

**Individual and consolidated financial  
statements**

**Direcional Engenharia S.A.**

December 31, 2021  
with Independent Auditor's Report

# **Direcional Engenharia S.A.**

Individual and consolidated financial statements

December 31, 2021

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**A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements prepared in Brazilian currency 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 Brazilian Securities and Exchange Commission (CVM)**

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## **Independent auditor's report on individual and consolidated financial statements**

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

### **Opinion on the individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and the international financial reporting standards (IFRS), applicable to Brazilian real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM)**

We have audited the individual and consolidated financial statements of Direcional Engenharia S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021 and the statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Direcional Engenharia S.A. as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended 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 Brazilian Securities and Exchange Commission (CVM).

### **Basis for opinion**

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the individual and consolidated financial statements' section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of matter**

As described in Note 2.1.1, the individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), applicable to Brazilian real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM). Accordingly, the determination of the accounting policy adopted by the entity for recognition of revenue in contracts for the purchase and sale of incomplete real estate units, on the aspects related to transfer of control follow the understanding expressed in Circular Letter CVM/SNC/SEP No. 02/2018 on application of NBC TG 47 (IFRS 15). Our opinion is not qualified in respect of this matter.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide an individual opinion on these matters. For the matters below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures is provided in the context of the financial statements taken as a whole.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

### *Recognition of revenue from incomplete real estate units and from construction services*

As mentioned in Notes 2.1.18, 2.2 (a) and 17, the Company and its subsidiaries recognize revenue from contracts for the purchase and sale of incomplete real estate units and revenue from construction services using the Percentage of Completion ("POC") method.

The POC method requires the Company's executive board to estimate the costs to be incurred until completion of the construction and delivery of the keys to the real estate units sold of the development projects and of each stage of the construction services. Based on the costs incurred and the contractual conditions, the fair value of revenue from sales and service revenues to be recognized in each period is estimated, proportionally to the estimated value.

Given the significance, complexity and judgments involved in determining revenue from sales and construction services to be recognized, and the risk of material impacts on the profit or loss of each period that these changes in estimates may bring, we considered this matter significant for our audit. How our audit addressed this matter:



Our audit procedures included an evaluation of the design of key processes and internal controls related to recognition of revenue from the sale of incomplete real estate units and the provision of construction services, including preparation, review and timely approval of budgets of costs to be incurred, as well as the comparison and sample testing of costs incurred, with examination contracts, payments made and related supporting documents, among other procedures. We also involved our valuation experts to assist in the identification of evidence contrary to the estimated costs to be incurred, analyzing the stages of execution of certain construction works, and checking if the expected period for completion thereof within the respective budgets of the Company and its subsidiaries corresponded to the reality of operations.

In addition to comparing POC's auxiliary records with accounting balances, considering the different systems that support these transactions, we made independent calculations of the revenue from sale of incomplete units and construction services, and examined a sample of the documents that support the units sold considered in the POC.

We performed analytical procedures to evaluate significant changes in margins and budgets of real estate projects for the year ended December 31, 2021 compared to the previous year, and we also analyzed the disclosures made by the Company and its subsidiaries and their compliance with accounting practices adopted in the Brazil and with International Financial Reporting standards ("IFRS"), applicable to real estate development entities in Brazil registered with the Brazilian Securities and Exchange Commission ("CVM").

Based on the results of our audit procedures, which are consistent with management's assessment, the estimates prepared by management related to the balances of revenue from the sale of incomplete real estate units and from provision of construction services, as well as the respective disclosures in Notes 2.1.18, 2.2 (a) and 17, were considered acceptable in the context of the individual and consolidated financial statements taken as a whole.

## **Other matters**

### *Statements of value added*

The individual and consolidated statements of value added (SVA) for year ended December 31, 2021, prepared under the responsibility of Company's executive board, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned standard, and are consistent in relation to the overall individual and consolidated financial statements.



## **Other information accompanying the individual and consolidated financial statements and the auditor's report**

The Executive Board is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the executive board and those charged with governance for the individual and consolidated financial statements**

The Executive Board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the CVM, and for such internal control as referred to board determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

## **Auditor's responsibilities for the audit of individual and consolidated financial statements**

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

As part of the audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of executive board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.



- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined the matter that was of most significance in the audit of the financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Belo Horizonte, March 14, 2022.

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

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

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## Direcional Engenharia S.A.

Statements of financial position  
December 31, 2021  
(In thousands of reais)

	Note	Individual		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Current assets</b>					
Cash and cash equivalents	3.1	<b>287,215</b>	416,630	<b>723,954</b>	731,569
Short-term investments	3.2	<b>323,337</b>	194,246	<b>325,206</b>	195,360
Accounts receivable	4.1	<b>11,340</b>	6,540	<b>231,761</b>	246,717
Inventories	5	<b>181</b>	1,369	<b>1,230,591</b>	1,268,195
Receivables from related parties	6.1	<b>132,735</b>	47,417	<b>82,261</b>	37,363
Taxes recoverable		<b>12,228</b>	11,051	<b>24,462</b>	21,185
Accounts receivable for disposal of investments	4.2	<b>10,258</b>	40,000	<b>17,540</b>	50,000
Other receivables	4.3	<b>130,126</b>	72,499	<b>220,565</b>	115,943
<b>Total current assets</b>		<b>907,420</b>	789,752	<b>2,856,340</b>	2,666,332
<b>Noncurrent assets</b>					
Accounts receivable	4.1	<b>1,026</b>	765	<b>244,585</b>	128,727
Inventories	5	<b>97,322</b>	72,457	<b>2,303,436</b>	2,071,074
Receivables from related parties	6.1	-	-	<b>1,636</b>	1,636
Judicial deposits		<b>8,918</b>	9,064	<b>16,097</b>	15,928
Accounts receivable for disposal of investments	4.2	-	30,685	-	30,685
Other receivables	4.3	<b>21,247</b>	10,004	<b>21,457</b>	10,214
Investments	7	<b>1,519,013</b>	1,457,058	<b>117,980</b>	73,064
Property and equipment	8	<b>68,011</b>	62,583	<b>99,075</b>	89,594
Intangible assets		<b>17,315</b>	12,988	<b>19,013</b>	14,155
<b>Total noncurrent assets</b>		<b>1,732,852</b>	1,655,604	<b>2,823,279</b>	2,435,077
<b>Total assets</b>		<b>2,640,272</b>	2,445,356	<b>5,679,619</b>	5,101,409

	Note	Individual		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Current liabilities</b>					
Loans and financing	9.1	<b>125,358</b>	217,365	<b>127,205</b>	219,061
Trade accounts payable		<b>8,337</b>	5,615	<b>92,054</b>	90,086
Labor liabilities	10	<b>12,649</b>	9,637	<b>31,827</b>	28,253
Tax liabilities	11	<b>1,480</b>	663	<b>25,094</b>	25,227
Lease financing	9.2	<b>9,339</b>	9,190	<b>10,088</b>	9,887
Property commitments payable	12	-	-	<b>62,779</b>	77,434
Advance from customers	13	-	2,362	<b>14,705</b>	22,249
Other accounts payable	14	<b>28,991</b>	25,086	<b>90,346</b>	49,536
Provision for warranty costs	15.1	<b>2,258</b>	3,687	<b>28,143</b>	27,377
Payables to related parties	6.1	<b>10,741</b>	14,605	<b>14,600</b>	23,022
<b>Total current liabilities</b>		<b>199,153</b>	288,210	<b>496,841</b>	572,132
<b>Noncurrent liabilities</b>					
Loans and financing	9.1	<b>1,012,001</b>	797,751	<b>1,114,197</b>	812,107
Trade accounts payable		<b>210</b>	1,915	<b>5,958</b>	17,368
Provision for warranty costs	15.1	-	557	<b>12,051</b>	11,530
Tax liabilities	11	-	36	<b>9,701</b>	3,594
Lease financing	9.2	<b>24,985</b>	29,199	<b>25,129</b>	29,679
Property commitments payable	12	<b>70,877</b>	69,577	<b>2,060,218</b>	1,878,215
Advance from customers	13	<b>27,086</b>	380	<b>375,344</b>	372,800
Provision for tax, labor and civil contingencies	15.2	<b>4,055</b>	4,329	<b>24,008</b>	29,142
Other accounts payable	14	<b>2,028</b>	8,844	<b>97,392</b>	34,844
Payables to related parties	6.1	-	18,246	-	-
<b>Total noncurrent liabilities</b>		<b>1,141,242</b>	930,834	<b>3,723,998</b>	3,189,279
<b>Equity</b>					
Capital	16.1	<b>752,982</b>	752,982	<b>752,982</b>	752,982
Capital reserves	16.3	<b>177,690</b>	208,484	<b>177,690</b>	208,484
Stock option plan		<b>2,259</b>	4,050	<b>2,259</b>	4,050
Equity adjustment		<b>(29,847)</b>	(19,023)	<b>(29,847)</b>	(19,023)
Treasury shares		<b>(7,360)</b>	(52,129)	<b>(7,360)</b>	(52,129)
Income reserve	16.4	<b>404,153</b>	331,948	<b>404,153</b>	331,948
		<b>1,299,877</b>	1,226,312	<b>1,299,877</b>	1,226,312
<b>Noncontrolling interest</b>		-	-	<b>158,903</b>	113,686
		<b>1,299,877</b>	1,226,312	<b>1,458,780</b>	1,339,998
<b>Total liabilities and equity</b>		<b>2,640,272</b>	2,445,356	<b>5,679,619</b>	5,101,409

See accompanying notes.

## Direcional Engenharia S.A.

Statements of profit or loss  
Year ended December 31, 2021  
(In thousands of reais, unless otherwise stated)

	Note	Individual		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net revenue	17	<b>40,264</b>	41,951	<b>1,776,380</b>	1,500,723
Costs of properties sold and services rendered	18	<b>(11,736)</b>	(20,572)	<b>(1,129,274)</b>	(978,154)
Gross profit		<b>28,528</b>	21,379	<b>647,106</b>	522,569
Operating income (expenses)					
General and administrative expenses	18	<b>(112,482)</b>	(102,202)	<b>(132,511)</b>	(115,572)
Selling expenses	18	<b>(4,779)</b>	(2,604)	<b>(190,902)</b>	(158,044)
Equity pickup	7	<b>289,413</b>	232,143	<b>17,559</b>	3,464
Other operating income (expenses)	-	<b>28,424</b>	(2,541)	<b>(18,387)</b>	(31,054)
		<b>200,576</b>	124,796	<b>(324,241)</b>	(301,206)
Finance costs	19	<b>(140,404)</b>	(71,574)	<b>(159,174)</b>	(84,236)
Finance income	19	<b>70,841</b>	38,687	<b>80,632</b>	44,116
Finance income (costs)	19	<b>(69,563)</b>	(32,887)	<b>(78,542)</b>	(40,120)
Income before income and social contribution taxes		<b>159,541</b>	113,288	<b>244,323</b>	181,243
Income and social contribution taxes	20	<b>(37)</b>	(215)	<b>(35,563)</b>	(31,110)
Net income (loss) for the year		<b>159,504</b>	113,073	<b>208,760</b>	150,133
Attributable net income					
Direcional Engenharia S.A.		<b>159,504</b>	113,073	<b>159,504</b>	113,073
Non-controlling interest in SPEs and SCPs		-	-	<b>49,256</b>	37,060
Net earnings (loss) per share					
Basic (R\$)		<b>1.10</b>	0.76		
Diluted (R\$)		<b>1.09</b>	0.76		

See accompanying notes.

## Direcional Engenharia S.A.

Statements of comprehensive income (loss)  
Year ended December 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net income (loss) for the year	<b>159,504</b>	113,073	<b>208,760</b>	150,133
Total comprehensive income (loss) for the year	<b>159,504</b>	113,073	<b>208,760</b>	150,133
Attributable to:				
Company shareholders			<b>159,504</b>	113,073
Noncontrolling interests			<b>49,256</b>	37,060
			<b>208,760</b>	150,133

See accompanying notes.

## Direcional Engenharia S.A.

Statements of changes in equity  
Year ended December 31, 2021  
(In thousands of reais)

Note	Capital	Treasury shares	Capital reserves			Income reserves			Equity - Individual	Non-controlling interest	Equity - Consolidated
			From issue of shares/disposal	From stock options plan	Equity adjustment	Legal	For investment	Retained earnings (accumulated losses)			
Balances at December 31, 2019 (restated)	752,982	(32,076)	208,484	5,951	(18,679)	30,370	309,895	-	1,256,927	112,417	1,369,344
Recognized options granted	16.3	-	-	1,883	-	-	-	-	1,883	-	1,883
Capital reduction from non-controlling shareholders interest	16.6	-	-	-	-	-	-	-	-	(35,791)	(35,791)
P&L for the year	-	-	-	-	-	-	-	113,073	113,073	37,060	150,133
Proposed dividend	16.4.3	-	-	-	-	-	(120,364)	-	(120,364)	-	(120,364)
Disposal of treasury shares	16.2	-	3,886	-	(3,784)	-	(102)	-	-	-	-
Share buyback	-	-	(23,939)	-	-	-	-	-	(23,939)	-	(23,939)
Establishment of reserves	16.4.1	-	-	-	-	5,652	106,497	(112,149)	-	-	-
Prior years' adjustments	16.7	-	-	-	-	-	-	(924)	(924)	-	(924)
Transaction with non-controlling shareholders	16.6	-	-	-	(344)	-	-	-	(344)	-	(344)
Balances at December 31, 2020	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	-	-	3,284	-	-	-	-	3,284	-	3,284
Cancelation of treasury shares	-	-	30,749	(30,749)	-	-	-	-	-	-	-
Capital reduction from non-controlling shareholders interest	16.6	-	-	-	-	-	-	-	-	(4,039)	(4,039)
P&L for the year	-	-	-	-	-	-	-	159,504	159,504	49,256	208,760
Proposed dividend	16.4.3	-	-	-	-	-	(100,147)	-	(100,147)	-	(100,147)
Disposal of treasury shares – Matching plan	16.2	-	6,352	(45)	(5,075)	-	-	(1277)	(45)	-	(45)
Disposal of treasury shares - Market	-	-	36,635	-	-	-	-	14,125	50,760	-	50,760
Share buyback	-	-	(28,967)	-	-	-	-	-	(28,967)	-	(28,967)
Establishment of reserves	16.4.1	-	-	-	-	7,975	164,377	(172,352)	-	-	-
Transaction with non-controlling shareholders	16.6	-	-	-	(10,824)	-	-	-	(10,824)	-	(10,824)
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

See accompanying notes.

