



Belo Horizonte, October 10<sup>th</sup>, 2023 - Direcional Engenharia S/A, one of the largest homebuilders and real estate development companies in Brazil, focused on the development of low-income and medium-income projects and operating in several regions of the Brazilian Territory, discloses here its operating statements for the third quarter of 2023 (3Q23). Unless otherwise stated, the information in this document is expressed in national currency (Brazilian Reais – BRL or R\$) and the Potential Sales Value (“PSV”) demonstrates the consolidated amount (PSV 100%).

## NOTICE TO THE MARKET

### 3Q23 OPERATING PREVIEW

- ✓ **RECORD-HIGH NET SALES IN 3Q23: BRL 1.0 BILLION, A 19% INCREASE VERSUS 3Q22 AND 4% VERSUS 2Q23**
- ✓ **LAUNCHES REACHED BRL 3.5 BILLION IN 9M23 (+34% OVER 9M22), PUTTING UP BRL 4.5 BILLION IN THE LAST 12 MONTHS**

## HIGHLIGHTS

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- In 3Q23, PSV launched totaled **BRL 1.4 billion**, **18%** higher than in 3Q22, being 58% in the Direcional segment and 42% in the Riva segment.
- Net Sales of **BRL 2.8 billion** in 9M23, a **20%** growth in relation to 9M22.
- In the 12-month period ending in 3Q23 (3Q23 LTM), Net Sales came in at **BRL 3.5 billion**.
- Riva’s Net Sales totaled **BRL 441 million** in the quarter, the highest level in the segment’s history.
- Net Sales Speed ratio (VSO) of **17%** in the quarter in the consolidated view, while Riva’s VSO came in at **19%**.

## LAUNCHES

In the third quarter of 2023 (3Q23), Direcional Group launched 15 new projects, totaling a PSV of BRL 1.4 billion (BRL 1.3 billion % Company), an 18% increase in relation to the year-ago period, consonantly with the Company's strategy of delivering operating growth.

Projects under Direcional brand accounted for 58% of the total PSV launched, while projects under Riva brand accounted for 42% of the total volume.

Considering the 9-month period ended in September 2023 (9M23), the PSV launched totaled BRL 3.5 billion (BRL 3.0 billion % Company), a 34% growth versus 9M22. Likewise, it is also important to highlight the PSV launched in the last twelve months (3Q23 LTM), which totaled BRL 4.5 billion (BRL 3.9 billion % Company), showing the clear evolution carried out by the Company over the last few years.

Also noteworthy is the growth in the Company stake of launches, which represented 90.0% of the total PSV launched in the quarter. Thus, when considering the PSV owned by the Direcional Group (BRL 1.3 billion), the metric shows an even greater growth (+16% in relation to 2Q23 and +30% in relation to 3Q22), indicating an upward trend in the representativeness of projects with smaller stakes of partners in the mix of launches.

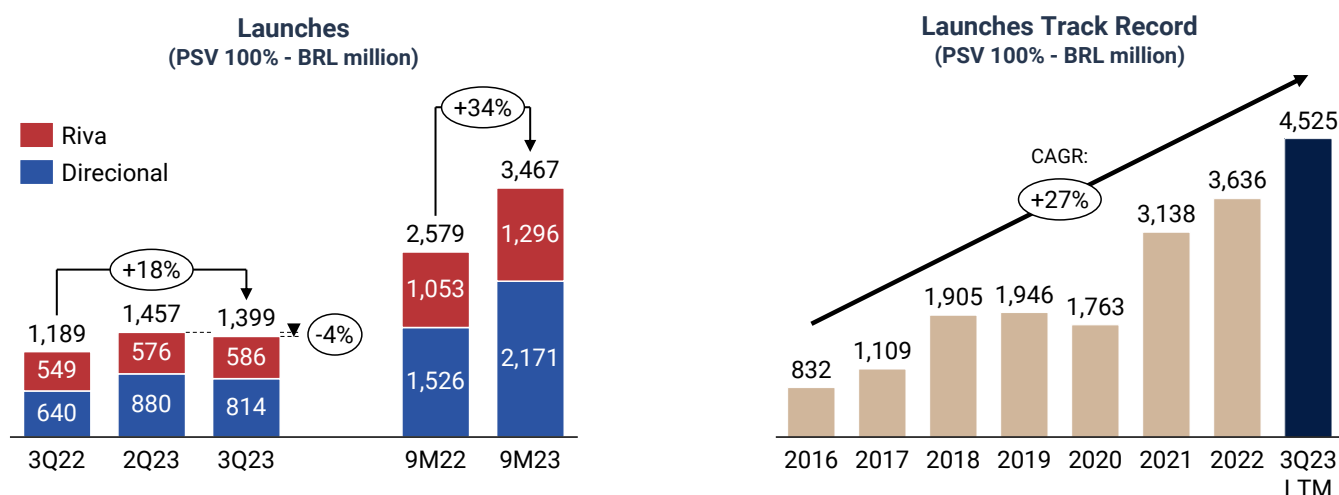


Table below provides further information on projects launched in 3Q23 and in 9M23:

