 2020, Riva Incorporadora S.A, a Company subsidiary, sold 50% of the interest held in Osasco Lote 2 Empreendimentos Imobiliarios SPE Ltda. to Eztec Empreendimentos e Participações S.A. for R\$8,250. At December 31, 2021, the balance receivable totaled R\$4,089, which was fully settled on February 23, 2022.

On June 2, 2021, the Company entered into another transaction with Eztec and sold 50% of the interest held in Osasco Lote 3 Empreendimentos Imobiliários SPE Ltda. for R\$9,250. In the first six months of 2022, the amount of R\$1,857 was paid and, as of June 30, the balance receivable is R\$4,364.

On August 20, 2021, the Company carried out a new sale transaction of Lago da Pedra Participações S.A. to a new real estate fund, with disposal of 90% of the units of interest for R\$55,051. The balance receivable at June 30, 2022 amounts to R\$501.

On February 3, 2021, the Company sold 100% of the units of interest of SPE Braga Empreendimentos Imobiliarios Ltda. for R\$6,822. This amount was settled on June 6, 2022.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.2. Other accounts receivable (Continued)

On April 13, 2021, the Company sold 100% of the units of interest of SPE Nova Brasilia Empreendimentos Imobiliarios Ltda. for R\$8. This amount was settled on June 6, 2022.

On March 9, 2021, the Company sold 100% of the units of interest of SPE Verona Empreendimentos Imobiliários Ltda. for R\$2,927. This amount was settled on June 6, 2022.

On June 21, 2022, Riva Incorporadora S.A. sold 35% of the units of interest of Riva Incorporadora S/A – SCP Riva Barra to Ager Projeto 11 Empreendimentos Imobiliários Ltda. for R\$5,297, and this amount remains outstanding at June 30, 2022.

4.3. Other receivables

Description	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Receivables for sale of property and equipment	7,611	7,272	7,611	7,272
Sundry advances	17,700	17,700	18,020	18,020
Receivables from customers	44,648	39,736	61,837	49,155
Derivatives receivable	12,746	-	12,746	-
Intercompany loans receivable	21,043	21,243	22,624	21,243
New business prospecting	6,939	6,470	10,649	8,927
Prepaid selling expenses	722	27	32,180	26,638
Prepaid finance costs	-	-	57,198	32,891
Other receivables	53,034	58,925	67,812	77,876
Total	164,443	151,373	290,677	242,022
Current	143,396	130,126	267,847	220,565
Noncurrent	21,047	21,247	22,830	21,457

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

5. Inventories

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Completed units	181	181	71,046	77,447
Units under construction	-	-	642,005	660,864
Land to be developed	11,681	97,322	2,853,325	2,795,716
	11,862	97,503	3,566,376	3,534,027
Current	181	181	1,315,234	1,230,591
Noncurrent	11,681	97,322	2,251,142	2,303,436

As of June 30, 2022, inventories of completed real estate units were submitted to impairment tests. The total balance of adjustment to realizable value in June 2022 is R\$3,088 (R\$3,056 in December 2021).

	12/31/2021	(+) Adjustment to net recoverable amount	(-) Reversal of adjustment to net recoverable amount	06/30/2022
Individual	-	-	-	-
Subsidiaries	(3,056)	(32)	-	(3,088)
Consolidated	(3,056)	(32)	-	(3,088)

5.1. Capitalized interest

Interest incurred in connection with project financing is recorded under “Units under construction” and “Completed units” in accordance with OCPC 01, and posted to profit or loss when the units are sold. At June 30, 2022, interest totaling R\$3,670 (R\$682 for the period ended June 30, 2021) was capitalized in the inventories account. The amount of R\$7,425 (R\$6,929 at December 31, 2021), referring to unsold units, remains capitalized in the inventories account. The average interest capitalization rate was 13.26% in June 2022 (9.70% for the year ended December 31, 2021). As at June 30, 2022 and December 31, 2021, there was no project financing in the individual financial information.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

6. Transactions with related parties

6.1. Related companies

Assets	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Receivables from venture partners in projects (a)	4,950	5,578	16,457	36,120
Checking account with ventures in projects (b)	140,063	127,157	43,318	47,777
	145,013	132,735	59,775	83,897
Current	145,013	132,735	59,775	82,261
Noncurrent	-	-	-	1,636
Liabilities	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Payables to venture partners in projects (a)	325	325	12,231	8,264
Checking account with ventures in projects (b)	12,142	10,416	2,724	6,336
	12,467	10,741	14,955	14,600
Current	12,467	10,741	14,955	14,600
Noncurrent	-	-	-	-

(a) Receivables and payables to venture partners: The Company carries out loan transactions with certain venture partners, generally noncontrolling shareholders of said SPEs, which 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., and are secured by the results obtained from the ventures, so that the partners' right to share such results is conditional upon settlement of the transactions. In 2020, the Company recognized a provision for loss of R\$5,240 referring to receivables from a specific partner. There was no additional provision in the year ended December 31, 2021 and period ended June 30, 2022.

(b) These transactions refer exclusively to the contribution of funds for the construction of units, and are not subject to interest. On February 17, 2021, Riva reduced its capital in order to return capital to shareholders, in the amount of R\$86,531, with R\$85,666 paid to the Company. The amounts of R\$40,000 and R\$18,246 were paid to the Company on June 30, 2021 and November 5, 2021, respectively, as capital reduction made on February 17, 2021. At June 30, 2022, the balance receivable from Riva is R\$28,285.

Profit or loss

The Company charters aircraft from ALVG Investimentos e Participações Ltda. ("ALVG") for the transportation of executives during the performance of business-related activities. In the period ended June 30, 2022, the average monthly amount of R\$205 was paid in connection with aircraft chartering. ALVG is a company controlled by the same controlling group as that of Direcional.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

6. Transactions with related parties (Continued)

6.1. Related companies (Continued)

On December 10, 2014, the Company entered into a sale and lease back contract relating to the property where its head office is located, effective for 12 years, with Fundo de Investimentos BRL Edifícios Comerciais, the buyer of this property. This transaction was approved by the Company's Board of Directors and carried out at market value, as assessed by CB Richard Ellis (CBRE). In the period ended June 30, 2022, the average amount of R\$630 was paid monthly (monthly amounts of R\$591 as of December 31, 2021) 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 contracts for adoption of CPC 06 (R2)/IFRS 16, the Company identified that the lease contract of the property met the requirements of the standard and, as such, the amount of the net debt discounted at the incremental borrowing rate on right-of-use assets was recognized against lease liabilities payable.

6.2. Management and Supervisory Board compensation

Total annual compensation of management and board members (i) proposed by Company management for decision at the GSM that held on April 29, 2022; and (ii) paid in 2021 is as follows:

Proposal for 2022	2022			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	7	17
Fixed annual compensation (R\$)	1,800	200	4,100	6,100
Variable compensation (R\$)	500	-	2,500	3,000
Share-based payment (R\$) (**)	-	-	4,000	4,000
	2,300	200	10,600	13,100

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

6. Transactions with related parties (Continued)

6.2. Management and Supervisory Board compensation (Continued)

Paid in 2021	2021			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	6	16
Fixed annual compensation (R\$)	1,610	157	3,320	5,087
Variable compensation (R\$)	337	-	1,871	2,208
Share-based payment (R\$) (**)	42	-	716	758
	<u>1,989</u>	<u>157</u>	<u>5,907</u>	<u>8,053</u>

(*) The number of members of the Company's Board of Directors, Supervisory Board and Statutory Board was calculated in accordance with the provisions in CVM/SEP Memorandum Circular No. 02/2020.

(**) Share-based payment of Riva is made through the Company's stock option plan. The amount for 2021 was R\$386, while the amount proposed for 2022 is R\$246.