## Direcional Engenharia S.A.

Statements of cash flows  
Year ended December 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
From operating activities				
Profit before income and social contribution taxes	<b>159,541</b>	113,288	<b>244,323</b>	181,243
Adjustments to reconcile P&L to cash and cash equivalents from operating activities				
Depreciation and amortization	<b>22,574</b>	14,879	<b>51,287</b>	41,445
Equity pickup	<b>(289,413)</b>	(232,143)	<b>(17,559)</b>	(3,464)
Provision for warranty costs	<b>580</b>	482	<b>25,217</b>	22,428
Interest on loans and financing	<b>107,393</b>	51,608	<b>115,759</b>	63,367
Hedge accounting – fair value	<b>(17,243)</b>	-	<b>(17,243)</b>	-
Exchange difference on loans and financing	<b>1,097</b>	7,819	<b>1,097</b>	7,819
Provision for tax, labor and civil contingencies	<b>898</b>	2,964	<b>5,839</b>	5,732
P&L – physical barter	-	-	<b>(18,930)</b>	(10,266)
Profit (loss) from disposal of ownership interests	<b>(30,734)</b>	(40,586)	<b>(21,174)</b>	(40,572)
Adjustment to accounts receivable for acquisition of equity interest	<b>(330)</b>	-	<b>(330)</b>	-
Adjustment to present value on accounts receivable	-	-	<b>10,039</b>	2,133
Present value adjustment on lease financing	<b>2,294</b>	2,609	<b>2,356</b>	2,647
Adjustment to net realizable value of completed inventory	-	-	<b>(541)</b>	3,597
Allowance for doubtful accounts	-	-	<b>8,506</b>	(302)
Provision for losses on related parties	-	-	-	5,240
Provision for stock options plan	<b>3,284</b>	1,883	<b>3,284</b>	1,883
Provision for profit sharing	<b>7,125</b>	207	<b>7,879</b>	207
Increase (decrease) in assets				
Accounts receivable	<b>(5,061)</b>	(3,793)	<b>(119,447)</b>	67,245
Inventories	<b>4,305</b>	3,371	<b>176,187</b>	148,088
Sundry receivables	<b>(68,870)</b>	(20,847)	<b>(115,865)</b>	(31,517)
Transactions with related parties	<b>76,771</b>	9,448	<b>(35,509)</b>	5,380
Judicial deposits	<b>146</b>	(152)	<b>(169)</b>	544
Taxes recoverable	<b>(1,177)</b>	3,701	<b>(3,277)</b>	3,375
(Decrease) increase in liabilities				
Trade accounts payable	<b>(12,103)</b>	(9,807)	<b>(34,890)</b>	29,559
Labor liabilities	<b>(4,113)</b>	(3,341)	<b>(4,305)</b>	(2,594)
Tax liabilities	<b>759</b>	66	<b>3,377</b>	670
Property commitments payable	-	(3,600)	<b>(184,698)</b>	(171,986)
Advance from customers	<b>(2,362)</b>	(16,891)	<b>(7,668)</b>	(12,962)
Accounts payable	<b>87</b>	(8,615)	<b>106,356</b>	21,962
Provision for tax, labor and civil contingencies	<b>(1,172)</b>	(963)	<b>(10,973)</b>	(10,337)
Transactions with related parties	<b>(22,110)</b>	18,518	<b>(8,422)</b>	4,255
Warranty for works	<b>(2,566)</b>	(2,166)	<b>(23,930)</b>	(19,620)
Income and social contribution taxes paid	<b>(15)</b>	(136)	<b>(32,966)</b>	(29,851)
Net cash from (used in) operating activities	<b>(70,415)</b>	(112,197)	<b>103,610</b>	285,348

## Direcional Engenharia S.A.

Statements of cash flows (Continued)  
Year ended December 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash flow from investing activities				
Increase (decrease) in investments (SCPs and SPEs)	<b>(153,990)</b>	(110,952)	<b>(221,591)</b>	(22,589)
Dividends received	<b>112,492</b>	323,083	<b>11,451</b>	1,874
Sale of ownership interests	<b>215,183</b>	11,123	<b>267,432</b>	12,123
Increase in property and equipment	<b>(897)</b>	(1,091)	<b>(11,681)</b>	(7,384)
Leased property and equipment	<b>(2,512)</b>	(3,195)	<b>(2,510)</b>	(4,295)
Increase in intangibles	<b>(13,194)</b>	(10,084)	<b>(14,202)</b>	(10,640)
Short-term investments	<b>(129,091)</b>	(34,026)	<b>(129,846)</b>	227
Net cash from (used in) investing activities	<b>27,991</b>	174,858	<b>(100,947)</b>	(30,684)
Cash flow from financing activities				
Disposal of treasury shares	<b>50,715</b>	-	<b>50,715</b>	-
Dividends paid out	<b>(100,147)</b>	(120,364)	<b>(100,147)</b>	(120,364)
Share buyback	<b>(31,965)</b>	(23,939)	<b>(31,965)</b>	(23,939)
Additions to lease financing	<b>2,512</b>	3,180	<b>2,510</b>	4,155
Amortization of lease financing	<b>(8,158)</b>	(8,507)	<b>(8,502)</b>	(8,717)
Interest paid on lease	<b>(713)</b>	(452)	<b>(713)</b>	(452)
Loans taken out	<b>294,165</b>	489,078	<b>472,170</b>	616,768
Loan amortization charges	<b>(229,110)</b>	(285,486)	<b>(319,375)</b>	(448,510)
Interest paid	<b>(53,466)</b>	(36,264)	<b>(60,108)</b>	(39,696)
Capital increase (reduction) from non-controlling shareholders	<b>(10,824)</b>	(344)	<b>(14,863)</b>	(36,135)
Net cash from (used in) financing activities	<b>(86,991)</b>	16,902	<b>(10,278)</b>	(56,890)
Increase (decrease) in cash and cash equivalents	<b>(129,415)</b>	79,563	<b>(7,615)</b>	197,774
Cash and cash equivalents				
At beginning of period	<b>416,630</b>	337,067	<b>731,569</b>	533,795
At end of period	<b>287,215</b>	416,630	<b>723,954</b>	731,569

See accompanying notes.

## Direcional Engenharia S.A.

Statements of value added  
Year ended December 31, 2021  
(In thousands of reais)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenues				
Real property sales and services rendered	45,917	48,020	1,924,099	1,649,500
Other operating income (expenses)	28,424	(2,541)	(18,387)	(31,054)
(Setting-up)/reversal of allowance for doubtful accounts	-	-	(20,177)	(12,914)
	<b>74,341</b>	45,479	<b>1,885,535</b>	1,605,532
Bought-in inputs				
Raw materials consumed	(7,664)	(17,454)	(924,105)	(783,554)
Materials, energy, third-party and other operating services	(9,281)	(13,008)	(23,269)	(21,857)
Other	(15,110)	(10,364)	(203,859)	(167,646)
	<b>(32,055)</b>	(40,826)	<b>(1,151,233)</b>	(973,057)
Gross value added	<b>42,286</b>	4,653	<b>734,302</b>	632,475
Depreciation and amortization, net	<b>(22,574)</b>	(14,879)	<b>(51,287)</b>	(41,445)
Net value added produced by the Company	<b>19,712</b>	(10,226)	<b>683,015</b>	591,030
Value added received through transfer				
Equity pickup	289,413	232,143	17,559	3,464
Finance income	70,841	38,687	80,632	44,116
	<b>360,254</b>	270,830	<b>98,191</b>	47,580
Total value added to be distributed	<b>379,966</b>	260,604	<b>781,206</b>	638,610
Distribution of value added				
Personnel	74,362	69,674	246,086	226,513
Taxes, charges and contributions	5,689	6,283	163,105	166,973
Debt remuneration	140,411	71,574	163,255	94,991
Retained profits/losses	159,504	113,073	159,504	113,073
Attributed to noncontrolling shareholders	-	-	49,256	37,060
	<b>379,966</b>	260,604	<b>781,206</b>	638,610

See accompanying notes.

## **Direcional Engenharia S.A.**

Notes to individual and consolidated financial statements  
December 31, 2021  
(In thousands of reais – R\$, unless otherwise stated)

### **1. Operations**

Headquartered in Belo Horizonte, Minas Gerais, Direcional Engenharia S.A. (“Direcional”, “Parent company”, “Company” or “Individual”) is a publicly traded company whose shares are traded on B3, under ticker symbol DIRR3.

Direcional is a property developer and construction company, focusing on the development of low-income and middle-income projects - through its wholly-owned subsidiary Riva - and operating primarily in the North, Northeast, Midwest and Southeast regions. Over its 41 years’ experience in development and construction of low-income-oriented projects, it has developed a vertical structure and a standardized and industrial construction process, which has enabled construction of projects with outstanding 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 as a way to enable the establishment of partnerships, allowing it to follow up on projects individually, ease obtainment of financing lines for production as well as financial accounting control. Both SCPs and SPEs are exclusively engaged in the real estate sector and, in most cases, are associated with a specific venture.

On March 14, 2022, the Company's Board of Directors approved the individual and consolidated financial statements. and authorized their disclosure.

#### **1.1. Covid-19 analysis**

In March 2020, the WHO (World Health Organization) declared a global pandemic status due to the new coronavirus, Covid-19. The outbreak of the disease quickly spread around the world, which made governments and private sector entities adopt measures of social distancing to stop the spread of the disease.

To face this unexpected situation, the Company’s management created a crisis committee to deal with matters related to Covid-19, made up of all members of the executive board. This committee monitors the constant evolution of the matter with the media and public bodies, in order to define the best strategy for, first of all, maintaining the safety of all employees and also the smooth running of the Company’s business.

Throughout 2021, the Company carried out several actions that aimed to reinforce the importance of vaccination among its employees, to remain attentive with personal hygiene, with the use of masks and to avoid agglomerations.

All the actions taken have been also intended, as far as possible, to preserve the entire ecosystem involved in the business, from our employees to suppliers and service providers.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 1. Operations (Continued)

#### 1.1. Covid-19 analysis (Continued)

In general terms, these measures were as follows:

##### Security measures

###### *Procedures at construction sites*

In order to maintain the safety of our employees at the construction sites and the good performance of their functions, it is now mandatory, before entering the premises of the construction site, to measure the temperature of the employee (we repeat the procedure after lunch) or visitor, to be wearing protective mask properly (mandatory use throughout working hours), perform hand hygiene (inputs provided by the Company), and daily screening carried out by the safety technician in each region to assess the health of employees. Construction sites are airy, spacious places, allowing employees to maintain the proper safety distance suggested by the WHO.

Cleaning at construction sites takes place at least 4 times a day in common spaces, such as cafeterias, drinking fountains and changing rooms. For the cleaning of work tools, we provide alcohol with a concentration of 70%, disinfectant and bleach. We also make office and meal times more flexible to avoid agglomerations.

###### *Administrative office procedures*

To maintain security and the good performance of administrative activities, we have made working hours more flexible for employees at the headquarters, we have adopted a home office system for employees whose activities do not require physical presence at the Company's headquarters, and also, for employees identified as a risk group.

For employees whose activities require physical presence, we provide masks the use of which is mandatory during working hours and alcohol with a concentration of 70% on all floors and bathrooms. Work stations and common areas of the building are cleaned at least twice a day. In addition, the temperature of employees is being measured twice a day and those who show any symptoms of the disease are excused to carry out the necessary exams and, if necessary, comply with the quarantine period.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 1. Operations (Continued)

#### 1.1. Covid-19 analysis (Continued)

##### Security measures (Continued)

##### *Administrative office procedures* (Continued)

In addition to these precautions, the Company monitors suspected and confirmed cases until the employee is fully recovered with the help of a medical team. Before returning to work, tests are carried out to confirm that the employee is ready to return to work, so as to control and prevent further contamination.

Currently, the Company only works from home in areas whose activities are possible to be performed remotely.

##### *Cash protection*

In order to strengthen the Company's cash at this moment of instability, the Company's board of directors approved the 1<sup>st</sup> issue of commercial promissory notes in the amount of R\$100,000 with a term of 1 year at a rate of CDI+4% p.a. On June 16, 2020, the Company took out another longer credit facility in the amount of R\$100,000 at a more attractive rate (CDI+2.5% p.a.) and settled the previously contracted promissory notes. On September 21, 2020, the Company carried out the 6<sup>th</sup> issue of Debentures where the total face value was R\$250,000, maturing on September 21, 2025 at the CDI rate + 2.85% p.a.

In year 2021, there was no need to raise additional credit in order to protect cash due to the pandemic, in addition to the usual amount for maintaining the Company's activities.

##### *Assessment of business impacts*

The Company is attentive to the information available and to the resolutions made by public entities to guide its decision-making. The Company's activity is classified as an essential activity and, for this reason, its construction sites are operating normally. In the state of Ceará (CE), due to a state decree, activities were suspended from April 20 to May 29, 2020. In June 2020, activities were resumed. Prudently, the Company has taken all necessary safety measures both at the works and at the headquarters in order to protect the health of its employees.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 1. Operations (Continued)

#### 1.1. Covid-19 analysis (Continued)

##### Security measures (Continued)

##### *Assessment of business impacts* (Continued)

In the 1<sup>st</sup> quarter of 2021, due to the advance of Covid, several states and municipalities adopted tougher measures to contain the advance of Covid, including joining the Lockdown. In the city of Manaus, the works were paralyzed from January 25 to February 11. In the city of São Paulo, the Company works were paralyzed from March 26 to April 5. In the city of Ribeirão Preto, works were stopped from March 17 to 19. As of the 2<sup>nd</sup> quarter of 2021, operations were normalized.

In the period from March to August 2020, we changed the working hours of administrative employees who had a substantial reduction in the volume of work. We suspended the employment contracts of employees where, by virtue of state or municipal decree, we cannot work, according to the guidelines of Provisional Executive Order (MP) No. 936/2020. In September 2020, all employees returned to full-time work.

The Company believes that the strong sales performance is due to the Company's business model focused on CVA - *Casa Verde Amarela* (former MCMV Program), in which the transfer from the customer to the financing agent takes place at the time of sale during the works (associative method) and not at the end of the project, allowing the shortening of the financial cycle of the business, reducing the impacts on the cash flow of the operation. In addition, there was no restriction on bank credit for the sector. Direcional gradually opened our stands and points of sale and worked hard on the Company's digital online sales channels. There was no significant increase in the Company's delinquency in the period.

##### *Social collaboration*

The Company is inserted in the social context of the cities where it develops its projects. As such, it believes in the great social impact that a decent and safe home represents for a family and, therefore, it spares no efforts to keep operations running, always strictly observing all the recommendations of the World Health Organization (WHO) and prioritizing the health of its employees.

## **Direcional Engenharia S.A.**

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### **1. Operations (Continued)**

#### **1.2. 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. As such, these individual and consolidated financial statements were prepared on a going concern basis.

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

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Financial Accounting Standards Board (CPC) and the International Financial Reporting Standards (IFRS) issued by the Accounting Standards Board (IASB), applicable to Brazilian real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM), and disclose all significant financial statements information, and this information only, which is consistent with that used for management of the business.

#### **2.1. Presentation of financial statements**

##### **2.1.1. Basis of preparation**

The financial statements have been prepared under the historical cost convention, with financial assets and financial liabilities measured at fair value.