Launches	3Q23 (a)	2Q23 (b)	3Q22 (c)	Δ % (a/b)	Δ % (a/c)	9M23 (d)	9M22 (e)	Δ % (d/e)
<b>PSV Launched - 100% (BRL million)</b>	<b>1,399.4</b>	<b>1,456.6</b>	<b>1,189.1</b>	<b>-3.9%</b>	<b>17.7%</b>	<b>3,467.3</b>	<b>2,578.5</b>	<b>34.5%</b>
Direcional	813.5	880.3	639.8	-7.6%	27.2%	2,171.1	1,525.8	42.3%
Riva	585.9	576.3	549.3	1.7%	6.7%	1,296.2	1,052.7	23.1%
<b>PSV Launched - % Company (BRL million)</b>	<b>1,259.3</b>	<b>1,088.9</b>	<b>966.7</b>	<b>15.6%</b>	<b>30.3%</b>	<b>2,958.7</b>	<b>2,227.6</b>	<b>32.8%</b>
Direcional	725.3	711.2	556.6	2.0%	30.3%	1,913.0	1,378.4	38.8%
Riva	534.1	377.7	410.1	41.4%	30.2%	1,045.7	849.3	23.1%
<b>Launched Units</b>	<b>4,152</b>	<b>5,268</b>	<b>4,113</b>	<b>-21.2%</b>	<b>0.9%</b>	<b>12,182</b>	<b>10,205</b>	<b>19.4%</b>
Direcional	3,106	3,507	2,711	-11.4%	14.6%	9,089	7,283	24.8%
Riva	1,046	1,761	1,402	-40.6%	-25.4%	3,093	2,922	5.9%
Average % Company	90.0%	74.8%	81.3%	15 p.p.	9 p.p.	85.3%	86.4%	-1 p.p.



CONTRACTED SALES

As was the case in the previous quarter, Direcional Group once again surpassed the BRL 1 billion mark in Gross Sales in 3Q23. This time, however, also the **Net Sales metric reached the historic mark of BRL 1 billion** (BRL 751 million % Company), setting yet **another record-high quarter**. When compared to the year-ago period, there was a growth rate of 19%, and when compared to the previous quarter, the amount was 4% higher.

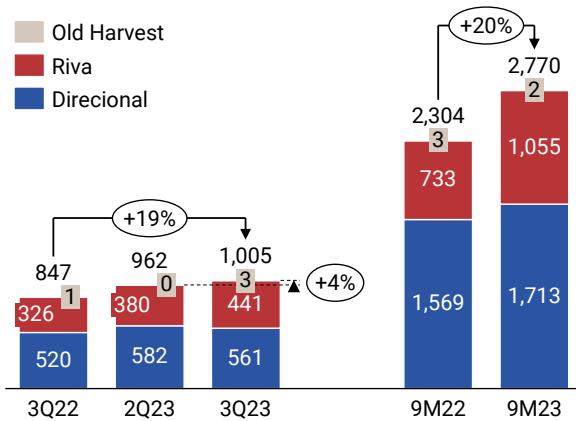
In terms of mix of products, it is worth highlighting the share of Riva’s projects in the volume sold in the period, which totaled BRL 441 million (BRL 322 million % Company), which also set the **best quarter in the history of the segment**, +35% versus 3Q22 e +16% versus 2Q23.

In 9M23, Net Sales reached BRL 2.8 billion (BRL 2.1 billion % Company), a 20% growth over 9M22. In the period, the PSV of projects under Direcional brand grew 9%, while the PSV of products under Riva brand grew 44%.

Considering the 3Q23 LTM, there was an amount of BRL 3.5 billion in Net Sales (BRL 2.7 billion % Company), reinforcing the growing performance of the Group’s operations year after year.

It is worth noting that a significant part of the quarter’s sales came from products developed in partnerships – mainly from projects launched at the end of the previous quarter (2Q23), and/or from SPVs that were sold during 2Q23, whose Group’s stake in the shareholder structure decreased considerably, as mentioned in the previous Earnings Release. In that sense, as mentioned before regarding the Launches, it is important to highlight the growth tendency of the Company stake in total PSV, as projects with a smaller stake of partners gain representativeness in the sales mix.