Key management personnel also receive compensation through the stock option plan of the Company, as described in Note 22. The Company does not offer private pension plans or any post-employment pension plan or benefits.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

7. Investments

a) Changes in the most significant balances from December 31, 2021 to June 31, 2022

Subsidiaries	Equity interest	12/31/2021	Dividends/ amortization	Equity pickup	Capital subscription (reduction)/ Future capital contribution	06/30/2022
RIVA INCORPORADORA S/A	94.50%	305,477	-	23,752	573	329,802
CANARIO ENGENHARIA LTDA.	100.00%	92,444	-	8,179	(21,946)	78,677
ITAPEMA EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	99.90%	55,643	(29,509)	15,633	6,133	47,900
DIRECIONAL TAGUATINGA ENGENHARIA LTDA	100.00%	53,184	(18,515)	8,710	(79)	43,300
BELLA MOEDA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	44,467	-	(4)	26	44,489
AZURITA EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	30,879	-	(476)	(281)	30,122
RIO LARGO EMPREENDIMENTO IMOBILIÁRIOS LTDA	99.90%	28,331	-	2,252	(892)	29,691
ARAGUACEMA EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	27,251	-	7,291	(7,833)	26,709
CONSTANTINA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	24,599	(12,732)	1,043	(6,691)	6,219
PARQUE DAS CEREJEIRAS EMPREENDIMENTOS IMOBILIARIOS LTDA	100.00%	24,349	-	(8,995)	274	15,628
ARARI EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	24,213	-	167	(13,543)	10,837
SAQUAREMA EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	23,933	-	4,837	(6,372)	22,398
ARANTINA EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	23,040	(1,310)	6,027	(15,186)	12,571
COLINA EMPREENDIMENTOS IMOBILIARIOS SPE LTDA	100.00%	20,198	-	5,851	8,289	34,338
ALCOBAÇA CONSTRUÇÕES E EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	99.90%	18,761	-	1	79	18,841
SAO GOTARDO EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	18,590	(7,386)	4,766	(5,443)	10,527
VISTA SERRANA EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	18,118	-	6,385	(641)	23,862
ALTO SANTO EMPREENDIMENTOS IMOBILIARIOS LTDA.	99.90%	17,568	(21,312)	3,523	14,301	14,080
NOVA ALMENARA EMPREENDIMENTOS IMOBILIARIOS LTDA	99.90%	17,052	-	4,446	4,700	26,198
Other subsidiaries	-	588,605	(147,936)	82,453	131,612	654,734
Total - Subsidiaries:		1,456,702	(238,700)	175,841	87,080	1,480,923
Joint ventures (Individual)	-	62,311	(2,227)	5,053	(3,505)	61,632
Total - Individual		1,519,013	(240,927)	180,894	83,575	1,542,555
Joint ventures (Individual)		62,311	(2,227)	5,053	(3,505)	61,632
Joint ventures (subsidiaries)		55,669	(1,883)	4,001	7,140	64,927
Total - Consolidated	-	117,980	(4,110)	9,054	3,635	126,559

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

7. Investments (Continued)

b) Breakdown of balances of subsidiaries and joint ventures at June 30, 2022

Subsidiaries	Equity interest	Assets		Liabilities		Equity
		Current	Noncurrent	Current	Noncurrent	
Riva Incorporadora S/A	94.50%	97,134	505,925	105,869	135,965	361,225
Canario Engenharia Ltda.	100.00%	141,022	2,536	21,296	43,585	78,677
Itapema Empreendimentos Imobiliários Spe Ltda	99.90%	55,974	58,919	11,375	55,570	47,948
Bella Moeda Empreendimentos Imobiliários Ltda	100.00%	-	44,493	4	-	44,489
Direcional Taguatinga Engenharia Ltda	100.00%	35,817	22,451	12,424	2,544	43,300
Manauara Vii Empreendimentos Imobiliários Spe Ltda	100.00%	39,089	2,256	1,441	314	39,590
Alto Burity Participações Societárias Ltda	62.00%	2,423	35,006	1,878	-	35,551
Colina Empreendimentos Imobiliários Spe Ltda	100.00%	40,667	4,966	4,638	6,657	34,338
Coroados Empreendimentos Imobiliários Ltda	99.90%	40,181	5,010	8,578	3,427	33,186
Rio Largo Empreendimento Imobiliários Ltda	99.90%	32,817	1,955	4,566	486	29,720
Novo Hamburgo Empreendimentos Imobiliários Ltda	50.00%	47,996	644	5,406	13,908	29,326
Altos Pílares Empreendimentos Imobiliários Ltda	100.00%	28,019	702	274	-	28,447
Direcional Santo Antônio Empreendimentos Imobiliários Ltda	100.00%	1	27,810	4	-	27,807
Santa Ines Empreendimentos Imobiliários Ltda	100.00%	28,070	42,083	23,518	19,019	27,616
Araguacema Empreendimentos Imobiliários Ltda	99.90%	27,313	5,051	2,445	3,183	26,736
Nova Almenara Empreendimentos Imobiliários Ltda	99.90%	34,974	1,747	5,334	5,163	26,224
Vista Serrana Empreendimentos Imobiliários Ltda	99.90%	22,175	51,207	8,124	41,372	23,886
Saquarema Empreendimentos Imobiliários Ltda	99.90%	14,488	31,553	3,952	19,668	22,421
Viçosa Empreendimentos Imobiliários Ltda	100.00%	73	21,995	1	-	22,067
Nova Olinda Empreendimentos Imobiliários Ltda	99.90%	29,689	31,526	10,392	29,375	21,448
Nova Itabira Empreendimentos Imobiliários Ltda - Scp Confisco	50.00%	14,909	11,479	4,821	892	20,675
Nova Uba Empreendimentos Imobiliários Ltda	99.90%	26,562	11,751	7,729	10,630	19,954
Riacho Branco Empreendimentos Imobiliários Ltda	95.87%	23,875	4,982	7,712	1,407	19,738
Bfre Assessoria Empresarial E Participacoes Ltda	100.00%	1,035	18,460	581	-	18,914
Other subsidiaries	-	1,378,322	1,934,363	379,229	2,011,361	922,095
Total - Subsidiaries		2,162,625	2,878,870	631,591	2,404,526	2,005,378
Joint ventures		221,841	117,214	62,923	62,950	213,182

As at June 30, 2022 and December 31, 2021, 55.87% and 51.23% of the Company's assets, respectively, were included in the equity segregation structure, as established by Law No. 10931/04.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

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 12/31/2021	12,186	144,516	3,568	779	8,122	9,353	52,806	227	231,557
Additions	-	20,855	16	-	627	34	299	-	21,831
Write-offs	-	-	-	-	-	-	-	-	-
Balance at 06/30/2022	12,186	165,371	3,584	779	8,749	9,387	53,105	227	253,388
Depreciation									
Balance at 12/31/2021	(11,729)	(116,088)	(2,531)	(753)	(4,952)	(5,251)	(22,022)	(220)	(163,546)
Depreciation for the period	(77)	(8,741)	(138)	(8)	(507)	(411)	(3,621)	(3)	(13,506)
Write-offs	-	-	-	-	-	-	-	-	-
Balance at 06/30/2022	(11,806)	(124,829)	(2,669)	(761)	(5,459)	(5,662)	(25,643)	(223)	(177,052)
Carrying amount									
At 12/31/2021	457	28,428	1,037	26	3,170	4,102	30,784	7	68,011
At 06/30/2022	380	40,542	915	18	3,290	3,725	27,462	4	76,336

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

8. Property and equipment (Continued)

Consolidated

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Sales stands	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8%	(a)	(c)	-	
Cost										
Balance at 12/31/2021	23,970	148,871	8,629	2,458	14,538	9,903	100,011	54,271	1,260	363,911
Additions	82	25,385	169	-	1,544	43	4,588	299	-	32,110
Write-offs	-	-	-	-	-	-	-	-	-	-
Balance at 06/30/2022	24,052	174,256	8,798	2,458	16,082	9,946	104,599	54,570	1,260	396,021
Depreciation										
Balance at 12/31/2021	(21,600)	(119,601)	(6,156)	(2,419)	(9,392)	(5,313)	(76,117)	(23,016)	(1,222)	(264,836)
Depreciation for the period	(353)	(8,741)	(300)	(12)	(869)	(466)	(6,413)	(3,839)	(7)	(21,000)
Write-offs	-	-	-	-	-	-	-	-	-	-
Balance at 06/30/2022	(21,953)	(128,342)	(6,456)	(2,431)	(10,261)	(5,779)	(82,530)	(26,855)	(1,229)	(285,836)
Carrying amount										
At 12/31/2021	2,370	29,270	2,473	39	5,146	4,590	23,894	31,255	38	99,075
At 06/30/2022	2,099	45,914	2,342	27	5,821	4,167	22,069	27,715	31	110,185

(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.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

8. Property and equipment (Continued)

Consolidated (Continued)

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

The Company and its subsidiaries have entered into 30 finance lease agreements for the acquisition of aluminum molds. The carrying amount of property and equipment under finance lease agreements at June 30, 2022 amounted to R\$174,256 (R\$148,871 at December 31, 2021). Property and equipment items acquired for the period on a conditional sale basis amounted to R\$25,385 and are guaranteed by the leased items.