The preparation of the financial statements requires the use of certain critical accounting estimates and also that the Company management exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 2.2.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.1. Basis of preparation (Continued)

##### a) *Consolidated financial statements*

The consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities, as approved by the Brazilian Financial Accounting Standards Board (CPC), the Brazilian Securities and Exchange Committee (CVM) and Brazil's National Association of State Boards of Accountancy (CFC), which additionally consider the Brazilian Accounting Standard NBC TG 47 (IFRS 15) that provides for revenue from contracts with the customers, as well as certain matters related to the meaning and application of the concept of continuous transfer of risks, rewards and control in the sale of real estate units by the real estate development companies in Brazil, basis for recognition of revenues, as detailed in Note 2.1.18. The subsidiaries included in the consolidation process are described in Note 7.

The presentation of the individual and consolidated Statement of Value Added (SVA) is required by Brazilian Corporation law for publicly-held companies. IFRS does not require the presentation of this statement. Consequently, under IFRS, this statement is presented as supplementary information, without prejudice to the set of financial statements.

The Company participates in real estate projects through Silent Partnerships (SCPs) and Special Purpose Entities (SPEs). SCP operations are carried out on behalf of the ostensible partner who is usually the project leader.

##### b) *Individual financial statements*

The Company's individual financial statements were prepared in accordance with accounting practices adopted in Brazil, in accordance with Accounting Pronouncement CPC 26 (R1) - Presentation of Financial Statements, identified as Company.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.1. Basis of preparation (Continued)

##### b) *Individual financial statements* (Continued)

In the individual financial statements, subsidiaries, affiliates and joint operations with or without legal a legal status are accounted for using the equity pickup method adjusted to the proportion held in the Group's contractual rights and obligations.

For equity pickup purposes, the financial statements of subsidiaries, jointly-controlled subsidiaries and affiliates are prepared for the same reporting period as the Company and, when necessary, adjustments are made to ensure that the accounting policies are in accordance with those adopted by the Company.

Equity in P&L of subsidiaries, jointly-controlled subsidiaries and affiliates is recorded in the Company's P&L as equity pickup, representing the investee's P&L attributed to shareholders.

After applying the equity pickup method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its subsidiary and affiliate. At each closing date, the Company determines whether there is objective evidence of impairment loss of its investments in subsidiaries and affiliates.

In this case, the Company calculates impairment loss as the difference between the subsidiary's recoverable amount and book value, and recognizes such amount in the Company's statement of profit or loss.

#### 2.1.2. Consolidation

The following accounting practices are applied in the preparation of the consolidated financial statements.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.2. Consolidation (Continued)

##### a) *Subsidiaries*

Subsidiaries are all entities (including structured entities), with or without legal status, over which the Group holds control. The Group controls an entity when it is exposed or entitled to variable returns deriving from its involvement in the entity and can interfere in these returns due to the power it exercises over the entity.

The subsidiaries are fully consolidated as from the date when the control is transferred to the Group. The consolidation is discontinued on the date such control ceases.

The Group adopts the acquisition method to account for business combinations. The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and any equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, where applicable. Acquisition-related costs are recorded in P&L as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are initially measured at fair value on the acquisition date. The Group recognizes the noncontrolling interest in the acquiree, both for its fair value and for the proportional portion of the noncontrolling interest in the fair value of the acquiree's net assets. Measurement of the noncontrolling interest is determined at each acquisition made.

The excess (i) consideration transferred; (ii) amount of noncontrolling interests in the acquiree; and (iii) fair value on the acquisition date of any previous equity interest held in the acquiree in relation to the fair value of the net identifiable assets acquired is recognized as goodwill. When the total consideration transferred, noncontrolling interests recognized and measurement of interest held previously is less than the fair value of net assets of the acquiree, the difference is recognized directly in P&L for the year.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.2. Consolidation (Continued)

##### a) *Subsidiaries* (Continued)

Intercompany transactions, balances and unrealized gains on transactions are eliminated.

Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The accounting policies of subsidiaries are adjusted, when necessary, to ensure consistency with the policies adopted by the Group.

##### b) *Transactions with noncontrolling interests*

The Group treats transactions with noncontrolling interests as transactions with owners of assets of the Group. For acquisition of noncontrolling interests, the difference between any consideration paid and the acquired portion of the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposal to noncontrolling interests are also recorded directly in equity, under "Equity adjustments".

##### c) *Loss of control in subsidiaries*

When the Group ceases to have control, any interest held in the entity is measured at fair value, and the change in the book value is recognized in profit or loss. Fair value is the book value for subsequent accounting of the interest held in an affiliate, a joint venture or a financial asset. In addition, any amounts previously recognized in other comprehensive income relating to such entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This could mean that amounts previously recognized in other comprehensive income are reclassified to P&L.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.2. Consolidation (Continued)

##### d) *Affiliates and joint ventures*

Affiliates are all entities over which the Group has significant influence, but not control, generally through a 20% to 50% ownership interest in the voting rights.

Joint arrangements are all entities over which the Group has shared control with one or more parties.

Investments in joint arrangements are classified as joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Investments in affiliates and joint ventures are accounted for using the equity pickup method and are initially recognized at cost. The Group's investment in affiliates and joint ventures includes the goodwill identified in the acquisition, net of any accumulated impairment loss.

The Group's share in P&L of its affiliates and joint ventures is accounted for in the statement of profit of loss and the share in changes in reserves is recognized in the Group's reserves. When the Group's share in the losses of an affiliate or joint venture is equal to or greater than the investment's book value, including any other receivables, the Group does not recognize additional losses unless it has incurred obligations or made payments on behalf of the affiliate or joint venture.

Unrealized gains on transactions between the Group and its affiliates and joint ventures are eliminated in proportion to the Group's interest therein. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The accounting policies of affiliates are adjusted, when necessary, to ensure consistency with the policies adopted by the Group.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

#### 2.1. Presentation of financial statements (Continued)

##### 2.1.2. Consolidation (Continued)

##### d) *Affiliates and joint ventures* (Continued)

If the equity interest in the affiliate is reduced, but significant influence is retained, only a proportional part of the amounts previously recognized in other comprehensive income will be reclassified to P&L, as appropriate. Gains and losses from dilution in investments in affiliates are recognized in P&L.

##### 2.1.3. Segment information

Operating segments are defined as components of a business for which separate financial information is available and is assessed regularly by the operating decision-maker so that funds may be allocated to a given segment and its performance may be assessed. The Company management bases its internal management reports for decision-making on its own consolidated financial statements, on the same basis as these statements are disclosed, that is, only a segment considered internally as "Real Estate Business".

##### 2.1.4. Functional and presentation currency

The items included in the financial statements of each Group company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The individual and consolidated financial statements are presented in Brazilian reais, which is the Company's functional currency as well as its presentation currency.

##### 2.1.5. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid short-term investments, maturing within three months, with insignificant risk of any change in value. The balance is stated net of overdraft facilities in the statement of cash flows. Overdraft facilities are presented in the statement of financial position as Loans and financing, under current liabilities.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.6. Financial assets

##### a) *Classification*

The Group classifies its financial assets, upon initial recognition, into the following categories: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. Financial assets are classified according to the purpose for which they were acquired.

##### I) Financial assets at amortized cost

Assets held to receive contractual cash flows on specific dates, according to the Company's business model, are classified as financial assets.

##### II) Financial assets at fair value through profit or loss

Financial assets classified at fair value through profit or loss are not specifically defined to be held to receive contractual cash flows on specific dates or for sale in the Company's business model.

##### III) Financial assets at fair value through other comprehensive income

Financial assets classified at fair value through other comprehensive income are all other assets not classified in the above categories.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.6. Financial assets (Continued)

##### b) *Recognition and measurement*

The financial instruments are initially recognized at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are charged to P&L. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred; in the latter case, provided the Group has transferred substantially all the risks and rewards of ownership of the asset. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are accounted for at amortized cost, using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are presented in P&L, under Other operating income (expenses), in the period in which they occur.

Dividends of financial assets measured at fair value through profit or loss and available-for-sale equity instruments, such as shares, are recognized in the statement of profit or loss as part of other income when the Group's right to receive dividends is established.

The fair value of publicly traded investments is based on the current purchase prices. If the market for a financial asset (and securities not listed on the stock exchange) is not active, the Group establishes fair value through valuation techniques. These techniques include the use of recently contracted transactions with third parties, reference to other instruments that are substantially similar, analysis of discounted cash flows, and option pricing models that make maximum use of information generated by the market and rely as little as possible on information generated by the Company management.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.6. Financial assets (Continued)

##### c) *Offset of financial instruments*

Financial assets and liabilities are offset and the net value is stated in the statement of financial position when there is a legal right to offset the amounts recognized and the intention to settle them on a net basis or realize the asset and settle the liability simultaneously. The legal right should not be contingent on future events and should be applicable in the ordinary course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

##### d) *Impairment of financial assets*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. An asset or group of financial assets is impaired and impairment loss is recognized only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of assets (a loss event) and such loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that may be reliably estimated.

The criteria used by the Group to determine whether there is objective evidence of impairment loss include:

- (i) Significant financial difficulties faced by the issuer or debtor;
- (ii) Breach of contract, such as default or payment in arrears of interest or principal;
- (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that a lender would not otherwise consider;
- (iv) It becomes probable that the borrower will file for bankruptcy or undergo another type of financial reorganization;
- (v) The extinction of an active market for such financial asset due to financial difficulties; or

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.6. Financial assets (Continued)

##### d) *Impairment of financial assets* (Continued)

(vi) Observable data indicating that there is a measurable reduction in the estimated future cash flows from a financial asset portfolio, since the initial recognition of those assets, although the decrease may not yet be identified with the individual financial assets in the portfolio, including:

- Adverse changes in the payment condition of borrowers in the portfolio; and

National or local economic conditions correlated to defaults on portfolio assets.

The impairment loss amount is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future credit losses not incurred), discounted at the financial asset's original effective interest rate. The book value of the asset is reduced and the loss is recognized in the statement of profit or loss. If a loan or investment held to maturity is subject to a variable interest rate, the discount rate to measure the impairment loss is the current effective interest rate determined according to the agreement. As a practical expedient, the Group is able to measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recorded in P&L.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.7. Accounts receivable for real estate development and for services rendered

Accounts receivable is substantially represented by receivables (current and noncurrent) arising from sales of residential real estate units ("accounts receivable for real estate development") and from performance of services related to administration of construction works ("accounts receivable for services rendered").

Accounts receivable from customers for units launched but not completed are calculated by applying the percentage of completion (POC) of the construction on the revenue from units sold, adjusted according to the conditions of the sales agreements (monetary restatement), less installments received. If the amount of the installments received exceeds the accumulated revenue recognized, the balance is classified as advance from customers, under liabilities.

The balance of accounts receivable from incomplete real estate units is stated at net present value, i.e., discounted to present value by the difference between the contractual interest charged after delivery of the property and the restatement rate installments upon construction of the property (Brazilian Construction Cost Index - INCC).

If the period of receipt of the amount corresponding to the accounts receivable balance is of one year or less, the receivables are classified as current assets. Otherwise, the exceeding portion is stated as noncurrent assets.

Trade accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method less allowance for doubtful accounts (ADA or impairment).

#### 2.1.8. Inventories

##### a) *Inventories of land to be developed*

Inventories of land are recorded at historical build-up cost, which includes all related, directly linked and measurable expenses, including barter transactions calculated at fair value.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.8. Inventories (Continued)

##### a) *Inventories of land to be developed* (Continued)

Land can be acquired through partnerships with landowners (physical barter and financial exchanges).

Physical barter: The fair value of the land is recorded as a component of inventories of real estate land for sale, in return for advances from customers, at the time of execution of the agreement or when the contractual covenants are met. Revenue from barter transactions are allocated to P&L over the period of construction of the projects.

Financial barter: In financial exchanges, the Company transfers a percentage of the sales value to the landowners. This amount is recorded as a component of inventories of real estate land for sale, against accounts payable, on occasion of execution of the agreement or contract related to said transaction.

Inventories of land to be developed are classified according to the expectation of launching of the project. If the project, to which the land is tied, is expected to be launched within the next 12 months, the land is classified in current assets. Otherwise the land is stated as noncurrent assets.

##### b) *Inventories of units under construction*

Inventories of units under construction are stated as a portion of inventories corresponding to the cost incurred of units not yet sold, adjusted to the net realizable value, when lower than the cost incurred.

The cost includes the cost of acquisition of the land, project and legalization expenses,, materials, labor (own or contracted from third parties), and other related construction costs, including the financial cost of capital applied (financial charges of accounts payable for land acquisition and financing operations incurred during the construction period).

## **Direcional Engenharia S.A.**

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### **2. Summary of significant accounting practices and policies and statement of compliance (Continued)**

#### **2.1. Presentation of financial statements (Continued)**

##### **2.1.9. Property and equipment**

Property and equipment items are measured at historical cost, less accumulated depreciation. Historical cost includes expenses directly attributable to acquisition of the items. Historical cost also considers financing cost related to acquisition of qualifying assets.

Subsequent costs are included in the asset's book value or recognized as a separate asset, as the case may be, only when it is probable that future economic benefits associated with such costs will flow to the Company and they may be reliably measured. The book value of replaced items or parts is written off. All other repair and maintenance services are recorded against P&L for the year, when incurred.

The depreciation of other assets is calculated by the straight-line method considering their costs and net book values over the estimated useful life described in Note 8.

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.

Residual value and useful life of the assets are reviewed and adjusted, as appropriate, at each year-end.

Sales stand expenses, including its construction, decoration, furniture and maintenance, are recognized as property and equipment, as long as the estimated useful life is not less than 12 months, and depreciation is posted to P&L as selling expenses over its useful life.

Gains and losses from disposals are calculated by comparing the results with the book value, recognized as Other operating income (expenses), under P&L.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.10. Impairment of nonfinancial assets

Assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the book value cannot be recovered. An impairment loss is recognized when the book value of the asset exceeds its recoverable amount, which represents the greater of an asset's fair value less costs to sell and its value in use. For impairment testing purposes, assets are grouped into the lower levels for which there are separately identifiable cash flows (Cash Generating Units (CGU)). Nonfinancial assets, except goodwill, that have been adjusted for impairment are subsequently reviewed for possible reversal of impairment at each reporting date.

#### 2.1.11. Loans and financing

Loans and financing are initially recognized at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in P&L over the period in which the loans are outstanding, using the effective interest rate method.

Loans and financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The costs of general and specific loans and financing directly attributable to acquisition, construction or production of a qualifying asset, necessarily requiring a significant time to be concluded for the purpose of use or sale, are capitalized as part of the corresponding cost of the asset when it is probable that future economic benefits will be generated for the Company and such costs may be reliably measured. Other borrowing costs are recorded as expense in the period in which they incur.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

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(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.12. Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as interest rate swap contracts to hedge against interest rate risks. These derivative instruments are initially recognized at fair value and subsequently remeasured at fair value. Derivatives are recorded as assets when the fair value is positive and as liabilities when negative.

For hedge accounting purposes, hedging instruments are classified as:

- (a) Fair value hedge, when intended to hedge exposure to changes in the fair value of a recognized asset or liability or a firm commitment;
- (b) Cash flow hedge, when intended to hedge exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction, or to foreign currency risk in an unrecognized firm commitment; or
- (c) Hedge of a net investment in a foreign operation.

At the inception of a hedging relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the object and risk management strategy for performing the hedge.