Net Sales  
(PSV 100% - BRL million)



Net Sales Track Record  
(PSV 100% - BRL million)

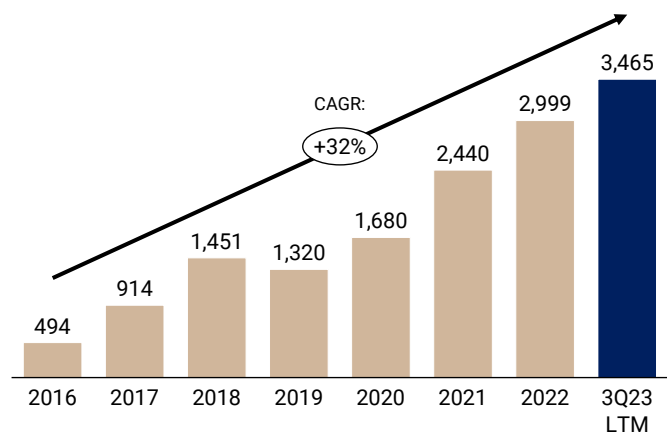




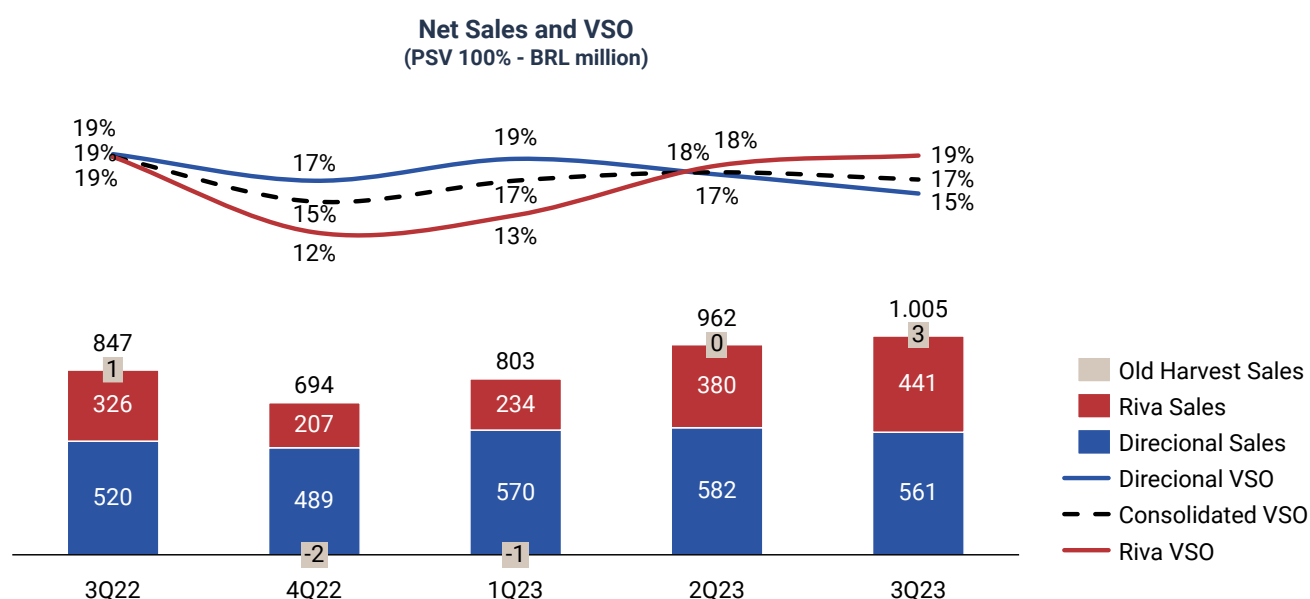
Table below presents information about Net Sales in 3Q23 and in 9M23:

Net Sales	3Q23 (a)	2Q23 (b)	3Q22 (c)	Δ % (a/b)	Δ % (a/c)	9M23 (d)	9M22 (e)	Δ % (d/e)
<b>Net Sales - PSV 100% (BRL million)</b>	<b>1,004.6</b>	<b>962.5</b>	<b>846.9</b>	<b>4.4%</b>	<b>18.6%</b>	<b>2,770.4</b>	<b>2,304.5</b>	<b>20.2%</b>
Direcional	560.7	581.8	520.1	-3.6%	7.8%	1,712.7	1,568.5	9.2%
Riva	441.2	380.3	326.0	16.0%	35.3%	1,055.5	732.9	44.0%
Old Harvest <sup>1</sup>	2.7	0.4	0.7	604.9%	261.8%	2.2	3.1	-27.6%
<b>Net Sales - PSV % Company (BRL million)</b>	<b>751.4</b>	<b>733.9</b>	<b>682.3</b>	<b>2.4%</b>	<b>10.1%</b>	<b>2,128.2</b>	<b>1,864.5</b>	<b>14.1%</b>
Direcional	427.2	467.7	450.0	-8.7%	-5.1%	1,358.1	1,315.7	3.2%
Riva	322.3	265.8	232.3	21.3%	38.7%	768.1	547.4	40.3%
Old Harvest	2.0	0.4	0.1	459.7%	3347.4%	2.0	1.4	36.9%
<b>Contracted Units</b>	<b>3,458</b>	<b>3,575</b>	<b>3,403</b>	<b>-3.3%</b>	<b>1.6%</b>	<b>10,279</b>	<b>10,268</b>	<b>0.1%</b>
Direcional	2,344	2,458	2,597	-4.6%	-9.7%	7,334	8,062	-9.0%
Riva	1,109	1,116	804	-0.6%	37.9%	2,941	2,200	33.7%
Old Harvest	5	1	2	400.0%	150.0%	4	6	-33.3%
<b>Net Sales Speed (VSO) in PSV</b>	<b>17%</b>	<b>18%</b>	<b>19%</b>	<b>-1 p.p.</b>	<b>-2 p.p.</b>	<b>36%</b>	<b>39%</b>	<b>-4 p.p.</b>
Direcional	15%	17%	19%	-2 p.p.	-4 p.p.	36%	43%	-7 p.p.
Riva	19%	18%	19%	1 p.p.	0 p.p.	36%	35%	1 p.p.
Old Harvest	7%	1%	2%	6 p.p.	5 p.p.	8%	3%	6 p.p.

1 - Old Harvest: Comprises projects of the middle income, upper-middle income and commercial segments, developed in the former model.

## NET SALES SPEED (VSO)

In 3Q23, Net Sales Speed, measured by the VSO index (sales-over-supply ration), came in at 17% in the consolidated view, with a 15% index in Direcional's projects (excluding Old Harvest segment) and a 19% index in Riva's projects.



## INVENTORY

Direcional Group ended 3Q23 with 17,617 units in Inventory, adding a PSV of BRL 5.0 billion (BRL 4.1 billion % Company).

Table below shows the Inventory at market value, detailed by stage of construction and by the type of product. It is worth mentioning that **less than 2% of the total PSV refers to completed units, with about 1% related to Direcional projects (ex-Old Harvest products).**

Breakdown of Inventory at Market Value	Total PSV				% Company PSV			
	Direcional	Riva	Old Harvest	Total	Direcional	Riva	Old Harvest	Total
In progress (BRL million)	3,078	1,865	0	4,942	2,517	1,486	0	4,003
% Total	61%	37%	0%	98%	62%	37%	0%	98%
Completed (BRL million)	40	2	37	79	38	2	22	62
% Total	1%	0%	1%	2%	1%	0%	1%	2%
Total (BRL million)	<b>3,118</b>	<b>1,867</b>	<b>37</b>	<b>5,021</b>	<b>2,555</b>	<b>1,487</b>	<b>22</b>	<b>4,064</b>
% Total	62%	37%	1%	100%	63%	37%	1%	100%
Total Units	<b>12,848</b>	<b>4,658</b>	<b>111</b>	<b>17,617</b>	<b>12,848</b>	<b>4,658</b>	<b>111</b>	<b>17,617</b>
% Total Units	73%	26%	1%	100%	73%	26%	1%	100%

## LANDBANK

The Direcional Group's landbank totaled a development potential of 180,830 units at the end of 3Q23, representing a PSV of BRL 35.6 billion (BRL 32.2 billion % Company).

The average cost of acquisition was equivalent to 11% of the PSV, and 83% of the payment shall be made through swaps, which causes a reduced impact on the Company's cash position before the beginning of the development of the projects.

Evolution of Landbank (BRL million)	2022 Landbank	9M23 Acquisitions	9M23 Launches	Adjustment <sup>1</sup>	9M23 Landbank	9M23 (PSV % Co.)	Units
Total PSV	32,459	6,550	(3,467)	103	35,644	32,171	180,830

1 - Adjustment: update of sales prices, canceled sales and swaps.

## Land Acquisition

During 3Q23, 6 plots of lands were acquired, with a construction potential of 4,961 units and a PSV of BRL 1.3 billion (BRL 1.3 billion % Company). The average cost of acquisition in the quarter was equivalent to 12% of total PSV, and 87% of the payment shall be made via swaps.