9. Loans, financing and leases

9.1. Loans and financing

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Construction financing	-	-	95,892	42,172
FINAME and finance lease of equipment	11,354	10,800	13,104	12,768
Mortgage-backed securities (CRI)	695,243	668,981	704,108	728,884
Bank Credit Note (CCB)	-	100,445	-	100,445
Debentures	361,357	357,133	361,356	357,133
Grand total	1,067,954	1,137,359	1,174,460	1,241,402
Current	137,623	125,358	139,362	127,205
Noncurrent	930,331	1,012,001	1,035,098	1,114,197
Current	137,623	125,358	139,362	127,205
Noncurrent	930,331	1,012,001	1,035,098	1,114,197

Construction financing

This type of loan aims to finance projects during construction. Interest rates applicable to these loans range between 8.3% and 9.75% p.a., according to the transaction, restated by the Referential Rate (TR) and also 127% and 137% of the CDI. These transactions are backed by mortgages of properties of the respective projects.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Leases

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

Mortgage-backed securities (CRI)

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 issue date of CRIs, comprises conventional interest of 5.08% per annum, plus IPCA. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not have an issuer's floating guarantee either. Maturity is in December 2024.

In March 2021, a derivative financial instrument (swap) was entered into for the same period (up to December 2024), to hedge the Company exposure to the IPCA rate. The swap transaction aims at equity hedge, mitigating the effects of rate fluctuations by replacing IPCA for CDI less 1.45% p.a. In December 2021, this swap was settled, so as to enable - from a new swap contract taken out on the same date - accounting for the operation under the hedge accounting methodology. The purpose of this change is of a purely accounting nature, to protect the Company's statement of financial position from possible fluctuations arising from the mark-to-market (MtM), while ensuring continuing protection in relation to the variation of the IPCA. This contract allowed the replacement of the IPCA with CDI minus 0.89% p.a. The impacts of this transaction are presented in Note 21.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Mortgage-backed securities (CRI) (Continued)

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 issue date of CRIs, comprises conventional interest of 104% of the accumulated variation of the DI rate. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not have an issuer's floating guarantee either. Maturity is in July 2025.

356th and 357th series: These consist of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. This is the 1st issue of subsidiary Riva Incorporadora S/A, carried out in two series, and Direcional is its guarantor within the scope of the debenture issue indenture. For each series, thirty thousand (30,000) unsecured debentures were issued. The remuneration of CRIs, on the balance of unit par value from the issue date, comprises conventional interest ranging from 3.60% to 3.40% p.a., 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 have an issuer's floating guarantee either. This issue will mature in July 2033 and July 2032, respectively.

371st series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. This is the 7th issue of non-privileged unsecured nonconvertible debentures of Direcional. Two hundred thousand (200,000) debentures were issued. The remuneration of CRIs, on the balance of unit par value of CRI from the issue date of CRIs, comprises conventional interest of 4.8444% p.a., plus 100% of the accumulated variation of IPCA. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not have an issuer's floating guarantee either. Maturity is in April 2028.

Subsequently to the issue, another derivative financial instrument (swap) was entered into for the same period (up to April 2028), to hedge the Company exposure to the IPCA rate. The swap transaction aims at equity hedge, mitigating the effects of the price index volatility. Accordingly, the exposure to the debenture yield is now pegged to the CDI variation plus 1.4522% p.a. The impacts of this transaction are presented in Note 21.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Corporate Bank Credit Notes

CCB Compror issued by Banco Santander in the amount of R\$100,000.00 (one hundred million reais). The interest rate charged is 2.50% p.a. plus CDI rate, as calculated and disclosed by CETIP ("DI rate"). No specific guarantees were established, whether as a security interest or personal guarantee, on this CCB Compror, which will not have an issuer's floating guarantee either. This issue will mature in July 2023.

Debentures

6th Issue: In September 2020, the Company carried out the 6th issue of single-series non-privileged unsecured nonconvertible debentures, for public distribution with restricted distribution efforts. The Debentures have a maturity of five years, counting from the Issue Date, therefore, maturing in September 2025. Debentures totaling 250,000 (two hundred and fifty thousand) were issued, whose unit value on the issue date was R\$1,000.00 (one thousand reais). Regarding the remuneration, the debenture unit par value will bear conventional interest equivalent to 100% (one hundred percent) of the accumulated variation of the DI Rate, plus a spread (surcharge) equivalent to 2.85% (two point eighty-five percent) p.a. No specific guarantees were established, whether as a security interest or personal guarantee, on debentures, which will not have an issuer's floating guarantee either.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Debentures (Continued)

8th Issue: In October 2021, the Company carried out its 8th issue of single-series non-privileged unsecured nonconvertible debentures, for public distribution with restricted distribution efforts. The Debentures have a maturity of five years, counting from the Issue Date, therefore, maturing in October 2026. Debentures totaling 100,000 (one hundred thousand) were issued, whose unit value on the issue date was R\$1,000.00 (one thousand reais). Regarding the remuneration, the debenture unit par value will bear conventional interest equivalent to 100% (one hundred percent) of the accumulated variation of the DI Rate, plus a spread (surcharge) equivalent to 1.65% (one point sixty-five percent) p.a. No specific guarantees were established, whether as a security interest or personal guarantee, on debentures, which will not have an issuer's floating guarantee either.

Debenture contracts and CRIs are subject to a financial covenant, which can be calculated using the formula below. Maturities will only be brought forward if they exceed this limit, which at June 30, 2022, was 0.1408.

$$\frac{\text{Corporate net debt}}{\text{Equity}} < 0.5$$

The noncurrent portion of loans as at June 30, 2022 matures as follows:

Period	06/30/2022	
	Individual	Consolidated
July 2023 to June 2024	266,985	270,789
July 2024 to June 2025	262,099	273,121
July 2025 to June 2026	240,660	265,392
July 2026 onwards	160,587	225,796
	<u>930,331</u>	<u>1,035,098</u>

9.2. Lease financing

The Company has real estate and vehicle leases. The term of real estate leases ranges from 1 to 5 years, while vehicles have a term of one year.

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

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.2. Lease financing (Continued)

Breakdown of leases is as follows:

	06/30/2022	
	Individual	Consolidated
Balance at 12/31/2021	34,324	35,217
Additions	299	299
Payment of principal	(3,831)	(3,949)
Payment of interest	(386)	(386)
PVA (interest allocated)	1,009	1,035
Balance at 06/30/2022	<u>31,415</u>	<u>32,216</u>
Current	9,270	9,952
Noncurrent	22,145	22,264

	12/31/2021	
	Individual	Consolidated
Balance at 12/31/2020	38,389	39,566
Additions	795	793
Payment of principal	(8,158)	(8,502)
Payment of interest	(713)	(713)
Restatement	1,717	1,717
PVA (interest allocated)	2,294	2,356
Balance at 12/31/2021	<u>34,324</u>	<u>35,217</u>
Current	9,339	10,088
Noncurrent	24,985	25,129

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

	06/30/2022	
	Individual	Consolidated
Within one year	9,270	9,952
Between 1 and 2 years	6,669	6,725
Between 2 and 3 years	6,113	6,164
More than 3 years	9,363	9,375
	<u>31,415</u>	<u>32,216</u>

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

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

9. Loans, financing and leases (Continued)

9.2. Lease financing (Continued)

Consolidated	Consideration (no future inflation)	Consideration (with future inflation)	Inflation not included in contracts
1 st year	9,952	10,448	496
2 nd year	6,724	7,153	429
3 rd year	6,164	6,558	394
4 th year	5,748	6,123	375
5 th year	3,628	3,867	239
	32,216	34,149	1,933

10. Labor obligations

Breakdown of labor obligations is as follows:

Description	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Salaries and withdrawals payable	3,435	2,249	8,449	6,338
Labor and social security charges	2,062	2,032	5,583	5,332
Labor accruals	12,713	6,988	29,700	17,612
Other	1,029	1,380	1,661	2,545
	19,239	12,649	45,393	31,827

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 using the POC method, in which the realization of accounts receivable is deferred throughout the flow of each contract:

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

11. Tax obligations (Continued)

Current taxes	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
PIS	131	157	213	238
COFINS	694	853	1,081	1,228
Special taxation regime	-	-	9,226	11,027
IRPJ	-	-	1,039	703
CSLL	-	-	510	331
Other	392	411	3,577	3,093
	1,217	1,421	15,646	16,620
Deferred taxes				
PIS	8	6	2,092	1,783
COFINS	39	26	9,604	8,176
Present value adjustment	-	-	(596)	(605)
IRPJ	28	18	7,081	6,031
CSLL	14	9	3,709	3,159
Other	-	-	(581)	(369)
	89	59	21,309	18,175
	1,306	1,480	36,955	34,795
Current	1,306	1,480	29,073	25,094
Noncurrent	-	-	7,882	9,701

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.