#### 2.1.13. Lease financing

##### a) Right-of-use assets

The Company recognizes its right-of-use assets at cost less any depreciation, loss or impairment, and adjusted for any measurement of the liability. The cost of the right-of-use asset comprises the initial value of the measurement of the lease liability, lease payments made up to the start date, initial costs incurred, and the estimated costs to be incurred for decommissioning of the asset.

The right-of-use assets are depreciated on a straight-line basis over the lease term.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.13. Lease financing (Continued)

##### b) Lease liabilities

On the lease start date, the Company recognizes lease liabilities at the present value of the payments, using the incremental rate on its loans, given that the interest rate implicit in the lease is not easily determinable. The incremental financing rate was calculated by the average weighted by the outstanding balance of the Company's current financing agreements.

##### c) Short-term and low-value asset leases

The Company applies the recognition exemption for short-term leases (whose term is equal to or less than 12 months) or low-value leases. Such lease payments are recognized as expenses.

#### 2.1.14. Provisions

Provision for guarantee and provision for contingencies (labor, civil and tax lawsuits) are recognized when: (i) the Group has a present or constructive obligation, as a result of past events, (ii) it is probable that an outflow of funds will be required to settle the obligation, and (iii) a reliable estimate of the amount can be made.

When there are a number of similar obligations, the likelihood of their settlement is determined taking into consideration the class of obligations as a whole. A provision is recognized even if the likelihood of settlement with respect to any one item included in the same class of obligations is low.

Provisions are measured at the present value of expenses that are expected to be required to settle the obligation, using a pre-tax rate, which reflects the current market evaluation of the time value of money and the specific risks of the obligation. Increase in obligations due to passage of time is recognized as finance costs.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.14. Provisions (Continued)

##### a) *Provision for contingencies*

The Group is party to various legal and administrative proceedings. Provisions are set up for all contingencies relating to legal proceedings for which it is likely that an outflow of funds will be required to settle the contingency/obligation and a reasonable estimate of its amount can be made. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their significance in the legal system, as well as the opinion of outside legal advisors.

Provisions are reviewed and adjusted to take into consideration any changes in circumstances, such as applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

##### b) *Provision for warranty*

The Group sets up provision for guarantee to cover project repair expenses during the period established in the contracts, based on the history of expenses incurred. The provision is recorded against P&L (cost of real estate sold), to the extent costs of units sold incur. Any remaining unused balances of the provision are reversed after the contractual term of the guarantee. The average term of the guarantee is approximately 5 years after delivery of the real estate development.

#### 2.1.15. Current and deferred income and social contribution taxes

Income and social contribution tax expenses for the period include current and deferred taxes. Income taxes are recognized in P&L, except to the extent they relate to items directly recognized in equity. In such case, the tax is also recognized in equity.

## **Direcional Engenharia S.A.**

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### **2. Summary of significant accounting practices and policies and statement of compliance (Continued)**

#### **2.1. Presentation of financial statements (Continued)**

##### **2.1.15. Current and deferred income and social contribution taxes (Continued)**

Current and deferred income and social contribution tax charges are calculated based on tax laws enacted, or substantially enacted, at the statement of financial position date. Management regularly assesses the positions assumed in the income tax calculations with respect to situations in which applicable tax regulations give rise to different interpretations, and records provisions, when appropriate, based on estimated amounts payable to tax authorities.

The Group structures its operations in specific purpose entities (Silent Partnerships (SCPs) and Special Purpose Entities (SPEs)), whose business purpose is the construction and sale of real estate units. The Company calculates and pays taxes on revenue from sale of real estate units on a cash basis rather than on an accrual basis, as established by Revenue Procedure (IN) No. 84/79. In addition, such specific purpose entities are subject to the regime whereby taxable profit is computed as a percentage of gross revenue, with income tax at 8% (real estate development, including monetary restatement) and 32% (provision of services), and social contribution tax at 12% (real estate development), at 32% (provision of services) and at 100% on finance income, on which the regular rates of the respective tax and contribution apply.

The Group has adopted the Special Taxation Regime (RET) applied to real estate development entities. For such, certain standards related to the pool of assets available for lien should be complied with, according to Revenue Procedure IN RFB No. 1435 of December 30, 2013, under which a tax burden of up to 4% for real estate developments is allowed.

Direcional Engenharia S.A. is subject to the regime whereby taxable profit is based on accounting records, and income and social contribution taxes are calculated at the regular rates of 15%, plus surtax of 10% for income tax and 9% for social contribution tax on the book profit for the year, adjusted according to accounting criteria established by current legislation. Current income and social contribution taxes are stated net, by taxpayer, under liabilities, when there are amounts payable, or under assets when the amounts previously paid exceed the total owed at the reporting date.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

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(In thousands of reais – R\$, unless otherwise stated)

### 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

#### 2.1. Presentation of financial statements (Continued)

##### 2.1.15. Current and deferred income and social contribution taxes (Continued)

Deferred income and social contribution taxes are recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their book values in the financial statements. One of the main temporary differences corresponds to the difference in the calculation of revenue by the tax regime (cash basis) and by the corporate regime (accrual basis).

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences may be used.

Deferred tax assets and liabilities are stated net in the statement of financial position when there is legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities are usually presented separately, and not for the net amount.

##### 2.1.16. Employee benefits

###### a) *Share-based compensation*

The Group operates two share-based compensation plans according to which the entity receives employee services as consideration for the Group's equity instruments (options). The fair value of employee services, received in exchange for options granted, is recognized as expense. The total amount to be expensed is determined by reference to the fair value of the options granted, not including the impact of any vesting conditions based on the service. The total amount of expenses is recognized during the period in which the right is vested; period during which the specific vesting conditions should be met. At the statement of financial position date, the entity reviews its estimates of the number of options to be vested based on nonmarket vesting conditions. Any impact of the review of initial estimates is recognized in P&L, with a corresponding adjustment in equity.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.16. Employee benefits (Continued)

##### a) *Share-based compensation* (Continued)

The amounts received, net of any directly attributable transaction costs, are credited to capital (nominal value) and the goodwill reserve, if applicable, when the options are exercised.

The social contributions payable in connection with stock options granted are considered an integral part of the granting itself, and the charge will be treated as a cash-settled transaction.

##### b) *Profit sharing*

The Group recognizes a profit sharing liability and expense in P&L based on a methodology that takes into consideration earnings attributable to its shareholders after certain adjustments. The Group recognizes a provision when it is contractually bound or when there is an earlier practice that has generated an unrealized obligation.

#### 2.1.17. Capital

Common and preferred shares are classified in equity.

Additional costs directly attributable to issue of new shares or options are stated in equity as a deduction of the amount raised, net of taxes.

When a Group company buys shares from the Company's capital (treasury shares), the amount paid, including any directly attributable additional costs (net of income tax), is deducted from equity attributable to Company shareholders until shares are canceled or reissued. When such shares are subsequently reissued, any amount received, net of any directly attributable additional transaction costs and the related income and social contribution tax effects, is included in equity attributable to Company shareholders.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.18. Revenue recognition

Revenue is stated net of taxes, returns, rebates and discounts, as well as elimination of sales between Group companies. The Group recognizes revenue when it can be reliably measured, it is probable that future economic benefits will flow to the entity, and the specific criteria have been met for each of the Group's activities, as described below.

#### a) *Completed real estate units*

In installment sales of completed units, the P&L is allocated upon signature of the purchase and sale commitment, and at this point the most significant risks and rewards inherent in the property are transferred, regardless of the term of receipt of the contractual value.

Fixed interest and monetary variation are allocated on a time proportion basis to P&L, under finance income, on an accrual basis, irrespective of receipt thereof.

#### b) *Real estate units under construction*

The Company adopted the POC revenue recognition methodology, as it understands that this is the best manner to evidence the results of the follow-up, since it is possible to monitor the results during the construction process, enabling a concrete analysis of the results of the projects. To ensure that there are no material misstatements in this process, the Company uses robust ERP where all financial transactions are recorded, the entire procurement process is computerized, from quotation to tracking of deliveries, all payments are carried out based on definitions of authority levels, and the accounting closing process is computerized. We hold monthly committee meetings to validate budgets and define deviations. Budgets are only sent to the accounting area after validation by this committee, so the Company may have secure information for application of POC.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)  
December 31, 2021  
(In thousands of reais – R\$, unless otherwise stated)

### 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

#### 2.1. Presentation of financial statements (Continued)

##### 2.1.18. Revenue recognition (Continued)

###### b) *Real estate units under construction* (Continued)

In the sales of incomplete units, the Company observed the procedures and standards established in CPC 47 "Revenue from contracts with customers" for recognition of revenue from sales of goods with continued transfer of significant risks and rewards inherent in the ownership. The following procedures are adopted for recognition of sales revenue from units under construction:

Costs incurred upon sale of units, including cost of land, are fully recognized in P&L.

The percentage of the cost incurred of units sold, including the land, in relation to total budgeted cost (POC) is calculated, and this percentage is applied to the fair value of the revenue of the units sold (including the fair value of the land barter transactions carried out), adjusted according to the terms of the sales agreements, which provides for the monetary restatement of amounts receivable in accordance with the National Civil Construction Index (INCC), thus determining the amount of sales revenue to be recognized.

The sales revenue determined, including monetary restatement of accounts receivable, net of installments already received (including the fair value of barter with land), are accounted for as accounts receivable, or as advances from customers, as applicable.

The fair value of the revenue from units sold is calculated at present value based on the highest rate identified in the comparison between the average borrowing and financing rate of the Company, excluding inflation, and the National Treasury Bill (NTNB) rate, from the contract execution date to the date scheduled for delivery of the unit. Upon delivery of the unit, accounts receivable is subject to interest of 12% per year, plus monetary restatement by the IPCA. The interest rate for remuneration of government bonds indexed by the IPCA is compatible with the nature, term and risks of similar transactions under market conditions. Subsequently, with the lapse of time, interest is added to the new fair value to determine the revenue to be appropriated, on which the POC will be applied.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

#### 2.1. Presentation of financial statements (Continued)

##### 2.1.18. Revenue recognition (Continued)

###### b) *Real estate units under construction* (Continued)

The interest and financial charges, the financing of works and the acquisition of land are appropriated to the cost of the project, and appropriated to P&L in accordance with the units sold, not interfering in the determination of the percentage of the cost incurred in relation to the total budgeted cost (POC).

###### c) *Finance income*

Finance income is recognized on an accrual basis, using the effective interest rate method. When an impairment is identified in relation to an account receivable, the Group reduces the book value to its recoverable amount, which corresponds to the estimated future cash flow, discounted at the instrument's original effective interest rate.

Subsequently, as time elapses, interest is incorporated into the accounts receivable, matched against finance income. This finance income is calculated at the same effective interest rate used to determine the recoverable amount, that is, the instrument's original rate.

##### 2.1.19. Payment of dividends and interest on equity

Payment of dividends and interest on equity to the Company's shareholders are recognized as a liability in financial statements at the year-end, according to the Company's articles of incorporation. Any dividend amount in excess of mandatory minimum dividends is accrued on the date of related approval by the shareholders at the Annual Shareholders' Meeting.

The tax benefit of interest on equity is recognized in the statement of profit or loss.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.1. Presentation of financial statements (Continued)

#### 2.1.20. New and revised standards and interpretations already issued and adopted by the Company

<u>Pronouncement</u>	<u>Description</u>
Amendments to CPC 38, CPC 40 (R1) and CPC 48: Interest rate benchmark reform	The amendments to CPC 38 and CPC 48 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments did not significantly impact the Company's financial statements.
Amendment to CPC 11: Insurance Contracts	Changes in the base for determining contractual cash flows as a result of the benchmark interest rate reform.

#### 2.1.21. Standards and interpretations issued but not yet effective

<u>Pronouncement</u>	<u>Description</u>	<u>Effective period</u>
CPC 50 - Insurance contracts	Correlation to IFRS 17 - Establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts.	Annual periods beginning on or after January 1, 2023.
IAS 1	Classification of liabilities as current or noncurrent. Clarifies aspects to be considered for the classification of liabilities as current or noncurrent.	Annual periods beginning on or after January 1, 2023.
IAS 8	Definition of accounting estimates - Clarifies the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, it clarifies how entities use measurement techniques and inputs to develop accounting estimates.	Annual periods beginning on or after January 1, 2023.

### 2.2. Critical accounting estimates and judgments

The estimates and judgments are continuously assessed and are based on historical experience and other factors, including expected future events considered reasonable in the circumstances.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

## 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

### 2.2. Critical accounting estimates and judgments (Continued)

The Group makes estimates concerning the future based on assumptions. By definition, accounting estimates seldom correspond to actual results. Estimates and assumptions presenting a significant risk and that are likely to cause a material adjustment to the book values of assets and liabilities in the next year are addressed below.

#### a) Recognition of revenue from real estate units under construction

For the purpose of applying the accounting policy for recognition of revenue from real estate units under construction, management follows CPC 47 – Revenue from contracts with customers.

The Company and its subsidiaries use the Percentage of Completion method (POC) to account for its sales agreements for units in real estate development projects and the provision of services. Use of the POC method requires the Company to estimate the costs to be incurred until the completion of construction and delivery of the keys of real estate units belonging to each development project to establish a ratio in relation to the costs already incurred. Revenue is calculated by multiplying this percentage (POC) by the fair value of revenue from sales already contracted. Accordingly, revenue is recognized continuously throughout the construction of the real estate development project. This determination requires significant judgment by management.

#### b) Budgeted cost of works

The total budgeted costs, consisting of costs incurred and estimated costs to be incurred for completion of the works, are reviewed periodically throughout the works, and the effect of such reviews on the estimates impacts P&L of the Company and its subsidiaries, as described above in Note 2.1.17 (b) Revenue recognition.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 2. Summary of significant accounting practices and policies and statement of compliance (Continued)

#### 2.2. Critical accounting estimates and judgments (Continued)

c) Provision for contingencies

The Company recognizes provision for tax, labor and civil contingencies. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their significance in the legal system, as well as the opinion of outside legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings. The Company and subsidiaries are periodically audited by tax, labor, social security, environmental and sanitary inspection authorities, among others. It is not possible to guarantee that the Company and its subsidiaries will not be served notices by such authorities, or that the related violations will not be converted into administrative proceedings and, subsequently, into legal suits, or is it possible to anticipate the outcome of any such proceedings.

d) Impairment testing of inventories

The Company annually tests its inventories of completed units for impairment to assess whether the book value of the asset exceeds its recoverable amount. The recoverable amount of the unit is determined by the current market price for the sale of units similar to those being tested, less the estimated cost to sell the unit. If the recoverable amount is less than the cost, the Company writes off the excess.

e) Allowance for losses

The Company periodically evaluates its accounts receivable in order to identify amounts that will not be realized, amounts already identified as losses or amounts that may not be realized in the future. The Company uses the potential loss method to determine the amount of the allowance for estimated losses, evaluating sales that have accounts receivable overdue for more than 90 days.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

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(In thousands of reais – R\$, unless otherwise stated)

### 3. Cash and cash equivalents and short-term investments

#### 3.1. Cash and cash equivalents

Description	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash and banks	1,332	1,563	239,215	217,303
Cash equivalents – short-term investments	285,883	415,067	484,739	514,266
Total	287,215	416,630	723,954	731,569

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 95.34% to 108.00% of the CDI, according to the nature and timing of each instrument. At December 31, 2021, the accumulated average gross remuneration of the Company's short-term investments was 104.27% of the CDI.