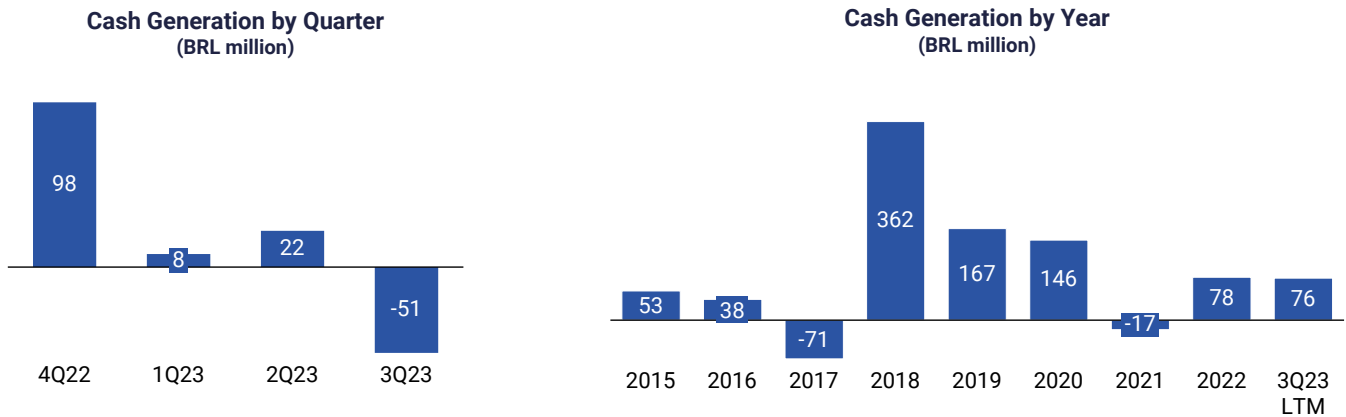
Considering 9M23 acquisitions, the PSV totaled BRL 6.6 billion (BRL 6.0 billion % Company), at an average cost of acquisition of 11% in the period, with 90% of the payment being made through swaps.



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

Due to the operating growth cycle which is being implemented by the Company, a cash consumption in the amount of BRL 51 million was recorded in 3Q23. Thus, in the year-to-date period, cash consumption totaled BRL 22 million.

Considering the 12-month period ending in 3Q23 (3Q23 LTM), there was a cash generation of BRL 76 million.



<sup>1</sup> - Cash Generation: variation in net debt adjusted by payment of dividends, repurchase of shares and the variation in the balance of interest swap operation agreements. Prior unaudited information.

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

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## GLOSSARY

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

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

MCMV Level 1	Low-income projects made as contract works within the “ <i>Minha Casa, Minha Vida</i> ” (MCMV) housing program, contracted directly with the Financing Agent, destined to families with a monthly income up to BRL 1,600. Properties of this segment has their final price determined by the Financing Agent, pursuant to the ordinance No. 435/2012 of the Ministry of Cities, and their acquisition may be subsidized by the government.
MCMV 2 and 3	Residential projects with an average price per unit up to BRL 240 thousand within the “ <i>Minha Casa, Minha Vida</i> ” housing program - levels 1.5, 2 and 3. Until 3Q15, the projects belonging to this segment were called “Low-income”.
Riva	A project destined to middle-income customers, developed at the SPEs of the wholly owned subsidiary of Direcional called Riva Incorporadora S.A.
Middle-Income	Residential projects with an average price per unit above the MCMV ceiling price up to BRL 500 thousand.
Upper Middle-Income	Residential projects with an average price per unit above BRL 500 thousand.
MUC	Comprises projects of the Middle-income, Upper-middle income, and Commercial segments.
Old Harvest	Projects of the MUC segment developed under the previous development and building model.
New Model	A business model consolidated in 2015 for the development of the Company’s residential projects. One of its main characteristics is the possibility of off-plan transfer and industrialized construction.

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

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

**Novo Mercado** - B3’s special listing segment, where companies adopt differentiated practices of corporate governance, which exceed the requirements of the traditional segment. Direcional joined Novo Mercado in November 19th, 2009.

**LTM** – Last twelve months.

**Financial Swap** – Land purchase system whereby the owner of the land receives the payment, in cash, calculated as a percentage of the PSV of the project, to be paid according to the determination of the revenue from the sales of units of the project.

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

**Programa Minha Casa, Minha Vida (MCMV)** - Current name attributed to the social housing program, formerly known as “Programa Casa Verde e Amarela”.

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

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

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

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

**Launched PSV** – Total Potential Sales Value of the units launched in a determined period.