	12/31/2021	(+) Acquisitions	(-) Payments	(+/-) Revisions	(+/-) Transfer to SPEs	06/30/2022
Individual	70,877	2,550	-	-	(61,445)	11,982
Current	-					-
Noncurrent	70,877					11,982
		(+) Acquisitions	(-) Payments	(+/-) Revisions	(-) Cancellation of contracts	06/30/2022
Consolidated	2,122,997	165,567	(123,227)	(2,918)	(28,906)	2,133,513
Current	62,779					130,501
Noncurrent	2,060,218					2,003,012

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

12. Real estate commitments payable (Continued)

	Consolidated	
	06/30/2022	12/31/2021
Aging list:		
Within 1 year	130,501	62,779
1-2 years	1,067,435	1,289,516
2-3 years	466,468	446,073
3-4 years	152,812	105,703
After 4 years	316,297	218,926
	<u>2,133,513</u>	<u>2,122,997</u>

13. Advances from customers

Individual	12/31/2021	(+) Acquisitions/ receipts	(-) Amortization	(-) Transfer to SPEs	06/30/2022
Advance - physical barter of plot of land (i)	27,086	-	-	(26,706)	380
Total advances	<u>27,086</u>	<u>-</u>	<u>-</u>	<u>(26,706)</u>	<u>380</u>
Current	-				-
Noncurrent	27,086				380

Consolidated	12/31/2021	(+) Acquisitions/ receipts	(-) Amortization	(+/-) Revisions	(-) Write-offs/ cancellations	06/30/2022
Advance - physical barter of plot of land (i)	377,060	15,876	(4,863)	(3,584)	-	384,489
Advances for receipt (ii)	12,989	17,104	(9,584)	-	-	20,509
Total advances	<u>390,049</u>	<u>32,980</u>	<u>(14,447)</u>	<u>(3,584)</u>	<u>-</u>	<u>404,998</u>
Current	14,705					40,483
Noncurrent	<u>375,344</u>					<u>364,515</u>

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

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

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

14. Other accounts payable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Debts to customers	9,415	6,571	13,691	9,760
Debts to partners (a)	-	-	26,920	26,920
Accounts payable for acquisition of equity interest (b)	2,028	2,028	101,617	116,129
Dividends proposed	-	-	417	417
Capital deficiency (c)	13,392	8,904	-	-
Derivatives payable	13,415	3,669	13,415	3,669
Credit assignment – sale of portfolio	50,393	-	6,560	-
Other	12,221	9,847	36,918	30,843
Total	100,864	31,019	199,538	187,738
Current	98,836	28,991	102,146	90,346
Noncurrent	2,028	2,028	97,392	97,392

(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 plots of land 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 plots of land 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. On December 10, 2020, Riva acquired 100% of the units of interest of Grauna Incorporadora Ltda. for R\$11,400 and the balance at June 30 totals R\$5,335. On June 15, 2021, the Company acquired 83.33% equity interest in Jardim Santo Antonio Incorporação Imobiliária SPE Ltda. for R\$4,607, payable in a single installment maturing on June 15, 2024. On this same date, the Company acquired 83.33% equity interest in Jardim Bela Vista Incorporação Imobiliária SPE Ltda. for R\$5,109, maturing on June 15, 2025. On May 5, 2021, the subsidiary Riva Incorporadora S.A. acquired 100% equity interest in BFRE Assessoria Empresarial e Participações Ltda. for R\$86,564. The balance payable at June 30 totals R\$76,364. On June 2, 2021, Riva acquired 100% of the units of interest of Osasco Lote 3 Empreendimentos Imobiliários SPE Ltda. for R\$18,500, subject to restatement by reference to the IPCA. The balance at June 30 was R\$8,173. On August 23, 2021, the Company acquired all units of interest of companies Muqui, Mirante, Guarinos, Arapiraca, Mar Turmalina and Lagoa for the amount of R\$28,163, settled on that same date.

(c) This account shows investments in subsidiaries or joint ventures with capital deficiency.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

15. Provisions

15.1. Provision for warranty

	<u>Individual</u>	<u>Consolidated</u>
Balance at 12/31/2021	2,258	40,194
(+) Provisions	875	11,110
(-) Reversals/write-offs	(414)	(561)
(-) Payments	(1,288)	(8,204)
Balance at 06/30/2022	1,431	42,539

	<u>Individual</u>		<u>Consolidated</u>	
	<u>06/30/2022</u>	<u>12/31/2021</u>	<u>06/30/2022</u>	<u>12/31/2021</u>
Current	1,431	2,258	30,591	28,143
Noncurrent	-	-	11,948	12,051
	1,431	2,258	42,539	40,194

The Company recognizes provisions for warranty 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.

The provisions for construction warranty are based on reviews of historical cash outflows regarding maintenance expenses, which represent 1.21% in development work and 0.97% in service work of the total budgeted cost of each project in June 2022.

15.2. Provision for tax, labor and civil contingencies

	<u>Individual</u>			<u>Total</u>
	<u>Tax</u>	<u>Labor</u>	<u>Civil</u>	
Balance at December 31, 2021	-	1,771	2,284	4,055
Provisions	30	27	2,091	2,148
Reversals	-	(338)	(30)	(368)
Payments	-	(599)	(890)	(1,489)
Balance at June 30, 2022	30	861	3,455	4,346

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

15. Provisions

15.2. Provision for tax, labor and civil contingencies (Continued)

	Consolidated			Total
	Tax	Labor	Civil	
Balance at December 31, 2021	102	7,508	16,398	24,008
Provisions	36	2,903	10,005	12,944
Reversals	-	(2,106)	(3,317)	(5,423)
Payments	-	(2,193)	(3,479)	(5,672)
Balance at June 30, 2022	138	6,112	19,607	25,857

The Company is a party to other tax, civil and labor claims arising from its ordinary course of business for which the likelihood of loss is considered possible by management and its legal advisors. At June 30, 2022, consolidated amounts are as follows: labor claims total R\$23,800, tax proceedings total R\$14,947, and civil proceedings total R\$278,827. Consequently, no provision was set up to cover possible unfavorable outcomes.

16. Equity

16.1. Capital

In May 2021, the Company's Board of Directors approved the cancellation of 3,398,749 (three million, three hundred and ninety-eight thousand, seven hundred and forty-nine) common shares held in treasury.

In December 2021, the Company's Board of Directors approved the contracting of a derivative transaction referenced to the Company's shares, which resulted in 4,000,000 shares sold for the consummation of this transaction. This contract was executed with a first-rate financial institution and will be effective for at most 18 (eighteen) months.

Accordingly, the Company's fully subscribed and paid in capital amounts to R\$752,982, comprising 150,000,000 registered, book-entry common shares with no par value, of which 149,196,408 are outstanding shares and 803,592 treasury shares.

Authorized capital as at the reporting date is R\$1,200,000.

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

16. Equity (Continued)

16.2. Treasury shares

For the period ended June 30, 2022, the number of treasury shares assigned under the Share Matching Programs I and II was 213,224, with a remaining balance of 590,368 shares. The expense recognized with respect to assigned treasury shares was R\$1,773 and the average acquisition price of the assigned shares was R\$1,953, thus generating a loss of R\$180 recognized directly in P&L for the period.

In the period ended June 30, 2022, 549,000 shares were repurchased at market value totaling R\$5,539, resulting in 148,860,632 outstanding shares and 1,139,368 treasury shares.