#### 3.2. Short-term investments

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Investment in Financial Treasury Bills (government bonds)	251,412	97,507	252,985	128,391
Financial Bills (corporate bonds)	71,925	96,739	72,221	66,969
Total	323,337	194,246	325,206	195,360

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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 4. Accounts receivable

#### 4.1. Accounts receivable from operations

Accounts receivable - real estate development	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Completed units	4,215	3,499	170,034	176,015
Units under construction	-	-	329,174	192,288
Receivables for land sold	-	-	2,126	1,425
(-) Allowance for expected credit losses	-	-	(25,536)	(17,030)
(-) Present value adjustment	-	-	(14,741)	(4,702)
	<b>4,215</b>	<b>3,499</b>	<b>461,057</b>	<b>347,996</b>
<b>Accounts receivable - services rendered</b>				
Real estate intermediation	-	-	1,476	923
Firm-price construction contract	5,802	3,623	11,323	25,170
Other services	2,349	183	2,490	1,355
	<b>8,151</b>	<b>3,806</b>	<b>15,289</b>	<b>27,448</b>
	<b>12,366</b>	<b>7,305</b>	<b>476,346</b>	<b>375,444</b>
Current	11,340	6,540	231,761	246,717
Noncurrent	1,026	765	244,585	128,727

The Company recognizes an allowance for expected credit losses and changes in the balance of this allowances were as follows:

	12/31/2020	(-) Allowance	(+) Reversal	12/31/2021
Changes in allowance for expected credit losses	(17,030)	(28,973)	20,467	(25,536)

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

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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 December 31, 2021, the balance receivable related to this transaction was R\$156.

On March 30, 2021, the Company entered into a new Real Estate Credit Assignment agreement, through its subsidiaries, with ISEC Securitizadora S.A. The net amount of the transaction was of R\$38,920. On April 21, 2021, the balance was fully received.

On December 13, 2021 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\$100,789. At December 31, 2021, the balance receivable related to this transaction was R\$6,953.

The aging list of trade accounts receivable from real estate development and services rendered, recorded in current assets at December 31, 2021 and 2020, is as follows:

	<b>Consolidated</b>	
	<b>12/31/2021</b>	<b>12/31/2020</b>
Falling due		
Within to 3 months	<b>97,924</b>	120,965
From 3 to 6 months	<b>26,915</b>	25,179
From 6 to 9 months	<b>27,090</b>	25,401
From 9 months to 1 year	<b>38,572</b>	36,136
	<b>190,501</b>	207,681
Overdue		
Within 1 month	<b>8,847</b>	13,293
From 1 to 2 months	<b>1,486</b>	917
From 2 to 3 months	<b>936</b>	4,201
From 3 to 4 months	<b>1,066</b>	1,671
From 4 to 6 months	<b>1,309</b>	754
Above 6 months	<b>27,616</b>	18,200
	<b>41,260</b>	39,036
	<b>231,761</b>	246,717

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 4. Accounts receivable (Continued)

#### 4.1. Accounts receivable from operations (Continued)

The maturity of amounts falling due, recorded in noncurrent assets at December 31, 2021 and 2020, is scheduled as follows:

	<u>12/31/2021</u>	<u>12/31/2020</u>
1-2 years	<b>153,089</b>	63,898
Up to 3 years	<b>52,957</b>	39,435
Up to 4 years	<b>12,548</b>	9,207
After 4 years	<b>25,991</b>	16,187
	<b><u>244,585</u></b>	<u>128,727</u>

#### 4.2. Other accounts receivable

	<u>Individual</u>		<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Accounts receivable for				
Disposal of units of interest	<b>10,258</b>	70,685	<b>17,540</b>	80,685
	<b><u>10,258</u></b>	<u>70,685</u>	<b><u>17,540</u></b>	<u>80,685</u>
Current	<b>10,258</b>	40,000	<b>17,540</b>	50,000
Noncurrent	-	30,685	-	30,685

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

	<u>Individual</u>	<u>Consolidated</u>
12/31/2020	70,685	80,685
<b>(+) Disposal of units of interest</b>	<b>154,426</b>	<b>203,957</b>
<b>(+/-) Corrections</b>	<b>330</b>	<b>330</b>
<b>(-) Receivables</b>	<b>(215,183)</b>	<b>(267,432)</b>
<b>12/31/2021</b>	<b><u>10,258</u></b>	<b><u>17,540</u></b>

On September 3, 2018, the Company sold Lago da Pedra Participações S.A. to a real estate investment fund for R\$183,156. The amount receivable for this sale was settled on August 19, 2021. On that same date, the Company exercised the right to repurchase Lago da Pedra for the amount of R\$8,098 paid upon exercise of the option. It also entered into a Share Purchase and Sale Agreement and Other Covenants and acquired all the shares belonging to Vila Alba Participações S.A., becoming the sole shareholder of Lago da Pedra.

## **Direcional Engenharia S.A.**

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### **4. Accounts receivable (Continued)**

#### **4.2. Other accounts receivable (Continued)**

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 up until June 30, 2022. In the 3<sup>rd</sup> 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. The balance receivable at December 31, 2021 totals R\$7,000.

On December 30, 2020, the Company sold 51% of the interest held in Napoli Empreendimentos Imobiliários S.A., corresponding to 23,349,751 units of interest, to BDI Realty 05 Sociedade Patrimonial Ltda., for R\$40,000, settled on March 12, 2021.

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, the balance receivable is R\$4,089.

On June 2, 2021, this subsidiary entered into another transaction with Eztec and sold 50% of the interest held in Osasco Lote 2 Empreendimentos Imobiliarios SPE Ltda. for R\$9,250. At December 31, the balance receivable is R\$5,950.

On June 29, 2021, Riva Incorporadora S.A. sold 59.81% of the units of interest held in Riva Incorporadora S/A - SCP SELETO to Grendene S.A. for R\$40,000, settled on the transaction date.

On August 20, 2021, the Company entered into a Purchase and Sale Agreement of Units of Interest with Lago da Pedra S.A., through which it sold all units of interest held in SPEs Leme Empreendimentos Imobiliários Ltda., Xapuri Empreendimentos Imobiliários Ltda., Valença Empreendimentos Imobiliários Ltda. and Itaguatins Empreendimentos Imobiliários Ltda. for the amount of R\$89,617, settled on November 19, 2021.

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, selling 90% of the units of interest for the amount of R\$55,051. The balance receivable at December 31, 2021 amounts to R\$501.

On February 3, 2021, the Company sold 100% of the units of interest of SPE Braga Empreendimentos Imobiliarios Ltda, for the amount of R\$6,822, which is the balance receivable in December 2021.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 the amount of R\$8, which is the balance receivable at December 31, 2021.

On March 9, 2021, the Company sold 100% of the units of interest of SPE Verona Empreendimentos Imobiliarios Ltda, for the amount of R\$2,927, which is the balance receivable at December 31, 2021.

On October 18, 2021, Riva Incorporadora S.A sold 50% of the units of interest of SPE Verona Empreendimentos Imobiliários Ltda, for the amount of R\$1,788, settled in November 2021.

#### 4.3. Other receivables

Description	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Receivables for sale of property and equipment	7,272	9,917	7,272	9,917
Sundry advances	17,700	17,764	18,020	17,764
Receivables from customer	39,736	27,046	49,155	30,091
Derivatives receivable	-	7,005	-	7,005
Loan agreements receivable	21,243	10,000	21,243	10,000
New business prospecting	6,470	4,872	8,927	5,030
Prepaid selling expenses	27	19	26,638	19,547
Prepaid finance costs	-	-	32,891	11,982
Other receivables	58,925	5,880	77,876	14,821
<b>Total</b>	<b>151,373</b>	<b>82,503</b>	<b>242,022</b>	<b>126,157</b>
Short-term	130,126	72,499	220,565	115,943
Long-term	21,247	10,004	21,457	10,214

### 5. Inventories

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Completed units	181	1,369	77,447	109,857
Units under construction	-	-	660,864	702,778
Land to be developed	97,322	72,457	2,795,716	2,526,634
	<b>97,503</b>	<b>73,826</b>	<b>3,534,027</b>	<b>3,339,269</b>
Current	181	1,369	1,230,591	1,268,195
Noncurrent	97,322	72,457	2,303,436	2,071,074

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 5. Inventories (Continued)

As of December 31, 2021, inventories of completed real estate units were submitted to impairment tests. The total balance of adjustment to realizable value in December 2021 is R\$3,056 (R\$3,597 in December 2020).

	12/31/2020	(+) Adjustment to net recoverable amount	(-) Reversal of adjustment to net recoverable amount	12/31/2021
Individual	-	-	-	-
Subsidiaries	(3,597)	(36)	577	(3,056)
Consolidated	(3,597)	(36)	577	(3,056)

#### 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 December 31, 2021, interest totaling R\$2,604 (R\$2,473 for the period ended December 31, 2020) was capitalized in the inventories account. The amount of R\$6,929 (R\$8,402 at December 31, 2020), referring to unsold units, remains capitalized in the inventories account. The average interest capitalization rate was 9.70% in December 2021 (5.98% for the year ended December 31, 2020). At December 31, 2021 and 2020, there was no production financing at the Parent Company.

## 6. Transactions with related parties

### 6.1. Related companies

Assets	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Receivables from venture partners in projects (a)	5,578	25,166	36,120	33,505
Checking account with ventures in projects (b)	127,157	22,251	47,777	5,494
	<b>132,735</b>	47,417	<b>83,897</b>	38,999
Current	132,735	47,417	82,261	37,363
Noncurrent	-	-	1,636	1,636

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 6. Transactions with related parties (Continued)

#### 6.1. Related companies (Continued)

Liabilities	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Payables to venture partners in projects (a)	325	3,825	8,264	23,022
Checking account with ventures in projects (b)	10,416	29,026	6,336	-
	<b>10,741</b>	<b>32,851</b>	<b>14,600</b>	<b>23,022</b>
Current	10,741	14,605	14,600	23,022
Noncurrent	-	18,246	-	-

(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. No additional provision was recorded at December 31, 2021.

(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. On June 30, 2021, the amounts of R\$40,000 and on November 5, 2021 R\$18,246 were paid to the Company as capital reduction made on February 17, 2021. As at December 31, 2021, the balance receivable from Riva was R\$28,285. The Company still has R\$27,092 receivable from other subsidiaries as a capital reduction.

#### 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 December 31, 2021, the average monthly amount of R\$209 was paid in connection with aircraft chartering. ALVG is a company controlled by the same controlling group as that of Direcional.

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 December 31, 2021, the average amount of R\$591 was paid monthly (December 31, 2020 - monthly amounts of R\$563) 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.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 6. Transactions with related parties (Continued)

#### 6.2. Key management personnel compensation

Total annual compensation of key management personnel (i) paid in 2021 and (ii) paid in 2020 is set out in the table below:

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
	<b>1,989</b>	<b>157</b>	<b>5,907</b>	<b>8,053</b>

  

Paid in 2020	2020			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	5	15
Fixed annual compensation (R\$)	1,378	141	2,555	4,074
Variable compensation (R\$)	-	-	416	416
Share-based payment (R\$) (**)	13	-	1,028	1,041
	<b>1,391</b>	<b>141</b>	<b>3,999</b>	<b>5,531</b>

(\*) 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 2020 was R\$323. The amount proposed for 2021 is R\$386.

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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 7. Investments

a) Changes in the most significant balances from December 31, 2020 to December 31, 2021:

Subsidiaries	Equity interest	12/31/2020	Dividends/ amortization	Equity pickup	Capital subscription (reduction)/ Future capital contribution	12/31/2021
RIVA INCORPORADORA S/A	94.50%	157,432	(14,357)	1,575	160,827	305,477
CANARIO ENGENHARIA LTDA.	100.00%	76,872	-	(5,026)	20,598	92,444
ITAPEMA EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	99.90%	31,981	-	31,305	(7,643)	55,643
DIRECIONAL TAGUATINGA ENGENHARIA LTDA	100.00%	43,339	(13,429)	21,299	1,975	53,184
BELLA MOEDA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	44,443	-	(1)	25	44,467
AZURITA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	35,891	-	(1,253)	(3,759)	30,879
RIO LARGO EMPREENDIMENTO IMOBILIÁRIOS LTDA	99.90%	30,440	-	6,036	(8,145)	28,331
ARAGUACEMA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	14,290	-	8,847	4,114	27,251
CONSTANTINA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	24,949	-	1,269	(1,619)	24,599
PARQUE DAS CEREJEIRAS EMPREENDIMENTOS IMOBILIÁRIOS LTDA	75.00%	11,902	-	4,923	7,524	24,349
ARARI EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	8,027	-	5,435	10,751	24,213
SAQUAREMA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	13,993	-	103	9,837	23,933
ARANTINA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	9,728	-	4,204	9,108	23,040
COLINA EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	100.00%	9,351	-	3,870	6,977	20,198
ALCOBAÇA CONSTRUÇÕES E EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	99.90%	18,761	-	(7)	7	18,761
SAO GOTARDO EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	25,337	-	13,758	(20,505)	18,590
VISTA SERRANA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	14,046	-	6,396	(2,324)	18,118
ALTO SANTO EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	26,472	(1,446)	7,742	(15,200)	17,568
NOVA ALMENARA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	5,587	-	3,864	7,601	17,052
Other subsidiaries	-	781,638	(72,649)	160,819	(281,203)	588,605
<b>Total – Subsidiaries:</b>		<b>1,384,479</b>	<b>(101,881)</b>	<b>275,158</b>	<b>(101,054)</b>	<b>1,456,702</b>
		<b>72,579</b>	<b>(10,611)</b>	<b>14,255</b>	<b>(13,912)</b>	<b>62,311</b>
<b>Total - Individual</b>		<b>1,457,058</b>	<b>(112,492)</b>	<b>289,413</b>	<b>(114,966)</b>	<b>1,519,013</b>
Joint ventures and associates (Individual)	-	72,579	(10,611)	14,255	(13,912)	62,311
Joint ventures and associates (subsidiaries)	-	485	(840)	3,304	52,720	55,669
<b>Total - Consolidated</b>		<b>73,064</b>	<b>(11,451)</b>	<b>17,559</b>	<b>38,808</b>	<b>117,980</b>

(a) Sales of equity interests in the period resulted in a write-off of R\$123,692 in the individual and R\$182,783 in the consolidated interim financial information, which refers to the cost of divestitures.

(b) As mentioned in Note 6.1 item b, Riva's capital was reduced and the amount of R\$85,666 was provisioned for return to shareholders in due course.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 7. Investments (Continued)

#### b) Breakdown of balances of subsidiaries and joint ventures at December 31, 2021

Subsidiaries	Equity interest	Current	Noncurrent	Current	Noncurrent	Equity
Riva Incorporadora S/A	94.50%	100,433	469,770	97,933	149,607	322,663
Canario Engenharia Ltda.	100.00%	121,404	4,049	6,448	26,561	92,444
Itapema Empreendimentos Imobiliários Spe Ltda	99.90%	50,338	66,511	8,589	52,561	55,699
Direcional Taguatinga Engenharia Ltda	100.00%	45,231	29,498	12,444	9,101	53,184
Bella Moeda Empreendimentos Imobiliários Ltda	100.00%	-	44,471	4	-	44,467
Alto Buritis Participações Societárias Ltda	60.00%	4,401	34,519	1,240	-	37,680
Manauara Vii Empreendimentos Imobiliarios Spe Ltda	100.00%	29,497	6,043	617	363	34,560
Coroados Empreendimentos Imobiliários Ltda	99.90%	37,843	9,116	5,118	9,145	32,696
Parque Das Cerejeiras Empreendimentos Imobiliarios Ltda	75.00%	35,130	3,033	2,259	3,439	32,465
Riacho Branco Empreendimentos Imobiliários Ltda	95.87%	18,630	25,729	3,742	8,993	31,624
Altos Pilares Empreendimentos Imobiliários Ltda	100.00%	22,328	7,624	9	-	29,943
Rio Largo Empreendimento Imobiliários Ltda	99.90%	32,870	1,270	5,015	766	28,359
Araguacema Empreendimentos Imobiliarios Ltda	99.90%	25,854	5,232	3,306	501	27,279
Direcional Santo Antônio Empreendimentos Imobiliários Ltda	100.00%	1	26,487	13	-	26,475
Novo Hamburgo Empreendimentos Imobiliarios Ltda	50.00%	40,016	3,488	3,420	13,796	26,288
Bello Villarinho Empreendimentos Imobiliarios Spe Ltda	50.00%	17,830	9,037	1,679	150	25,038
Santa Ines Empreendimentos Imobiliarios Ltda	100.00%	44,881	58,707	3,623	75,118	24,847
Constantina Empreendimentos Imobiliários Ltda	99.90%	27,557	1,561	4,182	312	24,624
Arari Empreendimentos Imobiliarios Ltda	99.90%	26,013	10,159	2,740	9,195	24,237
Saquarema Empreendimentos Imobiliarios Ltda	99.90%	16,386	29,572	456	21,545	23,957
Arantina Empreendimentos Imobiliarios Ltda	99.90%	26,364	6,721	3,124	6,898	23,063
Grauna Incorporadora S/A	100.00%	26,694	1,455	2,957	2,574	22,618
Colina Empreendimentos Imobiliarios Spe Ltda	100.00%	28,923	3,397	2,820	9,302	20,198
Nova Itabira Empreendimentos Imobiliarios Ltda - Scp Confisco	50.00%	18,192	4,168	1,457	2,110	18,793
Other subsidiaries	-	1,304,188	2,045,267	305,134	2,122,148	922,173
<b>TOTAL - SUBSIDIARIES</b>		<b>2,101,004</b>	<b>2,906,884</b>	<b>478,329</b>	<b>2,524,185</b>	<b>2,005,374</b>
<b>JOINT VENTURES</b>		<b>200,429</b>	<b>126,364</b>	<b>54,408</b>	<b>56,800</b>	<b>215,585</b>

At December 31, 2021 and December 31, 2020, 51.23% and 48%, respectively, of the Company's assets were included in the equity segregation structure, as established by Law No. 10931/04.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 12/31/2020	12,161	116,092	3,540	779	7,071	9,152	50,294	225	199,314
Additions	25	28,424	28	-	1,051	201	2,512	26	32,267
Write-offs	-	-	-	-	-	-	-	(24)	(24)
Balance at 12/31/2021	<b>12,186</b>	<b>144,516</b>	<b>3,568</b>	<b>779</b>	<b>8,122</b>	<b>9,353</b>	<b>52,806</b>	<b>227</b>	<b>231,557</b>
Depreciation									
Balance at 12/31/2020	(11,267)	(99,310)	(2,252)	(734)	(4,104)	(4,449)	(14,414)	(201)	(136,731)
Depreciation for the period	(462)	(16,778)	(279)	(19)	(848)	(802)	(7,608)	(22)	(26,818)
Write-offs	-	-	-	-	-	-	-	3	3
Balance at 12/31/2021	<b>(11,729)</b>	<b>(116,088)</b>	<b>(2,531)</b>	<b>(753)</b>	<b>(4,952)</b>	<b>(5,251)</b>	<b>(22,022)</b>	<b>(220)</b>	<b>(163,546)</b>
Carrying amount									
At 12/31/2020	894	16,782	1,288	45	2,967	4,703	35,880	24	62,583
At 12/31/2021	<b>457</b>	<b>28,428</b>	<b>1,037</b>	<b>26</b>	<b>3,170</b>	<b>4,102</b>	<b>30,784</b>	<b>7</b>	<b>68,011</b>

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 12/31/2020	23,936	120,448	8,005	2,458	12,698	9,221	79,890	51,761	1,262	309,679
Additions	240	28,423	634	-	1,888	682	21,868	2,510	26	56,271
Write-offs	(206)	-	(10)	-	(48)	-	(1,747)	-	(28)	(2,039)
Balance at 12/31/2021	<b>23,970</b>	<b>148,871</b>	<b>8,629</b>	<b>2,458</b>	<b>14,538</b>	<b>9,903</b>	<b>100,011</b>	<b>54,271</b>	<b>1,260</b>	<b>363,911</b>
Depreciation										
Balance at 12/31/2020	(20,705)	(102,200)	(5,573)	(2,392)	(8,052)	(4,472)	(60,686)	(14,795)	(1,210)	(220,085)
Depreciation for the period	(997)	(17,401)	(586)	(27)	(1,367)	(841)	(16,440)	(8,221)	(28)	(45,908)
Write-offs	102	-	3	-	27	-	1,009	-	16	1,157
Balance at 12/31/2021	<b>(21,600)</b>	<b>(119,601)</b>	<b>(6,156)</b>	<b>(2,419)</b>	<b>(9,392)</b>	<b>(5,313)</b>	<b>(76,117)</b>	<b>(23,016)</b>	<b>(1,222)</b>	<b>(264,836)</b>
Carrying amount										
At 12/31/2020	3,231	18,248	2,432	66	4,646	4,749	19,204	36,966	52	89,594
At 12/31/2021	<b>2,370</b>	<b>29,270</b>	<b>2,473</b>	<b>39</b>	<b>5,146</b>	<b>4,590</b>	<b>23,894</b>	<b>31,255</b>	<b>38</b>	<b>99,075</b>

(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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 29 finance lease agreements for the acquisition of aluminum molds. The book value of property and equipment items under finance lease agreements at December 31, 2021 totaled R\$148,871 (R\$120,448 at December 31, 2020). Property and equipment items acquired in the period on a conditional sale basis amounted to R\$28,423 and are guaranteed by the leased items.

### 9. Loans, financing and leases

#### 9.1. Loans and financing

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Construction financing	-	-	<b>42,172</b>	12,607
FINAME and finance lease of equipment	<b>10,800</b>	12,196	<b>12,768</b>	15,641
Mortgage-backed securities (CRI)	<b>668,981</b>	602,123	<b>728,884</b>	602,123
Bank Credit Note	<b>100,445</b>	48,999	<b>100,445</b>	48,999
Working capital	-	100,165	-	100,165
Debentures	<b>357,133</b>	251,633	<b>357,133</b>	251,633
Grand total	<b>1,137,359</b>	1,015,116	<b>1,241,402</b>	1,031,168
Current	<b>125,358</b>	217,365	<b>127,205</b>	219,061
Noncurrent	<b>1,012,001</b>	797,751	<b>1,114,197</b>	812,107

#### 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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)

*107<sup>th</sup> 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 0.80% per annum, 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 security was settled in April 2021.

*175<sup>th</sup> 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 9. Loans, financing and leases (Continued)

#### 9.1. Loans and financing (Continued)

##### Mortgage-backed securities (CRI) (Continued)

*193<sup>rd</sup> 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.

*356<sup>th</sup> and 357<sup>th</sup> 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 1<sup>st</sup> 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.

*371<sup>st</sup> 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 7<sup>th</sup> 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 9. Loans, financing and leases (Continued)

#### 9.1. Loans and financing (Continued)

##### Working capital

Foreign loan issued by Banco Itaú, referring to Loan 4131, amounting to EUR7,497,656.98 (seven million, four hundred and ninety-seven thousand, six hundred and fifty-six euros and ninety-eight cents). The exchange rate agreed for this transaction was R\$5.3350, which resulted in R\$39,999,999.99 (thirty-nine million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine reais and ninety-nine cents). The CCBs were issued in March 2020 and will mature within one year. The interest rate is 2.3625% p.a. No specific guarantees were established, whether as a security interest or personal guarantee, on the loan, which will not have an issuer's floating guarantee either. For this transaction, a derivative financial instrument (swap) was entered into for the same period (March 2020 to March 2021), to hedge the Company exposure to foreign currency. The swap transaction aims at equity hedge, mitigating the effects of currency fluctuation by replacing BRL/EUR for CDI plus a fixed spread of 4% p.a. This agreement was settled in March 2021.

##### 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

*6<sup>th</sup> Issue:* In September 2020, the Company carried out the 6<sup>th</sup> 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 9. Loans, financing and leases (Continued)

#### 9.1. Loans and financing (Continued)

##### Debentures (Continued)

*8<sup>th</sup> Issue:* In October 2021, the Company carried out its 8<sup>th</sup> 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 December 31, 2021 was 0.1343.

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

The noncurrent portion of loans as at December 31, 2021 matures as follows:

Period	12/31/2021	
	Individual	Consolidated
January 2023 to December 2023	300,809	301,183
January 2024 to December 2024	264,297	265,784
January 2025 to December 2025	215,059	227,390
January 2026 onwards	231,836	319,840
	<u>1,012,001</u>	<u>1,114,197</u>

#### 9.2. Lease financing

The Company has real estate and vehicle leases. The term of real estate leases ranges from 1 to 6 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 9. Loans, financing and leases (Continued)

#### 9.2. Lease financing (Continued)

Breakdown of leases is as follows:

	<u>12/31/2021</u>	
	<u>Individual</u>	<u>Consolidated</u>
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>

Short-term	9,339	10,088
Long-term	24,985	25,129

	<u>12/31/2020</u>	
	<u>Individual</u>	<u>Consolidated</u>
Balance at 12/31/2019	41,559	41,933
Additions	1,767	3,063
Write-offs/cancellations	(32)	(353)
Payment of principal	(8,507)	(8,717)
Payment of interest	(452)	(452)
Restatement	1,445	1,445
PVA (interest allocated)	2,609	2,647
Balance at 12/31/2020	<u>38,389</u>	<u>39,566</u>

Short-term	9,190	9,887
Long-term	29,199	29,679

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

	<u>12/31/2021</u>	
	<u>Individual</u>	<u>Consolidated</u>
Within one year	9,339	10,088
Between 1 and 2 years	6,867	6,924
Between 2 and 3 years	6,133	6,185
More than 3 years	11,985	12,020
	<u>34,324</u>	<u>35,217</u>

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

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 9. Loans, financing and leases (Continued)

#### 9.2. Lease financing (Continued)

Consolidated	Consideration (w/o future inflation)	Consideration (w/ future inflation)	Inflation not included in contracts
1 <sup>st</sup> year	10,088	10,587	499
2 <sup>nd</sup> year	6,923	7,315	392
3 <sup>rd</sup> year	6,185	6,525	340
4 <sup>th</sup> year	5,773	6,088	315
5 <sup>th</sup> year	5,384	5,675	291
6 <sup>th</sup> year	864	912	48
	<b>35,217</b>	<b>37,102</b>	<b>1,885</b>

### 10. Labor obligations

Breakdown of labor obligations is as follows:

Description	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Salaries and withdrawals payable	2,249	1,431	6,338	5,019
Labor and social security charges	2,032	1,839	5,332	5,557
Labor accruals	6,988	5,879	17,612	16,221
Other	1,380	488	2,545	1,456
	<b>12,649</b>	<b>9,637</b>	<b>31,827</b>	<b>28,253</b>

### 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 11. Tax obligations (Continued)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Current taxes</b>				
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	157	75	238	118
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	853	384	1,228	581
Special taxation regime	-	-	11,027	11,358
Corporate Income Tax (IRPJ)	-	-	703	205
Social Contribution Tax on Net Profit (CSLL)	-	-	331	100
Other	411	204	3,093	2,598
	<b>1,421</b>	<b>663</b>	<b>16,620</b>	<b>14,960</b>
<b>Deferred taxes</b>				
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	6	3	1,783	1,437
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	26	16	8,176	6,219
Present value adjustment	-	-	(605)	(199)
Corporate Income Tax (IRPJ)	18	11	6,031	4,632
Social Contribution Tax on Net Profit (CSLL)	9	6	3,159	2,426
Other	-	-	(369)	(654)
	<b>59</b>	<b>36</b>	<b>18,175</b>	<b>13,861</b>
	<b>1,480</b>	<b>699</b>	<b>34,795</b>	<b>28,821</b>
Current	1,480	663	25,094	25,227
Noncurrent	-	36	9,701	3,594

### 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.

	12/31/2020	(+) Acquisitions	(-) Payments	(+/-) Revisions	(+/-) Transfer to SPEs	12/31/2021
	Individual	69,577	98,287	-	-	(96,987)
Current	-					-
Noncurrent	69,577					70,877
	12/31/2020	(+) Acquisitions	(-) Payments	(+/-) Revisions	(-) Cancellation of contracts	12/31/2021
	Consolidated	1,955,649	529,062	(184,698)	(16,130)	(160,886)
Current	77,434					62,779
Noncurrent	1,878,215					2,060,218

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 12. Real estate commitments payable (Continued)

	<b>Consolidated</b>	
	<b>12/31/2021</b>	<b>12/31/2020</b>
<i>Aging list:</i>		
Within 1 year	<b>62,779</b>	77,434
1-2 years	<b>1,289,516</b>	932,308
2-3 years	<b>446,073</b>	575,383
3-4 years	<b>105,703</b>	134,342
After 4 years	<b>218,926</b>	236,182
	<b>2,122,997</b>	1,955,649

### 13. Advances from customers

<b>Individual</b>	<b>12/31/2020</b>	<b>(+) Acquisitions/ receipts</b>	<b>(-) Amortization</b>	<b>(-) Transfer to SPEs</b>	<b>12/31/2021</b>
Advance - physical barter of plot of land (i)	380	<b>28,422</b>	-	<b>(1,716)</b>	<b>27,086</b>
Advances for receipt (ii)	2,362	-	<b>(2,362)</b>	-	-
Total advances	<b>2,742</b>	<b>28,422</b>	<b>(2,362)</b>	<b>(1,716)</b>	<b>27,086</b>
Current	2,362				-
Noncurrent	380				<b>27,086</b>

  

<b>Consolidated</b>	<b>12/31/2020</b>	<b>(+) Acquisitions/ receipts</b>	<b>(-) Amortization</b>	<b>(+/-) Revisions</b>	<b>(-) Write-offs/ cancellations</b>	<b>12/31/2021</b>
Advance - physical barter of plot of land (i)	374,392	<b>106,443</b>	<b>(18,930)</b>	<b>1,805</b>	<b>(86,650)</b>	<b>377,060</b>
Advances for receipt (ii)	20,657	<b>24,528</b>	<b>(32,196)</b>	-	-	<b>12,989</b>
Total advances	<b>395,049</b>	<b>130,971</b>	<b>(51,126)</b>	<b>1,805</b>	<b>(86,650)</b>	<b>390,049</b>
Current	22,249					<b>14,705</b>
Noncurrent	372,800					<b>375,344</b>

(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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 14. Other accounts payable

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Debts to customers	6,571	4,202	9,760	6,236
Debts to partners (a)	-	-	26,920	26,920
Accounts payable for acquisition of equity interest (b)	2,028	8,844	116,129	32,371
Dividends proposed	-	-	417	-
Capital deficiency (c)	8,904	10,888	-	-
Derivatives payable	3,669	-	3,669	-
Other	9,847	9,996	30,843	18,853
<b>Total</b>	<b>31,019</b>	<b>33,930</b>	<b>187,738</b>	<b>84,380</b>
Current	28,991	25,086	90,346	49,536
Noncurrent	2,028	8,844	97,392	34,844

- (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 sales of the second project to be constructed.
- (b) This account represents the balance of accounts payable for acquisition of equity interest in companies in which the Group has investments. On June 15, 2021, the Company acquired 83.33% interest in Jardim Santo Antonio Incorporação Imobiliária SPE Ltda. for R\$4,607, payable in a lump sum on June 15, 2024. On May 5, 2021, Riva Incorporadora S.A., a Direcional subsidiary, acquired 100% interest in BFRE Assessoria Empresarial e Participações Ltda. for R\$86,564. The balance payable at December 31 was 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, whose installments is subject to restatement by reference to the IPCA index. The outstanding balance at December 31 was R\$15,404. 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.