	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	663,209	(663,209)	-
Share buyback	(1,882,500)	1,882,500	-
December 31, 2020	146,705,719	6,693,030	153,398,749
Cancellation of treasury shares	-	(3,398,749)	(3,398,749)
Treasury shares sold/assigned	4,733,489	(4,733,489)	-
Share buyback	(2,242,800)	2,242,800	-
December 31, 2021	149,196,408	803,592	150,000,000
Cancellation of treasury shares	-	-	-
Treasury shares sold/assigned	213,224	(213,224)	-
Share buyback	(549,000)	549,000	-
June 30, 2022	148,860,632	1,139,368	150,000,000

The Board of Directors approved five buyback programs of Company shares issued between 2011 and 2021, to be held in treasury and later cancelled or sold, without capital reduction, in order to maximize shareholder value. Accordingly, 12,769,705 shares were acquired, with disbursement of R\$110,416 at an average price of R\$8.65 per share. In May 2021, the Company's Board of Directors approved the cancellation of 3,398,749 (three million, three hundred and ninety-eight thousand, seven hundred and forty-nine) common shares held in treasury. In December 2021, the Company's Board of Directors approved the contracting of a derivative transaction referenced to the Company's shares, which resulted in 4,000,000 shares sold and 803,592 treasury shares for the consummation of this transaction. The total value of the transaction was of R\$50,760.

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Notes to interim financial information (Continued)
June 30, 2022
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16. Equity (Continued)

16.3. Capital reserves

16.3.1. Capital reserve for stock option grants

As described in Note 22, the Company recognizes in this account the services received in consideration for the grant of stock options, together with the exercise of stock options.

16.4. Income reserve

16.4.1. Legal reserve

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

16.4.2. Retained profits reserve

This reserve is set up especially for maintenance of the Company's investment ability and completion of construction 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. Distribution of dividends

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.

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Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

16. Equity (Continued)

16.5. Earnings per share

The table below shows the calculation of earnings per share for the periods ended June 30, 2022 and 2021:

	<u>06/30/2022</u>	<u>06/30/2021</u>
Income for the period	68,704	67,796
Weighted average number of shares	<u>149,259,682</u>	<u>145,599,476</u>
Basic earnings per share, net - R\$	0.46	0.47
Weighted average number of shares (diluted)	<u>149,945,080</u>	<u>146,748,906</u>
Diluted earnings per share, net - R\$	0.46	0.46

16.6. Noncontrolling interests

For the period ended June 30, 2022, changes in subsidiaries' equity reduced equity by R\$24,146 in connection with noncontrolling interests. In the same period, noncontrolling interests in profit or loss amounted to R\$35,530.

Acquisitions of interests from noncontrolling shareholders generated a reduction of R\$361 recorded directly in the Company's equity.

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

17. Net revenue

	Individual			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Gross revenue from sales	-	-	910	-
Gross revenue from services	20,347	13,593	20,882	7,743
Total gross revenue	20,347	13,593	21,792	7,743
Taxes on sales	(4,046)	(2,400)	(2,263)	(925)
Cancelled sales	(1,163)	(1,137)	(64)	-
Operating revenue, net	15,138	10,056	19,465	6,818

	Consolidated			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Gross revenue from sales	1,062,653	587,855	867,683	444,503
Gross revenue from services	39,855	25,679	38,753	18,051
Total gross revenue	1,102,508	613,534	906,436	462,554
Present value adjustment	315	(67)	(5,594)	(3,159)
Taxes on sales	(28,932)	(16,193)	(22,705)	(11,789)
Cancelled sales	(19,670)	(11,148)	(42,089)	(25,444)
Operating revenue, net	1,054,221	586,126	836,048	422,162

Taxes on sales and services consist of Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS), i.e. 1.65% and 7.6%, respectively, for revenue earned under the noncumulative 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 "Programa Casa Verde e Amarela" (PCVA) for units up to R\$100.

The Company also recognized gross revenue for the period of projects under construction amounting to R\$4,863 at June 30, 2022 (R\$8,434 at June 30, 2021) regarding barter of units to be constructed for land plots.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

17. Net revenue (Continued)

a) Unearned revenue

Budgeted costs to be incurred in units sold under construction and unearned revenue from sale of real estate in connection with projects in course, not reflected in the interim financial information, are as follows:

I) Unearned revenue from units sold	1,068,434
<i>Projects under construction</i>	
a) Revenue from contracted sales	3,182,091
b) Allocated sales revenue, net	2,113,657
<i>Allocated sales revenue</i>	<i>2,181,007</i>
<i>Dissolution of agreements – Reversed revenue</i>	<i>(67,350)</i>
II) Revenues from indemnification for dissolution of agreements	3,479
III) Budgeted cost to be allocated from units sold	646,931
<i>Projects under construction</i>	
a) Budgeted cost of units (no financial charges)	1,910,822
b) Construction cost incurred	1,300,004
Accrued financial charges	3,292
c) Dissolution of agreements – Construction cost	(36,113)
Dissolution of agreements – Financial charges	(91)
Drive CI / CO (no financial charges)	66.14%
IV) Budgeted cost to be allocated to inventories	929,534
<i>Projects under construction</i>	
a) Budgeted cost of units (no financial charges)	1,571,538
b) Construction cost incurred	640,673
Accrued financial charges	1,331
Units sold	16,585

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

17. Net revenue (Continued)

b) Earned revenue

Income earned from:	01/01/2022 to 06/30/2022		04/01/2022 to 06/30/2022		01/01/2021 to 06/30/2021		04/01/2021 to 06/30/2021	
	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold
Individual								
Services	15,138	(8,004)	10,056	(4,477)	19,465	(5,097)	6,818	(2,586)
Development – completed units	-	-	-	-	-	-	-	-
Total - Individual	15,138	(8,004)	10,056	(4,477)	19,465	(5,097)	6,818	(2,586)
Subsidiaries								
Services	15,589	(16,714)	9,959	(9,441)	15,376	(19,409)	8,835	(9,817)
Land	2,190	(2,910)	2,116	(2,910)	840	(784)	840	(784)
Development – completed units	173,146	(110,636)	69,541	(43,555)	148,670	(90,836)	47,355	(21,688)
Development – units under construction	848,158	(543,634)	494,454	(320,578)	651,697	(412,671)	358,314	(227,705)
Total - Subsidiaries	1,039,083	(673,894)	576,070	(376,484)	816,583	(523,700)	415,344	(259,994)
Total - Consolidated	1,054,221	(681,898)	586,126	(380,961)	836,048	(528,797)	422,162	(262,580)

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

18. Costs and expenses by nature

Description	Individual			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Raw materials and materials for use and consumption	(1,668)	(1,109)	(4,208)	(1,742)
Personnel expenses	(42,320)	(20,457)	(35,787)	(19,153)
Depreciation and amortization	(11,425)	(5,199)	(10,638)	(5,839)
Third-party services	(2,360)	(1,110)	(3,586)	(2,025)
Electric power, water supply and telephone services	(1,239)	(653)	(1,035)	(647)
General selling expenses	(1,388)	(681)	(374)	(442)
Provision for stock option plan	(1,484)	(739)	-	-
Provision for profit sharing	(4,322)	(3,077)	-	-
Other costs	(5,029)	(2,524)	(6,578)	(4,001)
	(71,235)	(35,549)	(62,206)	(33,849)
Classified as				
Costs of real estate sold	(780)	(513)	(1,221)	(353)
Costs of services rendered	(7,224)	(3,964)	(3,876)	(2,233)
Selling expenses	(3,339)	(927)	(2,673)	(2,144)
General and administrative expenses	(59,892)	(30,145)	(54,436)	(29,119)
	(71,235)	(35,549)	(62,206)	(33,849)
Description	Consolidated			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Raw materials and materials for use and consumption	(555,543)	(310,463)	(424,842)	(211,910)
Personnel expenses	(149,339)	(79,990)	(124,863)	(61,468)
Capitalized interest	(3,174)	(2,034)	(1,979)	(692)
Depreciation and amortization	(27,828)	(13,644)	(24,620)	(12,453)
Third-party services	(7,686)	(3,829)	(9,749)	(4,973)
Electric power, water supply and telephone services	(2,935)	(1,569)	(2,421)	(1,346)
General selling expenses	(36,082)	(19,310)	(31,769)	(16,178)
Sales commissions	(53,286)	(30,132)	(47,318)	(25,037)
Provision for stock option plan	(1,484)	(739)	-	-
Provision for profit sharing	(4,958)	(3,710)	-	-
Other costs	(8,929)	(4,733)	(13,630)	(7,690)
	(851,244)	(470,153)	(681,191)	(341,747)
Classified as				
Costs of real estate sold	(657,957)	(367,555)	(505,512)	(250,530)
Costs of services rendered	(23,941)	(13,406)	(23,285)	(12,050)
Selling expenses	(97,629)	(52,798)	(88,227)	(45,477)
General and administrative expenses	(71,717)	(36,394)	(64,167)	(33,690)
	(851,244)	(470,153)	(681,191)	(341,747)