### 15. Provisions

#### 15.1. Provision for warranty

	Individual	Consolidated
Balance at 12/31/2020	4,244	38,907
(+) Provisions	1,684	26,467
(-) Reversals/write-offs	(1,104)	(1,250)
(-) Payments	(2,566)	(23,930)
<b>Balance at 12/31/2021</b>	<b>2,258</b>	<b>40,194</b>

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 15. Provisions (Continued)

#### 15.1. Provision for warranty (Continued)

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Current	<b>2,258</b>	3,687	<b>28,143</b>	27,377
Noncurrent	-	557	<b>12,051</b>	11,530
	<b>2,258</b>	4,244	<b>40,194</b>	38,907

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 provision for guarantee set up is based on evaluations of historical cash outflows regarding expenses with maintenance, representing the average budget cost of each project for development work (1.21%) and for service work (0.97%) in December 2021.

#### 15.2. Provision for tax, labor and civil contingencies

	Individual			
	Tax	Labor	Civil	Total
Balance at December 31, 2020	-	2,583	1,746	4,329
Provisions	-	903	<b>2,186</b>	<b>3,089</b>
Reversals	-	<b>(932)</b>	<b>(1,259)</b>	<b>(2,191)</b>
Payments	-	<b>(783)</b>	<b>(389)</b>	<b>(1,172)</b>
<b>Balance at December 31, 2021</b>	-	<b>1,771</b>	<b>2,284</b>	<b>4,055</b>

  

	Consolidated			
	Tax	Labor	Civil	Total
Balance at December 31, 2020	112	11,501	17,529	29,142
Provisions	-	<b>4,668</b>	<b>13,335</b>	<b>18,003</b>
Reversals	<b>(10)</b>	<b>(5,548)</b>	<b>(6,606)</b>	<b>(12,164)</b>
Payments	-	<b>(3,113)</b>	<b>(7,860)</b>	<b>(10,973)</b>
<b>Balance at December 31, 2021</b>	<b>102</b>	<b>7,508</b>	<b>16,398</b>	<b>24,008</b>

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 December 31, 2021, consolidated amounts are as follows: labor claims total R\$15,952, tax proceedings total R\$14,564, and civil proceedings total R\$144,930. Consequently, no provision was set up to cover a possible unfavorable outcome.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

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### 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, including 149,196,408 outstanding shares and 803,592 treasury shares.

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

For the period ended December 31, 2021, 733,489 treasury shares were assigned under the Share Matching Programs I and II, and Stock Option Plan Program 1.

	<b>Number of shares</b>	<b>Treasury shares</b>	<b>Total</b>
<b>December 31, 2017</b>	146,437,554	6,961,195	153,398,749
Treasury shares assigned	556,486	(556,486)	-
<b>December 31, 2018</b>	146,994,040	6,404,709	153,398,749
Treasury shares assigned	930,970	(930,970)	-
<b>December 31, 2019</b>	147,925,010	5,473,739	153,398,749
Treasury shares assigned	663,209	(663,209)	-
Share buyback	(1,882,500)	1,882,500	-
<b>December 31, 2020</b>	146,705,719	6,693,030	153,398,749
Cancellation of treasury shares	-	<b>(3,398,749)</b>	<b>(3,398,749)</b>
Treasury shares sold/assigned	<b>4,733,489</b>	<b>(4,733,489)</b>	-
Share buyback	<b>(2,242,800)</b>	<b>2,242,800</b>	-
<b>December 31, 2021</b>	<b>149,196,408</b>	<b>803,592</b>	<b>150,000,000</b>

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 16. Equity (Continued)

#### 16.2. Treasury shares

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 net value of the transaction was of R\$50,760.

#### 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 (AGM) 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).

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 16. Equity (Continued)

#### 16.4. Income reserve (Continued)

##### 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.

On October 5, 2020, the Board of Directors approved the distribution of interim dividends, in the estimated amount of R\$120,204, corresponding to R\$0.81 (eighty-one cents) per share, considering the position of 148,399,721 shares on the date in question, not including treasury shares.

Shareholders holding Company shares on October 9, 2020 were entitled to the dividends, which were paid out on October 20, 2020, in the total amount of R\$120,364, corresponding to R\$0.81 (eighty-one cents) per share. The variation between the estimated and the paid amount is due to the transfer of shares carried out under the “Matching Program”, which is provided for in the stock option and incentive plan linked to the shares of the Company.

On May 10, 2021, the Board of Directors approved the distribution of interim dividends, in the estimated amount of R\$100,152, corresponding to R\$0.69 (sixty-nine cents) per share, considering the position of 145,147,118 shares on the date in question, not including treasury shares.

Shareholders holding Company shares on May 19, 2021 were entitled to the dividends, which were paid out in June 2021, in the total amount of R\$100,135, corresponding to R\$0.69 (sixty-nine cents) per share. In the 3<sup>rd</sup> quarter of 2021, the amount of R\$12 was paid out, maintaining the equivalence of R\$0.69 (sixty-nine cents) per share, totaling R\$100,147 in dividends paid out. The variation between the estimated and the paid amount is due to the transfer of shares carried out under the “Matching Program”, which is provided for in the stock option and incentive plan linked to the shares of the Company.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

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### 16. Equity (Continued)

#### 16.5. Earnings per share

Earnings (loss) per share for the years ended December 31, 2021 and 2020 are calculated as follows:

	12/31/2021	12/31/2020
Earnings for the period	<u>159,504</u>	113,073
Weighted average number of shares	<u>145,377,671</u>	148,297,470
Basic earnings per share, net - R\$	1,10	0,76
Weighted average number of shares	<u>146,464,216</u>	149,1174,527
Diluted earnings per share, net - R\$	1.09	0.76

#### 16.6. Noncontrolling interests

For the period ended December 31, 2021, changes in subsidiaries' equity reduced equity by R\$4,039 in connection with noncontrolling interests. In the same period, noncontrolling interests in profit or loss amounted to R\$49,256.

Acquisitions of interests from noncontrolling shareholders generated an R\$10.824 reduction recorded directly in the Company's equity.

### 17. Net revenue

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Gross revenue from sales	1,373	4,007	1,833,725	1,566,757
Gross revenue from services	44,543	44,013	81,549	72,006
Total gross revenue	<u>45,916</u>	48,020	<u>1,915,274</u>	1,638,763
Present value adjustment	-	-	(11,353)	(2,176)
Taxes on sales	(5,278)	(4,445)	(48,326)	(41,708)
Canceled sales	(374)	(1,624)	(79,215)	(94,156)
Operating revenue, net	<u>40,264</u>	41,951	<u>1,776,380</u>	1,500,723

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 17. Net revenue (Continued)

Taxes on sales and services consist of contribution tax on gross revenue for social integration program (PIS) and contribution tax on gross revenue from social security funding (COFINS), i.e. 1.65% and 7.6%, respectively, for revenue earned under the 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 year of projects under construction amounting to R\$18,930 at December 31, 2021 and R\$10,266 at December 31, 2020 regarding barter of units to be constructed for land plots.

#### a) Unearned revenue

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

<b>I) Unearned revenue from units sold</b>	<b>854,326</b>
<i>Projects under construction</i>	
<b>a) Revenue from contracted sales</b>	<b>2,839,181</b>
<b>b) Allocated sales revenue, net</b>	<b>1,984,855</b>
<i>Allocated sales revenue</i>	2.091.888
<i>Dissolution of agreements – Reversed revenue</i>	(107.033)
<b>II) Revenues from indemnification for dissolution of agreements</b>	<b>4,056</b>
<b>III) Budgeted cost to be allocated from units sold</b>	<b>523,918</b>
<i>Projects under construction</i>	
<b>a) Budgeted cost of units (no finance charges)</b>	<b>1,667,268</b>
<b>b) Construction cost incurred</b>	<b>1,212,595</b>
<b>Accrued financial charges</b>	<b>2,456</b>
<b>c) Dissolution of agreements – Construction cost</b>	<b>(69,245)</b>
<b>Dissolution of agreements – Financial charges</b>	<b>(73)</b>
<b>Drive CI / CO (no financial charges)</b>	<b>68,58%</b>
<b>IV) Budgeted cost to be allocated to inventories</b>	<b>974,121</b>
<i>Projects under construction</i>	
<b>a) Budgeted cost of units (no finance charges)</b>	<b>1,634,984</b>
<b>b) Construction cost incurred</b>	<b>660,272</b>
<b>Accrued financial charges</b>	<b>591</b>
Units sold	15,698

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

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### 17. Net revenue (Continued)

#### b) Earned revenue

Income earned from:	12/31/2021		12/31/2020	
	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold
Individual				
Services	1,374	(1,188)	38,643	(18,259)
Development – completed units	38,890	(10,548)	3,308	(2,313)
Total - Individual	40,264	(11,736)	41,951	(20,572)
Subsidiaries				
Development – completed units	453,211	(286,819)	23,755	(41,817)
Development – units under construction	1,249,616	(790,538)	409,271	(289,649)
Services	32,449	(39,397)	1,025,746	(626,116)
Land	840	(784)	-	-
Total - Subsidiaries	1,736,116	(1,117,538)	1,458,772	(957,582)
Total - Consolidated	1,776,380	(1,129,274)	1,500,723	(978,154)

### 18. Costs and expenses by nature

Description	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Raw materials and materials for use and consumption	(7,664)	(17,454)	(924,105)	(783,554)
Personnel expenses	(74,362)	(69,674)	(246,086)	(226,513)
Capitalized interest	-	-	(4,074)	(10,755)
Depreciation and amortization	(22,574)	(14,879)	(51,287)	(41,445)
Third-party services	(6,881)	(10,501)	(18,087)	(17,405)
Electric power, water supply and telephone services	(2,403)	(2,507)	(5,185)	(4,452)
General selling expenses	(809)	53	(76,059)	(52,295)
Sales commissions	-	(1,238)	(103,400)	(90,864)
Provision for stock option plan	-	(1,883)	-	(1,883)
Other costs	(14,304)	(7,295)	(24,404)	(22,604)
	(128,997)	(125,378)	(1,452,687)	(1,251,770)
<b>Classified as</b>				
Costs of real estate sold	(2,838)	(3,221)	(1,082,080)	(918,985)
Costs of services rendered	(8,898)	(17,351)	(47,194)	(59,169)
Selling expenses	(4,779)	(2,604)	(190,902)	(158,044)
General and administrative expenses	(112,482)	(102,202)	(132,511)	(115,572)
	(128,997)	(125,378)	(1,452,687)	(1,251,770)

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

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### 19. Finance income (costs)

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

Finance income	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income from short-term investments	<b>22,802</b>	14,341	<b>30,032</b>	16,982
Gain - hedge accounting	<b>20,508</b>	-	<b>20,508</b>	-
Monetary restatement and contract interest	<b>5,335</b>	4,338	<b>7,897</b>	7,126
Income from derivatives	<b>20,772</b>	17,412	<b>20,772</b>	17,412
Foreign exchange differences	<b>1,424</b>	2,596	<b>1,423</b>	2,596
	<b>70,841</b>	38,687	<b>80,632</b>	44,116
<b>Finance costs</b>				
Interest expenses	<b>(107,622)</b>	(53,321)	<b>(113,359)</b>	(53,990)
Foreign exchange differences	<b>(2,521)</b>	(10,415)	<b>(2,521)</b>	(10,415)
Bank charges	<b>(1,329)</b>	(1,574)	<b>(6,284)</b>	(6,046)
Expenses with sale of portfolio	-	-	<b>(7,934)</b>	(7,469)
Hedge accounting expense	<b>(3,265)</b>	-	<b>(3,265)</b>	-
Interest paid on leases	<b>(2,848)</b>	(2,885)	<b>(2,992)</b>	(2,937)
Expenses with derivatives	<b>(22,819)</b>	(3,379)	<b>(22,819)</b>	(3,379)
	<b>(140,404)</b>	(71,574)	<b>(159,174)</b>	(84,236)
Finance income (costs), net	<b>(69,563)</b>	(32,887)	<b>(78,542)</b>	(40,120)

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Notes to individual and consolidated financial statements (Continued)

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### 20. Income and social contribution taxes

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Income before IRPJ and CSLL</b>	<b>159,541</b>	113,288	<b>244,323</b>	181,243
IRPJ and CSLL at 34%	<b>34%</b>	34%	<b>34%</b>	34%
<b>Estimated expenses with IRPJ and CSLL</b>	<b>54,244</b>	38,518	<b>83,070</b>	61,623
<b>Companies computing taxable profit based on accounting records</b>				
Additions and exclusions	<b>39,054</b>	8,732	-	-
Addition (exclusion) of equity pickup	<b>(289,413)</b>	(232,143)	-	-
Tax base	<b>(90,818)</b>	(110,123)	-	-
<b>Companies computing taxable profit as a percentage of gross sales</b>				
Tax base	-	498	<b>9,682</b>	20,257
Rates applicable to taxable profit computed as a percentage of gross sales	<b>34%</b>	34%	<b>34%</b>	34%
Tax expenses	-	11	<b>3,307</b>	535
Expenses with deferred tax	-	-	<b>(15)</b>	(73)
<b>Companies taxed under the Special Taxation Regime - RET (1%)</b>				
Tax base	<b>7,728</b>	43,259	<b>(3,334)</b>	212,180
Rates applicable to the RET	<b>0.47%</b>	0.47%	<b>0.47%</b>	0.47%
Tax expenses	<b>16</b>	101	<b>46</b>	982
Expenses with deferred tax	<b>21</b>	103	<b>(62)</b>	15
<b>Companies taxed under the Special Taxation Regime - RET (4%)</b>				
Tax base	-	-	<b>1,681,594</b>	1,544,293
Rates applicable to the RET	<b>1.92%</b>	1.92%	<b>1.92%</b>	1.92%
Tax expenses	-	-	<b>30,431</b>	30,560
Expenses with deferred tax	-	-	<b>1,856</b>	(909)
Expenses with IRPJ and CSLL for the period	<b>37</b>	215	<b>35,563</b>	31,110
<b>Effective rate</b>	<b>0.02%</b>	0.19%	<b>14.56%</b>	17.16%

The breakdown of expenses with income and social contribution taxes for the periods ended December 31, 2021 and 2020 shows the timing difference between the cash basis used by SCPs and SPEs, whose taxable profit is computed as a percentage of gross sales, and RET (Special Tax Regime), and the provision for taxes on the balance of accounts receivable.

The Company (parent company) has a balance of income and social contribution tax 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.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

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### 21. Financial instruments

The Company and its subsidiaries engage in transactions involving financial instruments in order to fund their activities or invest available financial resources. These risks are managed through conservative strategies 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	
At December 31, 2021					
Loans and financing (Note 9)	127,205	301,183	265,784	547,230	1,241,402
Trade accounts payable	92,054	5,958	-	-	98,012
Related parties (Note 6.1)	14,600	-	-	-	14,600
Real estate commitments payable (Note 12)	62,779	1,289,516	446,073	324,629	2,122,997
Advances for receipt (Note 13)	12,989	-	-	-	12,989

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.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 December 31, 2021, 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	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Financial assets</b>					
Amortized cost		<b>30,044</b>	88,001	<b>501,579</b>	466,345
Accounts receivable	4.1	<b>12,366</b>	7,305	<b>476,346</b>	375,444
Accounts receivable from divestiture		<b>10,258</b>	70,685	<b>17,540</b>	80,685
Other accounts receivable	-	<b>7,420</b>	10,011	<b>7,693</b>	10,216
Fair value through profit or loss (*)		<b>610,552</b>	617,881	<b>1,049,160</b>	933,934
Cash and banks	3.1	<b>1,332</b>	1,563	<b>239,215</b>	217,303
Cash equivalents	3.1	<b>285,883</b>	415,067	<b>484,739</b>	514,266
Short-term investments	3.2	<b>323,337</b>	194,246	<b>325,206</b>	195,360
Derivatives receivable		-	7,005	-	7,005
<b>Total financial assets</b>		<b>640,596</b>	705,882	<b>1,550,739</b>	1,400,279
<b>Financial liabilities</b>					
Amortized cost		<b>1,258,543</b>	1,161,366	<b>3,677,738</b>	3,222,330
Real estate commitments payable	12	<b>70,877</b>	69,577	<b>2,122,997</b>	1,955,649
Advances for receipt	13	-	2,362	<b>12,989</b>	20,657
Loans and financing	9	<b>1,137,359</b>	1,015,116	<b>1,241,402</b>	1,031,168
Trade accounts payable	-	<b>8,547</b>	7,530	<b>98,012</b>	107,454
Transactions with related parties	6.1	<b>10,741</b>	32,851	<b>14,600</b>	23,022
Other accounts payable	14	<b>31,019</b>	33,930	<b>187,738</b>	84,380
<b>Financial liabilities</b>		<b>1,258,543</b>	1,161,366	<b>3,677,738</b>	3,222,330

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

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

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

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 21. Financial instruments (Continued)

#### Fair value of financial instruments by category (Continued)

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

	Individual			Consolidated		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Amortized cost	88,001	88,001	-	466,345	466,345	-
Accounts receivable	7,305	7,305	-	375,444	375,444	-
Accounts receivable from divestiture	70,685	70,685	-	80,685	80,685	-
Other accounts receivable	10,011	10,011	-	10,216	10,216	-
Fair value through profit or loss	617,881	617,881	-	933,934	933,934	-
Cash and banks	1,563	1,563	-	217,303	217,303	-
Cash equivalents	415,067	415,067	-	514,266	514,266	-
Short-term investments	194,246	194,246	-	195,360	195,360	-
Derivatives receivable	7,005	7,005	-	7,005	7,005	-
Total financial assets	705,882	705,882	-	1,400,279	1,400,279	-
Financial liabilities						
Amortized cost	1,161,366	1,166,958	(5,592)	3,222,330	3,227,946	(5,616)
Real estate commitments payable	69,577	69,577	-	1,955,649	1,955,649	-
Advances for receipt	2,362	2,362	-	20,657	20,657	-
Loans and financing	1,015,116	1,020,708	(5,592)	1,031,168	1,036,784	(5,616)
Trade accounts payable	7,530	7,530	-	107,454	107,454	-
Transactions with related parties	32,851	32,851	-	23,022	23,022	-
Other accounts payable	33,930	33,930	-	84,380	84,380	-
Financial liabilities	1,161,366	1,166,958	(5,592)	3,222,330	3,227,946	(5,616)

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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 21. Financial instruments (Continued)

#### Fair value of financial instruments by category (Continued)

<b>Fair value hedge</b>	<b>Notional value</b>	<b>Rates</b>	<b>Fair value</b>	<b>Gain (loss) on transaction – P&amp;L</b>
Bank Credit Notes (hedged item)	200,000	IPCA	198,240	
Swap transaction:	<b>Long position</b>	IPCA	198,240	(1,760)
	<b>Short position</b>	CDI – -1.45%	(200,973)	(973)
Swap position, net			(2,733)	(2,733)
(+/-) Hedge accounting - Fair value			16,375	16,375

<b>Fair value hedge</b>	<b>Notional value</b>	<b>Rates</b>	<b>Fair value</b>	<b>Gain (loss) on transaction – P&amp;L</b>
Mortgage-backed Securities (CRI) (hedged item)	229,554	IPCA + 4.8444%	230,364	
Swap transaction:	<b>Long position</b>	IPCA + 4.8444%	230,364	810
	<b>Short position</b>	CDI + 1.4522%	(231,298)	(1,744)
Swap position, net			(934)	(934)
(+/-) Hedge accounting - Fair value			869	869

<b>Swap fair value</b>	<b>Notional value</b>	<b>Rates</b>	<b>Fair value</b>	<b>Gain (loss) on transaction – P&amp;L</b>
	16,920	DIRR3+Proceeds	16,940	
Swap transaction:	<b>Long position</b>	DIRR3+Proceeds	16,940	20
	<b>Short position</b>	CDI + 1.75%	(16,940)	(20)
Swap position, net			-	-

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 21. Financial instruments (Continued)

#### Fair value of financial instruments by category (Continued)

	Swap fair value	Notional value	Rates	Fair value	Gain (loss) on transaction – P&L
		16,920	DIRR3+Proceeds	16,940	
Swap transaction:		<b>Long position</b>	DIRR3+Proceeds	16,940	20
		<b>Short position</b>	CDI + 1.75%	(16,940)	(20)
Swap position, net				-	-

	Swap fair value	Notional value	Rates	Fair value	Gain (loss) on transaction – P&L
		16,920	DIRR3+Proceeds	16,940	
Swap transaction:		<b>Long position</b>	DIRR3+Proceeds	16,940	20
		<b>Short position</b>	CDI + 1.75%	(16,940)	(20)
Swap position, net				-	-

In March 2021, the Company entered into two new SWAP contracts to hedge itself from fluctuations in the inflation rate measured by the IPCA, which affects the Company debts.

At December 31, 2021, the position of swap agreements is as follows:

Transacti on 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	198,240	200,973	(2,733)	16,375
SWAP (b)	Dec/21	IPCA+4.00% / CDI – 0.8900%	Dec/24	229,554	230,364	231,298	(934)	869
SWAP (a)	Dec/21	DIRR3+Proceeds / CDI + 1.75%	May/23	16,920	16,940	16,940	-	-
SWAP (a)	Dec/21	DIRR3+Proceeds / CDI + 1.75%	Jun/23	16,920	16,940	16,940	-	-
SWAP (a)	Dec/21	DIRR3+Proceeds / CDI + 1.75%	Jun/23	16,920	16,940	16,940	-	-

(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 December 31, 2021, the Company had an interest rate swap contract at the notional amount of R\$200,000 (there was no balance in December 2020), 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.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 21. Financial instruments (Continued)

#### Sensitivity analysis

The Company and its subsidiaries should present a sensitivity analysis for each type of market risk originating from financial instruments and considered significant by management, to which the Company is exposed at each 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.

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 12/31/2021	50% decrease	25% decrease	Probable scenario	25% increase	50% increase
TR	(23,407)	-	-	-	-	-
CDI	14,823	862	1,293	1,725	2,156	2,587
IPCA	(976,934)	(24,661)	(36,992)	(49,322)	(61,653)	(73,983)
INCC	(1,049,444)	(38,335)	(57,503)	(76,671)	(95,838)	(115,006)
<b>Total</b>	<b>(2,034,962)</b>					

  

	-50%	-25%	Probable scenario	25%	50%
Index/rate	50% decrease	25% decrease	Probable scenario	25% increase	50% increase
CDI	5.82%	8.73%	11.63%	14.54%	17.45%
IPCA	2.52%	3.79%	5.05%	6.31%	7.57%
INCC	3.65%	5.48%	7.31%	9.13%	10.96%

## **Direcional Engenharia S.A.**

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### **21. Financial instruments (Continued)**

#### Business risk management

##### *Risk control system*

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

##### *Control over maximum cash exposure*

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

#### Demand risk management

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

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

### 21. Financial instruments (Continued)

#### 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.

	<b>Consolidated</b>	
	<b>12/31/2021</b>	<b>12/31/2020</b>
Loans and financing	<b>1,241,402</b>	1,031,168
(-) Cash and cash equivalents	<b>723,954</b>	731,569
(-) Short-term investments	<b>325,206</b>	195,360
(-) Derivatives	<b>(3,668)</b>	7,005
Net Debt	<b>195,910</b>	97,234
Payment of dividends	<b>100,147</b>	120,364
Share buyback	<b>31,965</b>	20,961
Sale of treasury shares	<b>(50,760)</b>	-
Equity	<b>1,458,804</b>	1,339,976
Net debt on equity	<b>13.43%</b>	7.25%

In the period ended December 31, 2021, the Company used R\$17,374 in cash, compared to a cash generation of R\$145,777 in 2020 (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 Notes 8 and 9. The Company and its subsidiaries recorded judicial deposits at December 31, 2021 of R\$16,097 (R\$15,928 at December 31, 2020) as part of the discussion of its contingent liabilities.

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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 1<sup>st</sup> and 2<sup>nd</sup> 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 2<sup>nd</sup> 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 individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, unless otherwise stated)

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

#### Shared-based payment (“Matching Program”) (Continued)

In 2020, the Company granted the beneficiaries of the share-based compensation plan the amount of R\$3,886, corresponding to 663,209 shares. Over year 2021, the Company granted R\$4.991 to the Plan beneficiaries, corresponding to 733,489 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 canceled (c)	Shares transferred (d)	Grants in force (a-b-c-d)
1 <sup>st</sup> Matching	2015	4 years	2017	<b>506,000</b>	444,800	61,200	127,557	317,243	-
1 <sup>st</sup> Matching	2017	4 years	2018	<b>450,000</b>	363,944	86,056	47,058	311,884	<b>5,002</b>
2 <sup>nd</sup> Matching	2017	4 years	2018	<b>1,760,000</b>	1,760,000	-	100,000	1,660,000	-
2 <sup>nd</sup> Matching	2018	4 years	2019	<b>360,000</b>	360,000	-	-	270,000	<b>90,000</b>
2 <sup>nd</sup> Matching	2018	4 years	2020	<b>170,923</b>	170,923	-	10,768	148,244	<b>11,911</b>
1 <sup>st</sup> Matching	2019	1 year	2020	<b>13,628</b>	13,628	-	1,286	12,134	<b>208</b>
2 <sup>nd</sup> Matching	2019	3 years	2020	<b>58,985</b>	58,985	-	4,559	50,320	<b>4,106</b>
1 <sup>st</sup> Matching	2019	3 years	2020	<b>9,662</b>	9,662	-	804	8,648	<b>210</b>
2 <sup>nd</sup> Matching	2019	3 years	2020	<b>52,888</b>	52,780	108	4,620	44,031	<b>4,129</b>
1 <sup>st</sup> Matching	2020	4 years	2020	<b>60,000</b>	60,000	-	-	15,000	<b>45,000</b>
2 <sup>nd</sup> Matching	2020	4 years	2020	<b>340,000</b>	340,000	-	-	85,000	<b>255,000</b>
1 <sup>st</sup> Matching	2020	4 years	2020	<b>8,105</b>	8,105	-	106	5,066	<b>2,933</b>
2 <sup>nd</sup> Matching	2020	4 years	2020	<b>55,947</b>	55,947	-	-	34,890	<b>21,057</b>
1 <sup>st</sup> Matching	2020	4 years	2021	<b>378,000</b>	367,600	10,400	4,400	-	<b>363,200</b>
2 <sup>nd</sup> Matching	2021	4 years	2021	<b>26,804</b>	26,804	-	236	4,144	<b>22,424</b>
2 <sup>nd</sup> Matching	2021	4 years	2021	<b>26,853</b>	26,703	150	-	6,126	<b>20,577</b>
<b>Total</b>				<b>4,277,795</b>	<b>4,119,881</b>	<b>157,914</b>	<b>301,394</b>	<b>2,972,730</b>	<b>845,757</b>

### 23. Insurance coverage

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 December 31, 2021, insurance coverage is as follows:

## Direcional Engenharia S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2021

(In thousands of reais – R\$, 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.	4,310,561
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.	88,345
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	638,364
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	225,514
Business insurance	Guarantees indemnification to the Company related to the events covered that take place in the commercial property leased, such as fire, lightning and explosion of any nature, and flood, riots, strike and lockout, windstorm, and smoke.	58,500
Civil liability (D&O)	Guarantees coverage of pain and suffering to the Company's Directors and Officers	60,000
Civil liability (D&O)	Guarantees coverage of "Multiple perils – cyber risks" insurance	16,000

### 24. Noncash transactions

	Individual		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
<b>Financing activities</b>	<b>2,512</b>	5,958	<b>2,510</b>	6,933
Right-of-use financing	<b>2,512</b>	3,180	<b>2,510</b>	4,155
Acquisition of shares – Treasury shares	-	2,778	-	2,778
<b>Investing activities</b>	<b>2,842</b>	45,781	<b>2,840</b>	46,867
Sale of equity interest	-	41,623	-	41,623
Restatement - Sale of equity interest	<b>330</b>	963	<b>330</b>	949
Acquisition of property and equipment - Lease	<b>2,512</b>	3,195	<b>2,510</b>	4,295