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

19. Finance income (costs)

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

Finance income	Individual			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Income from short-term investments	29,980	15,569	7,341	4,402
Gain - hedge accounting	13,644	9,298	-	-
Monetary restatement and contract interest	858	435	1,397	780
Income from derivatives	15,364	3,092	7,758	5,304
Foreign exchange differences	-	-	1,424	-
	59,846	28,394	17,920	10,486
Finance costs				
Interest expenses	(80,525)	(42,507)	(39,825)	(21,813)
Foreign exchange differences	-	-	(2,521)	-
Bank charges	(663)	(370)	(871)	(490)
Expenses with sale of portfolio	-	-	-	-
Hedge accounting expense	(6,014)	-	-	-
Interest paid on leases	(1,341)	(763)	(1,454)	(741)
Expenses with derivatives	(24,915)	(13,877)	(5,417)	(1,842)
	(113,458)	(57,517)	(50,088)	(24,886)
Finance income (costs), net	(53,612)	(29,123)	(32,168)	(14,400)
Finance income	Consolidated			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Income from short-term investments	38,544	20,029	9,324	5,700
Gain - hedge accounting	13,644	9,298	-	-
Monetary restatement and contract interest	2,982	1,806	3,218	1,890
Income from derivatives	15,364	3,092	7,758	5,305
Foreign exchange differences	-	-	1,424	-
	70,534	34,225	21,724	12,895
Finance costs				
Interest expenses	(86,211)	(45,705)	(41,689)	(22,398)
Foreign exchange differences	-	-	(2,521)	-
Bank charges	(3,722)	(2,065)	(3,331)	(1,818)
Expenses with sale of portfolio	(6,614)	(4,302)	(1,941)	(467)
Hedge accounting expense	(6,014)	-	-	-
Interest paid on leases	(1,418)	(804)	(1,530)	(790)
Expenses with derivatives	(24,915)	(13,876)	(5,417)	(1,845)
	(128,894)	(66,752)	(56,429)	(27,318)
Finance income (costs), net	(58,360)	(32,527)	(34,705)	(14,423)

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes

	Individual			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Income before IRPJ and CSLL	68,719	41,282	67,821	40,699
IRPJ and CSLL at 34%	34%	34%	34%	34%
Estimated expenses with IRPJ and CSLL	23,364	14,036	23,058	13,837
Companies computing taxable profit based on accounting records				
Additions and exclusions	19,455	9,850	18,253	12,662
Addition (exclusion) of equity pickup	(180,894)	(96,506)	(147,086)	(84,141)
Tax base	(92,720)	(45,374)	(61,012)	(30,780)
Companies computing taxable profit as a percentage of gross sales				
Tax base	-	-	11	11
Rates applicable to taxable profit computed as a percentage of gross sales	34.00%	34.00%	2.28%	2.28%
Companies taxed under the Special Taxation Regime - RET (1%)				
Tax base	3,131	1,993	5,297	2,066
Rates applicable to the RET	0.47%	0.47%	0.47%	0.47%
Tax expenses	-	-	15	15
Expenses with deferred tax	15	10	10	(5)
Companies taxed under the Special Taxation Regime - RET (4%)				
Tax base	-	-	-	-
Rates applicable to the RET	1.92%	1.92%	1.92%	1.92%
Tax expenses	-	-	-	-
Expenses with deferred tax	-	-	-	-
Expenses with IRPJ and CSLL for the period	15	10	25	10
Effective rate	0.02%	0.02%	0.04%	0.02%

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

20. Income and social contribution taxes (Continued)

	Consolidated			
	01/01/2022 to 06/30/2022	04/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	04/01/2021 to 06/30/2021
Income before IRPJ and CSLL	126,611	70,736	106,495	62,428
IRPJ and CSLL at 34%	34%	34%	34%	34%
	43,048	24,050	36,208	21,226
Estimated expenses with IRPJ and CSLL				
Companies computing taxable profit as a percentage of gross sales				
Tax base	8,679	5,589	1,231	2,418
Rates applicable to taxable profit computed as a percentage of gross sales	34.00%	34.00%	2.28%	2.28%
Tax expenses	3,091	1,868	8	9
Expenses with deferred tax	(140)	33	20	45
Companies taxed under the Special Taxation Regime - RET (1%)				
Tax base	3,463	2,314	38,312	15,624
Rates applicable to the RET	0.47%	0.47%	0.47%	0.47%
Tax expenses	1	1	171	79
Expenses with deferred tax	16	10	9	(5)
Companies taxed under the Special Taxation Regime - RET (4%)				
Tax base	1,010,881	555,214	895,647	485,401
Rates applicable to the RET	1.92%	1.92%	1.92%	1.92%
Tax expenses	18,119	10,348	14,052	7,156
Expenses with deferred tax	1,290	312	3,145	2,164
Expenses with IRPJ and CSLL for the period	22,377	12,572	17,405	9,448
Effective rate	17.67%	17.77%	16.34%	15.13%

The breakdown of expenses with income and social contribution taxes for the periods ended June 30, 2022 and 2021 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 Taxation Regime), and the provision for taxes on the balance of accounts receivable.

The Company (parent company) has a balance of income and social contribution tax loss carryforwards 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 temporary differences and the profits calculated in the SPEs are not subject to offset with the loss determined by the Holding company.

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Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

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 to ensure 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 and IPCA.

To manage part of the interest rate risk, the Company contracts different swaps, aiming to exchange the variation of the IPCA for the CDI, based on the par value referring to the CRIs indexed to the price index. These derivative instruments are solely intended to hedge debt obligations.

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	
Balance at June 30, 2022					
Loans and financing (Note 9)	139,362	270,789	273,121	491,188	1,174,460
Trade accounts payable	101,162	7,262	-	-	108,424
Related parties (Note 6.1)	14,955	-	-	-	14,955
Real estate commitments payable (Note 12)	130,501	1,067,435	466,468	469,109	2,133,513
Advances for receipt (Note 13)	20,509	-	-	-	20,509

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.

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Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Liquidity risk (Continued)

Regarding accounts receivable, the Company limits its exposure to credit risks through sales to a wide customer base and ongoing credit rating.

At June 30, 2022, there was no significant concentration of credit risk associated to customers. Today, most trade accounts receivable are transferred while the project is under construction through the “crédito associativo” financing (a type of financing for off-plan projects granted by public banks in which buyers of the project units participate). Installment payments of direct sales are mostly guaranteed by the units themselves. The Company records an Allowance for ECL for installments that are not guaranteed by the units based on their history of default.

Fair value of financial instruments by category

The carrying amounts of trade accounts receivable and payable, less impairment loss for the case of accounts receivable, are assumed to approximate their fair values.

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

	Note	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Financial assets					
Amortized cost		24,101	30,044	582,505	501,579
Accounts receivable	4.1	15,293	12,366	556,609	476,346
Accounts receivable from divestiture		501	10,258	17,162	17,540
Other accounts receivable	-	8,307	7,420	8,734	7,693
Fair value through profit or loss (*)		635,133	610,552	971,878	1,049,160
Cash and banks	3.1	1,755	1,332	217,796	239,215
Cash equivalents	3.1	274,479	285,883	392,867	484,739
Short-term investments	3.2	346,153	323,337	348,469	325,206
Derivatives receivable		12,746	-	12,746	-
Total financial assets		659,234	640,596	1,554,383	1,550,739
Financial liabilities					
Amortized cost		1,199,370	1,258,543	3,695,257	3,677,738
Real estate commitments payable	12	11,982	70,877	2,133,513	2,122,997
Advances for receipt	13	-	-	20,509	12,989
Loans and financing	9	1,067,954	1,137,359	1,174,460	1,241,402
Trade accounts payable	-	6,103	8,547	108,422	98,012
Transactions with related parties	6.1	12,467	10,741	14,955	14,600
Other accounts payable	14	100,864	31,019	243,398	187,738
Financial liabilities		1,199,370	1,258,543	3,695,257	3,677,738

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

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

At June 30, 2022, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Amortized cost	24,101	24,101	-	582,505	582,505	-
Accounts receivable	15,293	15,293	-	556,609	556,609	-
Accounts receivable from divestiture	501	501	-	17,162	17,162	-
Other accounts receivable	8,307	8,307	-	8,734	8,734	-
Fair value through profit or loss	635,133	635,133	-	971,878	971,878	-
Cash and banks	1,755	1,755	-	217,796	217,796	-
Cash equivalents	274,479	274,479	-	392,867	392,867	-
Short-term investments	346,153	346,153	-	348,469	348,469	-
Derivatives receivable	12,746	12,746	-	12,746	12,746	-
Total financial assets	659,234	659,234	-	1,554,383	1,554,383	-
Financial liabilities						
Amortized cost	1,185,955	1,206,358	(20,403)	3,681,842	3,702,253	(20,411)
Real estate commitments payable	11,982	11,982	-	2,133,513	2,133,513	-
Advances for receipt	-	-	-	20,509	20,509	-
Loans and financing	1,067,954	1,088,357	(20,403)	1,174,460	1,194,871	(20,411)
Trade accounts payable	6,103	6,103	-	108,422	108,422	-
Transactions with related parties	12,467	12,467	-	14,955	14,955	-
Other accounts payable	87,449	87,449	-	229,983	229,983	-
Fair value through profit or loss	13,415	13,415	-	13,415	13,415	-
Derivatives payable	13,415	13,415	-	13,415	13,415	-
Financial liabilities	1,199,370	1,219,773	(20,403)	3,695,257	3,715,668	(20,411)

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

At December 31, 2021, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Amortized cost	30,044	30,044	-	501,579	501,579	-
Accounts receivable	12,366	12,366	-	476,346	476,346	-
Accounts receivable from divestiture	10,258	10,258	-	17,540	17,540	-
Other accounts receivable	7,420	7,420	-	7,693	7,693	-
Fair value through profit or loss	610,552	610,552	-	1,049,160	1,049,160	-
Cash and banks	1,332	1,332	-	239,215	239,215	-
Cash equivalents	285,883	285,883	-	484,739	484,739	-
Short-term investments	323,337	323,337	-	325,206	325,206	-
Total financial assets	640,596	640,596	-	1,550,739	1,550,739	-
Financial liabilities						
Amortized cost	1,258,543	1,266,561	(8,018)	3,677,738	3,683,542	(5,804)
Real estate commitments payable	70,877	70,877	-	2,122,997	2,122,997	-
Advances for receipt	-	-	-	12,989	12,989	-
Loans and financing	1,137,359	1,145,377	(8,018)	1,241,402	1,247,206	(5,804)
Trade accounts payable	8,547	8,547	-	98,012	98,012	-
Transactions with related parties	10,741	10,741	-	14,600	14,600	-
Other accounts payable	31,019	31,019	-	187,738	187,738	-
Financial liabilities	1,258,543	1,266,561	(8,018)	3,677,738	3,683,542	(5,804)

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

The Company contracted a derivative financial instrument (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. In March 2021 the debt pegged to the Euro was settled and the SWAP was terminated, and the position at the date of termination is as follows:

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

Fair value hedge	Notional value	Rates	Fair value	Gain (loss) on transaction – P&L
Bank Credit Notes (hedged item)	200,000	IPCA	205,113	-
Swap transaction:	Long position	IPCA	205,113	5,113
	Short position	CDI -1.45%	(201,201)	(1,201)
Swap position, net			3,912	3,912
(+/-) Hedge accounting - Fair value			16,602	21,369

Fair value hedge	Notional value	Rates	Fair value	Gain (loss) on transaction – P&L
Mortgage-backed Securities (CRI) (hedged item)	229,554	IPCA + 4.8444%	240,523	-
Swap transaction:	Long position	IPCA + 4.8444%	240,523	10,969
	Short position	CDI + 1.4522%	(231,945)	(2,391)
Swap position, net			8,578	8,578
(+/-) Hedge accounting - Fair value			(1,026)	3,505

Fair value hedge	Notional value	Rates	Fair value	Gain (loss) on transaction – P&L
Sale of treasury shares (hedged item)	16,920	DIRR3+Proceeds	13,740	-
Swap transaction:	Long position	DIRR3+Proceeds	13,740	(3,180)
	Short position	CDI + 1.75%	(18,204)	(1,284)
Swap position, net			(4,464)	(4,464)

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

<u>Fair value hedge</u>	<u>Notional value</u>	<u>Rates</u>	<u>Fair value</u>	<u>Gain (loss) on transaction – P&L</u>
Sale of treasury shares (hedged item)	16,920	DIRR3+Proceeds	13,740	
Swap transaction:	Long position	DIRR3+Proceeds	13,740	(3,180)
	Short position	CDI + 1.75%	(18,213)	(1,293)
Swap position, net			(4,473)	(4,473)

<u>Fair value hedge</u>	<u>Notional value</u>	<u>Rates</u>	<u>Fair value</u>	<u>Gain (loss) on transaction – P&L</u>
Sale of treasury shares (hedged item)	16,920	DIRR3+Proceeds	13,740	-
Swap transaction:	Long position	DIRR3+Proceeds	13,740	(3,180)
	Short position	CDI + 1.75%	(18,217)	(1,297)
Swap position, net			(4,477)	(4,477)

<u>Fair value hedge</u>	<u>Notional value</u>	<u>Rates</u>	<u>Fair value</u>	<u>Gain (loss) on transaction – P&L</u>
Mortgage-backed Securities (CRI) (hedged item)	7,396	US\$	7,657	
Swap transaction:	Long position	US\$	7,657	261
	Short position	R\$	(7,396)	-
Swap position, net			261	261

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

At June 30, 2022, the position of SWAP contracts is as follows:

Transaction type	Taken out in	Assets/Liabilities	Maturity	Notional value	Long position	Short position	Gain (loss) on transaction –	
							P&L	Hedge
SWAP (b)	Apr/21	IPCA + 4.8444% / CDI + 1.4522%	Apr/28	200,000	205,113	201,201	3,912	21,369
SWAP (b)	Dec/21	IPCA+4.00% / CDI – 0.8900%	Dec/24	229,554	240,523	231,945	8,578	3,505
SWAP (a)	Dec/21	DIRR3+Proceeds / CDI + 1.75%	May/23	16,920	13,740	18,204	(4,464)	-
SWAP (a)	Dec/21	DIRR3+Proceeds / CDI + 1.75%	Jun/23	16,920	13,740	18,213	(4,473)	-
SWAP (a)	Dec/21	DIRR3+Proceeds / CDI + 1.75%	Jun/23	16,920	13,740	18,217	(4,477)	-
SWAP	Apr/22	US\$/R\$	Sept/22	7,396	7,657	7,396	261	-

(a) Derivatives not designated as hedging instruments: In December 2021, the Company sold 4,000,000 (four million) shares that were held in treasury for the amount of R\$50,760. On the same date, the Company contracted a swap, where it committed to pay CDI +1.75% p.a. in exchange for the variation in the price of its shares plus any proceeds eventually paid during the term of the swap.

(b) Derivatives designated as fair value hedging instruments: At June 30, 2022, the Company had an interest rate SWAP contract at the notional amount of R\$200,000 (there was no balance in December 2021), which provides that the Company will receive interest rates of IPCA+4.8444% p.a. and pay a rate of CDI+1.4522% p.a. on the Notional amount. The Swap has been used to hedge the exposure in the loan's fair value. There is a savings relationship between the hedged item and the hedging instrument, as the interest rate swap term matches the loan terms (i.e., amount, notional, term, and payment). The Group established a coverage ratio of 100% for hedging relationships, considering that the swap risk is identical to the hedged risk component. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares changes in the fair value of the hedging instrument with changes in the fair value of the hedged item. Hedge ineffectiveness may arise from: 1) Different interest rate curve applied to discount hedged item and hedging instrument. 2) Temporary differences in cash flows of hedged items and hedging instruments. 3) Difference in Credit Risk of counterparties and changes in the fair value of the hedging instrument and hedged item.

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 period 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 a fixed spread rate plus the CDI, TR or IPCA rate, where, for the latter, a swap of rates pegged to the CDI was used. In March 2021, the Company settled a loan in foreign currency (Euro) which was, however, not subject to currency fluctuation (currency risk), since the Company had a swap pegged to the CDI, maturing on the same date, for hedging purposes. The Company understands that there was no actual impact from analyzing the risk relating to foreign currency for this contract, reason why management considered, for the sensitivity analysis, the swap contract pegged to the CDI.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Sensitivity analysis (Continued)

To conduct the sensitivity analysis, the Company relied on financial market projections for 2022, considering it as probable scenario. Increasing and decreasing scenarios of 25% and 50% on Net Assets and Liabilities were calculated. The probable scenario adopted by the Company corresponds to the abovementioned projections, that is, the projections expected by the Financial market for the CDI, IPCA and INCC, and the statement of sensitivity analysis is as follows:

Net assets and liabilities (in thousands of reais)	Net balance at 06/30/2022	50% decrease	25% decrease	Probable scenario	25% increase	50% increase
TR	(80,557)	-	-	-	-	-
CDI	106,414	7,263	10,894	14,526	18,157	21,788
IPCA	(716,478)	(33,996)	(50,993)	(67,991)	(84,989)	(101,987)
Savings rate	(5,162)	(153)	(229)	(305)	(382)	(458)
Total	(695,783)					

	-50%	-25%		25%	50%
Index/rate	50% decrease	25% decrease	Probable scenario	25% increase	50% increase
CDI	6.83%	10.24%	13.65%	17.06%	20.48%
IPCA	4.74%	7.12%	9.49%	11.86%	14.23%
Savings rate	2.96%	4.44%	5.91%	7.39%	8.87%
INCC	3.86%	5.78%	7.71%	9.64%	11.57%

Business risk management

Risk control system

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

Control over maximum cash exposure

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

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

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 understands the demand risk of its launches is reduced.

Operational risks

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

The Net Debt structure comprises loans and financing less cash and cash equivalents.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Capital management (Continued)

	Consolidated	
	06/30/2022	12/31/2021
Loans and financing	1,174,460	1,241,402
(-) Cash and cash equivalents	610,663	723,954
(-) Short-term investments	348,469	325,206
(-) Derivatives	(669)	(3,668)
Net debt	215,997	195,910
Payment of dividends	(1)	100,147
Share buyback	(5,539)	31,965
Sale of treasury shares	-	(50,760)
Equity	1,534,449	1,458,804
Net debt on equity	14.08%	13.43%

In the period ended June 30, 2022, the Company used R\$14,547 in cash, compared to a cash generation of R\$17,374 in 2021 (adjusted for derivatives, payment of dividends and share buybacks).

Assets pledged as guarantees

Assets pledged as a guarantee of loans and financing are described in Note 8 and Note 9. The Company and its subsidiaries recorded judicial deposits at June 30, 2022 of R\$17,595 (R\$16,097 at December 31, 2021) as part of the discussion of its contingent liabilities.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

22. Stock option plan and incentives associated with Company shares - share-based payment

Shared-based payment ("Matching Program")

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

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

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

In the case of termination at the initiative of the beneficiary or termination at the initiative of the Company for cause during a given vesting period, the beneficiary will cease to be entitled to all shares granted thereto under the programs, except for those already transferred due to expiration of previous vesting periods. In cases of termination by the Company without cause or retirement during a given vesting period, the beneficiary will be entitled (i) to the lot of shares that would be transferred at the end of the respective vesting period in proportion to the number of months of the beneficiary's relationship with the Company over the respective vesting period; and (ii) to all shares that have already been transferred due to expiration of previous vesting periods. The beneficiary of the new plan, however, will not be entitled to the shares that would be transferred due to expiration of the vesting periods that would start after his/her termination. In cases of termination due to death or disability retirement, the retired beneficiary or his/her legal heirs, as the case may be, will receive, regardless of the expiration of the respective vesting periods, all the shares to which they would be entitled under the Matching Programs.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

22. Stock option plan and incentives associated with Company shares - share-based payment (Continued)

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

In 2021, the Company granted R\$4,991 to the Plan beneficiaries, corresponding to 733,489 shares. In the first half of 2022, the amount of R\$2,189 was granted to the Plan beneficiaries, corresponding to 213,224 shares. The number of shares granted, vesting periods and exercise, approved by the Board of Directors are shown below:

Program	Year of grant	Period for transfer of shares	Beginning	Shares granted (a)	Grants activated	Grants not activated (b)	Grants cancelled (c)	Shares transferred	Grants in force (a-b-c-d)
1 st Matching	2015	4 years	2017	506,000	444,800	61,200	127,557	317,243	-
1 st Matching	2017	4 years	2018	450,000	363,944	86,056	47,058	316,884	2
2 nd Matching	2017	4 years	2018	1,760,000	1,760,000	-	100,000	1,660,000	-
2 nd Matching	2018	4 years	2019	360,000	360,000	-	-	270,000	90,000
2 nd Matching	2018	4 years	2020	170,923	170,923	-	10,768	148,244	11,911
1 st Matching	2019	1 years	2020	13,628	13,628	-	1,286	12,342	-
2 nd Matching	2019	3 years	2020	58,985	58,985	-	4,559	50,320	4,106
1 st Matching	2019	3 years	2020	9,662	9,662	-	804	8,858	-
2 nd Matching	2019	3 years	2020	52,888	52,780	108	4,620	44,031	4,129
1 st Matching	2020	4 years	2020	60,000	60,000	-	-	30,000	30,000
2 nd Matching	2020	4 years	2020	340,000	340,000	-	-	170,000	170,000
1 st Matching	2020	4 years	2020	8,105	8,105	-	106	6,255	1,744
2 nd Matching	2020	4 years	2020	55,947	55,947	-	-	39,830	16,117
1 st Matching	2020	4 years	2021	378,000	367,600	10,400	6,650	90,800	270,150
2 nd Matching	2021	4 years	2021	26,804	26,804	-	359	10,197	16,248
2 nd Matching	2021	4 years	2021	26,853	26,703	150	-	10,950	15,753
Total				4,277,795	4,119,881	157,914	303,767	3,185,954	630,160

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 advisors. At June 30, 2022, insurance coverage is as follows:

Direcional Engenharia S.A.

Notes to interim financial information (Continued)

June 30, 2022

(In thousands of reais, unless otherwise stated)

23. Insurance (Continued)

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.	3,477,060
Post-delivery warranty insurance	Guarantees the maintenance and resolution of problems in works delivered for up to 5 years, on damages set forth in the consumer code.	103,816
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.	530,364
Infrastructure	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	181,717
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.	78,800
Civil liability (D&O)	Guarantees coverage of pain and suffering to the Company's Directors and Officers	60,000
Civil liability (D&O)	Guarantees coverage of "Multiple perils – cyber risks" insurance	10,000

24. Noncash transactions

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Financing activities	299	2,512	1,434	2,510
Right-of-use financing	299	2,512	299	2,510
Capitalization of interest	-	-	3,670	-
Investing activities	299	2,842	299	2,840
Restatement - Sale of equity interest	-	330	1,154	330
Acquisition of property and equipment - Lease	299	2,512	299	2,510

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
June 30, 2022
(In thousands of reais, unless otherwise stated)

25. Events after the reporting period

25.1 Issue of CRI

On July 8, 2022, the Company closed the public offer of the 2nd issue of CRIs, in a single series, of True Securitizadora S.A., backed by credit rights arising from the 9th issue of single-series non-privileged unsecured nonconvertible debentures, for private distribution by the Company, also closed on the same date.

Given the excess demand arising from the Offer, 300,000 (three hundred thousand) CRIs were subscribed and paid in, due to the total exercise of the additional batch option, which increased by 20% (twenty percent) the number of securities initially forecast of 250,000 (two hundred and fifty thousand) CRIs. Thus, the Offer totaled an amount of R\$300,000, maturing on June 14, 2032, with a maturity term of 10 years, remunerated based on IPCA+6.4899% per year. Subsequently, the Company contracted an interest rate swap transaction to change the debt index to CDI+1.22% per year.

25.2 Distribution of dividends

On July 11, 2022, the Company's board of directors approved the distribution of interim dividends equivalent to R\$0.47 (forty-seven cents of reais) per share, considering the position of 148,860,632 (one hundred and forty-eight million, eight hundred and sixty-one thousand, six hundred and thirty-two) shares on the present date, not including treasury shares, which totals the amount to be distributed of R\$69,964. The total amount to be distributed is estimated and may change should the number of shares change.

The interim dividends hereby declared will be paid based on the shareholding position on July 14, 2022. Thus, the shares issued by the Company started to be traded excluding dividends as of July 15, 2022.